

[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 62

<Logo> Results for FY2018 and forecasts for FY2019

<Logo> JT NEWS

<JT logo>

TOP MESSAGE

Efforts concentrated on both cigarettes and Reduced-Risk Products (RRP) and steady profit growth achieved

Results for the fiscal year ended December 31, 2018 (FY2018)

FY2018 was a successful year in that JT was able to firmly promote efforts to strengthen its business platform looking toward the future while driving profit growth, despite a persistently challenging business environment.

Adjusted operating profit at constant rates of exchange, a key performance indicator across the Group, grew by 8.9% in comparison with the previous year.

Meanwhile, as for business results on a financial reporting basis encompassing foreign exchange effects, adjusted operating profit grew by 1.7%, due to significant adverse effects involving foreign exchange particularly in the second half.

In the international tobacco business, despite having incurred adverse effects of sagging overall demand particularly in Taiwan, France and Russia, total shipment volume increased by 7.3% in comparison with the previous year due to positive effects of several acquisitions carried out from FY2017 through FY2018. Meanwhile, GFB^{*1} shipment volume increased by 2.3% in comparison with the previous year due to favorable results from Winston, Camel and LD.

Calculated on a U.S. dollar basis at constant rates of exchange, core revenue and adjusted operating profit achieved 12.2% and 21.3% growth respectively in comparison with the previous year. The effects of the acquisitions, and positive effects of pricing initiatives in Russia, Iran, U.K., Philippines and Taiwan drove growth.

Although we have been substantially affected by weaker local currencies such as the Russian ruble and the Iranian rial, revenue and profit both increased on a financial reporting basis encompassing foreign exchange effects.

As for the domestic tobacco business, overall demand remained firmer than anticipated even subsequent to retail price amendment associated with the October 2018 increase in tobacco tax, and JT's cigarette sales volume also exceeded forecasts although it decreased in comparison with the previous year.

As for Ploom TECH, tobacco capsule products sales volume amounted to the equivalent of 2.8 billion cigarettes.

As for core revenue, the decrease in cigarette sales volume was largely offset by growth of Ploom TECH and the effects of favorable pricing for cigarettes achieved subsequent to retail price amendment. This included ¥64.6 billion in RRP^{*2}-related revenue which includes Ploom TECH tobacco capsule products and devices.

Adjusted operating profit decreased by 10.0% in comparison with the previous year along with the downturn in JT cigarette sales volume and an increase in promotion expenses mainly for Ploom TECH.

In the pharmaceutical business, revenue increased by 8.9% in comparison with the previous year, while adjusted operating profit increased by 18.0%, mainly due to an increase in royalty revenue related to original JT compounds that have been out-licensed.

In the processed food business, revenue decreased by 1.1% in comparison with the previous year. Adjusted operating profit decreased by 23.6% in comparison with the previous year due to higher raw material costs.

Forecasts for the fiscal year ending December 31, 2019 (FY2019)

The Business Plan 2019 also aims to continue achieving sustained profit growth over the mid- to long-term (mid to high single-digit annual average rate of growth with respect to adjusted operating profit at constant rates of exchange).

Amid that scenario, in FY2019 we envision a situation where profit growth in the domestic tobacco business rebounds while the international tobacco business continues to achieve a high level of profit growth, against the likelihood of a substantial decrease in profit in the pharmaceutical business largely due to effects of terminating exclusive licensing agreements in Japan pertaining to anti-HIV drugs. Given these factors, we anticipate growth of approximately 7% in the tobacco business overall, along with Group-wide growth in adjusted operating profit at constant rates of exchange amounting to 2.4% in comparison with the previous year.

Meanwhile, we anticipate an 8.3% decline in adjusted operating profit on a financial reporting basis, due to the effects of weaker local currencies.

Shareholders Return

This section profiles JT's management principle, the 4S model. The 4S model aims "to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can". Based on the principle, we have adopted a management resources allocation policy, under which we will continue to "place a high priority on making business investments that contribute to sustainable mid- to long-term profit growth as well as to value the balance between profit growth through business investments and shareholder returns".

We plan to pay an annual dividend per share of ¥150 for FY2018, which is consistent with our initial estimate. For FY2019, our policy remains unchanged in terms of our aims thus far of achieving consistent and sustainable growth in dividends. Meanwhile, we estimate a dividend of ¥154, for an increase of ¥4, upon having taken into account the level of profit for the year, in addition to adjusted operating profit at constant rates of exchange which is our conventional benchmark for making such decisions. As part of the shareholder return, we have implemented share buybacks of up to 23 million shares or up to ¥50.0 billion.

The business environment is being affected by an ever-increasing level of uncertainty. Amid that business environment, we aspire to achieve sustainable profit growth which will involve bringing about

bold and expeditious reforms of mindset and behavior with the aim of ensuring that the JT Group continues to take a customer-oriented approach in serving the needs of its shareholders, employees and society.

Masamichi Terabatake, Representative Director and President, Chief Executive Officer

<Photo>

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

*2. RRP are products with potential to reduce the risks associated with smoking such as T-Vapor products and E-Vapor products (E-cigarettes). T-Vapor products JT sells in Japan do use tobacco leaf, but without burning the leaf, they generate vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy.

Consolidated results for the fiscal year ended December 31, 2018 (FY2018)

(Billions of yen)

	FY2017 results	FY2018 results	Year-on-year change
At constant rates of exchange			
Adjusted operating profit* ¹	585.3	637.2	+8.9%
On a financial reporting basis			
Revenue	2,139.7	2,216.0	+3.6%
Adjusted operating profit* ¹	585.3	595.5	+1.7%
Operating profit	561.1	565.0	+0.7%
Profit for the year* ²	392.4	385.7	-1.7%

Forecast for the fiscal year ending December 31, 2019 (FY2019)

(Billions of yen)

	FY2018 results	FY2019 forecasts	Difference from previous year	Year-on-year change
At constant rates of exchange				
Adjusted operating profit* ¹	595.5	610.0	+14.5	+2.4%
On a financial reporting basis				
Revenue	2,216.0	2,200.0	-16.0	-0.7%
Adjusted operating profit* ¹	595.5	546.0	-49.5	-8.3%
Operating profit	565.0	540.0	-25.0	-4.4%
Profit for the year* ²	385.7	370.0	-15.7	-4.1%

Dividend per share

(Yen)

	FY2018 results	FY2019 forecasts
Interim dividend	75	77
Year-end dividend	75	77
Annual dividend per share	150	154

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 conducted in FY2017 and FY2018
- GFB shipment volume has increased 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	427.6 billion cigarettes	+29.1 billion cigarettes +7.3%
GFB shipment volume	266.4 billion cigarettes	+6.0 billion cigarettes +2.3%
Core revenue	At constant rates of exchange/ U.S. dollar-based 11,780 million dollars	+1,282 million dollars +12.2%
Adjusted operating profit	At constant rates of exchange/ U.S. dollar-based 3,808 million dollars	+670 million dollars +21.3%

Market share (12 months moving average)

	December 2017	December 2018	Year-on-year change
France	22.0%	23.2%	+1.2%pt
Italy	23.1%	23.9%	+0.7%pt
Russia (GFB share)	32.9% (23.7%)	35.6% (24.8%)	+2.6%pt (+1.1%pt)
Spain	24.0%	24.8%	+0.8%pt
Taiwan	41.7%	42.5%	+0.8%pt
Turkey	28.8%	27.7%	-1.1%pt
U.K.	40.5%	41.3%	+0.8%pt

Figures are rounded to the first decimal place.

Sources: IRI, Nielsen, Logista, JTI estimates / Reflects revisions in historical data from data source.

Shipment volume

(Billions of cigarettes)

	From January to December 2017	From January to December 2018
Total shipment volume ^{*1}	398.5	427.6
GFB shipment volume	260.4	266.4

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

Financial results

(Millions of dollar)

	From January to December 2017	From January to December 2018
Core revenue ^{*2}	10,498	11,330
Core revenue at constant rates of exchange	–	11,780
Adjusted operating profit	3,138	3,493
Adjusted operating profit at constant rates of exchange	–	3,808
Yen-based adjusted operating profit	351.3 billion yen	384.5 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

- JT cigarette sales volume has decreased, yet sales results after the retail price amendment were higher than anticipated
- JT has increased its market share for cigarettes from 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	82.0 billion cigarettes	-10.9 billion cigarettes -11.7%
Core revenue	582.4 billion yen	-8.2 billion yen -1.4%
Adjusted operating profit	209.0 billion yen	-23.3 billion yen -10.0%

Market share of JT cigarettes and focus brands

	From January to December 2017	From January to December 2018	Year-on-year change
<Logo>JT	61.3%	61.8%	+0.5%pt
<Logo>MEVIUS	31.4%	31.4%	+0.1%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%	+0.1%pt

Figures are rounded to the first decimal place.

Sales volume of cigarettes

(Billions of cigarettes)

	From January to December 2017	From January to December 2018
JT cigarette sales volume ^{*1}	92.9	82.0

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

Financial results

(Billions of yen)

	From January to December 2017	From January to December 2018
Core revenue ^{*2}	590.6	582.4
Adjusted operating profit	232.3	209.0

*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

- Profit has increased due to higher royalty revenue
- No material impact on revenue and adjusted operating profit for FY2018 from the termination of the license agreements related to anti-HIV drugs

Financial results

(Billions of yen)

	From January to December 2017	From January to December 2018
Revenue	104.7	114.0
Adjusted operating profit	24.1	28.4

	Year-on-year change
Revenue	+9.3 billion yen +8.9%
Adjusted operating profit	+4.3 billion yen +18.0%

Processed Food Business

Key points this fiscal term

- Profit has decreased mainly due to higher raw material costs

Financial results

(Billions of yen)

	From January to December 2017	From January to December 2018
Revenue	163.1	161.4
Adjusted operating profit	5.4	4.1

	Year-on-year change
Revenue	-1.8 billion yen -1.1%
Adjusted operating profit	-1.3 billion yen -23.6%

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

Note: Yen amounts are rounded to the nearest million.

Consolidated statement of financial position

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018	Increase (Decrease)
Assets			
Current assets	1,707,767	1,809,406	101,639
Non-current assets	3,513,717	3,651,993	138,277
Property, plant and equipment	745,607	758,841	13,234
Goodwill	1,891,210	2,008,416	117,206
Intangible assets	479,175	503,076	23,901
Investment property	16,700	17,558	858
Retirement benefit assets	51,377	57,140	5,764
Investments accounted for using the equity method	81,253	66,807	(14,446)
Other financial assets	114,970	115,046	76
Deferred tax assets	133,425	125,109	(8,316)
Total assets	5,221,484	5,461,400	239,916

(Millions of yen)

	As of December 31, 2017	As of December 31, 2018	Increase (Decrease)
Liabilities and equity			
Liabilities			
Current liabilities	1,478,623	1,430,185	(48,438)
Non-current liabilities	900,833	1,330,770	429,937
Total liabilities	2,379,456	2,760,955	381,499
Equity			
Equity attributable to owners of the parent company	2,761,687	2,630,594	(131,093)
Share capital	100,000	100,000	–
Capital surplus	736,400	736,400	–
Treasury shares	(443,636)	(442,829)	807
Other components of equity	(167,338)	(423,357)	(256,019)
Retained earnings	2,536,262	2,660,381	124,119
Non-controlling interests	80,340	69,851	(10,489)
Total equity	2,842,027	2,700,445	(141,583)
Total liabilities and equity	5,221,484	5,461,400	239,916

Consolidated statement of income

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Increase (Decrease)
Revenue	2,139,653	2,215,962	76,310
Cost of sales	(843,558)	(933,034)	(89,476)
Gross profit	1,296,094	1,282,928	(13,166)
Other operating income	45,724	48,532	2,808
Share of profit in investments accounted for using the equity method	6,194	3,931	(2,263)
Selling, general and administrative expenses	(786,911)	(770,407)	16,504
Adjusted operating profit ^(Note)	585,300	595,463	10,162
Operating profit	561,101	564,984	3,883
Financial income	4,780	5,754	974
Financial costs	(27,349)	(39,252)	(11,903)
Profit before income taxes	538,532	531,486	(7,046)
Income taxes	(141,783)	(144,055)	(2,272)
Profit for the year	396,749	387,431	(9,317)
Attributable to:			
Owners of the parent company	392,409	385,677	(6,732)
Non-controlling interests	4,340	1,755	(2,585)
Profit for the year	396,749	387,431	(9,317)

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

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

Consolidated statement of comprehensive income

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Increase (Decrease)
Profit for the year	396,749	387,431	(9,317)
Other comprehensive income, net of taxes	157,449	(258,129)	(415,579)
Comprehensive income for the year	554,198	129,302	(424,896)
Attributable to:			
Owners of the parent company	549,309	128,340	(420,969)
Non-controlling interests	4,889	962	(3,927)
Comprehensive income for the year	554,198	129,302	(424,896)

Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2017	Fiscal year ended December 31, 2018	Increase (Decrease)
Cash flows from operating activities	419,212	461,389	42,177
Cash flows from investing activities	(352,632)	(383,307)	(30,674)
Cash flows from financing activities	(77,032)	(62,360)	14,672
Net increase (decrease) in cash and cash equivalents	(10,452)	15,721	26,174
Cash and cash equivalents at the beginning of the year	294,157	285,486	(8,670)
Effect of exchange rate changes on cash and cash equivalents	1,782	(19,145)	(20,927)
Cash and cash equivalents at the end of the year	285,486	282,063	(3,424)

JT NEWS

JT Group Products

Introducing New Processed Food Products

<Photo>

Sanuki Men Ichiban, Beef Bukkake Udon, Large Serving

Preparation: Microwave

1 serving / 370g

- Volume of noodles ideal for the summer

<Photo>

Comments from person in charge:

Arashi Asano, Product Development Division, Product General Department, TableMark Co., Ltd.

This *bukkake udon* noodle product brings joy to the summer months, featuring springy udon noodles infused with savory and sweet beef with a salty-sweet seasoning. This product can be readily consumed after simply heating it in a microwave oven in its packaging, with no need for separate dishware given that it comes with a tray.

“Gottsu-Umai” Okonomiyaki

Preparation: Microwave

1 serving / 300g

- Featuring crisp cabbage from Japan and savory seafood

<Photo>

“Gottsu-Umai” Okonomiyaki comes in newly designed packaging. The *Gottsu-Umai* series featuring the top-selling frozen *okonomiyaki* product has marked its 20th anniversary. We are running a complimentary gift campaign from April through May, having established May 2 as the “Gottsu Day” anniversary date. For further details, please refer to the TableMark website.

<Photo>

Hitomebore Rice, grown in Miyazaki Prefecture (Divided) 4 servings

Preparation: Microwave or boiling water

600g (150g × 4 servings)

- The *Hitomebore* line of products featuring rice grown in Miyazaki Prefecture is one of the brands of our series of rice brands. These products come in convenient, easy-to-use individual packaging at a 150 gram serving size (equivalent to a single bowl of rice).

JT NEWS

Introducing New Tobacco Products

JT launches two new tobacco vapor products under its Ploom brand

Ploom TECH+, a low temperature tobacco vapor product

Ploom S, a high temperature tobacco vapor product

<Photo>

On Tuesday, January 29, JT began selling its *Ploom TECH+*, a low temperature tobacco vapor product and *Ploom S*, a high temperature tobacco vapor product via the Ploom online shop and through Ploom shops nationwide.

As such, JT now offers a lineup of three T-Vapor products, in conjunction with its *Ploom TECH* low temperature tobacco vapor product currently on the market.

■ Entering an era where T-Vapor products offer a choice of temperatures

Up to this point T-Vapor products had been combined in a single category, rather than in separate low temperature and high temperature segments, particularly with respect to product attributes such as low levels of potentially harmful constituents that have been associated with health risks and lack of smoke associated with tobacco combustion, in comparison with cigarettes. However, attributes of such products vary depending on temperatures at which they are to be heated. JT now offers products under two categories, low temperature tobacco vapor products and high temperature tobacco vapor products, thereby providing consumers with options regarding heated tobacco products with respect to their varying product attributes. <Logo><Logo>

*1. Results of the research based on the three-point comparative odor intensity indication method by six people who have passed the olfactory test. Cigarette smoke and Ploom TECH, Ploom TECH+ and Ploom S tobacco vapor, which contains constituents derived from tobacco leaves, were diluted with odorless air in the bags, and the odor of each bag was statistically quantified as the “dilution factor of just no odor”.

* 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.

<Photo>

Ploom TECH+, a low temperature tobacco vapor product

- Low temperature tobacco vapor product offering added smoking sensation

Ploom TECH+ is a low temperature tobacco vapor product that employs JT's unique low-temperature heating methodTM. The product enables consumers to enjoy a more powerful *Ploom TECH* smoking sensation, given its increased amount of tobacco leaves and tobacco vapor, while still producing minimal odor equivalent to that of the standard *Ploom TECH* device. Whereas *Ploom TECH* comes in a variety of flavors and features a distinctive clear tobacco taste, *Ploom TECH+* is tailored to consumers seeking a discernably rich and tobacco flavor.

- Still less than 1% odor^{*1} and more than a 99% reduction^{*2} in the levels of harmful and potentially harmful constituents

Ploom TECH+ produces less odor and fewer potentially harmful constituents, at levels equivalent to those of the *Ploom TECH* low temperature tobacco vapor product. It remains true to characteristics of low temperature tobacco vapor products, while offering a better smoking sensation. It is ideal for use in restaurants and other locations with many other people, and in vehicles and other places that call for consideration toward others.

Price of *Ploom TECH+* Starter Kit: 4,980 yen (including taxes)

Contents: Battery, Cartridge Cover + Capsule Holder, AC Adaptor and Micro USB Cable

<Photo>

Ploom S, a high temperature tobacco vapor product

- High temperature tobacco vapor product offering the flavor of the MEVIUS brand

Ploom S incorporates JT's unique "Authentic Tobacco Flavoring Method" while featuring the most suitable heating temperature for drawing out the savory qualities of tobacco leaf and delivering the flavor of *MEVIUS*, Japan's top^{*3} cigarette brand that is smooth but is still savory and enduring.

- Less odor normally associated with high temperature tobacco vapor products

Ploom S enables consumers to smoke in comfort while giving consideration to their surroundings because it produces substantially less odor in comparison with cigarettes while also suppressing the distinctive odor of high temperature tobacco vapor products that tends to inhibit flavor. Compared to cigarettes, it produces less than 5% odor^{*1} and more than a 90% reduction^{*2} in the levels of harmful and potentially harmful constituents.

Price of *Ploom S* Starter Kit: 7,980 yen (including taxes)

Contents: Device, AC Adaptor, Micro USB Cable and Cleaning Brush

*2. Use of this product does not mean it is necessarily safer than cigarettes. This figure was obtained by comparing the amounts of nine constituents, the WHO recommends to reduce as a priority, which are contained in one puff of cigarette smoke and one puff of a tobacco vapor of Ploom TECH, Ploom TECH+ and Ploom S. A standard reference cigarette (3R4F) was selected as the test cigarette product.

*3. JT estimates as of January 2019.

Report on Factory Tours

Schedule: November 9, 2018 (Friday) and November 10, 2018 (Saturday)

Location: Uonuma Mizunosato Factory of TableMark Co., Ltd.

Participants: Limited to 40 tour participants per day

On November 9 and 10, 2018, factory tours for our shareholders were held at the Uonuma Mizunosato Factory of TableMark Co., Ltd. We were grateful to have received many applications, from among which we selected tour participants by means of random drawing. The tours proved to be very popular among those taking part, which included shareholders and those accompanying them.

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

12:40

Gather at Urasa Station, then take bus to the factory

<Photo>



13:15

Listen to explanation on the Group delivered by Senior Vice President

<Photo>



13:30

Listen to explanation on JT's factories, and watch videos

<Photo>



13:45

Observe processes for manufacturing frozen *udon* noodles and packaged rice

<Photo>



14:35

Try samples of the foods, and have a question and answer session

<Photo>



15:15

Return to Urasa Station and disperse

Feedback from tour participants

- I really enjoyed gaining a better understanding of processes involved in making *udon* noodles and rice.
- I was impressed to see that nearly everything was automated and production was very efficient.
- The production line was streamlined overall and there was an absence of waste. As a food product factory the facility took an advanced approach to hygiene.
- Those providing explanations and giving tours were very responsive to our questions. They conveyed politeness, kindness and warmth.
- I am now eager to taste even more of the food products. I will continue to use the frozen *udon* noodle and packaged rice products regularly.

Donations through the Shareholder Special Benefit Plan

In the Shareholder Special Benefit Plan for shareholders as of December 31, 2018, 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. 10,196 shareholders chose to make a donation through this option.

These donations totaled ¥17,337,000, which were contributed through the Central Community Chest of Japan's "2nd Red Feather Disaster Relief Volunteer & NPO Support Fund" and "The Disaster Relief Volunteer & NPO Support Fund Kyushu" on January 18, 2019.

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.

Changes in Shareholder Benefit Program

The Company has decided to launch a new shareholder benefit program in order to encourage our shareholders to hold our shares in the mid- to long-term and to be supporters of our business, as stated in “Notice of Changes in Shareholder Benefit Program” posted on our website on November 26, 2018. We also have decided to provide a benefit once a year to shareholders of record on December 31. Under the current program, the benefits are available twice a year to shareholders of record on June 30 and December 31, respectively. Additionally, we have decided to increase the amounts of benefit, while setting a restriction for eligibility of more than one year of continuous holding of 100 (one unit) or more Company’s shares.

Category A (100 to less than 200 shares)	: Assortment of the JTG’s products worth 2,500 yen, or equivalent amount of donation
Category B (200 to less than 1,000 shares)	: Assortment of the JTG’s products worth 4,500 yen, or equivalent amount of donation
Category C (1,000 to less than 2,000 shares)	: Assortment of the JTG’s products worth 7,000 yen, or equivalent amount of donation
Category D (2,000 shares or more)	: Assortment of the JTG’s products worth 13,500 yen, or equivalent amount of donation

The current shareholder benefit program will conclude once gifts have been granted to shareholders who are listed or otherwise recorded in the shareholder registry as of June 30, 2019. The new program will apply to those shareholders listed or otherwise registered in the shareholder registry as of December 31, 2019.

Inquiries regarding Shareholder Special Benefit Plan

JT Shareholder benefit program 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

Company Profile

Trade name: Japan Tobacco Inc.

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

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

Fax: +81-3-5572-1441

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

Established: April 1, 1985

Paid-in capital: ¥100 billion

Ordinary Shares (as of December 31, 2018)

Composition of shareholders

Public sector: 33.35%

Financial institutions: 19.94%

Individuals and others: 22.38%

Securities companies: 3.22%

Other institutions: 1.13%

Foreign institutions and others: 19.99%

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

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

(Number of treasury shares: 208,576,641 shares)

Number of shareholders: 394,994

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

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Corporate Agency Division

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

Members of the Board, Audit & Supervisory Board Members, and Executive Officers
(as of March 20, 2019)

■ Members of the Board

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

* Ms. Main Kohda, Mr. Koichiro Watanabe and Ms. Yukiko Nagashima 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	Hiroshi Yamamoto
Standing Audit & Supervisory Board Member	Toru Mimura*
Audit & Supervisory Board Member	Hiroshi Obayashi*
Audit & Supervisory Board Member	Koji Yoshikuni*

* Mr. Toru Mimura, Mr. Hiroshi Obayashi and Mr. Koji Yoshikuni 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 Finance Officer and Communications	Naohiro Minami
Executive Vice President, Corporate, Pharmaceutical Business and Food Business	Kiyohide Hirowatari
Senior Vice President, Compliance, Sustainability Management and General Affairs	Kazuhito Yamashita
Senior Vice President, President, Japanese Tobacco Business, Tobacco Business	Chito Sasaki
Senior Vice President, Tobacco Business Planning, Corporate, Scientific & Regulatory Affairs, Tobacco Business	Junichi Fukuchi
Senior Vice President, Sales, Tobacco Business	Eiichi Kiyokawa
Senior Vice President, Leaf Procurement, Tobacco Business	Kenji Ogura

Senior Vice President, Quality Assurance, Tobacco Business	Hiroyuki Ikuma
Senior Vice President, RRP Development, Tobacco Business	Yasuhiro Nakajima
Senior Vice President, Marketing, Tobacco Business	Shuichi Hirose
Senior Vice President, R&D, Tobacco Business	Hiroyuki Miki
Senior Vice President, Manufacturing, Tobacco Business	Akihiro Koyanagi
Senior Vice President, Head of China Division, Tobacco Business	Toru Oguchi
Senior Vice President, President, Pharmaceutical Business	Muneaki Fujimoto
Senior Vice President, Head of Central Pharmaceutical Research Institute, Pharmaceutical Business	Shigenori Ohkawa
Senior Vice President, Food Business	Atsuhiro Kawamata
Senior Vice President, Legal	Haruhiko Yamada
Senior Vice President, Corporate Strategy	Yuki Maeda
Senior Vice President, Business Development	Takehiko Tsutsui
Senior Vice President, Communications	Kei Nakano
Senior Vice President, Digitalization	Takehisa Shibayama
Senior Vice President, General Affairs	Takanori Kikuchi
Senior Vice President, Sustainability Management	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 January 2019 (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 share split of 5-for-1 on April 1, 2006, and a share split of 200-for-1 on July 1, 2012, share prices reflect post-split levels.