

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

## **ARTICLES OF INCORPORATION**

NIHON TOBAKO SANGYO KABUSHIKI KAISHA

(JAPAN TOBACCO INC.)

**NIHON TABAKO SANGYO KABUSHIKI KAISHA**  
**ARTICLES OF INCORPORATION**

**CHAPTER I.      GENERAL PROVISIONS**

**Article 1. (Corporate Name)**

1. This Company, organized and incorporated by the Japan Tobacco Inc. Law, shall be called Nihon Tabako Sangyo Kabushiki Kaisha (hereinafter referred to as "the Company").
2. The Company shall be known in English as Japan Tobacco Inc.

**Article 2. (Corporate Object)**

The object of the Company shall be to engage in any and all of the following business activities:

- (1) manufacture, sale and import of manufactured tobacco;
- (2) manufacture and sale of manure, agrochemicals, agricultural materials and gardening supplies and the production and sale of seedlings and gardening plants;
- (3) management and operation of sports facilities, hotels and restaurants;
- (4) warehousing;
- (5) lease, purchase and sale, mediating purchase and sale and appraisal and management of real estate holdings;
- (6) design, execution, administration and undertaking of engineering and construction works;
- (7) manufacture and sale of tobacco smoking articles and the processing and sale of articles of clothing and daily necessities utilizing tobacco designs;
- (8) manufacture and sale of soft drinks, confectionery and seasonings and the processing and sale of processed food;
- (9) manufacture and sale of machinery and instruments for making manufactured tobacco, vending machines, precision machines and instruments and other general industrial machines and instruments;
- (10) lease of personal estates;
- (11) engineering related to the manufacturing facilities of manufactured tobacco, foods and agricultural materials;
- (12) manufacture and sale of pharmaceuticals and aromatic products;
- (13) printing;
- (14) any and all businesses relating to the items above; and
- (15) any and all businesses necessary for attaining the object of the Company other than those mentioned in the preceding items.

**Article 3. (Location of Principal Office)**

The Company shall have its principal office at Minato-ku, Tokyo.

**Article 4. (The Organs of the Company)**

The Company, in addition to General Meeting of Shareholders and Directors, shall have the following organs:

- (1) Board of Directors
- (2) Statutory Auditors
- (3) Board of Statutory Auditors
- (4) Accounting Auditors.

**Article 5. (Method of Public Notice)**

1. Public notices by the Company shall be published by way of electric public notice. Where the electric public notice is impossible from unavoidable circumstances, the public notice may be published in the Nihon Keizai Shimbun.
2. Notwithstanding the provision under the preceding paragraph, public notices, to be given under the provisions of the Tobacco Business Law, shall be subject to regulations prescribed by the ministerial ordinance of the Ministry of Finance.

## **CHAPTER II.     SHARES**

**Article 6. (Total Number of Shares being able to be Issued)**

The total number of shares being able to be issued by the Company shall be forty million (40,000,000).

**Article 7. (Acquisition of the Company's Own Shares)**

The Company may acquire its own shares through market trading, etc. by resolution of the Board of Directors pursuant to the provision of paragraph 2 of Article 165 of the Companies Act.

**Article 8. (Share Handling Regulations)**

Procedures and fees relating to the share and subscription rights to shares of the Company shall be in accordance with laws and regulations, these Articles of Incorporation as well as the rules relating to handling of shares established by the Board of Directors.

**Article 9. (Notification of Address, etc.)**

1. Shareholders, registered pledgees of shares or their statutory agents or representatives shall file their names and addresses with the Company. The same shall apply in the event of changes thereof.
2. Shareholders, registered pledgees of shares or their statutory agents or representatives, residing in a foreign country shall establish a temporary address or an agent in Japan and shall report to the Company thereon. The same shall apply in the event of changes thereof.
3. The provisions of paragraph 1 above shall apply mutatis mutandis to the aforementioned agent.

4. The Company shall not be liable for any damages incurred with respect to individuals failing to make reports in accordance with paragraphs 1 to 3 above.

**Article 10. (Record Date)**

1. The Company shall deem any shareholder whose name appears in the latest Registry of Shareholders on March 31st of every year to be the shareholder who is entitled to exercise his rights in the ordinary General Meeting of Shareholders each respective business year.
2. In addition to the preceding paragraph and the other Articles herein, where deemed necessary, the Company, by the resolution of the Board of Directors and by issuing prior public notice, shall be entitled to deem any shareholder or registered pledgee of shares whose name appears in the latest Registry of Shareholders to be the shareholder and the registered pledgee of shares who is entitled to exercise his/her rights.

**Article 11. (Administrator of the Registry of Shareholders)**

1. The Company shall have an Administrator of the Registry of Shareholders.
2. The Administrator of the Registry of Shareholders and its place of business shall be designated by resolution of the Board of Directors and announced in a public notice.
3. The preparation and retention of the Company's registry of shareholders and registry of subscription rights to shares as well as other business related to the registry of shareholders and registry of subscription rights to shares shall be handled by the Administrator of the Registry of Shareholders and shall not be handled by the Company.

### **CHAPTER III. GENERAL MEETING OF SHAREHOLDERS**

**Article 12. (Convocation)**

1. The ordinary General Meeting of Shareholders of the Company shall be convened in June of every year and the extraordinary General Meeting of Shareholders may be convened at any time when deemed necessary by the president based on the resolution of the Board of Directors.
2. In such case that the president is unable to do so due to some unexpected incident, one of the other Directors shall act on his behalf in the order, as fixed in advance by the Board of Directors.
3. The General Meeting of Shareholders of the Company may be convened at the location of the Company's principal office or its neighborhood.

**Article 13. (The Chairman of General Meeting of Shareholders)**

1. The President of the Company shall preside at the General Meeting of Shareholders and act as its chairman.
2. In such case that the President is unable to preside due to some unexpected incident, one of the other Directors shall act on his behalf in the order, as fixed in advance by the Board of Directors.

**Article 14. (Deemed provision of the disclosure via the Internet of reference materials, etc. for General Meeting of Shareholders)**

When convening the General Meeting of Shareholders, the Company may be deemed to have provided shareholders with necessary information that should be described or presented in statutory documents, including reference materials for the General Meeting of Shareholders, business reports, non-consolidated and consolidated financial reports, if they are disclosed via the Internet in accordance with the ministerial ordinance of Ministry of Justice.

**Article 15. (Resolution)**

1. Unless otherwise specifically provided for by laws and regulations or hereby, the resolution of the General Meeting of Shareholders shall be adopted by a majority of the votes of the shareholders who are present at the meeting and entitled to exercise their voting rights.
2. The special resolution for General Meeting of Shareholders as provided under paragraph 2 of Article 309 of the Companies Act shall be adopted by two-thirds or more of votes of the shareholders present at the meeting where the shareholders holding one-third of the total number of voting rights of shareholders who are entitled to exercise their voting rights are present.

**Article 16. (Vote by Proxy)**

1. A shareholder or his/her statutory representative may delegate one shareholder of the Company holding a voting right, to exercise his/her voting rights as a proxy. Provided, however, that if a shareholder is a governmental agency, a local public body or a legal entity, one government official, one local public service employee or one employee of that legal entity, respectively, may act as proxy in exercising the voting rights.
2. In order for a shareholder or his/her statutory representative to nominate a proxy to exercise such voting right, a power of attorney must be presented to the Company before each General Meeting of Shareholders.

**CHAPTER IV. DIRECTORS AND BOARD OF DIRECTORS**

**Article 17. (Number of Directors)**

The number of the Company's Directors shall be fifteen (15) or less.

**Article 18. (Election of Directors)**

1. The resolution for the election of Directors shall be adopted by a majority of the votes of the shareholders present at the meeting where the shareholders holding one-third of the total number of voting rights of shareholders who are entitled to exercise their voting rights are present.
2. The resolution provided for under the previous paragraph shall not be made by cumulative voting.

**Article 19. (Term of Office of Directors)**

1. The term of office of a Director shall expire at the close of the ordinary General Meeting of Shareholders for the latest business year ending within two years after his/her election.
2. The term of office of a Director who is elected to fill a vacancy or in addition to those already in office shall be conterminous with the remaining term of office of the other Directors in office.

**Article 20. (Representative Director and Executive Director)**

1. The Company shall elect one President and, as the needs arises, one Chairman of the Board, and a certain number of Executive Deputy Presidents, from among the Directors, by the resolution of the Board of Directors.
2. The President has the authority to represent the Company.
3. Besides the President, the Company may appoint by the resolution of the Board of Directors a certain number of Executive Directors who have the authority to represent the Company.
4. The President presides, oversees and manages the business of the Company in accordance with the resolution of the Board of Directors.
5. Executive Deputy Presidents shall execute the business of the Company as assistants to the president.
6. In such case that the President is unable to perform his/her duty due to some unexpected incident, the other Directors in the order fixed in advance by the resolution of the Board of Directors shall act on his/her behalf.

**Article 21. (Board of Directors)**

1. The President shall convene the meeting of the Board of Directors and shall preside over the meeting as its chairman.
2. In the case where the Company appoints the Chairman of the Board, notwithstanding the provisions of the previous paragraph, the Chairman of the Board shall convene the meeting and shall preside over the meeting as its chairman; provided, however, that, if the Chairman of the Board is unable to perform his/her duty due to some unexpected incident, the President may convene the meeting and act as its chairman.
3. For the convocation of the meeting of the Board of Directors, a notice thereon shall be given no later than three (3) days in advance of the date of the meeting to each Director and Statutory Auditor; provided, however, that this three-day prior notice may be shortened when the convocation of the meeting is urgent.
4. If a Director makes a proposal on any agenda concerning the objectives of the Board of Directors and all Directors who may participate in the voting for such agenda unanimously agree to his/her proposal in writing or by electromagnetic records, the Company shall deem that such proposal is adopted by resolution of the Board of Directors unless objected by a Statutory Auditor.
5. Other matters of the Board of Directors shall be in accordance with the rules of the Board of Directors adopted by the resolution of the Board of Directors.

**Article 22. (Counselors and Advisors)**

1. The Company, by the resolution of the Board of Directors, may appoint a certain number of Counselors and Advisors.
2. The Counselors shall report to the President on the general business affairs of the Company, while the Advisors shall report to the President on specific matters.

**Article 23. (Limitation of Liability of Directors)**

1. In accordance with the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt any Director (including any former Director) from the liabilities under Article 423, paragraph 1 of the Companies Act, to the extent permitted by laws and ordinances.
2. In accordance with the provision of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with Outside Directors to limit the liability under Article 423, paragraph 1 of the Companies Act to the amount provided by laws and ordinances.

**CHAPTER V. STATUTORY AUDITORS AND BOARD OF STATUTORY AUDITORS**

**Article 24. (Number of Statutory Auditors)**

The number of the Company's Statutory Auditors shall be four (4) or less.

**Article 25. (Election of Statutory Auditors)**

The resolution for the election of Statutory Auditors shall be adopted by a majority of votes of the shareholders present at the meeting where the shareholders holding one-third of the total number of voting rights of shareholders who are entitled to exercise their voting rights are present.

**Article 26. (Term of Office of Statutory Auditors)**

1. The term of office of a Statutory Auditor shall expire at the close of the ordinary General Meeting of Shareholders for the latest business year ending within four years after his/her election.
2. The term of office of a Statutory Auditor newly elected to fill the vacancy left by a predecessor shall be the same as the remaining term of office of his/her predecessor.

**Article 27. (Board of Statutory Auditors)**

1. For the convocation of the meeting of the Board of Statutory Auditors, a notice thereon shall be given no later than three (3) days in advance of the date of the meeting to each Statutory Auditor. This three-day prior notice may be shortened when the convocation of the meeting is urgent.
2. Other matters of the Board of Statutory Auditors shall be governed by the rules of the Board of Statutory Auditors adopted by the resolution of the Board of Statutory Auditors.

**Article 28. (Limitation of Liability of Statutory Auditors)**

1. In accordance with the provisions of Article 426, paragraph 1 of the Companies Act, the Company may, by resolution of the Board of Directors, exempt any Statutory Auditor (including any former Statutory Auditor) from the liabilities under Article 423, paragraph 1 of the Companies Act, to the extent permitted by laws and ordinances.
2. In accordance with the provisions of Article 427, paragraph 1 of the Companies Act, the Company may enter into an agreement with Outside Statutory Auditors to limit liability under Article 423, paragraph 1 of the Companies Act to the amount provided by laws and ordinances.

**CHAPTER VI. ACCOUNTING****Article 29. (Business Year)**

The business year of the Company shall commence on April 1st and end on March 31st of the ensuing year.

**Article 30. (Year-End Dividends)**

1. By resolution of the General Meeting of Shareholders, the Company shall pay monetary dividends of its retained earnings (hereinafter referred to as "Year-End Dividends") to the shareholders or registered pledgees of shares who are recorded in the Registry of Shareholders as of March 31 of every year.
2. With respect to Year-End Dividends, the Company shall be exempted from the obligation to pay Year-End Dividends when such dividends fail to be collected within a period of three (3) years reckoned from the commencing day of the payment of such dividends.
3. No interest shall accrue on Year-End Dividends during the period as mentioned in paragraph 2.

**Article 31. (Interim Dividends)**

1. By resolution of the Board of Directors, the Company may pay dividends of its retained earnings as prescribed in paragraph 5 of Article 454 of the Companies Act (hereinafter referred to as "Interim Dividends") to the shareholders or registered pledgees of shares who are recorded in the Registry of Shareholders as of September 30th of every year.
2. The provisions of paragraphs 2 and 3 of Article 29 hereof are applicable mutatis mutandis to the payment of Interim Dividends.

**SUPPLEMENTAL PROVISIONS****Article 1. (Shares to be Issued upon Incorporation of the Company)**

The total number of shares to be issued upon the incorporation of the Company is two million.

The issuing price of one share is four hundred eighteen thousand and two hundred yen (¥ 418,200) and of this issuing price, the amount not included into the capital is three hundred sixty eight thousand and two hundred yen (¥ 368,200).

**Article 2. (Initial Investment upon Incorporation of the Company)**

Upon incorporation of the Company, the Japan Tobacco & Salt Public Corporation will invest all of its assets and liabilities in compliance with the provisions of Article 6 of the Supplemental Provisions of Nihon Tabako Sangyo Kabushiki Kaisha Law, excepting those provided for separately by laws and regulations. The total value of net assets so invested amounts to eight hundred thirty six point four billion yen (¥ 836.4 billion), which is in exchange for two million shares issued.

**Article 3. (Term of Office of the Initially Elected and Auditors)**

The term of office of the Directors and auditors of the Company elected at the time of the incorporation of the Company shall expire at the close of the first ordinary General Meeting of Shareholders to be held subsequent to their election.

**Article 4. (Costs of Incorporation)**

The costs of incorporation of the Company shall not exceed ten million yen (¥ 10 million.)

ON MARCH 20, 1985      ORIGINAL ARTICLES OF INCORPORATION WAS APPROVED BY  
MINISTER OF FINANCE

ON JUNE 24, 2011      LATEST AMENDMENT TO THE ARTICLES OF INCORPORATION  
APPROVED BY MINISTER OF FINANCE