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To Our Shareholders and Investors

Business Report

Volume 54

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TOP MESSAGE

Robust business performance fuels steady profit growth at constant rates of exchange

Results for the first six months of the fiscal year ending December 31, 2016, and revised forecast for the fiscal year ending December 31, 2016

In the first six months of the fiscal year ending December 31, 2016, we achieved top-line growth in all our areas of business, along with a gain of 14.3% in adjusted operating profit at constant rates of exchange, a key performance indicator across the Group, driven by robust business momentum in the international tobacco business.

In the international tobacco business, adjusted operating profit at constant rates of exchange increased by 17.7%, partially due to shipment volume growth stemming from strong performance of Global Flagship Brands (GFBs)* coupled with positive effects of acquisitions, and also due to positive results from favorable pricing in respective countries.

Yen-based adjusted operating profit decreased by 9.3% due to negative effects of U.S. dollar exchange rates against the Russian ruble and other local currencies combined with yen appreciation.

In the domestic tobacco business, sales volume decreased by 0.7%, amid a situation where the positive effects of acquiring the Natural American Spirit business outside the U.S. partially offset declining overall demand and a downturn in sales volume brought about by retail price amendment of Mevius and other brands.

Meanwhile, adjusted operating profit increased by 3.0% due to favorable pricing through the retail price amendment of Mevius, and also due to other factors such as the effect of measures to strengthen competitiveness implemented in March 2015.

Both the pharmaceutical business and the processed food business achieved profit growth exceeding results of the same period of the previous fiscal year. For the pharmaceutical business, this mainly reflected an increase in royalty income and higher one off milestone revenues, while for the processed food business, this mainly reflected top-line growth combined with a decrease in costs of raw materials resulting from cost-cutting initiatives.

As for our forecasts for the fiscal year ending December 31, 2016, we upwardly revised our projection for adjusted operating profit at constant rates of exchange by ¥7.0 billion to reflect favorable performance achieved up through the first six months of the fiscal year. The new figure constitutes an 8.5% year-on-year increase. Meanwhile, our projection for adjusted operating profit on a financial reporting basis taking into account foreign currency effects was also upwardly revised by ¥7.0 billion, given a situation where reassessment in a positive direction of U.S. dollar exchange rates against local currencies was offset by negative effects of the strong yen.

Our forecasts for operating profit and profit for the year have also been revised upward, largely due to an increase in adjusted operating profit.

With respect to dividends, our initial estimate for an annual dividend of ¥128 remains unchanged, and we plan to pay out an interim dividend of ¥64 per share.

Heading toward the latter half of the fiscal year, the challenging business environment is likely to persist amid adverse factors such as declining overall demand in the international tobacco business particularly in Russia, combined with intensifying competition in the domestic tobacco business. Amid these conditions, we will steadily undertake business investment geared to achieving more substantial profit growth in the future.

Going forward, we will keep working toward developing our ability to adapt to changes, which is our strength, on the basis of our “4S” model, while pursuing our aim of achieving “mid to high single digit growth” in adjusted operating profit at constant rates of exchange over the mid- to long-term.

Mitsuomi Koizumi, President, Chief Executive Officer and Representative Director

<Photo>

- * GFBs (Global Flagship Brands) 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.

Results for the first six months of the fiscal year ending December 31, 2016 ^(Note)

(Billions of yen)

	From January to June 2015	From January to June 2016	Year-on-year change
Revenue	1,095.2	1,076.9	-1.7%
Adjusted operating profit ^{*1}	328.9	318.3	-3.2%
Adjusted operating profit at constant rates of exchange	-	375.8	+14.3%
Profit for the period ^{*2}	211.6	247.1	+16.8%

Revised forecast for the fiscal year ending December 31, 2016 (FY2016) ^(Note)

(Billions of yen)

	FY2015 results	FY2016 initial forecasts	FY2016 revised forecasts	Difference from initial forecasts	Year-on-year change
Revenue	2,252.9	2,200.0	2,120.0	-80.0	-5.9%
Adjusted operating profit	626.7	562.0	569.0	+7.0	-9.2%
Adjusted operating profit at constant rates of exchange	626.7	673.0	680.0	+7.0	+8.5%
Profit for the year ^{*2}	398.5	399.0	409.0	+10.0	+2.6%

Dividend per share

(Yen)

	FY2015 results	FY2016 forecasts	Year-on-year change
Interim dividend	54	64	–
Year-end dividend	64	64	–
Annual dividend per share	118	128	–

1. Adjusted operating profit = operating profit + amortization cost of acquired intangibles + 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

Note: Results for January to June 2015 and for FY2015, have been presented on a continuing operations basis for use as comparative data.

International Tobacco Business

In the first six months of the fiscal year ending December 31, 2016, total shipment volume*¹ increased by 4.4% due to an ongoing situation of healthy market share and positive effects of acquisitions, in addition to effects of inventory adjustments that arose during the first three months of the fiscal year. Moreover, GFB shipment volume grew by 6.7% largely due to strong performance in Europe and other markets. Adjusted operating profit on a U.S. dollar basis, excluding foreign exchange effects, increased by 17.7% as a result of robust pricing and firm GFB performance. However, adjusted operating profit on a financial reporting basis decreased by 2.3% due to effects of unfavorable foreign exchange with respect to the Russian ruble and other local currencies against the U.S. dollar following on the January to March period. Yen-based results also decreased, with adjusted operating profit having fallen by 9.3% due to substantial negative effects of yen appreciation.

Shipment volume

(Billions of cigarettes)

	From January to June 2015	From January to June 2016	Year-on-year change
Total shipment volume* ¹	191.2	199.7	+4.4%
GFB shipment volume	131.9	140.7	+6.7%

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

Market share (12 months moving average)

	June 2015	June 2016	Year-on-year change
France	21.1%	21.6%	+0.5%pt
Italy	20.0%	22.0%	+2.0%pt
Russia (GFB share)	34.2% (24.1%)	33.4% ^{*2} (24.4% ^{*2})	-0.8%pt (+0.3%pt)
Spain	22.1%	22.5% ^{*2}	+0.4%pt
Taiwan	39.0%	39.3%	+0.4%pt
Turkey	30.8%	29.9% ^{*2}	-0.9%pt
U.K.	41.6%	42.1%	+0.6%pt

Figures in the “June 2016” column represent market share over the period from July 2015 to June 2016. However, figures marked by “*2” represent market share over the period from June 2015 to May 2016.

Results

(Millions of dollar)

	From January to June 2015	From January to June 2016	Year-on-year change
Core revenue ^{*3}	5,061	5,239	+3.5%
Core revenue at constant rates of exchange	–	5,700	+12.6%
Adjusted operating profit	1,770	1,729	-2.3%
Adjusted operating profit at constant rates of exchange	–	2,083	+17.7%
Yen-based adjusted operating profit	¥212.9 billion	¥193.1 billion	-9.3%

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

Domestic Tobacco Business

Total sales volume ^{*4} slightly decreased by 0.7% because positive effects of acquiring the Natural American Spirit business outside the U.S. partially offset a downturn in sales volume brought about by decreasing overall demand and the retail price amendment of Mevius and other brands, amid a competitive environment which remains severe. Market share of the Mevius brand decreased due to the effect of the retail price amendment, but market share of JT increased by 1.2 percentage points partially as a result of having added the Natural American Spirit business outside the U.S.

Core revenue ^{*5} increased by 2.1%, against a backdrop of having added the Natural American Spirit brand in the premium-priced category and other factors such as the retail price amendment of the Mevius brand. Adjusted operating profit increased by 3.0% due to the aforementioned factors plus positive effects of

measures to strengthen competitiveness, implemented in March 2015.

Sales volume

(Billions of cigarettes)

	From January to June 2015	From January to June 2016	Year-on-year change
Total sales volume ^{*4}	53.1	52.7	-0.7%

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

Market share of JT and Mevius

	From January to June 2015	From January to June 2016	Year-on-year change
Market share of JT	60.0%	61.1%	+1.2%pt
Market share of Mevius	32.2%	31.5%	-0.7%pt

Results

(Billions of yen)

	From January to June 2015	From January to June 2016	Year-on-year change
Core revenue ^{*5}	312.2	318.6	+2.1%
Adjusted operating profit	125.8	129.6	+3.0%

*5. 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

In the pharmaceutical business, revenue increased by ¥5.5 billion year on year to ¥40.3 billion, and adjusted operating profit improved by ¥4.9 billion to ¥2.8 billion. This is a result of higher royalty revenue from Stribild[®] and other products, along with contribution from one off milestone revenue associated with progress made in developing an original JT compound that has been out-licensed, arising in the first three months of the fiscal year.

Pharmaceutical business: Items in clinical development (as of August 1, 2016)

<In-house development>

Code (generic name)	Potential indication/ dosage form	Mechanism		Phase	Note
emtricitabine/ tenofovir alafenamide	HIV infection/ Oral	Nucleoside reverse transcriptase inhibitor	Suppresses blood HIV levels by inhibiting the activity of reverse transcriptase, an enzyme involved in the replication of HIV.	Preparing to file (Japan)	In-license (Gilead Sciences)
JTT-851	Type 2 diabetes mellitus/Oral	G protein-coupled receptor 40 agonist	Decreases blood glucose by stimulation of glucose-dependent insulin secretion.	Phase 2 (Japan) Phase 2 (Overseas)	In-house
JTZ-951	Anemia associated with chronic kidney disease/Oral	HIF-PHD inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PHD.	Phase 2 (Japan) Phase 1 (Overseas)	In-house
JTE-052	Autoimmune/ allergic diseases/ Oral, Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase 2 (Japan)	In-house
JTE-051	Autoimmune/ allergic diseases/ Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase 1 (Overseas)	In-house
JTT-251	Type 2 diabetes mellitus/Oral	PDHK inhibitor	Decreases blood glucose by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase 1 (Overseas)	In-house
JTK-351	HIV infection/ Oral	HIV integrase inhibitor	Suppresses blood HIV levels by inhibiting the activity of integrase, an enzyme involved in the replication of HIV.	Phase 1 (Japan)	In-house
JTE-451	Autoimmune/ allergic diseases/ Oral	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase 1 (Overseas)	In-house
JTT-751 (ferric citrate)	Iron-deficiency anemia/Oral	Oral iron replacement	Corrects iron-deficiency anemia by using absorbed Iron for synthesis of hemoglobin.	Phase 2 (Japan)	In-license (Keryx Biopharmaceuticals) Co-development with Torii *additional indication

Note: Clinical trial phase presented above is based on the first dose.

<Licensed compounds>

Compound (JT's code)	Licensee	Mechanism	
trametinib	Novartis	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK Kinase (MEK1/2).
Anti-ICOS monoclonal antibody	MedImmune	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.
JTE-052	LEO Pharma	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.

Updates since the previous announcement on May 2, 2016:

<In-house development>

- The Company obtained manufacturing and marketing approval of Genvoya[®] Combination Tablets in Japan on June 17, 2016.
- JTE-451 has entered the clinical trial stage (Phase 1) overseas.
- JTT-751 (ferric citrate) has entered the clinical trial stage (Phase 2) in Japan.

Processed Food Business

In the processed food business, revenue increased by ¥0.4 billion year on year, and adjusted operating profit increased by ¥2.0 billion mainly as a result of lower costs of raw materials due to cost-cutting initiatives and the yen appreciation.

Results

(Billions of yen)

	From January to June 2015	From January to June 2016	Year-on-year change
Revenue	79.5	79.9	+0.4
Adjusted operating profit	1.1	3.1	+2.0

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

The Group classified the Beverage Business as discontinued operations in the previous fiscal year. As a result, profit (loss) from discontinued operations for the six months ended June 30, 2015 is presented separately from that from continuing operations as “profit for the period from discontinued operations.”

Note: Yen amounts are rounded to the nearest million.

Consolidated statement of financial position

(Millions of yen)

	As of December 31, 2015	As of June 30, 2016	Increase (Decrease)
Assets			
Current assets	1,798,217	1,395,718	(402,500) ^{*1}
Non-current assets	2,760,017	2,964,516	204,498
Property, plant and equipment	681,865	636,447	(45,418)
Goodwill	1,429,287	1,510,315	81,028 ^{*2}
Intangible assets	332,478	429,001	96,523 ^{*2}
Investment property	23,614	19,193	(4,421)
Retirement benefit assets	38,954	31,750	(7,204)
Investments accounted for using the equity method	59,523	55,294	(4,229)
Other financial assets	101,727	102,045	318
Deferred tax assets	92,570	180,471	87,901 ^{*2}
Total assets	4,558,235	4,360,233	(198,001)

(Millions of yen)

	As of December 31, 2015	As of June 30, 2016	Increase (Decrease)
Liabilities and equity			
Liabilities			
Current liabilities	1,265,920	1,189,402	(76,518) ^{*3}
Non-current liabilities	770,790	838,753	67,963
Total liabilities	2,036,710	2,028,155	(8,555)
Equity			
Equity attributable to owners of the parent company	2,451,596	2,261,927	(189,669)
Share capital	100,000	100,000	—
Capital surplus	736,400	736,400	—
Treasury shares	(444,333)	(443,962)	371
Other components of equity	(137,122)	(446,626)	(309,504) ^{*4}
Retained earnings	2,196,651	2,316,116	119,464 ^{*5}
Non-controlling interests	69,929	70,151	222
Total equity	2,521,524	2,332,078	(189,446)
Total liabilities and equity	4,558,235	4,360,233	(198,001)

- *1. Current assets: Decreased due to the effect of lower cash and cash equivalents.
- *2. Goodwill, intangible assets and deferred tax assets: Increased due to the acquisition of the Natural American Spirit business outside the U.S.
- *3. Current liabilities: Tobacco excise tax payable decreased due to a calendar-based effect and others, despite an increase in short-term borrowings due to bridge loans related to the acquisition of the Natural American Spirit business outside the U.S.
- *4. Other components of equity: Decreased due to the foreign exchange effects.
- *5. Retained earnings: Increased due to the inclusion of earnings from the parent company interests.

Consolidated statement of income

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Increase (Decrease)
Continuing operations			
Revenue	1,095,221	1,076,879	(18,342)
Cost of sales	(439,581)	(433,713)	5,868
Gross profit	655,640	643,166	(12,474)
Other operating income	2,436	59,904	57,469
Share of profit in investments accounted for using the equity method	2,844	2,649	(195)
Selling, general and administrative expenses	(362,127)	(360,700)	1,427
Adjusted operating profit ^(Note)	328,852	318,332	(10,520)
Operating profit	298,792	345,020	46,227
Financial income	8,894	3,880	(5,014)
Financial costs	(7,506)	(9,536)	(2,029)
Profit before income taxes	300,180	339,364	39,184
Income taxes	(86,486)	(90,084)	(3,598)
Profit for the period from continuing operations	213,694	249,280	35,586
Discontinued operations			
Profit for the period from discontinued operations	(17)	–	–
Company-wide basis (Continuing and discontinued operations combined)			
Profit for the period	213,677	249,280	35,603
Attributable to:			
Owners of the parent company	211,466	247,094	35,628
Non-controlling interests	2,211	2,186	(25)
Profit for the period	213,677	249,280	35,603

Note: Adjusted operating profit = operating profit + amortization cost of acquired intangibles ± 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, 2015	Six months ended June 30, 2016	Increase (Decrease)
Profit for the period	213,677	249,280	35,603
Other comprehensive income	(56,382)	(324,847)	(268,465)
Comprehensive income for the period	157,295	(75,567)	(232,862)
Attributable to:			
Owners of the parent company	155,343	(76,232)	(231,575)
Non-controlling interests	1,952	665	(1,287)
Comprehensive income for the period	157,295	(75,567)	(232,862)

Consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2015	Six months ended June 30, 2016	Increase (Decrease)
Cash flows from operating activities	43,145	(106,667)	(149,812)
Cash flows from investing activities	(66,595)	(579,547)	(512,952) ^{*6}
Cash flows from financing activities	(23,001)	371,375	394,376 ^{*7}
Net increase (decrease) in cash and cash equivalents	(46,451)	(314,839)	(268,387)
Cash and cash equivalents at the beginning of the period	385,820	526,765	140,945
Effect of exchange rate changes on cash and cash equivalents	4,268	(20,944)	(25,212)
Cash and cash equivalents at the end of the period	343,637	190,982	(152,655)

*6. Cash flows from investing activities:

Cash outflows increased due to acquisition of the Natural American Spirit business outside the U.S.

*7. Cash flows from financing activities:

Increased due to short-term borrowings and issuance of bonds related to the acquisition of the Natural American Spirit business outside the U.S.

Report of Shareholder Questionnaire Results

Thank you for participating in the questionnaire that was sent with the convocation notice for the 31st Ordinary General Meeting of Shareholders. This time, the Company received an extremely large number of completed questionnaires, with about 37,000 shareholders participating.

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

Shareholder Special Benefit Plan

Evaluation of this year’s complimentary gifts for shareholders

Satisfied	22.6%
Rather satisfied	25.5%
Average	37.5%
Rather not satisfied	11.0%
Not satisfied	3.4%

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 breakdown of shareholders’ choices of complimentary gifts were: rice set (48.4%), cup-type instant noodles and rice assortment set (25.3%), soup and seasonings assortment set (13.8%), frozen udon noodle set (8.0%), rusk and jam assortment set (2.7%) and donation (1.7%).

The Company’s Stock

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

100 to 199	29.7%
200 to 299	26.9%
300 to 399	7.6%
400 to 499	4.0%
500 to 999	7.8%
1,000 to 1,999	17.7%
2,000 to 2,999	3.7%
3,000 or more	2.3%
None at present	0.3%

How long have you held the Company's stock?

Less than 6 months	4.2%
Between 6 months and less than 1 year	6.8%
Between 1 year and less than 3 years	42.4%
Between 3 years and less than 5 years	8.5%
Between 5 years and less than 10 years	5.3%
10 years or more	32.8%

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 42.4% of shareholders indicating "between 1 year and less than 3 years," and 32.8% 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

Expecting stability in business results	19.1%
Attracted by dividends	10.9%
Expecting growth in business results	9.6%
Attracted by Shareholder Special Benefit Plan	8.6%
Familiarity / brand power	7.8%
Sound financial composition	6.5%
Global business expansion	5.7%
Attracted by future development of pharmaceutical business	5.3%
Position / predominance in sector	4.7%
Recommendation from securities company	3.9%

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, 2016, their preferred complimentary gift in accordance with respective numbers of shares held. The complimentary gifts to be provided include merchandise from TableMark Co., Ltd., Fuji Foods Corporation and Saint-Germain Co., Ltd.

The deadline for application to the complimentary gifts is August 31, 2016. 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.

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 of August 31, 2016. Since the complimentary gifts will be forwarded to the addresses of shareholders recorded in the shareholder registry as of June 30, 2016, we would like to request any shareholders who changed their address in July or later as a result of moving, etc. to inform the JT Shareholder Special Benefit Plan Office.

Please also carry out the address change procedures at the securities company where you have your account.

For those shareholders using special accounts, we ask that you carry out the procedures at Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

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)

Donations through the Shareholder Special Benefit Plan to support reconstruction in the aftermath of the Great East Japan Earthquake

In the Shareholder Special Benefit Plan for shareholders as of December 31, 2015, 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. 2,726 shareholders chose to make a donation through this option.

These donations totaled ¥4,576,000, which were contributed by the Company to NPOs taking part in

efforts to support recovery from the disaster, through the Central Community Chest of Japan's "2nd Red Feather Disaster Relief Volunteer & NPO Support Fund" on June 13, 2016.

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.

● April to June 2016

Swift assistance provided in response to the Kumamoto Earthquake

Institutions from Kumamoto Prefecture have been added to the list of eligible schools for the JT Japanese University Scholarship program to help support reconstruction efforts

The Company awards JT Japanese University Scholarship funds through the JT Scholarship Foundation. Premised on our desire to help develop many talented individuals of the next generation who are bound to be active in various fields, the scholarships are offered in order to foster an environment that lends recipients peace of mind so that they can better focus on their studies. Accordingly, such funds are awarded to outstanding scholars who face economic hurdles that make it difficult for them to pursue university educations.

This year, we continue to earmark funds in support of those affected by the Great East Japan Earthquake, and have also newly designated three high schools and one university located in Kumamoto Prefecture to be eligible for the program, with the aim of providing support to those affected by the 2016 Kumamoto Earthquake.

Resolving challenges to ensuring equal opportunities for education is certainly not a task that can be achieved by a single company. Nevertheless, amid hopes that this scholarship program will help resolve and eliminate such challenges, the Company would like there to be even broader support in this regard, extending to society as a whole.

Students offered scholarships in FY2016 (upon high school recommendation)	
Hokkaido / Tohoku	12
Kanto	7
Chubu	2
Kansai	7
Chugoku / Shikoku	6
Kyushu / Okinawa	5
Total	39

* Scholarship applications for the current year are no longer being accepted.

JT Employee Matching Gift program to provide assistance to evacuees

As an initiative to provide assistance to those affected by damage caused by the earthquake centered in Kumamoto Prefecture, the Group is offering its JT Employee Matching Gift program whereby the Group matches monetary donations that have been contributed by company employees. As of June 30, 2016, we have gathered over ¥4 million in contributions under that program.

We held talks with specified non-profit organization Peace Winds Japan (“PWJ”) regarding use of the

funds, and consequently decided to have PWJ put the money to use in building and operating approximately 80 residences built by modifying shipping containers, which PWJ has been doing since June as a means of helping evacuees.

The Group continues to provide ongoing assistance to those affected by the Kumamoto Earthquake.

<Photo> These shipping container houses have been in use since June.

<Photo> Interior of a shipping container house, featuring approximately 10 square meters of living space fully equipped with an air conditioning unit, fan, refrigerator, bedding and other amenities.

<Photo> The residential site has facilities for housing pets and a dog run.

● July 2016

Two new volleyball players to join the JT Thunders

Bartosz Kamil Kurek <Photo>

Volleyball player Bartosz Kamil Kurek is currently an opposite hitter on Poland's national volleyball team. Standing at a height of 205 centimeters, he wields a powerful spike, combined with an intense jump serve and back row attack. He is a large athlete who offers experience as a wing spiker combined with considerable talent as a serve receiver. As such, we fully expect that he will exhibit a high level of play both offensively and defensively. His arrival in Japan is slated for late September.

Shohei Yamamoto <Photo>

Volleyball player Shohei Yamamoto is a wing spiker whose arsenal includes a powerful spike that entails hitting the ball from a jumping position high off the ground. He is a competitive player with a solid reputation also in terms of his ability as a receiver.

His record contributing to team victories includes helping his team capture the runner-up slot in the All Japan Intercollegiate Volleyball Championship, back in his university days.

● July 2016

Launch of a novel anti-HIV drug “Genvoya[®] Combination Tablets” in July

Torii Pharmaceutical Co., Ltd. launched a novel anti-HIV drug, “Genvoya[®] Combination Tablets” containing elvitegravir 150mg, cobicistat 150mg, emtricitabine 200mg and tenofovir alafenamide (TAF) 10mg in Japan on July 8, 2016. The Company received manufacturing and marketing approval for this drug on June 17, 2016.

“Genvoya[®] Combination Tablets” is a complete single tablet regimen which can treat HIV-1 infection with once-daily administration. Tenofovir disoproxil fumarate (TDF), one of four ingredients of Stribild[®] Combination Tablets which has been marketed by Torii in Japan since 2013, is replaced with TAF to compose “Genvoya[®] Combination Tablets.”

Marketing of “Genvoya[®] Combination Tablets” in Japan would constitute another contribution by the

Group to the treatment of HIV. Torii has been marketing anti-HIV drugs in Japan including “Stribild[®] Combination Tablets,” “Truvada[®] Combination Tablets,” “Emtriva[®] Capsules 200mg,” “Viread[®] Tablets 300mg” and “Viracept[®] Tablets 250mg.”

About Genvoya [®] Combination Tablets	
Product Name:	Genvoya [®] Combination Tablets
Generic Name:	elvitegravir/ cobicistat/ emtricitabine/ tenofovir alafenamide
Indications:	HIV-1 Infection
Dosage and Administration:	The usual dosage in adults and pediatric patients 12 years of age and older with body weight at least 35 kg is one tablet (containing 150 mg of elvitegravir, 150 mg of cobicistat, 200 mg of emtricitabine, and 10 mg of tenofovir alafenamide) taken orally once daily after a meal.
<ul style="list-style-type: none"> ● Packages: 30 tablets per bottle ● Approval Date: June 17, 2016 ● Launch Date: July 8, 2016 ● Distributor: Torii Pharmaceutical Co., Ltd. 	<ul style="list-style-type: none"> ● NHI Drug Price: ¥6,942.10 per tablet ● NHI Pricing Date: June 29, 2016 ● Manufacturer and Distributor: Japan Tobacco Inc.

* Elvitegravir was discovered by the Company. The Company licensed elvitegravir to Gilead in 2005 with exclusive rights to develop and commercialize in all countries of the world, excluding Japan, where the Company retains the rights.

* TDF is an active ingredient in “Viread[®] Tablets,” “Truvada[®] Combination Tablets,” and “Stribild[®] Combination Tablets.”

* Genvoya, Stribild, Truvada, Emtriva and Viread are registered trademarks of Gilead.

JT Group Products

Introducing New Tobacco Products

100% Natural Menthol × New Aroma-Changing Capsule

“Mevius Premium Menthol Option Red”

With “Mevius” celebrating its third anniversary in 2016, we have been working to hasten evolution of the brand by providing our customers with even better products and services, under the “Ever Evolving. Ever Surprising.” slogan. With respect to new products geared to bringing about further evolution of the brand, in late August we launched the “Mevius Premium Menthol Option Red” line consisting of three new products nationwide.

<Logo>

Mevius Premium Menthol Option Red 8	Mevius Premium Menthol Option Red 5	Mevius Premium Menthol Option Red One 100’s
Tar: 8mg	Tar: 5mg	Tar: 1mg
Nicotine: 0.5mg	Nicotine: 0.3mg	Nicotine: 0.1mg

Price: ¥440 each (containing 20 cigarettes)

Invigorating “fresh aroma”

The “Mevius Premium Menthol Option Red” products feature a “new aroma-changing capsule” infused with aroma newly developed independently by the Company. Before crushing the capsule, consumers enjoy the pure refreshing coolness and premium-quality flavor of 100 percent natural menthol, while subsequently crushing the capsule activates an invigorating “fresh aroma” never before available from products in the Option series.

Comments from person in charge:

Yasushi Muratani, Brand Manager, Marketing Strategy Division, Japan Tobacco Inc.

<Photo>

We are now in the third phase of the Premium Menthol Option product line. Release of the new products has enabled us to further upgrade our line of products tailored to the demographic of customers in the menthol market who prefer a sweet sensation.

A key point of our strategic focus has been the ongoing growth of the “Mevius Option” product line in the expanding menthol market, and as such the “Option Red” products are meant to help promote that growth.

You can look forward to the “Option Red” products featuring “100% Natural Menthol × New Aroma-Changing Capsule” as a new option in flavor-infused capsules.

* 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.

Introducing New Food Products

<Photo>

Gottsu Umai Takoyaki & Yakisoba

Size: 1 serving/241g

- TableMark's specialty combination snack offering two food flavors on a single tray

Comments from person in charge:

Makoto Onogi, Product Development Division, Marketing & Sales Division, TableMark Co., Ltd.

Introducing a long-awaited combo-item product from TableMark's popular *Gottsu Umai* product series.

This product contains round *takoyaki* octopus balls made with large pieces of octopus, gooey on the inside and crispy on the outside, along with springy *yakisoba* noodles in a sauce that lends it an appetizing fragrance. The items come on a tray which enables the convenience of ready consumption after simply popping the product's inner pouch in the microwave. It is a perfect option as a food for children before heading off to study sessions, a lunch for housewives, and various other situations.

<Photo>

<Photo>

Salted Chicken *Kara-age* made with poultry raised in Japan 320g

Size: 320g

- Bringing delicious food and peace of mind to dining tables with this product, prepared in a food production plant located in Japan using domestically raised poultry

<Photo>

Takitata-Gohan

Koshihikari Rice, grown in Japan (Divided) 4 packs

Size: 4 servings/600g (2 packs of 150g × 2 servings)

- Rice cooked to plump and lustrous perfection using water of the Echigo snow country region with proprietary production methods

CSR initiatives of the JT Group

The JT Group is committed to resolving social issues in the communities in which it operates with the aim of realizing sustainable society on the basis of the management principles stating that “we will balance the interests of customers, shareholders, employees and wider society, and fulfill our responsibilities towards them, aiming to exceed their expectations.”

This page showcases some of the JT Group’s initiatives relating to corporate social responsibility (CSR) in Japan and abroad.

Introducing the JT Group’s approach to CSR and related initiatives

Release of the JT Group Sustainability Report FY2015

On June 21, we released the JT Group Sustainability Report FY2015 on the JT website. This year’s report profiles the JT Group’s global CSR initiatives, along with specially featured content under the section headings, “Respecting Human Rights” and “Emerging Products,” as well as other content from a broad perspective under such section headings as, “Our Way of Doing Business,” “Our People,” “Our Businesses,” “Our Planet,” and “Our Contributions to Society.”

An interactive version of the report has also been made available via the JT website once again this year. Optimized for online use, the interactive version enables users to jump to specific sections of the report at the click of a mouse so that they can readily access pages with content they wish to read.

<Photo> Printer-friendly version

<Photo> Interactive version

The report can be viewed via the JT website:

<https://www.jt.com/csr/report/>

The JT Group’s material issues

In 2015 we carried out our first materiality assessment covering the entire JT Group, in line with global trends in corporate social responsibility. The term “material issues” refers to the important challenges that companies need to address in order to achieve sustainable growth in step with society. The assessment has identified 22 material issues that are of high importance to the JT Group, arrived at through a process that involved initially conducting media and peer review, then carrying out interviews of our internal and external stakeholders, and ultimately holding discussions with top executives.

The matrix that follows plots the 22 material issues in terms of two dimensions: the importance of the respective issues to our external stakeholders and the importance of the respective issues to the JT Group. The Sustainability Report also profiles initiatives currently being taken with respect to these material issues.

Going forward, we intend to carry out these materiality assessments on a regular basis.

IMPORTANCE TO EXTERNAL STAKEHOLDERS	HIGH		[J] Corporate governance and transparency	[J] [C] Laws and regulations	
			[J] [C] Product safety and product responsibility	[S] Supply chain management	
			[J] [C] Product innovation and intellectual property	[S] [J] [C] Respecting human rights	
	MEDIUM	[J] [C] Environmental impacts of products	[S] [J] [C] Information security	[C] Responsible marketing	[J] [C] Litigation
		[J] Anti-competitive behavior	[J] Being a responsible employer	[S] [J] [C] Anti-bribery and corruption	[S] [J] [C] Illegal trade
		[J] Workplace health and safety	[S] [J] [C] Collaborations and partnerships	[J] Employee development and talent management	[J] Equality and diversity in the workplace
[S] [J] [C] Environment		[J] [C] Contributions to society	[J] Political and regulatory decision-making processes		
	[J] [C] Tax practices				
	MEDIUM	HIGH	IMPORTANCE TO THE JT GROUP		

Value chain boundaries

[S] Supply chain

[J] JT Group

[C] Our customers and consumers

Grant recipient entities decided for the JT NPO Support Program in FY2016

Grants amounting to a total of ¥57.45 million awarded to 42 entities nationwide

As part of its corporate citizenship activities, JT arranges grants that fund projects associated with community regeneration and revitalization, carried out by non-profit organizations (“NPOs”) designated as “specified non-profit organizations” and other NPOs. In fiscal 2016, we awarded grant funds amounting to a total of about ¥57.45 million to 42 entities nationwide.

We received 243 applications for the latest recipient selection round running from October 1, 2015, to November 20, 2015. Grants were awarded to 42 entities (36 new and 6 ongoing awards), subsequent to a selection process involving our review of grant applications and final deliberations by the NPO Support Program Promotion Committee consisting mainly of outside experts.

<Photo>

Grant awards ceremony held at JT’s Tokyo office

The JT NPO Support Program

The JT Group aims to act as a good corporate citizen maintaining harmonious relations with society. To that end, we engage in various activities that contribute to society, with a focus on the four key areas of social welfare, arts and culture, environmental protection, and disaster relief, as stipulated in the JT Group Corporate Citizenship Activity Policy.

Moreover, we facilitate community regeneration and revitalization as part of its efforts in the realm of social welfare, and in that regard the JT NPO Support Program provides support for activities of NPOs acting in the public interest not in pursuit of financial gain, while helping find solutions to social problems and working to achieve sustainable development.

With fiscal 2016 marking its 18th year, the program has been implemented by JT since fiscal 2004, after having previously been implemented by the Tobacco Industry Association, a foundation then related to JT, from fiscal 1999 to fiscal 2003.

Acting as a member of society, we will continue engaging in corporate citizenship activities going forward, with the aim of functioning as a good corporate citizen in maintaining harmonious relations with society.

Refer to the JT website for further details on the JT Group's CSR initiatives.

CLOSE UP!

Introducing JT Group companies and divisions to our shareholders.

TRUE SPIRIT TOBACCO COMPANY

Selling “Natural American Spirit” brand added to the GFB portfolio

The “Natural American Spirit” brand gains overwhelming acceptance from smokers with heightened sensibilities. The brand resonates with customers given its firm commitment to quality along with its unique value concept encompassing nature, the earth and farming, and as such it has steadily been gaining popularity both in Japan and abroad.

<Photo>

Bill Morachnick, Representative Director and Chairman

Tomonori Azuma, Representative Director and President

<Photo><Logo>

Location: 1-1, Akasaka 7-chome, Minato-ku, Tokyo, Japan

Number of employees: 106 (As of February 2015)

Established: March 2007

The photo shows the company’s 1st basement floor meeting space featuring a field-themed conceptual design. The area pays tribute to the earth and its environment, through its design featuring walls that depict tobacco fields, flooring made of wood sourced from forest thinning operations, and repurposed shipping pallets arranged to depict undulating hills.

Selling a single brand with distinctive characteristics

The “Natural American Spirit” brand sold by TRUE SPIRIT TOBACCO COMPANY (“TSTC”) features additive free tobacco products containing absolutely no preservatives, moisturizing agents or artificial aromas, for an authentic tobacco flavor.

The tobacco leaf raw materials used in making the products are supplied directly from more than 200 contracted farmers worldwide, who meticulously cultivate the tobacco leaf using the organic or the Purity Residue Clean (PRC) program* entailing proprietary cultivation methods requiring farmers to grow tobacco in a manner that has minimal impact on the global environment.

Such means of tobacco cultivation also require that farmers use meticulous care when harvesting tobacco leaf. This means that organic tobacco crops in particular are most often hand-picked one leaf at a time. TSTC’s master blenders stringently select and blend an optimal mix of tobacco leaves to ensure consistent and unchanging flavor year after year, drawing on several years’ worth of harvested tobacco leaves kept in stock.

Originated in Santa Fe, New Mexico

The “Natural American Spirit” brand got its start in 1982 in the U.S. city of Santa Fe in the state of New Mexico, premised on the notion held by the three founders of the company marketing the brand of creating a top-notch tobacco product that would be like none ever before created by anybody anywhere in the world.

Santa Fe is home to many Native Americans whose attitudes and mindsets reflect the notion when it comes to tobacco that the great sky and Mother Earth are connected, and that inhaling tobacco smoke brings one in alignment with nature. This notion is what inspired the idea of the company founders to create an additive-free tobacco product.

* The Purity Residue Clean (PRC) programs require that growers use proprietary farming methods drawing on clean cultivation processes that have minimal impact on the global environment.

<Photos>

In the year 2000, “Natural American Spirit” became the first brand in the world to gain organic tobacco certification from the United States Department of Agriculture.

Product lineup

ORGANIC (¥480 each / containing 20 cigarettes)

TURQUOISE	GOLD
Tar: 12mg	Tar: 6mg
Nicotine: 1.4mg	Nicotine: 0.7mg

SPECIAL (¥480 each / containing 20 cigarettes)

PERIQUE RICH TASTE
Tar: 9mg
Nicotine: 1.2mg

MENTHOL (¥480 each / containing 20 cigarettes)

MENTHOL LIGHT	MENTHOL ULTRA LIGHT	MENTHOL ONE
Tar: 9mg	Tar: 5mg	Tar: 1mg
Nicotine: 1.0mg	Nicotine: 0.6mg	Nicotine: 0.1mg

REGULAR (¥480 each / containing 20 cigarettes)

LIGHT	ULTRA LIGHT
Tar: 8mg	Tar: 3mg
Nicotine: 1.0mg	Nicotine: 0.4mg

ROLL YOUR OWN

ORGANIC TURQUOISE

Price: ¥1,160 (40g)

50 rolling papers

PERIQUE

Price: ¥1,080 (40g)

50 rolling papers

PREMIUM

Price: ¥1,080 (40g)

50 rolling papers

The vision inherited by TSTC

TSTC has inherited the values-driven vision of Santa Fe Natural Tobacco Company Inc., which is based in the U.S. state of New Mexico and forms TSTC's roots. The vision is: "That our uncompromising commitment to our natural tobacco products, the earth from which they come, the communities on which we depend, and the people who bring our spirit to life, is essential to our success."

On the basis of that vision, we make a point of valuing our relationships with customers, business partners and others involved in the company's tobacco products, and are developing values accordingly.

<Photos>

Billed as "the city different," Santa Fe, New Mexico boasts a unique atmosphere

Expanding worldwide in conjunction with the JT Group

TSTC's company name was changed from its former name, Santa Fe Natural Tobacco Company Japan K.K., upon being added to the JT Group. With respect to TSTC's new name, the words "TRUE SPIRIT" refer to its earnest conviction regarding tobacco products, while "COMPANY" conveys the notion that all employees acting as peers will do their utmost with respect to delivering products to customers.

Also, the company's logo features a sunflower motif, whereby the company's employees are symbolized by the individual sunflower petals in a logo design reflecting the notion that we hope to nurture a large flower to bloom without losing sight of our convictions, like a sunflower always facing the sun.

Going forward, we will expand the reach of the "Natural American Spirit" brand worldwide, with its addition to the JT Group's GFB portfolio.

<Photo>

The vision inherited by TSTC is one that is to be understood and pursued by all TSTC staff members.

* 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.

The Lure of Tobacco Smoke

A lesson from the past at the end of a journey

Kosekian museum [Fukushima Prefecture]

<Photo>

Kawamata-machi where the Kosekian museum is located is a quiet town situated in a mountainous region. Tobacco may have been cultivated in the area even before Japan's Taisho Era (1912–1926) as is suggested by rumors that the first site of tobacco cultivation in Fukushima Prefecture was on land in that area.

Kawamata-machi is home to a natural stone that appears as if it has a tobacco leaf inscription, which area growers used to regard as an object of worship. It is referred to as the “Tobacco Stone” and even today stands serenely within the grounds of a temple dedicated to Kannon, the Goddess of Mercy, located in the Iizaka district of Kawamata-machi.

<Photo>

The “Tobacco Stone” located within the grounds of a temple dedicated to Kannon, the Goddess of Mercy

Exhibition of traditional folk implements conveys lifestyles of the past

Tobacco cultivation began in Kawamata-machi, Date-gun, Fukushima Prefecture at the end of Japan's Taisho Era (1912–1926), and even today the Burley tobacco variety is grown in that region. Koichi Sato, a Kawamata-machi area tobacco farmer for many years, refurbished a workroom that was once used for drying tobacco leaf, and has opened the Kosekian museum of traditional folk implements featuring exhibits of farm equipment and folk implements used in people's lives dating back to the period between Japan's Meiji Era (1868–1912) to the early part of the Showa Era (1926–1989).

The term “folk implements” (“*mingu*” in Japanese) refers collectively to tools, utensils and other such items that were used over many years, and were made to meet various needs associated with daily lifestyles in people's homes. The late Keizo Shibusawa, Japanese business leader and folklorist, advocated use of the word “*mingu*” as an academic term.

Koichi Sato's collection has more than 4,000 traditional folk implements. His museum houses artifacts collected by Mr. Sato himself, as well as relics that have been donated mainly by farming families from Kawamata-machi and beyond. As a result, the museum brings together everything from farm equipment related to tobacco cultivation, as well as a diverse variety of other types of farm equipment such as tools involved in silkworm cultivation which also was a key industry in the town, and threshing machines essential to harvesting rice.

Kawamata-machi was greatly affected by the 2011 earthquake. As such, Mr. Sato set up the Kosekian museum given the threat of these traditional folk implements becoming lost and forgotten unless action was taken. Mr. Sato hopes that the exhibits will be put to use in the years to come to teach future

generations about the lifestyles of people who made and used the folk implements, and about how those folk implements changed over time.

<Photo>

Exhibit of tobacco-related artifacts and entry identification badges used by growers of premium leaf tobacco. Among the tobacco growing regions, the entry identification badge system is unique to Fukushima Prefecture.

<Photo>

Display exhibiting equipment for silkworm cultivation which was a core industry of Kawamata-machi.

<Photo>

The Kosekian museum of traditional folk implements is located in a renovated facility used for drying the Burley variety of leaf tobacco.

<Photo>

Leaf tobacco (the Burley tobacco variety) is produced in Kawamata-machi to this day.

<Map>

■ Kosekian museum

Location: 22 Aza-nakanouchi, Kawamata-machi, Date-gun, Fukushima Prefecture, 960-1412,
Japan

Telephone: 024-566-2548

Opening hours: 9 a.m. to 4 p.m. (Schedule of operations varies. Contact before visiting.)

■ Tobacco Stone

Location: Within the grounds of Kannon temple
Minami-kododouchi, Iizaka, Kawamata-machi, Date-gun, Fukushima Prefecture,
960-1401, Japan

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

Established: April 1, 1985

Paid-in capital: ¥100 billion

Ordinary Shares (as of June 30, 2016)

Composition of shareholders

Public sector: 33.35%

Financial institutions: 17.84%

Individuals and others: 13.97%

Securities companies: 2.45%

Other institutions: 0.80%

Foreign institutions and others: 31.60%

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

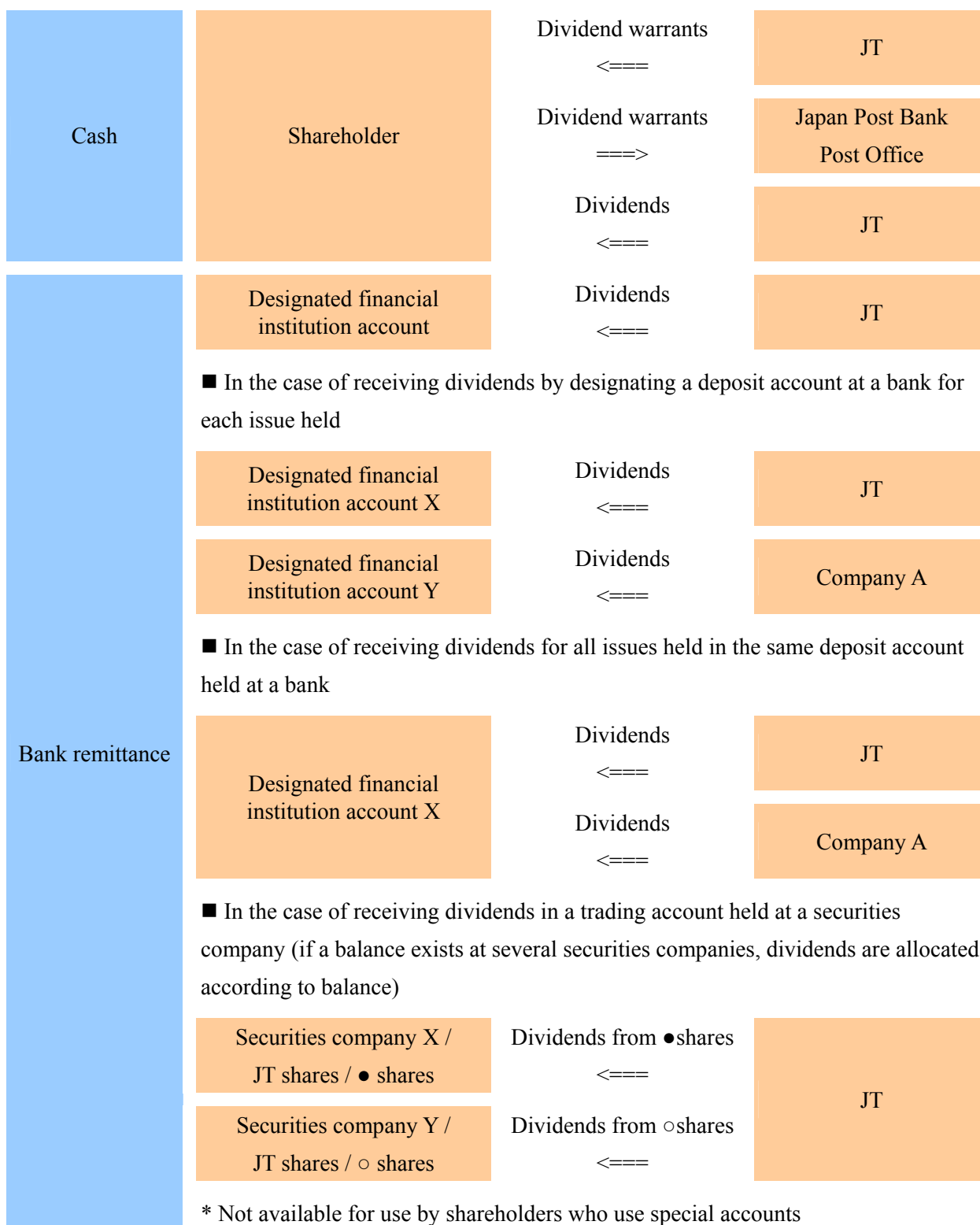
Total number of shares issued: 2,000,000,000 shares

(Number of treasury shares: 209,110,517 shares)

Number of shareholders: 120,453

How to receive dividends

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



Members of the Board, Audit & Supervisory Board Members, and Executive Officers
(as of July 1, 2016)

■ 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, Corporate Strategy, IT, Business Development, HR 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 Chijiwa
Senior Vice President, Head of China Division, Tobacco Business	Kazuhito Yamashita
Senior Vice President, Chief Marketing & Sales Officer, Tobacco Business	Chito Sasaki
Senior Vice President, Head of Tobacco Business Planning Division, Tobacco Business	Kiyohide Hirowatari
Senior Vice President, Corporate, Scientific & Regulatory Affairs Division, Tobacco Business	Junichi Fukuchi

Senior Vice President, Head of Leaf Procurement Group, Tobacco Business	Yasushi Hasegawa
Senior Vice President, Chief R&D Officer, Tobacco Business	Takehisa Shibayama
Senior Vice President, Manufacturing Group, Tobacco Business	Hirakazu Otomo
Senior Vice President, President, Pharmaceutical Business	Muneaki Fujimoto
Senior Vice President, Deputy President, Pharmaceutical Business	Goichi Matsuda
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, Corporate Strategy and IT	Yuki Maeda
Senior Vice President, Business Development	Takehiko Tsutsui
Senior Vice President, Human Resources	Koji Shimayoshi
Senior Vice President, Communications	Kei Nakano

Trends in Share Price

Share prices of the Company, from IPO on October 27, 1994 to July 2016 (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.

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/mailing address

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, 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)

■ Request for procedure forms related to special account

The special-account managing institution accepts requests for administrative procedure for shareholders using special accounts (including notification of change of address, forms for designation or change of direct deposit of dividends, and forms for requesting procedures for inheritance of shares) at

0120-244-479 (toll-free number available only in Japan) 24 hours a day.

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

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

Requests for procedure forms

- Requests by interactive voice response telephone service

0120-244-479 (toll-free number available only in Japan; 24 hours)

* 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.

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/>