Securities Code: 2914
March 4, 2019

To Our Valued Shareholders

Masamichi Terabatake
Representative Director and President
Japan Tobacco Inc.
2-1, Toranomon 2-chome, Minato-ku, Tokyo

Supplemental Information regarding JT proposals in The 34th Ordinary General Meeting of Shareholders

Regarding JT's proposals to be submitted to the 34th Ordinary General Meeting of Shareholders, scheduled on March 20th 2019, JT has received inquiries from some shareholders regarding *"Item 4: Election of Five (5) Audit & Supervisory Board Members"*, and *"Item 6: Revision of Amount of Stock Option Granted to Members of the Board"*.
This information intends to answer those inquiries in order to support your decisions to vote.

1. Item 4 in the Matters to be Resolved: Election of Five (5) Audit & Supervisory Board Members (Candidate Number 5 – Mr. Koji Yoshikuni)

**please refer Page 16 of the Notice of Convocation*

- Mr. Koji Yoshikuni held several positions at Japan Broadcasting Corporation ("NHK"), such as Director Responsible for Finance of News Department, Chief of Secretariat for Board of Governors, and Executive Director. We received some inquiries from the shareholders about the "business relationship between JT and NHK".
- JT pays certain amount of TV broadcast receiving fees to NHK pursuant to the broadcast receiving contract which must be executed upon installation of broadcast receivers in JT's facilities in accordance with Broadcasting Services Act.
- Such payment is statutorily required and non-negotiable (no space for arbitrariness) thus no influence on Mr. Yoshikuni's independence. Therefore, JT did not include such payment in JT's Notice of Convocation. Also, we did not include it in JT's Independent Directors /Auditors Notification, submitted to Tokyo Stock Exchange on Feb 27, 2019 as well.
- For your reference, the amount of such payment in 2018 was negligible, less than JPY 5 million yen (approximately USD 42,000), which is less than 0.001% of ordinary business revenues for NHK in the fiscal year ended March 2017, and less than 0.001% of JT's consolidated revenue in fiscal year ended December 2018.
- JT has no business transaction with NHK aside from the payment for aforementioned TV reiving fees.

2. Item 6 in the Matters to be Resolved: Revision of Amount of Stock Option Granted to Members of the Board

**please refer Page 20 of the Notice of Convocation*

- JT received a question "whether JT is going to revise the condition for exercising JT's stock options, which are already granted or going to be granted to the Members of the Board."
- JT's proposal in Item 6 is to revise the amount of stock option granted to Members of the Board with a need to maintain the remuneration level in order to secure the distinguished talent and due to increasing the number of the Board Members which is subject to Item 3 in the Matters to be resolved.
- The aim of this Item 6 is solely to revise the remuneration amount as the reasons mentioned above, and definitely NOT to change the terms of JT's stock option plan.
- Therefore, the existing condition for exercising JT's stock option has never been modified and JT has no intention to change the condition for outstanding stock options as well as the new stock options to be granted. For your reference, the existing condition to exercise JT's stock option is as follows:

  "Subscription rights to shares holder may exercise his/her subscription rights to shares only if he/she loses his/her all position as Member of the Board, Audit & Supervisory Board Member and Executive Officer (sikkoyakuin)."
  (Stock Options are not to be granted to Audit & Supervisory Board Members and Outside Directors.)

  ※ The above-mentioned condition for exercise has been appropriately disclosed in JT's release upon grant of the stock option every year and in the page 45 and 46 of English translation of the Notice of Convocation (as attached below).

- END -

III. Matters Concerning Subscription Rights to Shares

1. Total number and others of subscription rights to shares as of December 31, 2018

(1) Total number of subscription rights to shares:

4,147 units

(2) Class and number of shares to be delivered upon exercise of subscription rights to shares:

Ordinary shares 829,400 shares

(200 shares per subscription right to shares)

2. Status of subscription rights to shares held by Members of the Board and Audit & Supervisory Board Members of JT as of December 31, 2018

(1) Class and number of shares to be delivered upon exercise of subscription rights to shares:

Ordinary shares 237,200 shares

(200 shares per subscription right to shares)

(2) Value of property to be contributed when subscription rights to shares are exercised:

¥1 per share

(3) Assignment of subscription rights to shares

The approval of the Board of Directors is required for the assignment of subscription rights to shares.

(4) Conditions for exercising subscription rights to shares

Subscription rights to shares holder may exercise his/her subscription rights to shares only if he/she loses his/her all position as Member of the Board, Audit & Supervisory Board Member and Executive Officer (*sikkoyakuin*).

(5) Status of ownership by Members of the Board and Audit & Supervisory Board Members of JT

Year granted	Payment due upon allotment of subscription rights to shares	Exercise period of subscription rights to shares	Members of the Board		Audit & Supervisory Board Members	
			Number of units	Number of shareholders	Number of units	Number of shareholders
FY2007	¥581,269 per unit	From January 9, 2008 to January 8, 2038	16	1	-	-
FY2008	¥285,904 per unit	From October 7, 2008 to October 6, 2038	18	1	15	1
FY2009	¥197,517 per unit	From October 14, 2009 to October 13, 2039	40	1	36	1
FY2010	¥198,386 per unit	From October 5, 2010 to October 4, 2040	42	1	30	1
FY2011	¥277,947 per unit	From October 4, 2011 to October 3, 2041	9	1	32	1
FY2012	¥320,000 per unit	From October 10, 2012 to October 9, 2042	50	3	23	1
FY2013	¥513,400 per unit	From October 8, 2013 to October 7, 2043	49	3	14	1
FY2014	¥483,200 per unit	From October 7, 2014 to October 6, 2044	63	4	8	1
FY2015	¥711,200 per unit	From August 4, 2015 to August 3, 2045	106	4	17	1
FY2016	¥572,600 per unit	From July 5, 2016 to July 4, 2046	96	4	13	1
FY2017	¥482,200 per unit	From July 4, 2017 to July 3, 2047	144	4	21	1
FY2018	¥300,000 per unit	From July 3, 2018 to July 2, 2048	344	5	-	-

(Notes) 1. Outside Directors are not included in the above category of "Members of the Board."

2. The subscription rights to shares owned by an Audit & Supervisory Board Member are those that were granted to the individual while he was serving as an Executive Officer (*sikkoyakuin*).