

[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 64

<Logo> Results for FY2019 and forecasts for FY2020

<Logo> JT NEWS

<JT logo>

TOP MESSAGE

Ongoing pursuit of sustainable profit growth over the mid- to long-term

Results for the fiscal year ended December 31, 2019 (FY2019)

In FY2019, adjusted operating profit at constant rates of exchange, a key performance indicator across the Group, grew by 0.9% from the previous fiscal year as total growth in the tobacco business as a whole, encompassing the domestic tobacco business and international tobacco business, outpaced a downturn in the pharmaceutical business. Meanwhile, on a financial reporting basis, adjusted operating profit decreased by 13.4% in comparison with the previous fiscal year, and profit similarly decreased by 9.7%, due to significant unfavorable effects of foreign exchange.

As for results by business segment, both revenue and profit decreased in the domestic tobacco business despite effects of favorable pricing which materialized over the first nine months of the fiscal year and an increase in sales volume of RRP*, largely due to an impairment of older model machinery for manufacturing capsules for low-temperature T-Vapor products, in addition to a decrease in sales volume of cigarettes.

In the international tobacco business, we recorded our highest-ever shipment volume due to positive effects of acquisitions conducted in FY2018 and market share gains in each country. Furthermore, in multiple markets both revenue and profit increased at constant rates of exchange due to positive results of favorable pricing, and despite our having increased investment such as expenses incurred for strengthening the business platform in emerging markets. However, revenue and profit both decreased on a financial reporting basis, due mainly to the adverse effects involving foreign exchange associated with yen appreciation in addition to weaker local currencies such as the Iranian rial and the Russian ruble.

In the pharmaceutical business, both revenue and profit decreased due to factors such as lower revenue generated by the Group company Torii Pharmaceutical Co., Ltd. amid effects of terminating exclusive licensing agreements in Japan pertaining to six anti-HIV drugs, and lower royalty revenue overseas.

In the processed food business, despite growth in sales of the main staple food products, revenue decreased, due to a decline in sales of other products. However, profit increased amid efforts to increase profitability by improving the product mix and reducing costs, adding to the effects of price amendment.

Business Plan 2020 and forecasts for the fiscal year ending December 31, 2020 (FY2020)

Under our Business Plan 2020 (three-year business plan starting in 2020), our commitment to pursuing sustainable profit growth over the mid- to long-term remains unchanged, and we accordingly aim to achieve a mid to high single-digit annual average rate of growth with respect to adjusted operating profit at constant rates of exchange.

To achieve this, it is important that we generate profit growth in the tobacco business, which remains the core and main driver of the JT Group's profit growth. As for the domestic tobacco business, we will continue to aim for profit generation by strengthening the top-line in both cigarettes and RRP, despite the likelihood of difficult circumstances persisting. As for the international tobacco business, we will continue to aim for a high level of profit growth by gaining share in existing markets, steadily implementing pricing strategies, and enhancing our revenue base through geographic expansion. With respect to the pharmaceutical business and the processed food business, we will continue to steadily implement our basic strategies in order for those businesses to keep complementing the Group's profit growth.

As for the forecasts for FY2020, although the tobacco business as a whole is poised to achieve 3% growth in profit, other negative factors are expected to offset that growth, and as a Group, adjusted operating profit at constant rates of exchange is likely to remain on par with that of the previous fiscal year. In addition, adjusted operating profit on a financial reporting basis is likely to decrease by 2.5% in comparison with the previous fiscal year, and profit is likely to decrease by 12.5% due in part to the non-recurrence of positive one-time factors encountered in the previous year, such as a one-time compensation gain in the pharmaceutical business.

Shareholders Return

We plan to pay a dividend per share of ¥154 for FY2019, which is consistent with our initial estimate. Under the Business Plan 2020, the Company's shareholder return policy remains unchanged in terms of our aiming to achieve consistent and sustainable growth of dividends in proportion with our mid- to long-term profit growth, while maintaining a strong financial base. During the term of our Business Plan 2020, whereas we continue to maintain a target of achieving a mid to high single-digit annual average rate of growth with respect to adjusted operating profit at constant rates of exchange, we also expect substantial uncertainties over profit to persist, largely due to foreign exchange volatility and fluctuations due to one-time factors. In light of such circumstances, we plan to pay an annual dividend per share for FY2020 of ¥154, which is the same as that of FY2019. We intend to persist in maintaining consistency of our dividends going forward.

The Group has maintained an ongoing growth over the years by bringing about transformation that takes a forward-looking approach, particularly in terms of having achieved business expansion abroad through large-scale acquisitions, undertaking rebranding, and pursuing geographic expansion into emerging markets, notwithstanding significant changes in its business environment such as the peaking-out of the Japanese domestic tobacco market and tightening of regulations. Our business environment is becoming increasingly uncertain, yet we aim to achieve sustainable profit growth by generating profit growth in the tobacco business as a whole, thereby returning to our origins with respect to our history of successful self-transformation.

Masamichi Terabatake, Representative Director and President, Chief Executive Officer

<Photo>

- * Reduced-Risk Products (RRP) are products with potential to reduce the risks associated with smoking such as E-Vapor products and T-Vapor products. E-Vapor products do not use tobacco leaf, instead using electrical heating of a liquid inside a device or specialized cartridge to generate vapor for the user to enjoy. On the other hand, T-Vapor products 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 fiscal year ended December 31, 2019 (FY2019)

(Billions of yen)

	FY2018 results	FY2019 results	Year-on-year change
At constant rates of exchange			
Adjusted operating profit* ¹	595.5	600.8	+0.9%
On a financial reporting basis			
Revenue	2,216.0	2,175.6	-1.8%
Adjusted operating profit* ¹	595.5	515.9	-13.4%
Operating profit	565.0	502.4	-11.1%
Profit* ²	385.7	348.2	-9.7%

Forecast for the fiscal year ending December 31, 2020 (FY2020)

(Billions of yen)

	FY2019 results	FY2020 forecasts	Difference from previous year	Year-on-year change
At constant rates of exchange				
Adjusted operating profit* ¹	515.9	516.0	+0.1	+0.0%
On a financial reporting basis				
Revenue	2,175.6	2,180.0	+4.4	+0.2%
Adjusted operating profit* ¹	515.9	503.0	-12.9	-2.5%
Operating profit	502.4	471.0	-31.4	-6.2%
Profit* ²	348.2	305.0	-43.2	-12.4%

Dividend per share

(Yen)

	FY2019 results	FY2020 forecasts
Interim dividend	77	77
Year-end dividend	77	77
Annual dividend per share	154	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

Domestic Tobacco Business

Key points this fiscal term

- **Cigarette sales volume:** Decreased due to declines in industry volume and market share
- **Core revenue and adjusted operating profit:** Both revenue and profit decreased despite effects of favorable pricing for cigarettes, due to factors that include a downturn in cigarette sales volume and recording of impairment loss

Results summary

		Year-on-year change
JT cigarette sales volume	75.5 billion cigarettes	-6.5 billion cigarettes -7.9%
Core revenue	568.9 billion yen	-13.5 billion yen -2.3%
Adjusted operating profit	187.2 billion yen	-21.8 billion yen -10.4%

Market share of JT cigarettes and focus brands

	From January to December 2018	From January to December 2019	Year-on-year change
<Logo>JT	61.4%	60.4%	-1.0%pt
<Logo>MEVIUS	31.2%	30.2%	-1.0%pt
<Logo>Winston	8.0%	7.6%	-0.4%pt
<Logo>Seven Stars	7.9%	7.8%	-0.1%pt
<Logo>Natural American Spirit	1.9%	2.0%	+0.0%pt

Sales volume of cigarettes

(Billions of cigarettes)

	From January to December 2018	From January to December 2019
JT cigarette sales volume*1	82.0	75.5

*1. The sales volume and market share of cigarettes include little cigars (products that use cigarette paper made from tobacco leaves and are rolled in the same shape as cigarettes), and the values for the previous year have been retrospectively adjusted. In addition, JT cigarette sales volume does not include sales volume of domestic duty free, the China business, RRP, etc.

Financial results

(Billions of yen)

	From January to December 2018	From January to December 2019
Core revenue ^{*2}	582.4	568.9
Adjusted operating profit	209.0	187.2

*2. Includes revenue related to domestic duty free, the China business, RRP and little cigars, but excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others

International Tobacco Business

Key points this fiscal term

- **Total shipment volume:** Increased due to the positive effects of acquisitions conducted in FY2018 and market share gains in each market
- **Core revenue and adjusted operating profit (at constant rates of exchange):** Revenue and profit both increased due to the effects of favorable pricing and the volume effects

Results summary

		Year-on-year change
Total shipment volume	445.8 billion cigarettes	+18.2 billion cigarettes +4.3%
GFB shipment volume	277.0 billion cigarettes	+10.6 billion cigarettes +4.0%
Core revenue	At constant rates of exchange/ U.S. dollar-based 12,379 million dollars	+1,049 million dollars +9.3%
Adjusted operating profit	At constant rates of exchange/ U.S. dollar-based 3,866 million dollars	+372 million dollars +10.7%

Market share (12 months moving average)

	December 2018	December 2019	Year-on-year change
France	23.2%	24.5%	+1.3%pt
Italy	23.9%	24.5%	+0.6%pt
Russia	35.6%	39.0%	+3.5%pt
Spain	24.8%	25.7%	+0.8%pt
Taiwan	42.4%	45.2%	+2.8%pt
Turkey	27.7%	28.3%	+0.6%pt
U.K.	41.4%	43.6%	+2.2%pt

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

Shipment volume

(Billions of cigarettes)

	From January to December 2018	From January to December 2019
Total shipment volume* ¹	427.6	445.8
GFB* ² shipment volume	266.4	277.0

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

*2. Global Flagship Brand (GFB) refers to four brands, which serve as flagships of the Group's brand portfolio -Winston, Camel, MEVIUS and LD

Financial results

(Millions of dollar)

	From January to December 2018	From January to December 2019
Core revenue* ³	11,330	11,496
Core revenue at constant rates of exchange	–	12,379
Adjusted operating profit	3,493	3,126
Adjusted operating profit at constant rates of exchange	–	3,866
Yen-based adjusted operating profit	384.5 billion yen	340.8 billion yen

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

Pharmaceutical Business

Key points this fiscal term

- **Revenue and adjusted operating profit:** Revenue and profit both decreased due mainly to the effects of terminating exclusive licensing agreements in Japan pertaining to six anti-HIV drugs

Financial results

(Billions of yen)

	From January to December 2018	From January to December 2019
Revenue	114.0	88.5
Adjusted operating profit	28.4	15.9

	Year-on-year change
Revenue	-25.5 billion yen -22.3%
Adjusted operating profit	-12.5 billion yen -43.9%

Processed Food Business

Key points this fiscal term

- **Revenue:** Revenue decreased despite growth in sales of staple food products and others, due to a decline in sales of other products
- **Adjusted operating profit:** Profit increased mainly due to cost-reduction efforts

Financial results

(Billions of yen)

	From January to December 2018	From January to December 2019
Revenue	161.4	158.6
Adjusted operating profit	4.1	5.4

	Year-on-year change
Revenue	-2.8 billion yen -1.7%
Adjusted operating profit	+1.3 billion yen +31.8%

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, 2018	As of December 31, 2019	Increase (Decrease)
Assets			
Current assets	1,809,406	1,925,673	116,267
Non-current assets	3,651,993	3,627,397	(24,596)
Property, plant and equipment	758,841	803,239	44,397
Goodwill	2,008,416	2,002,595	(5,821)
Intangible assets	503,076	440,434	(62,642)
Investment property	17,558	16,588	(970)
Retirement benefit assets	57,140	67,377	10,236
Investments accounted for using the equity method	66,807	52,903	(13,904)
Other financial assets	115,046	109,568	(5,478)
Deferred tax assets	125,109	134,696	9,586
Total assets	5,461,400	5,553,071	91,671

(Millions of yen)

	As of December 31, 2018	As of December 31, 2019	Increase (Decrease)
Liabilities and equity			
Liabilities			
Current liabilities	1,430,185	1,501,757	71,572
Non-current liabilities	1,330,770	1,307,702	(23,068)
Total liabilities	2,760,955	2,809,459	48,505
Equity			
Equity attributable to owners of the parent company	2,630,594	2,662,696	32,101
Share capital	100,000	100,000	–
Capital surplus	736,400	736,400	–
Treasury shares	(442,829)	(492,469)	(49,640)
Other components of equity	(423,357)	(431,741)	(8,383)
Retained earnings	2,660,381	2,750,506	90,125
Non-controlling interests	69,851	80,916	11,065
Total equity	2,700,445	2,743,611	43,166
Total liabilities and equity	5,461,400	5,553,071	91,671

Consolidated statement of income

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Increase (Decrease)
Revenue	2,215,962	2,175,626	(40,337)
Cost of sales	(933,034)	(942,299)	(9,265)
Gross profit	1,282,928	1,233,326	(49,602)
Other operating income	48,532	95,725	47,194
Share of profit in investments accounted for using the equity method	3,931	5,011	1,079
Selling, general and administrative expenses	(770,407)	(831,707)	(61,301)
Adjusted operating profit ^(Note)	595,463	515,927	(79,536)
Operating profit	564,984	502,355	(62,629)
Financial income	5,754	8,402	2,649
Financial costs	(39,252)	(45,526)	(6,274)
Profit before income taxes	531,486	465,232	(66,255)
Income taxes	(144,055)	(103,609)	40,445
Profit	387,431	361,622	(25,809)
Attributable to:			
Owners of the parent company	385,677	348,190	(37,487)
Non-controlling interests	1,755	13,432	11,677
Profit	387,431	361,622	(25,809)

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, 2018	Fiscal year ended December 31, 2019	Increase (Decrease)
Profit	387,431	361,622	(25,809)
Other comprehensive income, net of taxes	(258,129)	4,194	262,323
Comprehensive income for the year	129,302	365,816	236,514
Attributable to:			
Owners of the parent company	128,340	352,953	224,613
Non-controlling interests	962	12,863	11,901
Comprehensive income for the year	129,302	365,816	236,514

Consolidated statement of cash flows

(Millions of yen)

	Fiscal year ended December 31, 2018	Fiscal year ended December 31, 2019	Increase (Decrease)
Cash flows from operating activities	461,389	540,410	79,022
Cash flows from investing activities	(383,307)	(123,571)	259,736
Cash flows from financing activities	(62,360)	(333,832)	(271,471)
Net increase (decrease) in cash and cash equivalents	15,721	83,008	67,286
Cash and cash equivalents at the beginning of the year	285,486	282,063	(3,424)
Effect of exchange rate changes on cash and cash equivalents	(19,145)	(7,913)	11,233
Cash and cash equivalents at the end of the year	282,063	357,158	75,095

JT NEWS

Tobacco Topics

Offering three Ploom brand devices at new prices, making a variety of options available to more customers

We have amended the recommended nationwide retail prices of several devices: the *Ploom S STARTER KIT* high temperature tobacco vapor product is now priced at ¥3,480 (including taxes), the *Ploom TECH+ STARTER KIT* low temperature tobacco vapor product is now priced at ¥2,980 (including taxes), and the *Ploom TECH STARTER KIT 1.5* is now priced at ¥2,500 (including taxes). These products are sold via channels that include the CLUB JT online shop, Ploom shops nationwide, JT's official Ploom online shop on Rakuten marketplace, some tobacco retail stores nationwide, and convenience stores nationwide.

Whereas these products have been well received by consumers since their launch, we decided to set new pricing that is more affordable in hopes that even more consumers will be able to enjoy these products in a manner aligned with their lifestyles. JT is committed to providing consumers with a variety of choices, thereby creating a brand new future for tobacco products and society itself.

<Photo>

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* 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 Processed Food Products

Zhajiangmian Noodles in a Dish

Preparation: Microwave

1 serving / 295g

<Photo> [Frozen]

Comments from person in charge:

Akira Yamada, Product Development Division, Product General Department, TableMark Co., Ltd.

These zhajiangmian (“fried sauce noodles”) noodles come with full toppings, easy to prepare without the need for dishware or water. Toppings of ground pork, bamboo shoots, shiitake mushrooms and bok choy cabbage, all combined with a rich sauce accented by the savoriness of Tianmian sweet bean sauce and XO sauce, plus a subtle touch of Hatcho-miso sauce, goes very well with the product’s Chinese noodles.

<Photo>

<Photo>

Hono-no-chahan Fried Rice 300g

Preparation: Microwave or pan-fry

300g

[Frozen]

- This fried rice comes in a 300 gram single-serving size that makes for a fulfilling meal for one, prepared in its packaging as-is. Garlic-flavored with the savoriness of offal and char siu pork, it offers a satisfying taste together with the fluffy and loose texture of quickly stir-fried rice.

<Photo>

Genki Tsukushi Rice, grown in Fukuoka Prefecture (Divided) 4 servings

Preparation: Microwave or boiling water

150g × 4 servings

[Ambient]

- This Genki Tsukushi rice grown in Fukuoka Prefecture, in our brand-name rice series of packaged cooked rice products, gained popularity when sold exclusively in the Kyushu region and is now being released nationwide. Genki Tsukushi rice is perfect for bento-style boxed lunches given its sticky and springy texture even when it cools down.

JT is included in the Dow Jones Sustainability Indices Asia Pacific, the worldwide index for Socially Responsible Investment, for the sixth consecutive year

On September 2019, JT has been selected as a member of the Dow Jones Sustainability Indices Asia Pacific (DJSI Asia Pacific), the worldwide index for Socially Responsible Investment (SRI) for the sixth consecutive year.

The DJSI is a collaborative initiative by S&P Dow Jones Indices of the United States and RobecoSAM of Switzerland. It assesses the sustainability performance of companies, based on economic, environmental and social criteria.

In order for our group to achieve sustainable growth, it is essential for our business to contribute to the sustainable development of our society. We will work continuously on a variety of sustainability issues to fulfill our responsibilities.

<Logo>

JT recognized as one of the most LGBT-friendly companies in Japan with highest ranking “Gold” status in PRIDE Index 2019 for the 4th consecutive year

On October 11, 2019, JT received the highest rating of “Gold” for the fourth consecutive year with respect to the PRIDE Index 2019, sponsored by “work with Pride.”

The index evaluates initiatives related to LGBT people and other sexual minorities implemented by companies and other organizations. JT was recognized for its ongoing initiatives that involve raising awareness on LGBT issues through training programs, enhancing the workplace environment by revising systems within the Company, and creating a corporate culture that embraces diverse values. JT believes that sustainable growth of the company hinges on showing respect for differing backgrounds and values, while finding value in such differences, in terms of people’s gender, gender identity, sexual orientation, age and nationality, and also in terms of their experiences, expertise and other attributes. As such, we will keep promoting diversity with respect to our human resources going forward.

<Logo>

Report on Factory Tours

On November 1 and 2, 2019, factory tours for our shareholders were held at the Uonuma Mizunosato Factory of TableMark Co., Ltd. Participants in the tours included shareholders and those accompanying them, selected by means drawing from among a pool of many applicants.

On the days of the event, participants were able to observe processes for manufacturing frozen *udon* noodles and packaged rice (sterile package-prepared rice), and were furnished with explanations profiling the Group and the Factory.

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.

<Photo>

Participants taking part in the factory tour

<Photo>

<Photo>

Feedback from tour participants

- I learned that the food products I regularly eat are made with care. I will now eat those products with even greater appreciation.
- With this having been my first time ever to witness food processing operations, I was able gain substantial knowledge in that regard given that our questions were soundly answered.
- I gained a true sense of the plant's thorough commitment to hygiene management and safety.

Donations through the Shareholder Special Benefit Plan

In the Shareholder Special Benefit Plan for shareholders as of June 30, 2019, we provided an option in which shareholders can opt to forego the complimentary gift and instead make a donation to disaster reconstruction support. 7,247 shareholders chose to make a donation through this option.

These donations totaled ¥12,695,000, which were contributed to the Central Community Chest of Japan's "Red Feather Disaster Relief Volunteer & NPO Support Fund" on December 24, 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 organization that promotes the Red Feather Community Chest which has been Japan's largest fund-raising campaign ongoing since 1947.

The Red Feather Community Chest provides over 50,000 grants annually, nationwide, thereby supporting

activities that address community challenges particularly in terms of elderly individuals, children, people with disabilities, and those encountering difficulties.

Moreover, when disaster strikes, the Central Community Chest of Japan leverages its nationwide organizational strengths as well as its connections to community groups and organizations to raise support funds that aid in support initiatives in disaster-stricken areas, lending its support to disaster victims and relief activities in affected areas.

Shareholder Special Benefit Plan for FY2020

● Receiving your complimentary gift under the Shareholder Special Benefit Plan for FY2020

We plan to successively deliver our complementary gifts for shareholders during the period from mid-April until late May.

We ask that our shareholders mail us the JT Shareholder Special Benefit Plan application form sent to our shareholders in late February, upon having completed it by furnishing information required. Make sure to post the form so that it reaches us by Thursday, March 26, 2020. For further details on our shareholder benefits, please refer to the guide to shareholder benefits enclosed with the application form.

* If the JT Shareholder Special Benefit Plan application form does not reach us by the deadline, if the form is incomplete, or if a shareholder does not submit his or her application, a complimentary gift will be delivered in late May or thereafter at the Company's discretion.

* The complementary gifts will be sent to the addresses of shareholders recorded as of December 31, 2019. 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.

● Changes in Shareholder Benefit Program

The Company has made changes to its shareholder benefits program effective beginning in FY2020, as was stated in the Notice of Changes in Shareholder Benefit Program released on November 26, 2018. We also have decided to provide a benefit once a year to shareholders of record on December 31 from FY2020. The benefits had been available twice a year to shareholders of record on June 30 and December 31, respectively.

Additionally, we have increased the amounts of the benefits, while setting a restriction for eligibility of more than one year of continuous holding of 100 (one unit) or more Company's shares in order to encourage our shareholders to hold our shares in the mid- to long-term and to be supporters of our business.

● Discontinuation of JT Calendar distribution

Beginning this year, we will no longer distribute the JT Calendar which we had previously furnished to our shareholders upon request. We sincerely appreciate your understanding in this regard.

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 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 December 31, 2019)

Composition of shareholders

Public sector: 33.35%

Financial institutions: 18.19%

Individuals and others: 27.52%

Securities companies: 4.07%

Other institutions: 1.25%

Foreign institutions and others: 15.63%

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

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

(Treasury stock: 226,196,566 shares)

Number of shareholders: 515,211

How to Receive Dividends

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

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

Memo for Shareholders

Closing date: December 31 of each year

Ordinary General Meeting of Shareholders: March of each year

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

Record date for interim dividend: June 30 of each year

Share trading unit: 100 shares

Method of public notice:

Electronic public notice

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

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

Shareholder registry administrator / special-account managing institution:

Mitsubishi UFJ Trust and Banking Corporation

■ Office for handling business

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

■ Inquiry

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

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

■ Mailing address

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

Share Handling Procedures

Shareholders holding accounts with securities companies

[Procedures and contents of inquiries]

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

=> The securities company where the account is opened

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

=> Mitsubishi UFJ Trust and Banking Corporation

Shareholders using special accounts

[All procedures and inquiries]

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

=> Inquiries

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

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

Mailing address

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

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

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

Members of the Board, Audit & Supervisory Board Members, and Executive Officers
(as of March 19, 2020)

■ Members of the Board

Chairman of the Board	Yasutake Tango
Deputy Chairman of the Board	Mutsuo Iwai
Representative Director and President	Masamichi Terabatake
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*

* Members of the Board Main Kohda, Koichiro Watanabe and 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*

* Standing Audit & Supervisory Board Member Toru Mimura and Audit & Supervisory Board Members Hiroshi Obayashi and 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, 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, Chief Executive Officer of Japanese Tobacco Business, Tobacco Business Planning, Tobacco Business	Junichi Fukuchi
Senior Vice President, Chief Financial Officer of Japanese Tobacco Business, Tobacco Business	Yuki Maeda
Senior Vice President, Sales, Tobacco Business	Eiichi Kiyokawa

Senior Vice President, Corporate, Scientific & Regulatory Affairs, Tobacco Business	Kenji Ogura
Senior Vice President, Leaf Procurement, Tobacco Business	Chigusa Ogawa
Senior Vice President, Head of RRP Japan Office, 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, Quality Assurance, Tobacco Business	Toru Hijikata
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	Hiromasa Furukawa
Senior Vice President, Corporate Strategy	Kei Nakano
Senior Vice President, Digitalization	Takehisa Shibayama
Senior Vice President, General Affairs	Takanori Kikuchi
Senior Vice President, Human Resources	Koichi Mori
Senior Vice President, Communications	Hiroyuki Fukuda
Senior Vice President, Legal	Osamu Hirose
Senior Vice President, Sustainability Management	Hisato Imokawa

* Masamichi Terabatake, Chief Executive Officer, will also serve as President, Tobacco Business.

Trends in Share Price

Share prices of the Company, from IPO on October 27, 1994 to January 2020 (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.