

[This is an English translation prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.]

To Our Shareholders and Investors

Business Report

Volume 60

<Logo> Report on the Consolidated Financial Results for the Fiscal Year Ended December 31, 2017

<Logo> JT NEWS

<JT logo>

## TOP MESSAGE

### **We have generated steady profit despite a challenging business environment**

#### **Results for the fiscal year ended December 31, 2017 (FY2017)**

In 2017, JT faced a challenging business environment marked by global business uncertainties, shifting political realities internationally and expanding geopolitical risk, in conjunction with factors in respective countries that include sagging overall demand, increasingly stringent regulations, rising taxes and price competition. Despite the volatile business environment, however, adjusted operating profit at constant rates of exchange, a key performance indicator across the Group, held at about the same level as in the previous year as a result of our having carried out business investment aggressively geared to future growth and adequately managing various risks.

As for business results on a financial reporting basis encompassing foreign exchange effects, revenue and adjusted operating profit held at about the same level as in the previous year, amid a situation where foreign currency effects in the international tobacco business remained limited.

Meanwhile, operating profit and profit for the year declined by 5.4% and 6.9% respectively in comparison with the previous year, mainly due to a lower gain on sales of real estate.

In the international tobacco business, total shipment volume remained at about the same level in comparison with the previous year despite solid performance in Iran and emerging markets and positive effects of acquisitions in the Philippines and Indonesia, mainly due to diminishing overall demand in various markets and intensifying competition. GFB\* shipment volume increased by 0.8% in comparison with the previous year, against a backdrop of firm growth in emerging markets and gains in market share in multiple key markets.

Calculated on a U.S. dollar basis at constant rates of exchange, core revenue remained at about the same level in comparison with the previous year, amid a scenario where positive effects of pricing initiatives were offset by adverse effects of lower sales volume. Meanwhile, adjusted operating profit grew by 4.0% in comparison with the previous year, despite the recording of a non-recurring loss, due to positive effects of manufacturing cost reductions having steadily taken hold.

On a U.S. dollar-based financial reporting basis, core revenue remained at about the same level in comparison with the previous year while adjusted operating profit increased by 1.4% amid a situation where negative effects of weakening of local currencies, notably the British pound, Turkish lira and other emerging market currencies, outpaced the positive effects of the strong Russian ruble. As for results on a yen basis, core revenue increased by 3.4% and adjusted operating profit increased by 4.5% in comparison with the previous year, amid positive effects of the weakening yen.

As for the domestic tobacco business, cigarette industry volume and total sales volume of cigarettes decreased by 12.9% and 12.5% respectively in comparison with the previous year, due to a downward trend in that business along with the expanding market for Reduced-Risk Products (RRP)\*\*.

With respect to market share for cigarettes, the total market share of JT brands increased by 0.3 percentage points from the previous year to 61.3%, amid robust performance generated by focus brands such as Mevius and Natural American Spirit. Thus we further solidified our No. 1 position in cigarettes. As for Ploom TECH, sales volume of capsules increased substantially in the fourth quarter fueled by progressive expansion of sales territory in line with rising capsule production capacity. Core revenue decreased by 9.1% in comparison with the previous year due to negative effects of the downturn in total sales volume of cigarettes, despite over ¥10.0 billion of growth in sales related to Ploom TECH, and also positive results of favorable pricing brought on by the retail price amendment of Mevius and other brands. Adjusted operating profit decreased by 10.7% in comparison with the previous year substantially due to effects of the decrease in core revenue, despite factors that include cost reductions achieved through moves to optimize investment levels for cigarettes.

In the pharmaceutical business, revenue increased by ¥17.5 billion in comparison with the previous year, while adjusted operating profit increased substantially by ¥14.4 billion, due to an increase in royalty revenue associated with growing sales of original JT compounds that have been out-licensed, and also due to growth in domestic sales of subsidiaries driven by favorable sales of anti-HIV drugs and other pharmaceuticals.

In the processed food business, although revenue decreased in comparison with the previous year, adjusted operating profit increased by ¥0.4 billion due to our sales efforts to focus on high-margin products as well as cost reduction and other means, making it the fifth consecutive year that we have achieved profit growth.

### **Forecasts for the fiscal year ending December 31, 2018 (FY2018)**

In 2018, although the challenging business environment is likely to persist, we are aiming to achieve year-on-year growth of 3.7% in adjusted operating profit at constant rates of exchange, a key performance indicator across the Group, while also steadily promoting investment in RRP and business investment geared to generating future profit growth particularly in terms of expanding our geographic footprint in emerging markets. With respect to our financial results forecast taking into account foreign currency effects, we anticipate year-on-year growth of 2.5% having factored in somewhat adverse effects involving foreign exchange mainly due to yen appreciation.

With respect to dividend per share for FY2018, under the policy of aiming to achieve consistent and sustainable growth of dividends while maintaining a strong financial base, we plan to pay an annual dividend of ¥150, increased by ¥10 over the previous annual dividend.

Masamichi Terabatake, 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. From 2018 the composition of our GFB portfolio is to be changed to the four brands - Winston, Camel, Mevius and LD.

\*\* RRP are products with potential to reduce the risks associated with smoking such as E-Vapor (E-cigarettes) and T-Vapor (Tobacco Vapor). T-Vapor products JT sells in Japan 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 fiscal year ended December 31, 2017 (FY2017)

(Billions of yen)

	FY2016 results	FY2017 results	Year-on-year change
<b>At constant rates of exchange</b>			
Adjusted operating profit* <sup>1</sup>	586.8	<b>583.2</b>	<b>-0.6%</b>
<b>On a financial reporting basis</b>			
Revenue	2,143.3	<b>2,139.7</b>	<b>-0.2%</b>
Adjusted operating profit* <sup>1</sup>	586.8	<b>585.3</b>	<b>-0.3%</b>
Operating profit	593.3	<b>561.1</b>	<b>-5.4%</b>
Profit for the year* <sup>2</sup>	421.7	<b>392.4</b>	<b>-6.9%</b>

Forecast for the fiscal year ending December 31, 2018 (FY2018)

(Billions of yen)

	FY2017 results	FY2018 forecasts	Difference from previous year	Year-on-year change
<b>At constant rates of exchange</b>				
Adjusted operating profit* <sup>1</sup>	<b>585.3</b>	<b>607.0</b>	<b>+21.7</b>	<b>+3.7%</b>
<b>On a financial reporting basis</b>				
Revenue	<b>2,139.7</b>	<b>2,220.0</b>	<b>+80.3</b>	<b>+3.8%</b>
Adjusted operating profit* <sup>1</sup>	<b>585.3</b>	<b>600.0</b>	<b>+14.7</b>	<b>+2.5%</b>
Operating profit	<b>561.1</b>	<b>561.0</b>	<b>-0.1</b>	<b>-0.0%</b>
Profit for the year* <sup>2</sup>	<b>392.4</b>	<b>394.0</b>	<b>+1.6</b>	<b>+0.4%</b>

Dividend per share

(Yen)

	FY2017 results	FY2018 forecasts
Interim dividend	70	75
Year-end dividend	70	75
Annual dividend per share	140	150

\*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 remains at prior-year level due to factors such as lower overall demand and intensifying competition
- 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

### Results summary

		Year-on-year change
Total shipment volume	398.5 billion cigarettes	-0.2 billion cigarettes -0.1%
GFB shipment volume	285.9 billion cigarettes	+2.2 billion cigarettes +0.8%
Core revenue	At constant rates of exchange/ U.S. dollar-based 10,457 million dollars	-33 million dollars -0.3%
Adjusted operating profit	At constant rates of exchange/ U.S. dollar-based 3,219 million dollars	+125 million dollars +4.0%

### Market share (12 months moving average)

	December 2016	December 2017	Year-on-year change
France	21.9%	22.0%	+0.1%pt
Italy	23.3%	23.1%	-0.2%pt
Russia (GFB share)	32.8% (24.7%)	33.2% (25.6%)	+0.4%pt (+0.9%pt)
Spain	22.8%	24.0%	+1.3%pt
Taiwan	39.9%	41.7%	+1.8%pt
Turkey	29.4%	28.8%	-0.6%pt
U.K.	41.7%	40.4%	-1.3%pt

Figures are rounded to the first decimal place.

Sources: Internal estimates, IRI, Nielsen, Logista

## Shipment volume

(Billions of cigarettes)

	From January to December 2016	From January to December 2017
Total shipment volume* <sup>1</sup>	398.7	398.5
GFB shipment volume	283.7	285.9

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

## Financial results

(Millions of dollar)

	From January to December 2016	From January to December 2017
Core revenue* <sup>2</sup>	10,490	10,498
Core revenue at constant rates of exchange	–	10,457
Adjusted operating profit	3,095	3,138
Adjusted operating profit at constant rates of exchange	–	3,219
Yen-based adjusted operating profit	¥336.2 billion	¥351.3 billion

\*2. Includes revenue from waterpipe tobacco and RRP, 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 market for RRP
- JT has maintained solid market share for cigarettes 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	92.9 billion cigarettes	-13.3 billion cigarettes -12.5%
Core revenue	590.6 billion yen	-59.1 billion yen -9.1%
Adjusted operating profit	232.3 billion yen	-27.9 billion yen -10.7%

### Market share of JT cigarettes and focus brands

	From January to December 2016	From January to December 2017	Change
<Logo>JT	61.1%	61.3%	+0.3%pt
<Logo>Mevius	31.4%	31.4%	-0.0%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 December 2016	From January to December 2017
Total sales volume of cigarettes* <sup>1</sup>	106.2	92.9

\*1. Excludes sales volume of domestic duty free, the China business and RRP



## Financial results

(Billions of yen)

	From January to December 2016	From January to December 2017
Core revenue <sup>*2</sup>	649.7	590.6
Adjusted operating profit	260.2	232.3

\*2. Includes revenue from domestic duty free, the China business and RRP, 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 significantly due to higher royalty revenue brought about by favorable sales of original JT compounds that have been out-licensed and strong sales at subsidiaries

### Results summary

		Year-on-year change
Revenue	104.7 billion yen	+17.5 billion yen +20.1%
Adjusted operating profit	24.1 billion yen	+14.4 billion yen +148.0%

### Financial results

(Billions of yen)

	From January to December 2016	From January to December 2017
Revenue	87.2	104.7
Adjusted operating profit	9.7	24.1

## Processed Food Business

Key points this fiscal term

- Profit has increased through our sales efforts to focus on higher margin products and cost reduction. As a result, we achieved profit growth for the fifth consecutive year.

### Results summary

		Year-on-year change
Revenue	163.1 billion yen	-0.9 billion yen -0.6%
Adjusted operating profit	5.4 billion yen	+0.4 billion yen +8.0%

### Financial results

(Billions of yen)

	From January to December 2016	From January to December 2017
Revenue	164.1	163.1
Adjusted operating profit	5.0	5.4

## 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 fiscal year ended 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 December 31, 2017	Increase (Decrease)
<b>Assets</b>			
Current assets	1,605,990	1,707,767	101,777
Non-current assets	3,138,384	3,513,717	375,333
Property, plant and equipment	680,835	745,607	64,772
Goodwill	1,601,987	1,891,210	289,223
Intangible assets	423,970	479,175	55,205
Investment property	18,184	16,700	(1,484)
Retirement benefit assets	23,680	51,377	27,696
Investments accounted for using the equity method	123,753	81,253	(42,501)
Other financial assets	99,358	114,970	15,612
Deferred tax assets	166,617	133,425	(33,192)
<b>Total assets</b>	<b>4,744,374</b>	<b>5,221,484</b>	<b>477,109</b>

(Millions of yen)

	As of December 31, 2016	As of December 31, 2017	Increase (Decrease)
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Current liabilities	1,356,574	1,478,623	122,049
Non-current liabilities	859,759	900,833	41,074
<b>Total liabilities</b>	<b>2,216,333</b>	<b>2,379,456</b>	<b>163,123</b>
<b>Equity</b>			
Equity attributable to owners of the parent company	2,456,091	2,761,687	305,596
Share capital	100,000	100,000	–
Capital surplus	736,400	736,400	–
Treasury shares	(443,822)	(443,636)	186
Other components of equity	(303,554)	(167,338)	136,215
Retained earnings	2,367,067	2,536,262	169,195
Non-controlling interests	71,950	80,340	8,390
<b>Total equity</b>	<b>2,528,041</b>	<b>2,842,027</b>	<b>313,986</b>
<b>Total liabilities and equity</b>	<b>4,744,374</b>	<b>5,221,484</b>	<b>477,109</b>

## Consolidated statement of income

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Increase (Decrease)
Revenue	2,143,287	2,139,653	(3,634)
Cost of sales	(872,433)	(843,558)	28,875
Gross profit	1,270,854	1,296,094	25,241
Other operating income	70,101	45,724	(24,377)
Share of profit in investments accounted for using the equity method	6,489	6,194	(295)
Selling, general and administrative expenses	(754,115)	(786,911)	(32,796)
Adjusted operating profit <sup>(Note)</sup>	586,777	585,300	(1,477)
Operating profit	593,329	561,101	(32,227)
Financial income	6,618	4,780	(1,839)
Financial costs	(21,710)	(27,349)	(5,639)
Profit before income taxes	578,237	538,532	(39,705)
Income taxes	(152,464)	(141,783)	10,681
Profit for the year	425,773	396,749	(29,025)
Attributable to:			
Owners of the parent company	421,695	392,409	(29,286)
Non-controlling interests	4,078	4,340	261
Profit for the year	425,773	396,749	(29,025)

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)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Increase (Decrease)
Profit for the year	425,773	396,749	(29,025)
Other comprehensive income	(190,523)	157,449	347,973
Comprehensive income for the year	235,250	554,198	318,948
Attributable to:			
Owners of the parent company	231,590	549,309	317,719
Non-controlling interests	3,660	4,889	1,229
Comprehensive income for the year	235,250	554,198	318,948

Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2016	Fiscal year ended December 31, 2017	Increase (Decrease)
Cash flows from operating activities	376,549	419,212	42,663
Cash flows from investing activities	(687,509)	(352,632)	334,877
Cash flows from financing activities	91,318	(77,032)	(168,350)
Net increase (decrease) in cash and cash equivalents	(219,643)	(10,452)	209,190
Cash and cash equivalents at the beginning of the year	526,765	294,157	(232,608)
Effect of exchange rate changes on cash and cash equivalents	(12,965)	1,782	14,748
Cash and cash equivalents at the end of the year	294,157	285,486	(8,670)

## JT NEWS

### JT Group Products

#### Introducing New Food Products

*Mentai Cream Udon Noodles made with Kanefuku mentaiko (spicy cod roe)*

Preparation: Microwave

1 serving / 238g

- Featuring a rich *mentaiko* (spicy cod roe) cream sauce exquisitely balanced with springy *udon* noodles

<Photo>

<Photo>

Comments from person in charge:

Arashi Asano, Product Development Division, Marketing & Sales Division, TableMark Co., Ltd.

This item is a much-anticipated new product in a series of popular, convenient and easy-to-prepare noodle offerings containing other ingredients packaged in a single tray. Enjoy the palatable and profound flavor of this product, which combines *mentaiko* of the well-known, premium-quality Kanefuku brand in a rich *mentaiko* cream sauce made with fresh dairy cream and butter with springy textured sanuki *udon* noodles.

<Photo>

*Shiitake-no-nikuzume (plumpest of shiitake mushrooms filled with meat)*

Preparation: Microwave

4 servings / 120g

- Pleasantly-textured tender shiitake mushrooms infused with a *dashi* broth and stuffed with ground chicken from Japan, roasted to perfection

*Tannen-jikomi Authentic Sanuki Udon Noodles* won the Japan Food Selection grand prize

<Photo>

TableMark's *Tannen-jikomi Authentic Sanuki Udon Noodles 3 packs* product has been awarded the top-ranking grand prize in the 26th Japan Food Selection event. Sponsored by the Japan Food Analyst Association, Japan Food Selection is Japan's first such initiative for evaluating food products and ingredients.

Ever since it first went on sale in 2013, the *Tannen-jikomi Authentic Sanuki Udon Noodles 3 packs* product has maintained a favorable reputation as a food item that offers the enjoyment of firm, velvety and springy-textured noodles. We urge you to take notice of this food item which is now sold in commemorative packaging to mark the product's achievement in having received the grand prize.

<Photo>

*Skewered Satsuma-age (fishcake)*

Preparation: Microwave or thawed at room temperature

Pack of 5 / 100g

- Ideal as a satisfying snack containing five kinds of vegetables inside a fishcake batter that has the unique sweetly seasoned taste of *satsuma-age*.

<Photo>

Comments from person in charge:

Kensuke Yamamoto, Product Planning Division, Product Planning and Development Division, KS Frozen Foods Co., Ltd.

This convenience food item consists of skewers of sweetly seasoned *satsuma-age* containing five kinds of vegetables (*edamame*, ginger, carrots, onions and green onions). *Skewered Satsuma-age* is a perfect snack to accompany an evening drink after returning home from work. The product packaging is conspicuously illustrated with a drawing depicting a man who conveys the notion of relaxation after a hard day's work. We urge you to try this food item.

Renewal of two long-selling products

KS Frozen Foods has substantially revamped its *Meatballs made of meat from Japan* product after having marked 45 years since it first went on sale. The product upgrade has involved causing rice eaten with the food item to go further by improving the texture and meatiness of the individual meatballs as a result of making them one and a half times larger, and otherwise giving them more substance by adding oyster-sauce flavoring to the product's sweet and sour sauce containing brown sugar and dark rice vinegar. Moreover, a 45-year commemorative logo has been added to the package design.

We have also revamped the packaging for our *Skewered Japanese Chicken Meatballs (teriyaki)* product which is celebrating 25 years since first going on sale, and have accordingly added a 25-year commemorative logo to its design. This food item is well worth a try.

<Photo>

<Photo>



## JT NEWS

### Introducing New Tobacco Products

Tobacco leaf with a menthol taste

*Natural American Spirit Organic Mint*

In late February, JT launched sales of its new Natural American Spirit brand product.

<Logo>

*Natural American Spirit Organic Mint*

Featuring 100% menthol derived from organic mint

This product contains 100% natural menthol derived from mint certified as organically grown.

It offers the pleasure of authentic tobacco taste in conjunction with a mellow menthol sensation of its aged tobacco leaf blend unique to the Natural American Spirit brand.

Tar: 12mg

Nicotine: 1.5mg

Price: ¥480 (containing 20 cigarettes)

Comments from person in charge:

Kento Ichinose, Brand Manager, Brand Planning Division, Japan Tobacco Inc.

We introduced this product targeting the category of cigarettes containing no less than 10 mg of menthol, which is in a tar level zone where we had previously not placed a product. This follows on our positioning a product in the regular 1 mg category upon initiating sales of our *Natural American Spirit Organic Leaf One* product launched in October 2017.

As such, we are now able to offer a complete lineup of products extending from low tar to high tar content with respect to both regular and menthol cigarettes, thereby providing our customers with options tailored to their preferences in terms of both taste and tar level.

Going forward, we will continue to work toward further enhancing value of the Natural American Spirit brand.

<Photo>

\* 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 on factory tours

On November 10 and 11, 2017 factory tours for our shareholders were held at the Uonuma Mizunosato Factory of TableMark Co., Ltd. Participants in the tours included shareholders and those accompanying them, selected by means drawing from among a pool of over 2,000 shareholder applicants. On the days of the event, participants were able to observe processes for manufacturing frozen *udon* noodles and packaged rice, try samples of *udon* noodles, and were furnished with explanations profiling the Group. We intend to plan and offer more factory tours going forward in order to foster greater understanding of the Group and create opportunities for more extensive communication with our shareholders.

<Photo>

<Photo>

<Photo>

### Feedback from tour participants

- We were provided with meticulous explanations that were easy to understand.
- It was obvious that the employees are extremely mindful when it comes to hygiene.
- Previously, I had normally eaten the complementary gifts for shareholders sent to me without giving it much thought, but I will probably savor those gifts more now as I think back on the processes involved in making the food items. I also hope to buy TableMark brand products when I go shopping at retail stores.
- The *udon* noodles that I sampled were delicious. I am fairly certain that visitors to the factory will want to buy some.
- I gained a detailed understanding of the factory's manufacturing processes.
- The tour was definitely worthwhile. I would like to take part in the tours again if the opportunity arises.

## Donations through the Shareholder Special Benefit Plan

In the Shareholder Special Benefit Plan for shareholders as of June 30, 2017, 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. 2,515 shareholders chose to make a donation through this option.

These donations totaled ¥4,565,000, 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 January 12, 2018. 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 December 31, 2017)

### Composition of shareholders

Public sector: 33.35%

Financial institutions: 18.62%

Individuals and others: 16.31%

Securities companies: 3.26%

Other institutions: 1.02%

Foreign institutions and others: 27.44%

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

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

(Number of treasury shares: 208,956,589 shares)

Number of shareholders: 205,939

## How to receive dividends

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

Cash	Shareholder	Dividend warrants ←===	JT
		Dividend warrants ===>	Japan Post Bank Post Office
		Dividends ←===	JT
		Dividends ←===	JT
Bank remittance	Designated financial institution account	Dividends ←===	JT
	<p>■ In the case of receiving dividends by designating a deposit account at a bank for each issue held</p>		
	Designated financial institution account X	Dividends ←===	JT
	Designated financial institution account Y	Dividends ←===	Company A
	<p>■ In the case of receiving dividends for all issues held in the same deposit account held at a bank</p>		
	Designated financial institution account X	Dividends ←===	JT
		Dividends ←===	Company A
	<p>■ In the case of receiving dividends in a trading account held at a securities company (if a balance exists at several securities companies, dividends are allocated according to balance)</p>		
	Securities company X / JT shares / ● shares	Dividends from ● shares ←===	JT
	Securities company Y / JT shares / ○ shares	Dividends from ○ shares ←===	
* Not available for use by shareholders who use special accounts			

## 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

## 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 March 27, 2018)

■ Members of the Board

Chairman of the Board	Yasutake Tango
President and Representative Director	Masamichi Terabatake
Executive Vice President and Representative Director	Mutsuo Iwai
Executive Vice President and Representative Director	Naohiro Minami
Executive Vice President and Representative Director	Kiyohide Hirowatari
Member of the Board	Main Kohda*
Member of the Board	Koichiro Watanabe*

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

■ Audit & Supervisory Board Members

Standing Audit & Supervisory Board Member	Tomotaka Kojima
Standing Audit & Supervisory Board Member	Ryoko Nagata
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.

■ Executive Officers

President, Chief Executive Officer	Masamichi Terabatake
Executive Vice President, President, Tobacco Business	Mutsuo Iwai
Executive Vice President, Chief Financial Officer and Communications	Naohiro Minami
Executive Vice President, Compliance, General Affairs, Legal, Corporate Strategy, IT, CSR, HR and Operation Review & Business Assurance	Kiyohide Hirowatari
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, 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, Legal	Haruhiko Yamada
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
Senior Vice President, CSR	Chigusa Ogawa
Senior Vice President, Human Resources	Koichi Mori

#### Trends in Share Price

Share prices of the Company, from IPO on October 27, 1994 to February 2018 (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.