

[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 61

<Logo> Report on the Consolidated Financial Results for the First Six Months of the Fiscal Year Ending  
December 31, 2018

<Logo> JT NEWS

<JT logo>

## TOP MESSAGE

### **Solid performance in the first half of the fiscal year**

### **Steady progress made toward the full-year targets**

#### **Results for the first six months of the fiscal year ending December 31, 2018**

Adjusted operating profit at constant rates of exchange, a key performance indicator across the Group, grew by 3.1% from the same period of the previous year amid ongoing harsh conditions in the domestic tobacco business, driven mainly by favorable performance in the international tobacco business.

As for business results on a financial reporting basis encompassing foreign exchange effects, revenue increased amid a situation where top-line growth brought about by positive effects of acquisitions in the international tobacco business coupled with pricing initiatives outstripped declining revenues in the domestic tobacco business. Adjusted operating profit increased despite the negative effects of foreign exchange.

Meanwhile, operating profit and profit for the period declined by 3.5% and 4.2% respectively in comparison with the same period of the previous year, partially due to the absence of reversal of impairment losses that arose in the previous year and an increase in amortization cost for trademarks related to acquisitions.

In the international tobacco business, total shipment volume increased by 6.4% in comparison with the same period of the previous year due to the positive effects of acquisitions in the Indonesia, Ethiopia and Philippines. Total shipment volume excluding effects of acquisitions and negative effects from trade inventory adjustments decreased by 1.3% from the same period of the previous year. GFB\* shipment volume increased by 1.8% in comparison with the same period of the previous year, against a backdrop of volume growth in multiple key markets.

Calculated on a U.S. dollar basis at constant rates of exchange, core revenue and adjusted operating profit increased by 8.9% and 13.2% respectively from the same period of the previous year, due to positive results of favorable pricing in multiple markets, increases in shipment volume and positive foreign exchange effects.

On a U.S. dollar-based financial reporting basis, core revenue and adjusted operating profit increased by 11.0% and 13.4% respectively in comparison with the same period of the previous year.

Although we reinforced business investment more than the previous year the rate of profit growth was relatively high in the first half as a result of expensing being concentrated in the second half.

As for results on a yen basis, core revenue increased by 7.4% and adjusted operating profit increased by 9.8% in comparison with the same period of the previous year, despite the negative effects of yen appreciation.

As for the domestic tobacco business, cigarette industry volume and JT cigarette sales volume decreased by 14.5% and 13.8% respectively in comparison with the same period of the previous year, due to the

effects of an expanding market for Reduced-Risk Products (RRP)\*\*. However, the decreases were less than initial fiscal year assumptions.

With respect to market share for cigarettes, the total market share of JT brands increased by 0.5 percentage points from the same period of the previous year to 61.5%, amid robust performance generated by MEVIUS and other brands.

As for Ploom TECH, we launched sales nationwide at some tobacco stores and convenience stores, starting in June and July 2018, respectively. RRP sales volume in the first half amounted to the equivalent of 0.8 billion cigarettes.

Core revenue and adjusted operating profit declined by 7.5% and 13.7% respectively in comparison with the same period of the previous year, amid a scenario where negative effects of the downturn in JT cigarette sales volume were partially offset by the increase in RRP-related revenue. Meanwhile, RRP-related revenue in the first half amounted to ¥21.2 billion.

In the pharmaceutical business, revenue increased by 12.7% in comparison with the same period of the previous year, while adjusted operating profit increased by 26.7%, due to an increase in royalty revenue associated with growing sales of original JT compounds that have been out-licensed, and also due to solid growth in sales of Torii Pharmaceutical Co., Ltd., a subsidiary of the Company, despite adverse effects of drug price revisions.

In the processed food business, revenue decreased by 0.5% in comparison with the same period of the previous year, amid a scenario where increases in sales of staple food products and seasonings were offset by the decrease in sales of other products. Adjusted operating profit decreased by 34.1% in comparison with the same period of the previous year mainly due to higher raw material costs.

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

Revenue is expected to increase by 4.7% in comparison with the previous fiscal year, amid a situation where negative effects associated with revisions to exchange rate assumptions are offset by positive effects of upwardly revising JT cigarette sales volume in the domestic tobacco business, in addition to upward revision to the revenue forecast in the international tobacco business due to the acquisition of JSC Donskoy Tabak (“DT”) and positive effects of pricing initiatives.

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. This remains unchanged from our initial forecast despite the upward revision with respect to revenue, largely due to investment in RRP in the domestic tobacco business, as well as factors in the international tobacco business that include investment geared to strengthening the platform of DT and factoring in potential risk associated with uncertainties in Iran.

We anticipate a 0.1% increase in adjusted operating profit on a financial reporting basis, which is on par with the previous fiscal year level, upon having revised our exchange rate assumptions.

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, our estimate for an annual dividend is ¥150, increased by ¥10 over the previous annual dividend, and we plan to pay out an interim dividend of ¥75.

Masamichi Terabatake, Representative Director and President, Chief Executive Officer

<Photo>

\* Global Flagship Brands (GFBs) consist of four brands, which serve as flagships of the Group's brand portfolio - Winston, Camel, MEVIUS and LD.

\*\* RRP are products with potential to reduce the risks associated with smoking such as E-Vapor products (E-cigarettes) and T-Vapor products. T-Vapor products JT sells in Japan do use tobacco leaf, but instead of burning the leaf, they use methods such as heating the leaf to generate vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy.

Consolidated results for the first six months of the fiscal year ending December 31, 2018

(Billions of yen)

	From January to June 2017	From January to June 2018	Year-on-year change
<b>At constant rates of exchange</b>			
Adjusted operating profit* <sup>1</sup>	314.7	<b>324.3</b>	<b>+3.1%</b>
<b>On a financial reporting basis</b>			
Revenue	1,045.3	<b>1,075.3</b>	<b>+2.9%</b>
Adjusted operating profit* <sup>1</sup>	314.7	<b>317.8</b>	<b>+1.0%</b>
Operating profit	313.3	<b>302.3</b>	<b>-3.5%</b>
Profit for the period* <sup>2</sup>	225.6	<b>216.1</b>	<b>-4.2%</b>

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

(Billions of yen)

	FY2018 initial forecasts	Revised forecasts	Difference from initial forecasts	Year-on-year change
<b>At constant rates of exchange</b>				
Adjusted operating profit* <sup>1</sup>	607.0	<b>607.0</b>	–	<b>+3.7%</b>
<b>On a financial reporting basis</b>				
Revenue	2,220.0	<b>2,240.0</b>	<b>+20.0</b>	<b>+4.7%</b>
Adjusted operating profit* <sup>1</sup>	600.0	<b>586.0</b>	<b>-14.0</b>	<b>+0.1%</b>
Operating profit	561.0	<b>541.0</b>	<b>-20.0</b>	<b>-3.6%</b>
Profit for the year* <sup>2</sup>	394.0	<b>377.0</b>	<b>-17.0</b>	<b>-3.9%</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 has increased due to the positive effects of acquisitions in the Indonesia, Ethiopia and Philippines
- GFB shipment volume has been strong partially due to growth in shares in our key markets
- Adjusted operating profit at constant rates of exchange has increased due to positive results of favorable pricing

### Results summary

		Year-on-year change
Total shipment volume	205.6 billion cigarettes	+12.4 billion cigarettes +6.4%
GFB shipment volume	130.6 billion cigarettes	+2.4 billion cigarettes +1.8%
Core revenue	At constant rates of exchange/ U.S. dollar-based 5,598 million dollars	+457 million dollars +8.9%
Adjusted operating profit	At constant rates of exchange/ U.S. dollar-based 1,968 million dollars	+230 million dollars +13.2%

### Market share (12 months moving average)

	June 2017	June 2018	Year-on-year change
France	22.1%	22.5%	+0.4%pt
Italy	23.4%	23.2%	-0.2%pt
Russia	32.5%	33.6%	+1.2%pt
Spain	23.4%	24.4%	+1.0%pt
Taiwan	41.0%	41.7%	+0.6%pt
Turkey	29.0%	28.1%	-1.0%pt
U.K.	41.1%	40.7%	-0.4%pt

Figures are rounded to the first decimal place.

Sources: IRI, Nielsen, Logista

Reflects revisions in historical data from data source.

## Shipment volume

(Billions of cigarettes)

	From January to June 2017	From January to June 2018
Total shipment volume* <sup>1</sup>	193.2	205.6
GFB shipment volume	128.3	130.6

\*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 June 2017	From January to June 2018
Core revenue* <sup>2</sup>	5,141	5,705
Core revenue at constant rates of exchange	–	5,598
Adjusted operating profit	1,738	1,971
Adjusted operating profit at constant rates of exchange	–	1,968
Yen-based adjusted operating profit	195.1 billion yen	214.3 billion yen

\*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

- An expanding market for RRP has caused JT cigarette sales volume to decrease, yet at a more gradual rate than initially anticipated
- JT has increased its market share for cigarettes from the same period of the previous year due to robust performance generated by MEVIUS and other brands
- Revenue and profit have decreased despite a scenario where the negative effects of the downturn in JT cigarette sales volume have been partially offset by the increase in RRP-related revenue

## Results summary

		Year-on-year change
JT cigarette sales volume	40.4 billion cigarettes	-6.4 billion cigarettes -13.8%
Core revenue	272.2 billion yen	-22.2 billion yen -7.5%
Adjusted operating profit	103.5 billion yen	-16.5 billion yen -13.7%

## Market share of JT cigarettes and focus brands

	From January to June 2017	From January to June 2018	Year-on-year change
<Logo>JT	61.0%	61.5%	+0.5%pt
<Logo>MEVIUS	31.1%	31.5%	+0.4%pt
<Logo>Winston	8.1%	8.0%	-0.1%pt
<Logo>Seven Stars	7.6%	7.9%	+0.3%pt
<Logo>Natural American Spirit	1.8%	2.0%	+0.2%pt

Figures are rounded to the first decimal place.

## Sales volume of cigarettes

(Billions of cigarettes)

	From January to June 2017	From January to June 2018
JT cigarette sales volume*1	46.8	40.4

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



## Financial results

(Billions of yen)

	From January to June 2017	From January to June 2018
Core revenue <sup>*2</sup>	294.4	272.2
Adjusted operating profit	120.0	103.5

\*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 due to higher royalty revenue brought about by favorable sales of original JT compounds that have been out-licensed and strong sales at subsidiaries

## Financial results

(Billions of yen)

	From January to June 2017	From January to June 2018
Revenue	47.2	53.2
Adjusted operating profit	9.0	11.4

	Year-on-year change
Revenue	+6.0 billion yen +12.7%
Adjusted operating profit	+2.4 billion yen +26.7%

## Processed Food Business

Key points this fiscal term

- Revenue remained at the same level as in the same period of the previous year, while profit decreased mainly due to higher raw material costs

## Financial results

(Billions of yen)

	From January to June 2017	From January to June 2018
Revenue	77.5	77.0
Adjusted operating profit	2.2	1.4

	Year-on-year change
Revenue	-0.4 billion yen -0.5%
Adjusted operating profit	-0.7 billion yen -34.1%

## FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These statements appear in a number of places in this document 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) increase in awareness of health concerns related to smoking;
- (2) regulatory developments; including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;
- (3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
- (4) our ability to further diversify our business beyond the traditional tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition and changing consumer preferences;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

Consolidated Financial Statements for the First Six Months of the Fiscal Year Ending December 31, 2018

Note: Yen amounts are rounded to the nearest million.

Consolidated statement of financial position

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018	Increase (Decrease)
<b>Assets</b>			
Current assets	1,707,767	1,664,018	(43,749)
Non-current assets	3,513,717	3,332,040	(181,677)
Property, plant and equipment	745,607	728,439	(17,168)
Goodwill	1,891,210	1,786,747	(104,463)
Intangible assets	479,175	433,917	(45,257)
Investment property	16,700	15,911	(789)
Retirement benefit assets	51,377	54,916	3,540
Investments accounted for using the equity method	81,253	72,199	(9,054)
Other financial assets	114,970	113,290	(1,680)
Deferred tax assets	133,425	126,621	(6,804)
<b>Total assets</b>	<b>5,221,484</b>	<b>4,996,058</b>	<b>(225,426)</b>

(Millions of yen)

	As of December 31, 2017	As of June 30, 2018	Increase (Decrease)
<b>Liabilities and equity</b>			
<b>Liabilities</b>			
Current liabilities	1,478,623	1,373,904	(104,719)
Non-current liabilities	900,833	870,711	(30,122)
<b>Total liabilities</b>	<b>2,379,456</b>	<b>2,244,615</b>	<b>(134,841)</b>
<b>Equity</b>			
Equity attributable to owners of the parent company	2,761,687	2,680,900	(80,787)
Share capital	100,000	100,000	–
Capital surplus	736,400	736,400	–
Treasury shares	(443,636)	(442,996)	639
Other components of equity	(167,338)	(337,614)	(170,276)
Retained earnings	2,536,262	2,625,111	88,849
Non-controlling interests	80,340	70,542	(9,798)
<b>Total equity</b>	<b>2,842,027</b>	<b>2,751,442</b>	<b>(90,585)</b>
<b>Total liabilities and equity</b>	<b>5,221,484</b>	<b>4,996,058</b>	<b>(225,426)</b>

Consolidated statement of income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Increase (Decrease)
Revenue	1,045,330	1,075,271	29,940
Cost of sales	(410,511)	(443,511)	(33,000)
Gross profit	634,819	631,760	(3,059)
Other operating income	32,268	18,775	(13,493)
Share of profit in investments accounted for using the equity method	3,484	2,947	(537)
Selling, general and administrative expenses	(357,286)	(351,152)	6,134
Adjusted operating profit <sup>(Note)</sup>	314,659	317,812	3,153
Operating profit	313,285	302,330	(10,955)
Financial income	2,921	2,976	54
Financial costs	(13,294)	(14,939)	(1,646)
Profit before income taxes	302,913	290,367	(12,546)
Income taxes	(75,591)	(72,807)	2,784
Profit for the period	227,322	217,560	(9,762)
Attributable to:			
Owners of the parent company	225,635	216,093	(9,542)
Non-controlling interests	1,687	1,468	(220)
Profit for the period	227,322	217,560	(9,762)

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

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

Consolidated statement of comprehensive income

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Increase (Decrease)
Profit for the period	227,322	217,560	(9,762)
Other comprehensive income, net of taxes	41,412	(172,649)	(214,061)
Comprehensive income for the period	268,734	44,911	(223,823)
Attributable to:			
Owners of the parent company	267,027	44,005	(223,023)
Non-controlling interests	1,707	907	(800)
Comprehensive income for the period	268,734	44,911	(223,823)

Consolidated statement of cash flows

(Millions of yen)

	Six months ended June 30, 2017	Six months ended June 30, 2018	Increase (Decrease)
Cash flows from operating activities	40,485	229,158	188,673
Cash flows from investing activities	(52,555)	(60,815)	(8,260)
Cash flows from financing activities	(123,643)	(208,915)	(85,272)
Net increase (decrease) in cash and cash equivalents	(135,714)	(40,573)	95,141
Cash and cash equivalents at the beginning of the period	294,157	285,486	(8,670)
Effect of exchange rate changes on cash and cash equivalents	2,038	(7,561)	(9,599)
Cash and cash equivalents at the end of the period	160,481	237,353	76,872

JT NEWS

July 2018

Sales of Ploom TECH launched nationwide

Well-received since its launch, Ploom TECH has expanded its sales territory and is now sold nationwide throughout Japan. On June 4, we began selling our “Ploom TECH starters kit” and five “MEVIUS for Ploom TECH” tailor-made tobacco capsule products nationwide through some tobacco stores and via the Ploom online shop. On July 2, we also began selling those products at convenience stores and other such locations nationwide.

In line with these developments, we have renewed our “Ploom TECH starters kit.” The previously included carry case is now sold separately, thereby enabling us to lower the suggested retail price including tax to ¥3,000, from ¥4,000 previously. In addition, we have changed Ploom TECH’s packaging to a blue-themed design in order to more readily convey the notion that Ploom TECH draws on JT’s unique low-temperature heating method where tobacco leaf is neither burned nor heated to high temperatures.

In addition, three menthol-type tobacco capsule products are also being renewed beginning in late August. Beginning in early September, we launched sales of our new menthol-type product “MEVIUS Mix Green Cooler for Ploom TECH.”

<Logo>

*MEVIUS Brown Aroma for Ploom TECH*

<Regular type>

Featuring a bittersweet Café mocha-flavored taste and a robust sweetness, combined with a mild yet rich aroma

*MEVIUS Red Cooler for Ploom TECH*

<Menthol type>

Featuring a subtly sweet and tart taste with a gentle apple-mint-flavored aroma, combined with a refreshing sensation

*MEVIUS Purple Cooler for Ploom TECH*

<Menthol type>

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

*MEVIUS Regular for Ploom TECH*

<Regular type>

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

*MEVIUS Menthol for Ploom TECH*

<Menthol type>

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

*MEVIUS Mix Green Cooler for Ploom TECH (New)*

<Menthol type>

Features a mixture of European and Asian pear flavor, offering an exquisitely balanced rich and pleasant sweetness, as well as a refreshing sensation

*Ploom TECH starters kit*

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

\* 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.



## JT NEWS

### JT Group Products

#### Introducing New Food Products

Here, we will showcase the TableMark Group's new products launched on September 1.

#### *Seafood and Pork Bone Char Siu Noodles, under the supervision of Menya Musashi*

1 serving / 268g

Preparation: Microwave or hot pot cuisine

- Made in collaboration with a popular ramen establishment, enabling you to enjoy authentic Chinese noodles at home

<Photo>

<Photo>

Comments from person in charge:

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

This is a ramen noodle soup with authentic ingredients prepared under the supervision of Menya Musashi. The soup offers the dual flavors of seafood and savory pork bone infused with springy and thick noodles, topped with three full slices of kettle-cooked pork belly char siu. Readily enjoy the taste offered by a popular ramen shop in the comfort of home.

<Photo>

#### *Aburi Yakiniku (flame-seared grilled meat) Rice Burger*

1 serving / 156g

Preparation: Microwave

- This rice burger features a filling of beef, grilled over a direct flame and infused with a special soy sauce-based, salty-sweet sauce, that is sandwiched between rice buns, crispy to bite into but soft and puffed up on the inside. This product is perfect either as a snack or a meal.

<Photo>

#### *Watahino Ichizengohan (my bowl of rice), 3 servings*

150g × 3 servings

Preparation: Microwave or boiling water

- Introducing convenient packaged rice offered in a compact grab-and-go size, enabling you to savor cooked rice anytime and anywhere. It is available in seven different types of package designs for greater lunchtime enjoyment, and is made using Japanese rice.

## Report on Factory Tours

Schedule: June 7, 2018 (Thursday) and June 8, 2018 (Friday)

Location: JT Kita-Kanto Factory (Utsunomiya-shi, Tochigi)

Participants: Limited to 35 tour participants per day

On June 7 and 8, 2018, factory tours for our shareholders were held at the JT Kita-Kanto Factory. The tours proved to be very popular among the participants who included shareholders and those accompanying them, selected by means of a random drawing from among a pool of over 2,000 applicants.

We intend to plan and offer more factory tours going forward in order to foster greater understanding of the Group's business operations and create opportunities for more extensive communication with our shareholders.

### Single-day timeline

12:30

Gather at Utsunomiya Station, then take bus to the factory

<Photo>



13:35

Listen to explanation on the Group delivered by Executive Officers

<Photo>



13:55

Listen to explanation on JT's factories, and prepare for factory tour

<Photo>



14:45

Observe the cigarette manufacturing process

<Photo>



15:50

Question and answer session

<Photo>



16:20

Return to Utsunomiya Station and disperse

#### Feedback from tour participants

- I learned that the assembly line operates very efficiently.
- I could see that the factory is firmly committed to ensuring safety and product quality, particularly with respect to implementing the 5-S approach (sort, set in order, shine, standardize and sustain).
- I was impressed that human workers carry out final quality inspections, even though many of the manufacturing processes are automated and products are made at faster speeds than would be possible using only manual labor.
- All of the factory employees were very friendly, and provided us with meticulous explanations that were easy to understand in each section.
- I gained a deeper understanding of the company. I am grateful to have been given this valuable experience.

## Report of Shareholder Questionnaire Results

Thank you for participating in our recently administered shareholder questionnaire. The following are answers we received with respect to the policy on shareholdings and our Business Report.

Questionnaire accompanying the convocation notice for the 33rd Ordinary General Meeting of Shareholders (responses from 60,000 shareholders)

What are your reasons for holding the Company's stock? (top 5)

Attracted by dividends	17.7%
Expecting stability in business results	17.2%
Attracted by Shareholder Special Benefit Plan	10.7%
Familiarity / brand power	8.2%
Expecting growth in business results	7.8%

- Many of the respondents, some 35%, cited that they were attracted by dividends of the Group and held expectations of stability in the Group's business results as reasons for holding the Company's stock.

How much longer do you intend to maintain your holdings of the Company's stock?

5 years or more	43.3%
Approximately 3 years to 5 years	14.8%
Approximately 1 year to 2 years	6.6%
I intend to sell, or have already sold, my holdings	3.3%
Undecided	32.0%

- Findings indicate that many of the respondents, at least 40%, intend to maintain their holdings of the Company's stock for 5 years or more.

In order to meet the expectations of our shareholders, our aims include achieving sustainable profit growth over the mid- to long-term while also continuing to achieve consistent and sustainable growth with respect to dividends per share. We will accordingly consider specifics regarding our complementary gifts for shareholders (Shareholder Special Benefit Plan) and factory tours, while also taking steps to provide them with useful information.

Questionnaire accompanying the notice of resolutions at the 33rd Ordinary General Meeting of Shareholders (responses from 20,000 shareholders)

Which article of the Business Report was of interest to you? (multiple answers possible)

TOP MESSAGE	17.4%
Operating results by business segment	39.6%
Consolidated Financial Statements	16.7%
JT NEWS	21.5%
I didn't read the Business Report	4.8%

- Whereas the highest percentage of respondents cited “Operating results by business segment,” responses indicating the other choices were evenly dispersed.
- Opinions we received included the notion that the Business Report provides a succinct summary which is easy to understand, and that readers of the report look forward to its content featuring new product information.

In future Business Reports, what content would you like us to include, or otherwise provide more information on? (multiple answers possible)

Management policy and principle	8.9%
Future business plans	21.9%
New services and products	16.1%
Operating results and financial information	8.7%
Shareholder return policy	22.6%
Social contribution and environmental initiatives	3.1%
Employee interviews	1.5%
Industry trends	6.9%
JT's industry advantages and competitive insights	9.5%
Other	0.8%

- Many respondents said they would like more content on our shareholder return policy, future business plans and new services and products.
- Many furnished opinions stating that they would like more details on future business plans and growth strategies overall, not only limited to the tobacco business.

In addition to opinions on the Business Report, many respondents also stated their expectations with respect to the Group and gave words of encouragement. We will improve the content of future Business Reports, and accordingly aim to help our shareholders gain a more extensive understanding of the Group, in part by drawing on the opinions we received from this round of questionnaires.

## **Donations through the Shareholder Special Benefit Plan**

In the Shareholder Special Benefit Plan for shareholders as of December 31, 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. 3,041 shareholders chose to make a donation through this option.

These donations totaled ¥5,477,000, which were contributed through the Central Community Chest of Japan's "2nd Red Feather Disaster Relief Volunteer & NPO Support Fund" and "The Disaster Relief Volunteer & NPO Support Fund Kyushu" on June 29, 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.

## **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, 2018, and who have submitted an application by the deadline (August 30), their preferred complimentary gift. Beginning in mid-October, the Company will give shareholders who have not submitted an application by the deadline gifts from among those specified by the Company under the respective gift categories.

In addition, the Company plans to send out the JT calendar sometime between late November and early December, exclusively to those shareholders who have requested one via a JT Shareholder Special Benefit Plan application form submitted to us on or before the application deadline (August 30).

The complementary gifts and JT calendars will be forwarded to the addresses of shareholders recorded in the shareholder registry as of June 30, 2018. Therefore, we ask that any shareholders who have yet to complete procedures for address change, or who otherwise will have changed their address, complete such procedures with their securities company, and furthermore inform the JT Shareholder Special Benefit Plan Office, shown below, in that regard.

Inquiries regarding complimentary gifts

JT Shareholder Special Benefit Plan Office

0120-791-187

Administrative agent: Mitsubishi UFJ Trust and Banking Corporation

Business hours: 9 a.m. to 5 p.m. on weekdays, excluding public holidays and the New Year holidays  
(December 30 - January 4)

## Company Profile

Trade name: Japan Tobacco Inc.

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

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

Fax: +81-3-5572-1441

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

Established: April 1, 1985

Paid-in capital: ¥100 billion

## Ordinary Shares (as of June 30, 2018)

### Composition of shareholders

Public sector: 33.35%

Financial institutions: 19.56%

Individuals and others: 19.72%

Securities companies: 3.53%

Other institutions: 1.03%

Foreign institutions and others: 22.81%

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

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

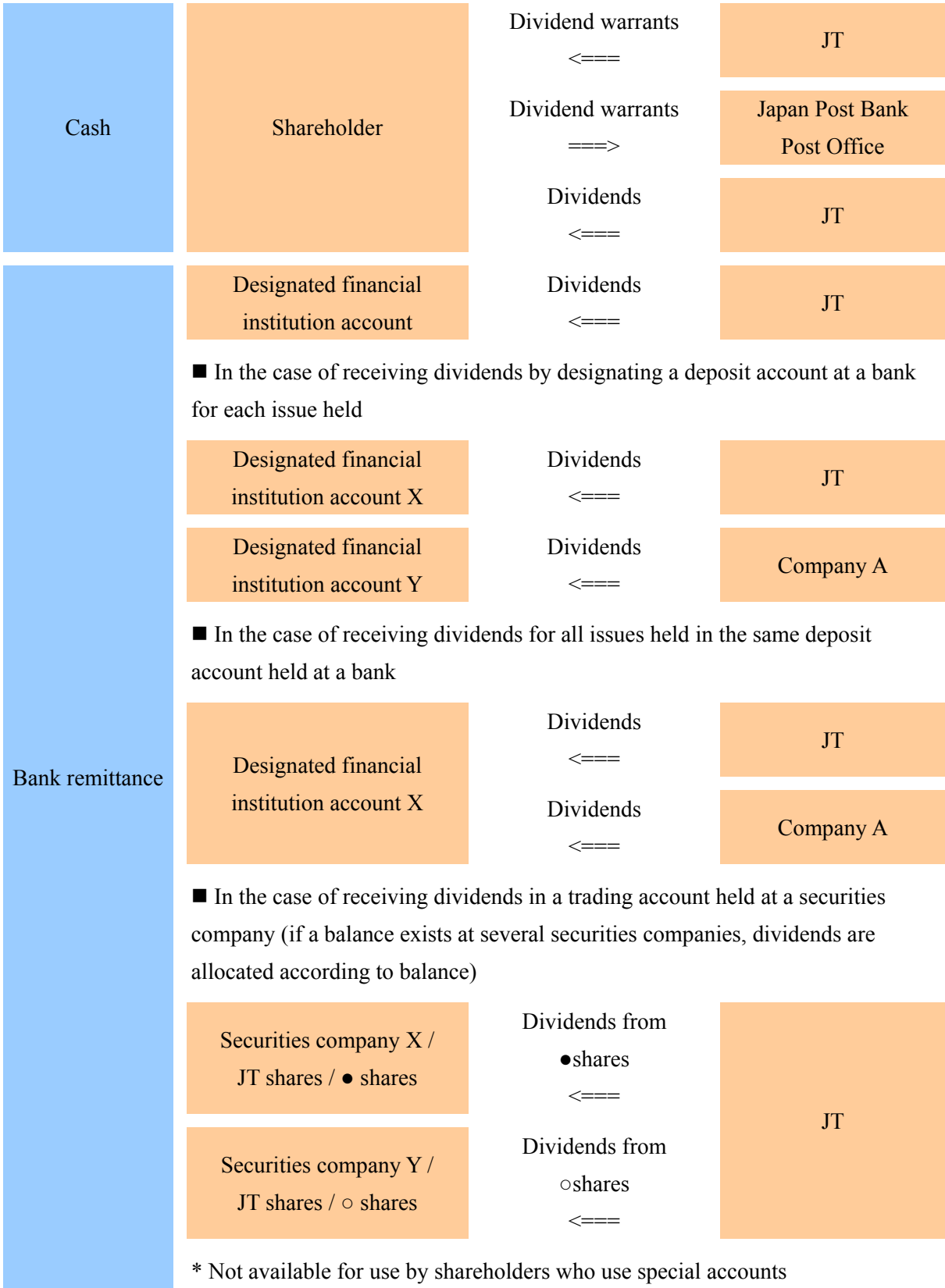
(Number of treasury shares: 208,655,402 shares)

Number of shareholders: 317,652



How to Receive Dividends

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



## Memo for Shareholders

Closing date: December 31 of each year

Ordinary General Meeting of Shareholders: March of each year

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

Record date for interim dividend: June 30 of each year

Share trading unit: 100 shares

Method of public notice:

Electronic public notice

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

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

Shareholder registry administrator/special-account managing institution:

Mitsubishi UFJ Trust and Banking Corporation

■ Office for handling business

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

■ Inquiry

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

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

■ Mailing address

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

## Share Handling Procedures

### Shareholders holding accounts with securities companies

[Procedures and contents of inquiries]

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

=> The securities company where the account is opened

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

=> Mitsubishi UFJ Trust and Banking Corporation

### Shareholders using special accounts

[All procedures and inquiries]

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

=> Inquiries

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

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

Mailing address

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

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

Members of the Board, Audit & Supervisory Board Members, and Executive Officers  
(as of July 1, 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	Ryoko Nagata
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.

■ 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, Human Resources and Operation Review & Business Assurance	Kiyohide Hirowatari
Senior Vice President, Compliance and General Affairs	Ryoji Chijiwa
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 July 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.