

[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.]

Securities Code: 2914  
March 1, 2022

To Our Shareholders

Masamichi Terabatake  
Representative Director and President  
**Japan Tobacco Inc.**  
1-1, Toranomom 4-chome, Minato-ku, Tokyo

## NOTICE OF CONVOCATION OF THE 37TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 37th Ordinary General Meeting of Shareholders of Japan Tobacco Inc. (“JT” or the “Company”), which will be held as set forth below.

**In light of the impacts of the novel coronavirus disease (COVID-19), we are asking you to prioritize your safety and to refrain from attending the meeting. Please exercise your voting rights beforehand via the Internet or by mail instead, by 6:00 p.m. on Tuesday, March 22, 2022.**

### Particulars

**1. Date and Time of the Meeting:** Wednesday, March 23, 2022 at 10:00 a.m.

**2. Place of the Meeting:** The Prince Park Tower Tokyo  
Second basement, Ballroom  
8-1, Shibakoen 4-chome, Minato-ku, Tokyo

**3. Purpose of the Meeting:**

**Matters to be Reported:**

1. Report on the Business Report, the Consolidated Financial Statements, and the Independent Auditors’ Report and JT’s Audit & Supervisory Board Report on the Consolidated Financial Statements for the 37th Business Term (From January 1, 2021 to December 31, 2021)
2. Report on the Non-Consolidated Financial Statements for the 37th Business Term (From January 1, 2021 to December 31, 2021)

**Matters to be Resolved:**

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|----------------|--|
| <b>Item 1:</b> | Appropriation of Surplus                                 |
| <b>Item 2:</b> | Partial Amendment to the Articles of Incorporation (i)   |
| <b>Item 3:</b> | Partial Amendment to the Articles of Incorporation (ii)  |
| <b>Item 4:</b> | Partial Amendment to the Articles of Incorporation (iii) |
| <b>Item 5:</b> | Election of Ten (10) Members of the Board                |
| <b>Item 6:</b> | Revision of Remuneration Amount for Outside Directors    |

## Information on Matters Posted on JT's Website

1. Among the documents to be provided upon release of this Notice of Convocation of this Ordinary General Meeting of Shareholders, the items below are posted on our website (<https://www.jti.co.jp/>) in accordance with laws and regulations, and the provision in Article 17 of the Articles of Incorporation. Therefore, they are not included in this Notice of Convocation of this Ordinary General Meeting of Shareholders.

- “Matters Concerning Subscription Rights to Shares” and “Overview of the Resolutions on the Development of Systems Necessary to Ensure the Properness of Operations and the Operating Status of the Systems” on the Business Report
- “Consolidated Statement of Changes in Equity” and “Notes to Consolidated Financial Statements” on the Consolidated Financial Statements
- “Non-Consolidated Statement of Changes in Net Assets” and “Notes to Non-Consolidated Financial Statements” on the Non-Consolidated Financial Statements

In addition, these items are included in the Consolidated and Non-Consolidated Financial Statements audited by the Accounting Auditors in the course of preparing Accounting Auditors' Report, and in the Business Report, and Consolidated and Non-Consolidated Financial Statements audited by Audit & Supervisory Board Members in the course of preparing Audit Report.

2. If there is any amendment to the Reference Documents for the General Meeting of Shareholders, Business Report (available in Japanese), or Non-Consolidated and Consolidated Financial Statements (available in Japanese), it will be published on our website (<https://www.jti.co.jp/>).



## Measures to Prevent the Spread of COVID-19 at the General Meeting of Shareholders

### Requests to Shareholders

- \* **In light of the impacts of COVID-19, we are asking you to prioritize your safety and to refrain from attending the meeting in person.**
- \* **Exercise of voting rights at the Company's General Meeting of Shareholders is shareholders' important right. Please exercise your voting rights beforehand via the Internet or by mail.** Note that the deadline for exercising your voting rights is 6:00 p.m. on Tuesday, March 22, 2022. Please see pages 4 to 5 for details.

### <Measures to be implemented at the venue>

- **We ask shareholders attending in person to use alcohol disinfectant and wear face masks. Please be advised that persons who do not comply with these requests may not be allowed to enter the venue.**
- We will check the body temperature of the shareholders using thermography at the reception desk. Those who appear to be unwell may be approached by organizing staff members and asked to refrain from entering the venue.
- Even after the General Meeting of Shareholders has started, persons who appear to be feeling unwell may be approached by organizing staff members or may be asked to leave the venue.
- Note that the number of available seats will be limited in order to increase the space between the seats. Please be aware that even shareholders who come to the venue may not be allowed to enter.
- To ensure that the proceedings of the General Meeting of Shareholders progress smoothly and efficiently, the Company plans to shorten the time. The Company asks for your understanding and cooperation in this matter.
- Exhibits, such as those introducing the Company's businesses and products, have been cancelled.
- Although beverages (plastic bottles) are usually provided, they will not be provided at this General Meeting of Shareholders.

### Measures by the Company

- \* Organizing staff members will be at the venue after confirming their physical condition, which includes taking their temperature.
- \* Organizing staff members will wear face masks when interacting with shareholders.
- \* Alcohol disinfectant will be placed at the reception desk and multiple areas within the venue.

## Operational Arrangements for the General Meeting of Shareholders

- \* If you are attending in person, please present the Voting Rights Excise Form at the reception desk on arrival at the venue. In addition, please bring this Notice of Convocation of this Ordinary General Meeting of Shareholders.
- \* In case an agent attends the meeting, your agent must bring a letter of attorney along with the Voting Rights Exercise Form. Only one other shareholder who can exercise the voting rights at this Ordinary General Meeting of Shareholders is supposed to be eligible to serve as your agent.
- \* Please note that the meeting will be conducted in Japanese only. An interpreter, including a sign language interpreter, may accompany you. If you would like to have an interpreter accompany you, please tell so at the reception desk. It is also possible for us to arrange a Japanese sign language interpreter for you. If you are in need of this service, please inquire us in writing by March 16 (Wednesday) (your letter of inquiry must reach us by this date).
- \* Please note that gifts will not be provided to those attending the General Meeting of Shareholders. We ask for your understanding in this matter.
- \* **The General Meeting of Shareholders will be streamed live over the Internet so that shareholders will be able to watch the proceedings from their homes or other locations (only available in Japanese). We will also take your enquiries in advance over the Internet. Please see pages 6 to 7 for details.**

In the case of material changes on the operation of the General Meeting of Shareholders, you will be informed via the Company's website (<https://www.jti.co.jp/>).

## Instructions for Exercising Your Voting Rights via the Internet or by Mail

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### When Exercise the Voting Rights via the Internet

Access the Voting Rights Exercise Website from your computer or smartphone as follows and indicate whether you are for or against each of the items.

Exercise due date



No later than 6:00 p.m., on Tuesday, March 22, 2022

### Log in from your smartphone

1. Scan the QR Code at the lower right-hand side of the Voting Rights Exercise Form.
  - ✓ It is not necessary to fill in or mail the usual form.
  - ✓ It is not necessary to turn on your computer or type the Voting Rights Exercise Website address.
  - ✓ It is not necessary to type a burdensome ID or password.
- \* You can exercise your voting rights only one time by scanning the QR Code to log in.  
If exercising voting rights more than once, use the instructions in “Log in from your computer, etc.”
  - \* Depending on the smartphone model being used, it may not be possible to log in using the QR Code.
  - \* Depending on the app used to scan the QR Code, some additional operations may be necessary.
  - \* QR Code is a registered trademark of DENSO WAVE INCORPORATED.
2. Then, please indicate whether you are for or against each of the items following the directions on the website.

### Log in from your computer, etc.

Voting Rights Exercise Website: <https://evote.tr.mufg.jp/>

1. Access the Voting Rights Exercise Website.
2. Fill in the “Log-in ID” and the “Temporary Password” described on the lower right-hand side of the Voting Rights Exercise Form, and click the “Log-in” button.
3. Register a new password.
4. Then, please indicate whether you are for or against each of the items following the directions on the website.

If you have any enquiries, please contact Help Desk shown below.

Enquiries on systems, etc.



Mitsubishi UFJ Trust and Banking Corporation  
Corporate Agency Division  
Help Desk  
Tel: 0120-173-027 (Japanese-language only)  
(Business hours: 9:00 to 21:00, Toll-free)

To institutional  
investors

JT participates in the electronic voting rights exercise platform operated and administered by ICJ, Inc.

### **When Exercise the Voting Rights by Mail**

Please indicate whether you are for or against each of the items on the Voting Rights Exercise Form and return it to us. If there is no indication of for or against on each proposal, it shall be deemed that you have voted for the proposal.

Exercise due date



To be returned to us no later than 6:00 p.m., on Tuesday,  
March 22, 2022

#### Guide to filling in the Voting Rights Exercise Form

Please indicate for or against about each item.

Items 1, 2, 3, 4 and 6

When you are for the proposed item, mark  in the “for” box, and when you are against the item, mark  in the “against” box.

Item 5

When you are for all of the proposed persons in the item, mark  in the “for” box, and when you are against all in the item, mark  in the “against” box.

If you are against certain candidates, mark  in the “for” box, and also write the candidate number for each candidate you are against inside the parentheses.

\* In the event voting rights are exercised more than once:

- (1) If the voting right is exercised both via the Internet and by mail, only the exercise of the voting right via the Internet shall be valid.
- (2) If the voting right is exercised more than once via the Internet, only the last exercise of the voting right shall be valid.

## Information About Live Streaming Over the Internet and Acceptance of Enquiries in Advance

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**The General Meeting of Shareholders will be streamed live over the Internet so that shareholders will be able to watch the proceedings from their homes or other locations (only available in Japanese).**

Please access the website for live streaming from your computer or smartphone as follows, and enter your Shareholder ID (= Shareholder Number) and password (= zip code) to watch.

### 1. Date and time of streaming

From 10:00 a.m. to the end time of the General Meeting of Shareholders on Wednesday, March 23, 2022

\* The streaming page will be available from around 30 minutes before the start time of the General Meeting of Shareholders (9:30 a.m.).

### 2. How to watch on the day

Prepare your Shareholder ID (= Shareholder Number) and password (= zip code), which are to be required on the shareholder authentication screen (log-in screen), in advance before accessing to the following website for live streaming.

Website for live streaming	<a href="https://www.virtual-sr.jp/users/jti2022/login.aspx">https://www.virtual-sr.jp/users/jti2022/login.aspx</a>	
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Shareholder ID	▶ “Shareholder Number” (eight digits) stated in the Voting Rights Exercise Form, etc.
Password	▶ “Zip code” (as at the end of December) for the address registered on the shareholder registry (seven digits, with no hyphen)

\* Your viewing environment can be tested in advance from Monday, March 21 on the website for live streaming (<https://www.virtual-sr.jp/users/jti2022/login.aspx>).

### Voting Rights Exercise Form

The “Shareholder ID (= Shareholder Number)” and “password (zip code)” mentioned on page 6 are provided in the Voting Rights Exercise Form.

**\* When you post the Voting Rights Exercise Form, please make sure to write down your “Shareholder Number” before posting.** If you forget your **Shareholder Number**, please contact the “enquiries on log-in” below

[Cautions]

The “password (=zip code)” may be different from the zip code stated in the Voting Rights Exercise Form (address change on or after the record date of the General Meeting of Shareholders and information in the case where the mailing address for the Voting Rights Exercise Form is designated, or any other cases, are not reflected). In addition, shareholders living outside Japan who have designated a standing proxy are asked to enter the zip code of the standing proxy.

### 3. Points of attention

- If you watch the General Meeting of Shareholders through live streaming over the Internet, this is not deemed as attendance at the General Meeting of Shareholders under the Companies Act, and you can neither ask questions nor exercise your voting rights on the day. Please exercise your voting rights via the Internet or by mail in advance (for the method for exercising voting rights in advance, please refer to pages 4 to 5).
- Please note that any problem with video or sound may arise due to your computer environment or Internet connection environment.
- Communication charges, etc. for viewing are each shareholder’s responsibility.
- If for any reason we become unable to conduct live streaming over the Internet on the day, you will be informed via the Company’s website (<https://www.jti.co.jp/>).


### 4. Acceptance of enquiries over the Internet in advance

- We accept enquiries on the purpose of the General Meeting of Shareholders from shareholders in advance. Please log in to the website for live streaming by referring to “2. How to watch on the day,” and follow the instructions on the screen to select a category and enter your enquiry in advance.

(1) Period for acceptance: until 5:00 p.m. on Wednesday, March 16, 2022

(2) Points of attention

- Enquiries received from shareholders will be answered on the day of the General Meeting of Shareholders. Please note that we do not promise to respond to all enquiries received.
- The enquiry form has a character limit of 300 characters.
- Enquires should be about the purpose of the General Meeting of Shareholders, and one enquiry per person can be made. The Company asks for your cooperation in this matter.

Enquiries on log-in	 <p>Mitsubishi UFJ Trust and Banking Corporation Tel: 0120-262-545 (Toll-free) Japanese-language only Friday, February 25 to Tuesday, March 22 (Business hours: 9:00 to 17:00 except Saturdays and Sundays) Wednesday, March 23 (Business hours: 9:00 to the end of the General Meeting of Shareholders)</p> <p>* For technical enquiries on watching live streaming, such as the streaming environment, information is provided separately on the website for live streaming (<a href="https://www.virtual-sr.jp/users/jti2022/login.aspx">https://www.virtual-sr.jp/users/jti2022/login.aspx</a>).</p>
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## REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

### Item 1: Appropriation of Surplus

The Company has adopted a resources allocation policy, under which the Company will continue to place a high priority on making business investments<sup>(Note 1)</sup> 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. In this context, the Company has been pursuing enhanced shareholder returns in proportion to the mid- to long-term profit growth, while maintaining a solid financial base<sup>(Note 2)</sup>.

In accordance with these policies, year-end dividends for the 37th Business Term will be paid as described below.

- (Notes) 1. Investment towards the growth of the tobacco business is our highest priority. Pursue growth of adjusted operating profit at constant FX through high-quality top-line growth.
2. Secure stability in case of changes in the business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities

#### Year-end dividends

##### (1) Type of assets to be paid as dividends:

Cash

##### (2) Allotment of assets to be paid as dividends and their aggregate amount:

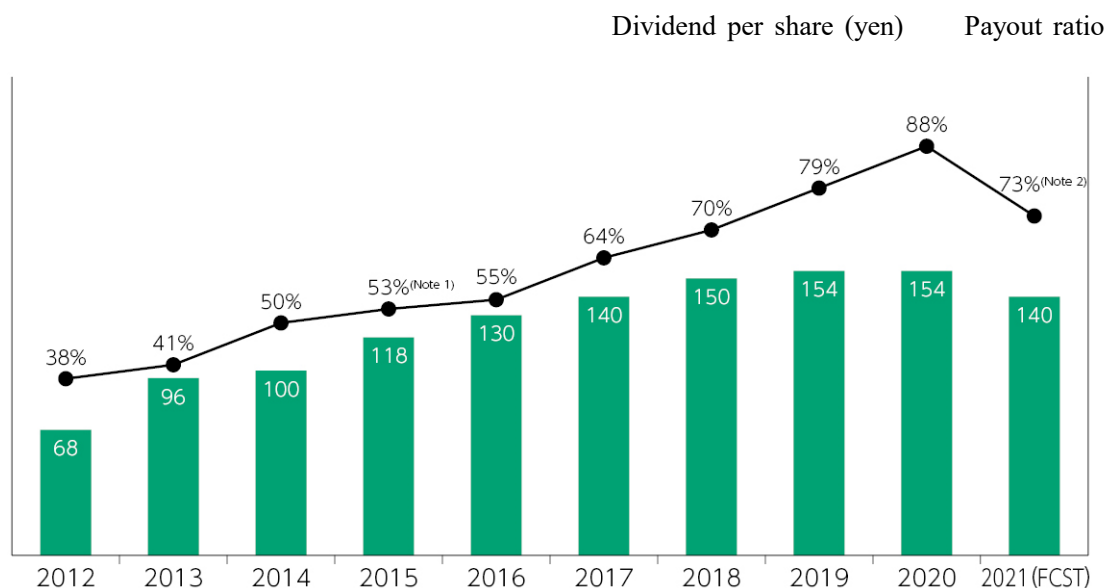
¥75 per share of ordinary shares of JT Aggregate amount: ¥133,089,352,425

Together with the interim dividends of ¥65 per share paid in September 2021, the annual dividends for the 37th Business Term will be ¥140 per share.

##### (3) Effective date for distribution of surplus:

March 24, 2022

#### Reference: Trends in dividend per share (yen) and payout ratio



(Notes) 1. For fiscal year 2015, due to the transfer of the Company's shares, etc., held by a beverage vending



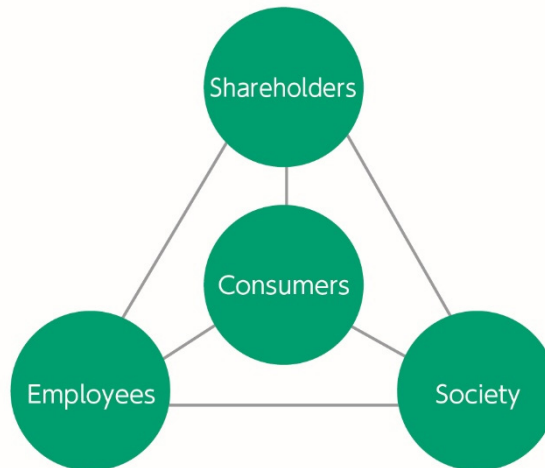
machine operating subsidiary and the closure of its business of manufacture and sale of the Company's beverage products, the Beverage Business is categorized as non-continuing business. The payout ratio including non-continuing business is 44%.

2. In fiscal year 2021, we set a new policy to target a payout ratio of 75% (to be in the range of approximately  $\pm 5\%$ ) as a competitive level in the capital markets.

## **[Reference] Resources allocation policy of the Business Plan 2022**

### Management Principles

We strive 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.



Due to strengthening investment in RRP<sup>(Note 1)</sup> in the Tobacco Business as set forth in the “Business Plan 2022,” the Group expects a mid-single-digit<sup>(Note 2)</sup> annual average growth rate in adjusted operating profit at constant FX<sup>(Note 3)</sup> for the planned period. However, by leveraging the effect of said investment, the Group will continue to pursue mid- to high-single-digit<sup>(Note 4)</sup> annual average growth rate in adjusted operating profit at constant FX over the medium to long term. The Group has adopted the following resources allocation policy:

#### Resources allocation policy

Allocate resources based on the “4S model” that underlies the Group’s management principles.

- Prioritize business investments for sustainable profit growth over the mid- to long term
- Strike a balance between profit growth through business investments and shareholder returns

#### Business investments

- Aim for quality top-line growth by continuously providing new value and satisfaction to customers
- Investment towards the growth of the tobacco business is of our highest priority

#### Shareholder returns

- Aim to enhance shareholder returns by realizing the Company’s mid- to long-term profit growth, while maintaining a solid financial base
- Target a dividend payout ratio of about 75%<sup>(Note 5)</sup> as a competitive level in the capital markets<sup>(Note 6)</sup>
- Consider implementing acquisitions of treasury shares, mainly taking into account the Company’s financial positions for the respective year and the med-term capital needs

(Notes) 1. Reduced-Risk Products (RRP) such as T-Vapor products and E-Vapor products are products with potential to reduce the risks associated with smoking. T-Vapor products do use tobacco leaf, but instead of burning the leaf, they use methods such as heating the leaf to generate tobacco vapor (which includes compounds derived from the tobacco leaf) for the user to enjoy. Conversely, E-Vapor products do not use tobacco leaf, instead using a liquid inside a device or a specialized cartridge which is electrically heated to generate vapor for the user to enjoy.

2. mid-single digit: mid-single-digit percentage

3. Adjusted operating profit is calculated by deducting amortization cost of acquired intangibles and adjustment items (income and costs) from operating profit (loss). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items. Adjusted operating profit growth rate at constant FX is a financial measurement that excludes foreign exchange effects by translating and calculating adjusted operating profit for the current fiscal year in the International Tobacco Business using the foreign exchange rates of the previous fiscal year.

4. mid- to high-single digit: mid- to high-single-digit percentage

5. To be in the range of approximately  $\pm 5\%$ .
6. Monitor the shareholder return trends of global Fast-Moving Consumer Goods (FMCG) companies which have a stakeholder model similar to our “4S model” and have realized strong business growth.

**Item 2: Partial Amendment to the Articles of Incorporation (i)**

1. Purpose of the Amendment

The Company proposes to amend an Article regarding the term of the Board of Directors to one year from the current stipulated two-year term in order to build a management foundation to address the changes in the business environment in a timely manner and to strengthen its corporate governance by clearly defining the responsibilities of the directors and increasing opportunities to seek shareholders' confidence.

2. Details of the Amendment

The details of the amendment are as follows.

(Underline indicates amended portions)

Current	Proposed Amendment
<p><b>Article 22. (Term of Office of Members of the Board)</b></p> <p>1. The term of office of a Member of the Board shall expire at the close of the ordinary General Meeting of Shareholders for the latest business year ending within <u>two years</u> after his/her election.</p> <p>2. The term of office of a Member of the Board who is elected to fill a vacancy or in addition to those already in office shall be conterminous with the remaining term of office of the other Members of the Board in office.</p>	<p><b>Article 22. (Term of Office of Members of the Board)</b></p> <p>1. The term of office of a Member of the Board shall expire at the close of the ordinary General Meeting of Shareholders for the latest business year ending within <u>one year</u> after his/her election.</p> <p>2. (remains unchanged)</p>

**Item 3: Partial Amendment to the Articles of Incorporation (ii)**

1. Purpose of the Amendment

The Act for Partially Amending the Industrial Competitiveness Enhancement Act and Other Related Acts (Act No. 70 of 2021) was enforced on June 16, 2021, enabling listed companies to hold a general meeting of shareholders with its venue undesignated (i.e., so-called “virtual-only” shareholders’ meeting) under certain conditions, if such is defined in their articles of incorporation. Allowing for the event of large-scale disasters such as the spread of infectious diseases and natural disasters as well as an increasingly digitized society, we believe that expanding choices for the method of holding the General Meeting of Shareholders should contribute to the interests of our shareholders, and thus propose to amend Article 15 of the Articles of Incorporation to be able to hold the General Meeting of Shareholders at an undesignated venue.

As to the amendment to the Articles of Incorporation proposed in this Item, it has been confirmed by the Minister of Economy, Trade and Industry and the Minister of Justice pursuant to the Ordinance of the Ministry of Economy, Trade and Industry and the Ordinance of the Ministry of Justice that the requirements as set forth in the Ordinances as a case, which serves for strengthening industrial competitiveness while consideration is given to the interests of shareholders, are met.

2. Details of the Amendment

The contents of the amendment are as follows.

(Underline indicates amended portions)

Current	Proposed Amendment
<p><b>Article 15. (Convocation)</b></p> <p>1. The ordinary General Meeting of Shareholders of the Company shall be convened in March of every year and the extraordinary General Meeting of Shareholders may be convened at any time when deemed necessary by the Member of the Board previously appointed by the Board of Directors pursuant to the resolution of the Board of Directors.</p> <p>2. If the Member of the Board appointed pursuant to the preceding paragraph is prevented from so acting, one of the other Members of the Board shall convene the General Meeting of Shareholders in his/her place in the order previously determined by resolution of the Board of Directors.</p> <p>3. <u>The General Meeting of Shareholders may be convened at the location of the Company’s head office or its neighborhood.</u> (newly established)</p>	<p><b>Article 15. (Convocation)</b></p> <p>1. (remains unchanged)</p> <p>2. (remains unchanged)</p> <p>(deleted)</p> <p>3. <u>The General Meeting of Shareholders of the Company may be convened at an undesignated location.</u></p>

(Note) Some underlining does not coincide with the Japanese version because of translation adjustments.

**Item 4: Partial Amendment to the Articles of Incorporation (iii)**

1. Purpose of the Amendment

The amending provisions provided in the proviso to Article 1 of the Supplementary Provisions of the Act for Partially Amending the Companies Act (Act No. 70 of 2019) will be enforced on September 1, 2022. To prepare for the implementation of an electronic provision system for documents for the General Meeting of Shareholders, the Company proposes to make the following amendments to the Articles of Incorporation of the Company.

- (1) The clause on the deemed provision of the disclosure via the Internet of reference materials, etc., for the General Meeting of Shareholders (current Article 17 of the Articles of Incorporation) is deleted as it will become unnecessary under the electronic provision system.
- (2) The proposed amendment in Paragraph 1, Article 17 defines an electronic provision measure to be taken for information that constitutes the contents of reference materials, etc., for the General Meeting of Shareholders
- (3) The proposed amendment in Paragraph 2, Article 17 is a new clause to place a restriction on the extent of the contents of written documents to be delivered to shareholders who request the delivery of written documents.
- (4) As a result of the foregoing deletion and new clauses, supplementary provisions concerning the effective date, etc., are created.

2. Details of the Amendment

The contents of the amendment are as follows.

Current	Proposed Amendment
<p><b><u>Article 17. (Deemed provision of the disclosure via the Internet of reference materials, etc. for General Meeting of Shareholders)</u></b></p> <p><u>When convening the General Meeting of Shareholders, the Company may be deemed to have provided shareholders with necessary information that should be described or presented in statutory documents, including reference materials for the General Meeting of Shareholders, business reports, non-consolidated and consolidated financial reports, if they are disclosed via the Internet in accordance with the ministerial ordinance of Ministry of Justice.</u></p> <p>(newly established)</p>	<p style="text-align: right;">(Underline indicates amended portions)</p> <p>(deleted)</p> <p><b><u>Article 17. (Electronic provision measure, etc.)</u></b></p> <p><u>1. When convening the General Meeting of Shareholders, the Company shall take an electronic provision measure as set forth in Article 325-2 of the Companies Act for information that constitutes the contents of reference materials, etc., for the General Meeting of Shareholders.</u></p> <p><u>2. The Company may not include all or part of the matters for an electronic provision measure as set forth in the Ordinance of the Ministry of Justice in documents to be delivered to shareholders who submit a request for the delivery of written documents under Article 325-5 of the Companies Act by the record date for voting rights.</u></p>

Current	Proposed Amendment
<p>SUPPLEMENTARY PROVISIONS (newly established)</p>	<p>SUPPLEMENTARY PROVISIONS</p> <p><b><u>Article 5. (Transitional measures for electronic provision measure, etc.)</u></b></p> <p>1. <u>The deletion of the current Article 17 (Deemed provision of the disclosure via the Internet of reference materials, etc., for the General Meeting of Shareholders) of the Articles of Incorporation and the creation of the proposed amendment in Article 17 (Electronic provision measure, etc.) shall be effective from the date of enforcement of the amending provisions provided in the proviso to Article 1 of the Supplementary Provisions of the Act for Partially Amending the Companies Act (Act No. 70 of 2019) (the “Enforcement Date”).</u></p> <p>2. <u>Notwithstanding the preceding paragraph, the current Article 17 of the Articles of Incorporation shall be still effective for the General Meeting of Shareholders whose date falls within six months from the Enforcement Date.</u></p> <p>3. <u>This article shall be deleted after the later of either the date six months from the Enforcement Date or the date three months from the date of the General Meeting of Shareholders as set forth in the preceding paragraph.</u></p>

**Item 5: Election of Ten (10) Members of the Board**


The terms of office of all nine (9) present Members of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders. Given business environments surrounding the Group, we propose the election of ten (10) Members of the Board (including four (4) Outside Directors) with the addition of one (1) Outside Director, to further enhance and strengthen corporate governance to continue the pursuit of sustainable profit growth and corporate value over the mid to long term.

The candidates for the office of Member of the Board are as follows.


Candidate Number	Name		Positions and Responsibilities in the Company	Advisory Panel on Nomination and Compensation	Number of significant concurrent positions	Number of years as Member of the Board	Attendance at meetings of the Board of Directors
1	[Reappointed]	Mutsuo Iwai	Chairperson of the Board	●	2	6 years	13/13 (100%)
2	[Newly appointed]	Shigeaki Okamoto	Deputy Chairperson of the Board	●	3	-	-
3	[Reappointed]	Masamichi Terabatake	Representative Director and President, Chief Executive Officer	-	1	4 years	13/13 (100%)
4	[Reappointed]	Naohiro Minami	Representative Director and Executive Vice President, Finance and Corporate Communications	-	1	4 years	13/13 (100%)
5	[Reappointed]	Kiyohide Hirowatari	Representative Director and Executive Vice President, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business	-	-	4 years	13/13 (100%)
6	[Reappointed]	Kazuhito Yamashita	Member of the Board and Senior Vice President, Corporate Governance, Compliance	-	-	3 years	13/13 (100%)
7	[Reappointed]	Main Kohda [Outside Director] [Independent Director]	Outside Director	●	3	9 years and 9 months	13/13 (100%)
8	[Reappointed]	Yukiko Nagashima [Outside Director] [Independent Director]	Outside Director	●	3	3 years	13/13 (100%)
9	[Reappointed]	Masato Kitera [Outside Director] [Independent Director]	Outside Director	●	2	1 year	9/9 (100%)
10	[Newly appointed]	Tetsuya Shoji [Outside Director] [Independent Director]	Outside Director	●	4	-	-


- (Notes)
1. Positions and responsibilities in the Company and the Advisory Panel on Nomination and Compensation represent those planned subject to approval of the election of each candidate.
  2. The number of significant concurrent positions represent the number as of the date of sending this Notice of Convocation.
  3. The numbers of years as Member of the Board at the conclusion of this Ordinary General Meeting of Shareholders are presented.




Candidate Number	
1	<b>Mutsuo Iwai</b> (Born October 29, 1960) Number of the Company's Shares Held 36,000
 <div style="border: 1px solid black; padding: 2px; margin-top: 5px; text-align: center;">Reappointed</div>	<b>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</b>
	April 1983      Joined the Company (Japan Tobacco and Salt Public Corporation) June 2003      Vice President, Corporate Planning Division July 2004      Vice President, Corporate Strategy Division June 2005      Senior Vice President and Vice President, Food Business Division, Food Business June 2006      Member of the Board and Executive Vice President, President, Food Business June 2008      Executive Vice President, Chief Strategy Officer June 2010      Member of the Board and Senior Vice President, Chief Strategy Officer and Assistant to CEO in Food Business June 2011      Member of the Board Executive Vice President, JT International S.A. June 2013      Senior Executive Vice President, Chief Strategy Officer January 2016   Executive Vice President, President, Tobacco Business March 2016    Representative Director and Executive Vice President, President, Tobacco Business January 2020   Member of the Board March 2020    Deputy Chairperson of the Board (Current Position) June 2020      Outside Director of Benesse Holdings, Inc. (Current Position) June 2021      Outside Director of TDK Corporation (Current Position)
	<b>(Significant Concurrent Positions outside the Company)</b> Outside Director of Benesse Holdings, Inc. Outside Director of TDK Corporation
	<b>Reasons for nomination as a candidate for Director</b> Mutsuo Iwai assumed the position of Deputy Chairperson of the Board of the Company in March 2020. He has experience of driving the core Tobacco Business as Representative Director and Executive Vice President of the Company even in unclear and uncertain operating environments, with his forceful execution of business backed by precise decision-making. In addition, his broad and deep knowledge and insights cultivated through diverse experience both in Japan and overseas in areas such as the Food Business and Corporate Strategy have contributed to the strengthening of the supervisory function of the Group and relationships with stakeholders, which are essential to the improvement of the corporate governance of the Group going forward. For this reason, we propose his reelection as a Member of the Board.

\* Mutsuo Iwai took office as Member of the Board without Representative rights from January 1, 2020.

Candidate Number																											
2	<b>Shigeaki Okamoto</b> (Born February 20, 1961) <span style="float: right;">Number of the Company's Shares Held 0</span>																										
 <div style="border: 1px solid black; padding: 5px; margin-top: 10px; text-align: center;">           Newly appointed         </div>	<b>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</b>																										
	<table border="0"> <tr> <td style="padding-right: 10px;">April 1983</td> <td>Entered Ministry of Finance</td> </tr> <tr> <td style="padding-right: 10px;">July 2001</td> <td>Head of Management Office, General Coordination Division, Planning and Coordination Bureau, Financial Services Agency</td> </tr> <tr> <td style="padding-right: 10px;">July 2002</td> <td>Director for Supervisory and Financial Risk Stabilization Management, General Coordination Division, Supervisory Bureau</td> </tr> <tr> <td style="padding-right: 10px;">July 2004</td> <td>Director of Research Division, Budget Bureau, Ministry of Finance</td> </tr> <tr> <td style="padding-right: 10px;">July 2006</td> <td>Director for the Budget Bureau, Planning and Administration Division of Budget Bureau</td> </tr> <tr> <td style="padding-right: 10px;">July 2009</td> <td>Head of Secretariat Division, Minister's Secretariat</td> </tr> <tr> <td style="padding-right: 10px;">August 2012</td> <td>Deputy Director-General of the Budget Bureau</td> </tr> <tr> <td style="padding-right: 10px;">July 2015</td> <td>Deputy Vice Minister</td> </tr> <tr> <td style="padding-right: 10px;">July 2017</td> <td>Director-General of the Budget Bureau</td> </tr> <tr> <td style="padding-right: 10px;">July 2018</td> <td>Administrative Vice Minister (Retired from the office in July 2020)</td> </tr> <tr> <td style="padding-right: 10px;">June 2021</td> <td>Outside Audit &amp; Supervisory Board Member, Yomiuri Land Co., Ltd. (Current Position)</td> </tr> <tr> <td style="padding-right: 10px;">December 2021</td> <td>Outside Audit &amp; Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office (Current Position)</td> </tr> <tr> <td></td> <td>Outside Audit &amp; Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office (Current Position)</td> </tr> </table>	April 1983	Entered Ministry of Finance	July 2001	Head of Management Office, General Coordination Division, Planning and Coordination Bureau, Financial Services Agency	July 2002	Director for Supervisory and Financial Risk Stabilization Management, General Coordination Division, Supervisory Bureau	July 2004	Director of Research Division, Budget Bureau, Ministry of Finance	July 2006	Director for the Budget Bureau, Planning and Administration Division of Budget Bureau	July 2009	Head of Secretariat Division, Minister's Secretariat	August 2012	Deputy Director-General of the Budget Bureau	July 2015	Deputy Vice Minister	July 2017	Director-General of the Budget Bureau	July 2018	Administrative Vice Minister (Retired from the office in July 2020)	June 2021	Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. (Current Position)	December 2021	Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office (Current Position)		Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office (Current Position)
	April 1983	Entered Ministry of Finance																									
July 2001	Head of Management Office, General Coordination Division, Planning and Coordination Bureau, Financial Services Agency																										
July 2002	Director for Supervisory and Financial Risk Stabilization Management, General Coordination Division, Supervisory Bureau																										
July 2004	Director of Research Division, Budget Bureau, Ministry of Finance																										
July 2006	Director for the Budget Bureau, Planning and Administration Division of Budget Bureau																										
July 2009	Head of Secretariat Division, Minister's Secretariat																										
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July 2017	Director-General of the Budget Bureau																										
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June 2021	Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. (Current Position)																										
December 2021	Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office (Current Position)																										
	Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office (Current Position)																										
	<b>(Significant Concurrent Positions outside the Company)</b> Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office																										
<b>Reasons for nomination as a candidate for Director</b> Having served important roles such as Administrative Vice Minister of the Ministry of Finance during his long years of service with ministries and bureaus, Shigeaki Okamoto possesses considerable knowledge and experience in general national policies. We propose his election based on our view that his broad outlook and high standing underpinned by his experience are essential to the further enhancement of the corporate governance of the Group.																											

Candidate Number																			
<b>3</b>	<b>Masamichi Terabatake</b> (Born November 26, 1965)      Number of the Company's Shares Held      132,700																		
	<b>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</b>																		
	<table border="0"> <tr><td>April 1989</td><td>Joined the Company</td></tr> <tr><td>July 2005</td><td>Vice President, Secretary's Office</td></tr> <tr><td>July 2008</td><td>Vice President, Corporate Strategy Division</td></tr> <tr><td>June 2011</td><td>Senior Vice President, Chief Strategy Officer and in charge of Food Business</td></tr> <tr><td>June 2012</td><td>Senior Vice President, Chief Strategy Officer</td></tr> <tr><td>June 2013</td><td>Member of the Board</td></tr> <tr><td></td><td>Executive Vice President, JT International S.A.</td></tr> <tr><td>January 2018</td><td>President and Chief Executive Officer</td></tr> <tr><td>March 2018</td><td>Representative Director and President, Chief Executive Officer (Current Position)</td></tr> </table>	April 1989	Joined the Company	July 2005	Vice President, Secretary's Office	July 2008	Vice President, Corporate Strategy Division	June 2011	Senior Vice President, Chief Strategy Officer and in charge of Food Business	June 2012	Senior Vice President, Chief Strategy Officer	June 2013	Member of the Board		Executive Vice President, JT International S.A.	January 2018	President and Chief Executive Officer	March 2018	Representative Director and President, Chief Executive Officer (Current Position)
	April 1989	Joined the Company																	
July 2005	Vice President, Secretary's Office																		
July 2008	Vice President, Corporate Strategy Division																		
June 2011	Senior Vice President, Chief Strategy Officer and in charge of Food Business																		
June 2012	Senior Vice President, Chief Strategy Officer																		
June 2013	Member of the Board																		
	Executive Vice President, JT International S.A.																		
January 2018	President and Chief Executive Officer																		
March 2018	Representative Director and President, Chief Executive Officer (Current Position)																		
<b>Reappointed</b>	<b>(Significant Concurrent Positions outside the Company)</b> Chairman and Managing Director, JT International Group Holding B.V.																		
<b>Reasons for nomination as a candidate for Director</b> Masamichi Terabatake was appointed President and Chief Executive Officer of the Company in January 2018, and then Representative Director and President in March of the same year. He has used the extensive experience and his knowledge and powerful leadership in relation to global business management, accumulated in a range of duties such as the drawing up and execution of management strategy both in Japan and overseas, and the execution of the business of the International Tobacco Business in his role as Executive Vice President of JT International S.A., and in doing so has been a driver of the growth of the Group. We judge that his extraordinary insights and wide-ranging outlook, together with his enhanced reforming capabilities, are indispensable for the management of the Group going forward, and hence we propose his reelection as a Member of the Board.																			

\* Masamichi Terabatake has served concurrently as President, Tobacco Business since January 1, 2020.

Candidate Number		4		Naohiro Minami		(Born January 21, 1964)		Number of the Company's Shares Held		48,300	
	<b>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</b>										
	April 1986	Joined the Company									
December 2005	Controller										
July 2010	Deputy Financial Officer and Controller										
June 2012	Senior Vice President, Chief Financial Officer and Controller										
July 2012	Senior Vice President, Chief Financial Officer										
January 2018	Executive Vice President, Chief Financial Officer and Communications										
March 2018	Representative Director and Executive Vice President, Chief Financial Officer and Communications										
January 2022	Representative Director and Executive Vice President, Finance and Corporate Communications (Current Position)										
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div>	<b>(Significant Concurrent Positions outside the Company)</b> Supervisory Board member, JT International Holding B.V.										
<b>Reasons for nomination as a candidate for Director</b> Naohiro Minami was appointed Executive Vice President of the Company in January 2018, and then Representative Director and Executive Vice President in March of the same year. He has fully leveraged the wide-ranging and deep knowledge that he cultivated during his service as Controller, and Senior Vice President, Chief Financial Officer, particularly in the field of accounting and finance, to play a key role in the management of the Company and contribute to its growth. We judge that his accurate decision-making and strategic thinking, and the diverse experience on which they are based, make a contribution to maintaining and broadening the management base that provides the support for the expansion of the Group's business, and will be indispensable in driving the Group's management further forward, for which reason we propose his reelection as a Member of the Board.											



Reappointed

**Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company**

April 1989	Joined the Company
July 2010	Vice President, Legal Division
June 2012	Senior Vice President, Chief Legal Officer and Vice President, Legal Division
July 2014	Senior Vice President, Chief Legal Officer
January 2015	Senior Vice President, Head of Tobacco Business Planning Division, Tobacco Business
January 2017	Senior Vice President, Human Resources
January 2018	Executive Vice President, Compliance, General Affairs, Legal, Corporate Strategy, IT, CSR, Human Resources and Operation Review & Business Assurance
March 2018	Representative Director and Executive Vice President, Compliance, General Affairs, Legal, Corporate Strategy, IT, CSR, Human Resources and Operation Review & Business Assurance
January 2019	Representative Director and Executive Vice President, Legal, Corporate Strategy, Digitalization, Human Resources, Operation Review & Business Assurance, Pharmaceutical Business and Food Business
January 2022	Representative Director and Executive Vice President, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business (Current Position)

**Reasons for nomination as a candidate for Director**

Kiyohide Hirowatari was appointed Executive Vice President of the Company in January 2018, and then Representative Director and Executive Vice President in March of the same year. He has acquired leadership and wide-ranging knowledge in such areas of company law, business management and HR during his time serving in diverse and important roles, including Senior Vice President, Chief Legal Officer, Head of Tobacco Business Planning Division, Tobacco Business, and Senior Vice President, Human Resources, and has utilized them to maintain a foundation for the Company's sustainable growth and to draw up strategy. We judge that his keen discernment and accurate decision-making, which is based on the knowledge and experience he has cultivated in a broad range of fields, will prove indispensable in the Group's management going forward, for which reason we propose his reelection as a Member of the Board.

Candidate Number

6

Kazuhito Yamashita

(Born February 4, 1963)

Number of the Company's Shares Held

33,100



Reappointed

**Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company**

April 1986	Joined the Company
May 2007	Vice President, Corporate, Scientific & Regulatory Affairs Division, Tobacco Business Headquarters
July 2009	Vice President, Corporate Affairs Division, Tobacco Business Headquarters
June 2010	Senior Vice President, Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business
January 2015	Senior Vice President, Head of China Division, Tobacco Business
January 2019	Senior Vice President, Chief Sustainability Officer, Compliance and General Affairs
March 2019	Member of the Board and Senior Vice President, Chief Sustainability Officer, Compliance and General Affairs
January 2022	Member of the Board and Senior Vice President, Corporate Governance, Compliance (Current Position)


**Reasons for nomination as a candidate for Director**


Kazuhito Yamashita assumed the position of Member of the Board and Senior Vice President of the Company in March 2019. He has served in such roles as Senior Vice President, Chief Corporate, Scientific & Regulatory Affairs Officer, and Head of China Division, focusing on promoting social and environmental issues and on the expansion of the overseas business, and he has leveraged the wide-ranging experience and knowledge thus acquired to contribute to establishing an environment conducive to the Company's business. His leadership, and the broad knowledge he has cultivated, are indispensable to the corporate governance that will form the foundation of the Group's sustainable growth going forward, for which reason we propose his reelection as a Member of the Board.

Candidate Number	7	<b>Main Kohda</b>	(at the conclusion of this Ordinary General Meeting of Shareholders) (Born April 25, 1951)	Number of years as Outside Director	9 years and 9 months
				Number of the Company's Shares Held	0
<b>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</b>					
	September 1995	Started independently as Novelist (Current Position)			
	January 2003	Member of Financial System Council, Ministry of Finance Japan			
	April 2004	Visiting professor, Faculty of Economics, Shiga University			
	March 2005	Member of the Council for Transport Policy, Ministry of Land, Infrastructure, Transport and Tourism			
	November 2006	Member of the Tax Commission, Cabinet Office, Government of Japan			
	June 2010	Member of the Board of Governors, Japan Broadcasting Corporation			
	June 2012	Outside Director of the Company (Current Position)			
	June 2013	Outside Director, LIXIL Group Corporation			
	June 2016	Outside Director, Japan Exchange Group, Inc. (Current Position)			
	June 2018	Outside Director, MITSUBISHI MOTORS CORPORATION (Current Position)			
Reappointed					
Outside Director					
Independent Director					
<b>(Significant Concurrent Positions outside the Company)</b>					
Novelist					
Outside Director, Japan Exchange Group, Inc.					
Outside Director, MITSUBISHI MOTORS CORPORATION					
<b>Reasons for nomination as a candidate for Outside Director and summary of expected roles</b>					
Main Kohda assumed the position of Outside Director of the Company in June 2012. She did not engage in corporate management previously other than serving as an Outside Director or an Outside Auditor. Nevertheless, we have benefited from her in-depth knowledge of international finance, her broad experience gained from serving on government examination committees and similar positions, and her deep insight and objective point of view that she has demonstrated through her activities as a novelist being reflected in the management of the Company and she has worked tirelessly to supervise business execution from a fair and independent standpoint.					
We believe her wide-ranging experience and broad knowledge are essential for the Group management by the Company, and thus propose her reelection in expectation of her continuous contribution as Outside Director of the Company to improving corporate governance in the Group through her proactive recommendations and advice provided at the meetings of the Board of Directors and the Advisory Panel on Nomination and Compensation.					
<b>Independence</b>					
- Main Kohda satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company and the requirements of an independent director prescribed by the Tokyo Stock Exchange, Inc.					
The Company pays a certain level of receiving fees to Japan Broadcasting Corporation (“NHK”) under a broadcast receiving contract concluded, pursuant to the Broadcast Act, with NHK, where Main Kohda was assigned as a Member of the Board of Governors until June 2013, but the amount paid in receiving fees in fiscal year 2021 came to less than 0.001% of NHK’s consolidated total operating income in the fiscal year ended March 2021, and less than 0.001% of the Company’s consolidated revenue in fiscal year 2021, and was therefore negligible. Payment of the receiving fees is based on the Broadcast Act, and are non-negotiable, and are not therefore categorized as business transactions. Excluding payment of the receiving fees, the Company has no transactional business relationship with NHK.					
In addition, the Company pays listing-related fees, etc. to Tokyo Stock Exchange, Inc., a subsidiary of Japan Exchange Group, Inc., where Main Kohda serves as an Outside Director. However, in fiscal year 2021 the amount paid in listing-related fees, etc. came to less than 0.005% of consolidated operating revenue for Japan Exchange Group, Inc. in the fiscal year ended March 2021, and less than 0.001% of the Company’s consolidated revenue in fiscal year 2021, and was therefore negligible.					
We judge that this relationship has no impact on her independence.					
- The Company has designated Main Kohda as an independent director as prescribed by the Tokyo Stock Exchange, Inc. and intends to designate her as such again, should her election be approved.					

Candidate Number		Number of years as Outside Director	3 years
8	Yukiko Nagashima	(at the conclusion of this Ordinary General Meeting of Shareholders)	
	(Born April 4, 1961)	Number of the Company's Shares Held	0
 <div style="border: 1px solid black; padding: 5px; margin: 5px; text-align: center;">Reappointed</div> <div style="border: 1px solid black; padding: 5px; margin: 5px; text-align: center;">Outside Director</div> <div style="border: 1px solid black; padding: 5px; margin: 5px; text-align: center;">Independent Director</div>	<b>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</b>		
	<p>April 1985      Joined Recruit Co., Ltd. (Current Recruit Holdings Co., Ltd.)</p> <p>April 2006      Corporate Executive Officer, Recruit Co., Ltd.</p> <p>January 2008    President and Representative Director, Recruit Staffing Co., Ltd.</p> <p>October 2012    Corporate Executive Officer, Recruit Holdings Co., Ltd.</p> <p>June 2016      Standing Audit and Supervisory Board Member, Recruit Holdings Co., Ltd. (Current Position)</p> <p>April 2018      Standing Audit and Supervisory Board Member, Recruit Co., Ltd. (Current Position)</p> <p>March 2019      Outside Director of the Company (Current Position)</p> <p>June 2021      Outside Audit &amp; Supervisory Board Member, Sumitomo Corporation (Current Position)</p>		
	<b>(Significant Concurrent Positions outside the Company)</b> Standing Audit and Supervisory Board Member, Recruit Holdings Co., Ltd. Standing Audit and Supervisory Board Member, Recruit Co., Ltd. Outside Audit & Supervisory Board Member, Sumitomo Corporation		
	<b>Reasons for nomination as a candidate for Outside Director and summary of expected roles</b> Yukiko Nagashima assumed the position of Outside Director of the Company in March 2019. We have benefited from her experience in corporate management and execution of business in a wide range of fields, such as emerging businesses and temporary staffing and objective point of view based on her experience as a Member of the Audit and Supervisory Boards being reflected in the management of the Company and she has worked tirelessly to supervise business execution from a fair and independent standpoint. We judge that her experience from the perspectives of both management and audit and a high degree of knowledge cultivated thereby will be essential in the Group's management. For this reason, we propose her reelection in expectation of her continuous contribution as Outside Director of the Company to improving corporate governance in the Group through her proactive recommendations and advice provided at the meetings of the Board of Directors and the Advisory Panel on Nomination and Compensation.		
<b>Independence</b> <ul style="list-style-type: none"> <li>- Yukiko Nagashima satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company and the requirements of an independent director prescribed by the Tokyo Stock Exchange, Inc.              Although the Company has business relationships with both Recruit Holdings Co., Ltd. and Recruit Co., Ltd., of which she is Standing Audit and Supervisory Board Member, the value of the business in fiscal year 2021 was negligible, coming to less than 0.01% of consolidated revenue for Recruit Holdings Co., Ltd. in the fiscal year ended March 2021, and less than 0.01% of the Company's consolidated revenue in fiscal year 2021.              In addition, the Company has business relationships with Sumitomo Corporation of which she is Outside Audit &amp; Supervisory Board Member, the value of the business in fiscal year 2021 was negligible, coming to less than 0.001% of consolidated revenue for Sumitomo Corporation in the fiscal year ended March 2021, and less than 0.001% of the Company's consolidated revenue in fiscal year 2021.              We judge that these relationships have no impact on her independence.</li> <li>- The Company has designated Yukiko Nagashima as an independent director as prescribed by the Tokyo Stock Exchange, Inc. and intends to designate her as such again, should her election be approved.</li> <li>- Recruit Holdings Co., Ltd. and Recruit Co., Ltd., where Yukiko Nagashima serves as a standing Audit and Supervisory Board Member, have received a recommendation in May 2019 from the Japan Fair Trade Commission for actions alleged to infringe the Act Concerning Special Measures for Correcting Practices Impeding Consumption Tax Pass-on, etc. with the Aim to Ensure Smooth and Proper Pass-on of Consumption Tax, in relation to payment of consignment fees to the consignee company. In addition, at Recruit Career Co., Ltd., a subsidiary of Recruit Co., Ltd. where she serves as a standing Audit and Supervisory Board Member, and which had concluded a business outsourcing contract with Recruit Co., Ltd., a service called "Rikunabi DMP Follow," which indicated the possibility of students withdrawing from their selections or provisional agreement to join companies, was the subject of a recommendation and directive in December 2019 from the Personal Information Protection Commission for alleged infringements of the Act on the Protection of Personal Information, etc., while in December 2019 the Tokyo Labour Bureau issued an administrative directive on the basis that there had been an infringement of the Employment Security Act and the guidelines of said Act. In both cases Yukiko Nagashima was unaware of the circumstances in question until the above events came to light, but at meetings of the Board of Directors she has frequently shared her opinions from the viewpoint of legal compliance. After the above events came to light, in both cases she worked to gather information from the internal audit division, and to offer opinions and confirmation in relation to measures to prevent the recurrence.</li> </ul>			



Candidate Number		Number of years as Outside Director	1 year																						
9	<b>Masato Kitera</b>	(at the conclusion of this Ordinary General Meeting of Shareholders) (Born October 10, 1952)	Number of the Company's Shares Held 0																						
  <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Reappointed</div>  <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Outside Director</div>  <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Independent Director</div>	<b>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</b>																								
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">April 1976</td> <td>Joined the Ministry of Foreign Affairs</td> </tr> <tr> <td>January 2008</td> <td>Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs</td> </tr> <tr> <td>July 2008</td> <td>Director-General, International Cooperation Bureau, Ministry of Foreign Affairs</td> </tr> <tr> <td>January 2010</td> <td>Deputy Minister, Ministry of Foreign Affairs</td> </tr> <tr> <td>September 2012</td> <td>Assistant Chief Cabinet Secretary</td> </tr> <tr> <td>November 2012</td> <td>Ambassador of Japan to the People's Republic of China</td> </tr> <tr> <td>April 2016</td> <td>Ambassador of Japan to the Republic of France</td> </tr> <tr> <td>June 2016</td> <td>Ambassador of Japan to the Republic of France, Andorra and Monaco (Retired in December 2019)</td> </tr> <tr> <td>April 2020</td> <td>Advisor of the Company</td> </tr> <tr> <td>June 2020</td> <td>External Director, Marubeni Corporation (Current Position) Outside Director, NIPPON STEEL CORPORATION (Current Position)</td> </tr> <tr> <td>March 2021</td> <td>Outside Director of the Company (Current Position)</td> </tr> </table>			April 1976	Joined the Ministry of Foreign Affairs	January 2008	Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs	July 2008	Director-General, International Cooperation Bureau, Ministry of Foreign Affairs	January 2010	Deputy Minister, Ministry of Foreign Affairs	September 2012	Assistant Chief Cabinet Secretary	November 2012	Ambassador of Japan to the People's Republic of China	April 2016	Ambassador of Japan to the Republic of France	June 2016	Ambassador of Japan to the Republic of France, Andorra and Monaco (Retired in December 2019)	April 2020	Advisor of the Company	June 2020	External Director, Marubeni Corporation (Current Position) Outside Director, NIPPON STEEL CORPORATION (Current Position)	March 2021	Outside Director of the Company (Current Position)
	April 1976	Joined the Ministry of Foreign Affairs																							
January 2008	Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs																								
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April 2020	Advisor of the Company																								
June 2020	External Director, Marubeni Corporation (Current Position) Outside Director, NIPPON STEEL CORPORATION (Current Position)																								
March 2021	Outside Director of the Company (Current Position)																								
<b>(Significant Concurrent Positions outside the Company)</b> External Director, Marubeni Corporation Outside Director, NIPPON STEEL CORPORATION																									
<b>Reasons for nomination as a candidate for Outside Director and summary of expected roles</b> Masato Kitera assumed the position of Outside Director of the Company in March 2021. He did not engage in corporate management previously other than serving as an outside director or an outside auditor. However, he held important positions over many years of service with the government, primarily in the Ministry of Foreign Affairs. With his extensive international experience and a high level of knowledge of international affairs cultivated during his diplomatic and other activities reflected in the management of the Group as it expands its business outside Japan at a time of globally increasing geopolitical risks, he has worked tirelessly to provide advice and oversight which contribute to the further enhancement of corporate governance. We believe his high level of international experience and broad knowledge are essential for the Group management by the Company, and thus propose his reelection in expectation of his continuous contribution as Outside Director of the Company to improving corporate governance in the Group through his proactive recommendations and advice provided at the meetings of the Board of Directors and the Advisory Panel on Nomination and Compensation.																									
<b>Independence</b> - Masato Kitera satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company and the requirements of an independent director prescribed by the Tokyo Stock Exchange, Inc. Although the Company has a business relationship with Marubeni Corporation, of which he is an External Director, the value of the business in fiscal year 2021 was negligible, coming to less than 0.001% of consolidated revenue for Marubeni Corporation in the fiscal year ended March 2021, and less than 0.001% of the Company's consolidated revenue in fiscal year 2021. In addition, given that he might be appointed an Outside Director of the Company at some point in the future, in April 2020 the Company entered into a part-time advisory agreement with Masato Kitera, for the purpose of enabling him to gain an understanding of the state of management and of details of the operations beforehand, and benefiting from his opinions with regard to management and the business from an independent standpoint. Remuneration related to this agreement is paid as consideration for this advice, and the consideration paid to Masato Kitera hitherto were not more than ¥10 million prescribed in the Criteria for Evaluating the Independence of Outside Executives established by the Company. The part-time advisory agreement with Masato Kitera was canceled as at the point when his election was approved at the 36th Ordinary General Meeting of Shareholders held on March 24, 2021. We judge that this relationship has no impact on his independence. - The Company has designated Masato Kitera as an independent director as prescribed by the Tokyo Stock Exchange, Inc. and intends to designate his as such again, should his election be approved.																									

Candidate Number																			
10	<b>Tetsuya Shoji</b> (Born February 28, 1954)      Number of the Company's Shares Held      0																		
 <div style="border: 1px solid black; padding: 5px; margin: 5px; width: fit-content; margin: 5px auto;">Newly appointed</div> <div style="border: 1px solid black; padding: 5px; margin: 5px; width: fit-content; margin: 5px auto;">Outside Director</div> <div style="border: 1px solid black; padding: 5px; margin: 5px; width: fit-content; margin: 5px auto;">Independent Director</div>	<b>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</b>																		
	<table border="0"> <tr> <td style="padding-right: 10px;">April 1977</td> <td>Joined Nippon Telegraph and Telephone Public Corporation</td> </tr> <tr> <td style="padding-right: 10px;">June 2006</td> <td>Senior Vice President, General Manager of the Personnel Department, Nippon Telegraph and Telephone West Corporation</td> </tr> <tr> <td style="padding-right: 10px;">June 2009</td> <td>Senior Vice President, Head of General Affairs, Nippon Telegraph and Telephone Corporation</td> </tr> <tr> <td style="padding-right: 10px;">June 2012</td> <td>Senior Executive Vice President, Representative Member of the Board, NTT Communications Corporation</td> </tr> <tr> <td style="padding-right: 10px;">June 2015</td> <td>President &amp; CEO, Representative Member of the Board, NTT Communications Corporation</td> </tr> <tr> <td style="padding-right: 10px;">October 2018</td> <td>Representative Member of the Board, NTT, Inc.</td> </tr> <tr> <td style="padding-right: 10px;">June 2020</td> <td>Corporate Advisor, NTT Communications Corporation (Current Position)</td> </tr> <tr> <td style="padding-right: 10px;">March 2021</td> <td>Outside Director, Sapporo Holdings Limited (Current Position)</td> </tr> <tr> <td style="padding-right: 10px;">June 2021</td> <td>Outside Director, Hitachi Zosen Corporation (Current Position) Outside Director, Mitsubishi Logistics Corporation (Current Position)</td> </tr> </table>	April 1977	Joined Nippon Telegraph and Telephone Public Corporation	June 2006	Senior Vice President, General Manager of the Personnel Department, Nippon Telegraph and Telephone West Corporation	June 2009	Senior Vice President, Head of General Affairs, Nippon Telegraph and Telephone Corporation	June 2012	Senior Executive Vice President, Representative Member of the Board, NTT Communications Corporation	June 2015	President & CEO, Representative Member of the Board, NTT Communications Corporation	October 2018	Representative Member of the Board, NTT, Inc.	June 2020	Corporate Advisor, NTT Communications Corporation (Current Position)	March 2021	Outside Director, Sapporo Holdings Limited (Current Position)	June 2021	Outside Director, Hitachi Zosen Corporation (Current Position) Outside Director, Mitsubishi Logistics Corporation (Current Position)
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	<b>(Significant Concurrent Positions outside the Company)</b> Corporate Advisor, NTT Communications Corporation Outside Director, Sapporo Holdings Limited Outside Director, Hitachi Zosen Corporation Outside Director, Mitsubishi Logistics Corporation																		
<b>Reasons for nomination as a candidate for Outside Director and summary of expected roles</b> Having served as a president and representative director for a telecommunications company, Tetsuya Shoji has considerable experience, track record, and insight into corporate management. We expect he, as Outside Director, will utilize his wide experience in areas such as corporate planning, human resources, global operations, and digitization promotion in the management of the Group as it expands its business outside Japan and regards IT/information security as one of the increasingly important management foundations in the future, and properly offer advice and oversight that contribute to the further enhancement of corporate governance of the Company. For this reason, we propose his election.																			
<b>Independence</b> - Tetsuya Shoji satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company and the requirements of an independent director prescribed by the Tokyo Stock Exchange, Inc. Although the Company has a business relationship with NTT Communications, of which he is a Corporate Advisor, the value of this business in fiscal year 2021 was negligible, coming to less than 0.2% of consolidated revenue for NTT Communications in the fiscal year ended March 2021, and less than 0.05% of the Company's consolidated revenue in fiscal year 2021. In addition, the Company has a business relationship with Mitsubishi Logistics Corporation, of which he is an Outside Director, the value of this business in fiscal year 2021 was negligible, coming to less than 0.05% of consolidated revenue for Mitsubishi Logistics Corporation in the fiscal year ended March 2021, and less than 0.002% of the Company's consolidated revenue in fiscal year 2021. We judge that these relationships have no impact on his independence. - The Company intends to designate Tetsuya Shoji as an independent director as prescribed by the Tokyo Stock Exchange, Inc., should his election be approved.																			

- (Notes)
1. No conflict of interest exists between the Company and each candidate.
  2. The Company has entered into an agreement with Mutsuo Iwai, Main Kohda, Yukiko Nagashima and Masato Kitera to limit their liabilities stipulated in Article 423, paragraph 1 of the Companies Act to the extent permitted by the laws and regulations. The Company intends to extend the respective agreement if their reelection is approved. The Company will also enter into an agreement to the same effect with Shigeaki Okamoto and Tetsuya Shoji, respectively, to limit their liabilities, subject to the approval of their election.
  3. The Company has entered into a liability agreement with each of its Members of the Board as stipulated in Article 430-2, paragraph 1 of the Companies Act, whereby the Company shall compensate them for expenses incurred under item (i) of the same paragraph, and any losses incurred under item (ii) of the same paragraph, to the extent permitted by laws and regulations. The Company intends to extend the respective agreement if their reelection is approved. The Company will also enter into a liability agreement to the same effect with Shigeaki Okamoto and Tetsuya Shoji, respectively, subject to the approval of their election.
  4. The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act, and intends to renew this agreement in April 2022. Under the terms of this insurance agreement, litigation expenses and compensation for damages arising from legal action against the insured by third parties, shareholders or companies shall be supplemented, and a premium for the insurance agreement is fully borne by the Company. Among the candidates for Members of the Board, those to be reelected are already covered as the insured by the insurance agreement and remain so subject to the approval of their reelection. Those to be newly elected will be covered as the insured by the insurance agreement subject to the approval of their election.

## **Reference: Skills Matrix of Members of the Board and Audit & Supervisory Board Members after the Ordinary General Meeting of Shareholders (Planned)**

### **The concept of skills necessary for the Board of Directors**

JT aims to achieve sustainable profit growth and enhance the corporate value over the mid to long term by pursuing the “4S model,” which is JT’s management principle. Based on our 4S model, our vision is to continue to be a growing global company that provides diverse value, unique to the JT Group.

JT has adopted the following composition of the Board of Directors to enable the Members of the Board to identify the JT Group management strategies and make decisions on important matters, as well as to effectively supervise all operations. The Advisory Panel on Nomination and Compensation has repeatedly engaged in discussions on the composition of the Board of Directors:

- The Board shall have as many members as necessary and appropriate, up to a maximum of 15. It comprises diverse professionals with a high sense of ethics and integrity as well as knowledge, experience and skills, taking into consideration such factors as gender, international experience, work experience, race, ethnicity, cultural background, and other aspects of diversity, along with necessary skills for the Members of the Board.
- The Board shall include at least one-third of independent outside directors with qualifications conducive to the Company’s sustainable profit growth and enhancement of corporate value over the mid to long term, in order to strengthen the supervisory functions and transparency of management.







JT particularly expects each Member of the Board to demonstrate skills based on their knowledge and experience in the following areas, in light of the Group’s management principle, vision and business plan, in order for the Board of Directors to properly fulfill its roles and responsibilities. JT believes that the Board of Directors as a whole has the necessary skills.










### Areas in which the skills are expected to be particularly effective

- “Corporate Management,” including the JT Group’s management strategy, operations, and business strategy based on the 4S model, our management principle.
- “Global Management,” which is essential for the JT Group, which operates globally.
- “Corporate Finance, Accounting and Capital Policy” and “Legal, Compliance and Risk Management,” which are the basis of decision-making for effective management and business activities.
- “IT / Information Security,” which is one of the important management foundations for strengthening the competitiveness of the JT Group.
- “Corporate Governance,” which is the foundation of our corporate activities in order to maximize stakeholder value, pursue sustainable profit growth, and grow our corporate value over the long term.
- “Sustainability / Environment and Society,” which we consider to be the core to our management initiatives and for which we formulate strategies based on the 4S model and materiality analysis.
- “D&I / Organizational Behavior and Human Resource Management,” which is one of our focus areas and is being promoted so that all employees of the JT Group can feel motivated in their work and maximize their abilities.
- “Business Development / M&A” to formulate strategies and carry out measures for the further development and business growth.

In addition, in light of the roles and responsibilities of Members of the Audit & Supervisory Board to oversee the job performance of Members of the Board, we are particularly expecting Members of the Audit & Supervisory Board to demonstrate their skills in the areas of “Corporate Finance, Accounting and Capital Policy,” “Legal, Compliance and Risk Management,” and “Corporate Governance.” We believe that the entire Audit & Supervisory Board has the necessary skills.

### Areas in which the skills are expected to be particularly effective

						
	Mutsuo Iwai	Shigeaki Okamoto	Masamichi Terabatake	Naohiro Minami	Kiyohide Hirowatari	Kazuhito Yamashita
Positions	Chairperson of the Board	Deputy Chairperson of the Board	Representative Director and President	Representative Director and Executive Vice President	Representative Director and Executive Vice President	Member of the Board and Senior Vice President
Corporate Management	●		●	●	●	
Global Management	●		●	●		●
Corporate Finance, Accounting and Capital Policy		●		●		
Legal, Compliance and Risk Management	●	●	●		●	●
IT / Information Security	●		●		●	
Corporate Governance	●	●	●	●	●	●
Sustainability / Environment and Society		●			●	●
D&I / Organizational Behavior and Human Resource Management	●	●	●		●	
Business Development / M&A			●	●	●	

								
Main Kohda	Yukiko Nagashima	Masato Kitera	Tetsuya Shoji	Ryoko Nagata	Hiroshi Yamamoto	Toru Mimura	Hiroshi Obayashi	Koji Yoshikuni
Outside Director	Outside Director	Outside Director	Outside Director	Standing Audit & Supervisory Board Member	Standing Audit & Supervisory Board Member	Standing Audit & Supervisory Board Member Outside Audit & Supervisory Board Member	Independent Outside Audit & Supervisory Board Member	Independent Outside Audit & Supervisory Board Member
	•		•	•				
•		•	•		•			
•					•	•		•
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•	•		•					

## **【Reference】 Corporate Governance**

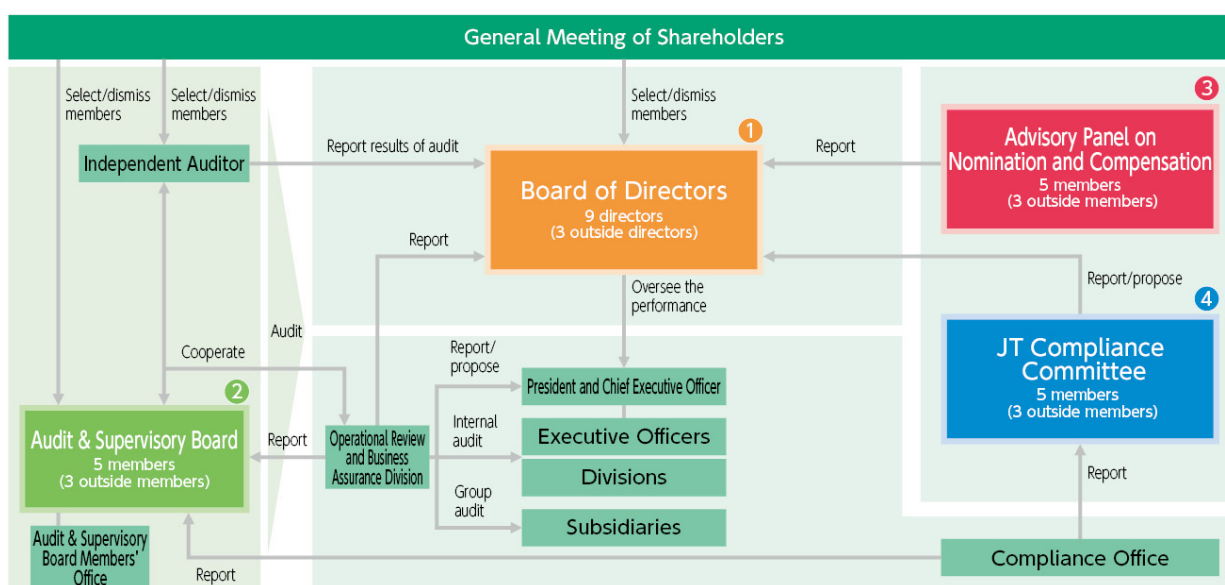
### **Fundamental Policy Concerning Corporate Governance**

We have enhanced our corporate governance, based on our belief that it is the means for conducting transparent, fair, timely and decisive decision-making for pursuing JT's management principle, the "4S model." Specifically, 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."

We have set out the "JT Corporate Governance Policies" on February 4, 2016, and continuously strive to make enhancements based on our belief that it will enable us to achieve mid- to long-term sustainable profit growth and increase company value, which will contribute to the development of our group's stakeholders and eventually the economic society as a whole.

We will continue to strive to make the enhancement of corporate governance one of the key challenges for our management.

### **JT's Corporate Governance System (as of December 31, 2021)**



"JT Corporate Governance Policies" is posted on our website (<https://www.jti.co.jp/>).

## (1) Board of Directors

### [Roles]

The Board of Directors assumes responsibility in making decisions for important issues including the JT Group management strategies as well as supervising all the activities of the Group.

### [Composition]

From the point of view that the Board of Directors determines company-wide management strategy and important issues and effectively assumes roles and responsibilities as the body exercising supervision over all business activities, the concept concerning the composition of the Board of Directors shall be set forth as follows.

- The Board shall have as many members as necessary and appropriate, up to a maximum of fifteen (15). It comprises diverse professionals with a high sense of ethics and integrity as well as knowledge, experience and skills, taking into consideration such factors as gender, international experience, work experience, race, ethnicity, cultural background, and other aspects of diversity, along with necessary skills for the Members of the Board as laid down separately by the Board of Directors.
- The Board shall include at least one-third of Independent Outside Directors with qualifications conducive to the Company's sustainable profit growth and enhancement of corporate value over the mid to long term, in order to strengthen the supervisory functions and transparency of management.

It is currently composed of nine (9) Members of the Board (including three (3) Independent Outside Directors). Conditional on approval by this Ordinary General Meeting of Shareholders, it is planned that it be composed of ten (10) Members of the Board (including four (4) Independent Outside Directors).

### [Operation during the period under review]

In year ended December 31, 2021, we had thirteen (13) board meetings to discuss important issues including the management plan and nomination of Executive Officers.

## (2) Audit & Supervisory Board

### [Roles]

The Audit & Supervisory Board shall be composed of persons with proven experience in business, law, financial affairs and accounting, etc. Audit & Supervisory Board Members, in addition to participating in the Board of Directors meetings and other important meetings and making remarks as an independent body mandated by the shareholders, shall actively exercise his/her authority such as by proactively inspecting business bases, etc., as well as appropriately conduct an audit from an objective position corresponding to the nature of duties of independent outside Audit & Supervisory Board Members or standing Audit & Supervisory Board Members.

### [Composition]

It is currently composed of five (5) Audit & Supervisory Board Members (including three (3) Independent Outside Audit & Supervisory Board Members).

### [Operation during the period under review]

In year ended December 31, 2021, we had fifteen (15) board meetings to discuss issues including the auditing policies and preparing of Audit Report.

## (3) Advisory Panel on Nomination and Compensation

### [Roles]

The Advisory Panel on Nomination and Compensation was established as an optional advisory body to the Board of Directors and integrates the functions of the previous Meeting for Talent Development and Compensation Advisory Panel. The purpose of establishing the panel is to further enhance the objectivity and transparency of the Board of Directors' decision making and to improve the supervisory functions of the Board of Directors by having the panel support the development of a group of executive candidates, deliberate on the nomination of Member of the Board and Audit & Supervisory Board Member candidates, deliberate on dismissal of Members of the Board who also serve as Executive Officers, and deliberate on matters regarding remuneration for Members of the Board and Executive Officers, then report to the Board of Directors.

### [Composition]

The Panel is composed of Members of the Board all of whom do not concurrently serve as an Executive Officer, and a majority of them are Independent Outside Directors. Chaired by the Chairperson of the Board, it has a total of five (5) members. From this Ordinary General Meeting of Shareholders, the Panel shall be chaired by an Independent Outside Director, which was resolved at the Board of Directors of the Company held on February 14, 2022. The number of the current Members of the Board is nine (9) (including three (3) Independent Outside Directors); upon the approval of Item 5, we will have ten (10) Members of the Board (including four (4) Independent Outside Directors), with the Panel consisting of the Chairperson of the Board, Deputy Chairperson of the Board, and four (4) Independent Outside Directors, a total of six (6) members.

### [Operation during the period under review]

During the fiscal year ended December 31, 2021, five (5) meetings were held to specify the skills required of the Board of Directors of the Company and discuss the development of a skills matrix, confirm the level of remuneration, confirm the pool of executive candidates, discuss the nomination of Member of the Board



candidates, and review the key performance indicators (KPIs) for the bonuses and performance share units for the fiscal year 2022.

(4) JT Group Compliance Committee

[Roles]

The JT Group Compliance Committee was established as part of the Company's efforts to ensure that compliance is practiced fairly and effectively.

[Composition]

It is headed by the Chairperson of the Board, with the majority of the members consisting of external members.

[Operation during the period under review]

In year ended December 31, 2021, we had three (3) meetings to discuss initiatives, etc. to further promote compliance. Its conclusions have been reflected in the Compliance Action Plan for the fiscal year 2022.

**【Reference】 Nomination of Member of the Board Candidates**

In “JT Corporate Governance Policy,” the Company prescribes the following.

Nomination of Member of the Board candidates and Audit & Supervisory Board Member candidates, the dismissal of Executive Directors and Members of the Board also serving as Executive Officers and related matters shall be conducted under the appropriate supervision of the Board of Directors, according to the following policies and procedures.

- JT shall work on expanding, in terms of quality and quantity, the group of executive candidates with qualities for assuming sustainable profit growth and increase of company value in the mid- to long-term by pursuing the “4S model.”

Specifically, JT aspires to enhance the development of a group of executive candidates and improve the substance of succession plans, along with the process for formulating such plans, while referring to opinions from outside at the Advisory Panel on Nomination and Compensation comprised entirely of Members of the Board who do not serve as Executive Officers, in which more than half of whose members being Independent Directors.

- Member of the Board candidates shall be nominated by resolution of the Board of Directors. The resolution shall be made after securing opportunities for receiving appropriate advice from Independent Outside Director by having the Advisory Panel on Nomination and Compensation deliberate on a candidate proposal formed by the President and report the content and results of its deliberations to the Board of Directors.

Audit & Supervisory Board Member candidates shall be nominated by resolution of the Board of Directors as persons who is expected to perform their duties appropriately from a position independent of the Board of Directors. The resolution shall be made after securing opportunities for receiving appropriate advice from Independent Outside Director by having the Advisory Panel on Nomination and Compensation deliberate on a candidate proposal formed by the President and report the content and results of its deliberations to the Board of Directors, and receiving prior consent from the Audit & Supervisory Board.

- Dismissal of Executive Directors and Members of the Board also serving as Executive Officers in the cases where they do not meet the required qualifications or have become unable to perform their duties shall be made by resolution of the Board of Directors after securing opportunities for receiving appropriate advice from Independent Outside Director by having those Members of the Board who are not subject to dismissal request the Advisory Panel on Nomination and Compensation to deliberate on the proposal for dismissal and then having the panel report the content and results of its deliberations to the Board of Directors.

Further, when bringing up the agenda item on the appointment of Member of the Board candidates and Audit & Supervisory Board Member candidates at the shareholders’ meeting, and when the Board of Directors has resolved to dismiss Executive Directors and Members of the Board also serving as Executive Officers, JT shall disclose the reasons for the appointment of individual candidates and for the dismissal.

**【Reference】 Criteria for Evaluating the Independence of Outside Executives**

The Company has established a Criteria for Evaluating the Independence of Outside Executives and Independent Directors/Audit & Supervisory Board Members must not fall under any of the following categories.

- 1 A person who belongs or belonged to JT or an affiliate or sister company of JT
- 2 A person who belongs to a company or any other form of organization of which JT is a major shareholder
- 3 A person who is a major shareholder of JT or who belongs to a company or any other form of organization which is a major shareholder of JT
- 4 A person who is a major supplier or customer of JT (if the supplier or customer is a company or any other form of organization, a person who belongs thereto)
- 5 A major creditor of JT including a major loan lender (if the creditor is a company or any other form of organization, a person who belongs thereto)
- 6 A certified public accountant who serves as an accounting auditor or an audit advisor of JT, or a person who belongs to an auditing firm which serves as an accounting auditor or an audit advisor of JT
- 7 A person who receives a large amount of fees from JT in exchange for providing professional services for legal, financial and tax affairs or business consulting services (if the recipient of such fee is a company or any other form of organization, a person who belongs thereto)
- 8 A person who receives a large amount of donation from JT (if the recipient of such donation is a company or any other form of organization, a person who belongs thereto)
- 9 A person who has fit any of the descriptions in 2 to 8 above in the recent past
- 10 A close relative of a person who fits any of the following descriptions:
  - (1) A person who fits any of the descriptions in 2 to 8 above (if such descriptions apply to a company or any other form of organization, a person who performs important duties thereof)
  - (2) A member of the board, audit & supervisory board member, audit advisor, executive officer or employee of JT or an affiliate or sister company of JT
  - (3) A person who has fit the descriptions in (1) or (2) in the recent past

(Note)

- A company or any other form of organization of which JT is a major shareholder  
A company or any other form of organization, in which JT holds more than 10% of all shares issued
- A major shareholder of JT, or a company or any other form of organization which is a major shareholder of JT  
A person, or a company or any other form of organization, that holds more than 10% of all shares of JT issued
- A major supplier or customer of JT  
A person whose business with JT accounts for more than 2% of the consolidated revenue of JT, or a person whose business with JT accounts for more than 2% of the consolidated revenue of the person
- A major creditor of JT including a major loan lender  
A financial institution listed in the “Major Lenders” section of JT’s Business Report, and a financial institution listed as a lender or a lead managing underwriter in materials released at the time of major M&A deals in the past, and at other times
- A person who receives a large amount of fees from JT in exchange for providing professional services for legal, financial and tax affairs or business consulting services  
A person who receives fees of more than ¥10 million in a fiscal year from JT in exchange for providing professional services for legal, financial and tax affairs or business consulting services. For a company or any other form of organization, this shall be 2% or more of total income in a fiscal year. However, even if the fees do not exceed 2%, in cases where consideration for services in which such professionals are directly involved exceeds ¥10 million, it shall be considered a large amount.

- A person who receives a large amount of donation from JT  
A person who receives a donation of more than ¥10 million in a fiscal year from JT. In cases where the recipient is a company or any other form of organization, a person belonging to an organization that receives a donation of ¥10 million in a fiscal year or the equivalent to 2% of the organization's total annual income or consolidated revenue, whichever is the greater amount.
- A close relative  
A spouse or a relative within the second degree of kinship
- A person who performs important duties  
A person of head of division or executive rank
- Retrospective measure (criteria for judging "in the recent past")  
The retrospective period shall be the past five years.

Notwithstanding the above mentioned notes, as a result of investigations into the past and present state of employment of a candidate, it is judged that the person is in effect independent, that person may become an Outside Member of the Board or an Outside Audit & Supervisory Board Member after receiving the approval of the Board of Directors. In such cases, the grounds for the decision shall be disclosed publicly.

**【Reference】 Evaluation of Effectiveness of the Board of Directors of the Company**

With regard to the effectiveness of the Board of Directors, in addition to annual questionnaire-based self-evaluations by Members of the Board and Audit & Supervisory Board Members from the standpoint of such themes as business operation systems and supervisory functions of the Board of Directors, and dialogue with shareholders and investors, before compiling the results the Board of Directors Secretariat also conducts individual interviews if needed with the aim of supplementing the results of the evaluations. The results of the self-evaluations are assessed and analyzed at the Board of Directors, leading to further improvements in its effectiveness. Furthermore, we take advice from external institutions when creating the questionnaire and analyzing the results, in order to ensure objectivity and further improve the evaluation of effectiveness.

The major items evaluated were as follows.

Business operation systems of the Board of Directors	Composition (internal/external ratio, diversity); status of operations (frequency of holding meetings, appropriateness of topics of discussion, advance explanations); systems for support and cooperation (cooperation between Members of the Board and Audit & Supervisory Board Members / internal audits, etc., utilization of committees, sharing of information outside the Board of Directors); status of discussions (fair and prompt decision-making that follows the management principles of the Company, free and open-minded discussion), etc.
Supervisory functions of the Board of Directors	Systems for reporting the status of business execution, risk management systems, penetration of compliance awareness, decision-making process for executive remuneration, succession planning, etc.
Dialogue with shareholders and investors	Sharing of shareholder and investor views, status of development of system for engaging in dialogue, etc.

In the evaluation of effectiveness conducted for fiscal year 2020, the items undergoing evaluation obtained good results on the whole as continuing from fiscal year 2019, allowing the Company to confirm that the effectiveness of the Board of Directors is improving and the Board of Directors is functioning effectively.

Conversely, in addition to identifying issues related to the operation of the Board of Directors aimed at further improving its effectiveness, those related to deepening discussions on corporate governance and better information sharing that could contribute to further enhancements in the quality of decision-making were identified. Given the impact of ongoing COVID-19 pandemic in addition to these issues, the following actions were taken in fiscal year 2021:

- Effective and efficient operation of the Board of Directors aimed at further enhancements in discussions
  - Continuing more detailed advance explanations for critical matters
  - Securing sufficient deliberation time by allocating appropriate time for each agenda
  - Continuing remote hosting of meetings of the Board of Directors, and improving meeting operation capabilities in a remote environment
- Better discussions and sharing of information that could contribute to further enhancements in the quality of decision-making
  - Enhanced discussions and sharing of information in relation to the following matters
    - Details and status of investigations into important policies related to mid- to long-term strategy
    - Verifying the progress of important measures/policies and their effects
    - Status and future policies on corporate governance
    - Status of dialogue with shareholders/investors
    - The impacts of COVID-19 on employees and individual businesses, measures taken in response, and status of the same

The fiscal year 2021 effectiveness evaluation recognized that there had been improvements focusing on the main initiatives for the year, in addition to which the items undergoing evaluation again achieved good results, on the whole.

On the other hand, in order to make an enhanced effectiveness, the Company will target continuous improvements from fiscal year 2022 onwards, focusing on the following newly identified issues.

Main issues	Policy for improvements going forward
<ul style="list-style-type: none"> <li>• Actions/initiatives for further improvements in the quality of deliberation and discussions</li> <li>• Enhancement of discussions based on long-term perspectives</li> </ul>	<ul style="list-style-type: none"> <li>• Continual improvements in the Board of Directors operation</li> <li>• Further expansion of opportunities to discuss mid-to long-term strategies, etc.</li> <li>• Further expansion of progress reporting and information sharing on key measures/policies, etc.</li> </ul>

The Company will continue to implement improvements required to further enhance effectiveness, including the above-mentioned activities.

**Item 6: Revision of Remuneration Amount for Outside Directors**

The amount of remuneration for Members of the Board of the Company was approved at a level not exceeding ¥1.1 billion annually for the total number of Members of the Board (including ¥80 million annually for Outside Directors) at the 35th Ordinary General Meeting of Shareholders held on March 19, 2020. It has since remained unchanged to the present. Today we propose an addition of one (1) Outside Director for the purpose of further enhancing and strengthening corporate governance, as stated in Item 5. If Item 5 “Election of Ten (10) Members of the Board” is approved as proposed, we will have ten (10) Members of the Board (including four (4) Outside Directors).

In this regard, we propose to increase only the amount of remuneration for Outside Directors to an amount not exceeding ¥100 million annually, without making any change in the total amount of remuneration for Members of the Board (up to ¥1.1 billion annually).

We deem this Item necessary, reasonable, and adequate because it increases only the ceiling of remuneration for Outside Directors as a result of an addition of Outside Director, while making no change in the ceiling of remuneration for Members of the Board. In order to secure appropriateness of the remuneration for Members of the Board and transparency of the decision-making process, the Item has been reviewed by the Advisory Panel on Nomination and Compensation of the Company, which is comprised solely of Directors who do not concurrently serve as an Executive Officer and a majority of them are Independent Outside Directors; the Advisory Panel, given the foregoing circumstances, judges it appropriate as it is consistent with the policies on executive remuneration including the methodology on determination of each Director’s remuneration. The outline of the Company’s policies on executive remuneration including the methodology on determination of each Director’s remuneration is as listed in the Business Report on pages 66 to 70.

[For your reference, we have included various graphs and photographs.]

[Attached Documents]

## **Business Report**

(From January 1, 2021 to December 31, 2021)

### **I. Matters Concerning Present State of the Corporate Group**

#### **1. Overview and Results of Operations**

##### **General summary**

- **Revenue**

Revenue increased by 11.1% from the previous fiscal year to ¥2,324.8 billion, with a decline in the Processed Food Business being offset by a significant increase in the International Tobacco Business, driven by robust pricing gains and volume growth, as well as increases in the Japanese Domestic Tobacco Business and the Pharmaceutical Business.

- **Adjusted operating profit, operating profit and profit attributable to owners of the parent company**

Adjusted operating profit at constant FX, which is one of the Group's management benchmarks, increased by 22.9% from the previous fiscal year, despite a decrease in the Pharmaceutical Business. This was driven by an increase in the Processed Food Business and also, despite the unprecedented environment resulting from the COVID-19 pandemic, by the strength shown throughout the year by the Japanese Domestic Tobacco Business and the International Tobacco Business. Adjusted operating profit increased by 25.4% from the previous fiscal year to ¥610.4 billion, due mainly to favorable foreign exchange effects in the International Tobacco Business.

Despite one-time costs related to initiatives to strengthen competitiveness in the Japanese Domestic Tobacco Business, and the implementation of measures to adjust the surface area of tobacco leaf under cultivation, the rise in adjusted operating profit led to an increase in operating profit of 6.4% from the previous fiscal year, to ¥499.0 billion.

Profit attributable to owners of the parent company increased by 9.1% from the previous fiscal year to ¥338.5 billion, mainly due to an increase in operating profit and an improvement in financing costs despite higher corporate income tax.

#### **JT Group Management Benchmarks**

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Adjusted operating profit (at constant FX) <sup>(Note 1)</sup>	+22.9% year on year
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#### **Consolidated performance**

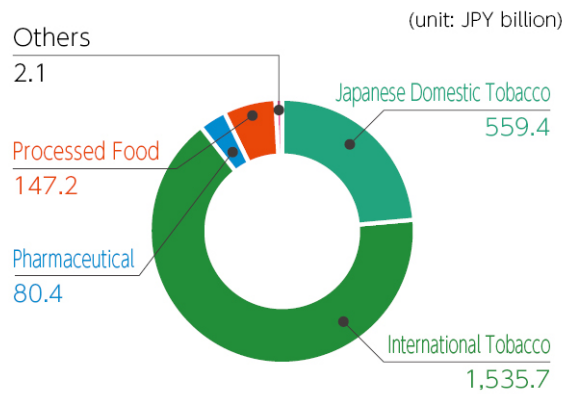
	[Billions of yen]	Year-On-Year Change [%]
Revenue	2,324.8	11.1
Adjusted operating profit <sup>(Note 2)</sup>	610.4	25.4
Profit attributable to owners of the parent company	338.5	9.1

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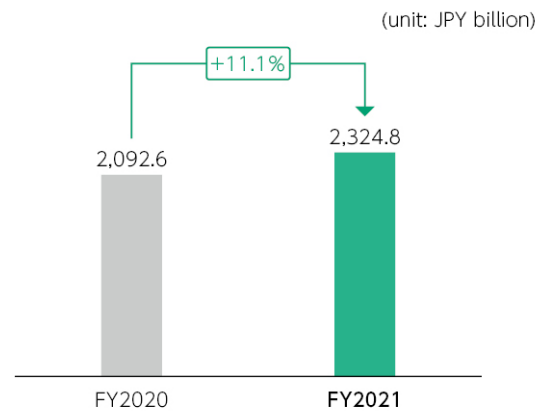


- (Notes)
1. Adjusted operating profit (at constant FX) is a financial measurement that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous fiscal year and the increase in revenue or profit caused by inflation in some markets calculated using certain methods from core revenue from the tobacco business or from adjusted operating profit for the current period in the International Tobacco Business. The Group makes accounting adjustments to the financial statements of subsidiaries that operate in hyperinflationary economies according to the requirements stipulated in IAS 29 “Financial Reporting in Hyperinflationary Economies” (hereinafter referred to as “IAS 29”). However, the impact of IAS 29 is not included in the core revenue from the tobacco business and adjusted operating profit at constant FX.
  2. Adjusted operating profit is calculated by deducting amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs) from operating profit (loss). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items.

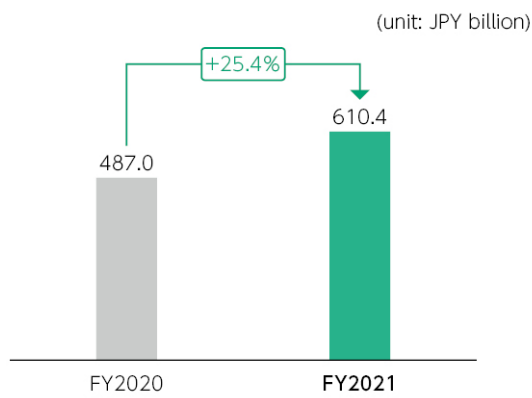
### Revenue breakdown by business segment



### Revenue

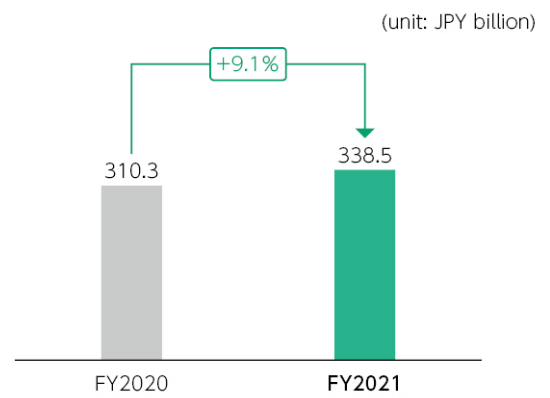


### Adjusted operating profit

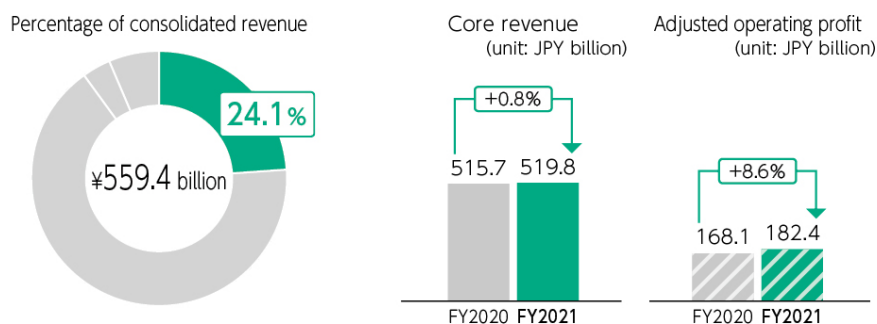


### Profit

(Attributable to owners of the parent company)



## Japanese Domestic Tobacco Business



In the current fiscal year, combustible sales volume<sup>(Note 1)</sup> was negatively impacted by a decline in combustible industry volume<sup>(Note 2)</sup> caused by the category's natural decline trend, growth in the RRP<sup>(Note 3)</sup> category and price revisions, as well as combustible market share<sup>(Note 2)</sup> losses. As a result, combustible sales volume fell by 9.5% from the previous fiscal year, to 62.2 billion units. The Company's RRP sales volume<sup>(Note 4)</sup> increased by 0.7 billion to 4.6 billion cigarette equivalent units.

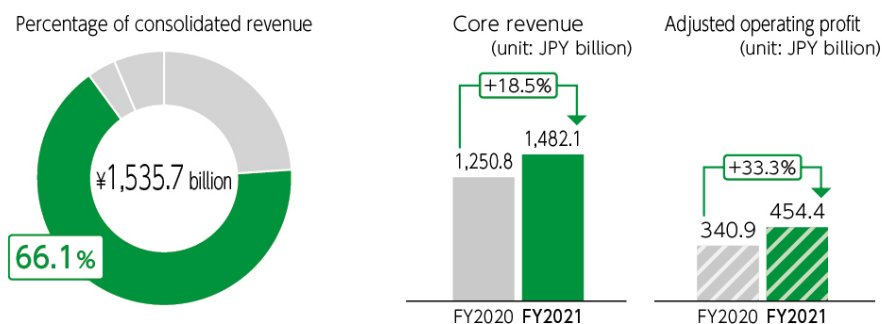
Core revenue from the tobacco business<sup>(Note 5)</sup> increased by 0.8% from the previous fiscal year to ¥519.8 billion, mainly due to favorable pricing effects in combustible products and an increase in RRP-related revenue, which more than offset the impact of lower combustible sales volume. RRP-related revenue increased by ¥4.0 billion over the previous fiscal year to ¥59.8 billion due to an increase in RRP sales volume.

Despite the impact of lower combustible sales volume, adjusted operating profit increased by 8.6% from the previous fiscal year to ¥182.4 billion, driven by favorable pricing effects in combustible products and RRP-related revenue growth.

In fiscal year 2022, the Group will change the previous two reportable segments of "Japanese Domestic Tobacco Business" and "International Tobacco Business" to a single reportable segment of "Tobacco Business," as a result of unifying the business management structure of the tobacco business.

- (Notes)
1. Combustible sales volume includes combustible tobacco products but excludes contract manufacturing products, waterpipe tobacco, T-Vapor products, oral tobacco and E-Vapor products. In addition to the figure stated above for sales volume, during the fiscal year ended December 31, 2021, 1.7 billion units were sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau that are under the control of the Company's China Division (1.8 billion units in the previous fiscal year).
  2. Combustible industry volume and combustible market share includes combustible tobacco products but excludes contract manufacturing products, waterpipe tobacco, T-Vapor products, oral tobacco and E-Vapor products.
  3. Reduced-Risk Products (RRP) are products with potential to reduce the risks associated with smoking such as T-Vapor products and E-Vapor products. T-Vapor products 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. Conversely, 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.
  4. RRP sales volume is converted at the equivalent of 20 cigarettes per pack. The figure stated above does not include sales volume sold at duty-free shops in Japan. Also, RRP-related revenue includes revenue from duty-free shops in Japan and revenue from devices and associated accessories, etc.
  5. Core revenue in the Japanese Domestic Tobacco Business includes revenue from the domestic duty-free market as well as from markets in China, Hong Kong and Macau that are under the control of the Company's China Division, in addition to revenue related to RRP, little cigars and so on, but it excludes revenue related to imported tobacco delivery charges, among others.

## International Tobacco Business



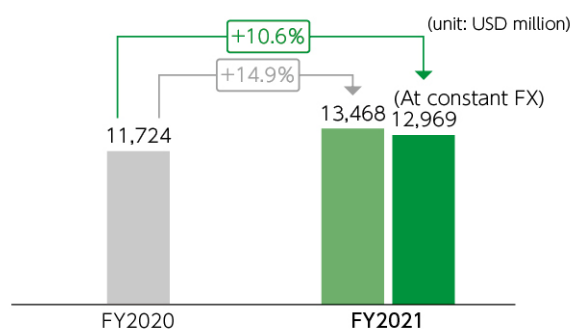
In the current fiscal year, market share gains, increases in domestic demand in several markets as a result of the decline in the number of travelers, particularly in the first half, and reductions in illicit trade resulted in total shipment volume<sup>(Note 1)</sup> increasing by 5.6% from the previous fiscal year to 460.2 billion cigarettes. GFB<sup>(Note 2)</sup> shipment volume rose by 10.5% from the previous year to 311.7 billion cigarettes, driven by Winston and Camel.

On a JPY basis, core revenue from the tobacco business<sup>(Note 3)</sup> rose 18.5% from the previous fiscal year to ¥1,482.1 billion, driven by a favorable price/mix variance and volume contribution, and further aided by positive currency headwinds. Adjusted operating profit on a JPY basis rose by 33.3% from the previous fiscal year to ¥454.4 billion.

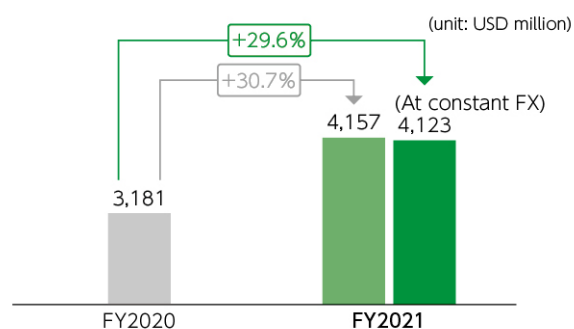
On a USD basis, a favorable price/mix variance and a positive volume contribution in certain major markets resulted in core revenue from the tobacco business rising by 14.9% from the previous fiscal year, to \$13,468 million (up 10.6% from the previous fiscal year at constant FX). In addition, due to a positive price/mix variance and volume contribution, adjusted operating profit on a USD basis rose by 30.7% from the previous fiscal year to \$4,157 million (up 29.6% from the previous fiscal year at constant FX).

- (Notes)
1. Includes fine cut tobacco, cigars, pipe tobacco, snus, kretek and T-Vapor products, except for contract manufacturing products, waterpipe tobacco products and E-Vapor products.
  2. GFBs (Global Flagship Brands) consist of four brands, which serve as flagships of the Group's brand portfolio - Winston, Camel, MEVIUS, and LD.
  3. Core revenue in the International Tobacco Business includes revenue related to waterpipe tobacco products and RRP, but excludes revenue related to the distribution business and contract manufacturing, among others.

### Core revenue (USD basis)



### Adjusted operating profit (USD basis)



### Exchange rate per US dollar

Foreign exchange rate per US dollar	FY2020	FY2021
Japanese yen	106.76	109.90
Russian ruble	72.07	73.66
British pound	0.78	0.73
Euro	0.88	0.85
Swiss franc	0.94	0.91
Taiwanese dollar	29.47	27.94
Turkish lira	7.01	8.84
Iranian rial <sup>(Note)</sup>	258,747	247,776

(Note) In accordance with IAS 29, the closing currency rates for the month ended December 2020 and 2021 have been applied when converting financial statements of subsidiaries located in hyperinflationary economies to the US dollar. When converting US dollars to Japanese yen, the rate applied is derived by the same method (As of December 31, 2020, US dollars to Japanese yen: 103.50; As of December 31, 2021, US dollars to Japanese yen: 115.02). For other rates, the average rate during the fiscal year is applied.

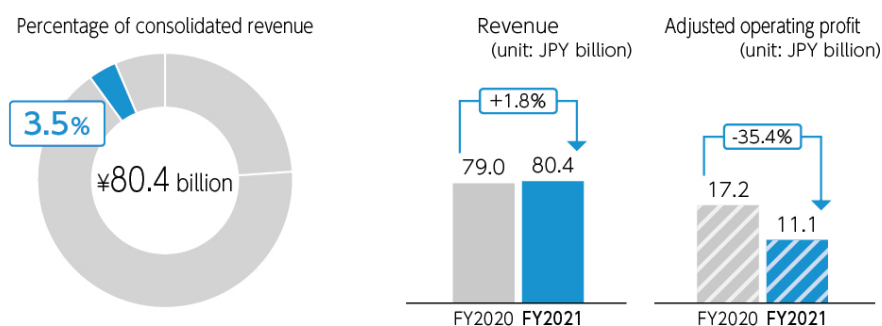
### Main market shares (12-month rolling average)

	December 2020 <sup>(Note 1)</sup>	December 2021	Variance
France	27.1%	28.9%	1.8 percentage points
Italy	25.7%	26.7%	0.9 percentage points
Russia <sup>(Note 2)</sup>	36.3%	36.7%	0.4 percentage points
Spain	26.7%	27.8%	1.1 percentage points
Taiwan	47.8%	48.1%	0.3 percentage points
Turkey	26.6%	27.7%	1.1 percentage points
U.K.	45.0%	45.8%	0.8 percentage points

Source: IRI, Nielsen, Logista and Panel Strator

- (Notes) 1. Market shares for 2020 have also been updated based on data from the end of December 2021.  
 2. From 2021 onwards, market share data for Russia reflects total tobacco figures, i.e. combustibles and heated tobacco sticks. 2020 data has been adjusted accordingly.

## Pharmaceutical Business



In the Pharmaceutical Business, the Company has been striving to make a contribution to the Group's profits by promoting R&D on next-generation strategic products and by maximizing the value of each product.

In the area of product development, seven compounds are in clinical development.

In March 2021, having previously received manufacturing and marketing approval for CORECTIM<sup>®</sup> Ointment 0.5% (generic name: delgocitinib) for an indication of atopic dermatitis, we received approval for additional pediatric dosage and administration. We also received manufacturing and marketing approval for CORECTIM<sup>®</sup> Ointment 0.25% for an indication of pediatric atopic dermatitis in Japan. CORECTIM<sup>®</sup> Ointment 0.25% was listed on the Japanese National Health Insurance drug price list on May 26, 2021, and Group company Torii Pharmaceutical Co., Ltd. ("Torii") began selling it on June 21, 2021.

In addition, in December 2021 we received preliminary results from phase 3 clinical trials performed in Japan for delgocitinib in relation to atopic dermatitis for infants. These preliminary results demonstrated beneficial effects of delgocitinib ointment on dermatitis among infant sufferers from atopic dermatitis, and also confirmed its safety. Going forward, we aim to submit an application for Japan based on all results for these trials and for result of other clinical trials.

Furthermore, the Company received approval for an additional indication of iron deficiency anemia (IDA) for Riona<sup>®</sup> Tablets 250mg. The Company already has obtained manufacturing and marketing approval for Riona<sup>®</sup> which is being distributed as a treatment for improvement of hyperphosphatemia in patients with chronic kidney disease.

In the current fiscal year, revenue increased by 1.8% from the previous fiscal year to ¥80.4 billion, mainly due to top-line growth at Torii, which was partially offset by a decrease in overseas royalty income.

Adjusted operating profit decreased by 35.4% from the previous fiscal year to ¥11.1 billion due to an increase in R&D expenditures and SG&A expenses at Torii.

【Reference】

**Pharmaceutical Business  
Clinical Development as of February 14, 2022**

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Origin	Note
JTE-052 (delgocitinib)	Atopic dermatitis (infant) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase3 (Japan)	In-house	· Co-development with Torii
	Autoimmune/allergic diseases /Oral, Topical			Phase1 (Japan)		
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase2 (Japan)	In-house	
				Phase2 (Overseas)		
JTE-451	Autoimmune/allergic diseases /Topical	ROR $\gamma$ antagonist	Suppresses overactive immune response via inhibition of ROR $\gamma$ related to Th17 activation.	Phase2 (Japan)	In-house	
JTT-251	Type 2 diabetes mellitus /Oral	PDHK inhibitor	Decreases blood glucose by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase1 (Overseas)	In-house	
JTT-662	Type 2 diabetes mellitus /Oral	SGLT1 inhibitor	Suppresses postprandial hyperglycemia and normalizes blood glucose level via inhibition of SGLT1.	Phase1 (Overseas)	In-house	
JTT-861	Chronic heart failure /Oral	PDHK inhibitor	Improves cardiac function by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase1 (Overseas)	In-house	
JTE-061 (Tapinarof)	Atopic dermatitis /Topical	AhR modulator	Suppresses skin inflammation via activation of the aryl hydrocarbon receptor (AhR)	Phase3 (Japan)	In-license	· In-license from Dermavant Sciences GmbH · Co-development with Torii
	Plaque psoriasis /Topical			Phase3 (Japan)		
	Atopic dermatitis (pediatric) /Topical			Phase2 (Japan)		

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

We are also conducting additional studies to examine the potential for use in additional dosage forms.

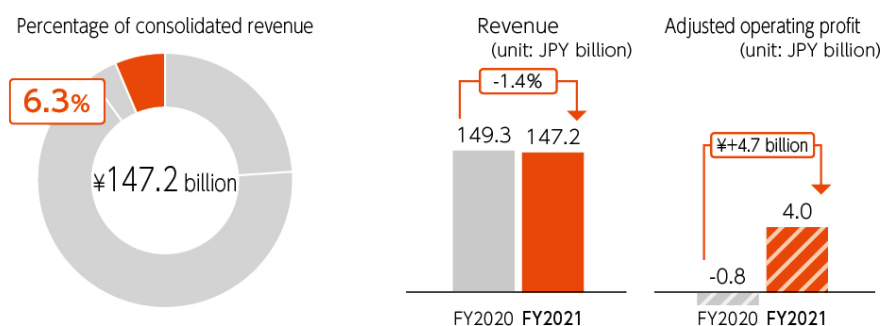
<Licensed compounds>

Compound (JT's code)	Licensee	Mechanism		Note
trametinib	Novartis	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK pathway.	
Anti-ICOS monoclonal antibody	AstraZeneca	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.	
delgocitinib	LEO Pharma ROHTO Pharmaceutical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	
enarodustat	JW Pharmaceutical Salubris	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PH.	

Updates since the previous announcement on October 29, 2021:

· JTE-061 (pediatric atopic dermatitis /Topical): advanced to Phase2 in Japan

## Processed Food Business



In the Processed Food Business, we concentrate on frozen and ambient foods business, seasonings business, and bakery business, while at the same time making efforts to strengthen cost competitiveness and working on initiatives to improve profitability.

In the frozen and ambient foods business in the current fiscal year, we maintained high market shares in the domestic market for our focus areas including frozen noodles, packed rice and okonomiyaki, while also launching 27 new household products, such as the “No Plate Required” series designed to meet demand for simplified meals, and renewing a further 25 products.

With opportunities for cooking at home increasing as a result of stay-at-home demand amid the COVID-19 pandemic, we are appealing to customers on the basis of the convenience of cooking, and the ability to arrange products to form a variety of menus. By actively developing and strengthening web-centric sales promotion activities via the website and social media, we are aiming to further raise awareness of our products among customers.

Revenue in the current fiscal year was affected by a relative decline in sales of household products in frozen and ambient foods business, which experienced a temporary increase in the previous year. In addition, declines in sales of food-service products within frozen and ambient foods business, as well as in the seasonings business, led to a decrease of 1.4% from the previous fiscal year, to ¥147.2 billion.

Adjusted operating profit was affected by the decline in revenue, but combined with reductions in SG&A expenses, the absence of the impairment losses posted in the bakery business in the previous fiscal year helped drive an increase of ¥4.7 billion from the previous fiscal year.



## **2. Status of Capital Expenditures**

In this fiscal year, we made capital expenditures totaling ¥100.9 billion.

In the Japanese Domestic Tobacco Business, we spent ¥20.0 billion, mainly on investments accompanying maintenance and upgrade of manufacturing processes, productivity improvements, adaptation to new products, improvements in product specifications, and others. In the International Tobacco Business, we invested ¥62.5 billion in improvement, maintenance and renewals of production capability, increased production of RRP (Reduced-Risk Products) and product development, etc. In the Pharmaceutical Business, we spent ¥6.0 billion on enhancing and strengthening research and development structures and the like. In the Processed Food Business, we invested ¥10.7 billion in improvement, maintenance and renewals of production capability.

(Note) Capital expenditures includes land; building and structures; machinery and vehicles; and other property, plant and equipment, as well as goodwill, right of trademark, software and other intangible assets, necessary for production improvements at factories and other facilities, strengthening competitiveness and executing business in a variety of fields, excluding assets acquired through business combinations.

## **3. Status of Financing**

For the overseas subsidiary JT International Financial Services B.V., we issued foreign currency denominated straight bonds totaling \$1,025 million (approximately ¥117.9 billion) on September 14, 2021, with the aim of allocating funds for the repurchase and prepayment of outstanding foreign currency denominated straight bonds of the Group.

(Note) For US dollars to Japanese yen translation purposes, the exchange rate as of the end of December 2021 is used (\$= ¥115.02).

## **4. Business Transfers, Absorption-Type Company Split or Incorporation-Type Company Split**

No items to report.

## **5. Business Transfers From Other Companies**

No items to report.

## **6. Succession of Rights and Obligations Relating to Other Entities' Business as a Result of Absorption-Type Merger or Company Split**

No items to report.

## **7. Acquisition or Disposal of Shares, Other Equities or Subscription Rights to Shares of Other Companies**

No items to report.

## 8. Trends in Assets and Operating Results

### (1) Trends in assets and operating results of the JT Group [Consolidated]

	34th term From January 1, 2018 to December 31, 2018	35th term From January 1, 2019 to December 31, 2019	36th term From January 1, 2020 to December 31, 2020	37th term From January 1, 2021 to December 31, 2021
Revenue (Millions of yen)	2,215,962	2,175,626	2,092,561	2,324,838
Profit before income taxes (Millions of yen)	531,486	465,232	420,063	472,390
Profit attributable to owners of the parent company (Millions of yen)	385,677	348,190	310,253	338,490
Basic earnings per share (Yen)	215.31	195.97	174.88	190.76
Total assets (Millions of yen)	5,461,400	5,553,071	5,381,382	5,774,209
Total equity (Millions of yen)	2,700,445	2,743,611	2,599,495	2,886,081

(Note) Consolidated financial statements of the JT Group are prepared based on IFRS.

**(2) Trends in assets and non-consolidated operating results of JT [Non-consolidated]**

	34th term From January 1, 2018 to December 31, 2018	35th term From January 1, 2019 to December 31, 2019	36th term From January 1, 2020 to December 31, 2020	37th term From January 1, 2021 to December 31, 2021
Net sales (Millions of yen)	696,250	660,805	596,887	592,220
Ordinary income (Millions of yen)	190,343	278,968	240,491	278,809
Net income (Millions of yen)	164,595	262,469	241,752	216,896
Net income per share (Yen)	91.89	147.72	136.27	122.23
Total assets (Millions of yen)	2,670,883	2,614,357	2,597,930	2,487,979
Net assets (Millions of yen)	1,493,562	1,417,365	1,390,011	1,344,696

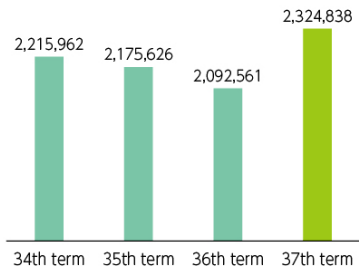
(Notes) 1. Non-consolidated financial statements of the Company are prepared based on Japanese GAAP.

2. The Company has applied the “Partial Amendments to Accounting Standard for Tax Effect Accounting” (ASBJ Statement No. 28, February 16, 2018) and relevant Guidances effective from the 35th term.

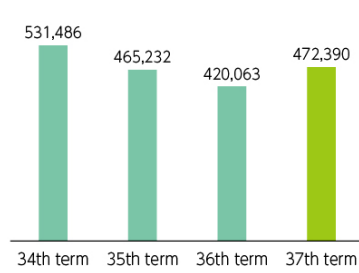
As a result of this change, amounts presented for the 34th term are those after retrospective application.

## Trends in assets and operating results of the JT Group [Consolidated]

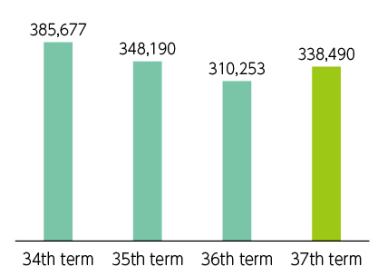
■ Revenue (unit: JPY million)



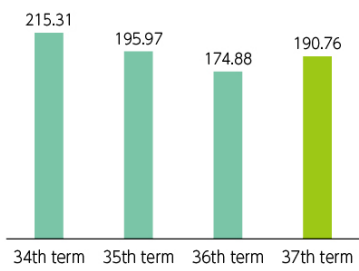
■ Profit before income taxes (unit: JPY million)



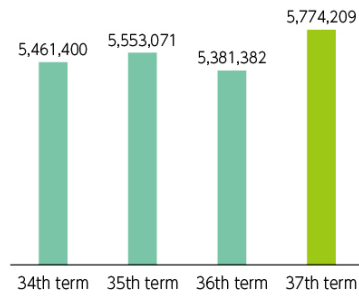
■ Profit attributable to owners of the parent company (unit: JPY million)



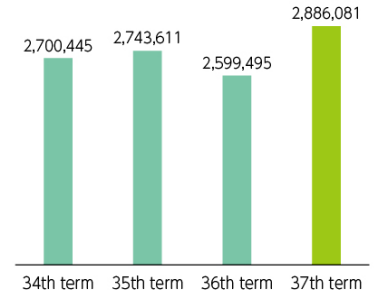
■ Basic earnings per share (unit: JPY)



■ Total assets (unit: JPY million)



■ Total equity (unit: JPY million)



## 9. Issues to Be Addressed

### (1) Basic management policy

Our management principles are based on the pursuit of the “4S model.” The model requires us 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.

We created our vision and mission based on the “4S model.” Our vision is to continue to be a growing global company that provides diverse value, unique to JT Group. Our mission is to create, develop and nurture our unique brands to win consumer trust, while understanding and respecting the environment and the diversity of societies and individuals.

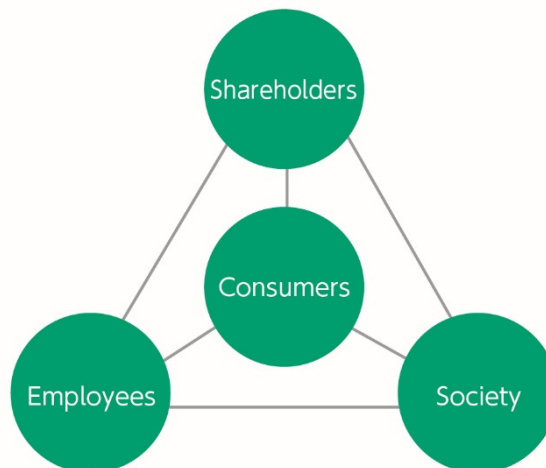
We have also adopted “The JT Group Way” as a code of conduct which all members of the Group should follow. The JT Group Way requires that we fulfill the expectations of our consumers and behave responsibly, strive for quality in everything we do through continuous improvement, and leverage diversity across the Group.

The Group has attained sustainable profit growth and will continue to do so through the pursuit of the “4S model.” Since attaining sustainable profit growth requires us to continue to provide new value and satisfaction to consumers, we believe it is essential to steadily make business investments for future mid- to long-term profit growth.

We believe that the pursuit of the “4S model” will lead to a consistent increase in corporate value in the mid- to long-term and therefore that it is the best approach to serve the interests of all stakeholders.

#### Management Principles

We strive 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.



## (2) Mid- to long-term management strategy and issues

The Group's mid- to long-term resources allocation policy is to give the highest priority to business investments for sustainable profit growth over the mid- to long-term, under its management principles.

With the tobacco business as its core business and profit growth engine, the Group's strategic focus across all businesses will be on business investments for sustainable profit growth in the tobacco business. On the other hand, we will focus on the restructuring of the business foundation for the Pharmaceutical Business and the Processed Food Business to supplement profit growth for the Group as a whole, making investments necessary to this end. Going forward there is no change in the resources allocation policy, under which we will continue to place the highest priority on executing business investments that contribute to sustainable mid- to long-term profit growth <sup>(Note 1)</sup> as well as on valuing the balance between profit growth through business investments and shareholder returns.

The mid- to long-term targets for each business are as follows.

Tobacco Business	Grow adjusted operating profit at mid- to high-single-digit rate per annum over the mid- to long term as the core business and profit growth engine of the Group
Pharmaceutical Business	Strive to make profit contribution to the Group through promotion of R&D on next-generation strategic products and value maximization of each product
Processed Food Business	Aim to achieve mid- to long-term sustainable profit growth centered on top-line growth

The Group formulates its three-year business plan by renewing it each year on a rolling basis to assess the increasingly uncertain business environment accurately and speed up reinforcing its competitive edge and has set group-wide profit targets and the mid- to long-term direction in shareholder returns in the “Business Plan 2022.”

Under the “Business Plan 2022,” the Group will continue to pursue a mid- to high- single digit<sup>(Note 2)</sup> annual average growth rate over the mid- to long-term in adjusted operating profit at constant FX.

In terms of “giving the highest priority to business investments for sustainable profit growth over the mid- to long-term” under the resources allocation policy based on the “4S model” and “valuing the balance between profit growth through business investments and shareholder returns,” our shareholder returns policy is set as follows:

- Pursue improvements in shareholder returns by realizing the mid- to long-term profit growth while maintaining a solid financial base<sup>(Note 3)</sup>
- Target a payout ratio of about 75%<sup>(Note 4)</sup> as a competitive level in the capital markets<sup>(Note 5)</sup>
- Consider implementing acquisitions of treasury shares, mainly taking into account the Company’s financial positions for the respective year and the med-term capital needs

In order to achieve the consolidated mid- to long-term profit targets, our strategic focus across all businesses is to achieve quality top-line growth by striving in accordance with each target. For each business, our strategic focus is to improve cost competitiveness and business foundations that support these efforts, thereby achieving sustainable profit growth.

The Group will implement a new operating model for the tobacco business by unifying the organization structure of the domestic and international tobacco businesses, boosting competitiveness by reforming the domestic sales organization structure, consolidating manufacturing and leaf procurement locations, and optimizing the workforce.

The business environment in which the Group operates is characterized by an increasing degree of uncertainty, such as changes in the international political situation, and foreign exchange risks associated with declines in value for the currencies of emerging countries. Because of changes in consumer and corporate activities stemming from the spread of COVID-19 and risks of global economic activities downturn posed by emerging COVID-19 variants, etc., our outlook remains uncertain. Enhancing adaptability to such a changing environment is critical to achieve sustainable profit growth by overcoming the uncertain business environment and adequately executing business on a global scale. “Adaptability” refers to the ability to assume a wider range of contingencies than in the past, during the planning phase, and to quickly and flexibly respond to changes and events that surpass the assumptions so that the Group can deal with uncertainty over the future. The Group believes that how well and how quickly companies can overcome uncertainties will continue as the key to determine their competitiveness. Moreover, in view of the forward march of digital technology, changes in the consciousness and behavior of consumers, and the shift towards greater awareness of ESG and sustainability, the Group believes that, rather than merely responding passively while enhancing its adaptability to such a changing environment, the Group should initiate transformation itself and accelerate evolution to an organization that will lead this revolution through the unification of the organization structure of the tobacco business and the evolution of the corporate division.

- (Notes)
1. Aiming for growth in adjusted operating profit at constant FX through high-quality top-line growth, with a prime importance on growth investment for the tobacco business
  2. mid- to high-single digit: mid- to high-single-digit percentage  
Outlook 2022-2024: Annual average growth of a mid-single digit rate despite significant investments towards RRP
  3. The Company will maintain a solid financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.
  4. To be in the range of approximately  $\pm 5\%$ .
  5. Monitor the shareholder return trends of global Fast-Moving Consumer Goods (FMCG) companies which have a stakeholder model similar to our “4S model” and have realized strong business growth.

## 【Reference】 Our Approach to Sustainability

In order for the Group to achieve sustainable growth, it is essential for our business to contribute to the sustainable development of our society. Sustainability is at the heart of managing our business. Our sustainability strategy is formulated based on the 4S model, our management principles, and encompasses our materiality analyses.



We have set out three absolute requirements for sustainability which apply across the Group, while each business has set out its own focus areas. The progress of each business in meeting these targets will be reported in the next Integrated Report 2021 and on our website.

The Group supports the Sustainable Development Goals (SDGs) adopted by the United Nations, and we will mainly contribute to the following related goals through our business activities and initiatives.



### Respect for human rights, Diversity and inclusion



The Group has published the JT Group Human Rights Report, showcasing the Group’s commitment to the principles of human rights and its initiatives put into practice so far.



One of our commitments is to promote gender equality in the workplace. Our new Group-wide target, specifically representation of women in leadership, is to reach 25% by 2030. We find it desirable that this should be more than 40% over time.



## Reducing Our Environmental Impacts (Case study)

The Group set out the JT Group Environment Plan 2030, with three focus areas; “**Energy and Emissions**,” “**Natural Resources**,” and “**Waste**.” We will work on the transition to renewable energy, reductions in greenhouse gas emissions, addressing water-related risks or sustainable forest management, and reducing the impact on the environment of waste, including plastics.

Among them, the Group recognizes its vital responsibility to contribute to the transition to a decarbonized society, given the ever-increasing global environmental concerns. To drive this, the Group has updated its targets for “**Energy and Emissions**” in the current “**JT Group Environment Plan 2030**” in February 2022 and aims to be Carbon Neutral for its own operations by 2030. Among other initiatives, the Group plans to achieve this by increasing the proportion of renewable electricity that it uses. Moreover, by 2050, the Group is aiming to realize carbon neutrality for the Group’s entire value chain by further strengthening and expanding such efforts.

The revised targets for GHG emission reduction by 2030 are in line with science-based thinking and the Group is currently preparing to obtain validation of its targets from the Science Based Targets initiative.

The Group has always been proactive in reducing its environmental impact in accordance with “**JT Group Environment Plan 2030**” and we will continue to make relentless efforts to be trusted by our stakeholders and reduce environmental impact, which ensure a sustainable environment for the long-term.



In 2020, the Group has endorsed the recommendations of the “**Task Force on Climate-related Financial Disclosures (TCFD)**.” We have been doing scenario analyses on climate change, and in accordance with these recommendations, we will further seek to understand and disclosure of the risks and opportunities that climate change impacts on its business.



Our continued efforts to reduce our environmental footprint and our transparency in disclosing information have been highly evaluated, and we were recognized as a global leader in tackling climate change and water security by **CDP**, which is the leading international non-profit organization that assesses environmental disclosure. As a result, we were listed on the CDP’s “**Climate A List**” and “**Water A List**” for the third consecutive year. The Company is one of approximately 56 companies in the world and 18 companies in Japan that achieved “**Climate A List**” and “**Water A List**,” out of more than 13,000 companies participating in the CDP environmental disclosure program in 2020.

- Please visit “Sustainability” on the Company’s website (<https://www.jt.com/sustainability/>) to find out more about our approach to sustainability.
- With regard to the Company’s corporate governance, please refer to “ **【Reference】** Fundamental Policy Concerning Corporate Governance” at the end of the Reference Documents for the General Meeting of Shareholders.

## 10. Main Business Contents

Business segment	Main business
Japanese Domestic Tobacco Business	Manufacture and sale of tobacco products, mainly MEVIUS and Seven Stars
International Tobacco Business	Manufacture and sale of tobacco products, mainly Winston and Camel
Pharmaceutical Business	Research and development, manufacture and sale of prescription drugs
Processed Food Business	Manufacture and sale of frozen and ambient foods, seasonings, bakery products, etc.

## 11. Status of Important Subsidiaries

Company name	Capital	Equity ownership (%)	Main business
TS Network Co., Ltd.	(Millions of yen) 460	74.5	Distribution of tobacco products
Japan Filter Technology Co., Ltd.	(Millions of yen) 461	100.0	Manufacture and sale of filters for tobacco products
JT International S.A.	(Thousands of CHF) 923,723	(100.0)	Manufacture and sale of tobacco products
Gallaher Ltd.	(Thousands of GBP) 172,495	(100.0)	Manufacture and sale of tobacco products
Torii Pharmaceutical Co., Ltd.	(Millions of yen) 5,190	53.5	Manufacture and sale of prescription drugs
TableMark Co., Ltd.	(Millions of yen) 22,500	100.0	Manufacture and sale of processed foods

- (Notes)
1. Figures in parentheses in the “Equity ownership” column indicate indirect holding rates.
  2. On the last day of the fiscal year ended December 31, 2021, there were 235 consolidated subsidiaries, including 6 above-mentioned important subsidiaries, as well as 13 affiliates accounted for by the equity method.
  3. On the last day of the fiscal year ended December 31, 2021, there were no specified wholly owned subsidiaries as stipulated in Article 118, item 4 of the Regulation for Enforcement of the Companies Act.

## 12. Major Lenders

Lender	Outstanding balance (Millions of yen)
Subordinated syndicated loan	100,000
The Norinchukin Bank	40,000
Shinkin Central Bank	30,000

(Note) The subordinated syndicated loan was financed jointly by four banks, with Mizuho Bank, Ltd. acting as the arranger and agent.

## 13. Major Sales Offices and Factories

### (1) JT

Headquarters: 1-1, Toranomom 4-chome, Minato-ku, Tokyo, Japan

Regional sales headquarters:

Hokkaido (Hokkaido), Tohoku (Miyagi), Joshinetsu (Gunma), Kita-Kanto (Saitama), Higashi-Kanto (Chiba), Tokyo (Tokyo), Kanagawa (Kanagawa), Hokuiku (Ishikawa), Tokai (Aichi), Kita-Kansai (Osaka), Osaka (Osaka), Chugoku (Hiroshima), Shikoku (Kagawa), Kyushu (Fukuoka), and Minami-Kyushu (Kagoshima)

Factories: Kita-Kanto (Tochigi), Tokai (Shizuoka), Kansai (Kyoto), Kyushu (Fukuoka), and Tomobe (Ibaraki)

Laboratories: Tobacco Science Research Center (Kanagawa), Leaf Tobacco Research Center (Tochigi), and Central Pharmaceutical Research Institute (Osaka)

(Note) As announced on February 9, 2021 in “JT Group Announces New Operating Model - Company Aims to Strengthen its Tobacco Business,” the Company’s Kyushu Tobacco Factory will be closed at the end of March 2022. Furthermore, in April 2022, the Company plans to switch from 15 sales offices to a new sales organizational structure comprising 47 sales offices.

### (2) Subsidiaries

TS Network Co., Ltd. (Tokyo)  
Japan Filter Technology Co., Ltd. (Tokyo)  
JT International S.A. (Switzerland)  
Gallaher Ltd. (U.K.)  
Torii Pharmaceutical Co., Ltd. (Tokyo)  
TableMark Co., Ltd. (Tokyo)

(Note) Text in parentheses shows the location of head office.

## 14. Status of Employees

### (1) Employees of the JT Group [Consolidated]

Business segment	Number of employees (Person)
Japanese Domestic Tobacco Business	9,940
International Tobacco Business	38,236
Pharmaceutical Business	1,354
Processed Food Business	4,878
Common company-wide services within JT	973
Total	55,381

(Note) The above number of employees indicates the number of working employees.

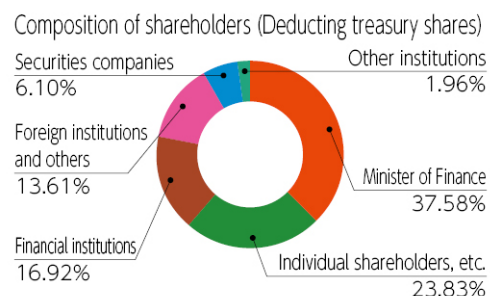
### (2) Employees of JT [Non-consolidated]

Male/Female	Number of employees (Person)	Year-on-year increase (decrease) (Person)	Average age (Year old)	Average years of service (Year)
Male	5,912	(229)	44.6	19.5
Female	1,242	17	37.6	12.4
Total or average	7,154	(212)	43.4	18.3

(Note) The above number of employees indicates the number of working employees.

## II. Matters Concerning Shares of JT

1. **Total number of shares authorized:** 8,000,000,000 shares
2. **Total number of shares issued:** 2,000,000,000 shares  
(Including treasury shares 225,475,301 shares)
3. **Number of shareholders:** 691,779



### 4. Major shareholders

Name of shareholders	Number of shares held (Share)	Equity ownership (%)
Minister of Finance	666,925,200	37.58
The Master Trust Bank of Japan, Ltd. (Trust Account)	161,020,700	9.07
SMBC Nikko Securities Inc.	42,916,800	2.42
Custody Bank of Japan, Ltd. (Trust Account)	41,665,100	2.35
State Street Bank West Client - Treaty 505234	21,441,841	1.21
Barclays Securities Japan Limited	18,443,300	1.04
JAPAN SECURITIES FINANCE CO., LTD.	17,641,100	0.99
Custody Bank of Japan, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust & Banking Co., Ltd.	17,428,100	0.98
JPMorgan Chase Bank 385771	12,397,794	0.70
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	12,056,526	0.68

(Note) Equity ownership is calculated after deducting treasury shares (225,475,301 shares).

### 5. Status of shares granted to Members of the Board and Audit & Supervisory Board Members of the Company as consideration for execution of duties during the current fiscal year

Persons eligible for the granting	Number of shares	Number of persons eligible for the granting
Members of the Board (excluding Outside Directors)	92,500 shares	4
Outside Directors	—	—
Audit & Supervisory Board Members	—	—

(Notes) 1. The Company's stock remuneration system is comprised of two kinds of stock remuneration:

restricted stock remuneration and performance share units. For details, please refer to pages 69 to 70 of the Business Report.

2. All the above shares are shares granted as restricted stock remuneration. The Company disposed of 238,400 treasury shares (including the above-stated 92,500 shares granted to Members of the Board) on May 25, 2021, for the allotment of restricted stock remuneration to four Members of the Board who also serve as Executive Officers, and to 20 Executive Officers. There were no shares granted as performance share unit remuneration in the current fiscal year.

**6. Other significant matters concerning shares**

No items to report.

### III. Matters Concerning Members of the Board and Audit & Supervisory Board Members of JT

#### 1. Members of the Board and Audit & Supervisory Board Members

Position	Name	Responsibility	Significant concurrent positions outside the Company
Chairperson of the Board	Yasutake Tango		Outside Director, The Ogaki Kyoritsu Bank, Ltd. Outside Director, Audit and Supervisory Committee Member, Mitsubishi UFJ Trust and Banking Corporation
Deputy Chairperson of the Board	Mutsuo Iwai		Outside Director, Benesse Holdings, Inc. Outside Director, TDK Corporation
Representative Director and President	Masamichi Terabatake	Chief Executive Officer	Chairman and Managing Director, JT International Group Holding B.V.
Representative Director and Executive Vice President	Naohiro Minami	Chief Financial Officer and Communications	Supervisory Board member, JT International Holding B.V.
Representative Director and Executive Vice President	Kiyohide Hirowatari	Legal, Corporate Strategy, Digitalization, Human Resources, Operation Review & Business Assurance, Pharmaceutical Business and Food Business	
Member of the Board and Senior Vice President	Kazuhito Yamashita	Chief Sustainability Officer, Compliance and General Affairs	
Member of the Board	Main Kohda		Novelist Outside Director, Japan Exchange Group, Inc. Outside Director, MITSUBISHI MOTORS CORPORATION
Member of the Board	Yukiko Nagashima		Standing Audit and Supervisory Board Member, Recruit Holdings Co., Ltd. Standing Audit and Supervisory Board Member, Recruit Co., Ltd. Outside Audit & Supervisory Board Member, Sumitomo Corporation
Member of the Board	Masato Kitera		External Director, Marubeni Corporation Outside Director, NIPPON STEEL CORPORATION
Standing Audit & Supervisory Board Member	Ryoko Nagata		Outside Director, Honda Motor Co., Ltd.
Standing Audit & Supervisory Board Member	Hiroshi Yamamoto		

Position	Name	Responsibility	Significant concurrent positions outside the Company
Standing Audit & Supervisory Board Member	Toru Mimura		Attorney at Law, Shiba International Law Offices
Audit & Supervisory Board Member	Hiroshi Obayashi		Attorney at Law, Obayashi Law Office Outside Audit & Supervisory Board Member, Daiwa Securities Co., Ltd. Outside Director, Mitsubishi Electric Corporation Outside Director, Audit & Supervisory Committee Member, NIPPON STEEL CORPORATION
Audit & Supervisory Board Member	Koji Yoshikuni		

- (Notes)
1. Members of the Board Main Kohda, Yukiko Nagashima and Masato Kitera are Outside Directors.
  2. Audit & Supervisory Board Members Toru Mimura, Hiroshi Obayashi and Koji Yoshikuni are Outside Audit & Supervisory Board Members.
  3. Members of the Board, Main Kohda, Yukiko Nagashima and Masato Kitera, and Audit & Supervisory Board Members, Toru Mimura, Hiroshi Obayashi and Koji Yoshikuni, were designated as independent officers (directors and auditors) as prescribed by the Tokyo Stock Exchange, Inc.
  4. Audit & Supervisory Board Members Hiroshi Yamamoto and Koji Yoshikuni have relevant knowledge about financing and accounting as they were Vice President of the Operational Review and Business Assurance Division of the Company and Auditor of Hosei University, respectively.
  5. Members of the Board Masato Kitera assumed his office on March 24, 2021.
  6. Members of the Board Koichiro Watanabe resigned on March 24, 2021.
  7. The Company has entered into agreements with each of its Members of the Board (excluding Members of the Board who also serve as Executive Officers) and Audit & Supervisory Board Members with respect to the liability set forth in Article 423, paragraph 1 of the Companies Act, by which the liability for damages of each of them is limited to the minimum amount set forth in Article 425, paragraph 1 of the same Act, provided they perform their duties without knowledge of such damages and without gross negligence.
  8. The Company has entered into liability agreements with each of its Members of the Board and Audit & Supervisory Board Members above as stipulated in Article 430-2, paragraph 1 of the Companies Act, whereby the Company shall compensate them for expenses incurred under item (i) of the same paragraph, and any losses incurred under item (ii) of the same paragraph, to the extent permitted by laws and regulations. However, to provide coverage for losses incurred under item (ii) of the same paragraph, measures have been put into place to ensure that the proper performance of duties of insureds is not impaired, by making such coverage premised upon a final judgment or the reaching of a judicial settlement (including cases where the Company recognizes there is a due process that is equivalent to this) and requiring a resolution by the Board of Directors of the matter after it has been deliberated by the Advisory Panel on Nomination and Compensation of the Company.
  9. The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act, under which all Members of the Board, Audit & Supervisory Board Members, and Executive Officers



are the insured. Under the terms of this insurance agreement, litigation expenses and compensation for damages arising from legal action against the insured by third parties, shareholders or companies shall be supplemented, and its premium is fully borne by the Company. Note that any damages, etc., incurred by the insured in association with his/her criminal act or violation of laws and regulations while he/she is aware of that are not subject to the coverage; as such, a measure is taken to ensure/maintain the appropriateness in the execution of duties by the insured.

10. After the closing of the fiscal year under review, we had changes in the responsibilities of the Members of the Board who also serve as an Executive Officer (as of January 1, 2022): Naohiro Minami is now in charge of Finance and Corporate Communications, Kiyohide Hirowatari is in charge of Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business, and Kazuto Yamashita is in charge of Corporate Governance and Compliance.

## 2. Remunerations for Members of the Board and Audit & Supervisory Board Members

### (1) Total remunerations for Members of the Board and Audit & Supervisory Board Members

Category	Total remunerations (Millions of yen)	Total remuneration by type (Millions of yen)				Number of eligible officers (Person)
		Base salary	Executive bonus	Restricted stock remuneration	Performance share units	
Members of the Board (Outside Directors)	1,462 (58)	540 (58)	549 (-)	191 (-)	183 (-)	10 (4)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	158 (76)	158 (76)	- (-)	- (-)	- (-)	5 (3)
Total (Outside Director and Outside Audit & Supervisory Board Members)	1,621 (133)	698 (133)	549 (-)	191 (-)	183 (-)	15 (7)

- (Notes)
1. For executive bonuses, the amounts planned to be paid are shown.
  2. For performance share units, the amount to be recorded as expenses for the fiscal year under review is listed.
  3. Executive bonus and performance share units of the above fall under performance-linked remuneration and others.
  4. Restricted stock remuneration and performance share units of the above fall under non-monetary remuneration and others.
  5. The above list includes one Member of the Board who resigned on March 24, 2021.

### (2) Policy concerning the remuneration amount for Members of the Board and Audit & Supervisory Board Members or the remuneration calculation method thereof and the method of determining the policy

#### 1. Executive Remuneration Policy

The Board of Directors determines the policies on executive remuneration including the methodology on determination of each Director's remuneration. These policies are determined after being deliberated and reported by the Advisory Panel on Nomination and Compensation comprised entirely of the Directors who do not serve as Executive Officers, in which more than half of whose members being independent Outside Directors, in order to ensure independence and objectivity.

Based on these policies, the Company's basic concept on executive remuneration is as follows:

- Set the remuneration at an adequate level to retain personnel with superior capabilities.
- Link the remuneration to the Company's performance so as to motivate executives to achieve their performance targets.
- Link the remuneration to the Company's value in the mid to long term.
- Ensure transparency by implementing objective and quantitative frameworks.

## 2. Executive Remuneration Composition

- Members of the Board who also serve as Executive Officers

Remuneration for the Members of the Board who also serve as Executive Officers comprises “base salary,” “executive bonus,” “restricted stock remuneration” and “performance share unit remuneration” as they are required to achieve results by executing their duties on a daily basis.

If the “executive bonus” and “performance share unit remuneration” are paid at the standard amount, the composition ratio for each type of remuneration is as follows.

	Base Salary	Short-Term Incentive Plan	Mid- and Long-Term Incentive Plan	
Ratio (Note 1)	Base Salary c. 33-42%	Executive Bonus c. 31-35%	Restricted Stock Remuneration (Note 2)	Performance Share Units (Note 2)
			c. 25-33%	
Payment Format	Cash		Shares	Shares & Cash (Note 3)

- (Notes)
- The composition ratios vary depending on the duties of Members of the Board and the ranges are indicated in the illustration.
  - The ratio of restricted stock remuneration and performance share units is about 3 to 1.
  - Under performance share unit, 50% is paid as cash towards tax payment.
  - The above illustration is based on certain assumptions of the Company’s performance and the share price. The above ratios could fluctuate depending on the company performance and the share price.

- Members of the Board (excluding Outside Directors) who do not serve as Executive Officers

For Members of the Board (excluding Outside Directors) who do not serve as Executive Officers, remuneration is not linked to business performance but is composed of “base salary” only, as they are required to make decisions on the JT Group management strategies aimed at enhancing corporate value and to fulfill supervisory functions including monitoring the implementation of mid- to long-term growth strategies, etc.

- Outside Directors

Remuneration for Outside Directors, which is not linked to business performance with the purpose of maintaining their independence, is composed of “base salary” only. At the Board of Directors of the Company held on February 14, 2022, a resolution was adopted that from this Ordinary General Meeting of Shareholders, the Chairperson of the Advisory Panel on Nomination and Compensation shall be elected from among Independent Outside Directors by themselves, and that the Outside Director who serves as the Chairperson of the Panel shall receive the remuneration at a level of the amount corresponding to the duty of the Chairman of the Panel, in addition to the remuneration other Outside Directors receive.

- Audit & Supervisory Board Members

In the light of the role of Audit & Supervisory Board Members, which is primarily to conduct audits on legal compliance, their remuneration is composed of “base salary” only.

<Remuneration structure for Members of the Board and Audit & Supervisory Board Members>

		Base salary	Executive bonus	Restricted stock remuneration / Performance share units
Members of the Board (excluding Outside Directors)	Executive Officer	Applicable	Applicable	Applicable
	Not an Executive Officer	Applicable	Not applicable	Not applicable
Outside Directors		Applicable	Not applicable	Not applicable
Audit & Supervisory Board Members		Applicable	Not applicable	Not applicable

### 3. Ceiling of the Total Executive Remuneration and Approval Process

The amount of remuneration for Members of the Board of the Company (nine (9) members as of December 31, 2021) was approved at the 35th Ordinary General Meeting of Shareholders held on March 19, 2020, not exceeding ¥1.1 billion annually (including ¥80 million annually for Outside Directors) as the base salary and executive bonus for the total number of Members of the Board (nine (9) Members of the Board was subject to this rule at the time of the resolution, including three (3) Outside Directors). In addition to this remuneration, to the Members of the Board who also serve as an Executive Officer (four (4) members as of December 31, 2021), restricted stock remuneration not exceeding ¥210 million (or 115,200 shares) annually and performance share units not exceeding ¥130 million (or 76,800 shares) annually shall be granted (four (4) Members of the Board were subject to this rule at the time of the resolution).

Further, the maximum amount of the annual aggregate remuneration for all Audit & Supervisory Board Members (five (5) persons as of December 31, 2021) was approved at our 34th Ordinary General Meeting of Shareholders held on March 20, 2019 and shall not exceed ¥240 million. (five (5) Audit & Supervisory Board Members were subject to this rule at the time of the resolution).

Determination of the amount of remuneration for each Member of the Board is benchmarked based on a survey of remuneration of directors conducted by third parties, based on the remuneration levels of major domestic manufacturers that are expanding overseas with the similar size and profits. To be more specific, after benchmarking the level of base salary and the percentage of variable remuneration in annual bonuses and mid- and long-term incentives, we decide the amount of remuneration for Members of the Board based on the results of the review by the Advisory Panel on Nomination and Compensation, in line with the methods of calculation as set forth in the internal rules, and within the maximum remuneration approved by the General Meeting of Shareholders. At this point, judged suitable for overseeing the Company's management and consolidated performance to decide the amount of remuneration for Members of the Board by considering the evaluation of their execution of duties, the Representative Director and President is delegated to make such decisions.

As to the remuneration for the fiscal year under review, based on the details of the review by the Advisory Panel on Nomination and Compensation, Representative Director and President Masamichi Terabatake has decided the amount of remuneration for Members of the Board relating to base salary, bonuses, the monetary remuneration claim toward the allotment of restricted stock, and the monetary remuneration claim toward the allotment of performance share units, by following the methods of calculation as set forth in the internal rules; and the Board of Directors judges its details in compliance with the determination policy as stated in 1 above.

The remuneration of Audit & Supervisory Board Members is also benchmarked in the same way, and is determined by deliberation among the Audit & Supervisory Board Members within the maximum remuneration approved at the General Meeting of Shareholders.

### 4. Executive Remuneration Details

- Base salary

Executives will be remunerated with monthly base salary as per their responsibilities. Members of the Board who also serve as Executive Officers will be individually evaluated for achievement of their performance targets through execution of their duties that will lead to the Company's sustainable profit growth. Performance targets are set through interviews with the Company's President and Chief Executive Officer at the beginning of the fiscal year and evaluated at the end of year. The base salary for the following fiscal year will be set within certain range reflecting the individual performance evaluations. However, an individual performance evaluation will not be applicable for the Company's President and Chief Executive Officer.

- Executive bonus

Executive bonus for Members of the Board who also serve as Executive Officers will be paid as monetary remuneration reflecting the performance of a fiscal year. Adjusted operating profit at constant FX and profit for the year will be the performance indicators (KPI) to measure the performance of the business itself, which is the foundation for sustainable growth, as well as the achievement rate of profit growth, from the viewpoint of providing shared value with the shareholders. Executive bonus will be comprised of adjusted operating profit at constant FX and profit in the ratio of 75% and 25%, respectively. Performance-linked payout will be based on the KPI achievement in the range of 0% - 200%. In a case where a Member of the Board who is

a recipient of executive bonus has carried out certain wrongful behavior, the officer involved will be required to refund a part of the executive bonus already paid.

Consolidated performance indicators and actual results related to executive bonus for the fiscal year under review are as follows:

Performance indicator (Consolidated)	Fiscal year ended December 31, 2021	
	Target (Billions of yen)	Actual (Billions of yen)
Adjusted operating profit at constant FX	512.0	598.4
Profit (Profit attributable to owners of the parent company)	240.0	338.5

- Restricted stock remuneration

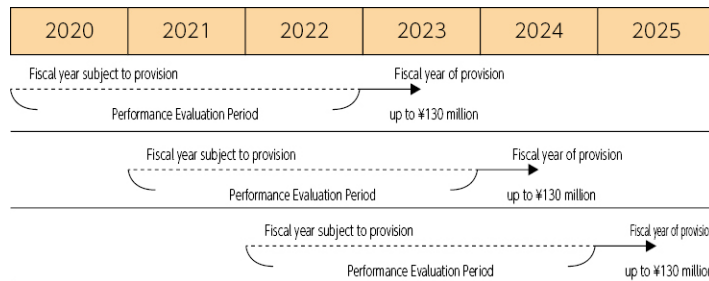
The Restricted Stock Remuneration Plan is designed to strengthen the shared value with shareholders and to enhance the corporate value over the mid- to long- term. Members of the Board who also serve as Executive Officers are eligible to receive monetary remuneration claims every fiscal year towards restricted stock and the eligible Directors will receive the allocation of Company's ordinary shares by paying all of the monetary remuneration claims in kind in accordance with the resolution of the Board of Directors (the allotment is made by means of disposal of treasury shares). The restriction period will be 30 years, but even during this period, the transfer restrictions on the allotted shares will be removed upon resignation of such eligible Director from a position as Member of the Board or any other positions separately specified by the Company's Board of Directors. The amount of individual remuneration is determined after the roles, base salary amount, etc., of Members of the Board are comprehensively considered.

- Performance share units

The Performance Share Unit Plan is a performance-linked stock compensation system that aims to strengthen the shared value with shareholders, to enhance the corporate value over the mid- to long- term and to commit to achieving business results over the mid-term.

Members of the Board who also serve as Executive Officers are eligible to receive monetary remuneration claims and cash towards the acquisition of ordinary shares after the performance evaluation period<sup>(Note)</sup>, which is comprised of three fiscal years starting from the fiscal year subject to provision, in accordance with the rate of achievement of performance and other multi-year performance targets during the performance evaluation period. The Advisory Panel on Nomination and Compensation deliberates and decides on the achievement rate of such targets for performance and other items during the performance evaluation period. The remuneration for the performance share units will be disbursed after the performance evaluation period expires, in principle, as monetary remuneration claims and cash towards the acquisition of ordinary shares. Each of the eligible Directors will receive the allocation of Company's ordinary shares by paying all of the monetary remuneration claims in kind (the allotment is made by means of disposal of treasury shares). In performance evaluation, indicators linked to the Company's mid-term growth have been set. In the performance evaluation period starting from the fiscal year 2020 and the fiscal year 2021, profit for the following three years will be set as a KPI with the aim of providing shared value with shareholders.

(Note) The initial year for offering was set as 2020, with a performance evaluation period of three fiscal years, from the fiscal year ended December 31, 2020, to the fiscal year ending December 31, 2022. From the fiscal year 2021 forward, to the extent approved by the General Meeting of Shareholders, we will implement the performance-linked stock compensation plan, with respective years set as the year for offering with a new (performance evaluation) period of three consecutive fiscal years starting thereof.



For the details of calculations, the number of the ordinary shares of the Company to be issued to eligible Members of the Board and the amount of cash to be paid to eligible Members of the Board as funds toward tax payment shall be calculated based on the formula (1) and (2) below, respectively (Note that any fractions less than one share shall be rounded off). Further, in the event of retirement or appointment during the performance evaluation period, reasonable adjustments may be made in the number of the ordinary shares of the Company or the amount to be offered to the eligible Member of the Board or his/her inheritors, in accordance with the provisions set by the Board of Directors of the Company. If the number of the ordinary shares of the Company allotted to eligible Members of the Board calculated by the formula (1) is greater than the maximum aggregate number of the ordinary shares of the Company to be allotted to eligible Members of the Board (not exceeding 76,800 shares annually), it shall be deducted in a reasonable manner, such as a proportional distribution, as laid down by the Board of Directors of the Company, within the range not exceeding the maximum aggregate number.

- (i) Number of the ordinary shares of the Company to be issued to eligible Members of the Board  
 $\text{Number of base share units}^{(\text{Note 1})} \times \text{Offering ratio/percentage}^{(\text{Note 2})} \times 50\%$
- (ii) Amount of cash to be paid to eligible Members of the Board  
 $(\text{Number of base share units}^{(\text{Note 1})} \times \text{Offering ratio/percentage}^{(\text{Note 2})} - \text{Number of ordinary shares of the Company calculated in (1)}) \times \text{Share price at the time of issue}^{(\text{Note 3})}$

- (Notes)
1. It is determined by the Board of Directors based on the duties, etc., of respective eligible Members of the Board.
  2. It is calculated as a range of 0 – 200% based on the percentage of achievement of targets, etc., during the performance evaluation period.
  3. After the performance evaluation period ends, based on the closing price of the ordinary shares of the Company on the TSE on the preceding business day of the date of the resolution by the Board of Directors concerning the allotment of the ordinary shares of the Company under the plan (or the closing price on the immediately preceding business day, if transactions are not executed on that day), the amount shall be determined by the Board of Directors of the Company within the range not particularly favorable to eligible Members of the Board.

### 3. Matters concerning Outside Directors and Outside Audit & Supervisory Board Members

#### (1) Significant concurrent positions outside the Company

Category	Name	Organizations where concurrent positions are held	Position
Member of the Board	Main Kohda	Novelist	
		Japan Exchange Group, Inc.	Outside Director
		MITSUBISHI MOTORS CORPORATION	Outside Director
	Yukiko Nagashima	Recruit Holdings Co., Ltd.	Standing Audit and Supervisory Board Member
		Recruit Co., Ltd.	Standing Audit and Supervisory Board Member
		Sumitomo Corporation	Outside Audit & Supervisory Board Member
	Masato Kitera	Marubeni Corporation	External Director
		NIPPON STEEL CORPORATION	Outside Director
Audit & Supervisory Board Member	Toru Mimura	Shiba International Law Offices	Attorney at Law
	Hiroshi Obayashi	Obayashi Law Office	Attorney at Law
		Daiwa Securities Co., Ltd.	Outside Audit & Supervisory Board Member
		Mitsubishi Electric Corporation	Outside Director
		NIPPON STEEL CORPORATION	Outside Director, Audit & Supervisory Committee Member

(Note) There are no special relationships to be mentioned between the above organizations in which concurrent positions are held and JT.

#### (2) Major activities during this fiscal year

Category	Name	Status of main activities
Member of the Board	Main Kohda	Main Kohda attended all 13 Board of Directors meetings held during this fiscal year. Her contribution toward improving the Group corporate governance was expected based on her extensive knowledge in international finance, wide experience of serving on government examination committees and similar positions, and deep insight and objective point of view demonstrated through her activities as an author; she fulfilled her duties adequately as an Outside Director by providing advice and recommendations on finance, IR, and other areas.
	Yukiko Nagashima	Yukiko Nagashima attended all 13 Board of Directors meetings held during this fiscal year. Her contribution toward improving the Group corporate governance was expected based on her experience in corporate management and execution of business in a wide range of fields, such as emerging businesses and temporary staffing and objective point of view based on her experience as a Member of the Audit and Supervisory Boards, she fulfilled her duties adequately as an Outside Director by providing advice and recommendations on business strategy, the operating model, and other areas.

Category	Name	Status of main activities
	Masato Kitera	Masato Kitera attended all 9 Board of Directors meetings held during this fiscal year since he assumed office on March 24, 2021. His contribution toward improving the Group corporate governance was expected based on his extensive international experience and a high level of knowledge of international affairs cultivated during his diplomatic and other activities, and he held important positions over many years of service with the government, primarily in the Ministry of Foreign Affairs, he fulfilled his duties adequately as an Outside Director by providing advice and recommendations on country risk in the International Tobacco business and other areas.
Audit & Supervisory Board Member	Toru Mimura	Toru Mimura attended all 13 Board of Directors meetings, as well as all 15 meetings of the Audit & Supervisory Board, held during this fiscal year. Based on his deep insight into finance, global risk management, geopolitics, company law, etc., he has fulfilled his duties as an Audit & Supervisory Board Member, providing advice and recommendations on the Company's governance system, including crisis management system, etc.
	Hiroshi Obayashi	Hiroshi Obayashi attended all 13 Board of Directors meetings, as well as all 15 meetings of the Audit & Supervisory Board, held during this fiscal year. Based on his extensive experience and broad insight in the judicial world, he has fulfilled his duties as an Audit & Supervisory Board Member, providing advice and recommendations on the Company's governance system including internal reporting system, etc.
	Koji Yoshikuni	Koji Yoshikuni attended all 13 Board of Directors meetings, as well as all 15 meetings of the Audit & Supervisory Board, held during this fiscal year. Based on his extensive experience and broad insight in management across all operational businesses and internal departments, he has fulfilled his duties as an Audit & Supervisory Board Member, providing advice and recommendations on the Company's governance system including corporate culture, etc.

**(3) Total amount of remunerations**

Category	Outside Director		Outside Audit & Supervisory Board Member		Total	
	Number to be paid (Person)	Amount to be paid (Millions of yen)	Number to be paid (Person)	Amount to be paid (Millions of yen)	Number to be paid (Person)	Amount to be paid (Millions of yen)
Base salary	4	58	3	76	7	133

(Note) The above list includes one Member of the Board who resigned on March 24, 2021.



#### IV. Matters Relating to Independent Auditor

1. **Name of Independent Auditor:** Deloitte Touche Tohmatsu LLC

2. **Fees for Independent Auditor relating to this fiscal year**

(1) **Fees for Independent Auditor relating to this fiscal year of JT**

i) Fees for audit attestation based on Article 2, paragraph 1 of the Certified Public Accountants Act: ¥330 million

ii) Fees for tasks other than audit attestation based on Article 2, paragraph 1 of the Certified Public Accountants Act: ¥33 million

(2) **Amount of cash and other financial benefits to be paid by JT and its subsidiaries:**

¥480 million

(3) **Reasons for approval of the Independent Auditor's remuneration by the Audit & Supervisory Board:**

When the Company concluded an audit contract with Independent Auditor, the Audit & Supervisory Board Members obtained necessary materials and received reports from the Members of the Board, relevant internal departments, and the Independent Auditor, and performed verification to confirm that the amount of remuneration to be paid to the Independent Auditor, the persons in charge of the audits, and other details of the audit contract were appropriate.

Based upon this verification, the Audit & Supervisory Board checked and examined matters including the content of the Independent Auditor's accounting plan, the status of the performance of the auditing duties, and the basis for calculation of the remuneration estimate, and, as a result, determined that approval was fair and reasonable.

- (Notes)
1. Fees paid under the terms of the audit contract concluded between Deloitte Touche Tohmatsu LLC and JT in relation to audit attestation based on the Companies Act and the Financial Instruments and Exchange Act are not clearly classified, and since they cannot be effectively classified, their total is indicated in the amount in "(1), i)" above.
  2. JT retains Deloitte Touche Tohmatsu LLC for tasks other than audit attestation based on Article 2, paragraph 1 of the Certified Public Accountants Act, which consist of advisory services relating to sustainability management and the issuance of the comfort letter in relation to the bond issuing, and for which a consideration is paid to the same.
  3. Among the important subsidiaries of JT, JT International S.A. and Gallaher Ltd. are audited by Deloitte & Touche LLP.

3. **Policy on dismissal or non-reappointment of Independent Auditor**

In the case that an Independent Auditor is adjudged to fall within any of the items listed in Article 340, paragraph 1 of the Companies Act, with the agreement of all of the Audit & Supervisory Board Members, the Company shall dismiss the Independent Auditor. Additionally, apart from the above, should an incident occur casting serious doubt on the ability of the Independent Auditor to continue to perform its duties, the Audit & Supervisory Board shall decide the content of proposal and submit such proposal to the General Meeting of Shareholders that the Independent Auditor should be dismissed or should not be reappointed.

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\* All figures contained in this Business Report are rounded to the nearest unit.

## Consolidated Statement of Financial Position

(As of December 31, 2021)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>Current assets</b>		<b>Current liabilities</b>	
Cash and cash equivalents	721,731	Trade and other payables	555,777
Trade and other receivables	456,587	Bonds and borrowings	142,901
Inventories	563,182	Income tax payables	30,794
Other financial assets	17,254	Other financial liabilities	28,342
Other current assets	562,034	Provisions	24,858
Subtotal	2,320,789	Other current liabilities	717,653
Non-current assets held for sale	500	<b>Total current liabilities</b>	1,500,326
<b>Total current assets</b>	2,321,289		
<b>Non-current assets</b>		<b>Non-current liabilities</b>	
Property, plant and equipment	755,843	Bonds and borrowings	775,721
Goodwill	2,060,965	Other financial liabilities	43,885
Intangible assets	307,152	Retirement benefit liabilities	296,176
Investment property	4,985	Provisions	22,867
Retirement benefit assets	53,177	Other non-current liabilities	179,195
Investments accounted for using the equity method	41,721	Deferred tax liabilities	69,959
Other financial assets	108,658	<b>Total non-current liabilities</b>	1,387,803
Deferred tax assets	120,419	<b>Total liabilities</b>	2,888,128
<b>Total non-current assets</b>	3,452,920	<b>Equity</b>	
		Share capital	100,000
		Capital surplus	736,400
		Treasury shares	(490,899)
		Other components of equity	(400,086)
		Retained earnings	2,863,843
		Equity attributable to owners of the parent company	2,809,258
		Non-controlling interests	76,823
		<b>Total equity</b>	2,886,081
<b>Total assets</b>	5,774,209	<b>Total liabilities and equity</b>	5,774,209

## Consolidated Statement of Income

(Year ended December 31, 2021)

(Millions of yen)

Account title	Amount
Revenue	2,324,838
Cost of sales	(956,861)
Gross profit	1,367,976
Other operating income	15,622
Share of profit in investments accounted for using the equity method	3,997
Selling, general and administrative expenses	(888,574)
Operating profit	499,021
Financial income	19,013
Financial costs	(45,645)
Profit before income taxes	472,390
Income taxes	(132,208)
Profit for the period	340,181
Attributable to:	
Owners of the parent company	338,490
Non-controlling interests	1,691

## Consolidated Statement of Changes in Equity

(Year ended December 31, 2021)

(Millions of yen)

	Equity attributable to owners of the parent company						
	Share capital	Capital surplus	Treasury shares	Other components of equity			
				Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income
As of January 1, 2021	100,000	736,400	(491,507)	1,252	(614,374)	122	7,224
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	206,199	(68)	(65)
Comprehensive income (loss) for the period	—	—	—	—	206,199	(68)	(65)
Acquisition of treasury shares	—	—	(0)	—	—	—	—
Disposal of treasury shares	—	—	609	(51)	—	—	—
Share-based payments	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	1
Other increase (decrease)	—	—	—	—	—	(327)	—
Total transactions with the owners	—	—	608	(51)	—	(327)	1
As of December 31, 2021	100,000	736,400	(490,899)	1,202	(408,175)	(274)	7,161

(Millions of yen)

	Equity attributable to owners of the parent company				Non-controlling interests	Total equity
	Other components of equity		Retained earnings	Total		
	Remeasurements of defined benefit plans	Total				
As of January 1, 2021	—	(605,776)	2,783,718	2,522,834	76,660	2,599,495
Profit for the period	—	—	338,490	338,490	1,691	340,181
Other comprehensive income (loss)	(6,350)	199,716	—	199,716	361	200,077
Comprehensive income (loss) for the period	(6,350)	199,716	338,490	538,206	2,052	540,258
Acquisition of treasury shares	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	(51)	(558)	0	—	0
Share-based payments	—	—	479	479	33	512
Dividends	—	—	(251,961)	(251,961)	(1,941)	(253,902)
Changes in the ownership interest in a subsidiary without a loss of control	—	—	27	27	18	45
Transfer from other components of equity to retained earnings	6,350	6,351	(6,351)	—	—	—
Other increase (decrease)	—	(327)	—	(327)	—	(327)
Total transactions with the owners	6,350	5,973	(258,364)	(251,782)	(1,890)	(253,672)
As of December 31, 2021	—	(400,086)	2,863,843	2,809,258	76,823	2,886,081

## Nonconsolidated Balance Sheet

(As of December 31, 2021)

(Millions of yen)

Account title	Amount	Account title	Amount
<b>ASSETS</b>		<b>LIABILITIES</b>	
<b>Current assets</b>	468,113	<b>Current liabilities</b>	767,305
Cash and deposits	238,127	Accounts payable-trade	5,675
Accounts receivable-trade	37,614	Current portion of bonds	30,000
Securities	20,000	Current portion of long-term borrowings	30,000
Merchandise and finished goods	26,768	Lease obligations	2,050
Semi-finished goods	83,612	Accounts payable-other	124,329
Work in process	1,725	National tobacco excise taxes payable	69,066
Raw materials and supplies	29,364	National tobacco special excise taxes payable	8,298
Advance payments-trade	1,714	Local tobacco excise taxes payable	78,114
Prepaid expenses	5,669	Income taxes payable	10,910
Short-term loans receivable from subsidiaries and affiliates	4,967	Accrued consumption taxes	30,596
Other	18,579	Cash management system deposits received	360,786
Allowance for doubtful accounts	(24)	Provision for bonuses	5,898
<b>Noncurrent assets</b>	2,019,866	Other	11,584
<b>Property, plant and equipment</b>	182,690	<b>Noncurrent liabilities</b>	375,978
Buildings	77,170	Bonds payable	125,000
Structures	2,404	Long-term borrowings	140,000
Machinery and equipment	41,889	Lease obligations	3,061
Vehicles	832	Provision for retirement benefits	102,960
Tools, furniture and fixtures	11,898	Other	4,957
Land	48,113	<b>Total liabilities</b>	1,143,283
Construction in progress	384	<b>NET ASSETS</b>	
<b>Intangible assets</b>	226,457	<b>Shareholders' equity</b>	1,337,977
Patent right	91	<b>Capital stock</b>	100,000
Right of trademark	65,629	<b>Capital surplus</b>	736,400
Software	14,818	Legal capital surplus	736,400
Goodwill	143,084	<b>Retained earnings</b>	992,476
Other	2,834	Legal retained earnings	18,776
<b>Investments and other assets</b>	1,610,719	Other retained earnings	
Investment securities	19,136	Reserve for investment loss on developing new business	356
Shares of subsidiaries and affiliates	1,492,833	Reserve for reduction entry	37,715
Long-term loans receivable from subsidiaries and affiliates	51,299	Special account for reduction entry	425
Long-term prepaid expenses	7,881	Retained earnings brought forward	935,204
Deferred tax assets	28,751	<b>Treasury shares</b>	(490,899)
Other	14,998	<b>Valuation and translation adjustments</b>	5,517
Allowance for doubtful accounts	(4,179)	Valuation difference on available-for-sale securities	5,833
<b>Total assets</b>	2,487,979	Deferred gains or losses on hedges	(316)
		<b>Subscription rights to shares</b>	1,202
		<b>Total net assets</b>	1,344,696
		<b>Total liabilities and net assets</b>	2,487,979

## Nonconsolidated Statement of Income

(Year ended December 31, 2021)

(Millions of yen)

Account title	Amount	
Net sales		592,220
Cost of sales		154,227
<b>Gross profit</b>		437,993
Selling, general and administrative expenses		344,154
<b>Operating income</b>		93,839
<b>Non-operating income</b>		
Interest income	91	
Dividends income	182,091	
Other	8,660	190,842
<b>Non-operating expenses</b>		
Interest expenses	1,697	
Interest on bonds	2,188	
Other	1,986	5,871
<b>Ordinary income</b>		278,809
<b>Extraordinary income</b>		
Gain on sales of noncurrent assets	6,688	
Other	101	6,789
<b>Extraordinary losses</b>		
Loss on sales of noncurrent assets	103	
Loss on retirement of noncurrent assets	3,263	
Impairment loss	1,402	
Business restructuring costs	31,592	
Cooperation fee for terminating leaf tobacco farming	6,560	
Loss on redemption of bonds	4,105	
Other	2,371	49,397
<b>Income before income taxes</b>		236,202
Income taxes-current	30,996	
Income taxes-deferred	(11,690)	19,306
<b>Net income</b>		216,896

## Nonconsolidated Statement of Changes in Net Assets

(Year ended December 31, 2021)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Retained earnings					Total retained earnings
		Legal capital surplus	Total capital surplus	Legal retained earnings	Other retained earnings				
					Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
As of January 1, 2021	100,000	736,400	736,400	18,776	377	41,711	327	966,416	1,027,608
Changes of items during the period									
Provision of reserve for investment loss on developing new business	—	—	—	—	356	—	—	(356)	—
Reversal of reserve for investment loss on developing new business	—	—	—	—	(377)	—	—	377	—
Provision of reserve for reduction entry	—	—	—	—	—	764	—	(764)	—
Reversal of reserve for reduction entry	—	—	—	—	—	(4,761)	—	4,761	—
Provision of special account for reduction entry	—	—	—	—	—	—	425	(425)	—
Reversal of special account for reduction entry	—	—	—	—	—	—	(327)	327	—
Dividends from surplus	—	—	—	—	—	—	—	(251,961)	(251,961)
Net income	—	—	—	—	—	—	—	216,896	216,896
Purchase of treasury shares	—	—	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—	—	(67)	(67)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	(22)	(3,997)	98	(31,212)	(35,132)
As of December 31, 2021	100,000	736,400	736,400	18,776	356	37,715	425	935,204	992,476



(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
As of January 1, 2021	(491,507)	1,372,501	4,069	12,189	16,259	1,252	1,390,011
Changes of items during the period							
Provision of reserve for investment loss on developing new business	—	—	—	—	—	—	—
Reversal of reserve for investment loss on developing new business	—	—	—	—	—	—	—
Provision of reserve for reduction entry	—	—	—	—	—	—	—
Reversal of reserve for reduction entry	—	—	—	—	—	—	—
Provision of special account for reduction entry	—	—	—	—	—	—	—
Reversal of special account for reduction entry	—	—	—	—	—	—	—
Dividends from surplus	—	(251,961)	—	—	—	—	(251,961)
Net income	—	216,896	—	—	—	—	216,896
Purchase of treasury shares	(0)	(0)	—	—	—	—	(0)
Disposal of treasury shares	609	542	—	—	—	—	542
Net changes of items other than shareholders' equity	—	—	1,764	(12,505)	(10,742)	(51)	(10,792)
Total changes of items during the period	608	(34,524)	1,764	(12,505)	(10,742)	(51)	(45,316)
As of December 31, 2021	(490,899)	1,337,977	5,833	(316)	5,517	1,202	1,344,696

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

February 15, 2022

To the Board of Directors of  
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

Yukitaka Maruchi

Designated Engagement Partner,  
Certified Public Accountant:

Koji Ishikawa

Designated Engagement Partner,  
Certified Public Accountant:

Yoichi Matsushita

### Opinion

Pursuant to the fourth paragraph of Article 444 of the Companies Act, we have audited the consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group"), namely, the consolidated statement of financial position as of December 31, 2021, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from January 1, 2021 to December 31, 2021, and the related notes of significant matters for preparing the consolidated financial statements and other related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements, prepared with the omission of a part of the disclosures required under International Financial Reporting Standards pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting, present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2021, and its consolidated financial performance for the year then ended.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Consolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting which allows companies to prepare consolidated financial statements with the omission of a part of the disclosures required under International Financial Reporting Standards, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

**Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader.

(TRANSLATION)

## INDEPENDENT AUDITOR'S REPORT

February 15, 2022

To the Board of Directors of  
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC  
Tokyo office

Designated Engagement Partner,  
Certified Public Accountant:

Yukitaka Maruchi

Designated Engagement Partner,  
Certified Public Accountant:

Koji Ishikawa

Designated Engagement Partner,  
Certified Public Accountant:

Yoichi Matsushita

### Opinion

Pursuant to the first item, second paragraph of Article 436 of the Companies Act, we have audited the nonconsolidated financial statements of Japan Tobacco Inc. (the "Company"), namely, the nonconsolidated balance sheet as of December 31, 2021, and the nonconsolidated statement of income and nonconsolidated statement of changes in net assets for the 37th fiscal year from January 1, 2021 to December 31, 2021, and the related notes of significant accounting policies and other related notes to the nonconsolidated financial statements, and the accompanying supplemental schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

### Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

### **Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements**

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.
- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

### **Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan**

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

### Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Companies Act of Japan for the conveniences of the reader. "The accompanying supplemental schedules" referred to in this report are not included in the attached financial documents.

[The following represents a translation, for convenience only, of the original report issued in the Japanese language.]

## **Audit Report of the Audit & Supervisory Board**

### **AUDIT REPORT**

Regarding the performance of duties by the Members of the Board for the 37th fiscal year from January 1, 2021 to December 31, 2021, the Audit & Supervisory Board hereby submits its audit report, which has been prepared through discussions based on the audit report prepared by each Audit & Supervisory Board Member.

#### **1. Auditing Methods Employed by Audit & Supervisory Board Members and the Audit & Supervisory Board and Details of Such Methods**

(1) The Audit & Supervisory Board established auditing policies, allocation of duties, and other relevant matters, and received reports from each Audit & Supervisory Board Member regarding his or her audits and results thereof, as well as received reports from the Members of the Board, other relevant personnel, and Independent Auditors regarding performance of their duties, and sought explanations as necessary.

(2) Each Audit & Supervisory Board Member complied with the auditing standards of Audit & Supervisory Board Members established by the Audit & Supervisory Board, followed the auditing policies, allocation of duties, and other relevant matters, communicated with the Members of the Board, and any other relevant personnel, and made efforts to optimize the environment for information collection and audit, and conducted his or her audits in the following methods:

i) We participated in the Board of Directors' meetings and other important meetings, received reports from the Members of the Board, and other relevant personnel regarding performance of their duties, sought explanations as necessary, examined important documents, and studied the operations and financial positions at the head office and principal offices. With respect to subsidiaries, we communicated and exchanged information with Members of the Board, Audit & Supervisory Board Members, and other relevant personnel of the subsidiaries, and received business reports from subsidiaries as necessary.

ii) We monitored and verified the details of the resolution of the Board of Directors related to the system that ensures Members of the Boards are carrying out their duties in compliance with laws and regulations and the Articles of Incorporation, and other systems that ensure the propriety of the operations of the corporate group comprised of a stock company and its subsidiaries, which are described in paragraphs 1 and 3 of Article 100 of the Regulation for Enforcement of the Companies Act. We also monitored and verified the condition of the system (internal control system) put in place in accordance with the aforesaid resolution.

iii) We monitored and verified whether the Independent Auditors maintained their independence and implemented appropriate audits, and we received reports from the Independent Auditors regarding the performance of their duties and sought explanations as necessary. In addition, we received notice from the Independent Auditors that "the system for ensuring that duties are performed properly" (matters set forth in each item of Article 131 of the Regulation on Corporate Accounting) is organized in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council, October 28, 2005) and other relevant regulations, and sought explanations as necessary.

Based on the above methods, we examined the business report and the accompanying supplemental schedules, the non-consolidated financial statements (non-consolidated balance sheet, non-consolidated statement of income,



and non-consolidated statement of changes in net assets) and the accompanying supplemental schedules, as well as consolidated financial statements (consolidated statement of financial position, consolidated statement of income, and consolidated statement of changes in equity, which omit some disclosure items required under International Financial Reporting Standards (IFRS) in accordance with the provision of the second sentence of Article 120, paragraph 1 of the Regulation on Corporate Accounting) related to the relevant business year.

## 2. Audit Results

### (1) Results of Audit of Business Report and Other Relevant Documents

1. In our opinion, the business report and the accompanying supplemental schedules are in accordance with the related laws and regulations and Articles of Incorporation, and fairly represent JT's condition.
2. With regard to the performance of duties by the Members of the Board, we have found no evidence of wrongful action or material violation of related laws and regulations, nor of any violation with respect to the Articles of Incorporation.
3. In our opinion, the contents of the resolutions of the Board of Directors regarding the internal controls system are fair and reasonable, and, furthermore, the development, implementation and maintenance of the internal controls system are appropriate.

### (2) Results of Audit of Non-Consolidated Financial Statements and the accompanying supplemental schedules

In our opinion, the methods and results employed and rendered by the Independent Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

### (3) Results of Audit of Consolidated Financial Statements

In our opinion, the methods and results employed and rendered by the Independent Auditors, Deloitte Touche Tohmatsu LLC, are fair and reasonable.

February 16, 2022

The Audit & Supervisory Board, Japan Tobacco Inc.

Standing Audit & Supervisory Board Member	Ryoko Nagata	(seal)
Standing Audit & Supervisory Board Member	Hiroshi Yamamoto	(seal)
Standing Audit & Supervisory Board Member	Toru Mimura	(seal)
Audit & Supervisory Board Member	Hiroshi Obayashi	(seal)
Audit & Supervisory Board Member	Koji Yoshikuni	(seal)

(Note) 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 by Article 2, item 16 and Article 335, paragraph 3 of the Companies Act.