

Tokyo, February 25, 2022

To Our Shareholders

JAPAN TOBACCO INC.

Supplementary Explanation Regarding Proposition “Item 3: Partial Amendment to the Articles of Incorporation (ii)” to Be Submitted at the 37th Ordinary General Meeting of Shareholders

Japan Tobacco Inc. (JT) (TSE:2914) provides a supplementary explanation on its views for a proposition, “Item 3: Partial Amendment to the Articles of Incorporation (ii)” (hereinafter referred to as the “Proposition”), which we will submit to the 37th Ordinary General Meeting of Shareholders scheduled to be held on March 23, 2022. The details are as follows.

We sincerely ask you to understand backgrounds and request approval of this Proposition.

The purpose of the Proposition is to increase choices for the method for holding a General Meeting of Shareholders. If the Proposition is approved and the amendment to the articles of incorporation takes effect, in addition to the current physically-conducted shareholder meeting (Note 1) and the hybrid virtual shareholder meeting (Note 2), a virtual-only shareholders’ meeting (Note 3) will be available.

Since the pandemic of the novel coronavirus disease (COVID-19), practicing “A New Lifestyle” has been called for. Even in the post-COVID-19 world and under a new normal, there are concerns about a pandemic outbreak of a new infectious disease and occurrence of a large-scale disaster.

Under such environment, the Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts (Act No. 70 of 2021) was enforced on June 16, 2021, which enables listed companies that have received confirmation by the Minister of Economy, Trade and Industry and the Minister of Justice, to stipulate in their articles of incorporation that they may hold a virtual-only shareholders’ meeting, and listed companies that have this provision in the articles of incorporation may hold a virtual-only shareholders’ meeting. In addition, as a transitional measure considering the impact of COVID-19, listed companies that have received the aforementioned confirmation may be deemed as having the said provision in the articles of incorporation for two years from the date of enforcement of the Act.

Putting the highest priority on securing opportunities for dialogue, JT intends to continuously retain an option for holding a virtual-only shareholders' meeting for the future so that shareholders can attend a General Meeting of Shareholders even if it is physically difficult to go to the venue. In addition, JT believes that under such uncertain external circumstances, ensuring this option as early as possible will contribute to interests of shareholders. Therefore, JT presents the Proposition.

Having said that, in view of the current situation in Japan where practical treatment for virtual-only shareholders' meeting has not been established, JT has no plan to immediately hold a virtual-only shareholders' meeting under normal circumstances. Furthermore, in the case where dialogue with shareholders is particularly necessary, JT will never convene a virtual-only shareholders' meeting for the purpose of unfairly impairing the interests of shareholders who request to have a dialogue at a physical place.

When the Proposition is approved, giving the highest priority to guarantee of shareholders' rights and safety, JT will conduct careful consideration of the method of holding a General Meeting of Shareholders in light of societal requirements as well as circumstances of the moment surrounding shareholders and JT, and JT's Board of Directors will make a decision on said method.

JT recognizes that it is extremely important to establish a method of operation when a virtual-only shareholders' meeting is held. For the establishment of an infrastructure base for the IT system and the system of the shareholder registry administrator, the fair treatment for the exercise of voting rights, the establishment of measures against communication failure, the building of a support system for shareholders who are unfamiliar with the Internet, and the elimination of arbitrary operation in relation to enquiries from shareholders and shareholder propositions and motions, JT will comply with guidelines including the one issued by the Ministry of Economy, Trade and Industry, and after examining and preparing for fair treatment of shareholders in association with above matters from multifaceted perspectives, JT will establish an operation method that does not infringe on shareholders' rights, and make a decision through careful deliberation by the Board of Directors.

(Note 1) A General Meeting of Shareholders held at any physical place where Members of the Board, shareholders and others meet in person.

(Note 2) A General Meeting of Shareholders which, in addition to holding a physically-

conducted shareholder meeting, shareholders who are not at the venue for the physically-conducted shareholder meeting can attend, or at which such shareholders can check or hear deliberations using any means such as the Internet.

(Note 3) A General Meeting of Shareholders that Members of the Board, shareholders and others attend using any means such as the Internet, without any physical venue set.