

[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 3, 2023

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 38TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 38th Ordinary General Meeting of Shareholders of Japan Tobacco Inc. (“JT” or the “Company”), which will be held as set forth below.

In convening the 38th Ordinary General Meeting of Shareholders, the Company has taken an electronic provision measure for providing information that constitutes the content of the Reference Documents for the General Meeting of Shareholders, etc. (matters for an electronic provision measure). To review the information, please access either of the following websites on which the information is posted.

[JT’s website]

<https://www.jti.co.jp/investors/stock/meeting/index.html> (Japanese)

<https://www.jt.com/investors/shareholders/index.html> (English)

[Tokyo Stock Exchange (TSE) website (Listed Company Search)]

<https://www2.jpx.co.jp/tseHpFront/JJK010010Action.do?Show=Show> (Japanese)

<https://www2.jpx.co.jp/tseHpFront/JJK020010Action.do?Show=Show> (English)

(Please access the TSE website, and search by “Issue name” (Japan Tobacco) or “Code” (2914), select “Basic information” and then “Documents for public inspection/PR information” to review filed information.)

Shareholders not attending the meeting in person are allowed to exercise their voting rights via the Internet or by mail. Please exercise your voting rights beforehand via the Internet or by mail instead, by 6:00 p.m. on Thursday, March 23, 2023. (For the method of exercising voting rights via the Internet or by mail, please refer to pages 5 to 6 of this document.)

Particulars

1. Date and Time of the Meeting: Friday, March 24, 2023 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 38th Business Term (From January 1, 2022 to December 31, 2022)
 2. Report on the Non-Consolidated Financial Statements for the 38th Business Term (From January 1, 2022 to December 31, 2022)

Matters to be Resolved:

<Company proposals (Items from 1 to 4)>

- Item 1:** Appropriation of Surplus
Item 2: Election of Nine (9) Members of the Board
Item 3: Election of Five (5) Audit & Supervisory Board Members
Item 4: Revision of Remuneration for Members of the Board

<Shareholder proposals (Items from 5 to 8)>

- Item 5:** Partial Amendment to the Articles of Incorporation (Management of Subsidiaries)
Item 6: Partial Amendment to the Articles of Incorporation (Prohibition Against Former Directors and Employees Serving in Director Positions at Listed Subsidiaries)
Item 7: Partial Amendment to the Articles of Incorporation (Prohibition Against Using the Cash Management System (CMS) for Financing with Listed Subsidiaries)
Item 8: Acquisition of Treasury Shares

Decisions on convening the meeting

- * 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. If the voting right is exercised more than once via the Internet, only the last exercise of the voting right shall be valid.
- * If there is no indication of for or against on each proposal in the returned form, it shall be deemed that you have voted for a Company's proposal and against a shareholder proposal.

* A change in matters for an electronic provision measure will be announced on the Company's website and the TSE website with a comparison before and after the revision.

* Among matters for an electronic provision measure, under laws and regulations and the provision in Article 17, paragraph 2 of the Articles of Incorporation of the Company, the Notice of Convocation of the 38th Ordinary General Meeting of Shareholders does not include the following:

- "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.

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

Requests to Shareholders

* **The Company encourages shareholders to carefully take into consideration the state of COVID-19 pandemic and their own health conditions on the day of the General Meeting of Shareholders, and choose to exercise the voting rights via the Internet or by mail in advance.**

<Measures to be implemented at the venue>

- **As the Japanese government’s “Basic Policies for Novel Coronavirus Disease Control” were recently amended, the wearing of face masks depends on individuals’ judgment as of March 13, 2023. In light of this amendment to the government’s policy, the Company will not be requesting the wearing of face masks, so please decide whether or not you wish to wear a face mask while in the venue.**
- As measures against infection at the venue, alcohol disinfectant will be placed at the venue, and 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 entering the venue, 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 continue to allow for a certain amount of space between the seats. Please be aware that even shareholders who come to the venue may not be allowed to enter.
- 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.
- Organizing staff members will be at the venue after confirming their physical condition, which includes taking their temperature, and will continue to wear face masks.

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 17 (Friday) (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 7 to 8 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.

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

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 Thursday, March 23, 2023

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 Company proposal and against a shareholder proposal.

Exercise due date



To be returned to us no later than 6:00 p.m., on
Thursday, March 23, 2023

Guide to filling in the Voting Rights Exercise Form

Please indicate for or against about each item.

<Company Proposals>

Items 1 and 4

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

Items 2 and 3

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.

<Shareholder Proposals>

Items 5, 6, 7 and 8

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

Items 5 to 8 are proposals made by shareholders. The Board of Directors opposes each of the shareholder proposals.

* 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

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 online site of the General Meeting of Shareholders from your computer or smartphone as follows, and enter your Log-in ID and password to watch.

1. Date and time of streaming

From 10:00 a.m. to the end time of the General Meeting of Shareholders on Friday, March 24, 2023

* 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 Log-in ID and password, which are to be required on the shareholder authentication screen (log-in screen), in advance before accessing to the following online site of the General Meeting of Shareholders.

Online site of the General Meeting of Shareholders

<https://engagement-portal.tr.mufg.jp/>



Log-in ID ► 3450 + Shareholder Number (eight digits)

Password ► Zip code for the address registered on the shareholder registry as at the end of December 31, 2022 (seven digits) + 2022

Please refer to the Voting Rights Exercise Form before logging in to the website.

On the log-in screen, fill in the (1) Log-in ID and (2) Temporary Password described on the Voting Rights Exercise Form, confirm the user name is correct, and click the “Log-in” button. Click the “View live on the day” button after log-in.

(1) Log-in ID: 3450 + Shareholder Number (eight digits)

(2) Password: Zip code for the address registered on the shareholder registry as at the end of December 31, 2022 (seven digits) + 2022

* Enter the “Log-in ID” and “Password” with no hyphen.

The password may be different from the zip code stated in the Voting Rights Exercise Form (address change on or after December 31, 2022 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.

* Your viewing environment can be tested in advance on the online site of the General Meeting of Shareholders.

3. Points of attention

- The online site of the General Meeting of Shareholders will be available from 5:00 a.m. on Friday, March 3, 2023 to 5:00 p.m. on Friday, March 24, 2023.
- 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 5 to 6).
- 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/investors/stock/meeting/index.html>).


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 online site of the General Meeting of Shareholders 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 Friday, March 17, 2023

(2) Points of attention

- Of the enquiries received from shareholders, those that are of high interest to shareholders will be answered on the day of the General Meeting of Shareholders. Enquiries to which we were unable to respond on the day of the General Meeting of Shareholders will be answered on the Company's website after the close 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 400 characters.

Enquiries on log-in	 Mitsubishi UFJ Trust and Banking Corporation Tel: 0120-676-808 (Toll-free) Japanese-language only Business hours: 9:00 to 17:00 except weekends and national holidays) (Business hours on the day of the General Meeting of Shareholders: 9:00 to the end of the General Meeting of Shareholders) * For technical enquiries on watching live streaming, such as the streaming environment, information is provided separately on the online site of the General Meeting of Shareholders (https://engagement-portal.tr.mufg.jp/).
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REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

<Company proposals (Items from 1 to 4)>

<Company proposal>

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^(Note 1) 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^(Note 2).

In accordance with these policies, year-end dividends for the 38th 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:

¥113 per share of ordinary shares of JT

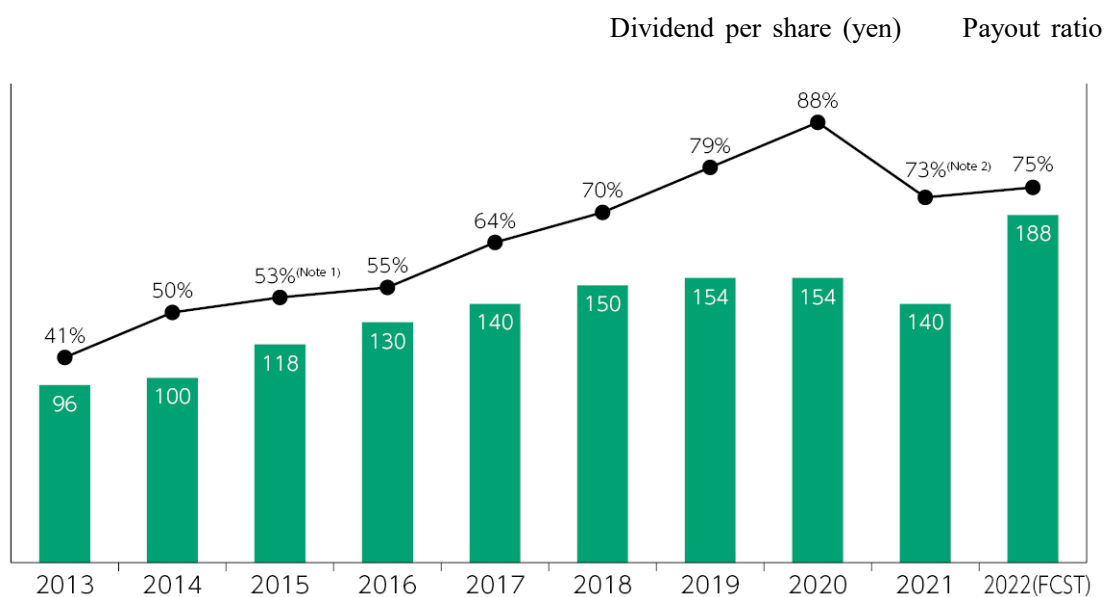
Aggregate amount: ¥200,558,449,681

Together with the interim dividends of ¥75 per share paid in September 2022, the annual dividends for the 38th Business Term will be ¥188 per share.

(3) Effective date for distribution of surplus:

March 27, 2023

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



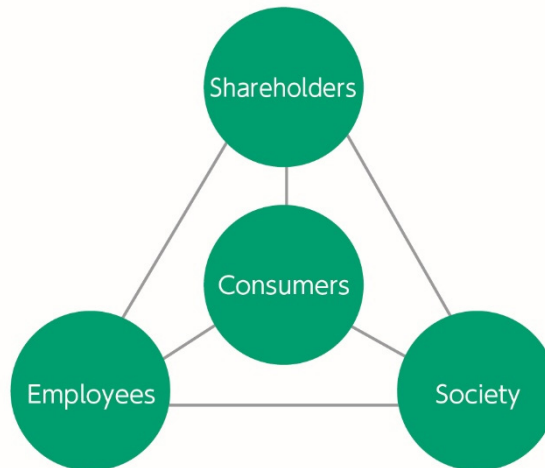
(Notes) 1. For fiscal year 2015, due to the transfer of the Company's shares, etc., held by a beverage vending machine operating subsidiary and the closure of its business of manufacture and sale of the Company's beverage products, the Beverage Business is categorized as non-continuing business. The 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^(Note 1) in the Tobacco Business as set forth in the “Business Plan 2022,” the Group expects a mid-single-digit^(Note 2) annual average growth rate in adjusted operating profit at constant FX^(Note 3) for the planned period. However, by leveraging the effect of said investment, the Group has continued to pursue mid- to high-single-digit^(Note 4) 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 in the Business Plan 2022. (For the resources allocation policy of the Business Plan 2023, please refer to pages 67 to 68 of the Business Report.):

Resources allocation policy

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

- Give the highest priority to 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%^(Note 5) as a competitive level in the capital markets^(Note 6)
- 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 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. 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.

<Company proposal>


Item 2: Election of Nine (9) Members of the Board

The terms of office of all ten (10) present Members of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we propose the election of nine (9) Members of the Board.


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	●	3	7 years	10/13 (77%)
2	[Reappointed]	Shigeaki Okamoto	Deputy Chairperson of the Board	●	4	1 year	9/9 (100%)
3	[Reappointed]	Masamichi Terabatake	Representative Director and President, Chief Executive Officer	-	1	5 years	13/13 (100%)
4	[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	-	-	5 years	13/13 (100%)
5	[Newly appointed]	Kei Nakano	Representative Director and Executive Vice President, Finance, Corporate Communications, Business Development and D-LAB	-	1	-	-
6	[Reappointed]	Main Kohda [Outside Director] [Independent Director]	Outside Director	●	3	10 years and 9 months	13/13 (100%)
7	[Reappointed]	Yukiko Nagashima [Outside Director] [Independent Director]	Outside Director	●	3	4 years	13/13 (100%)
8	[Reappointed]	Masato Kitera [Outside Director] [Independent Director]	Outside Director	●	2	2 years	13/13 (100%)
9	[Reappointed]	Tetsuya Shoji [Outside Director] [Independent Director]	Outside Director	●	4	1 year	9/9 (100%)

- (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 Chairperson of the Advisory Panel on Nomination and Compensation shall be elected from among Independent Outside Directors by the Panel members themselves.
 3. The number of significant concurrent positions represent the number as of the date of sending this Notice of Convocation.
 4. The numbers of years as Member of the Board at the conclusion of this Ordinary General Meeting of Shareholders are presented.

Candidate Number	
1	Mutsuo Iwai (Born October 29, 1960) Number of the Company's Shares Held 40,100
 <div style="border: 1px solid black; padding: 5px; margin-top: 10px; text-align: center;">Reappointed</div>	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company
	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 June 2020 Outside Director of Benesse Holdings, Inc. (Current Position) June 2021 Outside Director of TDK Corporation (Current Position) March 2022 Chairperson of the Board of the Company (Current Position) January 2023 Outside Director of &Capital Inc. (Current Position)
	(Significant Concurrent Positions outside the Company) Outside Director of Benesse Holdings, Inc. Outside Director of TDK Corporation Outside Director of &Capital Inc.
	Reasons for nomination as a candidate for Director Mutsuo Iwai assumed the position of Deputy Chairperson of the Board of the Company in March 2020, and Chairperson of the Board in March 2022. 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	Shigeaki Okamoto (Born February 20, 1961) Number of the Company's Shares Held 300																								
 <div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 0 auto;">Reappointed</div>	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company																								
	<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 2006</td> <td>Director for the Budget Bureau, Planning and Administration Division of Budget Bureau, Ministry of Finance</td> </tr> <tr> <td style="padding-right: 10px;">July 2009</td> <td>Head of Secretariat Division, Minister's Secretariat, Ministry of Finance</td> </tr> <tr> <td style="padding-right: 10px;">August 2012</td> <td>Deputy Director-General of the Budget Bureau, Ministry of Finance</td> </tr> <tr> <td style="padding-right: 10px;">July 2015</td> <td>Deputy Vice Minister, Ministry of Finance</td> </tr> <tr> <td style="padding-right: 10px;">July 2017</td> <td>Director-General of the Budget Bureau, Ministry of Finance</td> </tr> <tr> <td style="padding-right: 10px;">July 2018</td> <td>Administrative Vice Minister, Ministry of Finance (Retired in July 2020)</td> </tr> <tr> <td style="padding-right: 10px;">June 2021</td> <td>Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. (Current Position)</td> </tr> <tr> <td style="padding-right: 10px;">December 2021</td> <td>Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office (Current Position)</td> </tr> <tr> <td></td> <td>Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office (Current Position)</td> </tr> <tr> <td style="padding-right: 10px;">March 2022</td> <td>Deputy Chairperson of the Board of the Company (Current Position)</td> </tr> <tr> <td style="padding-right: 10px;">June 2022</td> <td>Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office (Current Position)</td> </tr> </table>	April 1983	Entered Ministry of Finance	July 2006	Director for the Budget Bureau, Planning and Administration Division of Budget Bureau, Ministry of Finance	July 2009	Head of Secretariat Division, Minister's Secretariat, Ministry of Finance	August 2012	Deputy Director-General of the Budget Bureau, Ministry of Finance	July 2015	Deputy Vice Minister, Ministry of Finance	July 2017	Director-General of the Budget Bureau, Ministry of Finance	July 2018	Administrative Vice Minister, Ministry of Finance (Retired 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)	March 2022	Deputy Chairperson of the Board of the Company (Current Position)	June 2022	Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office (Current Position)
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Reasons for nomination as a candidate for Director Shigeaki Okamoto assumed the position of Deputy Chairperson of the Board of the Company in March 2022. 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. His broad outlook and high standing underpinned by his experience have contributed to the strengthening of the supervisory function of the Group and relationships with stakeholders, which are essential to the enhancement of the corporate governance of the Group going forward. For this reason, we propose his reelection as a Member of the Board.																									

Candidate Number																			
3	Masamichi Terabatake (Born November 26, 1965) Number of the Company's Shares Held 184,400																		
	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company																		
	<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)																		
<div style="border: 1px solid black; padding: 2px; display: inline-block;">Reappointed</div>	(Significant Concurrent Positions outside the Company) Chairman and Managing Director, JT International Group Holding B.V.																		
Reasons for nomination as a candidate for Director 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

Kiyohide Hirowatari

(Born November 11, 1965)

Number of the Company's Shares Held

66,300



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

5

Kei Nakano

(Born March 1, 1968)

Number of the Company's Shares Held

31,100



Newly
appointed

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


April 1991	Joined the Company
April 2011	Vice President, M&S Strategy Department, Tobacco Business Division
June 2014	President and Chief Executive Officer, TS Network Co., Ltd.
January 2016	Senior Vice President, Communications of the Company
October 2019	Senior Vice President, Corporate Strategy
March 2020	Director, Japan Growth Investments Alliance, Inc. (Current Position)
January 2022	Senior Vice President, Corporate Strategy of the Company
January 2023	Executive Vice President, Finance, Corporate Communications, Business Development and D-LAB (Current Position)


(Significant Concurrent Positions outside the Company)


Director, Japan Growth Investments Alliance, Inc.


Reasons for nomination as a candidate for Director

After serving Vice President of M&S Strategy Department, Tobacco Business Division of the Company, and President and Chief Executive Officer of TS Network Co., Ltd., the Company's subsidiary, Kei Nakano assumed Senior Vice President, Communications in January 2016. Since October 2019, he has served Senior Vice President, Corporate Strategy, using his strong leadership focusing on promoting initiatives for strengthening and advancing the Company's corporate governance including the enhancement of effectiveness of the Board of Directors, and projects to enhance corporate capabilities. We judge that his extensive and deep knowledge in relation to overall management strategies and business management, strategic thinking and accurate decision-making based on his diverse experience will be indispensable in driving the Group's management further forward, and hence we propose his election as a Member of the Board.

Candidate Number		Number of years as Outside Director	10 years and 9 months
6	Main Kohda	(at the conclusion of this Ordinary General Meeting of Shareholders) (Born April 25, 1951)	Number of the Company's Shares Held 0
	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company		
<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Reappointed</div>	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)		
<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Outside Director</div>	(Significant Concurrent Positions outside the Company) Novelist Outside Director, Japan Exchange Group, Inc. Outside Director, MITSUBISHI MOTORS CORPORATION		
<div style="border: 1px solid black; padding: 2px; width: fit-content; margin: 5px auto;">Independent Director</div>	Reasons for nomination as a candidate for Outside Director and summary of expected roles 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. As the Chairperson of the Advisory Panel on Nomination and Compensation, she also played a big role in supervising business execution from an independent and fair 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.		
Independence			
<ul style="list-style-type: none"> - 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 2022 came to less than 0.001% of NHK’s consolidated total operating income in the fiscal year ended March 2022, and less than 0.001% of the Company’s consolidated revenue in fiscal year 2022, 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. (hereinafter referred to as “JPX”), where Main Kohda serves as an Outside Director. However, in fiscal year 2022 the amount paid in listing-related fees, etc. came to less than 0.005% of consolidated operating revenue for JPX in the fiscal year ended March 2022, and less than 0.001% of the Company’s consolidated revenue in fiscal year 2022, 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. - The Tokyo Stock Exchange (TSE), a subsidiary of JPX of which Main Kohda serves as an Outside Director, caused a system failure in the cash equity trading system “arrowhead” in October 2020, resulting in a suspension of all transactions at TSE for the entire day. Following the system failure, the FSA issued business improvement orders to JPX and TSE in November 2020 because the automatic switching function of the device where the failure occurred was defective and the TSE’s rules for resuming trading were insufficient, among other reasons. Since before the occurrence of the system failure, she made proposals to the Board of Directors of JPX as to what a stable and reliable market operation should be, when necessary. After the system failure occurred, she fulfilled her duties as a member of the “System Failure Investigation Committee” established by JPX, evaluating and making recommendations regarding matters pertaining to the causes of the system failure, reasonableness of JPX and TSE’s handling the situation before and after, and measures, etc. taken to prevent recurrence, in response to the opinions and fact-finding of JPX and TSE in relation to the course of events and the cause of the occurrence. She also reported the progress and the results of the Committee’s survey at the Board of Directors meetings of JPX. 			

Candidate Number	7	Yukiko Nagashima	Number of years as Outside Director (at the conclusion of this Ordinary General Meeting of Shareholders)	4 years																
		(Born April 4, 1961)	Number of the Company's Shares Held	0																
	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company																			
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Reappointed</div>	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 15%;">April 1985</td> <td>Joined Recruit Co., Ltd. (Current Recruit Holdings Co., Ltd.)</td> </tr> <tr> <td>April 2006</td> <td>Corporate Executive Officer, Recruit Co., Ltd.</td> </tr> <tr> <td>January 2008</td> <td>President and Representative Director, Recruit Staffing Co., Ltd.</td> </tr> <tr> <td>October 2012</td> <td>Corporate Executive Officer, Recruit Holdings Co., Ltd.</td> </tr> <tr> <td>June 2016</td> <td>Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd. (Current Position)</td> </tr> <tr> <td>April 2018</td> <td>Standing Audit & Supervisory Board Member, Recruit Co., Ltd. (Current Position)</td> </tr> <tr> <td>March 2019</td> <td>Outside Director of the Company (Current Position)</td> </tr> <tr> <td>June 2021</td> <td>Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION (Current Position)</td> </tr> </table>				April 1985	Joined Recruit Co., Ltd. (Current Recruit Holdings Co., Ltd.)	April 2006	Corporate Executive Officer, Recruit Co., Ltd.	January 2008	President and Representative Director, Recruit Staffing Co., Ltd.	October 2012	Corporate Executive Officer, Recruit Holdings Co., Ltd.	June 2016	Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd. (Current Position)	April 2018	Standing Audit & Supervisory Board Member, Recruit Co., Ltd. (Current Position)	March 2019	Outside Director of the Company (Current Position)	June 2021	Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION (Current Position)
April 1985	Joined Recruit Co., Ltd. (Current Recruit Holdings Co., Ltd.)																			
April 2006	Corporate Executive Officer, Recruit Co., Ltd.																			
January 2008	President and Representative Director, Recruit Staffing Co., Ltd.																			
October 2012	Corporate Executive Officer, Recruit Holdings Co., Ltd.																			
June 2016	Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd. (Current Position)																			
April 2018	Standing Audit & Supervisory Board Member, Recruit Co., Ltd. (Current Position)																			
March 2019	Outside Director of the Company (Current Position)																			
June 2021	Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION (Current Position)																			
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Outside Director</div>	(Significant Concurrent Positions outside the Company)																			
<div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Independent Director</div>	<p>Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd.</p> <p>Standing Audit & Supervisory Board Member, Recruit Co., Ltd.</p> <p>Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION</p>																			
Reasons for nomination as a candidate for Outside Director and summary of expected roles																				
<p>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 & Supervisory Boards being reflected in the management of the Company. She also played a big role in supervising business execution from an independent and fair standpoint.</p> <p>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.</p>																				
Independence																				
<ul style="list-style-type: none"> - 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 & Supervisory Board Member, the value of the business in fiscal year 2022 was negligible, coming to less than 0.01% of consolidated revenue for Recruit Holdings Co., Ltd. in the fiscal year ended March 2022, and less than 0.01% of the Company's consolidated revenue in fiscal year 2022. In addition, the Company has business relationships with SUMITOMO CORPORATION of which she is Outside Audit & Supervisory Board Member, the value of the business in fiscal year 2022 was negligible, coming to less than 0.001% of consolidated revenue for SUMITOMO CORPORATION in the fiscal year ended March 2022, and less than 0.001% of the Company's consolidated revenue in fiscal year 2022. We judge that these relationships have no impact on her independence. - 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. - Recruit Holdings Co., Ltd. and Recruit Co., Ltd., where Yukiko Nagashima serves as a standing Audit & 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 & 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. 																				

Candidate Number	Masato Kitera		Number of years as Outside Director	2 years
8			(at the conclusion of this Ordinary General Meeting of Shareholders)	Number of the Company's Shares Held
		Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company		
		April 1976	Joined the Ministry of Foreign Affairs	
Reappointed		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	
Outside Director		January 2010	Deputy Minister, Ministry of Foreign Affairs	
		September 2012	Assistant Chief Cabinet Secretary	
Independent Director		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	Outside Director, Marubeni Corporation (Current Position)	
		Outside Director, NIPPON STEEL CORPORATION (Current Position)		March 2021
		(Significant Concurrent Positions outside the Company)		
		Outside Director, Marubeni Corporation		Outside Director, NIPPON STEEL CORPORATION
Reasons for nomination as a candidate for Outside Director and summary of expected roles				
<p>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 played a big role in providing advice and oversight which contribute to the further enhancement of corporate governance.</p> <p>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.</p>				
Independence				
<p>- 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.</p> <p>Although the Company has a business relationship with Marubeni Corporation, of which he is an Outside Director, the value of the business in fiscal year 2022 was negligible, coming to less than 0.001% of consolidated revenue for Marubeni Corporation in the fiscal year ended March 2022, and less than 0.001% of the Company's consolidated revenue in fiscal year 2022.</p> <p>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.</p> <p>- The Company has designated Masato Kitera as an independent director as prescribed by the Tokyo Stock Exchange, Inc. and intends to designate him as such again, should his election be approved.</p>				

Candidate Number		Number of years as Outside Director	1 year																						
9	Tetsuya Shoji (Born February 28, 1954)	(at the conclusion of this Ordinary General Meeting of Shareholders)	Number of the Company's Shares Held 0																						
 <div style="border: 1px solid black; padding: 2px; margin: 5px; text-align: center;">Reappointed</div> <div style="border: 1px solid black; padding: 2px; margin: 5px; text-align: center;">Outside Director</div> <div style="border: 1px solid black; padding: 2px; margin: 5px; text-align: center;">Independent Director</div>	<p>Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company</p> <table border="0"> <tr> <td style="padding-right: 10px;">April 1977</td> <td>Joined Nippon Telegraph and Telephone Public Corporation</td> </tr> <tr> <td>June 2006</td> <td>Senior Vice President, General Manager of the Personnel Department, Nippon Telegraph and Telephone West Corporation</td> </tr> <tr> <td>June 2009</td> <td>Senior Vice President, Head of General Affairs, Nippon Telegraph and Telephone Corporation</td> </tr> <tr> <td>June 2012</td> <td>Senior Executive Vice President, Representative Member of the Board, NTT Communications Corporation</td> </tr> <tr> <td>June 2015</td> <td>President & CEO, Representative Member of the Board, NTT Communications Corporation</td> </tr> <tr> <td>October 2018</td> <td>Representative Member of the Board, NTT, Inc.</td> </tr> <tr> <td>June 2020</td> <td>Corporate Advisor, NTT Communications Corporation (Current Position)</td> </tr> <tr> <td>March 2021</td> <td>Outside Director, Sapporo Holdings Limited (Current Position)</td> </tr> <tr> <td>June 2021</td> <td>Outside Director, Hitachi Zosen Corporation (Current Position)</td> </tr> <tr> <td></td> <td>Outside Director, Mitsubishi Logistics Corporation (Current Position)</td> </tr> <tr> <td>March 2022</td> <td>Outside Director of the Company (Current Position)</td> </tr> </table> <p>(Significant Concurrent Positions outside the Company)</p> <ul style="list-style-type: none"> Corporate Advisor, NTT Communications Corporation Outside Director, Sapporo Holdings Limited Outside Director, Hitachi Zosen Corporation Outside Director, Mitsubishi Logistics Corporation 			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)	March 2022	Outside Director of the Company (Current Position)
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)																								
March 2022	Outside Director of the Company (Current Position)																								
<p>Reasons for nomination as a candidate for Outside Director and summary of expected roles</p> <p>Tetsuya Shoji assumed the position of Outside Director of the Company in March 2022. Having served as a president and representative director for a telecommunications company, Tetsuya Shoji has considerable experiences in business execution and corporate management and wide-ranging insights in corporate planning, human resources, global operations, and digitization promotion. With his such experiences and insights, he advised on the management of the Group as it expands its business globally and regards IT/information security as one of the increasingly important management foundations in the future. He also played a big role in supervising business execution from an independent and fair standpoint.</p> <p>We believe his extensive experience and broad knowledge are essential for the Group management by the Company and expect he will continue contributing to the improvement of the Group's corporate governance through his active recommendations and advice as an Outside Director at the Board of Directors and the Advisory Panel on Nomination and Compensation, etc., and hence we propose his reelection as an Outside Director.</p>																									
<p>Independence</p> <ul style="list-style-type: none"> - 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. <ul style="list-style-type: none"> 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 2022 was negligible, coming to less than 0.1% of consolidated revenue for NTT Communications in the fiscal year ended March 2022, and less than 0.05% of the Company's consolidated revenue in fiscal year 2022. 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 2022 was negligible, coming to less than 0.05% of consolidated revenue for Mitsubishi Logistics Corporation in the fiscal year ended March 2022, and less than 0.001% of the Company's consolidated revenue in fiscal year 2022. We judge that these relationships have no impact on his independence. - The Company has designated Tetsuya Shoji as an independent director as prescribed by the Tokyo Stock Exchange, Inc. and intends to designate him as such again, 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, Shigeaki Okamoto, Main Kohda, Yukiko Nagashima, Masato Kitera and Tetsuya Shoji 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.
 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. If the reelection of the candidates for Members of the Board is approved, the Company intends to extend this agreement with the candidates to be reelected. The Company will also enter into a liability agreement to the same effect with Kei Nakano subject to the approval of his 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 2023. 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.

<Company proposal>

Item 3: Election of Five (5) Audit & Supervisory Board Members

The terms of office of all five (5) present Audit & Supervisory Board Members will expire at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we propose the election of five (5) Audit & Supervisory Board Members.

The Audit & Supervisory Board has approved this proposition.

The candidates for the office of Audit & Supervisory Board Members are as follows.

Candidate Number		Name	Positions in the Company	Number of significant concurrent positions
1	[Newly appointed]	Hideaki Kashiwakura	Standing Audit & Supervisory Board Member	-
2	[Newly appointed]	Tsutomu Hashimoto	Standing Audit & Supervisory Board Member	-
3	[Newly appointed]	Shigeru Taniuchi [Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	Standing Audit & Supervisory Board Member Outside Audit & Supervisory Board Member	-
4	[Newly appointed]	Nobuo Inada [Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	Outside Audit & Supervisory Board Member	2
5	[Newly appointed]	Hiroko Yamashina [Outside Audit & Supervisory Board Member] [Independent Audit & Supervisory Board Member]	Outside Audit & Supervisory Board Member	2

(Notes) 1. Positions in the Company 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.

Candidate Number

1

Hideaki Kashiwakura (Born February 28, 1969)

Number of the Company's Shares Held

0



Newly
appointed

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

April 1991	Joined the Company
July 2012	Controller
October 2014	Vice President, M&S Management Department, Tobacco Business Division
January 2017	Manager, Hokkaido branch, Tobacco Business Division
January 2019	Deputy Chief Financial Officer (Assistant to CFO)
January 2021	President, Chief Executive Officer, JT BusinessCom Inc. (Current Position)

Reasons for nomination as a candidate for Audit & Supervisory Board Member

Hideaki Kashiwakura has served as Controller, Vice President of the M&S Management Department of Tobacco Business Division, Deputy Chief Financial Officer of the Company and President, Chief Executive Officer of JT BusinessCom Inc., having extensive experience and wide-ranging knowledge in corporate management, business development, finance and accounting, as well as business operation in Japan and overseas. Because of his detailed, deep and wide-ranging knowledge and experience across all business operations and internal departments, we expect him to fulfill his duty as an Audit & Supervisory Board Member in relation to the effective auditing of the Group, and therefore propose his election as Audit & Supervisory Board Member.

Candidate Number

2

Tsutomu Hashimoto

(Born May 31, 1967)

Number of the Company's Shares Held

200



Newly
appointed

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

April 1991	Joined the Company
March 2019	Vice President, Operational Review and Business Assurance (Current Position)

Reasons for nomination as a candidate for Audit & Supervisory Board Member

Tsutomu Hashimoto has served as Vice President, Operational Review and Business Assurance, having extensive experience and wide-ranging knowledge in risk management and information securities through audit operation in Japan and overseas, and has contributed to the improvement of corporate governance in the Group's business operations. Because of his detailed, deep and wide-ranging knowledge and experience across all business operations and internal departments, we expect him to fulfill his duty as an Audit & Supervisory Board Member in relation to the effective auditing of the Group, and therefore propose his election as Audit & Supervisory Board Member. In addition, he is knowledgeable in the area of finance and accounting.



Newly
appointed

Outside Audit
& Supervisory
Board Member

Independent
Audit &
Supervisory
Board Member

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

April 1986	Entered Ministry of Finance
July 2008	Director, Allowance Control and Mutual Assistance Insurance, Budget Bureau, Ministry of Finance
July 2009	Director, Agriculture, Forestry and Fisheries Section Budget Bureau, Ministry of Finance
July 2010	Director, Treasury, Financial Bureau, Ministry of Finance
July 2011	Director, National Property Policy Planning, Financial Bureau, Ministry of Finance
July 2012	Director-General, Policy-based Finance, Financial Bureau, Ministry of Finance
June 2013	Director of Co-ordination Division, Financial Bureau, Ministry of Finance (Retired from the office in July 2014)
July 2014	Deputy Director-General of Minister's Secretariat, Social Welfare and War Victims' Relief Bureau, Ministry of Health, Labour and Welfare
October 2015	Deputy Director-General of Minister's Secretariat, Medical Insurance, Ministry of Health, Labour and Welfare
July 2017	Deputy Director-General of Minister's Secretariat, Elderly Health Care, Ministry of Health, Labour and Welfare
July 2018	Director, Social Welfare and War Victims' Relief Bureau, Ministry of Health, Labour and Welfare
August 2020	Director-General, Secretariat of Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan, Cabinet Secretariat Director, Social Security Reform, Cabinet Secretariat
February 2021	Concurrently serving as Director of Loneliness and Isolation Office, Cabinet Secretariat
November 2021	Deputy Director-General, Secretariat of the Digital Garden City Initiative Panel, Cabinet Secretariat
December 2021	Concurrently serving as Head of Preparation Work Group for Bill of Establishing Children and Families' Agency, Cabinet Secretariat
June 2022	Concurrently serving as Head of preparation Work Group for Establishment of Children and Families' Agency, Cabinet Secretariat (Retired in June 2022)

Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member

Shigeru Taniuchi has extensive experience over many years of serving in a wide range of important positions in ministries and agencies, and through this has acquired extensive experience and deep knowledge of such fields as finance and legal affairs. He did not engage in corporate management previously. Nevertheless, we judge that his broad outlook and high standing underpinned by his wide-ranging experience will enable him to make a significant contribution to the effective auditing of the Group in this highly uncertain business environment. In addition, we believe his roles as Standing Audit & Supervisory Board Member and Outside Audit & Supervisory Board Member facilitate improvements to auditing from a third party perspective and will lead to a strengthening of the Group's corporate governance, for which reason we propose his election as Outside Audit & Supervisory Board Member.

Independence

- Shigeru Taniuchi has work experience in the Ministry of Finance in the past, but we judge there is no concern about independence because a certain period of time has passed since he retired from the Ministry of Finance. In addition, he satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company (retrospective period: the past five years) and the requirements of an independent auditor prescribed by the Tokyo Stock Exchange, Inc.
- The Company intends to designate Shigeru Taniuchi as an independent auditor as prescribed by the Tokyo Stock Exchange, Inc., should his election be approved.

Candidate Number

4

Nobuo Inada

(Born August 14, 1956)

Number of the Company's Shares Held

0



Newly
appointed

Outside Audit
& Supervisory
Board Member

Independent
Audit &
Supervisory
Board Member

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

April 1981	Appointed as Public Prosecutor
October 2008	Deputy Vice-Minister of Justice, Ministry of Justice
August 2011	Director-General, Criminal Affairs Bureau, Ministry of Justice
January 2014	Vice-Minister of Justice, Ministry of Justice
September 2016	Superintending Prosecutor, Sendai High Public Prosecutors' Office
September 2017	Superintending Prosecutor, Tokyo High Public Prosecutors Office
July 2018	Prosecutor-General (Retired in July 2020)
October 2020	Registered as Attorney at Law (Current position)
June 2021	Outside Director, an Audit & Supervisory Board Member, Nomura Securities Co., Ltd. (Current position)

(Significant Concurrent Positions outside the Company)

Attorney at Law, Inada Law Firm
Outside Director, an Audit & Supervisory Board Member, Nomura Securities Co., Ltd.

Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member

Nobuo Inada did not engage in corporate management previously other than serving as an Outside Director or an Outside Auditor. Nevertheless, he has served in a wide range of important positions in the legal circles, ministries and agencies, and possesses extensive experience and broad and deep knowledge of legal affairs and compliance, etc. We judge that his broad outlook and high standing underpinned by his wide-ranging experience will enable him to make a significant contribution to the effective auditing of the Group in this highly uncertain business environment and will lead to a strengthening of the Group's corporate governance, for which reason we propose his election as Outside Audit & Supervisory Board Member.

Independence

- Nobuo Inada satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company and the requirements of an independent auditor prescribed by the Tokyo Stock Exchange, Inc. Nomura Securities Co., Ltd., of which he is an Outside Director, holds shares of the Company, but this constitutes less than 0.04% of the total shares. In addition, although the Company has a business relationship with Nomura Securities Co., Ltd., the value of the business in fiscal year 2022 was negligible, coming to less than 0.001% of consolidated revenue for Nomura Securities Co., Ltd. in the fiscal year ended March 2022, and less than 0.001% of the Company's consolidated revenue in fiscal year 2022.
We judge that this relationship has no impact on his independence.
- The Company intends to designate Nobuo Inada as an independent auditor as prescribed by the Tokyo Stock Exchange, Inc., should his election be approved.



Newly
appointed

Outside Audit
& Supervisory
Board Member

Independent
Audit &
Supervisory
Board Member

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

April 1986	Joined Orient Leasing Co., Ltd. (Present ORIX Corporation)
March 2007	Head of Office of Internal Controls, ORIX Corporation
May 2010	Executive Officer, ORIX Life Insurance Corporation
January 2013	Managing Executive Officer, ORIX Life Insurance Corporation
January 2014	Corporate Officer, ORIX Corporation
January 2016	Group Executive, ORIX Corporation (Current position) President, ORIX Credit Corporation
January 2021	Chairman, ORIX Credit Corporation (Current position)

(Significant Concurrent Positions outside the Company)

Group Executive, ORIX Corporation
Chairman, ORIX Credit Corporation

Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member

Having served important roles such as Corporate Officer of a general financial service provider and President of a subsidiary of the company, Hiroko Yamashina possesses considerable knowledge and broad and deep insights in corporate management and business operation, etc. We judge that her broad outlook and high standing underpinned by her wide-ranging experience will enable her to make a significant contribution to the effective auditing of the Group in this highly uncertain business environment and will lead to a strengthening of the Group's corporate governance, for which reason we propose her election as Outside Audit & Supervisory Board Member.

Independence

- Hiroko Yamashina satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company and the requirements of an independent auditor prescribed by the Tokyo Stock Exchange, Inc.
- The Company intends to designate Hiroko Yamashina as an independent auditor as prescribed by the Tokyo Stock Exchange, Inc., should her election be approved.

- (Notes)
1. No conflict of interest exists between the Company and each candidate.
 2. The Company will enter into an agreement with Hideaki Kashiwakura, Tsutomu Hashimoto, Shigeru Taniuchi, Nobuo Inada, and Hiroko Yamashina to limit their liabilities stipulated in Article 423, paragraph 1 of the Companies Act to the extent permitted by the laws and regulations subject to the approval of their election.
 3. The Company has entered into a liability agreement with each of its Audit & Supervisory Board Members 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 will enter into the respective agreement with each candidate 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 2023. 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. Each candidate 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 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, JT Group Purpose 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 (Diversity & Inclusion) / 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	Kiyohide Hirowatari	Kei Nakano
Positions	Chairperson of the Board	Deputy Chairperson of the Board	Representative Director and President Chief Executive Officer	Representative Director and Executive Vice President	Representative Director and Executive 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	Hideaki Kashiwakura	Tsutomu Hashimoto	Shigeru Taniuchi	Nobuo Inada	Hiroko Yamashina
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	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member
	•		•	•				•
•		•	•	•	•			
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•	•		•	•				

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

[Operation during the period under review]

In year ended December 31, 2022, we had thirteen (13) board meetings to discuss important issues including the management plan and nomination of Executive Officers. In addition, there was one resolution in writing that was deemed to have been resolved at the Board of Directors under the provisions of Article 370 of the Companies Act and Article 24-4 of the Company's Articles of Incorporation.

(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). Conditional on approval by this Ordinary General Meeting of Shareholders, it is planned that it continues to be 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, 2022, 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, as an optional advisory body to the Board of Directors, further enhances the objectivity and transparency of the Board of Directors' decision making and improves the supervisory functions of the Board of Directors by supporting the development of a group of executive candidates, deliberating on the nomination of Member of the Board and Audit & Supervisory Board Member candidates, deliberating on dismissal of Members of the Board who also serve as Executive Officers, and deliberating on matters regarding remuneration for Members of the Board and Executive Officers, then reporting 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, and the Chairperson of the Panel shall be elected from among Independent Outside Directors by the Panel members themselves. The Panel consists 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, 2022, seven (7) meetings were held to discuss the change that the Chairperson of the Panel shall be elected from among Independent Outside Directors by the Panel members themselves, confirm the level of remuneration, confirm the pool of executive candidates, discuss the nomination

of the planned Member of the Board candidates and Audit & Supervisory Board Member candidates, and their skills matrix, discuss the revision of the Director remuneration, etc., and review the key performance indicators (KPIs) for the executive bonuses and performance share units for the fiscal year 2023.

(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, 2022, 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 2023.

【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 shall be less than 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.

In fiscal year 2022, the questionnaire was conducted as follows.

In preparing and analyzing the results of the questionnaire, we have received advice from external institutions in order to ensure objectivity and further improving the evaluation of effectiveness.

- Questionnaire preparation period : From September to November 2022
- Period of evaluation : Year 2022 (January 2022 to December 2022)
- Response period: November 25, 2022 - December 9, 2022
- Target respondents : Total of 15 Members of the Board and Audit & Supervisory Board Members
- Summary: Rating for each question (on a scale of 5) and filling out the free form
- Consultation by the Board of Directors : February 22, 2023

The major items evaluated were as follows.

1. Roles, Functions and Composition of the Board of Directors (6 questions)
2. Business operation of the Board of Directors (8 questions)
3. Cooperation with audit institutions and risk management (3 questions)
4. Relationship with shareholders and investors (3 questions)
5. Voluntary committee (2 questions)
6. Issues to be discussed and shared (1 question)

The items evaluated are also reviewed, and questions are designed to confirm improvements to the issues identified in fiscal year 2021 in addition to items that should be continually checked.

In fiscal year 2022, we took the following actions to address the issues identified in the effectiveness evaluation for fiscal year 2021.

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

In the evaluation of effectiveness conducted for fiscal year 2022, the items undergoing evaluation obtained good results on the whole as continuing from fiscal year 2021, allowing the Company to confirm that the effectiveness of the Board of Directors is improving, and the Board of Directors is functioning effectively. In particular, we believe that the strength of our company's Board of Directors is that the 4S model has become prevalent as a guideline to which the Board of Directors should adhere. In terms of improvements from fiscal year 2021, the

Group was particularly commended for strengthening the sharing of information on the progress of mid- to long-term strategies and key measures, in order to exchange views with the executive and improve business understanding.

In order to make an enhanced effectiveness, the Company will target continuous improvements from fiscal year 2023 onwards, focusing on the following newly identified issues.

Main issues	Policy for improvements going forward
<ul style="list-style-type: none"> • Further strengthening the supervisory function of the Board of Directors • Strengthening the effectiveness and efficiency of the Board of Directors 	<ul style="list-style-type: none"> • Further enhance opportunities to share mid- and long-term strategies, major issues, and the status of discussions in voluntary committees • Continual improvement of the management of the Board of Directors, including the facilitation of proceedings

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

<Company proposal>

Item 4: Revision of Remuneration for Members of the Board

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 at the 35th Ordinary General Meeting of Shareholders held on March 19, 2020. At the 37th Ordinary General Meeting of Shareholders held on March 23, 2022, the amount of remuneration for Outside Directors was approved at a level not exceeding ¥100 million annually, with the amount for the total number of Members of the Board (not exceeding ¥1.1 billion annually) unchanged. In addition, the amount of restricted stock remuneration and monetary remuneration claims or cash under the performance share units to be delivered to the Company's Members of the Board who also serve as Executive Officers ("Eligible Directors") was approved at a level "not exceeding ¥210 million (or 115,200 shares) annually" for the restricted stock remuneration and "not exceeding ¥130 million (or 76,800 shares) annually" for the performance share units respectively, at the 35th Ordinary General Meeting of Shareholders held on March 19, 2020.

On the back of growing geopolitical risks and other factors in recent years, the business environment is assumed to change more rapidly and increase uncertainty. Amid more challenging situation for corporate management, the roles and responsibilities of Members of the Board are increasing. Moreover, due mainly to the advance in globalization and introduction of a new incentive-based remuneration scheme, the remuneration levels, etc. of our benchmarking companies that we refer in consideration of company sizes and financial scales, etc. ("benchmark companies") is rising. In these conditions, in order to retain personnel with superior capabilities who may 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, and reward their contributions appropriately, the Company has recognized the necessity to maintain a fully competitive level of remuneration for Members of the Board (including Outside Directors), and make the remuneration system more functional as an incentive to realize an aggressive management from both short- and mid- to long-term perspectives, specifically to further increase the ratio of performance-linked remuneration and stock remuneration for Members of the Board who also serve as Executive Officers in the whole remuneration composition.

With this understanding, the Company would like to separate the short-term remuneration for Members of the Board into base salary and executive bonus, and revise the amount of base salary at a level of not exceeding ¥800 million annually (including ¥160 million annually for Outside Directors). As for the Executive bonus which is paid based on a certain ratio of profit (profit attributable to the parent company), the Company would like to revise the percentage to profit (profit attributable to the parent company) which constitutes the source of shareholder distribution, up to 0.3% of profit (profit attributable to owners of the parent company), seeking to further promote the shared value with the shareholders through the improvement of the link to the Company's performance.

In addition, as for the mid- to long-term incentives that constitute of restricted stock remuneration and performance share units, the Company would like to increase the ratio of mid- to long-term incentives further in the executive remuneration composition, as stated above, seeking to further promote the aggressive management from a mid- to long-term perspective. (The illustration in the next page shows specific ratios after revision.)

[Revision in the ratio of Executive Remuneration Composition]

	Composition	Monetary Remuneration	Monetary Remuneration (Performance-Linked)	Stock Remuneration	Stock Remuneration (Performance-Linked)
Current	Ratio (Note 1)	Base Salary 33-42%	Executive Bonus 31-35%	Restricted Stock Remuneration (Note 2)	Performance Share Unit (Note 2)
				25-33%	
Revised	Composition	Monetary Remuneration	Monetary Remuneration (Performance-Linked)	Stock Remuneration	Stock Remuneration (Performance-Linked)
	Ratio (Note 1)	Base Salary 29-34%	Executive Bonus 28-29%	Restricted Stock Remuneration (Note 2)	Performance Share Unit (Note 2)
				38-43%	

- (Notes)
1. The composition ratios vary depending on the duties of Members of the Board and the ranges are indicated in the illustration.
 2. The ratio of restricted stock remuneration and performance share units is about 3 to 1.
 3. Under performance share unit, 50% is paid as cash towards tax payment.
 4. The above illustration shows the ratio of remuneration composition if the “executive bonus” and “performance share unit remuneration” are paid at the standard amount. The above ratios could fluctuate depending on the Company’s performance, share price, remuneration levels of benchmark companies, etc.

To realize this, the Company proposes to revise the total amount of monetary remuneration claims and the total number of shares allotted under restricted stock remuneration to not exceed ¥600 million (or 300,000 shares) annually, and revise the ceiling of the total amount of monetary remuneration claims and cash for the purpose of paying taxes under the performance share units to “fixed number of base share units^(Note 1) not exceeding 200,000 x share price at delivery^(Note 2) (with the number of shares 100,000).”

- (Notes)
1. Number of base share units (determined by the Board of Directors based on the duties, etc., of respective eligible Members of the Board) x Offering ratio/percentage (within a range of 0-200% based on the degree of achievement of targets)
 2. 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.

The illustration below is the outline of revisions described above. Items indicated in red are those to be approved in this proposition. Among remuneration for Members of the Board, the amount and the number of shares of basic salary, restricted stock remuneration, and performance share units after revision will apply to each remuneration granted in fiscal 2023. The amount of Executive bonus after revision will apply to that granted in fiscal 2024 for the performance evaluation period of fiscal 2023. (Details of each remuneration, etc. are presented from pages 82 to 85 of the Business Report.)

[Amount of remuneration for Members of the Board and number of allotted shares thereto - comparison of before/after revision]

		Before revision	After revision
Basic salary		Up to ¥ 1.1 billion (of which, ¥100 million for Outside Directors)	Up to ¥ 800 million (of which, ¥160 million for Outside Directors)
Executive bonus			Up to 0.3% of profit (profit attributable to owners of the parent company)
Restricted stock remuneration	Total amount of monetary remuneration claims to Eligible Directors	Up to ¥210 million	Up to ¥600 million
	Number of shares distributed to Eligible Directors	Up to 115,200 shares	Up to 300,000 shares
Performance share units	Total amount of monetary remuneration claims to Eligible Directors and cash for the purpose of paying taxes	Up to ¥130 million	Up to the amount obtained by multiplying fixed number of base share units ^(Note 1) (up to 200,000 shares) with share price at offering ^(Note 2)
	Number of shares distributed to Eligible Directors	Up to 76,800 shares	Up to 100,000 shares

- (Notes)
1. Number of base share units (determined by the Board of Directors based on the duties, etc., of respective eligible Members of the Board) x Offering ratio/percentage (within a range of 0-200% based on the degree of achievement of targets)
 2. 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.

This Item is on the revision of the ceiling of remunerations, and there is no change in the detailed system of the existing policies and determination methods, etc. for Executive remunerations. In addition, the amount of remuneration for individual Members of the Board will be determined, based on the remuneration levels of benchmark companies, after the deliberation by the Advisory Panel on Nomination and Compensation^(Note), in an amount not exceeding the remuneration amount approved at the General Meeting of Shareholders in accordance with various calculation methods described in the internal rules. 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 79 to 85.

(Note) An advisory panel to the Board of Directors, which is chaired by an Independent Outside Director, and who do not concurrently serve as an Executive Officer and a majority of them are Independent Outside Directors.

In addition, in order to secure appropriateness of the Executive remuneration and transparency of the decision-making process, the Item has been reviewed by the Advisory Panel on Nomination and Compensation of the Company; 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, and necessary and reasonable against the criteria for calculation of individual remuneration, the level of ratio of the whole remuneration composition, and the level of the number of eligible Members of the Board, etc. Based on the above, the Company believes the details of the revision of remuneration for Members of the Board proposed in this Item are necessary and reasonable.

The number of the current Members of the Board is ten (10) (including four (4) Independent Outside Directors); upon the approval of Item 2, Election of Nine (9) Members of the Board, we will have nine (9) Members of the Board (including four (4) Independent Outside Directors).

<Shareholder's Proposals (from Proposal Item 5 to Proposal Item 8)>

Proposals Item 5 to 8 (hereinafter referred to as the "Shareholder's Proposals") are based on proposals from one shareholder (300 voting rights) (hereinafter referred to as the "Proposing Shareholder").

< Overarching Opinion of the Board of Directors of the Company on the Shareholder's Proposals >

The Board of Directors of the Company is against all of the Shareholder's Proposal Items 5 to 8.

As stated at the beginning of the reasons of the proposal in the Shareholder's Proposal Item 5, a series of proposals from the Proposing Shareholder seek to dissolve the parent-subsiidiary listing, status of the Company's listed subsidiary, TORII PHARMACEUTICAL CO., LTD. (hereinafter referred to as "TORII"). The Company's Board of Directors' views on the foregoing is as follows:

Our Pharmaceutical Business complements the Group's profit growth target which consists of average annual mid to high single digit growth in operating profit (adjusted on a constant currency basis and over the medium to long term). To fulfill this role, we have set goals for research and development of strategic next-generation products and for the maximization of the value of each product. We are working relentlessly on the pursuit of improving drug discovery capabilities, maximizing the value of individual products, and on reducing costs by optimizing the business' foundations over the medium to long term.

Regarding the profitability of our Pharmaceutical Business, we have continued to generate operating profits since the fiscal year ended December 2016, through aggressive out- and in-licensing activities, not sticking to launching in-house developed products on our own. Despite the termination of the contract with Gilead Sciences, Inc. for the sale of anti-HIV drugs in Japan, the Company achieved an operating profit in the fiscal year ended December 2022 at a level comparable to the previous year.

We have plans to increase profits for the fiscal year ending 2023, and will continue to accelerate the aforementioned initiatives so that the Pharmaceutical Business can continue to play an accretive role to our Group's profit.

TORII has announced a medium-/long-term business vision in February 2022, called "VISION2030." In the vision, it has set goals for achieving record-high sales and achieving record-high operating profit by 2030 through strengthening in-licensing activities and creating a framework to maximize product value.

In order for the Group's Pharmaceutical Business, including TORII, to fulfill these goals and their roles, we believe it is important to maintain and strengthen the efficient corporative structure in which both companies establish an integrated value chain, where the Company conducts research and development while TORII is responsible for manufacturing, sales, and promotional activities.

In order to maintain and strengthen the corporative structure, it is necessary to improve our competitive advantage by securing excellent human capital and acquiring trust, etc., which are important in the Pharmaceutical Business. In addition, we also comprehensively consider the management advantages of the subsidiary, such as discipline in the capital market, and the enhancement of engagement of human capital by utilizing stock remuneration. From these viewpoints, the Company believes that it is significant importance to have TORII as a listed subsidiary.

In fact, the brand and name recognition of TORII, with its over 150 years of history, has contributed to the acquisition of a wide range of other highly specialized important resources including industry specific insight, experience, and human resources, which are not always available within the Group alone. We believe that the acquisition of these is enabled because of the high level of trust that TORII has earned as a listed company.

Since the acquisition of a majority stake in TORII in 1998, its existing structure has never been held in a desultory manner. On the contrary, we are continuing to build an optimal business execution system at Group level, including the centralization of R&D and clinical development functions within the Company. We will continue to strengthen intra-group collaboration with the aim of enhancing the Group corporate value.

While it is true that TORII's Price to Book Value Ratio (PBR) is below 1x. On the other hand, in TORII's earnings announcement dated February 10, 2023, in addition to an explanation concerning the progress of major initiatives of the medium-term management plan for achieving the targets of the medium-/long-term business vision "VISION2030," TORII clarified its initiatives to enhance corporate value. In particular, regarding shareholder returns the company will propose to increase its annual dividend per share for FY2022 at its annual general meeting of shareholders. TORII will also announce that the company will maintain its basic policy of continuous and stable dividends while further enhancing shareholder returns. We, the board, support these announcements and will continue to strengthen our businesses' cooperation, and at the same time, we would like to fulfill our responsibility as a shareholder of a majority stake in a listed company in an appropriate manner.

These are our views on the dissolution of the parent-subsiidiary listing, which the Proposing Shareholder has.

The opinions of the Board of Directors on each Shareholder's Proposal are stated after each proposal.

The following contents of the proposal (summary of the proposal) and the reasons for the proposal are the English translation text of the relevant sections of the Shareholder's Proposal submitted by the Proposing Shareholder. These are prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.

<Shareholder's Proposal>

Item 5: Partial Amendment to the Articles of Incorporation (Management of Subsidiaries)

(1) Summary of the Proposal

The following chapter and article are newly incorporated in the Articles of Incorporation of the Company. In the event that a formality adjustment (including, but not limited to, amendment of the number of article) is required to be made to any of the provisions set forth in this proposal as a result of the passage of another proposal at this Ordinary General Meeting of Shareholders (including a proposal relating to a company proposal), the provisions pertaining to this proposal shall be deemed to be replaced with the provisions after the necessary adjustments have been made.

(Underlined indicates amended portions)

Current	Proposed Amendment
(Newly established)	<p><u>Chapter 7 Management of Subsidiaries</u></p> <p><u>(Management of Subsidiaries)</u></p> <p><u>Article 35 The Company shall examine the following matters at the Board of Directors and shall specifically disclose the details of the examination, etc. (including the policy, etc. of converting a company into a wholly owned subsidiary or sale, etc.) in the report on corporate governance submitted by the Company to the Tokyo Stock Exchange.</u></p> <p><u>(1) Whether the effectiveness of group-wide governance (management and oversight of subsidiaries for this purpose) is compatible with flexible decision-making at subsidiaries</u></p> <p><u>(2) Whether listed subsidiaries have a reasonable reason to maintain listing from the viewpoint of maximizing corporate value as a group</u></p> <p><u>(3) Approach to appropriate exercise of the authority to appoint and dismiss directors to ensure effective governance systems for listed subsidiaries while giving due consideration to the interests of general shareholders of listed subsidiaries</u></p>

(2) Reason of the Proposal

A series of proposals by the proposing shareholder is aimed at seeking to dissolve the parent-subsidary listing. In December 1998, the Company acquired a majority stake in Torii Pharmaceutical Co., Ltd. (hereinafter referred to as “Torii”), which is listed on the Tokyo Stock Exchange, and in October 1999, the Company concentrated the research and development functions of the group’s pharmaceuticals business within the Company and integrated the promotional functions, such as the sales and marketing of prescription drugs, into Torii. Today, Torii, the sole listed subsidiary of the Company, and the research and development division of the Company, which has the office in the Torii headquarters building, are the core of the Company’s pharmaceutical business.

However, the market value of Torii’s shares held by the Company has changed little since the time of the acquisition. Originally, the Company aimed to sell the prescription drugs it developed independently through Torii, but it is only CORECTIM® Ointment for treatment of atopic dermatitis, which the company began to sell in June 2020, and for which the Company received domestic manufacturing and marketing approval and for which a certain amount of sales has been recorded even when more than 20 years have passed since the acquisition. There was little mention regarding Torii in the Business Plan which was announced by the Company in February 2022 and it can be reasonably assumed that this was because the prospects around the time of the acquisition have disappeared and that synergies between parent and subsidiary are no longer expected.

In the first place, a parent-subsidary listing is likely to cause “deadweight loss” in economics. If the allocation of management resources within the group is incorrect, the profits of the minority shareholders of listed subsidiaries, which are disciplined by their own cost of capital, are impaired, and the profits of the shareholders of the parent company are also impaired by the decrease in value of the listed subsidiary, and the economic efficiency of both parent and subsidiary is damaged.

In fact, Torii’s share price is consistently below a Price Book-value Ratio (PBR) of 1, which is the dissolution value. Torii has assets under management comparable to its market capitalization, such as cash and deposits, cash management systems (CMS) deposits, and investment securities, and as of January 18, 2023, the enterprise value (EV) excluding assets under management that do not contribute to the core business was negative. This is an extremely low share price at which, if one acquired Torii without a premium, its business could be obtained at no expense and one would even receive some change. Given such a situation, it can be said that Torii is no longer a listed company.

Even if EV is calculated including investment securities, Torii’s EV/EBITDA multiple (dividing EV by earnings before interest, taxes, and depreciation) is around four times, which is well below the EV/EBITDA multiple of about 10 times for similar-sized pharmaceutical companies, meaning that the spread is narrowing to the level of the Company. Taking into account the indices to evaluate Torii’s share price, which has decreased substantially, it is clear that the Company has failed for a long time to improve the value of Torii and has not fulfilled responsibilities as a major shareholder. Therefore, strategic decisions such as the delisting or the sale of Torii would contribute to enhancing the shareholder value of the Company.

In the first place, tobacco, the core business of the Company and a pharmaceutical business have little affinity. The Company aims to collaborate with domestic and overseas companies, healthcare professionals, and academia, but because it has a tobacco business as its core business, there are constraints concerning drug discovery and marketing activities. Last year, some media critically reported the rewards the Company and Torii paid to healthcare professionals for lecturers, writing, and consulting services.

The “Practical Guidelines on Group Governance Systems (Group Guidelines)” formulated by the Ministry of Economy, Trade and Industry on June 28, 2019 requires the parent company to “regularly inspect whether it is optimal to maintain it as a listed subsidiary from the viewpoint of enhancing the corporate value and capital efficiency of the group as a whole” (p. 124). In addition, if the parent company maintains a subsidiary’s listing, the Board of Directors is required to deliberate on “reasonable grounds for maintaining it as a listed subsidiary” and “ensuring the effectiveness of the governance structure of the listed subsidiary” and to fulfill sufficient accountability to investors through information disclosure (p. 126).

Furthermore, the “Practical Guidelines for Business Transformations – Toward Changes to Business Portfolios and Organizations - (Business Transformations Guidelines)” formulated by the Ministry of Economy, Trade and Industry on July 31, 2020 pointed out that “the form of a listed subsidiary structurally causes a risk of conflict of interest to minority shareholders, and it is not necessarily desirable to maintain a listed subsidiary aimlessly as it has been seen in some Japanese companies in the past” and that “it is desirable that the conversion to a listed subsidiary is regarded as a “transitional form” and... that policies are shown such that the purpose is to eventually make it as a non-subsidary or the period in which it is made as a non-subsidary” (p. 97-98).

Based on the above, in view of the background that the Company has failed for a long time to enhance the value of Torii, it is doubtful that the Board of Directors of the Company has deliberated on “reasonable grounds for maintaining it as a listed subsidiary” and or has been “ensuring the effectiveness of the governance structure of the listed subsidiary” in good faith and that the Company has not maintained the listed subsidiary aimlessly, and therefore, it is proposed that a provision is included in the Articles of Incorporation requiring the Board of Directors of the Company to fulfill sufficient accountability through these deliberations and information disclosure.

<Opinion of the Board of Directors of the Company on the Shareholder's Proposal Item 5>

The Board of Directors of the Company is against this Proposal.

In accordance with the "Enforcement Rules for Securities Listing Regulations" of the Tokyo Stock Exchange, Inc., the Company discloses the "Corporate Governance Report" specifying our views on the group management and the significance of owning a listed subsidiary. We believe that disclosing our group management policy to listed subsidiaries is a given responsibility and a step that a listed company should naturally comply with, and we will continue to constantly examine ways to enhance disclosure to better engage in a dialogue with the capital market. However, we believe that it is NOT appropriate to uniformly and fixedly stipulate in the Articles of Incorporation, which is the fundamental norm of the organization, that specific details regarding the acquisition of 100% ownership or sale of a subsidiary must be disclosed even at the stage of consideration, as this may cause unnecessary speculation in the capital market. We believe that the Board of Directors should carefully consider the content, timing, method, etc., of the announcement of specific details regarding the 100% acquisition or sale of a subsidiary, taking into account the dialogue with shareholders and investors, and then announce such details in a timely and appropriate manner once it has reached a conclusion that should be informed of. Therefore, we believe that it is NOT appropriate to establish a provision in the Articles of Incorporation in accordance with this Shareholder Proposal.

As below, we reinforce the Company's approach to group management and the purpose of owning a listed subsidiary, focusing on the specific matters to be considered and disclosed in the Shareholder Proposals.

The Company aims to achieve sustainable profit growth and increase corporate value of the Group over the medium to long term by sharing and implementing the pursuit of the 4S model management philosophy throughout the Group. Based on the recognition that enhanced corporate governance will contribute to achieving the aforementioned goals, the Company is working to optimize the entire Group by defining functions, rules, etc. common to the Group and by conducting the Group management. In addition, the Company has established a compliance system (including a reporting system), an internal audit system, and a financial management system, in cooperation with its subsidiaries.

With regard to TORII, a listed subsidiary, we believe that ensuring its independence and appropriately protecting the interests of minority shareholders are essential to improving the corporate value of the Company and TORII. Based on this, we are striving to establish an appropriate governance system as a listed company. The Company has established company-wide rules of responsibility and authority as internal rules for decision-making, but TORII ensures its independence as a listed subsidiary by selectively applying these rules and by holding discretionary powers. In addition, at the general shareholders' meeting held on March 26, 2020, a resolution was passed to shift to a board of directors structure in which the majority of directors are independent outside directors, and the company is further strengthening its effective governance system where independent outside directors are utilized.

As for the significance of owning a listed subsidiary, as mentioned above, we have TORII as a listed subsidiary, taking into consideration comprehensively the managerial advantages of the subsidiary, such as discipline in the capital market, the enhancement of engagement of human capital by utilizing stock-based remuneration and so forth, in addition to the competitive advantage by securing excellent human capital and obtaining trust, which are important in the Pharmaceutical Business.

With regard to the exercise of appointing and removing directors appropriately to ensure an effective governance structure for a listed subsidiary, we believe that, if it is stipulated in the Articles of Incorporation that such exercise be stated uniformly in the "Corporate Governance Report," that there then is a possibility to practically impede TORII's independent judgment, given that the Company holds a majority of the voting rights in TORII. Given the business environment in uncertain social and economic conditions surrounding the Company and TORII, the required image of directors can change in parallel with the corporate image to be aimed at and the business environment. Therefore, the Company believes that decisions should be made from the standpoint of shareholders, comprehensively considering the various factors at different times. From this perspective, we believe that it is NOT appropriate to stipulate in the Articles of Incorporation, which is the fundamental norm of the company, that such a policy decision be uniformly stated in the "Corporate Governance Report." Of course, we believe that it is our important responsibility to ensure effective governance of listed subsidiaries, paying attention to the interests of general shareholders in such subsidiaries, and we will continue to discuss the appropriate exercise of the voting power of appointment and removal.

In the Reasons for the Proposal, the so-called Business Transformation Guideline formulated by the Ministry of Economy, Trade and Industry was cited. However, in the quote "It is desirable to place the listing of subsidiary as a 'transitional form,' and then (omission) indicate the policy that the subsidiary is aimed to eventually be a non-subsiidiary, and what time frame is set to be a non-subsiidiary, and so forth" the aforementioned is a guideline for the case where a listed subsidiary is temporarily established when the parent company conducts an equity carve-out as part of its restructuring for the purpose of divesting its business. It therefore does not require parent companies with listed subsidiaries in general to indicate such a policy (or to take such actions). Another part of the guideline stating that "it is not necessarily undesirable to maintain a listed subsidiary in a desultory manner as has been observed in some Japanese companies" also implies that if the risks associated with parent-subsiidiary listings can be reduced through appropriate governance, etc., and the interests of the entire group can be secured, then the form of the listed subsidiary is not necessarily denied. In light of the above, we believe that at least the quoted wording in the Reasons for the Proposal can NOT be a direct basis for the Proposal.

<Shareholder’s Proposal>

Item 6: Partial Amendment to the Articles of Incorporation (Prohibition Against Former Directors and Employees Serving in Director Positions at Listed Subsidiaries)

(1) Summary of the Proposal

The following chapter and article are newly incorporated in the Articles of Incorporation of the Company. In the event that a formality adjustment (including, but not limited to, amendment of the number of article) is required to be made to any of the provisions set forth in this proposal as a result of the passage of another proposal at this Ordinary General Meeting of Shareholders (including a proposal relating to a company proposal), the provisions pertaining to this proposal shall be deemed to be replaced with the provisions after the necessary adjustments have been made.

(Underlined indicates amended portions)

Current	Proposed Amendment
(Newly established)	<p style="text-align: center;"><u>Chapter 8 Prohibition Against Former Directors and Employees Serving in Director Positions at Listed Subsidiaries</u></p> <p><u>(Prohibition Against Former Directors and Employees Serving in Director Positions at Listed Subsidiaries)</u></p> <p><u>Article 36 The Company shall not exercise its voting rights in favor of the proposal if a listed subsidiary of the Company submits a proposal for the election of Members of the Board to the General Meeting of Shareholders as a company proposal in which a person who has worked as an officer or an employee for five years or more at the Company or any of its subsidiaries or affiliates is a candidate for the Member of the Board.</u></p>

(2) Reason of the Proposal

Since the Company acquired a majority stake in Torii in December 1998, the Company has continued to send those who retired from the Company to Torii as representative directors and directors, but the “Amakudari” by persons who retire from the Company who are not experts in the pharmaceutical business cannot be said to be an appropriate selection from the viewpoint of increasing the value of the investee. The representative directors from the Company such as Mr. Norihiko Matsuo, Mr. Shoichiro Takagi and Mr. Goichi Matsuda do not seem to have a wealth of knowledge on the pharmaceutical business. Therefore the value of shares of Torii held by the Company has been significantly discounted in terms of share prices and financial indicators such as PBR and EV/EBITDA for long time and as a result the shareholder value of the Company being a major shareholder of Torii has been impaired.

Mr. Goichi Matsuda, the only internal director of Torii who is a former officer or employee of the Company and took the representative director position, had been engaged in the work of a clearly different field when at the Company, for example, by serving as Vice President of the Planning Department, Senior Manager and Head of Beverage Business etc. of Beverage business division for many years and therefore, it cannot be acknowledged that he has a wealth of knowledge concerning the pharmaceutical business. Nevertheless, he suddenly assumed the position of Deputy President of the Pharmaceutical Business Division of the Company, perhaps as a stepping stone to taking position at Torii, and only one year later became Corporate Advisor of that Division, and two months later, he became Deputy Head of the Pharmaceutical Marketing and Promotion Group and Vice President of the Marketing Planning Department of Torii. After only two years of work in such business, he assumed the position of Representative Director, President and Chief Executive Officer of Torii.

As mentioned above, a parent-subsidiary listing is likely to cause deadweight losses in economics. If the personnel practices of the parent company, where not the right person is in the right place are also applied to listed subsidiaries, the profits of minority shareholders of listed subsidiaries that require their own management know-how are impaired, and the interests of shareholders of the parent company are also impaired due to decrease in value of the listed subsidiaries, and the economic efficiency of both parent and subsidiary is damaged.

The practice of persons from the Company becoming the president implies that Torii’s proper employees are unable to become president. This will hinder motivation of Torii employees, which will lead to a decline in Torii’s

shareholder value, which in turn will undermine the shareholder value of the Company as a major shareholder of Torii.

Therefore, in order to correct the personnel practices in the Company and Torii, it is proposed that a provision is included in the Articles of Incorporation preventing a person who has worked as an officer or an employee for five years or more at the Company or any of its subsidiaries or affiliates from being appointed as a director of Torii.

<Opinion of the Board of Directors of the Company on the Shareholder's Proposal Item 6>

The Board of Directors of the Company is against this Proposal.

The appointment of directors at TORII is conducted through a proper and transparent process by the company from a position that is independent to that of the Company (the Parent), and we believe that it is NOT appropriate to impede TORII's judgment as a listed company solely because a director is a former officer or employee of the Company. Rather, by having a person who has gained diverse experience at the Company return the know-how backed by its broad experience to TORII, such person can contribute to the invigoration of TORII and promote smooth cooperation throughout the Group.

In fact, each of TORII's directors who were appointed through a process whose objectivity and transparency were entirely ensured, received a high approval rate in the region of 94% to 97% for their election at the company's general shareholders' meeting, and the vast majority of shareholders not related to the Company also approved their election.

Considering the above effects of the appointment of directors from the Company and the objective figures of the approval rate at the general meeting of shareholders of TORII, we believe that establishing a provision in the Articles of Incorporation that effectively limits the appointment of directors to TORII solely because they are from the Company may damage the opportunity for the optimal appointment of directors at TORII, and may also damage the corporate value of TORII and furthermore the corporate value of the Company.

The issue of how to exercise voting rights on proposals for the election of directors at subsidiaries should be considered and implemented in a timely manner as a specific exercise of business execution authority to be administered precisely by the directors. We believe that it is NOT appropriate to stipulate this in the Articles of Incorporation in a fixed and uniform manner, as it would conflict with the basic concept of the distribution of authority under the Companies Act (of Japan). In addition, if the Articles of Incorporation restrain the exercise of voting rights for the election of directors, it could lead to practically impeding TORII's independent judgment, since the Company holds a majority of the voting rights in TORII. Therefore, we believe that such changes are NOT appropriate.

<Shareholder’s Proposal>

Item 7: Partial Amendment to the Articles of Incorporation (Prohibition Against Using the Cash Management System (CMS) for Financing with Listed Subsidiaries)

(1) Summary of the Proposal

The following chapters and articles are newly incorporated in the Articles of Incorporation of the Company. In the event that a formal adjustment (including, but not limited to, amendment of the number of articles) is required to be made to any of the provisions set forth in this proposal as a result of the passage of another proposal at this Ordinary General Meeting of Shareholders (including a proposal relating to a company proposal), the provisions pertaining to this proposal shall be deemed to be replaced with the provisions after the necessary adjustments have been made.

(Underlined indicates amended portions)

Current	Proposed Amendment
(Newly established)	<p><u>Chapter 9 Prohibition Against Using the Cash Management System (CMS) for Financing with Listed Subsidiaries</u></p> <p><u>(Prohibition Against Using the Cash Management System (CMS) for Financing with Listed Subsidiaries)</u></p> <p><u>Article 37 The Company shall not borrow or lend funds by means of a cash management system (CMS) with any listed subsidiary of the Company.</u></p>

(2) Reason of the Proposal

As of September 30, 2022, Torii had deposited the amount of 14.171 billion yen with the Company in the cash management system (CMS), through which the parent company centrally manages the group’s funds. In 2019, Torii acquired more than 40 billion yen and its assets under management are expanded, as contracts for exclusive sales rights to HIV drugs manufactured by Gilliard Sciences, Inc. in the U.S. were terminated. Judging from the operational status of the CMS within the Company’s group, the presence of the CMS means that opportunities to utilize this enormous amount of cash appropriately are taken away from Torii from the perspective of capital allocation. In view of the fact that the value of Torii shares held by the Company has been significantly discounted for a prolonged period in terms of share price and financial indicators such as PBR and EV/EBITDA, the value of Torii to its shareholders, and the value of the Company as the major shareholder of Torii are also impaired.

If one argues that “the CMS exists for the purpose of reallocating funds through the parent company because the profitability of other group businesses is higher than that of the pharmaceutical business,” then in the first place, Torii and other medical businesses should be targeted for sale and the proceeds thereof should be reinvested in other businesses.

As mentioned above, a parent-subsidary listing is likely to cause deadweight losses in economic terms. If the allocation of capital focused only on the parent company is also applied to listed subsidiaries, which are disciplined by their own cost of capital, the profits of minority shareholders of listed subsidiaries are impaired and the interests of shareholders of the parent company are also impaired due to decrease in value of listed subsidiaries, and the economic efficiency of both parent and subsidiary is damaged.

As stated above, the CMS in the Company’s group is detrimental to the shareholder value of the Company, and it is proposed that a provision is established in the Articles of Incorporation prohibiting lending and borrowing through the CMS between the Company and its listed subsidiaries.

<Opinion of the Board of Directors of the Company on the Shareholder's Proposal Item 7>

The Board of Directors of the Company is against this Proposal.

The CMS operates as a mechanism for more efficient fund management for the entire Group by concentrating surplus funds in each Group company temporarily into the Company, which is the parent of the Group, and by reallocating them to other Group companies that are in at that time temporarily short of funds.

As a benefit for each subsidiary, we can cite an example that the CMS offers an interest rate at a level comparable to or higher than that at general financial institutions. In addition, the CMS funds can be recovered in a very short period of time like ordinary bank deposits, and therefore we recognize that CMS is used by companies as a temporary storage facility for very short-term surplus funds when they arise.

On the other hand, the Company never forces the subsidiaries to use the CMS, and each subsidiary decides on its own whether to use the CMS based on the aforementioned conditions that the Company offers to them. We recognize that TORII decides whether to manage its funds through our Group CMS by taking into consideration such factors as the convenience regarding fee payment and settlement of funds.

With regard to the future direction of TORII's financial management through our Group CMS, TORII has indicated a policy to reduce the amount of funds managed through the CMS to the amount necessary for the purpose of using it as a settlement account by the end of FY2023, and the Company respects this policy. We do not believe that it is particularly reasonable to limit the use of our Group CMS only to listed subsidiaries, as the use of our Group CMS is not mandatory and is voluntary after considering various conditions at each subsidiary.

The way in which such group-wide management of funds should be considered and implemented in a timely manner as a specific exercise of business execution authority by the directors. We do not believe that it is appropriate to provide for this in a fixed and uniform manner in the Articles of Incorporation., as it would conflict with the basic concept of the distribution of authority under the Companies Act (of Japan).

<Shareholder's Proposal>

Item 8: Acquisition of Treasury Shares

(1) Summary of the Proposal

Pursuant to the provisions of Article 156, Paragraph 1 of the Companies Act, the Company will acquire its ordinary shares within one year from the conclusion of this Ordinary General Meeting of Shareholders up to a total number of 96,357,680 shares and a total acquisition price of 250 billion yen in exchange for cash (provided, however, that if the total acquisition price permitted by the Companies Act (the "Distributable Amount" as set forth in Article 461 of the Companies Act) is less than said amount, the maximum total acquisition price will be the one permitted by the Companies Act)

(2) Reason of the Proposal

Tobacco business that is the core business of the Company and pharmaceutical business have low affinity. The reason why PBR of Torii, the core of the pharmaceuticals business, falls below 1, which is the dissolution value, and EV/EBITDA multiple is also lower than that of other companies in the same industry, is that synergies between the parent and subsidiary cannot be expected. Therefore, the proposing shareholder believes that the sale of the entire pharmaceutical business, including Torii, embodies the potential value of the business and contributes to the shareholder value of the Company.

Taking into account the earning power of the pharmaceutical business, such as EBITDA, EV/EBITDA multiple based on a reference to similar companies when this business is separated, and the value of assets under management and the buildings of Torii, it is considered that the value of the pharmaceutical business is well over 250 billion yen.

The total acquisition price of 250 billion yen proposed corresponds to the value described above, and the total number of shares of 96,357,680 is the number obtained by dividing such total acquisition price by the closing share price on January 18, 2023.

<Opinion of the Board of Directors of the Company on the Shareholder's Proposal Item 8>

The Board of Directors of the Company is against this Proposal.

We believe that the Pharmaceutical Business will complement the Group's sustainable profit growth over the medium to long term and contribute to further growth in the future precisely because of its different business characteristics from the Tobacco Business, such as profitability and investment period.

There is no change in the role of the Pharmaceutical Business, which complements the profit growth of the Group, and there are no plans to sell this business currently.

Therefore, the acquisition of treasury shares using the funds obtained from this sale as a basis must be seen as a leap of logic based on a variety of assumptions, and we believe that the rationale for deciding to implement it is significantly lacking strength.

Our policy on shareholder returns is to maintain a globally competitive dividend payout ratio of about 75% while maintaining a strong financial foundation. There is no change to the Company's essential policy of considering the appropriateness of the acquisition of treasury shares based on the Company's financial condition for the relevant fiscal year, medium to long term capital needs and so forth.

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

Business Report

(From January 1, 2022 to December 31, 2022)

I. Matters Concerning Present State of the Corporate Group

1. Overview and Results of Operations

General summary

The Group achieved record highs from revenue to profit^(Note 1) for the current fiscal year.

- **Revenue**

Core revenue^(Note 2) at constant FX ^(Note 3), which is one of the Group's management benchmarks, rose by 4.8% from the previous fiscal year. Revenue increased by 14.3% to ¥2,657.8 billion from the previous fiscal year due to a revenue increase in all the businesses.

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

Adjusted operating profit^(Note 4) at constant FX, which is one of the Group's management benchmarks, increased by 9% from the previous fiscal year, despite a decrease in the Processed Food Business. This was driven by increases in the Tobacco Business and the Pharmaceutical Business. Adjusted operating profit increased by 19.2% from the previous fiscal year to ¥727.8 billion, due mainly to favorable foreign exchange effects in the Tobacco Business.

In addition to the absence of costs related to initiatives to strengthen competitiveness in the Tobacco Business, the rise in adjusted operating profit led to an increase in operating profit of 31.0% from the previous fiscal year, to ¥653.6 billion.

Profit attributable to owners of the parent company increased by 30.8% from the previous fiscal year to ¥442.7 billion, with an increase in operating profit exceeding an increase in financing costs.

JT Group Management Benchmarks

Core revenue at constant FX	+4.8% year on year	Adjusted operating profit at constant FX	+9.0% year on year
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Consolidated performance

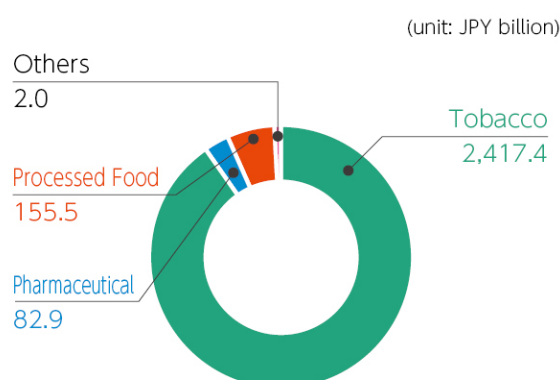
	[Billions of yen]	Year-On-Year Change [%]
Revenue	2,657.8	14.3
Adjusted operating profit	727.8	19.2
Profit attributable to owners of the parent company	442.7	30.8

(Notes) 1. The Group record high revenue, adjusted operating profit, operating profit in continuing businesses, and profit attributable to owners of the parent company in continuing businesses.

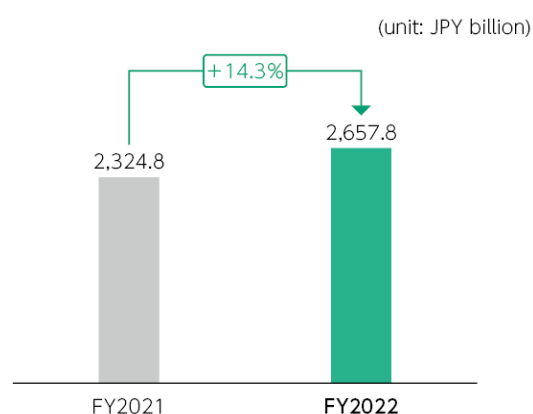
2. Core revenue is the sum of revenues in the pharmaceutical business, processed food business, and others, as well as the core revenue in the tobacco business.

3. 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 adjusted operating profit for the current period in the Tobacco Business, core revenue, or from core revenue from the Tobacco Business.
4. Adjusted operating profit is calculated by totaling operating profit, amortization cost of acquired intangibles arising from business acquisitions, and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items.

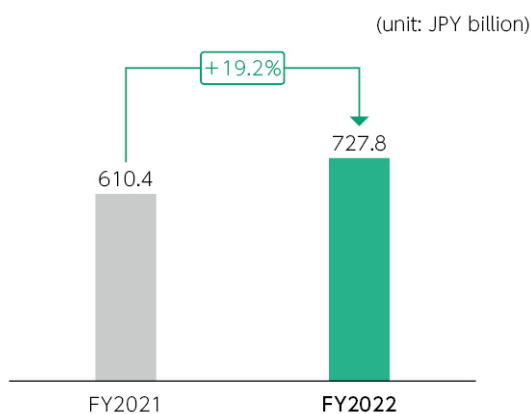
Revenue breakdown by business segment



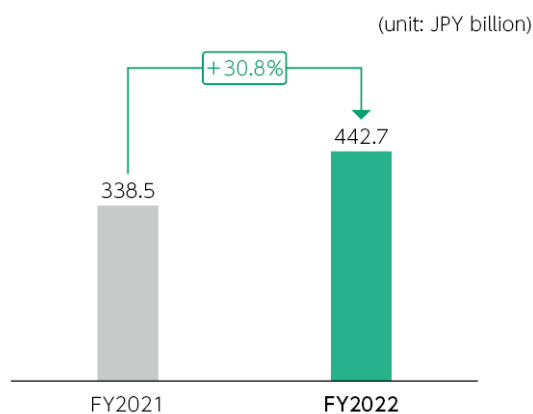
Revenue



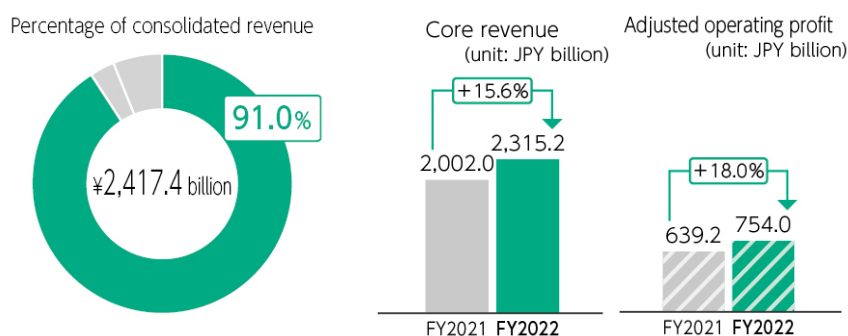
Adjusted operating profit



Profit (Attributable to owners of the parent company)



Tobacco Business



The Group made a new start in fiscal year 2022 as a result of unifying its Japanese Domestic Tobacco Business and International Tobacco Business. Under the new business structure, the Group will be committed to pursuit sustainable mid- to long-term profit growth with a clear and accurate strategy. In addition, amid the prolonged and complicated Russia-Ukraine War, the Group is fully committed to complying with all applicable sanctions while continuing business operations in the Russian market. The Group will work to cope with these difficult circumstances by making necessary decisions based on the “4S model,” our management principles, in response to situation changes.

In the current fiscal year, the continued market share expansion and an increase in sales volume in EMA^(Note 1) mostly offset the impact of lower industry volume in major markets of Asia^(Note 1) and Western Europe^(Note 1). As a result, total sales volume^(Note 2) fell by 0.5%, from the previous fiscal year to 527.3 billion units. For EMA, sales volume increased mainly in Brazil, Global Travel Retail^(Note 3), Iran, Poland, and the United States. In addition, despite combustible sales volume^(Note 4) fell by 0.7% from the previous fiscal year to 519.4 billion units, RRP sales volume^(Note 5) increased by 10.3% to 7.9 billion cigarette equivalent units due to the expansion of Ploom X sales and share in Japan.

Core revenue from the Tobacco Business^(Note 6) and adjusted operating profit increased from the previous fiscal year, due to positive price variance emerged in all of the clusters including the key markets of Japan, Philippines, Rumania, Russia, Spain, Taiwan, Turkey, and the U.K., a resilient industry volume, the continued market share expansion, an increase in RRP-related revenue, and positive currency headwinds due to the weak yen.

Core revenue from the Tobacco Business on a financial reporting basis increased by 15.6% from the previous fiscal year (up 4.8% from the previous fiscal year at constant FX) to ¥2,315.2 billion, driven by solid price/mix contribution, more than offsetting a negative volume variance. RRP-related revenue^(Note 7) increased by 4.4% from the previous fiscal year to ¥75.4 billion.

Adjusted operating profit on a financial reporting basis increased by 18.0% (up 8.2% from the previous fiscal year at constant FX) from the previous fiscal year to ¥754 billion, driven by core revenue growth, which more than offset higher input costs within the supply chain.

Owing to the contribution of Ploom X, the Group’s share in the HTS^(Note 8) category in Japan market has grown steadily to 8.1% (as of the fourth quarter of the current fiscal year.) The Group began to sell Ploom X in the U.K. from the current fiscal year, and plans to expand to the global market aggressively from 2023. In addition, for the purpose of commercializing the HTS products in the U.S., the Group and Altria Group, Inc. reached an agreement to establish a joint venture, and signed a long-term, non-binding global memorandum of understanding to explore commercial opportunities for a wide range of RRP. The Group will continue to implement measures in pursuit of future growth.

- (Notes)
1. The JT Group’s tobacco markets are divided into three distinctive clusters: Asia as the whole Asian region including Japan; Western Europe as Western Europe region; and EMA as Eastern Europe, Middle East, Africa, Turkey, Northern and Southern America and Global Travel Retail, for providing insight into the Group’s business for guidance purposes.
 2. Total volume is the volume of tobacco-based products which excludes contract-manufactured products, waterpipe, RRP devices and related accessories.
 3. Global Travel Retail is the new denomination reflecting the combination of the duty-free markets from the previous Japanese-domestic tobacco and international tobacco businesses.

4. Combustible volume is the shipment volume of combustibles which excludes contract-manufactured products, oral tobacco (snus and nicotine pouches), waterpipe, heated tobacco products and E-Vapor.
5. Reduced-Risk Products (RRP) are products with the potential to reduce the risks associated with smoking. In the Group's portfolio, these products include heated tobacco sticks (HTS), infused-tobacco capsules (Infused), E-Vapor and Oral.
6. Core revenue from the tobacco business excludes revenue from distribution, contract manufacturing and other peripheral businesses.
7. Revenue associated with RRP is a part of core revenue from the tobacco business and represents all the sale of RRP, principally consumables, devices and the related accessories.
8. HTS (Heated tobacco sticks) is high temperature heated tobacco products.

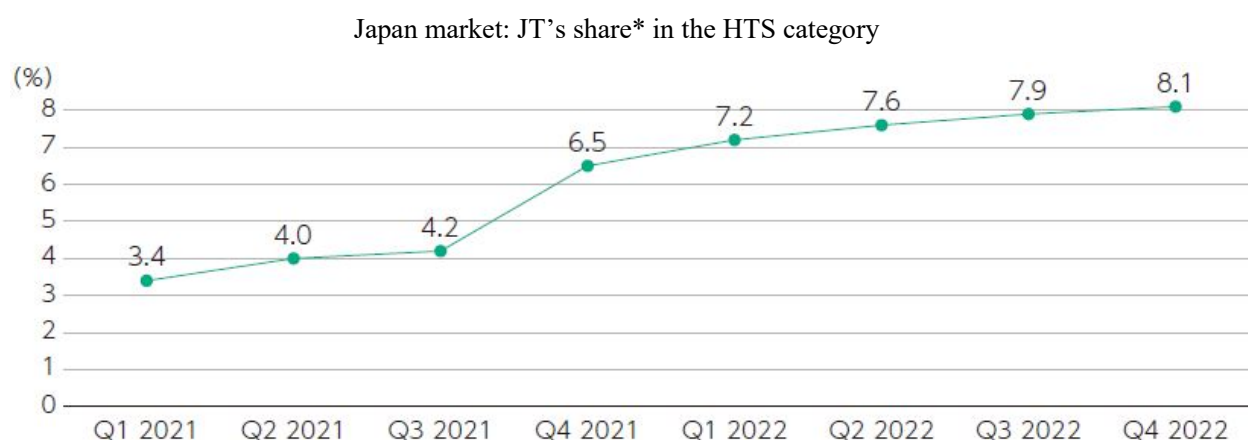
Breakdown by cluster

(Unit: JPY billion)

Account	Jan-Dec 2021	Jan-Dec 2022	Percent change
Asia			
Core revenue	792.2	804.9	+1.6%
Adjusted operating profit	269.3	267.5	-0.6%
Western Europe			
Core revenue	503.1	538.8	+7.1%
Adjusted operating profit	208.0	219.3	+5.4%
EMA			
Core revenue	706.6	971.5	+37.5%
Adjusted operating profit	162.0	267.1	+64.9%

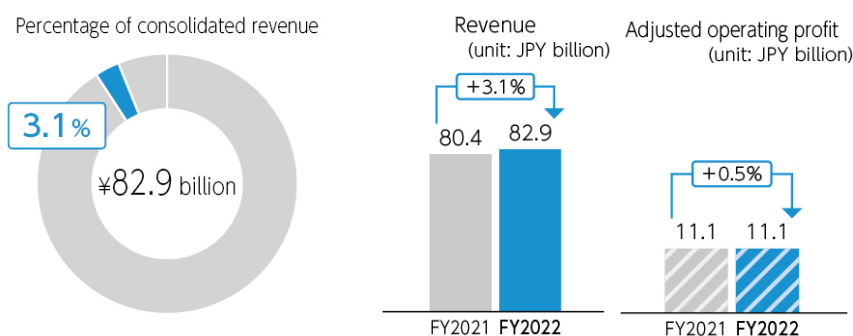
Progress of Ploom X

- JT's share has been on a steady rise in the HTS category since the nationwide release in Japan market in August 2021.
- Plans to expand the market presence globally, using insights gained in Japan.



* JT's market share estimates by shipment

Pharmaceutical Business



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

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

We received positive preliminary results from phase 3 clinical trials performed in Japan for JTE-061 (tapinarof), in relation to atopic dermatitis patients and in relation to plaque psoriasis patients, in July and September 2022, respectively. We currently aim to submit a manufacturing and marketing application for JTE-061 in Japan, based on result of other clinical trials currently being conducted.

As for enarodustat, JW Pharmaceutical Corporation (JWP), a licensee of enarodustat, issued a statement that ENAROY® tablets (generic name: enarodustat) was approved by Ministry of Food and Drug Safety of the Republic of Korea for the treatment of anemia in chronic kidney disease patients on hemodialysis on November 17, 2022.

For CORECTIM® Ointment 0.25% and 0.5% for an indication of atopic dermatitis, based on the result of the clinical trials in relation to atopic dermatitis for infants, we received approval for the expanded use in infants (aged 6 months to under 2 years) on January 30, 2023.

Revenue for the current fiscal year increased by 3.1% from the previous fiscal year to ¥82.9 billion, due to an increased revenue of Group company Torii Pharmaceutical Co., Ltd. (Torii), despite the absence of one-time income pertaining to licensed compounds in the previous fiscal year and a decrease in overseas royalty revenue.

Adjusted operating profit increased by 0.5% from the previous fiscal year to ¥11.1 billion due to an increase in revenue offsetting an increase in R&D expenditures of Torii.

【Reference】

**Pharmaceutical Business
Clinical Development as of February 14, 2023**

<In-house development>

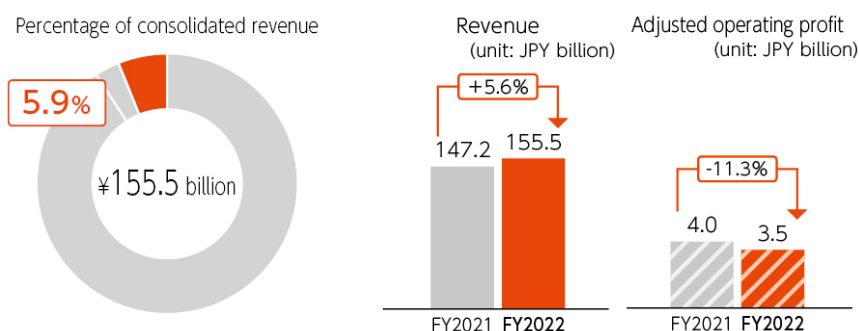
Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Origin	Note
JTE-052 (delgocitinib)	Autoimmune/allergic diseases /Oral, Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase1 (Japan)	In-house	
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase2 (Japan)	In-house	
				Phase2 (Overseas)		
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	<ul style="list-style-type: none"> · In-license from Dermavant Sciences GmbH · Co-development with Torii
	Plaque psoriasis /Topical			Phase3 (Japan)		
	Atopic dermatitis (pediatric) /Topical			Phase2 (Japan)		
JTC-064	Neurodegenerative disease /Oral	PDHK inhibitor	Improves metabolic abnormalities by activation of pyruvate dehydrogenase (PDH)	Phase1 (Overseas)	In-house	

(Notes) 1. Clinical trial phase presented above is based on the first dose.
2. 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.	

Processed Food Business



In the Processed Food Business, we concentrate on frozen and ambient foods business and seasonings business, while at the same time strengthening sales of high value-added products 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 31 new household products, such as the “No Plate Required” series designed to be easily cooked and “Served with Only One Plate”, and renewing 21 products for further competitiveness.

Raw material costs and energy costs, etc. continues to rise sharply mainly due to acute fluctuations in exchange and a rise in oil prices, adversely affecting the business. In this difficult business environment, we have exerted the upmost efforts to create profits, by revising shipment prices twice, in addition to implementing continued initiatives to improve productivity and reducing costs, etc.

Revenue in the current fiscal year increased by 5.6% from the previous fiscal year to ¥155.5 billion mainly because of price revision in the frozen and ambient foods business.

Adjusted operating profit decreased by 11.3% from the previous fiscal year to ¥3.5 billion due to a rise in raw material costs and negative foreign exchange effect, as well as the rebound from a one-time fire insurance claim received in the previous fiscal year.

As of December 1, 2022, the Group transferred all its shares in Saint-Germain Co., Ltd., which is running a bakery business, to “create restaurants holdings inc.”

2. Status of Capital Expenditures

In this fiscal year, we made capital expenditures totaling ¥101.0 billion.

For the tobacco business, the Group made business investments of ¥83.8 billion, for the purpose of renovation, maintenance and renewal, and capability improvement of manufacturing equipment. In the pharmaceutical business, we spent ¥2.4 billion on enhancing and strengthening research and development structures and the like. In the processed food business, we invested ¥8.2 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

JT International Financial Services B.V., an overseas subsidiary of the Company, raised \$500 million (equivalent to ¥66.4 billion) in total through a foreign-currency-denominated straight bond issue on October 24, 2022 to use the proceeds to finance general business operations.

(Note) For US dollars to Japanese yen translation purposes, the exchange rate as of the end of December 2022 is used (\$= ¥132.70).

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]

	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	38th term From January 1, 2022 to December 31, 2022
Revenue (Millions of yen)	2,175,626	2,092,561	2,324,838	2,657,832
Profit before income taxes (Millions of yen)	465,232	420,063	472,390	593,450
Profit attributable to owners of the parent company (Millions of yen)	348,190	310,253	338,490	442,716
Basic earnings per share (Yen)	195.97	174.88	190.76	249.45
Total assets (Millions of yen)	5,553,071	5,381,382	5,774,209	6,548,078
Total equity (Millions of yen)	2,743,611	2,599,495	2,886,081	3,616,761

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

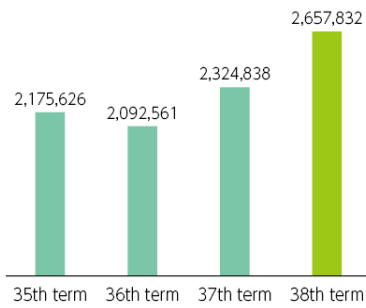
(2) Trends in assets and non-consolidated operating results of JT [Non-consolidated]

	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	38th term From January 1, 2022 to December 31, 2022
Net sales (Millions of yen)	660,805	596,887	592,220	542,181
Ordinary income (Millions of yen)	278,968	240,491	278,809	273,734
Net income (Millions of yen)	262,469	241,752	216,896	283,461
Basic earnings per share (Yen)	147.72	136.27	122.23	159.72
Total assets (Millions of yen)	2,614,357	2,597,930	2,487,979	2,363,267
Net assets (Millions of yen)	1,417,365	1,390,011	1,344,696	1,368,643

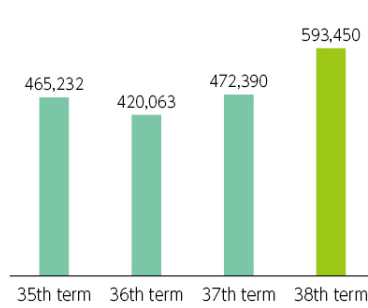
- (Notes) 1. Non-consolidated financial statements of the Company are prepared based on Japanese GAAP.
2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant Guidances effective from the 38th term.

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

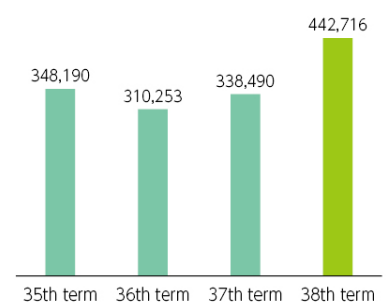
■ Revenue (unit: JPY million)



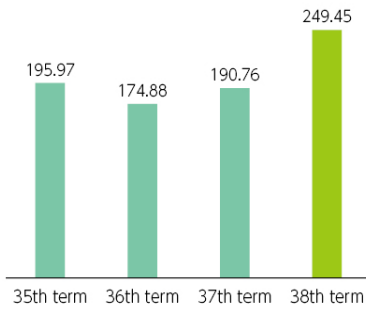
■ Profit before income taxes (unit: JPY million)



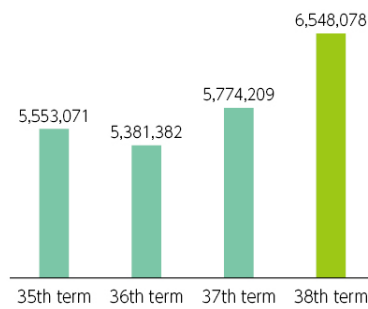
■ Profit attributable to owners of the parent company (unit: JPY million)



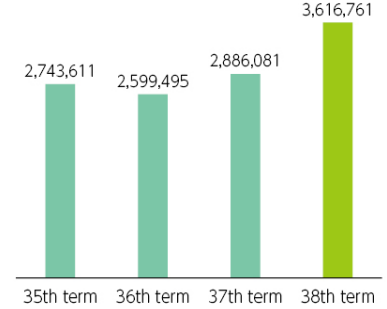
■ Basic earnings per share (unit: JPY)



■ Total assets (unit: JPY million)



■ Total equity (unit: JPY million)



9. Issues to Be Addressed

(1) Basic management policy

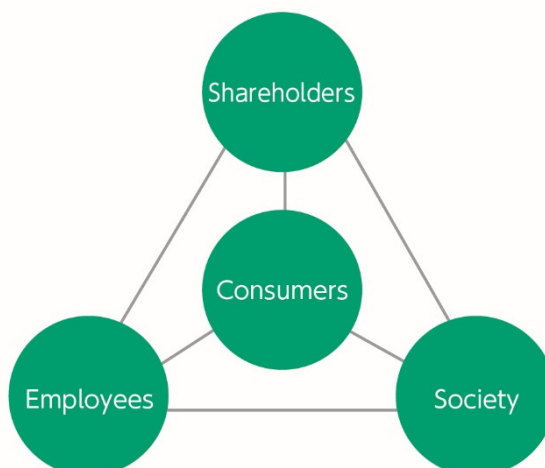
Our management principles are based on the pursuit of the “4S model.” The model requires us to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.

The Group intends to attain sustainable profit growth over the mid- to long-term 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 our four stakeholders, including shareholders.

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.



The Group operates in a business environment that has ever increasing levels of uncertainty and complexity due to discontinuous changes occurring on a wide range of scales, be it the nature, society or the individual. In response to this, the JT Group has formulated the JT Group Purpose to clarify the direction for being a sustained entity. Specifically, we identified the area in which we will be needed by the society for the future and in which we should provide value over the long term as “human enrichment” and defined “Fulfilling Moments, Enriching Life” as the JT Group Purpose based on the idea that we want to continue to be entrusted with and contribute to the area. Moreover, so that we can realize the JT Group Purpose, we have formulated our Business Purposes for each business in line with this.

Business Purpose

- Tobacco Business: Creating fulfilling moments. Creating a better future.
- Pharmaceutical Business: Respecting science, technology and people, we will contribute to patients’ lives.
- Processed Food Business: Bringing Joy to Meals and Fun to the Table.

The area of “human enrichment” undergo changes in various ways with the times and the people, and the JT Group strives to evolve constantly so that we can continue to be entrusted by society and make valuable contributions to the area in the future.

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

The Group's mid- to long-term resources allocation policy is to prioritize business investments for sustainable profit growth^(Note 1) in the mid- to long-term, while striking a balance between profit growth through business investments and shareholder returns, under the "4S model" and the JT Group Purpose.

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.

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

Tobacco Business	Aim for a profit level that achieves adjusted operating profit growth of 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	Strive to make profit contribution to the Group through mid- to long-term profit growth with high-quality 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 2023" in line with its management principles and resources allocation policy.

Under the "Business Plan 2023," the Group will continue to pursue a mid- to high- single digit^(Note 2) annual average growth rate over the mid- to long-term in adjusted operating profit at constant FX.

In terms of "prioritize business investments for sustainable profit growth in the mid- to long-term" and of "strike a balance between profit growth through business investments and shareholder returns" under the resources allocation policy based on the "4S model" and the JT Group Purpose, our shareholder returns policy is set as follows:

- Aim to enhance shareholder returns by realizing the mid- to long-term profit growth, while maintaining a strong financial base^(Note 3)
- Target a dividend payout ratio of about 75%^(Note 4) as a competitive level in the capital markets^(Note 5)
- Consider implementing share buy-back program, mainly taking into account the Company's financial outlook of the respective year and the mid-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 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. 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.

- (Notes)
1. Investment towards the growth of the tobacco business is our highest priority. Pursue growth of adjusted operating profit at constant FX through quality top-line growth through the continuous provision of new values and satisfaction to our customers and society.
 2. mid- to high-single digit: mid- to high-single-digit percentage
 3. The Company will maintain a strong 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 the JT Group Purpose, and it encompasses our materiality analyses.

In terms of our sustainability strategy, we have set the three essentials for business continuity common to the entire Group: respect for human rights, an improved social and environmental impact, and good governance and business standards, while each business has set out its own focus areas and targets. The progress of each business in meeting these targets will be reported in the next Integrated Report 2022 and on our website.



<Respect for human rights>



<An improved social and environmental impact>



<Good governance and business standards>

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. In addition, in working toward the realization of the recently formulated JT Group Purpose, we will strive to achieve results through group-wide activities that contribute to making society and the future fulfilling and enriching, filled with people feeling: “today is another good day.”



Respecting human rights

To comprehensively communicate our approach to due diligence on human rights based on our Group Human Rights Policy, our commitment to respecting human rights, and our past and current initiatives, we use various means, including our website and JT Group Human Rights Report.



Investing in people

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



Improving our environmental impact

The Group has set out the JT Group Environment Plan 2030, with three focus areas: “Energy and Emissions,” “Natural Resources,” and “Waste.” In February 2022, we updated our targets for “Energy and Emissions” in the current “JT Group Environment Plan 2030.” We will further enhance and expand our initiatives to achieve carbon neutrality by 2030, and net zero for the entire value chain by 2050. JT Group’s 2030 Greenhouse Gas (GHG) reduction targets have been deemed to be in conformance with the criteria set by the Science Based Targets Initiative (SBTi). Details will be reported in the next Integrated Report 2022 and on our website.



JT is one of 283 companies in the world and 74 companies in Japan that were included on the “Climate Change A List,” out of more than 15,000 companies participating in the CDP environmental disclosure program in 2022. This marks JT’s fifth recognition for climate change following 2016, 2019, 2020 and 2021.

Improving our social impact

We have long-term partnerships with local and international organizations, with various community investment programs in many countries. These programs help communities to become more inclusive, sustainable, and resilient. In response to the COVID-19 pandemic, we put in place precautionary measures, while still continuing to provide opportunities for our employees to engage with their communities.

Governance

Corporate governance is one of the priority agendas for the JT Group and we work proactively to fulfill this requirement. To ensure sustainable profit growth, we believe it is essential to further secure a strong commitment from the Group’s management. In this light, we are introducing an ESG-related index for director remuneration, starting from FY2022.

- 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
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, 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, 2022, there were 223 consolidated subsidiaries, including 6 above-mentioned important subsidiaries, as well as 14 affiliates accounted for by the equity method.
 3. On the last day of the fiscal year ended December 31, 2022, 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

(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

Sales offices:

Hokkaido (Hokkaido), Miyagi (Miyagi), Tokyo (Tokyo), Aichi (Aichi), Osaka (Osaka), Hiroshima (Hiroshima), Kagawa (Kagawa), Fukuoka (Fukuoka), and other 39 sales offices

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

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

(Note) The Company's Kyushu Tobacco Factory was closed at the end of March 2022. Furthermore, in April 2022, the Company switched 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)
International Tobacco Business	46,163
Pharmaceutical Business	1,331
Processed Food Business	4,297
Common company-wide services within JT	849
Total	52,640

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

(2) Employees of JT [Non-consolidated]

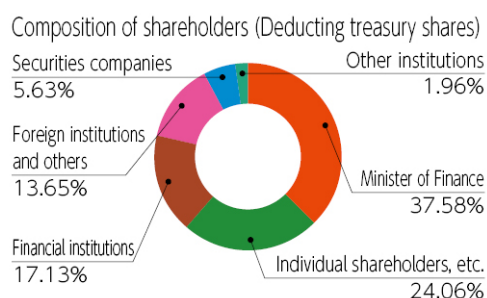
Male/Female	Number of employees (Person)	Year-on-year increase (decrease) (Person)	Average age (Year old)	Average years of service (Year)
Male	4,656	(1,256)	42.2	16.5
Female	1,163	(79)	36.8	11.0
Total or average	5,819	(1,335)	41.1	15.4

(Notes) 1. The above number of employees indicates the number of working employees.

2. The decrease in the number of employees by 1,335 is mainly due to the implementation of voluntary retirement program.

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 225,146,463 shares)
3. Number of shareholders: 722,051



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)	176,102,300	9.92
Custody Bank of Japan, Ltd. (Investment Trust Account)	64,286,400	3.62
SMBC Nikko Securities Inc.	46,559,021	2.62
STATE STREET BANK WEST CLIENT - TREATY 505234	23,290,941	1.31
SSBTC CLIENT OMNIBUS ACCOUNT	20,568,543	1.16
JAPAN SECURITIES FINANCE CO., LTD.	18,279,700	1.03
Barclays Securities Japan Limited BNYM	18,088,600	1.02
JT Group Employees' Shareholding Association	11,665,343	0.66
Mitsubishi UFJ Morgan Stanley Securities Co., Ltd.	11,211,542	0.63

(Note) Equity ownership is calculated after deducting treasury shares (225,146,463 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)	88,600 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 82 to 85 of the Business Report.

2. All the above shares are shares granted as restricted stock remuneration. The Company disposed of 210,200 treasury shares (including the above-stated 88,600 shares granted to Members of the Board) on May 24, 2022, for the allotment of restricted stock remuneration to four Members of the Board who also serve as Executive Officers, and to 17 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	Mutsuo Iwai		Outside Director, Benesse Holdings, Inc. Outside Director, TDK Corporation
Deputy Chairperson of the Board	Shigeaki Okamoto		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 Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office
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	Finance and Corporate Communications	
Representative Director and Executive Vice President	Kiyohide Hirowatari	Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business	
Member of the Board and Senior Vice President	Kazuhito Yamashita	Corporate Governance and Compliance	
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 & Supervisory Board Member, Recruit Holdings Co., Ltd. Standing Audit & Supervisory Board Member, Recruit Co., Ltd. Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION

Position	Name	Responsibility	Significant concurrent positions outside the Company
Member of the Board	Masato Kitera		Outside Director, Marubeni Corporation Outside Director, NIPPON STEEL CORPORATION
Member of the Board	Tetsuya Shoji		Corporate Advisor, NTT Communications Corporation Outside Director, Sapporo Holdings Limited Outside Director, Hitachi Zosen Corporation Outside Director, Mitsubishi Logistics Corporation
Standing Audit & Supervisory Board Member	Ryoko Nagata		Outside Director, Honda Motor Co., Ltd.
Standing Audit & Supervisory Board Member	Hiroshi Yamamoto		
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
Audit & Supervisory Board Member	Koji Yoshikuni		

- (Notes)
- Members of the Board Main Kohda, Yukiko Nagashima, Masato Kitera and Tetsuya Shoji are Outside Directors.
 - Audit & Supervisory Board Members Toru Mimura, Hiroshi Obayashi and Koji Yoshikuni are Outside Audit & Supervisory Board Members.
 - Members of the Board, Main Kohda, Yukiko Nagashima, Masato Kitera and Tetsuya Shoji, 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.
 - 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.
 - Deputy Chairperson of the Board Shigeaki Okamoto and Member of the Board Tetsuya Shoji assumed their office on March 23, 2022.
 - Chairperson of the Board Yasutake Tango retired on March 23, 2022.
 - As of March 23, 2022, Mutsuo Iwai resigned as Deputy Chairperson of the Board and assumed the office of Chairperson of the Board.
 - As of January 1, 2023, 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: Naohiro Minami and Kazuhito Yamashita are now Directors who do not serve as Executive Officers.

9. As of April 11, 2022, Representative Director and Executive Vice President Naohiro Minami retired from the position of Supervisory Board member of JT International Holding B.V.
10. As of June 23, 2022, Audit & Supervisory Board Member Hiroshi Obayashi retired from the position of Outside Director, Audit & Supervisory Committee Member of NIPPON STEEL CORPORATION.
11. 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.
12. 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.
13. 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.

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)	1,472 (73)	584 (73)	514 (-)	194 (-)	180 (-)	11 (4)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	157 (75)	157 (75)	- (-)	- (-)	- (-)	5 (3)
Total (Outside Director and Outside Audit & Supervisory Board Members)	1,629 (148)	741 (148)	514 (-)	194 (-)	180 (-)	16 (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 retired on March 23, 2022.

(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

The remuneration for Members of the Board and Audit & Supervisory Board Members is made of four components. In addition to the monthly "base salary," there is an "executive bonus," which reflects the Company's business performance in the relevant fiscal year, a "restricted stock remuneration" and "performance share units," which are linked to the mid- to long-term company value of the Company. The Restricted Stock Remuneration Plan and the Performance Share Unit Plan were introduced in 2020 in order to strengthen the efforts to enhance the mid- to long-term company value and to further promote shared value with shareholders.

The composition of remuneration by member category is as follows:

- 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.

Composition	Monetary Remuneration	Monetary Remuneration (Performance-Linked)	Stock Remuneration	Stock Remuneration (Performance-Linked)
Ratio (Note 1)	Base Salary 33-42%	Executive Bonus 31-35%	Restricted Stock Remuneration (Note 2)	Performance Share Unit (Note 2)
			25-33%	

- (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 figure above shows the composition ratio of remuneration if executive bonus and performance share units are paid at the standard amount. The ratio may fluctuate depending on performance and share price of the Company, and the remuneration levels of our benchmark companies, among other things.

Reference: As an agenda related to the upper limit of remuneration for Members of the Board, Item 4 “Revision of Remuneration for Members of the Board” was submitted to this Ordinary General Meeting of Shareholders as described on pages 42 to 44 of this document. In the event that Item 4 is approved in its original form, the Company plans to increase the ratio of remuneration composition of the mid- to long-term incentives that are composed of “restricted stock remuneration” and “performance share units.”

- 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 the meeting of the Advisory Panel on Nomination and Compensation held on March 23, 2022, the Chairperson 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 Chairperson 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

Regarding the amount of remuneration for Members of the Board of the Company (ten (10) Members as of December 31, 2022), at the 35th Ordinary General Meeting of Shareholders held on March 19, 2020, approval was obtained for an upper limit to remuneration, consisting of base salary and executive bonuses, of ¥1.1 billion per year for all Members of the Board (including ¥80 million per year for Outside Directors) (nine (9) Members of the Board was subject to this rule at the time of the resolution, including three (3) Outside Directors). In addition, at the 37th Ordinary General Meeting of Shareholders held on March 23, 2022, following an increase of one in the number of Outside Directors, approval was obtained for an increase in the upper limit to remuneration of ¥100 million for all Outside Directors (four (4) Outside Directors were subject to this rule at the time of the resolution). In addition to this remuneration, at the 35th Ordinary General Meeting of Shareholders held on March 19, 2020, approval was obtained for restricted stock remuneration to the Members of the Board who also serve as an Executive Officer (four (4) members as of December 31, 2022) not exceeding ¥210 million (or 115,200 shares) annually and performance share units not exceeding ¥130 million (or 76,800 shares) annually (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, 2022) 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).

As an agenda related to the upper limit of Director remuneration, Item 4 “Revision of Remuneration for Members of the Board” was submitted to this Ordinary General Meeting of Shareholders as described on pages 42 to 44 of this document.

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 (benchmark companies). To be more specific, after benchmarking the level of base salary and the percentage of variable remuneration in annual bonuses and mid- to 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 at the General Meeting of Shareholders. At this point, because the Representative Director and President is 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, executive 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 that its details are in compliance with the determination policy.

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. Core revenue at constant FX, adjusted operating profit (AOP) at constant FX, adjusted operating profit on a reported basis, profit results, and an RRP-related index ^(Note) and will be the key performance indicators (KPI) for the calculation of executive bonuses, which will be used to measure the performance of the business itself, which is the foundation of sustainable profit growth, as well as the achievement rate of profit growth, from the viewpoint of providing shared value with the shareholders and setting indices conducive to sustainable profit growth over the mid to long term. In calculating the amounts of executive bonuses, 15% accounts for core revenue at constant FX, 35% for AOP at constant FX, 25% for adjusted operating profit on a reported basis and 25% for profit. The ratio that performance on a reported basis accounts for on the KPIs used to determine executive bonuses has been set to 50%. Performance-linked payout is based on the KPI achievement in the range of 0% to 190% and either -10%, 0% or +10% is added/deducted to results depending on evaluations of the RRP-related index. 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.

(Note) Qualitative evaluation indicators pertaining to the implementation of strategies and level of achievement related to RRP (Reduced-Risk Products), which is a focus area.

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, 2022	
	Target (Billions of yen)	Actual (Billions of yen)
Core revenue at constant FX	2,229.0	2,338.5
Adjusted operating profit at constant FX	635.0	665.7
Adjusted operating profit on a reported basis	611.0	727.8
Profit (Profit attributable to owners of the parent company)	356.0	442.7

- 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 ("Eligible Directors") 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). In disposal of ordinary shares of the Company due to this Plan, a restricted stock allotment agreement shall be concluded between the Company and each Eligible Director.

The monetary compensation towards the purchase of the Company's restricted stock will be decided based on the closing price of the Company's share at the Tokyo Stock Exchange as of the business day immediately preceding the resolution by the Board of Directors. However, if the Company share does not trade at the Tokyo Stock Exchange on the day prior to the resolution of the Company's Board of Directors, the closing price of the immediately preceding trading day will be used. This price of share will be decided by the Company's Board of Directors within a scope that is not particularly advantageous to the Eligible Directors who will receive the restricted stock.

In addition, the allocation of monetary remuneration claims to the Eligible Directors, assumes that such director accepts the compensation as contribution in kind and enters into the restricted stock allotment agreement.

The specific details of the Plan are as follows. Any other matters regarding the Plan shall be determined by the Company's Board of Directors.

- i The total amount of monetary remuneration claims and number of shares
The total amount of monetary remuneration claims for all Eligible Directors together shall not exceed ¥210 million per year or the total number of ordinary shares allotted by the Company shall not exceed 115,200 shares per year. If there is a stock split, stock consolidation, or any other event requiring adjustment to the total number of shares to be allocated after this Restricted Stock Remuneration Plan has been approved in the 35th Ordinary General Meeting of Shareholders held on March 19, 2020, the relevant total number shall be adjusted accordingly within a reasonable range.
As an agenda related to the upper limit of Director remuneration, Item 4 "Revision of Remuneration for Members of the Board" was submitted to this Ordinary General Meeting of Shareholders as described on pages 42 to 44 of this document.
- ii Transfer restriction period and details
The restriction period will be 30 years ("Restriction Period"). During this period restrictions will be applied on the allotted shares ("Allotted Shares"), so that each Eligible Director is prohibited to transfer the Allotted Shares, pledge them, mortgage them, or use any arrangement to dispose them.
- iii Removal of transfer restrictions
In case any Eligible Director retires due to expiration of the term or resigns due to reasons deemed reasonable by the Company's Board of Directors, from a position as Member of the Board or any other positions separately specified by the Company's Board of Directors during the Restriction Period, the transfer restrictions will be removed on all the Allotted Shares.
- iv Revocation of Allotted Shares without any compensation
Allotted Shares will be revoked by the Company if an Eligible Director violates any laws and regulations or falls under any other event specified by the Company's Board of Directors during the Restriction Period, the Company retains the right to acquire all or part of the Allotted Shares without any compensation.
- v Handling in the case of reorganization
During the Restriction Period, if the Company becomes defunct due to merger or organization restructuring, the transfer restrictions for Allotted Shares will be removed following the resolution of the Company's Board of Directors before the effective date of such reorganization.

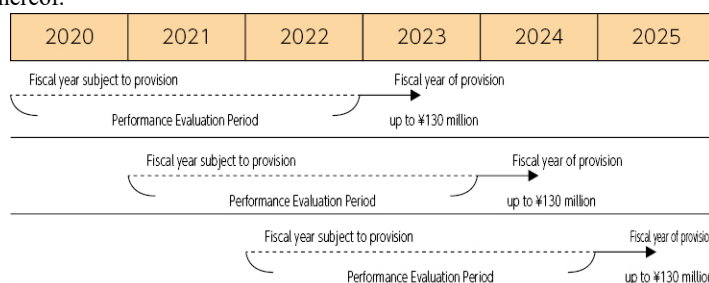
- Performance share units

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 ("Performance Evaluation Period") ^(Note), 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).

The monetary compensation towards the purchase of the Company's ordinary shares will be decided based on the closing price of the Company's share at the Tokyo Stock Exchange as of the business day immediately preceding the resolution by the Board of Directors. However, if the Company share does not trade at the Tokyo Stock Exchange on the day prior to the resolution of the Company's Board of Directors, the closing price of the immediately preceding trading day will be used. This price of share will be decided by the Company's Board of Directors within a scope that is not particularly advantageous to the Eligible Directors who will receive the performance share units. In addition, since monetary remuneration claims and cash to deliver the Company's ordinary shares are granted according to the above achievement rate of performance, the allocation of the monetary remuneration claims and cash to the Eligible Directors, the amount of the claims and cash to deliver the Company's ordinary shares, and the number of shares delivered are not decided by the expiration of the Performance Evaluation Period.

(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 ended December 31, 2022. For 2021, Performance Evaluation Period is three fiscal years, from the fiscal year ended December 31, 2021, to the fiscal year ending December 31, 2023. For 2022, Performance Evaluation Period is three fiscal years, from the fiscal year ended December 31, 2022, to the fiscal year ending December 31, 2024. From the fiscal year 2023 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.



The specific details of the Plan are as follows. Any other matters regarding the Plan shall be determined by the Company's Board of Directors.

i The total amount of monetary remuneration claims and cash and number of shares

The total amount of monetary remuneration claims and cash for all Eligible Directors together shall not exceed ¥130 million annually. The total number of ordinary shares allotted annually for all Eligible Directors together shall not exceed 76,800 shares. If a stock split, stock consolidation, or any other event requiring adjustment to the total number of shares to be allocated arises after the 35th Ordinary General Meeting of Shareholders held on March 19, 2020, the relevant total number shall be adjusted accordingly within a reasonable range.

As an agenda related to the upper limit of Director remuneration, Item 4 "Revision of Remuneration for Members of the Board" was submitted to this Ordinary General Meeting of Shareholders as described on pages 42 to 44 of this document.

ii Share allotment and cash calculation methodology

The Company determines performance indicators and others such as performance-linked figures for the Plan which are necessary to specifically calculate the number of shares to be distributed, reviewed by the Advisory Panel on Nomination and Compensation of the Company. Profit has been set as the KPI for the Performance Evaluation Period that began from fiscal 2020 and fiscal 2021 from the perspective of providing shared value with shareholders. For the evaluation period starting in fiscal 2022, the Company introduced an ESG-related index on top of profit, in order for the Company and shareholders to seek an agreement on a mutual perspective of evaluating and being evaluated. In fiscal 2022, the Company has adopted its progress on initiatives to realize net zero as an ESG-related index, specifically the target attainment rates to reduce Greenhouse Gas emissions.

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, 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

Number of base share units ^(Note 1) x Offering ratio/percentage ^(Note 2) x 50%

(ii) Amount of cash to be paid to eligible Members of the Board

(Number of base share units ^(Note 1) x Offering ratio/percentage ^(Note 2) – Number of ordinary shares of the Company calculated in (i)) x Share price at the time of issue ^(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. Performance-linked payout is set to be in the range of 0% to 200% based on the KPI (i.e., profit) achievement in both 2020 and 2021. For the Performance Evaluation Period stating from 2022, performance-linked payout is set to be in the range of 0% to 190% based on the KPI (i.e., profit) achievement and either -10%, 0% or +10% is added/deducted to results depending on evaluations of the ESG-related index.
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.

iii Pre-requisites for distribution

The Company shall provide the monetary remuneration claims and cash to Eligible Directors, and Eligible Directors are required to purchase the Company's ordinary shares with all the monetary remuneration claims received as contribution in kind, after the Performance Evaluation Period expires and the following conditions for distribution of Company's ordinary shares are met.

- (i) Remaining in his/her term of office as Member of the Board, Executive Officer or any other positions separately specified by the Board of Directors during the fiscal year subject to provision
- (ii) Non-existence of certain illegal acts
- (iii) Other requirements considered necessary, which are stipulated by the Board of Directors

iv Handling in the case of reorganization

During the Performance Evaluation Period, if the Company becomes defunct due to merger or organization restructuring, the Company's Board of Directors may, prior to the effective date of the said organizational restructuring, decide to pay towards performance share units in accordance with the duration from the commencement date of the Performance Evaluation Period to the date of approval for the said organizational restructuring. However, in lieu of the aforementioned allocation of the Company's ordinary shares, cash will be reasonably calculated by the Company's Board of Directors as the amount equivalent to the said ordinary shares, within the limit of the remuneration for the Performance Share Unit Plan.

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 & Supervisory Board Member
		Recruit Co., Ltd.	Standing Audit & Supervisory Board Member
		SUMITOMO CORPORATION	Outside Audit & Supervisory Board Member
	Masato Kitera	Marubeni Corporation	Outside Director
		NIPPON STEEL CORPORATION	Outside Director
	Tetsuya Shoji	NTT Communications Corporation	Corporate Advisor
		Sapporo Holdings Limited	Outside Director
		Hitachi Zosen Corporation	Outside Director
		Mitsubishi Logistics 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

(Notes) 1. There are no special relationships to be mentioned between the above organizations in which concurrent positions are held and JT.

2. As of June 23, 2022, Audit & Supervisory Board Member Hiroshi Obayashi retired from the position of Outside Director, Audit & Supervisory Committee Member of NIPPON STEEL CORPORATION.

(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 & Supervisory Boards, she fulfilled her duties adequately as an Outside Director by providing advice and recommendations on business strategy, sustainability strategy, and other areas.
	Masato Kitera	Masato Kitera attended all 13 Board of Directors meetings held during this fiscal year. 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 and other areas.
	Tetsuya Shoji	Tetsuya Shoji attended all 9 Board of Directors meetings held during this fiscal year since he assumed office on March 23, 2022. He has considerable experience, track record, and insight into corporate management. His contribution toward improving the Group corporate governance was expected based on his wide experience in areas such as corporate planning, human resources, global operations, and digitization promotion, he fulfilled his duties adequately as an Outside Director by providing recommendations and advice on business strategy, the operating model, and other areas.

Category	Name	Status of main activities
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.

(Note) In addition to the above number of meetings of the Board of Directors held, a written resolution was adopted for which a resolution of the Board of Directors meeting was deemed to have been made under Article 370 of the Companies Act and paragraph 4 of Article 24 of the Company's Articles of Incorporation.

(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	73	3	75	7	148

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: ¥350 million

ii) Fees for tasks other than audit attestation based on Article 2, paragraph 1 of the Certified Public Accountants Act: ¥85 million

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

¥553 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 IT field, 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.

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

Consolidated Statement of Financial Position

(As of December 31, 2022)

(Millions of yen)

Account title	Amount	Account title	Amount
Current assets		Current liabilities	
Cash and cash equivalents	866,885	Trade and other payables	540,089
Trade and other receivables	477,239	Bonds and borrowings	137,308
Inventories	691,906	Income tax payables	37,470
Other financial assets	37,677	Other financial liabilities	40,065
Other current assets	649,181	Provisions	26,610
Subtotal	2,722,889	Other current liabilities	781,093
Assets held for sale	702	Subtotal	1,562,635
Total current assets	2,723,591	Liabilities directly associated with assets held for sale	29
		Total current liabilities	1,562,664
Non-current assets		Non-current liabilities	
Property, plant and equipment	775,957	Bonds and borrowings	821,003
Goodwill	2,446,063	Other financial liabilities	41,735
Intangible assets	246,442	Retirement benefit liabilities	244,116
Investment property	9,495	Provisions	26,490
Retirement benefit assets	57,792	Other non-current liabilities	195,248
Investments accounted for using the equity method	56,943	Deferred tax liabilities	40,061
Other financial assets	140,366	Total non-current liabilities	1,368,653
Deferred tax assets	91,430		
Total non-current assets	3,824,487	Total liabilities	2,931,317
		Equity	
		Share capital	100,000
		Capital surplus	736,400
		Treasury shares	(490,183)
		Other components of equity	104,309
		Retained earnings	3,089,909
		Equity attributable to owners of the parent company	3,540,435
		Non-controlling interests	76,326
		Total equity	3,616,761
Total assets	6,548,078	Total liabilities and equity	6,548,078

Consolidated Statement of Income

(Year ended December 31, 2022)

(Millions of yen)

Account title	Amount
Revenue	2,657,832
Cost of sales	(1,090,989)
Gross profit	1,566,843
Other operating income	20,262
Share of profit in investments accounted for using the equity method	8,009
Selling, general and administrative expenses	(941,538)
Operating profit	653,575
Financial income	31,147
Financial costs	(91,272)
Profit before income taxes	593,450
Income taxes	(149,277)
Profit for the period	444,174
Attributable to:	
Owners of the parent company	442,716
Non-controlling interests	1,458

Consolidated Statement of Changes in Equity

(Year ended December 31, 2022)

(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, 2022	100,000	736,400	(490,899)	1,202	(408,175)	(274)	7,161
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	493,971	8,584	1,880
Comprehensive income (loss) for the period	—	—	—	—	493,971	8,584	1,880
Acquisition of treasury shares	—	—	(1)	—	—	—	—
Disposal of treasury shares	—	—	717	(200)	—	—	—
Share-based payments	—	—	—	—	—	—	—
Dividends	—	—	—	—	—	—	—
Changes in the scope of consolidation	—	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	—	—	—	—	—
Transfer from other components of equity to retained earnings	—	—	—	—	—	—	(75)
Other increase (decrease)	—	—	—	—	—	236	—
Total transactions with the owners	—	—	716	(200)	—	236	(75)
As of December 31, 2022	100,000	736,400	(490,183)	1,001	85,796	8,546	8,966

(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, 2022	—	(400,086)	2,863,843	2,809,258	76,823	2,886,081
Profit for the period	—	—	442,716	442,716	1,458	444,174
Other comprehensive income (loss)	49,535	553,970	—	553,970	85	554,055
Comprehensive income (loss) for the period	49,535	553,970	442,716	996,687	1,542	998,229
Acquisition of treasury shares	—	—	—	(1)	—	(1)
Disposal of treasury shares	—	(200)	(516)	0	—	0
Share-based payments	—	—	460	460	21	481
Dividends	—	—	(266,203)	(266,203)	(1,631)	(267,834)
Changes in the scope of consolidation	—	—	—	—	(429)	(429)
Changes in the ownership interest in a subsidiary without a loss of control	—	—	(1)	(1)	(0)	(1)
Transfer from other components of equity to retained earnings	(49,535)	(49,610)	49,610	—	—	—
Other increase (decrease)	—	236	—	236	—	236
Total transactions with the owners	(49,535)	(49,575)	(216,650)	(265,510)	(2,039)	(267,548)
As of December 31, 2022	—	104,309	3,089,909	3,540,435	76,326	3,616,761

Nonconsolidated Balance Sheet

(As of December 31, 2022)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	459,260	Current liabilities	682,250
Cash and deposits	193,376	Accounts payable-trade	10,445
Accounts receivable-trade	31,739	Current portion of bonds	60,000
Securities	18,000	Lease obligations	230
Merchandise and finished goods	25,424	Accounts payable-other	72,620
Semi-finished goods	84,534	National tobacco excise taxes payable	72,925
Work in process	1,815	National tobacco special excise taxes payable	8,791
Raw materials and supplies	32,017	Local tobacco excise taxes payable	82,013
Advance payments-trade	2,440	Income taxes payable	1,863
Prepaid expenses	5,040	Accrued consumption taxes	28,711
Short-term loans receivable from subsidiaries and affiliates	38,649	Cash management system deposits received	318,412
Other	26,255	Provision for bonuses	5,675
Allowance for doubtful accounts	(29)	Other	20,565
Noncurrent assets	1,904,007	Noncurrent liabilities	312,374
Property, plant and equipment	165,044	Bonds payable	65,000
Buildings	69,893	Long-term borrowings	140,000
Structures	2,066	Lease obligations	152
Machinery and equipment	34,722	Provision for retirement benefits	101,421
Vehicles	536	Other	5,800
Tools, furniture and fixtures	9,996	Total liabilities	994,623
Land	47,298	NET ASSETS	
Construction in progress	533	Shareholders' equity	1,357,011
Intangible assets	175,692	Capital stock	100,000
Patent right	194	Capital surplus	736,400
Right of trademark	49,196	Legal capital surplus	736,400
Software	11,652	Retained earnings	1,010,794
Goodwill	107,313	Legal retained earnings	18,776
Other	7,337	Other retained earnings	992,018
Investments and other assets	1,563,271	Reserve for investment loss on developing new business	331
Investment securities	22,358	Reserve for reduction entry	34,780
Shares of subsidiaries and affiliates	1,495,647	Special account for reduction entry	574
Long-term loans receivable from subsidiaries and affiliates	6,069	Retained earnings brought forward	956,333
Long-term prepaid expenses	7,335	Treasury shares	(490,183)
Deferred tax assets	16,987	Valuation and translation adjustments	10,631
Other	15,030	Valuation difference on available-for-sale securities	6,903
Allowance for doubtful accounts	(154)	Deferred gains or losses on hedges	3,728
Total assets	2,363,267	Subscription rights to shares	1,001
		Total net assets	1,368,643
		Total liabilities and net assets	2,363,267

Nonconsolidated Statement of Income

(Year ended December 31, 2022)

(Millions of yen)

Account title	Amount	
Net sales		542,181
Cost of sales		173,609
Gross profit		368,572
Selling, general and administrative expenses		303,998
Operating income		64,574
Non-operating income		
Interest income	78	
Dividends income	204,825	
Other	8,205	213,108
Non-operating expenses		
Interest expenses	1,686	
Interest on bonds	456	
Other	1,806	3,948
Ordinary income		273,734
Extraordinary income		
Gain on sales of noncurrent assets	6,459	
Gain on sales of businesses	39,005	
Other	5,504	50,968
Extraordinary losses		
Loss on sales of noncurrent assets	478	
Loss on retirement of noncurrent assets	3,857	
Impairment loss	4,381	
Business restructuring costs	1,642	
Other	4,290	14,647
Income before income taxes		310,055
Income taxes-current	17,701	
Income taxes-deferred	8,893	26,594
Net income		283,461

Nonconsolidated Statement of Changes in Net Assets

(Year ended December 31, 2022)

(Millions of yen)

	Shareholders' equity								
	Capital stock	Capital surplus		Legal retained earnings	Retained earnings				Total retained earnings
		Legal capital surplus	Total capital surplus		Reserve for investment loss on developing new business	Other retained earnings			
						Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
As of January 1, 2022	100,000	736,400	736,400	18,776	356	37,715	425	935,204	992,476
Cumulative effects of changes in accounting policies	—	—	—	—	—	—	—	1,117	1,117
Restated balance	100,000	736,400	736,400	18,776	356	37,715	425	936,321	993,593
Changes of items during the period									
Provision of reserve for investment loss on developing new business	—	—	—	—	331	—	—	(331)	—
Reversal of reserve for investment loss on developing new business	—	—	—	—	(356)	—	—	356	—
Provision of reserve for reduction entry	—	—	—	—	—	690	—	(690)	—
Reversal of reserve for reduction entry	—	—	—	—	—	(3,624)	—	3,624	—
Provision of special account for reduction entry	—	—	—	—	—	—	574	(574)	—
Reversal of special account for reduction entry	—	—	—	—	—	—	(425)	425	—
Dividends from surplus	—	—	—	—	—	—	—	(266,203)	(266,203)
Net income	—	—	—	—	—	—	—	283,461	283,461
Purchase of treasury shares	—	—	—	—	—	—	—	—	—
Disposal of treasury shares	—	—	—	—	—	—	—	(57)	(57)
Net changes of items other than shareholders' equity	—	—	—	—	—	—	—	—	—
Total changes of items during the period	—	—	—	—	(25)	(2,934)	149	20,012	17,201
As of December 31, 2022	100,000	736,400	736,400	18,776	331	34,780	574	956,333	1,010,794

(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, 2022	(490,899)	1,337,977	5,833	(316)	5,517	1,202	1,344,696
Cumulative effects of changes in accounting policies	—	1,117	—	—	—	—	1,117
Restated balance	(490,899)	1,339,094	5,833	(316)	5,517	1,202	1,345,813
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	—	(266,203)	—	—	—	—	(266,203)
Net income	—	283,461	—	—	—	—	283,461
Purchase of treasury shares	(1)	(1)	—	—	—	—	(1)
Disposal of treasury shares	717	660	—	—	—	—	660
Net changes of items other than shareholders' equity	—	—	1,070	4,045	5,114	(200)	4,914
Total changes of items during the period	716	17,917	1,070	4,045	5,114	(200)	22,831
As of December 31, 2022	(490,183)	1,357,011	6,903	3,728	10,631	1,001	1,368,643

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 14, 2023

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, 2022, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from January 1, 2022 to December 31, 2022, 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 present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2022, and its consolidated financial performance for the year then ended in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit a part of the disclosures required under International Financial Reporting Standards.

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.

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit 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 in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit 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.

(TRANSLATION)

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with accounting standards prescribed pursuant to the provisions of the second sentence of the first paragraph of Article 120 of the Ordinance on Company Accounting that omit 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 14, 2023

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, 2022, and the nonconsolidated statement of income and nonconsolidated statement of changes in net assets for the 38th fiscal year from January 1, 2022 to December 31, 2022, 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, 2022, 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.

Other Information

Management is responsible for the other information. 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 other information. The other information comprises the information included in the Business Report and the accompanying supplemental schedules.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

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 the "Opinion" section of this English translation are not included in the attached financial documents. In addition, the other information in "the accompanying supplemental schedules" referred to in the "Other Information" section of this English translation is not translated.

[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 38th fiscal year from January 1, 2022 to December 31, 2022, 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 Board 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 17, 2023

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.