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To Our Shareholders and Investors

Business Report

Volume 58

<Logo> Report on the Consolidated Financial Results for the First Six Months of the Fiscal Year Ending
December 31, 2017

<Logo> JT NEWS

<JT logo>

TOP MESSAGE

Operating profit at constant rates of exchange increased, driven by profit growth in the international tobacco and pharmaceutical businesses

Results for the first six months of the fiscal year ending December 31, 2017

Adjusted operating profit at constant rates of exchange, a key performance indicator across the Group, grew by 3.6% from the same period of the previous year despite a challenging business environment, amid a situation where solid performance of the international tobacco and pharmaceutical businesses outpaced a decrease in profit in the domestic tobacco and processed food businesses.

Revenue and adjusted operating profit on a financial reporting basis decreased by 2.9% and 1.2% from the same period of the previous year, respectively, mainly due to a decline in cigarette industry volume in the domestic tobacco business, and unfavorable foreign exchange effects in the international tobacco business. Operating profit and profit for the period both decreased, by 9.2% and 8.7% from the same period of the previous year, respectively, partially due to a lower gain on sales of real estate, in addition to the aforementioned factors.

In the international tobacco business, total shipment volume decreased by 3.3% in comparison with the same period of the previous year despite favorable performance in Iran, Taiwan and emerging markets, due in part to a relative decrease brought about by trade inventory enhancements made in the same period of the previous year, in addition to diminishing overall demand in various markets and intensifying competition. On the other hand, GFB shipment volume* remained largely unchanged from levels of the same period of the previous year, partially as a result of having gained greater market share in our key markets.

Calculated on a U.S. dollar basis at constant rates of exchange, core revenue remained at about the same level as in the same period of the previous year, and adjusted operating profit grew substantially by 9.1% largely due to positive effects of cost reductions achieved by optimizing manufacturing facilities having steadily taken hold.

On a financial reporting basis, core revenue decreased by 1.9% while adjusted operating profit increased by 0.5%, due to negative effects of foreign exchange amid depreciation of local currencies. Yen-based adjusted operating profit increased by 1.0% from the same period of the previous year amid positive effects of the weakening yen.

As for the domestic tobacco business, cigarette industry volume decreased by 11%, and total sales volume of cigarettes also decreased by a little over 11%, mainly due to a downward trend in that business along with effects of an expanding market for tobacco vapor products**. With respect to market share, despite retail price amendment involving Mevius in the previous year having had a negative effect on JT's market share, overall it remained on par with previous year levels amid robust performance generated by other focus brands. Natural American Spirit achieved growth and maintained sound momentum in terms of both sales volume and market share, amid drastically diminishing cigarette

industry volume. Core revenue decreased by 7.6% from the same period of the previous year despite effects of unit pricing brought on by retail price amendment of Mevius and former third-class products, due to negative effects of the downturn in total sales volume of cigarettes. Adjusted operating profit decreased by 7.4% despite factors such as a reduction in costs achieved through moves to optimize investment levels for cigarettes having partially offset effects of lower revenue.

In the pharmaceutical business, revenue and adjusted operating profit increased by ¥6.9 billion and ¥6.2 billion in comparison with the same period of the previous year, respectively, largely due to an increase in royalty revenue associated with growing sales of original JT compounds that have been out-licensed. In the processed food business, revenue and adjusted operating profit decreased by ¥2.5 billion and ¥1.0 billion in comparison with the same period of the previous year, respectively, due to a decline in sales of other products, despite growth in sales of seasonings.

Revised forecasts for the fiscal year ending December 31, 2017 (FY2017)

As for our Group-wide revised forecasts for FY2017, we have downwardly revised our forecast for adjusted operating profit at constant rates of exchange by ¥10.0 billion despite having expectations of favorable performance in the pharmaceutical business, to reflect effects of a further shifting environment in the domestic tobacco business. Although earnings for this fiscal term are bound to come up against further headwinds, we anticipate a 1.7% year-on-year increase in adjusted operating profit at constant rates of exchange due to expectations that include profit growth in the high single-digit in the international tobacco business, and steady contributions to profits generated by the pharmaceutical business.

As for financial results on a financial reporting basis encompassing foreign exchange effects, we have upwardly revised our forecasts for revenue and adjusted operating profit by ¥15.0 billion and ¥2.0 billion, respectively, upon having shifted to a positive view regarding the direction of exchange rate assumptions of the key local currencies against the U.S. dollar, and that of the U.S. dollar against the yen.

Although we have upwardly revised our forecast for operating profit by ¥5.0 billion partially as a result of having changed our outlook for adjusted operating profit, our forecast for profit for the year remains unchanged from our initial forecast in part due to the prospect of deteriorating financial gain (loss).

With respect to the dividend per share, our initial estimate for an annual dividend of ¥140 remains unchanged, and we plan to pay out an interim dividend of ¥70.

Heading toward the latter half of FY2017, although we anticipate decreasing overall demand in Japan and abroad along with further intensifying competition, we will implement measures to achieve profit growth over the full year as planned, and will steadily promote business investment geared to achieving future profit growth.

Going forward, we will continue adapting to changes in our business environment enlisting the entire Group on the basis of our “4S” model, and will aim to achieve mid to high single-digit profit growth over the mid- to long-term.

Mitsuomi Koizumi, President, Chief Executive Officer and Representative Director

<Photo>

* Global Flagship Brands (GFBs) consist of nine brands, which serve as flagships of the Group’s brand portfolio -Winston, Camel, Mevius, LD, Benson & Hedges, Glamour, Sobranie, Silk Cut and Natural American Spirit.

** Products in the “tobacco vapor products” category use tobacco leaf, but instead of burning it they use methods such as heating the leaf to generate vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy.

Consolidated results for the first six months of the fiscal year ending December 31, 2017

(Billions of yen)

| | From January to June 2016 | From January to June 2017 | Year-on-year change |
|---|------------------------------|------------------------------|------------------------|
| At constant rates of exchange | | | |
| Adjusted operating profit ^{*1} | 318.3 | 329.7 | +3.6% |
| On a financial reporting basis | | | |
| Revenue | 1,076.9 | 1,045.3 | -2.9% |
| Adjusted operating profit ^{*1} | 318.3 | 314.7 | -1.2% |
| Operating profit | 345.0 | 313.3 | -9.2% |
| Profit for the period ^{*2} | 247.1 | 225.6 | -8.7% |

(Billions of yen)

| | FY2017 initial forecasts | Revised forecasts | Difference from initial forecasts | Year-on-year change |
|---|-----------------------------|----------------------|---|------------------------|
| At constant rates of exchange | | | | |
| Adjusted operating profit ^{*1} | 607.0 | 597.0 | -10.0 | +1.7% |
| On a financial reporting basis | | | | |
| Revenue | 2,110.0 | 2,125.0 | +15.0 | -0.9% |
| Adjusted operating profit ^{*1} | 587.0 | 589.0 | +2.0 | +0.4% |
| Operating profit | 560.0 | 565.0 | +5.0 | -4.8% |
| Profit for the year ^{*2} | 402.0 | 402.0 | - | -4.7% |

Dividend per share

(Yen)

| | FY2016 results | FY2017 forecasts |
|---------------------------|----------------|------------------|
| Interim dividend | 64 | 70 |
| Year-end dividend | 66 | 70 |
| Annual dividend per share | 130 | 140 |

1. Adjusted operating profit = operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjustment items (income and costs)

* Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

*2. Profit attributable to owners of the parent company

International Tobacco Business

Key points this fiscal term

- Total shipment volume has decreased due to factors such as lower overall demand, intensifying competition and special factors* in the same period of the previous year
- GFB shipment volume has been strong partially due to growth in shares in our key markets
- Operating profit at constant rates of exchange has increased mainly due to positive effects of cost reductions having steadily taken hold

* Trade inventory enhancements in Europe during the same period of the previous year

Results summary

| | | Year-on-year change |
|---------------------------|--|----------------------------------|
| Total shipment volume | 193.2 billion cigarettes | -6.5 billion cigarettes -3.3% |
| GFB shipment volume | 140.8 billion cigarettes | +0.1 billion cigarettes +0.0% |
| Core revenue | At constant rates of exchange/ U.S. dollar-based 5,224 million dollars | -15 million dollars -0.3% |
| Adjusted operating profit | At constant rates of exchange/ U.S. dollar-based 1,886 million dollars | +157 million dollars +9.1% |

Market share (12 months moving average)

| | June 2016 | June 2017 | Year-on-year change |
|-----------------------|------------------|------------------|----------------------|
| France | 21.6% | 22.1% | +0.5%pt |
| Italy | 22.3% | 23.4% | +1.1%pt |
| Russia (GFB share) | 33.5% (24.4%) | 32.4% (24.6%) | -1.1%pt (+0.2%pt) |
| Spain | 22.5% | 23.4% | +0.9%pt |
| Taiwan | 39.3% | 41.0% | +1.7%pt |
| Turkey | 29.9% | 29.1% | -0.8%pt |
| U.K. | 42.1% | 40.9% | -1.2%pt |

Figures are rounded to the first decimal place.

Sources: IRI, Nielsen, Logista

Shipment volume

(Billions of cigarettes)

| | From January to June 2016 | From January to June 2017 |
|-------------------------------------|------------------------------|------------------------------|
| Total shipment volume ^{*1} | 199.7 | 193.2 |
| GFB shipment volume | 140.7 | 140.8 |

*1. Total shipment volume includes fine cut, cigars, pipe tobacco and snus but excludes contract manufactured products, waterpipe tobacco and emerging products.

Financial results

(Millions of dollar)

| | From January to June 2016 | From January to June 2017 |
|---|------------------------------|------------------------------|
| Core revenue ^{*2} | 5,239 | 5,141 |
| Core revenue at constant rates of exchange | – | 5,224 |
| Adjusted operating profit | 1,729 | 1,738 |
| Adjusted operating profit at constant rates of exchange | – | 1,886 |
| Yen-based adjusted operating profit | ¥193.1 billion | ¥195.1 billion |

*2. Includes revenue from waterpipe tobacco and emerging products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses

Domestic Tobacco Business

Key points this fiscal term

- Total sales volume of cigarettes has decreased due to a decline in cigarette industry volume brought about by a downward trend in that business and an expanding tobacco vapor market
- JT has maintained solid market share partially due to growth in market share of Natural American Spirit
- Revenue and profit have decreased due to a downturn in sales volume of cigarettes

Results summary

| | | Year-on-year change |
|----------------------------------|-------------------------|-----------------------------------|
| Total sales volume of cigarettes | 46.8 billion cigarettes | -5.9 billion cigarettes -11.2% |
| Core revenue | 294.4 billion yen | -24.2 billion yen -7.6% |
| Adjusted operating profit | 120.0 billion yen | -9.6 billion yen -7.4% |

Market share of JT and focus brands

| | From January to June 2016 | From January to June 2017 | Change |
|----------------------------------|------------------------------|------------------------------|---------|
| <Logo>JT | 61.1% | 61.0% | -0.1%pt |
| <Logo>Meivius | 31.5% | 31.1% | -0.4%pt |
| <Logo>Winston | 8.0% | 8.1% | +0.1%pt |
| <Logo>Seven Stars | 7.5% | 7.6% | +0.1%pt |
| <Logo>Natural American Spirit | 1.5% | 1.8% | +0.3%pt |

Figures are rounded to the first decimal place.

Sales volume of cigarettes

(Billions of cigarettes)

| | From January to June 2016 | From January to June 2017 |
|------------------------------------|------------------------------|------------------------------|
| Total sales volume of cigarettes*1 | 52.7 | 46.8 |

*1. Excludes sales volume of domestic duty free, the China business and emerging products

Financial results

(Billions of yen)

| | From January to June 2016 | From January to June 2017 |
|----------------------------|------------------------------|------------------------------|
| Core revenue ^{*2} | 318.6 | 294.4 |
| Adjusted operating profit | 129.6 | 120.0 |

*2. Includes revenue from domestic duty free, the China business and emerging products, but excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others

Pharmaceutical Business

Key points this fiscal term

- Revenue and profit have increased due to higher royalty revenue brought about by favorable sales of original JT compounds that have been out-licensed

Results summary

| | | Year-on-year change |
|---------------------------|------------------|-----------------------------|
| Revenue | 47.2 billion yen | +6.9 billion yen +17.1% |
| Adjusted operating profit | 9.0 billion yen | +6.2 billion yen +224.5% |

Financial results

(Billions of yen)

| | From January to June 2016 | From January to June 2017 |
|---------------------------|------------------------------|------------------------------|
| Revenue | 40.3 | 47.2 |
| Adjusted operating profit | 2.8 | 9.0 |

Processed Food Business

Key points this fiscal term

- Revenue and profit have decreased despite growth in sales of seasonings, due to a decline in sales of other products

Results summary

| | | Year-on-year change |
|---------------------------|------------------|----------------------------|
| Revenue | 77.5 billion yen | -2.5 billion yen -3.1% |
| Adjusted operating profit | 2.2 billion yen | -1.0 billion yen -30.9% |

Financial results

(Billions of yen)

| | From January to June 2016 | From January to June 2017 |
|---------------------------|------------------------------|------------------------------|
| Revenue | 79.9 | 77.5 |
| Adjusted operating profit | 3.1 | 2.2 |

FORWARD-LOOKING STATEMENTS

This material contains forward-looking statements. These statements appear in a number of places in this presentation and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) decrease in demand for tobacco products in key markets;
- (2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate;
- (3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;
- (4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
- (5) our ability to realize anticipated results of our acquisition or other similar investments;
- (6) competition in markets in which we operate or into which we seek to expand;
- (7) deterioration in economic conditions in areas that matter to us;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

Consolidated Financial Statements for the first six months of the fiscal year ending December 2017

Note: Yen amounts are rounded to the nearest million.

Consolidated statement of financial position

(Millions of yen)

| | As of December 31, 2016 | As of June 30, 2017 | Increase (Decrease) |
|--|----------------------------|------------------------|---------------------|
| Assets | | | |
| Current assets | 1,605,990 | 1,451,468 | (154,523) |
| Non-current assets | 3,138,384 | 3,166,897 | 28,513 |
| Property, plant and equipment | 680,835 | 686,138 | 5,303 |
| Goodwill | 1,601,987 | 1,629,796 | 27,809 |
| Intangible assets | 423,970 | 403,187 | (20,783) |
| Investment property | 18,184 | 18,633 | 449 |
| Retirement benefit assets | 23,680 | 24,230 | 549 |
| Investments accounted for using the equity method | 123,753 | 127,624 | 3,870 |
| Other financial assets | 99,358 | 115,432 | 16,074 |
| Deferred tax assets | 166,617 | 161,857 | (4,760) |
| Total assets | 4,744,374 | 4,618,364 | (126,010) |

(Millions of yen)

| | As of December 31, 2016 | As of June 30, 2017 | Increase (Decrease) |
|--|----------------------------|------------------------|---------------------|
| Liabilities and equity | | | |
| Liabilities | | | |
| Current liabilities | 1,356,574 | 1,079,846 | (276,728) |
| Non-current liabilities | 859,759 | 861,244 | 1,485 |
| Total liabilities | 2,216,333 | 1,941,090 | (275,243) |
| Equity | | | |
| Equity attributable to owners of the parent company | 2,456,091 | 2,604,611 | 148,519 |
| Share capital | 100,000 | 100,000 | – |
| Capital surplus | 736,400 | 736,410 | 10 |
| Treasury shares | (443,822) | (443,754) | 68 |
| Other components of equity | (303,554) | (262,045) | 41,509 |
| Retained earnings | 2,367,067 | 2,473,999 | 106,933 |
| Non-controlling interests | 71,950 | 72,664 | 714 |
| Total equity | 2,528,041 | 2,677,274 | 149,233 |
| Total liabilities and equity | 4,744,374 | 4,618,364 | (126,010) |

Consolidated statement of income

(Millions of yen)

| | Six months ended June 30, 2016 | Six months ended June 30, 2017 | Increase (Decrease) |
|--|-----------------------------------|-----------------------------------|---------------------|
| Revenue | 1,076,879 | 1,045,330 | (31,549) |
| Cost of sales | (433,713) | (410,511) | 23,202 |
| Gross profit | 643,166 | 634,819 | (8,347) |
| Other operating income | 59,904 | 32,268 | (27,637) |
| Share of profit in investments accounted for using the equity method | 2,649 | 3,484 | 835 |
| Selling, general and administrative expenses | (360,700) | (357,286) | 3,414 |
| Adjusted operating profit ^(Note) | 318,332 | 314,659 | (3,673) |
| Operating profit | 345,020 | 313,285 | (31,735) |
| Financial income | 3,880 | 2,921 | (959) |
| Financial costs | (9,536) | (13,294) | (3,758) |
| Profit before income taxes | 339,364 | 302,913 | (36,451) |
| Income taxes | (90,084) | (75,591) | 14,493 |
| Profit for the period | 249,280 | 227,322 | (21,958) |
| Attributable to: | | | |
| Owners of the parent company | 247,094 | 225,635 | (21,459) |
| Non-controlling interests | 2,186 | 1,687 | (499) |
| Profit for the period | 249,280 | 227,322 | (21,958) |

Note: Adjusted operating profit = operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjustment items (income and costs)*

* Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

Consolidated statement of comprehensive income

(Millions of yen)

| | Six months ended June 30, 2016 | Six months ended June 30, 2017 | Increase (Decrease) |
|-------------------------------------|-----------------------------------|-----------------------------------|---------------------|
| Profit for the period | 249,280 | 227,322 | (21,958) |
| Other comprehensive income | (324,847) | 41,412 | 366,259 |
| Comprehensive income for the period | (75,567) | 268,734 | 344,301 |
| Attributable to: | | | |
| Owners of the parent company | (76,232) | 267,027 | 343,259 |
| Non-controlling interests | 665 | 1,707 | 1,042 |
| Comprehensive income for the period | (75,567) | 268,734 | 344,301 |

Consolidated statement of cash flows

(Millions of yen)

| | Six months ended June 30, 2016 | Six months ended June 30, 2017 | Increase (Decrease) |
|--|-----------------------------------|-----------------------------------|---------------------|
| Cash flows from operating activities | (106,667) | 40,485 | 147,151 |
| Cash flows from investing activities | (579,547) | (52,555) | 526,992 |
| Cash flows from financing activities | 371,375 | (123,643) | (495,018) |
| Net increase (decrease) in cash and cash equivalents | (314,839) | (135,714) | 179,125 |
| Cash and cash equivalents at the beginning of the period | 526,765 | 294,157 | (232,608) |
| Effect of exchange rate changes on cash and cash equivalents | (20,944) | 2,038 | 22,981 |
| Cash and cash equivalents at the end of the period | 190,982 | 160,481 | (30,502) |

JT NEWS

June 2017

Sales of Ploom TECH launched in Tokyo

■ **Stores opened ahead of next year's nationwide sales expansion**

On June 29, JT launched sales of its Ploom TECH in Tokyo. Related accessories are also being sold, in addition to the Ploom TECH devices. Our aim is to create a core base of Ploom TECH fans ahead of the nationwide sales expansion efforts next year.

<Photo>

In addition to providing support for Ploom TECH lifestyles of product users, the Ploom Shop Ginza also features a café and gallery space that even non-smokers can enjoy

| Store format and aims | Size | Area |
|---|--|---|
| <p>Ploom Shops</p> <p>Ploom Shops are Ploom Tech specialty stores that enable customers to learn about the unique concept of the brand.</p> | <p>3 stores</p> <p>* Subsequently plan to progressively increase number of locations</p> | <ul style="list-style-type: none"> ● Ploom Shop Ginza Ginza AH Building B1 to 2F 3-5, Ginza 4-chome, Chuo-ku, Tokyo, Japan 11 a.m. to 9 p.m. ● Ploom Shop Shinjuku 3-chome Ecle Shinjuku 1F 11-6, Shinjuku 3-chome, Shinjuku-ku, Tokyo, Japan 11 a.m. to 9 p.m. ● Ploom Shop Nakameguro 4-3, Kamimeguro 3-chome, Meguro-ku, Tokyo, Japan 11 a.m. to 9 p.m. |
| <p>Ploom Collaboration Shops</p> <p>Ploom Collaboration Shops operate in with restaurants and other such establishments, and make it possible to view how customers benefit from products and use them.</p> | <p>5 stores</p> <p>* Subsequently plan to progressively increase number of locations</p> | <ul style="list-style-type: none"> ● essence café with Ploom TECH 25-7, Higashi 3-chome, Shibuya-ku, Tokyo, Japan 8 a.m. to 10 p.m. ● SIGN ALLDAY Daikanyama Station Building 19-4, Daikanyamacho, Shibuya-ku, Tokyo, Japan 9 a.m. to 11 p.m. ● café STUDIO YM Square 1F 31-10, Jingumae 4-chome, Shibuya-ku, Tokyo, Japan 11 a.m. to 11:30 p.m. ● Mercedes-Benz Connection / UPSTAIRS Mercedes-Benz Connection 2F 3-10, Roppongi 7-chome, Minato-ku, Tokyo, Japan 11 a.m. to 12 a.m. ● Rethink Lounge TORANOMON JT Building 1F 2-1, Toranomom 2-chome, Minato-ku, Tokyo Monday to Friday, 10 a.m. to 6 p.m. |

| Store format and aims | Size | Area |
|--|---|---|
| Ploom Stations Ploom Stations operate in conjunction with tobacco stores, and are geared to reaching new customers. | About 100 stores * Subsequently plan to progressively increase number of locations | Chiyoda-ku, Chuo-ku, Minato-ku, Shinjuku-ku, Shinagawa-ku and Shibuya-ku Further details regarding the stores available via the official website: https://www.ploom.jp (Japanese only) |

* As of July 26, 2017

■ Product lineup

Ploom TECH starters kit (with Carry case)

Now available with a soft carry case rather than the previous hard carry case, along with completely new packaging

Also comes with a USB docking station (charger).

Contents: a battery, USB docking station (charger), AC adapter and carry case

Suggested retail price: 4,000 yen (including taxes)

* For the purchase of *Ploom TECH starters kit*, online reservation will be required in advance through the official website.

<Logo>

Mevius Regular For Ploom TECH

Featuring an authentic tobacco taste, rich aroma and smooth smoking sensation

Mevius Cooler Green For Ploom TECH

Featuring a straightforward menthol taste, a crisp and clear aroma, plus a sharp, cool sensation

Mevius Cooler Purple For Ploom TECH

Featuring a fresh sweetness and tartness combined with an opulent berry and mint-flavored aroma, and a refreshing sensation

Contents: Five tobacco capsules and one cartridge

Retail price: 460 yen (including taxes)

* Ploom TECH tailor-made tobacco capsules have received retail price approval for their use as pipe tobacco from the Ministry of Finance.

■ About Ploom TECH

Ploom TECH devices produce substantially less smell thanks to JT's unique low-temperature heating method where tobacco leaf is neither burned nor heated to high temperatures. They also release almost no pollutants into the air. Because the devices do not produce the tobacco smoke smell or ash associated with combustion, users are able to enjoy Ploom TECH in various settings, in a manner that shows consideration to others in the vicinity.

As such, JT hopes this product will help bring about a society where smokers and non-smokers can coexist harmoniously.

* This page is intended as an explanation of the Group's business for shareholders. As such, it is not intended to promote product sales to customers or to encourage them to smoke.

Report of Shareholder Questionnaire Results

Thank you for participating in the questionnaire that was sent with the convocation notice for the 32nd Ordinary General Meeting of Shareholders. This time, the Company received an extremely large number of completed questionnaires, with about 46,000 shareholders participating.

The following are answers on complimentary gifts for shareholders (Shareholder Special Benefit Plan) and shareholding status.

Complimentary Gifts for Shareholders (Shareholder Special Benefit Plan)

Evaluation of this year's complimentary gifts for shareholders

| | |
|----------------------|-------|
| Satisfied | 21.1% |
| Rather satisfied | 24.7% |
| Average | 39.8% |
| Rather not satisfied | 11.1% |
| Not satisfied | 3.3% |

We are working to ensure that shareholders are provided with complimentary gifts that bring them greater satisfaction, drawing on the results of their evaluations.

The Company's Stock

How many shares of the Company's stock do you own?

| | |
|----------------|-------|
| 100 to 199 | 31.9% |
| 200 to 299 | 25.7% |
| 300 to 399 | 7.8% |
| 400 to 499 | 4.1% |
| 500 to 999 | 8.4% |
| 1,000 to 1,999 | 15.5% |
| 2,000 to 2,999 | 4.0% |
| 3,000 or more | 2.6% |

How long have you held the Company's stock?

| | |
|--|-------|
| Less than 6 months | 14.6% |
| Between 6 months and less than 1 year | 8.5% |
| Between 1 year and less than 3 years | 16.0% |
| Between 3 years and less than 5 years | 28.1% |
| Between 5 years and less than 10 years | 6.0% |
| 10 years or more | 26.8% |

Survey findings with respect to the length of time shareholders have held the Company's stock indicate that a large number of our shareholders have held the Company shares since our share offering in March 2013, with 28.1% of shareholders indicating "between 3 years and less than 5 years," and 26.8% of our shareholders indicating "10 years or more," which thereby includes our long-term shareholders who have maintained holdings since Japan Tobacco's initial public offering in 1994.

Holding of Stock

Reason for holding the Company's stock (top 5)

| | |
|---|-------|
| Expecting stability in business results | 19.0% |
| Attracted by dividends | 13.4% |
| Attracted by Shareholder Special Benefit Plan | 8.8% |
| Expecting growth in business results | 8.6% |
| Familiarity / brand power | 7.8% |

Once again this year, shareholders cited expectations of stability in the Group's business results as their top reason for holding the Company's stock. Accordingly, we aim to achieve sustainable profit growth over the mid- to long-term in order to meet the expectations of our shareholders. Moreover, many shareholders subsequently cited dividends as a reason for holding the Company's stock. In that regard, we aim to achieve consistent and sustainable growth with respect to dividends per share.

How to receive your complimentary gift

The Company offers complimentary gifts to shareholders comprised of items made by the Group so that they may get to know its products and increase their understanding of its businesses. Beginning in late September, the Company will give shareholders holding at least 100 shares of the Company as of June 30, 2017, and who have submitted an application by the deadline (August 28), their preferred complimentary gift. Beginning in early October, the Company will give shareholders who have not submitted an application by the deadline gifts from among those specified by the Company beforehand under the respective gift categories.

In addition, the Company plans to send out the JT calendar sometime between late November and early December, exclusively to those shareholders who have requested one via a JT Shareholder Special Benefit Plan application form submitted to us on or before the application deadline. The deadline for application to the JT calendar is August 28. Shareholders who wish to apply are kindly requested to contact the JT Shareholder Special Benefit Plan Office using the contact details shown below as early as possible.

The complementary gifts and JT calendars will be forwarded to the addresses of shareholders recorded in the shareholder registry as of June 30, 2017. Therefore, we ask that any shareholders who have yet to complete procedures for address change, or who otherwise will have changed their address, complete such procedures with their securities company, and furthermore inform the JT Shareholder Special Benefit Plan Office, shown below, in that regard.

Inquiries regarding complimentary gifts

JT Shareholder Special Benefit Plan Office

0120-791-187

Administrative agent: Mitsubishi UFJ Trust and Banking Corporation

Business hours: 9 a.m. to 5 p.m. on weekdays, excluding public holidays and the New Year holidays

(December 30 - January 4)

Report on factory tours

On June 22 and 23, 2017 factory tours for our shareholders were held at the JT Kansai Factory. Participants in the tours included shareholders and those accompanying them, selected by means drawing from among a pool of over 3,000 shareholder applicants. On the days of the event, participants were able to observe processes for manufacturing cigarettes, and were furnished with explanations profiling the Group and the factory. We intend to plan and offer more factory tours going forward in order to foster greater understanding of the Group's business operations and create opportunities for more extensive communication with our shareholders.

<Photo>

<Photo>

<Photo>

Feedback from tour participants

- The people working at the factory greeted us in a very pleasant manner.
- The factory interior was neat and well-organized.
- We were provided with clear explanations prior to the tours, which helped me to become much more familiar with JT.
- The people handling the tours were very hospitable toward us. I would like to take part again if there is another such opportunity in the future.

Donations through the Shareholder Special Benefit Plan

In the Shareholder Special Benefit Plan for shareholders as of December 31, 2016, we provided an option in which shareholders can opt to forego the complimentary gift and instead make a donation to reconstruction support in response to the Great East Japan Earthquake and the 2016 Kumamoto Earthquake. 2,516 shareholders chose to make a donation through this option.

These donations totaled ¥4,587,000, which were contributed through the Central Community Chest of Japan's "2nd Red Feather Disaster Relief Volunteer & NPO Support Fund" and "The Disaster Relief Volunteer & NPO Support Fund Kyushu" on June 9, 2017. We would like to express our sincere gratitude to all of the shareholders who chose to make a donation.

<Logo>

The Central Community Chest of Japan

The Central Community Chest of Japan is an alliance of community chests in all 47 prefectures of Japan. Under its Red Feather symbol, the organization carries out planning community chest campaigns nationwide, awareness enhancing advertising, research and study, and supporting community chest activities in prefectures.

The organization has a large role in the promotion of public welfare business in the private sector through such means as the acceptance and coordination of donation money for use from a broad perspective nationwide and donation money for use by several prefectures, and management of private grant funds, charitable trusts and other such funding.

Company Profile

Trade name: Japan Tobacco Inc.

Location of head office: JT Building, 2-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8422, Japan

Tel.: +81-3-3582-3111 (Main)

Fax: +81-3-5572-1441

<https://www.jti.co.jp/>

Established: April 1, 1985

Paid-in capital: ¥100 billion

Ordinary Shares (as of June 30, 2017)

Composition of shareholders

Public sector: 33.35%

Financial institutions: 17.86%

Individuals and others: 14.73%

Securities companies: 3.62%

Other institutions: 0.83%

Foreign institutions and others: 29.62%

Total number of shares authorized: 8,000,000,000 shares

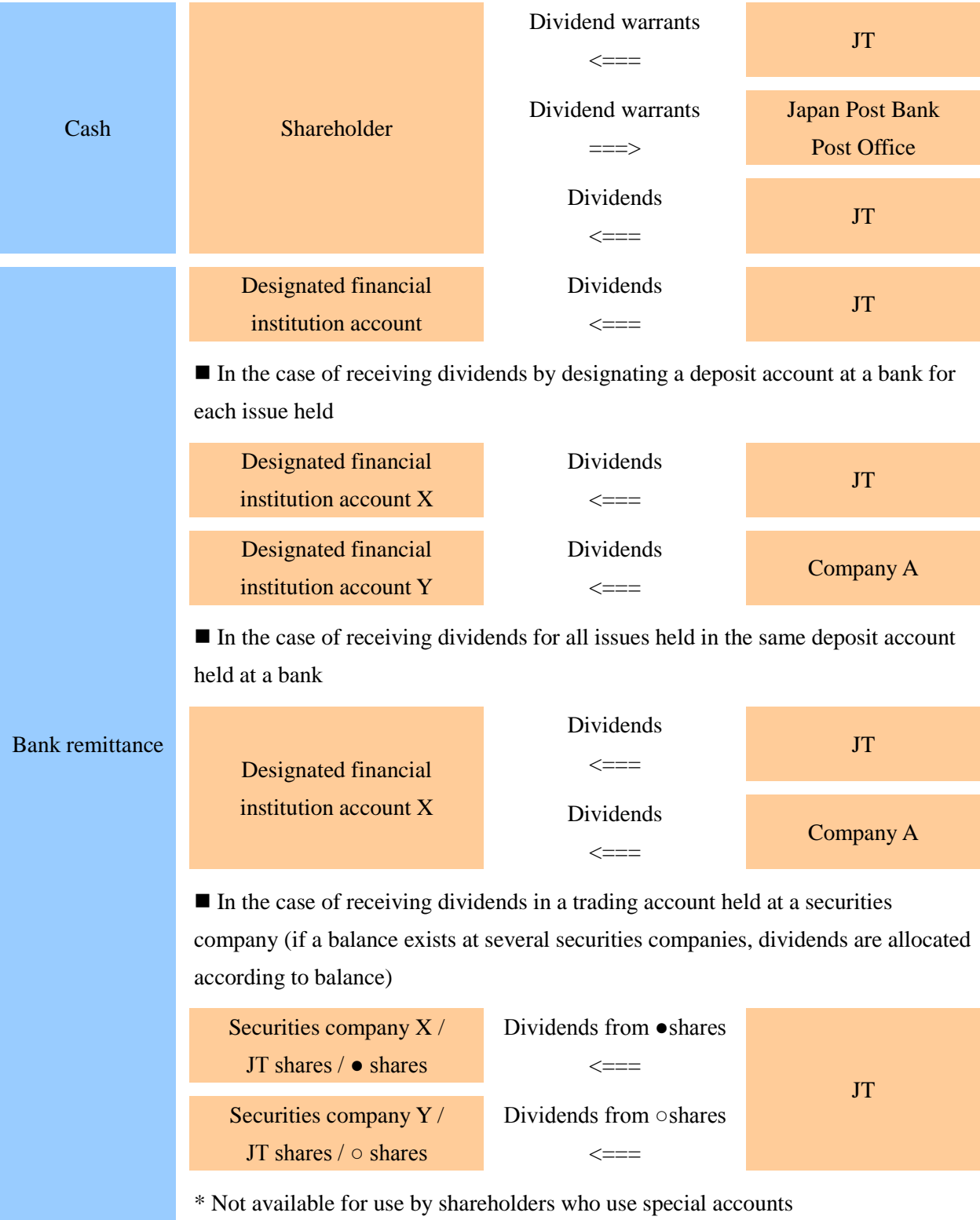
Total number of shares issued: 2,000,000,000 shares

(Number of treasury shares: 209,012,470 shares)

Number of shareholders: 157,869

How to receive dividends

Shareholders can receive dividends safely and securely by opting to receive them by bank remittance.



Memo for Shareholders

Closing date: December 31 of each year

Ordinary General Meeting of Shareholders: March of each year

Record date for year-end dividend: December 31 of each year

Record date for interim dividend: June 30 of each year

Share trading unit: 100 shares

Method of public notice:

Electronic public notice

Public notices will be posted on the Company's website: <https://www.jti.co.jp/>

* If the Company is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper.

Shareholder registry administrator/special-account managing institution:

Mitsubishi UFJ Trust and Banking Corporation

■ Office for handling business

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

■ Inquiry

1-1, Nikkocho, Fuchu-shi, Tokyo, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

0120-232-711 (toll-free number available only in Japan; 9 a.m. to 5 p.m. on weekdays)

■ Mailing address

P.O. Box No. 29, Shin-Tokyo Post Office, 137-8081, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

Concerning share handling procedures:

Shareholders are asked to contact the securities company where they have accounts.

Share Handling Procedures

Shareholders holding accounts with securities companies

[Procedures and contents of inquiries]

- Change in registered address, name
- Change in method to receive dividends or remittance account
- Requests for purchase or sale of shares less than one unit
- Notification of My Number identification number of shareholders whose shares are managed by securities companies* and similar matters

=> The securities company where the account is opened

- Shipment / return of mail items
- Dividends after the payment period has passed
- Problems including non-receipt of documents and loss of dividend warrants and similar matters

=> Mitsubishi UFJ Trust and Banking Corporation

Shareholders using special accounts

[All procedures and inquiries]

- Change in registered address, name
- Change in method to receive dividends or remittance account
- Requests for purchase or sale of shares less than one unit
- Shipment / return of mail items
- Dividends after the payment period has passed
- Notification of My Number identification number of shareholders not transacting business with a securities company*
- Other general inquiries on business concerning shares and similar matters

=> Inquiries

1-1, Nikkocho, Fuchu-shi, Tokyo, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

0120-232-711 (toll-free number available only in Japan; 9 a.m. to 5 p.m. on weekdays)

Mailing address

P.O. Box No. 29, Shin-Tokyo Post Office, 137-8081, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

* My Number identification number furnished by a shareholder's municipal government is required for tax-related procedures in relation to shareholdings. As such, we ask that shareholders provide their respective My Number identification number to securities companies and other entities handling transactions.

Members of the Board, Audit & Supervisory Board Members, and Executive Officers
(as of July 1, 2017)

■ Members of the Board

| | |
|--|------------------|
| Chairman of the Board | Yasutake Tango |
| President and Representative Director | Mitsuomi Koizumi |
| Executive Vice President and Representative Director | Yasushi Shingai |
| Executive Vice President and Representative Director | Mutsuo Iwai |
| Executive Vice President, Member of the Board | Hideki Miyazaki |
| Member of the Board | Motoyuki Oka * |
| Member of the Board | Main Kohda * |

* Mr. Motoyuki Oka and Ms. Main Kohda are Outside Directors provided for in Article 2, item 15 of the Companies Act.

■ Audit & Supervisory Board Members

| | |
|---|--------------------|
| Standing Audit & Supervisory Board Member | Futoshi Nakamura |
| Standing Audit & Supervisory Board Member | Tomotaka Kojima |
| Audit & Supervisory Board Member | Yoshinori Imai * |
| Audit & Supervisory Board Member | Hiroshi Obayashi * |

* Mr. Yoshinori Imai and Mr. Hiroshi Obayashi are Outside Audit & Supervisory Board Members provided for in Article 2, item 16 of the Companies Act.

* The Company has appointed Mr. Michio Masaki as a Substitute for Audit & Supervisory Board Member, in preparation against a situation where the number of Audit & Supervisory Board Members falls below the statutory required number.

■ Executive Officers

| | |
|--|--------------------|
| President, Chief Executive Officer | Mitsuomi Koizumi |
| Executive Vice President, Deputy Chief Executive Officer, Compliance, General Affairs, Legal, HR, Corporate Strategy, IT, Business Development and Operation Review & Business Assurance | Yasushi Shingai |
| Executive Vice President, President, Tobacco Business | Mutsuo Iwai |
| Executive Vice President, Finance, CSR and Communications | Hideki Miyazaki |
| Senior Vice President, Compliance and General Affairs | Ryoji Chijiiwa |
| Senior Vice President, President, Japanese Tobacco Business, Tobacco Business | Chito Sasaki |
| Senior Vice President, Head of China Division, Tobacco Business | Kazuhito Yamashita |
| Senior Vice President, Chief Marketing & Sales Officer, Tobacco Business | Shiroji Maeda |
| Senior Vice President, Corporate, Scientific & Regulatory Affairs Division, Tobacco Business | Junichi Fukuchi |

| | |
|---|---------------------|
| Senior Vice President, Head of Tobacco Business Planning Division, Tobacco Business | Koji Shimayoshi |
| Senior Vice President, Chief R&D Officer, Tobacco Business | Takehisa Shibayama |
| Senior Vice President, Manufacturing Group, Tobacco Business | Hirakazu Otomo |
| Senior Vice President, Head of Leaf Procurement Group, Tobacco Business | Kenji Ogura |
| Senior Vice President, Head of Quality Assurance Group, Tobacco Business | Hiroyuki Ikuma |
| Senior Vice President, President, Pharmaceutical Business | Muneaki Fujimoto |
| Senior Vice President, Head of Central Pharmaceutical Research Institute, Pharmaceutical Business | Shigenori Ohkawa |
| Senior Vice President, Chief Financial Officer | Naohiro Minami |
| Senior Vice President, CSR | Ryoko Nagata |
| Senior Vice President, Legal | Haruhiko Yamada |
| Senior Vice President, Human Resources | Kiyohide Hirowatari |
| Senior Vice President, Corporate Strategy and IT | Yuki Maeda |
| Senior Vice President, Business Development | Takehiko Tsutsui |
| Senior Vice President, Communications | Kei Nakano |
| Senior Vice President, General Affairs | Takanori Kikuchi |

Trends in Share Price

Share prices of the Company, from IPO on October 27, 1994 to July 2017 (closing prices on the TSE, monthly basis)

<Chart of share price>

First sale

Sale by bidding

Contract price ¥1,362,000 to ¥2,110,000 (fixed date of the contract price August 29, 1994)

Sale without bidding

Sale price ¥1,438,000 (fixed date of the sale price August 31, 1994)

Second sale

Sale price ¥815,000 (fixed date of the sale price June 17, 1996)

Third sale

Sale price ¥843,000 (fixed date of the sale price June 7, 2004)

Fourth sale

Sale price ¥2,949 (fixed date of the sale price March 11, 2013)

* Due to a stock split of 5-for-1 on April 1, 2006, and a stock split of 200-for-1 on July 1, 2012, stock prices reflect post-split levels.

Japan Tobacco Inc.

JT Building

2-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8422, Japan

Tel.: +81-3-3582-3111

URL: <https://www.jt.com/>