

[This is an English translation prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.]

Securities Code: 2914
March 1, 2024

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 39TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

We are pleased to announce the 39th Ordinary General Meeting of Shareholders of Japan Tobacco Inc. (“JT” or the “Company”), which will be held as set forth below.

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 21, 2024. (For the method of exercising voting rights via the Internet or by mail, please refer to page 3 of this document.)

Particulars

1. Date and Time of the Meeting: Friday, March 22, 2024 at 10:00 a.m.

2. Place of the Meeting: The Prince Park Tower Tokyo
Second basement, Convention Hall
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 39th Business Term (From January 1, 2023 to December 31, 2023)
2. Report on the Non-Consolidated Financial Statements for the 39th Business Term (From January 1, 2023 to December 31, 2023)

Matters to be Resolved:

- | | |
|----------------|--|
| Item 1: | Appropriation of Surplus |
| Item 2: | Reduction in Amount of Legal Capital Surplus |
| Item 3: | Election of Ten (10) Members of the Board |
| Item 4: | Election of One (1) Audit & Supervisory Board Member |

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 the proposal.

Electronic provision measure

In convening the 39th 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.)

* 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 Paragraph 2, Article 17 of the Articles of Incorporation of the Company, the paper-based documents delivered to shareholders who have made a request for delivery of such documents do 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 Independent Auditors in the course of preparing Independent 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.

Operational arrangements

* 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 15 (Friday) (your letter of inquiry must reach us by this date).

* 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

Exercise the Voting Rights via the Internet

Exercise due date



No later than 6:00 p.m., on Thursday, March 21, 2024

Log in from your smartphone

Scan the QR Code at the lower right-hand side of the Voting Rights Exercise Form. Then, please indicate whether you are for or against each of the items following the directions on the website.

- ✓ 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.

- * 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.

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. Then, please indicate whether you are for or against each of the items following the directions on the website.

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.

Exercise the Voting Rights by Mail

Exercise due date



To be returned to us no later than 6:00 p.m., on
Thursday, March 21, 2024

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

- * 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.

REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

Item 1: Appropriation of Surplus

Under the “4S model” and the JT Group Purpose, 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 medium- and 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 medium- and long-term profit growth, while maintaining a solid financial base^(Note 2).

In accordance with these policies, year-end dividends for the 39th Business Term will be paid as described below.

- (Notes) 1. Grow adjusted operating profit at constant currency by placing top priority on growth-oriented investment in the tobacco business, while realizing high-quality top-line growth through continuing provision of new value and satisfaction to consumers and society.
2. The Group 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.

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:

¥100 per share of ordinary shares of JT

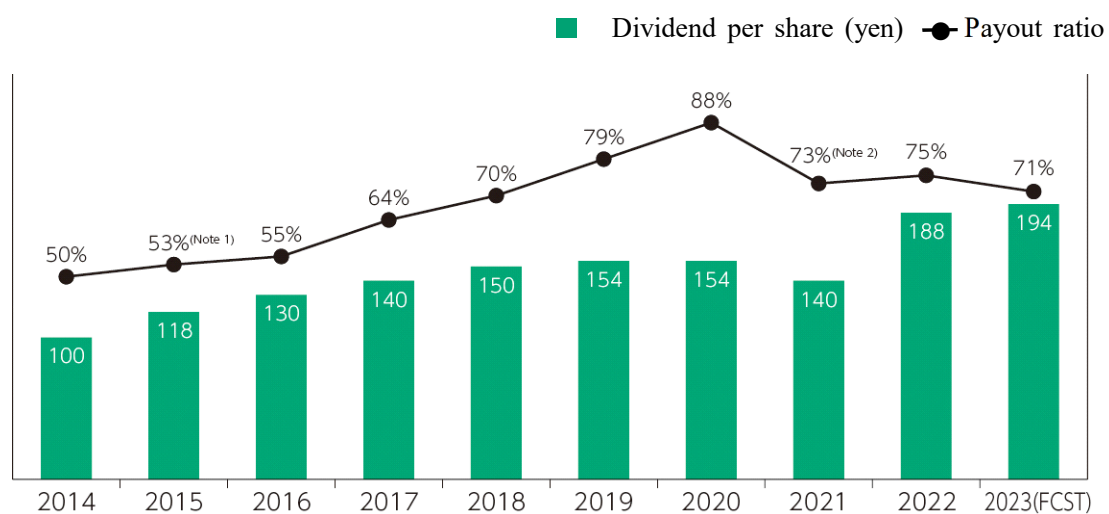
Aggregate amount: ¥177,530,797,200

Together with the interim dividends of ¥94 per share paid in September 2023, the annual dividends for the 39th Business Term will be ¥194 per share.

(3) Effective date for distribution of surplus:

March 25, 2024

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



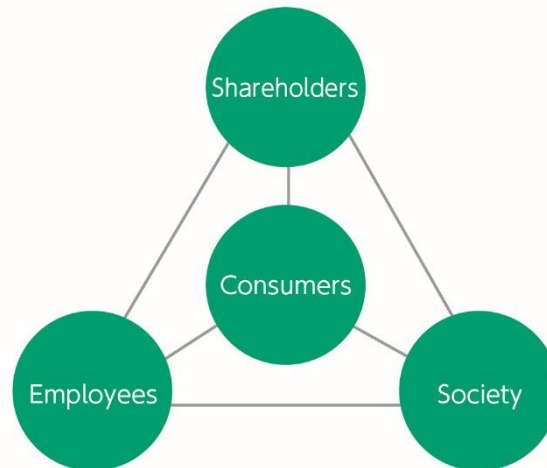
(Notes) 1. For fiscal year 2015, due to the transfer of the Company's shares, etc., held by a beverage vending machine operating subsidiary and the closure of its business of manufacture and sale of the Company's beverage products, the Beverage Business is categorized as non-continuing business. The 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 2024

Management Principle

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 2024,” 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 will continue 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:

Resources allocation policy

Allocate resources based on the “4S model” and the JT Group Purpose.

- Prioritize investments for sustainable profit growth in the medium and long terms
- Prioritize balance between profit growth through investment and shareholder returns

Business investments

- Grow adjusted operating profit at constant currency by placing top priority on growth-oriented investment in the tobacco business, while realizing high-quality top-line growth through continuing provision of new value and satisfaction to consumers and society.

Shareholder returns

- Work to enhance shareholder returns by realizing the Company’s medium- and long-term profit growth, while maintaining a strong financial base
- Target a dividend payout ratio of about 75%^(Note 5), a competitive level^(Note 6) in capital markets
- Consider implementing a share buy-back program, mainly taking into account the Company’s financial outlook of the respective year and medium-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. We monitor the shareholder return trends of Fast-Moving Consumer Goods companies which have a stakeholder model similar to our “4S model” and have realized strong business growth.

Item 2: Reduction in Amount of Legal Capital Surplus

To ensure that future capital policies will be executed in a prompt and flexible manner, the Company will reduce a portion of legal capital surplus and reclassify the reduced amount as other capital surplus, in accordance with the provision stipulated in Paragraph 1, Article 448 of the Companies Act.

Details of reduction in amount of legal capital surplus

(1) Purpose of the reduction in the amount of legal capital surplus

The Company will reduce ¥100,000,000,000 from its legal capital surplus of ¥736,400,000,000, and the entire amount of the reduction will be reclassified as other capital surplus, bringing the amount of legal capital surplus after the reduction to ¥636,400,000,000.

(2) Date on which the reduction in the amount of legal capital surplus becomes effective

June 28, 2024

Item 3: Election of Ten (10) Members of the Board

The terms of office of all nine (9) present Members of the Board will expire at the conclusion of this Ordinary General Meeting of Shareholders. Given business environments surrounding the Group, we propose the election of ten (10) Members of the Board (including five (5) Outside Directors) with the addition of one (1) Outside Director, to further enhance and strengthen corporate governance to continue the pursuit of sustainable profit growth and enhancement of corporate value over the mid to long term.

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

Candidate Number	Name		Positions and Responsibilities in the Company	Advisory Panel on Nomination and Compensation	Number of significant concurrent positions	Number of years as Member of the Board	Attendance at meetings of the Board of Directors
1	[Reappointed]	Mutsuo Iwai	Chairperson of the Board	●	3	8 years	14/14 (100%)
2	[Reappointed]	Shigeaki Okamoto	Deputy Chairperson of the Board	●	4	2 years	14/14 (100%)
3	[Reappointed]	Masamichi Terabatake	Representative Director and President, Chief Executive Officer	-	1	6 years	14/14 (100%)
4	[Reappointed]	Kei Nakano	Representative Director and Executive Vice President, Finance, Corporate Communications, Business Development and D-LAB	-	1	1 year	10/10 (100%)
5	[Newly appointed]	Koji Shimayoshi	Representative Director and Executive Vice President, Corporate Governance, Compliance, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business	-	-	-	-
6	[Reappointed]	Yukiko Nagashima [Outside Director] [Independent Director]	Outside Director	●	3	5 years	14/14 (100%)
7	[Reappointed]	Masato Kitera [Outside Director] [Independent Director]	Outside Director	●	2	3 years	14/14 (100%)
8	[Reappointed]	Tetsuya Shoji [Outside Director] [Independent Director]	Outside Director	●	5	2 years	14/14 (100%)
9	[Newly appointed]	Hiroko Yamashina [Outside Director] [Independent Director]	Outside Director	●	2	1 year	10/10 (100%)
10	[Newly appointed]	Kenji Asakura [Outside Director] [Independent Director]	Outside Director	●	1	-	-


(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.

5. The numbers of years as Member of the Board of Hiroko Yamashina and her attendance at meetings of the Board of Directors represent the number of years and attendance as Outside Audit & Supervisory Board Member.


Candidate Number	
1	Mutsuo Iwai (Born October 29, 1960) Number of the Company's Shares Held 43,200
	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 700																								
 <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 249,117																		
	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company																		
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March 2018	Representative Director and President, Chief Executive Officer (Current Position)																		
Reappointed	(Significant Concurrent Positions outside the Company) Chairman of Supervisory Board, JT International 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		Kei Nakano		(Born March 1, 1968)		Number of the Company's Shares Held		49,878																			
 <div data-bbox="130 667 363 714" style="border: 1px solid black; padding: 2px; text-align: center;">Reappointed</div>	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company																												
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Director, Japan Growth Investments Alliance, Inc.																													
Reasons for nomination as a candidate for Director																													
<p>Kei Nakano was appointed Executive Vice President of the Company in January 2023 and then Representative Director and Executive Vice President in March 2023. He has acquired deep and wide-ranging knowledge in such areas of overall management strategies and business management, during his time serving in important roles, including President and Chief Executive Officer, TS Network Co., Ltd.; Senior Vice President, Communications of the Company; Senior Vice President, Corporate Strategy of the Company; and Senior Vice President, Corporate Strategy of the Company; and has utilized them to the fullest to contribute to the Company's growth. We judge that his diverse experience and strategic thinking and accurate decision-making based on such experience will be indispensable as a driving force to advance the Group's management further, and hence we propose his re-election as a Member of the Board.</p>																													

Candidate Number

5

Koji Shimayoshi

(Born March 7, 1968)

Number of the Company's Shares Held

14,400




Newly
appointed


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

April 1993	Joined the Company
July 2008	Vice President, Tobacco Business Planning Division, Tobacco Business
July 2012	Vice President, Human Resources Division
July 2014	Vice President, Human Resources Division and Human Resources Planning Division
October 2015	Senior Vice President, Chief Human Resources Officer
January 2017	Senior Vice President, Head of Tobacco Business Planning Division, Tobacco Business
October 2017	Senior Vice President, JT International S.A.
January 2018	Executive Vice President, JT International S.A.
January 2024	Executive Vice President, Corporate Governance, Compliance, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business of the Company (Current Position)


Reasons for nomination as a candidate for Director

Koji Shimayoshi served in important roles including Head of Tobacco Business Planning Division, Vice President of Human Resources Division, Senior Vice President, Chief Human Resources Officer, Senior Vice President, Head of Tobacco Business Planning Division, and Tobacco Business, and Executive Vice President, JT International S.A., a subsidiary of the Company, using his strong leadership focusing on management strategies and business management both in and outside Japan, enhancement of organizational strength, and human resource management. We judge that his keen discernment and accurate decision-making based on his wide-ranging experience and advanced knowledge will be indispensable as a driving force to advance the Group's management further, and hence we propose his election as a Member of the Board.

Candidate Number		Number of years as Outside Director	5 years																
6	Yukiko Nagashima	(at the conclusion of this Ordinary General Meeting of Shareholders) (Born April 4, 1961)	Number of the Company's Shares Held 0																
 <div style="border: 1px solid black; padding: 5px; margin: 5px; width: fit-content; margin: 5px;">Reappointed</div> <div style="border: 1px solid black; padding: 5px; margin: 5px; width: fit-content; margin: 5px;">Outside Director</div> <div style="border: 1px solid black; padding: 5px; margin: 5px; width: fit-content; margin: 5px;">Independent Director</div>	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company																		
	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">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)																		
(Significant Concurrent Positions outside the Company)																			
Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd. Standing Audit & Supervisory Board Member, Recruit Co., Ltd. Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION																			
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>																			
Significant matters concerning candidate for Outside Director																			
<ul style="list-style-type: none"> - 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 2023 was negligible, coming to less than 0.01% of consolidated revenue for Recruit Holdings Co., Ltd. in the fiscal year ended March 2023, and less than 0.01% of the Company's consolidated revenue in fiscal year 2023. 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 2023 was negligible, coming to less than 0.001% of consolidated revenue for SUMITOMO CORPORATION in the fiscal year ended March 2023, and less than 0.001% of the Company's consolidated revenue in fiscal year 2023. We judge that these relationships have no impact on her independence. - 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		Number of years as Outside Director	3 years																								
7	Masato Kitera	(at the conclusion of this Ordinary General Meeting of Shareholders)																									
	(Born October 10, 1952)	Number of the Company's Shares Held	0																								
	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company																										
Reappointed	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 20%;">April 1976</td> <td>Joined the Ministry of Foreign Affairs</td> </tr> <tr> <td>January 2008</td> <td>Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs</td> </tr> <tr> <td>July 2008</td> <td>Director-General, International Cooperation Bureau, Ministry of Foreign Affairs</td> </tr> <tr> <td>January 2010</td> <td>Deputy Minister, Ministry of Foreign Affairs</td> </tr> <tr> <td>September 2012</td> <td>Assistant Chief Cabinet Secretary</td> </tr> <tr> <td>November 2012</td> <td>Ambassador of Japan to the People's Republic of China</td> </tr> <tr> <td>April 2016</td> <td>Ambassador of Japan to the Republic of France</td> </tr> <tr> <td>June 2016</td> <td>Ambassador of Japan to the Republic of France, Andorra and Monaco (Retired in December 2019)</td> </tr> <tr> <td>April 2020</td> <td>Advisor of the Company</td> </tr> <tr> <td>June 2020</td> <td>Outside Director, Marubeni Corporation (Current Position)</td> </tr> <tr> <td></td> <td>Outside Director, NIPPON STEEL CORPORATION (Current Position)</td> </tr> <tr> <td>March 2021</td> <td>Outside Director of the Company (Current Position)</td> </tr> </table>			April 1976	Joined the Ministry of Foreign Affairs	January 2008	Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs	July 2008	Director-General, International Cooperation Bureau, Ministry of Foreign Affairs	January 2010	Deputy Minister, Ministry of Foreign Affairs	September 2012	Assistant Chief Cabinet Secretary	November 2012	Ambassador of Japan to the People's Republic of China	April 2016	Ambassador of Japan to the Republic of France	June 2016	Ambassador of Japan to the Republic of France, Andorra and Monaco (Retired in December 2019)	April 2020	Advisor of the Company	June 2020	Outside Director, Marubeni Corporation (Current Position)		Outside Director, NIPPON STEEL CORPORATION (Current Position)	March 2021	Outside Director of the Company (Current Position)
April 1976	Joined the Ministry of Foreign Affairs																										
January 2008	Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs																										
July 2008	Director-General, International Cooperation Bureau, Ministry of Foreign Affairs																										
January 2010	Deputy Minister, Ministry of Foreign Affairs																										
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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	Outside Director of the Company (Current Position)																										
Outside Director	(Significant Concurrent Positions outside the Company) Outside Director, Marubeni Corporation Outside Director, NIPPON STEEL CORPORATION																										
Independent Director	Reasons for nomination as a candidate for Outside Director and summary of expected roles 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. 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.																										
	Significant matters concerning candidate for Outside Director <ul style="list-style-type: none"> - 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 2023 was negligible, coming to less than 0.001% of consolidated revenue for Marubeni Corporation in the fiscal year ended March 2023, and less than 0.001% of the Company's consolidated revenue in fiscal year 2023. In addition, in April 2020 the Company entered into a part-time advisory agreement with Masato Kitera. The agreement was canceled as at the point when his election was approved at the 36th Ordinary General Meeting of Shareholders held on March 24, 2021. The consideration paid to Masato Kitera based on this agreement were not more than ¥10 million prescribed in the Company's independence criteria of outside executives. We judge that this relationship has no impact on his independence. - NIPPON STEEL CORPORATION, where Masato Kitera serves as an Outside Director, received an instructive document from Chiba Prefecture, Kisarazu City, Kimitsu City, and Futtsu City in August 2023 on the draining of colored effluent that flowed out, the draining of liquid exceeding the effluent standards at outlets, and the company's handling of water quality measurement results. While Masato Kitera realized these facts only after they had been reported, he has fulfilled his duties through making recommendations and proposals, etc. from a legal compliance perspective at meetings of the Board of Directors on a day-to-day basis. In addition, after the above incidents were reported, he has worked to review and make recommendations on the matters including the cause of occurrence, the adequacy of actions taken before and after the fact, and preventive measures. 																										

Candidate Number		Number of years as Outside Director	2 years																								
8	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: 5px; width: fit-content; margin: 5px auto;">Reappointed</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Outside Director</div> <div style="border: 1px solid black; padding: 5px; width: fit-content; margin: 5px auto;">Independent Director</div>	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company																										
	<table border="0" style="width: 100%;"> <tr> <td style="width: 20%;">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>December 2020</td> <td>Outside Director, circlace Inc. (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>			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)	December 2020	Outside Director, circlace Inc. (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)																										
December 2020	Outside Director, circlace Inc. (Current Position)																										
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	Outside Director, Mitsubishi Logistics Corporation (Current Position)																										
March 2022	Outside Director of the Company (Current Position)																										
(Significant Concurrent Positions outside the Company) Corporate Advisor, NTT Communications Corporation Outside Director, circlace Inc. Outside Director, Sapporo Holdings Limited Outside Director, Hitachi Zosen Corporation Outside Director, Mitsubishi Logistics Corporation																											
Reasons for nomination as a candidate for Outside Director and summary of expected roles <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>Although Shoji Tetsuya is a Corporate Advisor of NTT Communications, concurrently serving as an Outside Director of circlace Inc., Sapporo Holdings Limited, Hitachi Zosen Corporation, and Mitsubishi Logistics Corporation, he has attended all of the meetings of the Board of Directors, and Advisory Panel on Nomination and Compensation held since he assumed the office of Outside Director of the Company in March 2022 and devoted his time to performing his duties appropriately.</p>																											
Significant matters concerning candidate for Outside Director <ul style="list-style-type: none"> - Although the Company has a business relationship with NTT Communications Corporation, of which he is a Corporate Advisor, the value of this business in fiscal year 2023 was negligible, coming to less than 0.05% of consolidated revenue for NTT Communications Corporation in the fiscal year ended March 2023, and less than 0.05% of the Company's consolidated revenue in fiscal year 2023. <p>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 2023 was negligible, coming to less than 0.001% of consolidated revenue for Mitsubishi Logistics Corporation in the fiscal year ended March 2023, and less than 0.001% of the Company's consolidated revenue in fiscal year 2023.</p> <p>We judge that these relationships have no impact on his independence.</p>																											

Candidate Number	Number of years as Outside Audit & Supervisory Board Member (at the conclusion of this Ordinary General Meeting of Shareholders)		1 year
9	Hiroko Yamashina		(Born May 20, 1963)
		Number of the Company's Shares Held	0
	Brief Personal History, Positions and Responsibilities 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)		
March 2023	Outside Audit & Supervisory Board Member of the Company (Current Position)		
<div style="border: 1px solid black; padding: 5px; text-align: center;">Newly appointed</div>	(Significant Concurrent Positions outside the Company)		
<div style="border: 1px solid black; padding: 5px; text-align: center;">Outside Director</div>	Group Executive, ORIX Corporation		
<div style="border: 1px solid black; padding: 5px; text-align: center;">Independent Director</div>	Chairman, ORIX Credit Corporation		
Reasons for nomination as a candidate for Outside Director and summary of expected roles			
<p>Hiroko Yamashina assumed the office of Outside Audit & Supervisory Board Member in March 2023. Having served in 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. Although Hiroko Yamashina has served as Outside Audit & Supervisory Board Member of the Company for only one year at the conclusion of this Ordinary General Meeting of Shareholders, she has made a significant contribution to effective auditing through expressing honest opinions to management in a timely and appropriate manner. We judge that reflecting her broad outlook and high standing underpinned by her experience as a corporate manager in the Group's management is beneficial to strengthening the Group's corporate governance, and therefore, she is appropriate as Outside Director of the Company, and for this reason we propose her election as Outside Director.</p>			

Candidate Number

10

Kenji Asakura

(Born December 11, 1955)

Number of the Company's Shares Held

0



Newly
appointed

Outside
Director

Independent
Director

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

April 1978	Joined Nagase & Co., Ltd.
April 2009	Executive Officer and General Manager of Automotive Solutions Dept.
June 2013	Director, Executive Officer
April 2015	Representative Director, President and CEO
April 2023	Representative Director, Chairman (Current Position)

(Significant Concurrent Positions outside the Company)

Representative Director, Chairman, Nagase & Co., Ltd.

Reasons for nomination as a candidate for Outside Director and summary of expected roles

Having served in important roles such as Representative Director, President and CEO and Representative Director, Chairman of a trading company specializing in trading chemical products, Kenji Asakura possesses outstanding experience and wide-ranging knowledge in global corporate management, business operation, and corporate cultural reform, etc. As we judge that reflecting his broad outlook and high standing underpinned by his experience and track record as a top management member of a listed global company in the Group's management may contribute to further strengthening the effectiveness of the Board of Directors, we expect him to give appropriate proposals and advice on and supervise execution of the Group's business, and for this reason we propose his election as Outside Director.

Significant matters concerning candidate for Outside Director

- Although the Company has a business relationship with Nagase & Co., Ltd., of which he is the Representative Director, Chairman, the value of this business in fiscal year 2023 was negligible, coming to less than 0.001% of consolidated net sales for Nagase & Co., Ltd. in the fiscal year ended March 2023, and less than 0.001% of the Company's consolidated revenue in fiscal year 2023.
We judge that this relationship has no impact on his independence.

- (Notes)
1. No conflict of interest exists between the Company and each candidate.
 2. Yukiko Nagashima, Masato Kitera, Tetsuya Shoji, Hiroko Yamashina and Kenji Asakura satisfy the Company's independence criteria of outside executives and the requirements of an independent director prescribed by the Tokyo Stock Exchange, Inc.
 3. The Company has designated Yukiko Nagashima, Masato Kitera, Tetsuya Shoji and Hiroko Yamashina as independent directors as prescribed by the Tokyo Stock Exchange, Inc. and intends to designate them as such again, should their election be approved. The Company also intends to designate Kenji Asakura as an independent director as prescribed by the Tokyo Stock Exchange, Inc., should his election be approved.
 4. The Company has entered into an agreement with Mutsuo Iwai, Shigeaki Okamoto, Yukiko Nagashima, Masato Kitera and Tetsuya Shoji as Members of the Board (excluding Directors who also serve as Executive Officers, etc.) to limit their liabilities stipulated in Paragraph 1, Article 423 of the Companies Act to the extent permitted by the laws and regulations. The Company intends to extend the respective agreement if their reelection is approved. The Company will also enter into an agreement to the same effect with Hiroko Yamashina and Kenji Asakura as Members of the Board (excluding Directors who also serve as Executive Officers, etc.) subject to the approval of their election. Currently, the Company has entered into an agreement to the same effect with Hiroko Yamashina as an Audit & Supervisory Board Member.
 5. The Company has entered into a liability agreement with each of its Members of the Board as stipulated in Paragraph 1, Article 430-2 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 those to be newly elected subject to the approval of their election.
 6. The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Paragraph 1, Article 430-3 of the Companies Act, and intends to renew this agreement in April 2024. 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.

Item 4: Election of One (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Hiroko Yamashina will resign at the conclusion of this Ordinary General Meeting of Shareholders. Accordingly, we propose the election of one (1) Audit & Supervisory Board Member as her substitute.

The Audit & Supervisory Board has approved this proposition.

The candidate for the office of Audit & Supervisory Board Member is as follows.

Emiko Takeishi		(Born February 16, 1960)	Number of the Company's Shares Held	0
	Brief Personal History, Positions in the Company, and Significant Concurrent Positions outside the Company			
	<p>April 1982 Joined the Ministry of Labour</p> <p>July 1992 Joined NLI Research Institute</p> <p>April 2003 Assistant Professor, Institute of Social Science, The University of Tokyo</p> <p>April 2004 Research Fellow, NLI Research Institute</p> <p>April 2006 Assistant Professor, Faculty of Lifelong Learning and Career Studies, Hosei University</p> <p>April 2007 Professor, Faculty of Lifelong Learning and Career studies, Hosei University (Current Position)</p> <p>February 2015 Outside Corporate Auditor, Kewpie Corporation</p> <p>June 2015 Outside Audit & Supervisory Board Member, Tokio Marine & Nichido Fire Insurance Co., Ltd. (Current Position)</p> <p>June 2023 Outside Audit & Supervisory Board Member, KAJIMA CORPORATION (Current Position)</p>			
<p>Newly appointed</p>				
<p>Outside Audit & Supervisory Board Member</p>	<p>(Significant Concurrent Positions outside the Company)</p> <p>Professor, Faculty of Lifelong Learning and Career studies, Hosei University</p> <p>Outside Audit & Supervisory Board Member, Tokio Marine & Nichido Fire Insurance Co., Ltd.</p> <p>Outside Audit & Supervisory Board Member, KAJIMA CORPORATION</p>			
<p>Independent Audit & Supervisory Board Member</p>				
Reasons for nomination as a candidate for Outside Audit & Supervisory Board Member				
<p>Emiko Takeishi has served in important roles such as a university professor specialized in human resource management and women's labor theory, etc., been a member of the Labour Policy Council of the Ministry of Health, Labour and Welfare, and outside auditors of business companies, and possesses wide-ranging experience and advanced and deep knowledge in personnel systems, labor policies, and corporate governance. Emiko Takeishi has not engaged in corporate management previously other than serving as an Outside Auditor. Nevertheless, 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, and for this reason we propose her election as Outside Audit & Supervisory Board Member.</p>				
Significant matters concerning candidate for Outside Audit & Supervisory Board Member				
<p>- Although the Company has a business relationship with Tokio Marine & Nichido Fire Insurance Co., Ltd., of which she is an Outside Audit & Supervisory Board Member, the value of this business in fiscal year 2023 was negligible, coming to less than 0.05% of ordinary income for Tokio Marine & Nichido Fire Insurance Co., Ltd. in the fiscal year ended March 2023, and less than 0.05% of the Company's consolidated revenue in fiscal year 2023.</p> <p>In addition, the Company has a business relationship with KAJIMA CORPORATION, of which she is an Outside Audit & Supervisory Board Member, the value of this business in fiscal year 2023 was negligible, coming to less than 0.05% of consolidated revenue for KAJIMA CORPORATION in the fiscal year ended March 2023, and less than 0.05% of the Company's consolidated revenue in fiscal year 2023.</p> <p>We judge that these relationships have no impact on her independence.</p> <p>- In December 2023, the FSA issued business improvement orders under the Insurance Business Act to Tokio Marine Nichido Fire Insurance Co., Ltd., where Emiko Takeishi serves as an Outside Audit & Supervisory Board Member, because the company was found by the FSA to have committed an act that may violate the Anti-Monopoly Act and an act inappropriate in view of a key purpose of the Act, and to have a systematic problem behind such acts. Emiko Takeishi was unaware of the circumstances in question beforehand, but at meetings of the Board of Directors she has frequently provided recommendations from the viewpoint of internal control and enhancement legal compliance, etc. After the above events came to light, she fulfilled her duties, instructing thorough research and cause analysis, as well as the formulation of preventive measures.</p>				

- (Notes)
1. No conflict of interest exists between the Company and Emiko Takeishi.
 2. Emiko Takeishi satisfies the Company's independence criteria of outside executives and the requirements of an independent auditor prescribed by the Tokyo Stock Exchange, Inc. The Company intends to designate Emiko Takeishi as an independent auditor as prescribed by the Tokyo Stock Exchange, Inc., should her election be approved.
 3. The Company will enter into an agreement with Emiko Takeishi as an Audit & Supervisory Board Member to limit her liabilities stipulated in Paragraph 1, Article 423 of the Companies Act to the extent permitted by the laws and regulations subject to the approval of her election.
 4. The Company will enter into a liability agreement with Emiko Takeishi as stipulated in Paragraph 1, Article 430-2 of the Companies Act subject to the approval of her election, whereby the Company shall compensate her 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.
 5. The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Paragraph 1, Article 430-3 of the Companies Act, and intends to renew this agreement in April 2024. 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. Emiko Takeishi will be covered as the insured by the insurance agreement subject to the approval of her 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

The Company will pursue the “4S model,” the Group’s management principle, and realize the JT Group Purpose. The area of “human enrichment” undergoes changes in various ways with the times and the people, and the Company will strive to evolve constantly so that it can continue to be entrusted by society and make valuable contributions to the area in the future. On that basis, the Company believes that it is important for its Board of Directors to be comprised of diverse professionals who agree with the “4S model” and JP Group Purpose, with a high sense of ethics and integrity as well as knowledge, experience and skills.







In order for the Board of Directors comprised of members based on the above view to properly fulfill its roles and responsibilities, the Company particularly expects each Member of the Board to demonstrate skills based on their knowledge and experience in the following areas, and 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 that contribute to sustainable profit growth and enhancement of corporate value based on the “4S model,” our management principle.
- **“Global Management,”** which is essential for the JT Group, which operates globally, in order to achieve mid- to long-term business growth.
- **“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 for our corporate value growth and business continuity.
- **“IT / Information Security,”** which is one of the important management foundations for strengthening the competitiveness of the JT Group and for business continuity.
- **“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, in order to contribute to building sustainable nature and society through the realization of JT Group Purpose based on the “4S model.”
- **“DE&I (Diversity, Equity & Inclusion) / Organizational Behavior and Human Resource Management,”** to respect different backgrounds and values, such as gender, sexual orientation, age, and nationality, as well as experience and expertise, and promote the investments in human resources including growth support focusing on personnel diversity, and the creation of an environment where diverse employees can perform to the best of their abilities.
- **“Business Development / M&A”** to formulate strategies and carry out measures for further development and business growth in order to continue providing “human enrichment” in accordance with ever-changing society and the values of people.

In addition, in light of the roles and responsibilities of Audit & Supervisory Board Members to oversee the job performance of Members of the Board, we are particularly expecting Audit & Supervisory Board Members 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	Kei Nakano	Koji Shimayoshi	Yukiko Nagashima
Positions	Chairperson of the Board	Deputy Chairperson of the Board	Representative Director and President	Representative Director and Executive Vice President	Representative Director and Executive Vice President	Outside Director
Corporate Management	●		●	●	●	●
Global Management	●		●		●	
Corporate Finance, Accounting and Capital Policy		●		●		
Legal, Compliance and Risk Management	●	●	●	●	●	
IT / Information Security	●		●		●	
Corporate Governance	●	●	●	●	●	●
Sustainability / Environment and Society		●	●		●	
DE&I / Organizational Behavior and Human Resource Management	●	●	●		●	●
Business Development / M&A			●	●	●	●

								
Masato Kitera	Tetsuya Shoji	Hiroko Yamashina	Kenji Asakura	Hideaki Kashiwakura	Tsutomu Hashimoto	Shigeru Taniuchi	Nobuo Inada	Emiko Takeishi
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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【Reference】 Corporate Governance

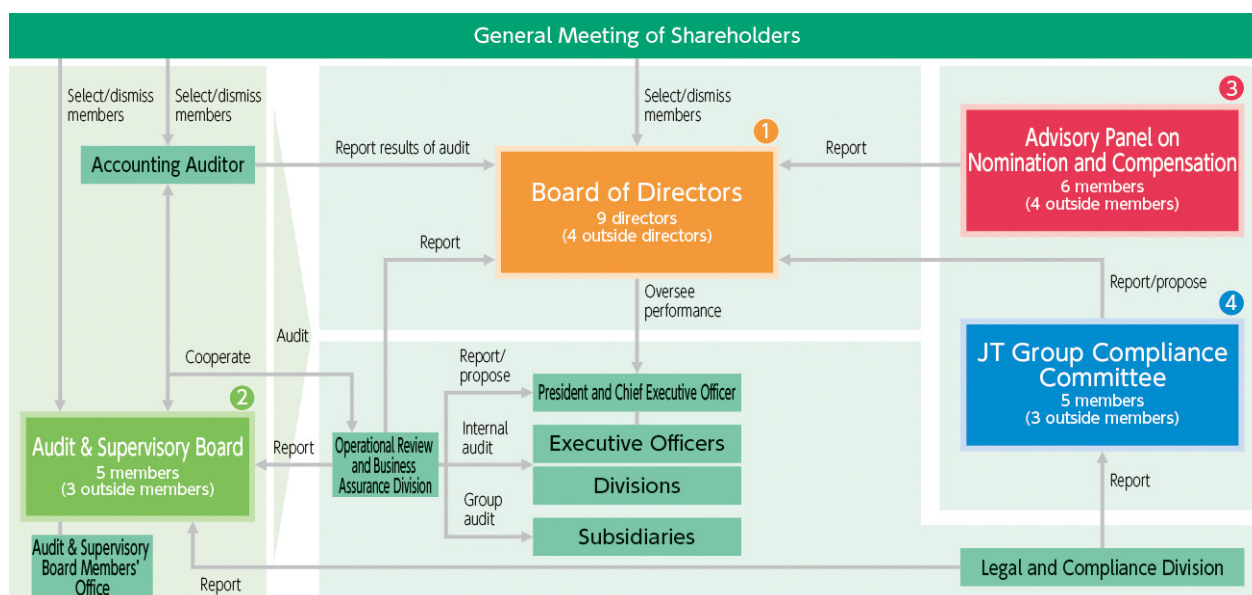
Fundamental Policy Concerning Corporate Governance

We have enhanced our corporate governance, based on our belief that it is the means for conducting transparent, fair, timely and decisive decision-making for pursuing JT's management principle, the "4S model." Specifically, the "4S model" aims "to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can."

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

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

JT's Corporate Governance System (as of December 31, 2023)



"JT Corporate Governance Policies" is posted on our website (<https://www.jt.com/about/index.html>).

(1) Board of Directors

[Roles]

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

[Composition]

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

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

It is currently composed of nine (9) Members of the Board (including four (4) Independent Outside Directors). Conditional on approval by this Ordinary General Meeting of Shareholders, it is planned that it be composed of ten (10) Members of the Board (including five (5) Independent Outside Directors).

[Operation during the period under review]

In fiscal year 2023, we had fourteen (14) board meetings to discuss important issues including the management plan and nomination of Executive Officers.

(2) Audit & Supervisory Board

[Roles]

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

[Composition]

It is currently composed of five (5) Audit & Supervisory Board Members (including three (3) Independent Outside Audit & Supervisory Board Members). 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 fiscal year 2023, we had fourteen (14) 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 a voluntary advisory panel 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 Executive Directors and 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 currently consists of the Chairperson of the Board, Deputy Chairperson of the Board, and four (4) Independent Outside Directors, a total of six (6) members; upon the approval of Item 3, we will have ten (10) Members of the Board (including five (5) Independent Outside Directors), with the Panel consisting of the Chairperson of the Board, Deputy Chairperson of the Board, and five (5) Independent Outside Directors, a total of seven (7) members.

[Operation during the period under review]

In fiscal year 2023, five (5) meetings were held to discuss the nomination of the proposed Members of the Board and Audit & Supervisory Board Members, and their skills matrix, confirm the level of remuneration, confirm the pool of executive candidates, discuss the enhancement of cooperation with the Advisory Panel on Nomination and

Compensation that helps strengthen the supervisory function of the Board of Directors, and review the key performance indicators (KPIs) for the executive bonuses and performance share units.

(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. From fiscal year 2024, the structure of the committee will change so that it will oversee and promote compliance for the entire JT Group as a consultative body with accountability to the Board of Directors. In addition, corporate and business divisions will each have their own divisional compliance committees. These will autonomously deliberate on compliance matters in their own divisions, while the JT Group Compliance Committee will monitor and deliberate on the JT Group's overall initiatives and report adequately to the Board of Directors. In this way, the committee will strive to strengthen the connection with the board and enhance and strengthen the JT Group's compliance from both the supervision and promotion aspects.

[Composition]

In fiscal year 2023, it was headed by the Chairperson of the Board, with the majority of the members consisting of external members. From fiscal year 2024, the committee will comprise the President, the Vice President, and external experts, and the President will serve as the Chairperson.

[Operation during the period under review]

In fiscal year 2023, 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 2024.

【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】 The Company's Independence Criteria of Outside Executives

The Company has established an independence criteria of Outside Executives and Independent Outside 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 independent auditor or an audit advisor of JT, or a person who belongs to an auditing firm which serves as an independent 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 Director 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

We evaluate annually the effectiveness of our Board of Directors through a multi-step process. First, all Directors and Audit & Supervisory Board Members complete a self-assessment questionnaire with regards to factors including the Board's operations, oversight function and dialogues with shareholders and investors. Second, the Board's administrative staff interview the Members of the Board and Audit & Supervisory Board Members individually as necessary to delve deeper into their questionnaire responses and compile the evaluation results. Lastly, the Board reviews and analyzes the self-assessment results with the aim of further improving its effectiveness.

In fiscal year 2023, 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 2023
- Period of evaluation: Year 2023 (January 2023 to December 2023)
- Response period: November 17, 2023 - December 1, 2023
- Target respondents: Total of 14 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 19, 2024

The major items evaluated were as follows. Questions are designed to confirm improvements to the issues identified in fiscal year 2022 in addition to items that should be continually checked.

1. Roles, Functions and Composition of the Board of Directors (6 questions)
2. Business operation of the Board of Directors (7 questions)
3. Cooperation with audit institutions and risk management (3 questions)
4. Relationship with shareholders and investors (3 questions)
5. Voluntary committees (2 questions)
6. Issues to be discussed and shared (1 question)

In fiscal year 2023, we took the following actions to address the issues identified in the effectiveness evaluation for fiscal year 2022.

Main issues	Details of actions
<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 report and share the status of various management issues and risk management and the status of discussions in voluntary committees• Continual improvement of the management of the Board of Directors, including the enhancement of meeting facilities and facilitation of proceedings

In the evaluation of effectiveness conducted for fiscal year 2023, the items undergoing evaluation obtained good results on the whole as continuing from fiscal year 2022, allowing the Company to confirm that the effectiveness of the Board of Directors is improving, and the Board of Directors is functioning effectively. The responses to each question showed minimal deviation, indicating a general consensus in the recognition and understanding of the strengths and weaknesses of the Members of the Board and Audit & Supervisory Board Members. Additionally, there was especially high praise for the enhanced efforts in management aspects. These include the setting agenda items at Board of Directors' meetings and other forums for the exchange of views, as well as conducting open and dynamic proceedings.

In order to make an enhanced effectiveness, the Company will target continuous improvements from fiscal year 2024 onwards, focusing on the following initiatives.

Main issues	Policy for improvements going forward
<ul style="list-style-type: none"> • Continued strengthening of the effectiveness and efficiency of the Board of Directors • Continued further strengthening of the supervisory function of the Board of Directors 	<ul style="list-style-type: none"> • Improvement of the management of the Board of Directors, including the facilitation of proceedings • Enhancement of opportunities to share and discuss the main management issues, etc. • Enhancement of opportunities for communication among the officers

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

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

Business Report

(From January 1, 2023 to December 31, 2023)

I. Matters Concerning Present State of the Corporate Group

1. Overview and Results of Operations

General summary

- **Revenue**

Core revenue^(Note 1) at constant FX^(Note 2), which is one of the Group's management benchmarks, rose by 6.1% from the previous fiscal year. Revenue increased by 6.9% from the previous fiscal year to ¥2,841.1 billion due to revenue increases in the Tobacco Business and the Pharmaceutical Business.

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

Adjusted operating profit^(Note 3) at constant FX, which is one of the Group's management benchmarks, increased by 5.2% from the previous fiscal year mainly driven by growth in the Tobacco Business. Adjusted operating profit was ¥728.0 billion, the same level as the previous fiscal year, due to unfavorable currency movements as a result of the Japanese yen appreciating against several local currencies.

Operating profit increased by 2.9% from the previous fiscal year to ¥672.4 billion due to a decrease in amortization cost of acquired intangibles arising from business acquisitions and an increase in gains on sale of real estate in adjustment items.

Profit attributable to owners of the parent company increased by 8.9% from the previous fiscal year to ¥482.3 billion due to an increase in operating profit as well as decreases in financing costs and income taxes.

JT Group Management Benchmarks

Core revenue at constant FX	+6.1% year on year	Adjusted operating profit at constant FX	+5.2% year on year
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Consolidated performance

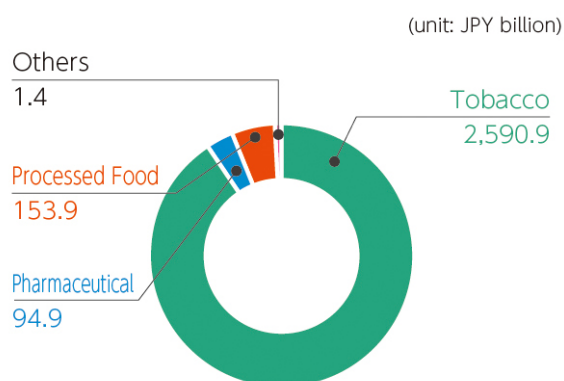
	[Billions of yen]	Year-On-Year Change [%]
Revenue	2,841.1	+6.9
Adjusted operating profit	728.0	+0.0
Profit attributable to owners of the parent company	482.3	+8.9

(Notes) 1. 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.

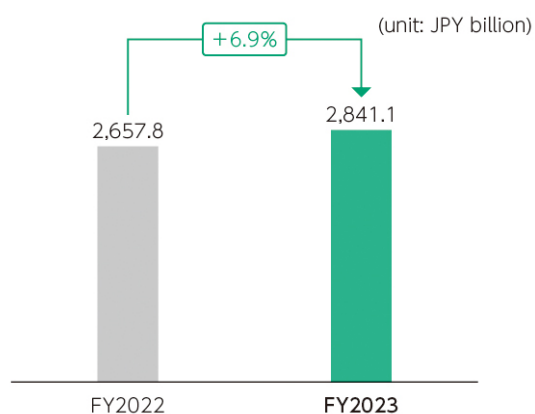
2. Constant FX is a financial measurement that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the same period of the previous fiscal year and the increase in revenue or profit caused by inflation in some markets calculated using certain methods from adjusted operating profit for the current period in the Tobacco Business, core revenue, or from core revenue from the Tobacco Business.

3. 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.

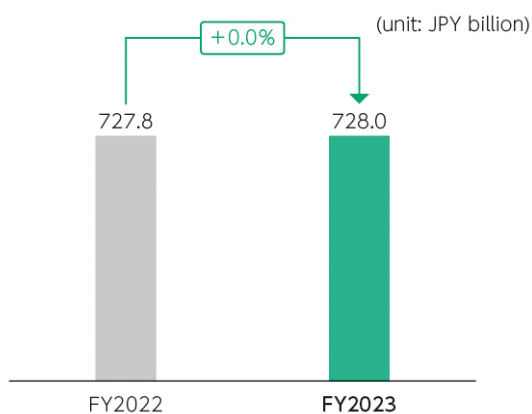
Revenue breakdown by business segment



Revenue

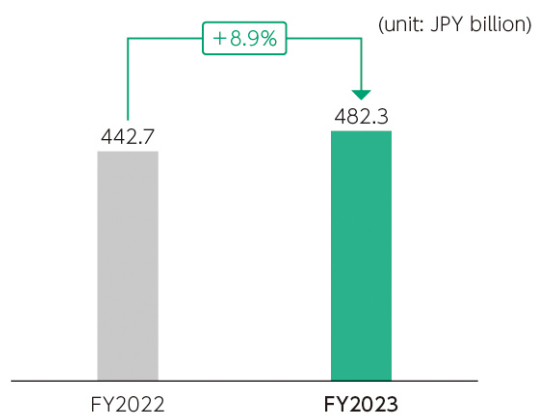


Adjusted operating profit

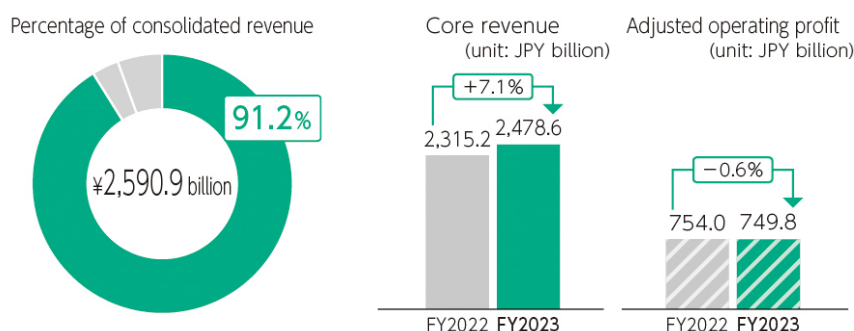


Profit

(Attributable to owners of the parent company)



Tobacco Business



In the current fiscal year, total volume ^(Note 1) rose by 2.4% from the previous fiscal year to 540.1 billion cigarettes, driven by mid-single-digit growth in EMA ^(Note 2), stable volume in Asia ^(Note 2), following continued market share gains, and favorable industry volume trends in selected markets. This more than offset a decline in Western Europe ^(Note 2) due to lower industry volumes, notably in the U.K. Combustibles volume ^(Note 3) increased by 2.3% from the previous fiscal year to 531.3 billion units, fueled by Winston and Camel. RRP volume ^(Note 4) grew by 11.8% to 8.8 billion cigarette equivalent units, fueled by HTS ^(Note 5) volume increasing in Japan and the market launch of Ploom X in Europe.

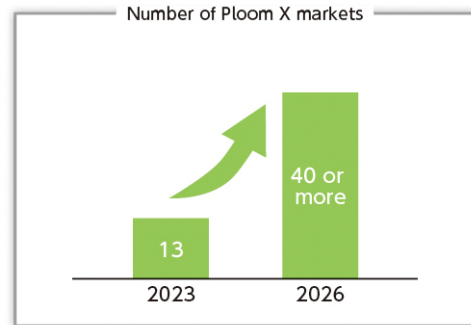
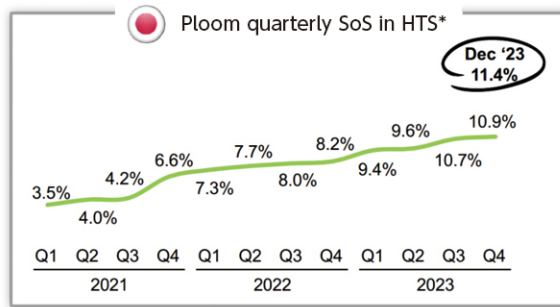
Core revenue from the Tobacco Business ^(Note 6) increased by 7.1% from the previous fiscal year to ¥2,478.6 billion (up 6.4% from the previous fiscal year at constant FX) driven by a strong price/mix variance in Western Europe and EMA and a positive volume contribution and favorable currency movements in Asia and EMA. RRP-related revenue ^(Note 7) increased by 8.3% from the previous fiscal year to ¥81.6 billion.

Adjusted operating profit decreased by 0.6% to ¥749.8 billion (up 4.4% from the previous fiscal year at constant FX) due to unfavorable currency movements.

- (Notes)
1. Total volume is the volume of tobacco-based products which excludes contract-manufactured products, waterpipe, RRP devices and related accessories.
 2. 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.
 3. 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.
 4. 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.
 5. HTS (Heated tobacco sticks) is high temperature heated tobacco products.
 6. Core revenue from the tobacco business excludes revenue from distribution, contract manufacturing and other peripheral businesses.
 7. RRP-related revenue is a part of core revenue from the tobacco business and represents all the sale of RRP, principally consumables, devices and the related accessories.

Progress of Ploom X

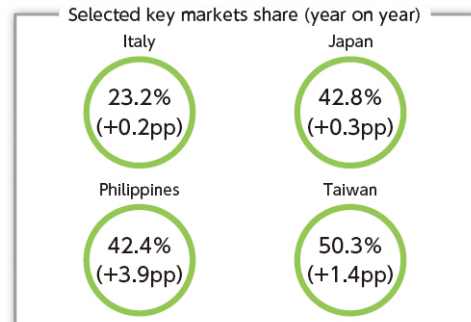
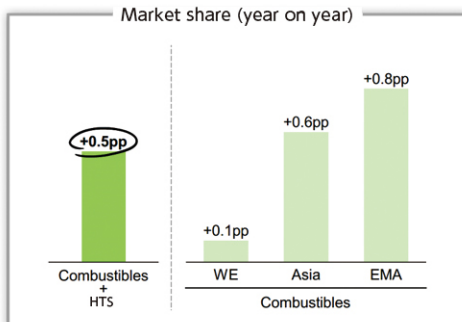
- JT's share in the HTS category in Japan has steadily grown even amid intensifying competition, reaching an 11.4% share in December 2023
- Expanded the geographic reach of Ploom X, making it available to adult consumers in 13 markets as of December 31, 2023
- Expect to cover approximately 80% of the total global HTS demand by the end of fiscal year 2025. Ploom X to be available in over 40 markets by the end of fiscal year 2026



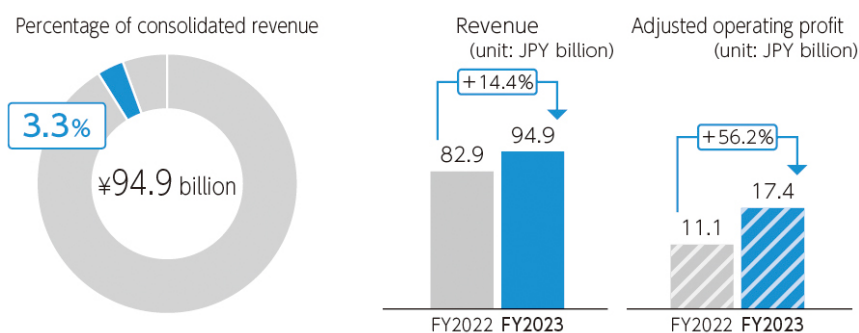
* JT's market share estimates by shipment

Continued market share gains

- In fiscal year 2023, market share gains recorded in over 50 markets, and total market share reached record high
- Market share increased in the key markets including Italy, Japan, the Philippines and Taiwan



Pharmaceutical Business



The Pharmaceutical Business 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, eight compounds are in clinical development.

On January 30, 2023, 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, was approved for the expanded use in infants (aged 6 months to under 2 years).

On September 15, 2023, the Company applied for approval for domestic manufacturing and marketing for JTE-61 (tapinarof) as indications in atopic dermatitis and plaque psoriasis. JTE-061 is also in Phase 3 clinical studies conducted in Japan for the indication in atopic dermatitis (pediatric).

On June 7, 2023, Shenzhen Salubris Pharmaceuticals Co., Ltd., a Chinese licensee of enarodustat, received manufacturing and marketing approval in Mainland China for enarodustat as an indication of anemia associated with chronic kidney disease in adult patients not on dialysis.

LEO Pharma A/S, a Danish licensee of delgocitinib, submitted a marketing authorization application for delgocitinib to the European Medicine Agency for the treatment of chronic hand eczema, which was accepted on August 17, 2023.

Revenue for the current fiscal year increased by 14.4% from the previous fiscal year to ¥94.9 billion due to one-time income pertaining to license agreements for licensed compounds and an increased revenue of Group company Torii Pharmaceutical Co., Ltd.

Adjusted operating profit increased by 56.2% from the previous fiscal year to ¥17.4 billion due to an increase in revenue despite an increase in research and development expenses.

【Reference】

**Pharmaceutical Business
Clinical Development as of February 13, 2024**

<In-house development>

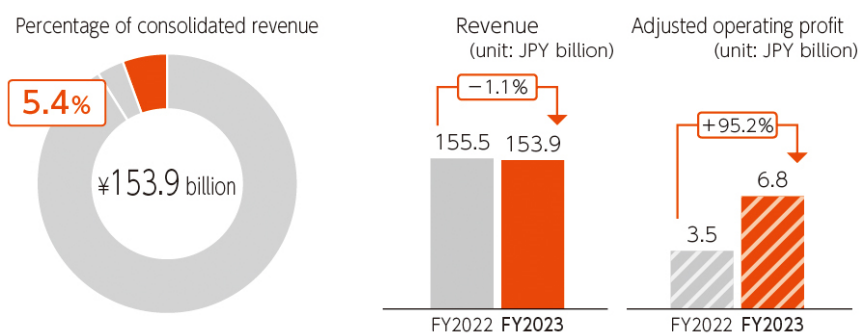
Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase(Region)	Origin	Note
JTE-052 (delgocitinib)	Autoimmune/allergic diseases /Oral, Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase1 (Japan)	In-house	
JTE-051	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) Phase2 (Overseas)	In-house	
JTT-662	Type 2 diabetes mellitus /Oral	SGLT1 inhibitor	Suppresses postprandial hyperglycemia and normalizes blood glucose level via inhibition of SGLT1.	Phase1 (Overseas)	In-house	
JTT-861	Chronic heart failure /Oral	PDHK inhibitor	Improves cardiac function by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase2 (Overseas)	In-house	
JTE-061 (tapinarof)	Atopic dermatitis /Topical	AhR modulator	Suppresses skin inflammation via activation of the aryl hydrocarbon receptor (AhR)	NDA filed (Japan)	In-license	· In-license from Dermavant Sciences GmbH · Co-development with Torii
	Plaque psoriasis /Topical			NDA filed (Japan)		
	Atopic dermatitis (pediatric) /Topical			Phase3 (Japan)		
JTC-064	Neurodegenerative disease /Oral	PDHK inhibitor	Improves metabolic abnormalities by activation of pyruvate dehydrogenase (PDH)	Phase1 (Overseas)	In-house	
JTV-161	Pulmonary arterial hypertension /Oral	Pim-1 inhibitor	Suppresses pulmonary vascular cell proliferation by inhibiting Pim-1	Phase1 (Overseas)	In-house	
JTE-162	Autoinflammatory/ Autoimmune diseases /Oral	NLRP3 inhibitor	Suppresses immune response by inhibition of NLRP3 inflammasome	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.	
delgocitinib	LEO Pharma ROHTO Pharmaceutical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	
enarodustat	JW Pharmaceutical Shenzhen Salubris Pharmaceuticals	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PH.	

Processed Food Business



The Processed Food Business concentrates 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 20 new household products, such as the “Marugu” series of frozen ramen with toppings, supervised by famous ramen shops which are featuring toppings, noodles and soup, and renewing 30 products for further competitiveness.

Soaring raw material costs and other negative factors mainly due to acute fluctuations in exchange continued and adversely affected the business. Despite this challenging business environment, the Processed Food Business has exerted the upmost efforts to generate profits, by revising shipment prices, in addition to implementing continued initiatives to improve productivity and reducing costs, etc.

Revenue in the current fiscal year decreased by 1.1% from the previous fiscal year to ¥153.9 billion due to the impact of revenue losses caused by the transfer of the bakery business, partially offset by a positive contribution from price revisions, as well as top-line growth in food service products due to a recovery of eating out demand in the frozen and ambient foods business.

Adjusted operating profit increased by 95.2% from the previous fiscal year to ¥6.8 billion due to a positive contribution from price revisions as well as top-line growth in food-service products in the frozen and ambient foods business, offsetting the impact of sharp rises in raw materials and other costs.

2. Status of Capital Expenditures

In this fiscal year, we made capital expenditures totaling ¥125.4 billion.

For the tobacco business, the Group made business investments of ¥105.1 billion, for the purpose of RRP-related investments and renovation, maintenance and renewal of manufacturing equipment. In the pharmaceutical business, we spent ¥7.3 billion on enhancing and strengthening research and development structures and the like. In the processed food business, we invested ¥5.8 billion in improvement, maintenance and renewals of production capability.

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

3. Status of Financing

For the purpose of allocating funds for the repayment of interest-bearing debt, the Company issued straight bonds with general mortgage of total amount ¥60 billion on April 20, 2023.

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]

	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	39th term From January 1, 2023 to December 31, 2023
Revenue (Millions of yen)	2,092,561	2,324,838	2,657,832	2,841,077
Profit before income taxes (Millions of yen)	420,063	472,390	593,450	621,601
Profit attributable to owners of the parent company (Millions of yen)	310,253	338,490	442,716	482,288
Basic earnings per share (Yen)	174.88	190.76	249.45	271.69
Total assets (Millions of yen)	5,381,382	5,774,209	6,548,078	7,282,097
Total equity (Millions of yen)	2,599,495	2,886,081	3,616,761	3,912,491

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

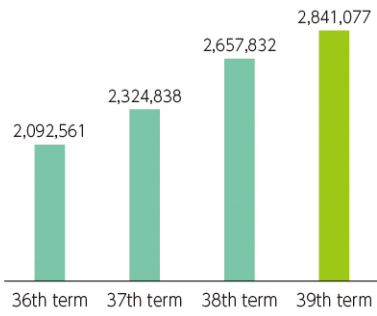
(2) Trends in assets and non-consolidated operating results of JT [Non-consolidated]

	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	39th term From January 1, 2023 to December 31, 2023
Net sales (Millions of yen)	596,887	592,220	542,181	537,261
Ordinary income (Millions of yen)	240,491	278,809	273,734	185,665
Net income (Millions of yen)	241,752	216,896	283,461	184,788
Basic earnings per share (Yen)	136.27	122.23	159.72	104.10
Total assets (Millions of yen)	2,597,930	2,487,979	2,363,267	2,293,951
Net assets (Millions of yen)	1,390,011	1,344,696	1,368,643	1,179,577

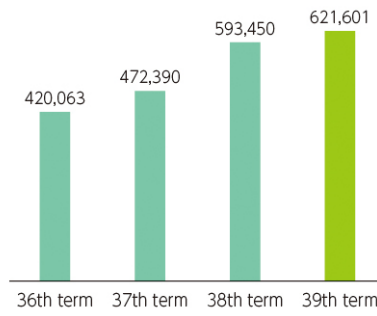
- (Notes) 1. Non-consolidated financial statements of the Company are prepared based on Japanese GAAP.
2. The Company has applied the “Accounting Standard for Revenue Recognition” (ASBJ Statement No. 29, March 31, 2020) and relevant Guidances effective from the 38th term.

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

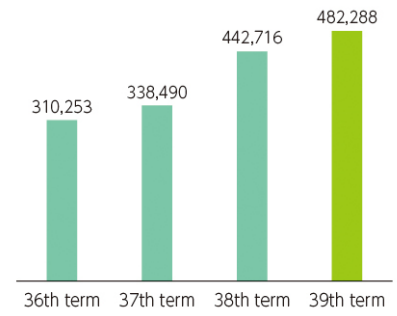
■ Revenue (unit: JPY million)



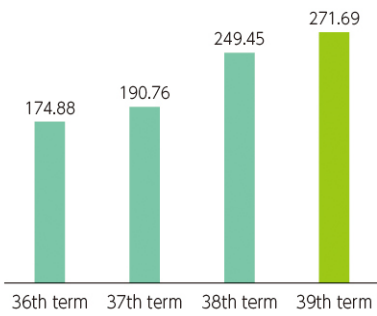
■ Profit before income taxes (unit: JPY million)



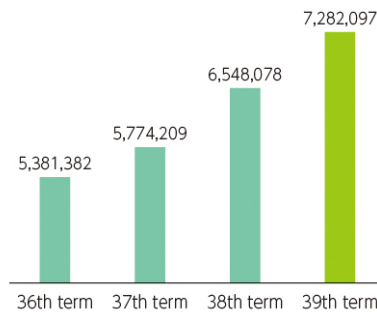
■ Profit attributable to owners of the parent company (unit: JPY million)



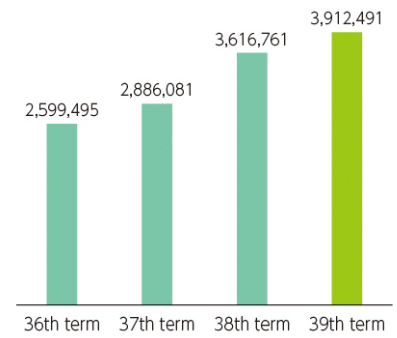
■ Basic earnings per share (unit: JPY)



■ Total assets (unit: JPY million)



■ Total equity (unit: JPY million)



9. Issues to Be Addressed

(1) Basic management policy

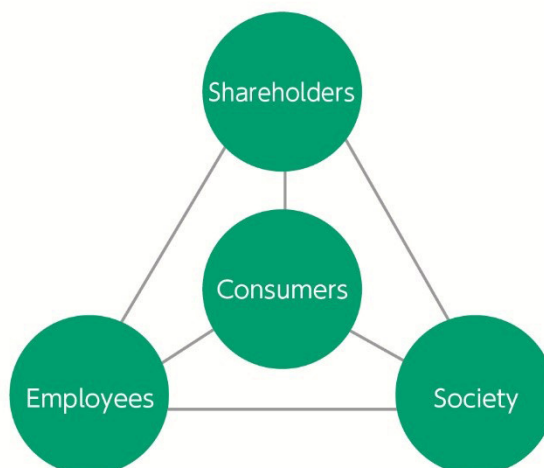
Our management principle is based on the pursuit of the “4S model.” The model requires us to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations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

By pursuing the “4S model,” we aim to achieve sustainable profit growth over the medium and long term. Since achieving 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 profit growth on a medium and long term perspective.

We firmly believe that pursuing the “4S model” is the best approach to continuously grow our corporate value over the medium and long term and serve the common interests of our four stakeholders, including shareholders.

Management Principle

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 in social and business situations. In response to this, the Group formulated the JT Group Purpose “Fulfilling Moments, Enriching Life” and a purpose for each business in fiscal year 2023 to clarify the direction to being a sustainable entity and has also completed formulating the code of conduct toward the realization of these purposes. In the future, the Group aims to realize the JT Group Purpose by producing results and making achievements through the implementation of business strategies and the practice of the code of conduct.

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 within this area by society and make valuable contributions in the future.

(2) Medium- and long-term management strategy and issues

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

With the tobacco business as the Group's core business and profit growth engine, the Group prioritizes business investments in the tobacco business for its sustainable profit growth. On the other hand, we will make necessary investments for the Pharmaceutical Business and the Processed Food Business to complement profit growth for the Group as a whole.

The medium and 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 medium and 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 medium- and 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. The Group has set medium- and long-term direction for the group-wide profit targets and the shareholder returns in the "Business Plan 2024" in line with its management principle and resources allocation policy.

In the "Business Plan 2024," due to a large-scale strategic investment in the most promising HTS^(Note 2), the Group expects adjusted operating profit at constant FX for fiscal year 2024 at the same level as in the previous year. However, as the pace of growth of HTS will be more rapid toward the latter half of the business plan period, the Group expects a mid single digit annual average growth rate in adjusted operating profit at constant FX during the period. The Group will work to recover a mid to high single digit annual average growth rate over the medium and long term.

In terms of "prioritize business investments for sustainable profit growth over the medium and 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:

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

In order to achieve the Group-wide medium- and 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 the emergence of geopolitical risks, and foreign exchange risks in a hyperinflation market, etc. 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 development 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. Grow adjusted operating profit at constant FX by placing top priority on growth-oriented investment in the tobacco business, while realizing high-quality, top-line growth through continuing provision of new value and satisfaction to consumers and society
 2. Heated tobacco sticks. High temperature heated tobacco products. One stick is equivalent to a Ready-Made Cigarettes (RMC).
 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】 Measures to promote management with an awareness of capital costs and share price

In drawing up a business plan, we calculate and examine our capital costs and report them to the Board of Directors. We check and confirm that our return on equity (ROE) is well above capital costs. We set up a hurdle rate, taking into consideration risks associated with each country in which we operate, as well as inflation and other external risks, and use that as our baseline for profitability. By maintaining that discipline, we make sure our ROE is always above capital costs. The Group uses adjusted operating profit at constant FX as a key performance indicator, which excludes the effects of exchange rate fluctuations that can be substantial due to temporary factors, as well as depreciation costs related to M&A activities for the previous year. We work to grow profit, including for the current term, by achieving mid to high single digit growth in the KPI over the medium and long terms. We also believe that together with the operation of investment discipline by the hurdle rate, it leads to improved ROE.

A comparison of our total shareholder returns (TSR), including dividends, with the TOPIX (total return) shows that ours were below the TOPIX over the long term due to the trend followed by our share prices, but they outperformed the TOPIX as of the end of 2019, before the COVID-19 pandemic and the end of 2023, thanks to profit growth during the period and a higher dividend for 2022. Continuous profit growth is important to the medium- and long-term stability of our equity value. We also believe that increasing quantitative corporate value through profit growth, while fostering an understanding of the Group through enhanced information disclosure from a qualitative perspective, will lead to higher TSR.

【Reference】 Purposes of having listed subsidiary and views on governance

The Company has a publicly listed subsidiary, namely Torii Pharmaceutical Co., Ltd. (hereinafter Torii), in light of the management benefits of owning a subsidiary, including capital market discipline and enhancement of engagement of human capital by utilizing stock remuneration. Another motivation is for Torii to acquire increased competitive advantage in its business through factors, such as credibility building, securing excellent human capital, and morale improvement, all of which are important in the pharmaceutical business.

Additionally, the Company believes it is an indispensable prerequisite for the subsidiary to maintain independence in terms of management and to duly protect its minority shareholders’ interests in order for, not only Torii, but also for the Group to grow in value. Therefore, the Company is striving to build an appropriate governance regime for Torii as a listed subsidiary. The Company has instituted the Group’s Responsibility and Authority Regulations as an internal decision-making regulation. Torii has opted to adopt

these regulations, thereby gaining autonomy in terms of decision-making authority. Such autonomy ensures its independence as a listed subsidiary.

With regard to purposes of having listed subsidiary and views on governance, please refer to “Corporate Governance Report” on our website (https://www.jt.com/about/corporate_governance/index.html).

【Reference】 Our sustainability initiatives

Setting the JT Group Sustainability Targets

The JT Group Purpose indicates the direction in which the JT Group will be heading to ensure the sustainability of our society and the Group's business therein.

The JT Group's management principle is the "4S model." We believe that as nature, society and people's lives are intertwined, sustaining our ways of living, and the activities of entities, will depend on the sustainability of the environment and society in which we exist. In pursuing this principle and by realizing the JT Group Purpose, we will contribute to the sustainability of our environment and our society. The JT Group Materiality, the foundation of our sustainability management, has been revised and we have identified five material topics: "Living with the planet," "Value creation that exceeds consumer expectations," "Investing in people and provide motivation," "Responsible supply chain management" and "Good governance."

Based on the revised materiality, the JT Group Sustainability Targets have been set, consisting of a total of 25 items. In setting the new targets and initiatives, we focused our attention on the relationships and ties with the revised materiality, while also including past initiatives. For example, in pursuing our materiality "Living with the planet," we will perform a comprehensive assessment on the impact of the JT Group's business on the ecosystem, with a view to preserving biodiversity. Furthermore, in relation to our materiality "Investing in people and provide motivation," we have set multifaceted targets with the aim of further expanding our human capital.

The underlying point of the new sustainability strategy based on the Group purpose is that people's lives, society, activities of entities, and the activities of all humans are part of the ecosystem. As a company responsible for creating the future, we are determined to proactively work on resolving social issues.






Our board is involved in setting and managing the sustainability strategy - the JT Group Sustainability Targets will be revisited regularly so that they can be further evolved. With our new sustainability strategy in place, we will uphold our commitment to provide value in realizing the JT Group Purpose "Fulfilling Moments, Enriching Life."


























External recognition

Our initiatives are recognized by various rating agencies. Please visit our website for further details. Please visit the Company's website 'External Recognition' (https://www.jt.com/sustainability/external_recognition/index.html)

Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



JT Group Purpose	Fulfilling Moments, Enriching Life				
JT Group Materiality	As nature, society, and people’s lives are intertwined, sustaining our ways of living, and the activities of corporate entities, will depend on the sustainability of the environment and society in which we exist. In realizing the JT Group Purpose, we are contributing to that sustainability through our commitment to working on the issues identified in our materiality.				
	 Living with the Planet	 Value Creation that Exceeds Consumer Expectations	 Investing in People and Provide Motivation	 Responsible Supply Chain Management	 Good Governance
	Preserve a harmonious relationship between our environment, people, and corporate organizations through initiatives to improve our impact on environment	Create diverse products and services beyond consumer expectations	Invest in people to support their development with attention to diversity, and enhance human capital by fostering a corporate culture that maximizes individuality and ability of each person	Create a sustainable supply chain capable of withstanding sudden changes in the business environment, by tackling social issues such as respecting human rights or preservation of our environment	Enhance our governance by improving our stakeholder satisfaction and continue to be a trustworthy corporate entity

JT Group Sustainability Targets	 Biodiversity impact assessment	 Emission reduction	 Renewable energy
	 Protecting water	 Enhancing biodiversity – No deforestation, no conversion	 Waste reduction
	 Designing for circularity – Packaging, product and device	 Sustainable agriculture	 Reduced-Risk Products
	 Transparency in reduced-risk science	 Youth access prevention	 Creating first-in-class drugs
	 Food Inclusion	 Diversity, equity & inclusion	 Talent attraction
	 Attractive working conditions	 Health and safety	 Development support
	 Internal and external collaboration	 Supplier screening and supply chain due diligence	 Grower living income
	 Human rights in grower communities	 Grievance mechanisms	 Community investment
	 Internal control	For details about the JT Group Sustainability Targets, please visit our website. https://www.jt.com/sustainability/index.html	

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) 50,374	(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, 2023, there were 221 consolidated subsidiaries, including 6 above-mentioned important subsidiaries, as well as 18 affiliates accounted for by the equity method.
 3. On the last day of the fiscal year ended December 31, 2023, there were no specified wholly owned subsidiaries as stipulated in Article 118, item 4 of the Regulations 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, Miyagi, Tokyo, Aichi, Osaka, Hiroshima, Kagawa, 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)

(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	46,698
Pharmaceutical Business	1,338
Processed Food Business	4,299
Common company-wide services within JT	904
Total	53,239

(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	4,742	86	42.4	16.2
Female	1,198	35	37.3	11.2
Total or average	5,940	121	41.4	15.2

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

II. Matters Concerning Shares of JT

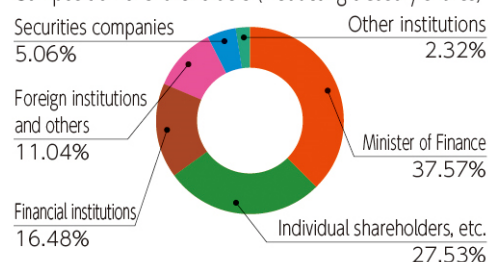
1. Total number of shares authorized: 8,000,000,000 shares

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

(Including treasury shares 224,692,028 shares)

3. Number of shareholders: 835,441

Composition of shareholders (Deducting treasury shares)



4. Major shareholders

Name of shareholders	Number of shares held (Share)	Equity ownership (%)
Minister of Finance	666,925,200	37.57
The Master Trust Bank of Japan, Ltd. (Trust Account)	174,583,700	9.83
Custody Bank of Japan, Ltd. (Trust Account)	61,906,618	3.49
SMBC Nikko Securities Inc.	32,423,221	1.83
STATE STREET BANK WEST CLIENT - TREATY 505234	25,094,341	1.41
JAPAN SECURITIES FINANCE CO., LTD.	17,169,700	0.97
Barclays Securities Japan Limited BNYM	16,188,600	0.91
JP MORGAN CHASE BANK 385781	13,722,976	0.77
JT Group Employees' Shareholding Association	11,878,075	0.67
Mizuho Securities Co., Ltd.	9,361,248	0.53

(Note) Equity ownership is calculated after deducting treasury shares (224,692,028 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)	104,408 shares	3
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 63 to 66 of the Business Report.

2. The above shares are shares granted as two kinds of stock remuneration: restricted stock

remuneration and performance share units. On July 12, 2023, the Company disposed of 157,700 treasury shares (including 85,200 shares granted to Members of the Board) for the allotment of restricted stock remuneration to three Members of the Board who also serve as Executive Officers, and to 15 Executive Officers (including two Executive Officers who retired), and disposed of 37,019 treasury shares (including 19,208 shares granted to Members of the Board) for the allotment of performance share units to three Members of the Board who also serve as Executive Officers, and to ten Executive Officers.

3. The retired Executive Officers who received the allotment of restricted stock remuneration are those who retired as Executive Officer of the Company on June 30, 2023 and no longer held a position as Member of the Board, Audit & Supervisory Board Member or Executive Officer of the Company as of July 1, 2023.

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 Outside Director, &Capital Inc.
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 of Supervisory Board, JT International Holding B.V.
Representative Director and Executive Vice President	Kiyohide Hirowatari	Corporate Governance, Compliance, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business	
Representative Director and Executive Vice President	Kei Nakano	Finance, Corporate Communications, Business Development and D-LAB	Director, Japan Growth Investments Alliance, Inc.
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, circlace Inc. Outside Director, Sapporo Holdings Limited Outside Director, Hitachi Zosen Corporation Outside Director, Mitsubishi Logistics Corporation
Standing Audit & Supervisory Board Member	Hideaki Kashiwakura		
Standing Audit & Supervisory Board Member	Tsutomu Hashimoto		
Standing Audit & Supervisory Board Member	Shigeru Taniuchi		
Audit & Supervisory Board Member	Nobuo Inada		Attorney at Law, Inada Law Firm Outside Director, an Audit & Supervisory Board Member, Nomura Securities Co., Ltd.
Audit & Supervisory Board Member	Hiroko Yamashina		Group Executive, ORIX Corporation Chairman, ORIX Credit Corporation

- (Notes)
- Members of the Board Main Kohda, Yukiko Nagashima, Masato Kitera and Tetsuya Shoji are Outside Directors.
 - Audit & Supervisory Board Members Shigeru Taniuchi, Nobuo Inada and Hiroko Yamashina are Outside Audit & Supervisory Board Members.
 - Members of the Board Main Kohda, Yukiko Nagashima, Masato Kitera and Tetsuya Shoji, and Audit & Supervisory Board Members, Shigeru Taniuchi, Nobuo Inada and Hiroko Yamashina, are designated as independent officers (directors and auditors) as prescribed by the Tokyo Stock Exchange, Inc.
 - As Audit & Supervisory Board Member Hideaki Kashiwakura has served as Deputy Chief Financial Officer of the Company, Audit & Supervisory Board Member Tsutomu Hashimoto has served as Vice President, Operational Review and Business Assurance Division of the Company, Audit & Supervisory Board Member Shigeru Taniuchi has served in a wide range of important positions in the Ministry of Finance, and Audit & Supervisory Board Member Nobuo Inada has served as Outside Director, an Audit & Supervisory Board Member of Nomura Securities Co., Ltd., they have relevant knowledge about financing and accounting.
 - Representative Director and Executive Vice President Kei Nakano, Standing Audit & Supervisory Board Members Hideaki Kashiwakura, Tsutomu Hashimoto and Shigeru Taniuchi, and Audit & Supervisory Board Members Nobuo Inada and Hiroko Yamashina assumed their office on March 24, 2023.

6. Members of the Board Naohiro Minami and Kazuhito Yamashita, Standing Audit & Supervisory Board Members Ryoko Nagata, Hiroshi Yamamoto and Toru Mimura, and Audit & Supervisory Board Members Hiroshi Obayashi and Koji Yoshikuni retired on March 24, 2023.
7. As of January 1, 2024, after the closing of the fiscal year under review, we had changes in the responsibilities of the Member of the Board who also serves as an Executive Officer: Kiyohide Hirowatari is now a Director who does not serve as an Executive Officer.
8. As of August 23, 2023, Representative Director and President Masamichi Terabatake retired from the position of Chairman and Managing Director of JT International Group Holding B.V.
9. 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 Paragraph 1, Article 423 of the Companies Act, by which the liability for damages of each of them is limited to the minimum amount set forth in Paragraph 1, Article 425 of the same Act, provided they perform their duties without knowledge of such damages and without gross negligence.
10. The Company has entered into liability agreements with each of its Members of the Board and Audit & Supervisory Board Members above as stipulated in Paragraph 1, Article 430-2 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.
11. The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Paragraph 1, Article 430-3 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)	1,457 (93)	566 (93)	417 (-)	273 (-)	202 (-)	11 (4)
Audit & Supervisory Board Members (Outside Audit & Supervisory Board Members)	157 (75)	157 (75)	- (-)	- (-)	- (-)	10 (6)
Total (Outside Director and Outside Audit & Supervisory Board Members)	1,614 (168)	722 (168)	417 (-)	273 (-)	202 (-)	21 (10)

- (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 two Members of the Board and five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) who retired on March 24, 2023.

(2) The remuneration amount for Members of the Board and Audit & Supervisory Board Members or the policy concerning 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 remuneration of each Member of the Board. These policies are determined after being deliberated and reported by the Advisory Panel on Nomination and Compensation comprised entirely of the Member of the Board 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 corporate value over the medium and 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 Group's business performance in the relevant fiscal year, a "restricted stock remuneration plan" and "performance share unit plan," which are linked to the medium- and long-term corporate value of the Group. The Restricted Stock Remuneration Plan and the Performance Share Unit Plan were introduced in 2020 in order to strengthen the efforts to enhance the medium- and long-term corporate 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 plan” and “performance share unit plan” as they are required to achieve results by executing their duties on a daily basis.

From fiscal year 2023, the Company has increased the composition ratio of the medium- and long-term incentives that consist of “restricted stock remuneration plan” and “performance share unit plan,” seeking to further promote aggressive management from a medium- and long-term perspective. The composition ratio for each type of remuneration from fiscal year 2023 is as follows.

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)
- 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 plan and performance share unit plan 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.

- 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 medium- and long-term growth strategies, etc.

- Outside Directors

Remuneration for Outside Directors is composed of “base salary” only and does not include performance-linked remuneration to ensure their independence. 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 shall receive the remuneration at a level of the amount corresponding to the duty of the Chairperson, 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 plan / Performance share units plan
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 (nine (9) Members as of December 31, 2023), at the 38th Ordinary General Meeting of Shareholders held on March 24, 2023, approval

was obtained for an upper limit to base salary of ¥0.8 billion per year for all Members of the Board (including ¥160 million per year for Outside Directors) (nine (9) Members of the Board was subject to this rule at the time of the resolution, including four (4) Outside Directors). In addition to this remuneration, at the 38th Ordinary General Meeting of Shareholders held on March 24, 2023, approval was obtained for executive bonuses to the Members of the Board who also serve as an Executive Officer not exceeding 0.3% of profit (attributable to owners of the parent company), restricted stock remuneration not exceeding ¥600 million (or 300,000 shares) annually, and performance share units not exceeding 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) (or 100,000 shares) (for three (3) 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) Members as of December 31, 2023) was approved at the 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).

- (Notes)
1. Number of base share units (determined by the Board of Directors of the Company based on the duties, etc., of respective eligible Members of the Board) x Offering ratio/percentage (For the performance evaluation periods stating from 2020 and 2021, performance-linked payout is set to be in the range of 0% to 200% based on profit achievement. For the performance evaluation periods stating from 2022 and 2023, performance-linked payout is set to be in the range of 0% to 190% based on profit achievement and either -10%, 0% or +10% is added/deducted to results depending on evaluations of the ESG-related index)
 2. After the performance evaluation period ends, based on the closing price of the ordinary shares of the Company on the Tokyo Stock Exchange on the preceding business day of the date of the resolution by the Board of Directors of the Company 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.

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 medium- and long-term incentives, the Representative Director and President 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 Group'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 fiscal 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) 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 medium and 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, 2023	
	Target (Billions of yen)	Actual (Billions of yen)
Core revenue at constant FX	2,606.0	2,712.5
Adjusted operating profit at constant FX	728.0	765.7
Adjusted operating profit on a reported basis	667.0	728.0
Profit (Profit attributable to owners of the parent company)	440.0	482.3

- 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 medium and 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 ¥600 million per year or the total number of ordinary shares allotted by the Company shall not exceed 300,000

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.

ii Transfer restriction period and details

Members of the Board who receive the allotted restricted stock (“Allotted Shares”) are prohibited to transfer the Allotted Shares, pledge them, mortgage them, or use any arrangement to dispose them over 30 years (“Restriction Period”).

iii Removal of transfer restrictions

In case any Member of the Board who receive the allotted restricted stock 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 a Member of the Board who receive the allotted restricted stock 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.

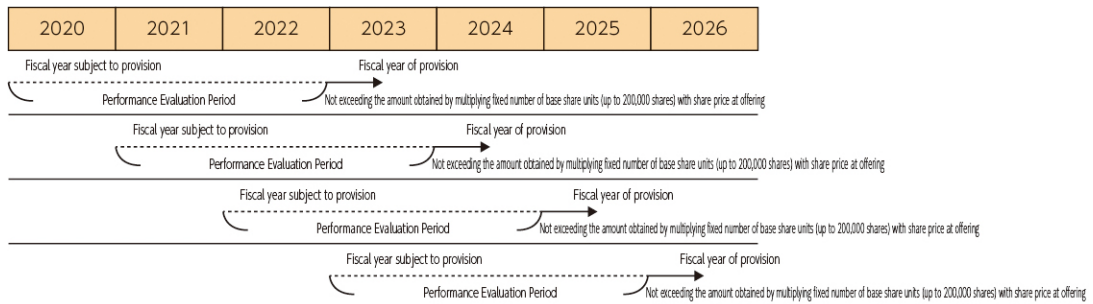
- Performance share units

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 medium and long-term and to commit to achieving business results over the medium-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. For 2023, Performance Evaluation Period is three fiscal years, from the fiscal year ended December 31, 2023, to the fiscal year ending December 31, 2025. From the fiscal year 2024 forward, to the extent approved at the 38th Ordinary General Meeting of Shareholders held on March 24, 2023 (not exceeding the amount obtained by multiplying fixed number of base share units (up to 200,000 shares) with share price at offering), the Company will implement the performance-linked stock compensation plan, with respective fiscal 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 the amount obtained by multiplying fixed number of base share units (up to 200,000 shares) with share price at offering. The total number of ordinary shares allotted annually for all Eligible Directors together shall not exceed 100,000 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.

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 taking into account the review conducted 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 year 2020 and fiscal year 2021 from the perspective of providing shared value with shareholders. For the evaluation period starting in fiscal year 2022, the Company introduced an ESG-related index on top of profit, in order for the Company and shareholders to seek an alignment on a mutual perspective of evaluating and being evaluated. In fiscal year 2022 and fiscal year 2023, 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 Directors and the amount of cash to be paid to Eligible Directors 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 Director 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 Directors calculated by the formula (1) is greater than the maximum aggregate number of the ordinary shares of the Company to be allotted to Eligible Directors, 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 Directors

$$\text{Number of base share units} \times \text{Offering ratio/percentage} \times 50\%$$

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

$$(\text{Number of base share units} \times \text{Offering ratio/percentage} - \text{Number of ordinary shares of the Company calculated in (i)}) \times \text{Share price at the time of issue}$$

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
		circelace Inc.	Outside Director
		Sapporo Holdings Limited	Outside Director
		Hitachi Zosen Corporation	Outside Director
		Mitsubishi Logistics Corporation	Outside Director
Audit & Supervisory Board Member	Nobuo Inada	Inada Law Firm	Attorney at Law
		Nomura Securities Co., Ltd.	Outside Director, an Audit & Supervisory Board Member
	Hiroko Yamashina	ORIX Corporation	Group Executive
		ORIX Credit Corporation	Chairman

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

(2) Major activities during this fiscal year

Category	Name	Status of main activities
Member of the Board	Main Kohda	Main Kohda attended all 14 Board of Directors meetings held during the fiscal year under review. 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 14 Board of Directors meetings held during the fiscal year under review. 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 14 Board of Directors meetings held during the fiscal year under review. 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, compliance, and other areas.
	Tetsuya Shoji	Tetsuya Shoji attended all 14 Board of Directors meetings held during the fiscal year under review. 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, IR, and other areas.

Category	Name	Status of main activities
Audit & Supervisory Board Member	Shigeru Taniuchi	Shigeru Taniuchi attended all 10 Board of Directors meetings, as well as all 10 meetings of the Audit & Supervisory Board, held during the fiscal year under review since he assumed office on March 24, 2023. Based on his extensive experience and broad and deep insight in finance and legal affairs, 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.
	Nobuo Inada	Nobuo Inada attended all 10 Board of Directors meetings, as well as all 10 meetings of the Audit & Supervisory Board, held during the fiscal year under review since he assumed office on March 24, 2023. Based on his extensive experience and broad and deep insight in legal affairs and compliance, he has fulfilled his duties as an Audit & Supervisory Board Member, providing advice and recommendations on the Company's governance system including compliance system, etc.
	Hiroko Yamashina	Hiroko Yamashina attended all 10 Board of Directors meetings, as well as all 10 meetings of the Audit & Supervisory Board, held during the fiscal year under review since she assumed office on March 24, 2023. Based on her extensive experience and broad and deep insight in corporate management and business operation, she has fulfilled her duties as an Audit & Supervisory Board Member, providing advice and recommendations on the Company's governance system including human resource management, etc.

(3) Total amount of remunerations

Category	Outside Director		Outside Audit & Supervisory Board Member		Total	
	Number to be paid (Person)	Amount to be paid (Millions of yen)	Number to be paid (Person)	Amount to be paid (Millions of yen)	Number to be paid (Person)	Amount to be paid (Millions of yen)
Base salary	4	93	6	75	10	168

(Note) The above list includes three Audit & Supervisory Board Members who retired on March 24, 2023.

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 Paragraph 1, Article 2 of the Certified Public Accountants Act: | ¥365 million |
| ii) Fees for tasks other than audit attestation based on Paragraph 1, Article 2 of the Certified Public Accountants Act: | ¥100 million |

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

¥586 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 "(1), i)" above.
 2. JT retains Deloitte Touche Tohmatsu LLC for tasks other than audit attestation based on Paragraph 1, Article 2 of the Certified Public Accountants Act, which consist of advisory services on strengthening the state of overseas security governance, etc., 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. is audited by Deloitte AG, and Gallaher Ltd. is 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 Paragraph 1, Article 340 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, 2023)

(Millions of yen)

Account title	Amount	Account title	Amount
Current assets		Current liabilities	
Cash and cash equivalents	1,040,206	Trade and other payables	592,802
Trade and other receivables	535,302	Bonds and borrowings	233,333
Inventories	832,611	Income tax payables	29,647
Other financial assets	58,633	Other financial liabilities	44,470
Other current assets	789,888	Provisions	18,634
Subtotal	3,256,639	Other current liabilities	1,008,390
Assets held for sale	2,921	Total current liabilities	1,927,276
Total current assets	3,259,561		
Non-current assets		Non-current liabilities	
Property, plant and equipment	821,499	Bonds and borrowings	908,926
Goodwill	2,616,440	Other financial liabilities	40,678
Intangible assets	206,982	Retirement benefit liabilities	279,443
Investment property	9,338	Provisions	45,527
Retirement benefit assets	65,856	Other non-current liabilities	127,170
Investments accounted for using the equity method	56,726	Deferred tax liabilities	40,586
Other financial assets	156,316	Total non-current liabilities	1,442,329
Deferred tax assets	89,379		
Total non-current assets	4,022,536	Total liabilities	3,369,605
		Equity	
		Share capital	100,000
		Capital surplus	736,478
		Treasury shares	(489,194)
		Other components of equity	290,550
		Retained earnings	3,192,323
		Equity attributable to owners of the parent company	3,830,156
		Non-controlling interests	82,336
		Total equity	3,912,491
Total assets	7,282,097	Total liabilities and equity	7,282,097

Consolidated Statement of Income

(Year ended December 31, 2023)

(Millions of yen)

Account title	Amount
Revenue	2,841,077
Cost of sales	(1,225,974)
Gross profit	1,615,103
Other operating income	30,027
Share of profit in investments accounted for using the equity method	8,332
Selling, general and administrative expenses	(981,052)
Operating profit	672,410
Financial income	44,414
Financial costs	(95,222)
Profit before income taxes	621,601
Income taxes	(136,292)
Profit for the period	485,310
Attributable to:	
Owners of the parent company	482,288
Non-controlling interests	3,021

Nonconsolidated Balance Sheet

(As of December 31, 2023)

(Millions of yen)

Account title	Amount	Account title	Amount
ASSETS		LIABILITIES	
Current assets	426,237	Current liabilities	755,663
Cash and deposits	177,685	Accounts payable-trade	7,279
Accounts receivable-trade	33,949	Short-term borrowings	158,000
Merchandise and finished goods	38,008	Current portion of long-term borrowings	20,000
Semi-finished goods	80,783	Lease obligations	138
Work in process	988	Accounts payable-other	42,765
Raw materials and supplies	38,491	National tobacco excise taxes payable	70,378
Advance payments-trade	400	National tobacco special excise taxes payable	8,484
Prepaid expenses	6,165	Local tobacco excise taxes payable	79,077
Short-term loans receivable from subsidiaries and affiliates	33,831	Income taxes payable	5,624
Other	15,967	Accrued consumption taxes	27,323
Allowance for doubtful accounts	(31)	Cash management system deposits received	300,833
Noncurrent assets	1,867,714	Provision for bonuses	5,498
Property, plant and equipment	158,583	Other provisions	1,331
Buildings	67,108	Other	28,933
Structures	1,891	Noncurrent liabilities	358,711
Machinery and equipment	27,462	Bonds payable	125,000
Vehicles	305	Long-term borrowings	120,000
Tools, furniture and fixtures	9,652	Lease obligations	45
Land	46,171	Provision for retirement benefits	101,387
Construction in progress	5,994	Other	12,278
Intangible assets	126,487	Total liabilities	1,114,374
Patent right	163	NET ASSETS	
Right of trademark	32,783	Shareholders' equity	1,175,451
Software	8,331	Capital stock	100,000
Goodwill	71,542	Capital surplus	736,478
Other	13,668	Legal capital surplus	736,400
Investments and other assets	1,582,644	Other capital surplus	78
Investment securities	21,753	Retained earnings	828,167
Shares of subsidiaries and affiliates	1,502,043	Legal retained earnings	18,776
Long-term loans receivable from subsidiaries and affiliates	5,558	Other retained earnings	809,391
Long-term prepaid expenses	10,593	Reserve for investment loss on developing new business	326
Deferred tax assets	24,694	Reserve for reduction entry	32,922
Other	18,110	Special account for reduction entry	914
Allowance for doubtful accounts	(108)	Retained earnings brought forward	775,229
Total assets	2,293,951	Treasury shares	(489,194)
		Valuation and translation adjustments	3,569
		Valuation difference on available-for-sale securities	6,545
		Deferred gains or losses on hedges	(2,975)
		Subscription rights to shares	557
		Total net assets	1,179,577
		Total liabilities and net assets	2,293,951

Nonconsolidated Statement of Income

(Year ended December 31, 2023)

(Millions of yen)

Account title	Amount	
Net sales		537,261
Cost of sales		191,861
Gross profit		345,399
Selling, general and administrative expenses		325,269
Operating income		20,131
Non-operating income		
Interest income	135	
Dividends income	162,991	
Other	11,937	175,064
Non-operating expenses		
Interest expenses	1,633	
Interest on bonds	846	
Foreign exchange losses	5,960	
Other	1,090	9,529
Ordinary income		185,665
Extraordinary income		
Gain on sales of noncurrent assets	17,001	
Other	1,698	18,699
Extraordinary losses		
Loss on sales of noncurrent assets	214	
Loss on retirement of noncurrent assets	2,715	
Impairment loss	4,506	
Other	1,854	9,289
Income before income taxes		195,075
Income taxes-current	14,905	
Income taxes-deferred	(4,618)	10,287
Net income		184,788

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 13, 2024

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, 2023, and the consolidated statement of income and consolidated statement of changes in equity for the fiscal year from January 1, 2023 to December 31, 2023, 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, 2023, 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.

- 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, actions taken to eliminate threats or safeguards applied.

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. The other information in "the accompanying supplemental schedules" referred to in the "Other Information" section of this English translation is not translated.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

February 13, 2024

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, 2023, and the nonconsolidated statement of income and nonconsolidated statement of changes in net assets for the 39th fiscal year from January 1, 2023 to December 31, 2023, 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, 2023, 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, actions taken to eliminate threats or safeguards applied.

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 39th fiscal year from January 1, 2023 to December 31, 2023, 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 Regulations 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 Regulations on Corporate Accounting) is organized in accordance with the "Quality Management Standards Regarding Audits" (Business Accounting Council) 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 Paragraph 1, Article 120 of the Regulations on Corporate Accounting) related to the relevant fiscal year.

2. Audit Results

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

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

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

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

(3) Results of Audit of Consolidated Financial Statements

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

February 16, 2024

The Audit & Supervisory Board, Japan Tobacco Inc.

Standing Audit & Supervisory Board Member	Hideaki Kashiwakura (seal)
Standing Audit & Supervisory Board Member	Tsutomu Hashimoto (seal)
Standing Audit & Supervisory Board Member	Shigeru Taniuchi (seal)
Audit & Supervisory Board Member	Nobuo Inada (seal)
Audit & Supervisory Board Member	Hiroko Yamashina (seal)

(Note) Standing Audit & Supervisory Board Member Shigeru Taniuchi and Audit & Supervisory Board Members Nobuo Inada and Hiroko Yamashina are Outside Audit & Supervisory Board Members provided for by Article 2, item 16 and Paragraph 3, Article 335 of the Companies Act.