



JT International S.A.

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**Prospectus for the public offer of shares of Japan Tobacco Inc.
under the**

JT International S.A. Employee Share Purchase Plan

**to the employees of the European Economic Area subsidiaries of JT International Group Holding
B.V.**

March 28, 2017

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TABLE OF CONTENTS

	Page
Prospectus Summary.....	5
Section A — Introduction and Warnings.....	5
Section B — Issuer	5
Section C — Securities.....	11
Section D — Risks	14
Section E — Offer	16
Prospektzusammenfassung.....	19
Risk Factors	33
General Information	45
Responsibility for Contents of the Prospectus	45
Subject Matter of the Offering.....	45
Special Note Regarding Forward-Looking Statements.....	45
Currency References.....	46
Documents Available for Inspection.....	46
The Offering.....	47
Information Concerning the Shares to be Offered.....	47
The Offering under the ESPP	47
ISIN/WKN/Common Code/Trading Symbol	48
Reasons for the Offering and Use of Proceeds	49
Purpose of the Plan	49
Proceeds and Use of Proceeds	49
Dilution	50
Dividend Policy	51
Capitalization.....	52
Capitalization and Indebtedness	52
Working Capital Statement.....	53
Selected Consolidated Financial Data.....	54
Legal and Arbitration Proceedings	57
Shareholdings and Stock Options of members of the administrative, management and supervisory bodies	59
General Information about the Company	60

Company Name	60
General Information about the Company and its Business.....	60
Auditors.....	60
Description of the Securities	61
Type and the Class of the Securities being offered, including the Security Identification Code.....	61
Legislation under which the Securities have been Created / Regulation of the Shares.....	61
Form of Securities, Name and Address of the Entity in Charge of Keeping the Records.....	61
Commission.....	61
Currency of the Securities Issue.....	61
Rights attached to the Securities	61
Transferability	63
Information on the Governing Bodies of the Company	64
Corporate Governance Structure of the Company	64
The Japan Tobacco Inc. Act	64
Members of the Board and Audit & Supervisory Board Members of the Company	64
Good Standing of Members of the Board and Audit & Supervisory Board Members of the Company	68
Potential conflicts between any duties to the Company of Members of the Board and Audit & Supervisory Board Members of the Company and their private interests and/or other duties	68
Taxation in the Federal Republic of Germany	69
Taxation in the U.K.	72
Taxation in France	76
Taxation in Spain.....	80
Taxation in the Republic of Poland.....	84
Taxation in the Republic of Romania	89
Taxation in the Kingdom of Sweden.....	93
Taxation in the Kingdom of Belgium.....	97
Taxation in Austria.....	101
TAXATION IN THE REPUBLIC OF ESTONIA	105
TAXATION IN THE REPUBLIC OF LITHUANIA	109
Taxes on the Income from the Securities withheld at Source under Japanese Tax Laws.....	112
Recent Developments and Trends	113

Signature Page.....S-1

PROSPECTUS SUMMARY

Note to the reader

Summaries are made up of disclosure requirements known as “Elements”. These elements are numbered in Sections A – E (A.1 – E.7).

This summary contains all the Elements required to be included in a summary for this type of securities and issuer. Because some Elements are not required to be addressed, there may be gaps in the numbering sequence of the Elements.

Even though an Element may be required to be inserted in the summary because of the type of securities and issuer, it is possible that no relevant information can be given regarding the Element. In this case a short description of the Element is included in the summary with the mention of “not applicable” together with a short explanatory statement.

Section A — Introduction and Warnings		
A.1	Introduction and Warnings	This summary should be read as an introduction to the prospectus. Any decision to invest in the securities should be based on consideration of the prospectus as a whole by the investor. Where a claim relating to the information contained in the prospectus is brought before a court, the plaintiff investor might, under the national legislation of the member states of the European Economic Area, have to bear the costs of translating the prospectus before the legal proceedings are initiated; and civil liability attaches only to those persons who have tabled the summary including any translation thereof, but only if the summary is misleading, inaccurate or inconsistent when read together with the other parts of the prospectus or it does not provide, when read together with the other parts of the prospectus, the key information in order to aid investors when considering whether to invest in such securities.
A.2	Use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.	Not applicable. The Offeror and the Issuer have not consented to the use of the prospectus for subsequent resale or final placement of securities.

Section B — Issuer		
B.1	Legal and Commercial Name of the Issuer	<p>The Issuer’s legal and commercial name is Japan Tobacco Inc.</p> <p>References in this summary to the "Company" or the "Issuer" shall mean Japan Tobacco Inc., and references in this summary to the "Group" shall mean the Issuer together with its consolidated subsidiaries, unless the context indicates otherwise.</p> <p>References in this summary to the "Offeror" shall mean JT International S.A.</p>

B.2	Domicile and Legal Form of the Issuer, the Legislation under which the Issuer operates and its Country of Incorporation	The Issuer is a stock corporation incorporated and organized under the laws of Japan. The Issuer's corporate headquarters are located at 2-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8422, Japan.
B.3	Description of the Nature of the Issuer's current Operations and its principal Activities	<p>The Group is the third largest manufacturer of tobacco products in the world by market share based on unit sales volume (excluding China National Tobacco Corporation) in 2015 and the sole manufacturer of tobacco products in Japan. The Group has operations in over 120 countries around the world, selling three of the top ten global cigarette brands by sales volume. Following a series of acquisitions in recent years, the Group has increased its global presence. For the year ended December 31, 2016, the Group's international tobacco business contributed 56.0% of its external revenue from continuing operations. The Group's Global Flagship Brands include Winston, sold in more than 120 countries and Camel, sold in more than 85 countries. In Japan, where the industry volume was 173.8 billion cigarettes in 2016, the Company had a 61.1% market share based on unit sales volume, and the Company manufactures and sells nine of the top ten products by sales volume, with the top three products coming from Seven Stars and Mevius brands. The Group also engages in the pharmaceutical and processed food businesses in order to diversify its sources of profit and achieve future sustainable growth.</p> <p>As of December 31, 2016, the Company had 202 consolidated subsidiaries and 12 associates accounted for using the equity method. For the year ended December 31, 2016, the Group had external revenue from continuing operations and adjusted operating profit from continuing operations of ¥2,143.3 billion and ¥586.8 billion, respectively; in the international tobacco business ¥1,199.2 billion and ¥336.2 billion, respectively; in the Japanese domestic tobacco business ¥684.2 billion and ¥260.2 billion, respectively; in the pharmaceutical business ¥87.2 billion and ¥9.7 billion, respectively, and; in the processed food business; ¥164.1 billion and ¥ 5.0 billion, respectively. Total profit attributable to owners of the Company was ¥421.7 billion for the year ended December 31, 2016. As of December 31, 2016, the Group employed 44,667 people (including temporary and part-time employees).</p> <p>The exchange rate of euro to yen was ¥ 1,000 – EUR 7.977 as of March 16, 2017 (source: European Central Bank).</p>
B.4a	Recent Trends	<p>Recent Developments</p> <p>There were no significant changes in the financial or trading position of the Group which has occurred since the end of the last financial period (December 31, 2016).</p> <p>Trends</p> <p>The Company believes that recent trends indicate that individual smokers will consume fewer cigarettes and that smaller percentages of populations will smoke mainly due to demographic changes, tax increases, health concerns, smoking bans in public places and tightening regulations on promotions and advertising. Despite such challenging circumstances, the Company will continue to aim to achieve sustainable profit growth in the mid- to long-term by investing in Tobacco Business among others. The Company believes that the Group's inter-</p>

		national tobacco business will continue to be the profit growth engine of the Group, driven by a combination of pricing gains, continued growth in market share and effective cost management. The Group will continue to prioritize quality top line growth by continued investments in expanding geographic footprint, building its brand equity, and strengthen emerging products, among others. In the Japanese domestic tobacco business, the Group will continue to increase investment in order to further enhance its brand portfolio. The Group will also continue to strengthen its ability to anticipate and respond to the consumers' needs in what has become an increasingly competitive environment.
B.5	Description of the Group and the Issuer's position within the Group	Not applicable, because information regarding the organizational structure of the Group is not required to be provided elsewhere in the prospectus.
B.6	Interests in the Company's Capital	Not applicable, because information regarding the Company's capital structure is not required to be provided elsewhere in the prospectus.
B.7	Selected Financial Information regarding the Group	
	<p>The following selected consolidated financial data as of and for the fiscal years ended December 31, 2016, December 31, 2015 and March 31, 2014 are taken from the Company's audited consolidated financial statements for the fiscal years ended December 31, 2016, December 31, 2015 and March 31, 2014, respectively, as published in the Company's annual reports of the relevant fiscal years.</p> <p>The following selected consolidated financial data as of and for the fiscal year ended December 31, 2014 are partly derived from the Company's audited consolidated financial statements for the fiscal year ended December 31, 2014, as published in the Company's annual report for the fiscal year ended December 31, 2014 and as footnoted in the table below. The fiscal year 2014 was a transitional period for the change in accounting period and covers nine months from April 1, 2014 to December 31, 2014 for the Group's Japanese domestic tobacco business with fiscal year ends other than December 31. The same change in the accounting period was applied to those of the Company's consolidated subsidiaries whose fiscal year ends were other than December 31. As a consequence, certain of the data shown below, is unaudited. Based on the assumption that the fiscal year of the Company and all of its consolidated subsidiaries is 12 months from January to December, the consolidated statement of income data as of and for the 12 months ended December 31, 2014 is as shown in the table below.</p> <p>The Company's annual reports can be accessed as described in the section of this prospectus entitled "Documents Available for Inspection". The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").</p> <p>The exchange rate of euro to yen was ¥ 1,000 – EUR 7.977 as of March 16, 2017 (source: European Central Bank)</p>	

	For the years ended December 31			For the year ended March 31
	2016 (Jan 1-Dec 31) ⁽¹⁾	2015 (Jan 1-Dec 31) ⁽¹⁾	2014 (Jan 1-Dec 31)	2014 (Apr 1-Mar 31) ⁽¹⁾
billions of yen⁽²⁾, except earnings per share numbers				
Selected Statement of Income Data				
Revenue	2,143.3	2,252.9 ⁽⁴⁾	2,259.2 ^{(1),(4)}	2,399.8
Japanese domestic tobacco	684.2	677.3 ⁽⁴⁾	687.4 ^{(3),(4)}	710.3
International tobacco	1,199.2	1,317.2 ⁽⁴⁾	1,328.0 ^{(3),(4)}	1,270.0
Pharmaceuticals	87.2	75.6 ⁽⁴⁾	65.8 ^{(3),(4)}	64.4
Beverage				184.5
Processed Food	164.1	165.8 ⁽⁴⁾	161.2 ^{(3),(4)}	156.9
Other	8.6	17.0 ⁽⁴⁾	16.9 ^{(3),(4)}	13.6
Cost of sales	872.4	920.1 ⁽⁴⁾	904.9 ^{(1),(4)}	980.0
Gross profit	1,270.1	1,332.8 ⁽⁴⁾	1,354.3 ^{(3),(4)}	1,419.9
Other operating income	70.1	15.4 ⁽⁴⁾	50.1 ^{(1),(4)}	55.6
Selling, general and administrative expenses	754.1	789.3 ⁽⁴⁾	839.6 ^{(1),(4)}	828.9
Share of profit in investment accounted for using the equity method	6.5	6.4 ⁽⁴⁾	7.8 ^{(1),(4)}	1.7
Operating profit	593.3	565.2 ⁽⁴⁾	572.6 ^{(1),(4)}	648.3
Profit before income taxes	578.2	565.1 ⁽⁴⁾	574.6 ^{(1),(4)}	636.2
Profit for the period from continuing operations ⁽⁴⁾	425.8	402.7	397.5 ⁽¹⁾	
Profit (loss) for the period from discontinued operations ⁽⁵⁾		87.5	(1.8) ⁽¹⁾	
Profit for the period	425.8	490.2	395.7 ⁽¹⁾	435.3
Profit attributable to owners of Japan Tobacco Inc.	421.7	485.7	389.1 ⁽¹⁾	428.0
Adjusted Operating Profit⁽⁶⁾	586.8	626.7 ⁽⁴⁾	661.0 ^{(1),(4)}	
Japanese domestic tobacco	260.2	254.1 ⁽⁴⁾	238.7 ^{(3),(4)}	
International tobacco	336.2	394.4 ⁽⁴⁾	447.1 ^{(3),(4)}	
Pharmaceuticals	9.7	(2.3) ⁽⁴⁾	(7.3) ^{(3),(4)}	
Processed Food	5.0	2.7 ⁽⁴⁾	1.4 ^{(3),(4)}	
Other	(24.7)	(22.2) ⁽⁴⁾	(18.9) ^{(3),(4)}	

	Earnings per share⁽⁷⁾			
	Basic (yen)			
	Continuing operations ⁽⁴⁾	235.47	221.95	215.36 ⁽¹⁾
	Discontinued operations ⁽⁵⁾		48.59	(1.30) ⁽¹⁾
	Total	235.47	270.54	214.06 ⁽¹⁾
	Diluted (yen)			
	Continuing operations ⁽⁴⁾	235.33	221.81	215.24 ⁽¹⁾
	Discontinued operations ⁽⁵⁾		48.56	(1.30) ⁽¹⁾
	Total	235.33	270.37	213.94 ⁽¹⁾
		As of December 31, 2016⁽¹⁾	As of December 31, 2015⁽¹⁾	As of December 31, 2014⁽¹⁾
	Selected Statement of Financial Position Data			
	Total assets	4,774.4	4,558.2	4,704.7
	Cash and cash equivalents	294.2	526.8	385.8
	Interest bearing debt	555.3	255.3	228.2
	Total liabilities	2,216.3	2,036.7	2,082.2
	Non-controlling interests	71.9	69.9	85.7
	Total equity	2,528.0	2,521.5	2,622.5
	<p>(1) Taken from the audited financial statements in the Company's annual reports for the relevant years. (2) Figures in billion yen are rounded off to the million yen. (3) Unaudited figures. These figures were derived from the Company's management reporting by applying the same accounting methods to the financial results for the periods of January through December 2013 and 2014. (4) Based on continuing operations. The Company classified "Beverage Business" as discontinued operations in the fiscal year 2015. As a result, continuing operations and discontinued operations have been presented separately. The consolidated statements of income for the nine months ended December 31, 2014 and the year ended December 31, 2014 have been reclassified. (5) Based on discontinued operations. (6) Adjusted Operating Profit = Operating profit + amortization cost of acquired intangibles (arising from business acquisitions) ± adjustment items (income and costs). Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others. (7) Based on profit attributable to owners of Japan Tobacco Inc.</p>			
	Significant change to the Issuer's financial condition and operating results	Except as disclosed under B.4a Recent Development, there has been no significant change in the Issuer's financial condition and operating result since the date of the last financial statements (December 31, 2016) and no material adverse change in the prospects of the Company and its subsidiaries, taken as a whole, has occurred since December 31, 2016.		
B.8	Pro Forma Financial Information	Not applicable, because no historical financial information is required to be provided in the prospectus.		

B.9	Profit Forecast	Not applicable. This prospectus does not contain any profit forecast.
B.10	Qualifications in the Audit Report on the historical Financial Information	Not applicable. There are no such qualifications in the auditors' report.
B.11	Working Capital Statement	In the Company's opinion, the Company's working capital is sufficient for its present requirements for at least the next 12 months.

Section C — Securities		
C.1	Type and Class of the Securities being offered, including the Security Identification Code	The shares offered under the JT International S.A. Employee Share Purchase Plan (the "ESPP" or the "Plan") are the Company's common shares. The Company's common shares are listed on the First Sections of the Tokyo Stock Exchange. The International Securities Identification Number (ISIN) for the Company's common shares is JP3726800000. The Japanese trading code for the Company's common shares is 2914. In Germany, the Company's common shares are traded in the unofficial market ("Freiverkehr") on the stock exchanges in Berlin, Düsseldorf, Frankfurt, Munich, Stuttgart and Tradegate under the symbol "JAT" and the German Securities Code Number (<i>Wertpapierkennnummer</i>) 893151.
C.2	Currency of the Securities Issue	Japanese Yen is the currency of the securities issue.
C.3	Number of Shares Issued	The Company is authorized to issue up to 8,000,000,000 common shares. As of December 31, 2016, the Company had 2,000,000,000 common shares outstanding. The issued shares are fully paid.
C.4	Rights attached to the Securities	<p>No eligible employee participating in the ESPP shall have any voting, dividend or other shareholder rights with respect to any shares offered under the ESPP until the shares are purchased pursuant to the ESPP on behalf of the participant. Following the purchase, the eligible employee participating in the ESPP shall be entitled to the rights attached to the shares, as further described below:</p> <p><i>Unit Share System.</i> The Company's Articles of Incorporation provide that 100 shares constitute one "unit". The Company's Board of Directors may reduce the number of shares which constitutes one unit or abolish the unit share system altogether. Under the new clearing system in Japan, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, shares constituting less than one unit do not comprise a trading unit, except in limited circumstances, and, accordingly, may not be sold on the Japanese stock exchanges.</p> <p>A holder of shares constituting less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various voting purposes, the aggregate number of shares constituting less than one unit will be excluded from the number of outstanding shares.</p> <p>In accordance with the Japanese Companies Act, the Company's Articles of Incorporation provide that a holder of shares constituting less than one unit does not have any rights of a shareholder in respect of those shares, other than those provided by the Company's Articles of Incorporation, including the following rights: to receive dividends, to receive cash or assets in the case of the consolidation of shares or stock split, exchange or transfer of shares, corporate split or merger, to be allotted shares and stock acquisition rights, without any additional contribution, when such rights are granted to shareholders, and to participate in any distribution of surplus assets upon liquidation.</p> <p>The Company's Articles of Incorporation provided that a holder of shares constituting less than one unit may at any time request that the</p>

		<p>Company sell to it such number of shares as may be necessary to raise its share ownership to a whole unit. Under the new clearing system, such request must be made to the Company through the relevant account managing institution. The price at which shares constituting less than one unit will be purchased or sold by the Company pursuant to such a request will be equal to (a) the closing price of the Company's shares reported by the Tokyo Stock Exchange on the day when the request is received by the transfer agent or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which the sale of the Company's shares is executed on such stock exchange immediately thereafter.</p> <p>Under the ESPP, the participants, whether the holder of one unit of shares or fractional shares, may be entitled to instruct the custodian to exercise the voting rights attributable to the shares purchased under the ESPP. Absent such instructions, the custodian shall exercise the voting rights attributable to the shares in accordance with the recommendations of the Board of Directors of the Company, and each participant shall be deemed to have granted a power of attorney to the custodian to that effect.</p> <p><i>Sources and Payment of Dividends.</i> Following shareholder approval, which occurs in March of each year as well as the approval of the Minister of Finance of Japan, year-end dividends are distributed in cash on a pro rata basis to shareholders or pledgees of record as of December 31 of each year. In addition to year-end dividends, the Company may also pay interim dividends (i.e., cash distributions) to shareholders or pledgees of record as of June 30 of each year by resolution of the Company's Board of Directors and approval of the Minister of Finance of Japan. Holders of the Company's common shares are entitled to receive the aforesaid dividends. There are no dividend restrictions and no special procedures for stockholders resident in the European Union and the EEA. The Company is relieved of its obligation to make any distributions to go unclaimed for for three years after the date they first become payable.</p> <p><i>Voting Rights.</i> A shareholder of record is entitled to one vote per one unit of shares of the Company's common stock, provided that neither the Company nor any corporation, partnership or other similar entity, of which voting rights in a proportion equal to or more than one-quarter are directly or indirectly owned by the Company, shall have voting rights. Except as otherwise provided by law or by the Company's Articles of Incorporation, a resolution can be adopted at a General Meeting of Shareholders by a majority of the voting rights represented at the meeting. Shareholders may also exercise their voting rights through proxies, provided that the proxy is granted to one of the Company's shareholders having voting rights. The Companies Act of Japan and the Company's Articles of Incorporation provide that the quorum for the election of Members of the Board and Audit & Supervisory Board Members is one-third of the total number of voting rights. The Company's Articles of Incorporation provide that common stock may not be voted cumulatively for the election of Members of the Board. The Company's shareholders may exercise voting rights in writing, or electronically in accordance with a resolution of the Board of Directors.</p> <p><i>Liquidation Rights.</i> If the Company is liquidated, the assets remaining after payment of all taxes, liquidation expenses and debts will be distributed among the Company's shareholders of common stock in proportion to the number of shares they hold, subject to distribution pay-</p>
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		<p>ments for shares with a liquidation preference, if any.</p> <p><i>No Preemptive, Redemption or Conversions Provisions.</i> The Company's Articles of Incorporation do not provide for preemptive rights. The Company's common shares are not subject to redemption and do not have any conversion rights.</p>
C.5	Transferability	<p>Any amounts credited to a participant's account under the ESPP may not be assigned or transferred by a participant other than by will or by the laws of descent and distribution. The shares acquired under the ESPP are blocked and are not capable of being sold or transferred until the expiration of a period of twelve months following the acquisition of the shares under the ESPP, or for such other period as the administrator of the ESPP may communicate from time to time to the participants by reference to the Japanese regulations against insider dealings (the "Sale Restriction Period"). Upon expiration or termination of the Sale Restriction Period, and to the extent that the participant is entitled to do so under applicable laws and regulations (including the regulations of the Japanese Stock Exchanges) as well as the policies adopted or trading restrictions imposed by the Company or any other company of the Group participating in the ESPP, the shares are freely transferable.</p>
C.6	Admission to Trading on a Regulated Market	<p>Not applicable. The Company's common shares are listed on the First Section of the Tokyo Stock Exchange. The International Securities Identification Number (ISIN) for the Company's common shares is JP3726800000. The Japanese trading code for the Company's common shares is 2914. In Germany, the stock is traded in the unofficial market ("<i>Freiverkehr</i>") on the stock exchanges in Berlin, Düsseldorf, Frankfurt, Munich, Stuttgart and Tradegate under the symbol "JAT" and the German Securities Code Number (<i>Wertpapierkennnummer</i>) 893151. The Company's common shares will not be admitted to trading on any regulated market.</p>
C.7	Dividend Policy	<p>The declaration, payment and amount of any future dividends will be determined by the Company's Board of Directors and approval of the General Meeting of Shareholders, approval from the Minister of Finance will be required. Payment and amount will depend upon, among other factors, its earnings, financial condition and capital requirements at the time such declaration and payment are considered.</p> <p>The Company has historically paid cash dividends twice per year. In addition to year-end dividends, the Company has paid interim dividends in the past in the form of cash distributions to its shareholders or pledgees of record as of June 30 of each year.</p> <p>The Company continued to enhance its shareholder return, raising the dividend per share. As a result, the Company achieved 55.2% consolidated dividend payout ratio which the Company believes is a comparative level of payout ratio with its global peers in the FMCG (fast moving consumer goods) sector, for the year ended December 31, 2016.</p> <p>The Company believes that maintaining a solid balance sheet is essential for the Company as it will provide the ground to continue pursuing business investment opportunities and cope with any adversity arising out of the volatile environment. At the same time, the Company intends to strike an optimal balance between profit growth and shareholder returns. This means that the Company will enhance shareholder returns based on profit growth outlook in the mid-to long-</p>

		<p>term. In particular, the Company will deliver sustainable and steady increase of dividend per share. Dividend payout ratio is not an indicator for the management target, although it will be taken into consideration when deciding the dividend amounts. As for share buy-back, the Company will consider it after scrutinizing the mid- to long-term expectations on the Company's business environment as well as financial achievements and position, among other factors. The Company will continue to monitor the trend amongst the global FMCG companies that have a stakeholder model similar to the Company's model and that have achieved strong business growth. The dividends paid (or to be paid) per share by the Company in the three last fiscal years were as follows:</p> <p>For the fiscal year ended December 31, 2016: 130 JPY per share For the fiscal year ended December 31, 2015: 118 JPY per share For the fiscal year ended December 31, 2014: 100 JPY per share.</p>
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Section D — Risks		
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Employees should carefully consider the risks described below, which are described in more detail under the caption "Risk Factors", and other information contained in this prospectus, and take these factors into account in making their investment decision. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the business and financial condition of the Group and cause the market price of the Company's shares to decline. In such case, employees could lose all or part of their investment. The prospectus contains all risks which the Company deems material. However, the risks described below may turn out to be incomplete and therefore may not be the only risks to which the Group is exposed. Additional risks and uncertainties could have a material adverse effect on the business and financial condition of the Group. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the extent or the significance of the individual risks.

D.1	Risks related to the Group's Business or its Industry	<ul style="list-style-type: none"> - The Group's businesses have been and may continue to be adversely affected by global economic conditions. - Due to the geographical scope of the Group's operations, the Group's operating results may be adversely affected by economic, regulatory and political changes in many countries. - Currency fluctuations affect the Group's operating results. - Increases in excise, consumption or other taxes on tobacco products in markets in which the Group operates may adversely affect the Group's sales of tobacco products and profitability. - Any decrease in demand for tobacco products in certain key markets, including Japan, may negatively and disproportionately affect the Group's operating results. - Global competition from other tobacco manufacturers may reduce the Group's market share and may adversely affect the Group's profitability. - Catastrophes, including natural disasters, IT infrastructure failures and cyber-crime may disrupt the Group's businesses and limit the Group's growth.
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		<ul style="list-style-type: none"> - The Group's operating results may be adversely affected by instabilities in the procurement of raw materials. - Any acquisitions or similar investments may not yield the anticipated results, or the resultant goodwill recorded on the Group's balance sheet may become impaired, in each case adversely affecting the Group's financial condition and operating results. - Restrictions on promotion, marketing, packaging, labeling and usage of tobacco products in any market in which the Group operates might reduce the demand for tobacco products and adversely affect its operating results. - Increases in the illegal trade of tobacco products could adversely affect the Group. - The Group could incur substantial costs in connection with litigation around the world alleging damages resulting from the usage of tobacco products or exposure to Environmental Tobacco Smoke (ETS). - Claims of intellectual property infringement could require the Group to spend substantial time and costs and adversely affect its ability to develop and commercialize products. - If the Group is unable to adequately protect its intellectual property, third parties may be able to use the Group's technology, which could adversely affect its ability to compete in the market. - The Company's obligation under the Tobacco Business Act to purchase substantially all domestically produced tobacco leaf may adversely impact its competitive position in Japan compared to international competitors which use only non-Japan origin tobacco leaf. - Any claims relating to hazardous materials, including radioactive and bacteriological materials, used in the Group's business or to which the Group's products may become exposed may adversely affect the Group's operating results. - Economic sanctions laws are complex, and penalties could be serious in the event of a violation. Moreover, a change in existing economic sanctions could deprive the Group of access to, or require it to limit or re-configure, its business in affected markets. - The Group's pharmaceutical and processed food businesses are subject to various risks. - Failure to hire and maintain a pool of talented employees may adversely affect the Group's businesses and operating results
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D.3	Key Risks related to the Shares	<ul style="list-style-type: none"> - The market price of the Issuer's common shares may fluctuate significantly, and this may cause the value of an investment to decline and make it difficult for investors to resell common shares at times or at prices they find attractive. - There may be future sales or other dilution of the Company's equity, which may adversely affect the market price of its common shares. - Investors may not receive dividends on the common shares, and the common shares are equity and are subordinate to the Company's existing and future indebtedness.
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Section E — Offer		
E.1	Net Proceeds and Estimate of total Expenses	<p>Not applicable.</p> <p>Neither the Company nor the Offeror or another company of the Group participating in the ESPP (the "Participating Companies") will receive any proceeds from the purchase or sale of shares under the ESPP.</p> <p>The Participating Companies shall bear the transaction, custody, brokerage and other costs incurred in connection with the operation and administration of the ESPP with respect to the Participants that are employed by them. The estimated cost is approximately 100 US Dollar (¥ 11,339 based on an exchange rate of USD 1 - ¥113.39 as of as of March 16, 2017, source: Bank of Japan) per participating employee. In addition, each Participating Company shall transfer or cause to be transferred an amount of twelve per cent (12%) of each non-executive participant's contribution to the relevant participant's account. Transaction, custody, brokerage and other costs and taxes incurred in connection with the sale of shares on behalf of a participant are borne by the participant having requested such sale and shall be deducted from the relevant participant's account.</p>
E.2a	Reasons for the Offer and Use of Proceeds	<p>The purpose of the ESPP is to provide eligible executives and employees of the Participating Companies with an opportunity to acquire a proprietary interest in the Company and thereby to align the interests of the participating executives and employees with the long term interests of the Company in a manner that complies with the Japanese regulations against insider dealings.</p> <p>Neither the Company nor the Offeror or any of the Participating Companies will receive any proceeds from the purchase or sale of shares under the ESPP.</p>
E.3	Description of the Terms and Conditions of the Offer	<p><i>Offered Shares.</i> Common shares of the Company in accordance with the terms and conditions of the ESPP. The Plan is implemented by the acquisition of existing Shares on behalf of the Participants by the relevant custodian during sequential periods (the "Plan Periods", please also see below) on the basis of payroll deductions specified for each participating employee. The Offered Shares do not include any newly issued shares by the Company and the ESPP does not provide for an issuance of new shares in connection with the ESPP.</p>

	<p><i>Enrollment Period.</i> An eligible employee shall become enrolled for further participation to the Plan after satisfying the eligibility requirements by completing, within an enrollment period starting in each relevant year on or about March 30 and ending on or about April 15 (each an "Enrollment Period") an enrollment form.</p> <p><i>Plan Period and Purchase Periods.</i> Each Plan Period shall be twelve months, each commencing on June 1 in each relevant year and ending on May 31 of the following calendar year. Each Plan Period shall consist of several sequential monthly periods (each a "Monthly Period"). Each Monthly Period shall be one calendar month in length, commencing on the first day of the relevant calendar month and ending on the last day of such calendar month. The relevant custodian will purchase, during the ten (10) first trading days that follow the end of the relevant Monthly Period at the then applicable market conditions, the relevant number of Company common shares on Japanese stock exchanges where the Company's common shares are traded.</p> <p><i>Payroll deductions.</i> Fixed amount specified by each participating employee, subject to a maximum contribution of ¥990,000 per month/¥11,880,000 for each annual offering (the "Participant's Contributions"). Each Participating Company shall transfer or cause to be transferred an amount of twelve per cent (12%) of each non-executive Participant's Contribution to be paid with respect to any particular Monthly Period to be credited to the relevant participant's account (the "Matching Contribution"). Executive participants are not entitled to the payment of any Matching Contribution.</p> <p><i>Eligibility to Participate.</i> Any permanent employee of a Participating Company (including any person employed in part-time capacity) who is eligible to participate in the JT Group Employee Ownership Association of the Company (the "Participants").</p> <p><i>Custodian.</i> Equatex AG.</p> <p><i>Purchase Price.</i> The Custodian will purchase the Company common shares during the ten first Trading Days that follow the end of the relevant Monthly Period at the then current market conditions. The total number of Shares acquired shall be recorded in the Participant's records.</p> <p><i>Delivery.</i> Any Company shares acquired by the Custodian shall be held by the Custodian on behalf of the relevant Participants. The Participants shall have the sole ownership, profits and risks relating to such shares from the date of their acquisition under the terms of the Plan.</p> <p><i>Restrictions.</i> Shares purchased on behalf of a Participant shall be blocked and shall not be capable of sale until expiration or termination of the Sale Restriction Period.</p> <p><i>Administration of the ESPP.</i> The Plan is administered by the board of directors of JT International S.A. or by one or more committees duly appointed by the board of directors having such powers as shall be specified by the board of directors.</p>
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		<p><i>Termination of the ESPP.</i> The Plan shall apply for an unlimited period of time, until it is terminated by the board of directors. The board of directors may terminate the Plan at any time.</p> <p><i>Costs.</i> In principle, the Participating Companies shall bear the transaction, custody, brokerage and other costs incurred in connection with the operation and administration of the Plan with respect to the Participants that are employed by them. The estimated cost is approximately 100 US Dollar per Participant (¥ 11,339 based on an exchange rate of USD 1 - ¥113.39 as of as of March 16, 2017 (source: Bank of Japan). The transaction, custody, brokerage and other costs incurred in connection with the sale of shares deposited on behalf of a Participant shall be borne by the Participant.</p>
E.4	Description of material Interest to the Offer including Conflict or Interests	Not applicable. There are no such interests.
E.5	Name of the Entity offering to sell the Security	JT International S.A.
E.6	Maximum Dilution	<p>Not applicable.</p> <p>There will be no dilution from the purchase and sale of shares under the ESPP at the level of the Company or any of the Participating Companies, as no new common shares will be issued by the Company in connection with the ESPP.</p>
E.7	Estimated Expenses charged to the Investor	Not applicable. There are no such expenses. Only the transaction, custody, brokerage and other costs incurred in connection with the sale of shares deposited on behalf of a Participant shall be borne by the Participant.

PROSPEKTZUSAMMENFASSUNG

Warnhinweis an den Leser

Zusammenfassungen bestehen aus verschiedenen Offenlegungselementen, die als „Angaben“ bezeichnet werden. Diese Angaben sind unten in den Abschnitten A - E enthalten (A.1 – E.7).

Diese Zusammenfassung enthält alle Angaben, die in einer Zusammenfassung für die angebotene Art von Wertpapieren und diesen Emittenten erforderlich sind. Da einige bestimmte Angaben in der Zusammenfassung nicht enthalten sein müssen, können in der Nummerierung der Angaben Lücken auftreten.

Es kann vorkommen, dass im Hinblick auf einen bestimmten Informationsbestandteil keine relevanten Informationen zur Verfügung gestellt werden können, obwohl die entsprechenden Informationen aufgrund der Art der angebotenen Wertpapiere und des Emittenten eigentlich zwingend in die Zusammenfassung aufzunehmen sind. In einem solchen Fall wird der entsprechende Informationsbestandteil in der Zusammenfassung mit der Bezeichnung „entfällt“ zusammen mit einer kurzen Begründung kenntlich gemacht.

Abschnitt A - Einführung und Warnhinweise		
A.1	Einführung und Warnhinweise	Diese Zusammenfassung sollte als Einführung zum Prospekt verstanden werden. Der Anleger sollte die Entscheidung zur Anlage in die Aktien auf die Prüfung des gesamten Prospekts stützen. Anleger könnten für den Fall, dass sie vor einem Gericht Ansprüche auf Grund der diesem Prospekt enthaltenen Informationen geltend machen, in Anwendung der einzelstaatlichen Rechtsvorschriften der Staaten des Europäischen Wirtschaftsraums dazu verpflichtet sein, die Kosten für die Übersetzung des Prospekts vor Prozessbeginn zu tragen. Diejenigen Personen, die die Verantwortung für die Zusammenfassung einschließlich etwaiger Übersetzungen hiervon übernommen haben oder von denen der Erlass ausgeht, können zivilrechtlich für den Inhalt der Zusammenfassung haftbar gemacht werden, jedoch nur für den Fall, dass die Zusammenfassung irreführend, unrichtig oder widersprüchlich ist, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, oder sie, wenn sie zusammen mit den anderen Teilen des Prospekts gelesen wird, nicht alle erforderlichen Schlüsselinformationen, die in Bezug auf Anlagen in die betreffenden Wertpapiere für die Anleger eine Entscheidungshilfe darstellen, vermittelt.
A.2	Verwendung des Prospekts für die spätere Weiterveräußerung oder endgültige Platzierung von Wertpapieren durch Finanzintermediäre.	Entfällt. Der Anbieter und der Emittent haben der Verwendung des Prospekts für die spätere Weiterveräußerung oder endgültige Platzierung (" <i>final placement</i> ") von Wertpapieren nicht zugestimmt.

Abschnitt B - Emittent		
B.1	Gesetzliche und kommerzielle Bezeichnung des Emittenten	<p>Die juristische und geschäftliche Bezeichnung des Emittenten lautet Japan Tobacco Inc.</p> <p>In dieser Zusammenfassung beziehen sich Verweise auf die „Gesellschaft“ oder den „Emittenten“ auf die Japan Tobacco Inc. und Verweise auf den "Konzern" beziehen sich auf den Emittenten und seine konsolidierten Tochtergesellschaften, sofern sich aus dem Zusammenhang nichts anderes ergibt.</p> <p>Verweise in dieser Zusammenfassung auf den „Anbieter“ beziehen sich auf die JT International S.A.</p>
B.2	Sitz und Rechtsform des Emittenten, die für den Emittenten geltende Jurisdiktion und Land der Gründung	<p>Der Emittent ist eine Aktiengesellschaft, die nach japanischem Recht gegründet wurde und japanischem Recht unterliegt. Der Hauptsitz des Emittenten befindet sich in 2-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8422, Japan.</p>
B.3	Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten des Emittenten	<p>Der Konzern ist gemessen an Umsatzstückzahlen für Zigaretten der weltweit drittgrößte Hersteller von Tabakprodukten (China National Tobacco Corporation ausgenommen). Der Konzern ist in über 120 Ländern weltweit tätig und verkauft, gemessen am Umsatzvolumen, drei der weltweit beliebtesten zehn Zigarettenmarken. Nache einer Reihe von Aquisitionen in den letzten Jahren hat der Konzern seine weltweite Präsenz in den letzten Jahren rasch ausgebaut. In dem am 31. Dezember 2016 endenden Geschäftsjahr hat das Tabakgeschäft des Konzerns 56,0% der externen Umsatzerlöse aus fortgeführten Geschäftsbereichen ausgemacht. Zu den Vorzeigemarken der Gesellschaft zählen die Marke Winston, die in über 120 Ländern verkauft wird, und die in über 85 Ländern verkaufte Marke Camel. Im Jahr 2016 entfiel ein an Umsatzvolumen bemessener Marktanteil von 61,1% des insgesamt 174,8 Mrd. Zigaretten umfassenden japanischen Marktes auf die Gesellschaft. Zudem produziert und verkauft die Gesellschaft neun der zehn umsatzstärksten Produkte gemessen an Umsatzvolumina, wobei die drei führenden Produkte den Marken Mevius und Seven Stars zuzuordnen sind. Mit dem Ziel seine Gewinnquellen zu diversifizieren und nachhaltiges Wachstum zu erzielen, ist der Konzern auch in den Bereichen Arzneimittel und industriell verarbeitete Lebensmittel aktiv.</p> <p>Am 31. Dezember 2016 hatte die Gesellschaft 202 konsolidierte Tochterunternehmen und 12 nach der Equity-Methode einbezogene Beteiligungen. Für das am 31. Dezember 2016 endende Geschäftsjahr verzeichnete der Konzern aus fortgeführten Geschäftsbereichen einen Umsatz iHv ¥2.143,3 Mrd. und ein bereinigtes Betriebsergebnis iHv ¥586,8 Mrd.; im internationalen Tabakgeschäft betragen diese Kenngrößen ¥1.199,2 und ¥336,2 Mrd., im japanischen Tabakgeschäft ¥684,2 Mrd. und ¥260,2 Mrd., im Geschäftsbereich Arzneimittel ¥87,2 Mrd. und ¥9,7 Mrd. und im Geschäftsbereich industriell verarbeitete Lebensmittel ¥164,1 Mrd und ¥ 5,0 Mrd. Der auf die Anteilseigner von Japan Tobacco Inc entfallende Gewinn betrug für das am 31. Dezember 2016 endende Geschäftsjahr ¥421,7 Mrd. Zum 31. Dezember 2016 beschäftigte die Gruppe 44.667 Beschäftigte (einschließlich Zeitarbeiter und Teilzeitarbeitnehmer).</p> <p>Der Wechselkurs des Yen zum Euro lag am 16. März 2017 bei 1.000 JPY – 7,977 EUR (Quelle: Europäische Zentralbank).</p>

B.4a	Aktuelle Entwicklungen	<p>Aktuelle Geschäftstätigkeit</p> <p>Seit dem Ende des letzten Geschäftsjahres (31. Dezember 2016) haben sich keine wesentlichen Veränderungen in der Finanzlage oder der Handelsposition der Emittentin ergeben.</p> <p>Trends</p> <p>Nach der Ansicht der Gesellschaft deuten aktuelle Trends darauf hin, dass Raucher weniger Zigaretten konsumieren werden und der Anteil der Raucher an der Bevölkerung zurückgehen wird. Grund dafür sind hauptsächlich der demographische Wandel, Steuererhöhungen, Gesundheitsbedenken, Rauchverbote auf öffentlichen Plätzen und die verschärfte Regulierung von Werbung. Trotz dieser Herausforderungen wird die Gesellschaft weiterhin versuchen, mittel- bis langfristig nachhaltiges Gewinnwachstum durch Investitionen in unter anderem das Tabakgeschäft zu erzielen.</p> <p>Die Gesellschaft ist der Ansicht, dass das internationale Tabakgeschäft der Gesellschaft weiterhin der Treiber für Profitwachstum des Konzerns sein wird, getragen durch eine Mischung aus Preissteigerungen, weitere Steigerungen der Marktanteile und eine wirksame Kostensteuerung. Der Konzern wird weiterhin die Priorität auf qualitatives und solides Wachstum durch Investitionen in eine größere geografische Präsenz setzen und dadurch unter anderem seinen Markenwert und seine neuen Produkte stärken. Der Konzern wird im inländischen japanischen Tabakgeschäft weiterhin seine Investitionen erhöhen, um sein Markenportfolio weiter zu stärken. Der Konzern wird zudem seine Fähigkeiten verbessern, Verbraucherbedürfnisse zu antizipieren und darauf zu reagieren.</p>
B.5	Beschreibung des Konzerns und der Stellung des Emittenten innerhalb dieses Konzerns	Entfällt, da bezüglich der Organisationsstruktur des Konzerns keine Informationen in diesem Prospekt enthalten sein müssen.
B.6	Darstellung der Beteiligungen am Kapital der Gesellschaft	Entfällt, da bezüglich der Kapitalstruktur der Gesellschaft keine Informationen in diesem Prospekt enthalten sein müssen.
B.7	Ausgewählte Finanzinformationen bezüglich der Gesellschaft	
<p>Die nachstehenden ausgewählten konsolidierten Finanzdaten zum und für die am 31. Dezember 2016, 31. Dezember 2015 und 31. März 2014 endenden Geschäftsjahre wurden jeweils aus den geprüften Konzernabschlüssen der Gesellschaft für die am 31. Dezember 2016, 31. Dezember 2015 und 31. März 2014 entnommen, wie sie im Geschäftsbericht der Gesellschaft für das jeweilige Geschäftsjahr ausgewiesen sind.</p> <p>Die nachstehenden ausgewählten konsolidierten Finanzdaten zum und für das am 31. Dezember 2014 endende Geschäftsjahr wurden teilweise aus den geprüften Konzernabschluss der Gesellschaft für das am 31. Dezember 2014 endende Geschäftsjahr entnommen, wie sie im Geschäftsbericht der Gesellschaft für das am 31. Dezember 2014 endende Geschäftsjahr veröffentlicht und in der unten stehenden Tabelle ausgewiesen sind. Das Geschäftsjahr 2014 war eine Übergangszeit für die Änderung des Rechnungslegungszeitraums und umfasst die neun Monate vom 1. April 2014 bis 31. Dezember 2014 des einheimischen japanischen Tabakgeschäfts des Konzerns mit einem vom 31. Dezember abweichenden Geschäftsjahresende. Bei den konsolidierten Tochtergesellschaften der Gesellschaft mit einem anderen Geschäftsjahres-</p>		

	<p>ende als dem 31. Dezember wurde der Rechnungslegungszeitraum gleichermaßen geändert. Aus diesem Grund sind einige der unten aufgelisteten Daten nicht geprüft. Unter der Annahme, dass das Geschäftsjahr der Gesellschaft und aller ihrer Tochtergesellschaften die 12 Monate Januar bis Dezember umfasst, ist die Konzern-Gewinn-und-Verlust-Rechnung für den am 31. Dezember 2014 endenden Zwölfmonatszeitraum so wie in der unten stehenden Tabelle ausgewiesen.</p> <p>Die Jahresabschlüsse der Gesellschaft sind wie in dem Abschnitt des Prospekts mit der Überschrift „Zur Prüfung verfügbare Unterlagen“ („Documents available for Inspection“) beschrieben erhältlich. Die Konzernabschlüsse der Gesellschaft wurden in Übereinstimmung mit International Financial Reporting Standards ("IFRS") erstellt.</p> <p>Der Wechselkurs des Yen zum Euro lag am 16. März 2017 bei 1,000 JPY – 7,977 EUR (Quelle: Europäische Zentralbank).</p>			
	Zum und für das Jahr endend am 31. Dezember			Zum und für das Jahr endend am 31. März
	2016 (1. Jan – 31. Dez)⁽¹⁾	2015 (1. Jan – 31. Dez)⁽¹⁾	2014 (1. Jan – 31. Dez)	2014 (1. Apr – 31. Mrz.)⁽¹⁾
¥ Mrd.⁽²⁾, mit Ausnahme der Erträge pro Aktie				
Ausgewählte Ertragsdaten				
Umsatz	2.143,3	2.252,9 ⁽⁴⁾	2.259,2 ^{(1),(4)}	2.399,8
Tabakgeschäft Japan	684,2	677,3 ⁽⁴⁾	687,4 ^{(3),(4)}	710,3
Internationales Tabakgeschäft	1.199,2	1.317,2 ⁽⁴⁾	1.328,0 ^{(3),(4)}	1.270,0
Arzneimittel	87,2	75,6 ⁽⁴⁾	65,8 ^{(3),(4)}	64,4
Getränke				184,5
Industriell verarbeitete Lebensmittel	164,1	165,8 ⁽⁴⁾	161,2 ^{(3),(4)}	156,9
Sonstiges	8,6	17,0 ⁽⁴⁾	16,9 ^{(3),(4)}	13,6
Vertriebskosten	872,4	920,1 ⁽⁴⁾	904,9 ^{(1),(4)}	980,0
Rohertrag	1.270,1	1.332,8 ⁽⁴⁾	1.354,3 ^{(3),(4)}	1.419,9
Sonstige betriebliche Erträge	70,1	15,4 ⁽⁴⁾	50,1 ^{(1),(4)}	55,6
Vertriebs-, Gemein- und Verwaltungskosten	754,1	789,3 ⁽⁴⁾	839,6 ^{(1),(4)}	828,9
Gewinnanteil der nach der Equity-Methode bilanzierten Investitionen	6,5	6,4 ⁽⁴⁾	7,8 ^{(1),(4)}	1,7
Betriebsergebnis	593,3	565,2 ⁽⁴⁾	572,6 ^{(1),(4)}	648,3
Gewinn vor Abzug der Ertragssteuer	578,2	565,1 ⁽⁴⁾	574,6 ^{(1),(4)}	636,2
Gewinn für die laufende Periode aus fortgeführten Geschäftsbereichen	425,8	402,7	397,5 ⁽¹⁾	
Gewinn (Verlust) für die laufende Periode aus eingestellten Geschäftsbereichen		87,5	(1,8) ⁽¹⁾	
Gewinn für die laufende Periode	425,8	490,2	395,7 ⁽¹⁾	435,3

Gewinn der den Eigentümern von Japan Tobacco Inc. zuzurechnen ist	421,7	485,7	389,1 ⁽¹⁾	428,0
Bereinigtes Betriebsergebnis⁽⁶⁾	586,8	626,7 ⁽⁴⁾	661,0 ^{(1),(4)}	
Tabakgeschäft Japan	260,2	254,1 ⁽⁴⁾	238,7 ^{(3),(4)}	
Internationales Tabakgeschäft	336,2	394,4 ⁽⁴⁾	447,1 ^{(3),(4)}	
Arzneimittel	9,7	(2,3) ⁽⁴⁾	(7,3) ^{(3),(4)}	
Industriell verarbeitete Lebensmittel	5,0	2,7 ⁽⁴⁾	1,4 ^{(3),(4)}	
Sonstiges	(24,7)	(22,2) ⁽⁴⁾	(18,9) ^{(3),(4)}	
Ertrag je Aktie⁽⁷⁾				
Unverwässert (yen)				
Fortgeführte Geschäftsbereiche ⁽⁴⁾	235,47	221,95	215,36 ⁽¹⁾	
Eingestellte Geschäftsbereiche ⁽⁵⁾		48,59	(1,30) ⁽¹⁾	
Total	235,47	270,54	214,06 ⁽¹⁾	235,48
Diluted (yen)				
Fortgeführte Geschäftsbereiche ⁽⁴⁾	235,33	221,81	215,24 ⁽¹⁾	
Eingestellte Geschäftsbereiche ⁽⁵⁾		48,56	(1,30) ⁽¹⁾	
Total	235,33	270,37	213,94 ⁽¹⁾	235,35
	Zum 31. Dezember 2016⁽¹⁾	Zum 31. Dezember 2015⁽¹⁾	Zum 31. Dezember 2014⁽¹⁾	
Ausgewählte Informationen zur Finanzposition				
Bilanzsumme	4.774,4	4.558,2	4.704,7	
Zahlungsmittel und Zahlungäquivalente	294,2	526,8	385,8	
Verzinsliche Schulden	555,3	255,3	228,2	
Gesamtverbindlichkeiten	2.216,3	2.036,7	2.082,2	
Anteile ohne beherrschenden Einfluss	72,0	69,9	85,7	
Gesamteigenkapital	2.528,0	2.521,5	2.622,5	
<p>(1) Entnommen aus dem geprüften Abschluss der Gesellschaft im Geschäftsbericht für die jeweiligen Geschäftsjahre. (2) Zahlen in Mrd. Yen sind auf eine Mio. Yen abgerundet (3) Ungeprüfte Zahlen. Diese Zahlen sind aus dem Management Reporting der Gesellschaft abgeleitet und basieren auf der Anwendung derselben Rechnungslegungsgrundsätze, die für die Ermittlung des Finanzergebnisses für den Zeitraum zwischen Januar und Dezember 2013 und 2014 angewendet wurden. (4) Basierend auf fortgeführten Geschäftsbereichen. Die Gesellschaft hat den Bereich "Getränke" im Geschäftsbereich 2015 als eingestellten Geschäftsbereich klassifiziert. Fortgeführte Geschäftsbereiche und eingestellte Geschäftsbereiche sind daher getrennt dargestellt. Die konsolidierte Gewinn- und Verlustrechnung für den am 31. Dezember 2014 endenden Neunmonatszeitraum und das am 31. Dezember 2014 endende Jahr wurden daher reklassifiziert. (5) Basierend auf eingestellten Geschäftsbereichen. (6) Bereinigtes Betriebsergebnis = Betriebsgewinn + Abschreibungskosten von erworbenen immateriellen Vermögenswerten + Ausgleichsposten (Erträge und Aufwendungen). Ausgleichsposten (Erträge und Aufwendungen) = Abschreibungen des Geschäfts- und Firmenwertes ("goodwill") ± Restrukturierungserträge und Aufwendungen ± Sonstiges (7) Basierend auf dem Gewinn, der den Eigentümern von Japan Tobacco Inc. zuzurechnen ist.</p>				

	Erhebliche Veränderungen der Finanzlage oder des Betriebsergebnisses des Emittenten	Soweit nicht unter Ziffer B.4a unter Aktuelle Geschäftstätigkeit beschrieben, haben sich die Finanzlage und Betriebsergebnis des Emittenten seit dem Datum des letzten Abschlusses (31. Dezember 2015) nicht erheblich geändert und die Geschäftsaussichten des Emittenten und seiner Tochtergesellschaften als Ganzes haben sich seit dem 31. Dezember 2016 nicht wesentlich verschlechtert.
B.8	Pro Forma Finanzinformationen	Entfällt, da keine historischen Finanzinformationen in diesem Prospekt enthalten sein müssen.
B.9	Gewinnprognose	Entfällt. Dieser Prospekt enthält keine Gewinnprognose.
B.10	Beschränkungen im Prüfungsbericht zu den historischen Finanzinformationen	Entfällt. Es gibt keine entsprechenden Beschränkungen im Prüfungsbericht.
B.11	Erklärung zum Geschäftskapital	Die Gesellschaft ist der Auffassung, dass ihr Geschäftskapital für ihre derzeitigen Bedürfnisse für mindestens 12 Monate ausreicht.

Abschnitt C - Wertpapiere		
C.1	Beschreibung von Art und Gattung der angebotenen Wertpapiere, einschließlich der Wertpapierkennnummer	Die unter dem JT International S.A. Employee Share Purchase Plan ("ESPP" oder "Plan") angebotenen Aktien sind Stammaktien der Gesellschaft. Die Stammaktien der Gesellschaft sind im ersten Index der Tokioter Börse gelistet. Die International Securities Identification Number (ISIN) der Stammaktien der Gesellschaft lautet JP3726800000. Die japanische Börsenkennzeichnung für die Stammaktien der Gesellschaft lautet 2914. In Deutschland wird die Stammaktie der Gesellschaft im Freiverkehr der Börsen von Berlin, Düsseldorf, Frankfurt, München, Stuttgart und auf Tradegate unter dem Kürzel „JAT“ und der Wertpapierkennnummer 893151 gehandelt.
C.2	Währung der Wertpapieremission	Der japanische Yen ist die Währung der Wertpapieremission.
C.3	Anzahl der ausgegebenen Aktien	Die Gesellschaft hat ein genehmigtes Kapital von bis zu 8.000.000.000 Stammaktien. Am 31. Dezember 2016 hatte die Gesellschaft 2.000.000.000 im Umlauf befindliche Stammaktien. Die ausgegebenen Aktien sind voll eingezahlt.
C.4	Beschreibung der mit den Wertpapieren verbundenen Rechte	Ein teilnahmeberechtigter Arbeitnehmer hat solange keine Stimm-, Dividenden- oder andere Aktionärsrechte im Hinblick auf die unter dem ESPP angebotenen Aktien, bis die Aktien gemäß dem ESPP im Namen des teilnehmenden Arbeitnehmers erworben worden sind. Nach dem Erwerb der Aktien ist der an dem ESPP teilnahmeberechtigte Arbeitnehmer berechtigt, die mit den Aktien verbundenen Rechte wie im Folgenden näher beschrieben auszuüben: <i>Stückaktiensystem.</i> Die Satzung der Gesellschaft schreibt vor, dass 100 Aktien ein "Stück" bilden. Die Geschäftsführung ("Board of Directors") der Gesellschaft kann die Anzahl der Aktien, die ein Stück bilden, reduzieren oder das Stückaktiensystem ganz abschaffen. Unter dem neuen Clearingsystem in Japan können Aktien, die weniger als

	<p>ein Stück bilden, übertragen werden. Nach den Vorschriften der japanischen Börsen entsprechen Aktien, die weniger als ein Stück bilden, abgesehen von Ausnahmefällen, keine Handelseinheit und dürfen dementsprechend nicht an den japanischen Börsen veräußert werden.</p> <p>Aktionäre, die weniger als ein Stück halten, können keine diese Aktien betreffenden Stimmrechte ausüben. Zum Zwecke der Bestimmung der Beschlussfähigkeit wird die Anzahl der Aktien, die kein Stück bilden, von der Anzahl der ausgegebenen Aktien ausgenommen.</p> <p>In Übereinstimmung mit dem japanischen Aktiengesetz sieht die Satzung der Gesellschaft vor, dass Aktionäre, die weniger als ein Stück halten, außer den in der Satzung der Gesellschaft vorgesehenen Rechten keine Aktionärsrechte haben. Darunter fallen folgende Rechte: Erhalt von Dividenden; Erhalt von Barzahlungen oder anderen Vermögenswerten im Fall der Zusammenlegung, der Teilung, des Tauschs oder der Übertragung von Aktien, der Unternehmensspaltung oder –zusammenführung; die Zuteilung von Aktien und Aktienbezugsrechten, ohne einen Nachschuss zahlen zu müssen, für den Fall, dass solche Rechte den Aktionären gewährt wurden; und das Recht zur Partizipation an allen Ausschüttungen von Vermögensüberschüssen bei Auflösung der Gesellschaft.</p> <p>Die Satzung der Gesellschaft sieht vor, dass Aktionäre, die weniger als ein Stück halten, jederzeit das Recht haben von der Gesellschaft den Verkauf der Anzahl von Aktien zu verlangen, die erforderlich sind, um die von ihnen gehaltenen Aktien auf ein Stück zu erhöhen. Im Rahmen des neuen Clearingsystem muss eine entsprechende Anfrage an die Gesellschaft über die zuständige kontoführende Institution gemacht werden. Der Preis, zu dem Aktien, die weniger als ein Stück bilden, nach einer solchen Anfrage von der Gesellschaft gekauft oder verkauft werden, entspricht (a) dem Schlusspreis der JT Aktie Tag an der Tokioer Börse an dem Tag, an dem die Anfrage bei dem Transferagenten eingegangen ist oder (b) für den Fall, dass an diesem Tag an der Tokioer Börse kein Handel stattfindet, dem Preis, zu dem die JT Aktie unmittelbar danach an der entsprechenden Börse gehandelt wird.</p> <p>Nach dem ESPP hat jeder Teilnehmer, unabhängig davon, ob er Aktionär eines Stückes oder von Bruchteilstücken ist, die Möglichkeit die Depotbank zu beauftragen, die auf die unter dem ESPP gekauften Aktien entfallenden Stimmrechte auszuüben. Erfolgen keine dahingehenden Anweisungen, so übt die Depotbank die entsprechenden Stimmrechte in Übereinstimmung mit den Empfehlungen der Geschäftsführung ("<i>Board of Directors</i>") der Gesellschaft aus, wobei eine dahingehende Vollmacherteilung der Teilnehmer für die Depotbank fingiert wird.</p> <p><i>Herkunft von Dividendenzahlungen und Zahlung.</i> Nach Zustimmung der Aktionäre, was alljährlich im März erfolgt, sowie nach Zustimmung des japanischen Finanzministers, werden Jahresabschlussdividenden pro rata den Aktionären oder den eingetragenen Pfandgläubigern zum 31. Dezember eines jeden Jahres in Geld ausgeschüttet. Zusätzlich zu den Jahresabschlussdividenden kann die Gesellschaft, nach Beschluss der Geschäftsführung ("<i>Board of Directors</i>") der Gesellschaft und Zustimmung des japanischen Finanzministers, zum 30. Juni eines jeden Jahres Zwischendividenden (d.h. Barausschüttungen) an Aktionäre der Gesellschaft oder eingetragene Pfandgläubiger auszahlen. Inhaber von Stammaktien haben das Recht, die besagten Dividenden zu erhalten. Es gibt keine Dividendenbeschränkungen und keine besonderen Verfahren für Aktionäre, die ihren Wohnsitz in Europa oder dem europäischen Wirtschaftsraum haben. Die Gesellschaft</p>
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		<p>ist von ihrer Verpflichtung befreit, Ausschüttungen vorzunehmen, wenn diese erst 3 Jahre nach erstmaliger Zahlbarkeit geltend gemacht werden.</p> <p><i>Stimmrechte.</i> Ein eingetragener Aktionär hat eine Stimme pro gehaltene Stückaktie der Gesellschaft, sofern weder die Gesellschaft noch irgendeine andere Kapital- oder Personengesellschaft oder ähnliche juristische Einheit, die direkt oder indirekt von der Gesellschaft gehalten werden, einen Stimmrechtsanteil haben, der ein Viertel oder mehr beträgt. Falls nicht anders per Gesetz oder in der Satzung der Gesellschaft vorgeschrieben, kann ein Beschluss bei der Hauptversammlung der Gesellschaft mit der Mehrheit der anwesenden Stimmen gefasst werden. Die Aktionäre haben die Möglichkeit, ihr Stimmrecht durch Stellvertreter auszuüben, sofern die Vollmacht einem stimmberechtigten Aktionär der Gesellschaft erteilt wird. Das japanische Aktiengesetz und die Satzung der Gesellschaft schreiben vor, dass zur Wahl von Mitgliedern der Geschäftsführung ("<i>directors</i>") und Mitgliedern der Revisionsstelle ("<i>audit</i>") und des Aufsichtsrats ("<i>supervisory board</i>") ein Quorum von einem Drittel der gesamten Stimmen erforderlich ist. Die Satzung der Gesellschaft schreibt vor, dass Stammaktien nicht kumulativ für die Wahl von Mitgliedern der Geschäftsführung ("<i>directors</i>") verwendet werden dürfen. Die Aktionäre der Gesellschaft können ihre Stimmrechte schriftlich oder elektronisch in Übereinstimmung mit einem Beschluss der Geschäftsführung ("<i>Board of Directors</i>") ausüben.</p> <p><i>Liquidationsrechte.</i> Im Fall der Liquidation der Gesellschaft werden die Vermögensgegenstände, die nach Zahlung von Steuern, den Liquidationskosten und von Schulden, verbleiben, unter den Stammaktionären der Gesellschaft anteilmäßig und in Abhängigkeit von eventuellen Sonderausschüttungen für in der Liquidation bevorzugten Aktien, verteilt.</p> <p><i>Keine Bezugs-, Einziehungs- oder Wandlungsrechte.</i> Die Satzung der Gesellschaft sieht keine Bezugsrechte vor. Die Stammaktien der Gesellschaft unterliegen nicht der Einziehung und gewähren keine Wandlungsrechte.</p>
C.5	Übertragbarkeit	<p>Nach dem ESPP auf ein Konto eines Teilnehmers überwiesene Beträge können von Teilnehmern nicht übertragen oder abgetreten werden, abgesehen von testamentarischer Übertragung oder aufgrund der gesetzlichen Erbfolge. Die gemäß dem ESPP erworbenen Aktien sind gesperrt und können nicht verkauft oder übertragen werden, bis eine mit dem Kauf unter dem ESPP zu laufen beginnende Sperrfrist von 12 Monaten abgelaufen ist oder bis eine gegebenenfalls von Zeit zu Zeit vom Verwalter des ESPP unter Bezugnahme auf die japanischen Vorschriften zur Verhinderung von Insidertraining bestimmte Frist abgelaufen ist („Verkaufsbeschränkungsfrist“). Nach Ablauf der Verkaufsbeschränkungsfrist und unter Maßgabe, dass der Teilnehmer gemäß dem anwendbaren Recht (einschließlich der Vorschriften der japanischen Börsen) sowie gemäß der von der Gesellschaft oder einer anderen am ESPP teilnehmenden Gesellschaft des Konzerns auferlegten Richtlinien oder Handelsbeschränkungen, das Recht dazu hat, sind die Aktien frei übertragbar.</p>
C.6	Zulassung zum Handel an einem geregelten Markt	<p>Entfällt. Die Stammaktien der Gesellschaft sind im ersten Index der Tokioter Börse notiert. Die International Securities Identification Number (ISIN) der Stammaktien der Gesellschaft lautet JP3726800000. Die japanische Börsenkennzeichnung für die Stammaktien der Gesellschaft lautet 2914. In Deutschland wird die Aktie im Freiverkehr der Börsen von Berlin, Düsseldorf, Frankfurt, München,</p>

		Stuttgart und auf Tradegate unter dem Kürzel „JAT“ und der Wertpapierkennnummer 893151 gehandelt. Die Stammaktien der Gesellschaft werden nicht zum Handel an einem geregelten Markt zugelassen.
C.7	Dividendenpolitik	<p>Die Festsetzung, die Zahlung und die Höhe künftiger Dividenden wird von der Geschäftsführung ("Board of Directors") der Gesellschaft getroffen und von der Hauptversammlung der Gesellschaft und dem Finanzministerium. der Betrag hängt unter anderem von dem Gewinn, der finanziellen Lage und dem Kapitalbedarf zum Zeitpunkt sowohl der Festsetzung als auch der Zahlung ab.</p> <p>Die Gesellschaft hat bisher zwei Mal jährlich Dividenden gezahlt. Zusätzlich zu den Jahresabschlussdividenden hat die Gesellschaft zum 30. Juni eines jeden Jahres Zwischendividenden in Form von Barauschüttungen an Aktionäre oder zum 30. Juni eingetragene Pfandgläubiger ausgezahlt.</p> <p>Die Gesellschaft hat weiterhin den Gewinn für ihre Aktionäre gesteigert durch eine Erhöhung der Dividende. Dadurch erreichte die Gesellschaft eine Auszahlungsquote von 55,2 % der konsolidierten Dividende, was nach Auffassung der Gesellschaft ein zu den weltweiten Wettbewerbern im Bereich der FMCG (fast-moving-consumer-goods) vergleichbares Niveau in dem zum 31. Dezember 2016 endenden Geschäftsjahr ist.</p> <p>Die Gesellschaft geht davon aus, dass eine gesunde Bilanzstruktur für die Gesellschaft von wesentlicher Bedeutung ist, da dies die Grundlage für die Verfolgung weiterer Geschäfts- und investitionsmöglichkeiten sowie die Möglichkeit, auf die Herausforderungen eines volatilen Umfelds zu reagieren, darstellt. Daneben versucht die Gesellschaft, das optimale Gleichgewicht zwischen Ertragswachstum und Ertrag für ihre Aktionäre zu finden. Dies bedeutet, dass die Gesellschaft den Gewinn ihrer Aktionäre verbessern wird auf Basis des Trends zu mittel- bis langfristig höheren Gewinnen. Insbesondere wird die Gesellschaft einen nachhaltigen und stetigen Anstieg der Dividende bereitstellen. Die Ausschüttungsquote ist kein Ziel des Managements, obwohl sie bei der Entscheidung über die Ausschüttungsbeträge mit in Betracht gezogen werden wird. Aktienrückkäufe wird die Gesellschaft in Betracht ziehen, nach dem unter anderem die mittel-bis langfristigen Geschäftsaussichten der Gesellschaft sowie die finanzielle Leistung und Situation analysiert worden sind. Die Gesellschaft wird darüber hinaus die Trends von vergleichbaren FMCG Wettbewerbern, die ein ähnliches Anteilseignermodell wie die Gesellschaft haben und stark gewachsen sind, verfolgen.</p> <p>Die pro Aktie ausgezahlten (oder auszuzahlenden) Dividenden der Gesellschaft in den letzten drei Geschäftsjahren waren wie folgt:</p> <p>Für das auf den 31. Dezember 2016 endende Geschäftsjahr: 130 JPY pro Aktie</p> <p>Für das auf den 31. Dezember 2015 endende Geschäftsjahr: 118 JPY pro Aktie</p> <p>Für das auf den 31. Dezember 2014 endende Geschäftsjahr: 100 JPY pro Aktie.</p>

Abschnitt D – Risiken

Arbeitnehmer sollten die nachfolgend beschriebenen Risiken, die im Abschnitt „Risikofaktoren“ (Risk Factors) näher beschrieben sind, und die übrigen in diesem Prospekt enthaltenen Informationen sorgfältig berücksichtigen und bei ihrer Anlageentscheidung einkalkulieren. Die Realisierung eines oder mehrerer dieser Risiken kann, für sich allein oder zusammen mit anderen Umständen, die Geschäftstätigkeit und die Finanzlage des Konzerns wesentlich und erheblich beeinträchtigen (*"have a material adverse effect"*) und dazu führen, dass der Börsenkurs der Aktien der Gesellschaft fällt. In diesem Fall könnten Arbeitnehmer ihr eingesetztes Kapital ganz oder teilweise verlieren. Der Prospekt enthält alle Risiken, die die Gesellschaft für wesentlich erachtet. Allerdings könnten sich die nachfolgend aufgeführten Risiken rückwirkend betrachtet als nicht abschließend herausstellen und daher nicht die einzigen Risiken sein, denen der Konzern ausgesetzt ist. Weitere Risiken und Unwägbarkeiten könnten die Geschäftstätigkeit und die Finanzlage des Konzerns wesentlich und erheblich beeinträchtigen (*"have a material adverse effect"*). Die gewählte Reihenfolge der Risikofaktoren enthält weder eine Aussage über die Eintrittswahrscheinlichkeit noch über das Ausmaß bzw. die Bedeutung der einzelnen Risiken.

<p>D.1</p>	<p>Risiken im Hinblick auf das Geschäft des Konzerns oder seiner Branche</p>	<ul style="list-style-type: none"> – Die Geschäftstätigkeit des Konzerns ist in der Vergangenheit durch die weltwirtschaftlichen Rahmenbedingungen nachteilig beeinflusst worden und kann dies auch weiterhin werden. – Aufgrund der geographischen Reichweite der Geschäftstätigkeit des Konzerns können die Betriebsergebnisse durch wirtschaftliche, regulative und politische Änderungen in vielen Ländern nachteilig beeinflusst werden. – Währungsschwankungen beeinflussen das Betriebsergebnis des Konzerns. – Erhöhungen der Verbrauchs- oder anderer Steuern auf Tabakprodukte auf Absatzmärkten des Konzerns können den Vertrieb von Tabakprodukten und die Profitabilität des Konzerns nachteilig beeinflussen. – Rückgänge der Nachfrage nach Tabakprodukten in bestimmten Schlüsselmärkten, darunter Japan, können das Betriebsergebnis des Konzerns nachteilig und überproportional beeinflussen. – Weltweite Konkurrenz durch andere Hersteller von Tabakprodukten kann den Marktanteil des Konzerns und seine Profitabilität nachteilig beeinflussen. – Katastrophen, einschließlich Naturkatastrophen, Versagen der IT-Systeme und Cyber-Verbrechen können die Geschäftstätigkeit stören und das Wachstum des Konzerns begrenzen. – Das Betriebsergebnis des Konzerns kann durch Unbeständigkeiten bei der Beschaffung von Rohmaterial nachteilig beeinflusst werden. – Aquisitionen oder ähnliche Investitionen werfen möglicherweise nicht die erwarteten Ergebnisse ab oder der daraus resultierende in der Bilanz des Emittenten verbuchte Firmen- und Geschäftswert (<i>"goodwill"</i>) verschlechtert sich, wobei in beiden Fällen dadurch die finanzielle Lage und das Betriebsergebnis des Konzerns nachteilig beeinflusst werden kann. – Einschränkungen betreffend Werbung, Vermarktung, Verpackung, Etikettierung und Gebrauch von Tabakprodukten in Absatzmärkten des Konzerns können die Nachfrage nach Tabakprodukten senken und das Betriebsergebnis nachteilig beeinflussen.
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		<ul style="list-style-type: none"> – Ein Anstieg des Schwarzhandels mit Tabakprodukten kann sich nachteilig auf den Konzern auswirken. – Dem Konzern können erhebliche Kosten entstehen im Zusammenhang mit weltweiten Rechtsstreitigkeiten wegen behaupteter Schäden durch den Gebrauch von Tabakprodukten oder die Belastung mit Tabakrauch in der Umgebung ("<i>Environmental Tobacco Smoke</i>", ETS). – Ansprüche aufgrund der Verletzung von Rechten an geistigem Eigentum könnten es erforderlich machen, dass der Konzern in erheblichem Maße Zeit und Geld aufbringen muss und dadurch seine Fähigkeit der Entwicklung und des Vertriebs von Produkten nachteilig beeinflusst wird. – Falls der Konzern nicht dazu in der Lage ist, sein geistiges Eigentum ausreichend zu schützen, könnten Dritte die Technologie des Konzerns nutzen und dadurch die Wettbewerbsfähigkeit des Konzerns nachteilig beeinflussen. – Die Verpflichtung des Konzerns nach dem "Tobacco Business Act" im wesentlichen den gesamten im Inland angebauten Tabakblätterbestand zu kaufen, kann die Wettbewerbsposition des Konzerns in Japan im Vergleich zu internationalen Wettbewerbern, die nur Tabakblätter nicht-japanischen Ursprungs verwenden, nachteilig beeinflussen. – Alle Ansprüche betreffend gefährlicher Stoffe ("<i>hazardous materials</i>"), einschließlich radioaktiver und bakteriologischer Stoffe, die in der Geschäftstätigkeit des Konzerns verwendet werden oder denen die Produkte des Konzerns ausgesetzt sein können, können das Betriebsergebnis nachteilig beeinflussen. – Gesetze zu Wirtschaftssanktionen sind komplex und Strafen können im Fall von Verstößen drastisch ausfallen. Außerdem können Änderungen bezüglich bestehender Wirtschaftssanktionen dem Konzern den Zugang zu betroffenen Märkten entziehen oder den Konzern veranlassen, seine Geschäftstätigkeit dort zu beschränken oder neu aufzustellen. – Die Geschäftstätigkeit des Konzerns mit Arzneimitteln und industriell verarbeiteten Lebensmitteln ist vielfältigen Risiken ausgesetzt. – Misslingt es, einen Fundus an talentierten Arbeitnehmern einzustellen oder zu halten, kann dies die Geschäftstätigkeit und die Betriebsergebnisse des Konzerns nachteilig beeinflussen.
<p>D.3</p>	<p>Hauptrisiken im Bezug auf Aktien</p>	<ul style="list-style-type: none"> – Der Börsenkurs der Stammaktien des Emittenten kann erheblich schwanken, und dies kann den Wert der Anlage schmälern oder es Anlegern erschweren, Stammaktien zu einem von ihnen für attraktiv befunden Zeitpunkt oder Preis weiterzuveräußern. – Es besteht die Möglichkeit, dass der Börsenpreis der Stammaktien der Gesellschaft durch künftige Verkäufe oder andere Verwässerungen des Eigenkapitals sich nachteilig verändert. – Möglicherweise erhalten Investoren keine Dividenden für die von ihnen gehaltenen Stammaktien. Stammaktien sind

		Eigenkapital und sind nachrangig gegenüber aktuellen und zukünftigen Schulden der Gesellschaft.
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Abschnitt E – Das Angebot		
E.1	Nettoemissionserlöse und geschätzte Gesamtkosten	<p>Entfällt.</p> <p>Weder die Gesellschaft noch der Anbieter oder andere Gesellschaften des Konzerns, die am ESPP teilnehmen („Teilnehmende Gesellschaften“), werden im Rahmen des Kaufs oder Verkaufs von Aktien nach dem ESPP einen Erlös erzielen.</p> <p>Die Teilnehmenden Gesellschaften tragen die Transaktionskosten, die Depotgebühren, die Courtagen und andere Kosten, die im Zusammenhang mit der Durchführung und Verwaltung des ESPP bezüglich der von ihnen angestellten Teilnehmer anfallen. Die geschätzten Kosten liegen bei etwa 100 US Dollar pro teilnehmendem Arbeitnehmer (¥ 11,339 basierend auf einem Wechselkurs von USD 1 - ¥113.39 zum 16. März 2017 (Quelle: Bank of Japan). Zusätzlich überweist jede Teilnehmende Gesellschaft zwölf Prozent (12 %) der Beteiligung von jedem Teilnehmer, der keine Führungskraft ist (<i>„non-executive“</i>), auf das jeweilige Konto des Teilnehmers oder veranlasst die Überweisung. Die Transaktionskosten, die Depotgebühren, die Courtagen sowie die andere Kosten und Steuern, die in Verbindung mit dem Verkauf von Aktien im Namen des Teilnehmers anfallen, werden von dem Teilnehmer getragen, der den Verkauf angeregt hat und von dessen Konto abgebucht.</p>
E.2a	Gründe für das Angebot und die Verwendung des Emissionserlöses	<p>Der Zweck des ESPP ist es, teilnahmeberechtigten Führungskräften und Arbeitnehmern der Teilnehmenden Gesellschaften die Möglichkeit zu geben, Eigentumsanteile an der Gesellschaft zu erwerben und dadurch die Interessen der teilnehmenden Führungskräfte und Mitarbeiter mit den langfristigen Interessen der Gesellschaft in einer Art und Weise zu vereinen, die den japanischen Vorschriften zur Verhinderung des Insiderhandels entspricht.</p> <p>Weder die Gesellschaft noch der Anbieter oder andere Teilnehmende Gesellschaften werden durch den Kauf oder Verkauf von Aktien nach dem ESPP einen Erlös erzielen.</p>
E.3	Beschreibung der Angebotsbedingungen	<p><i>Angebotene Aktien.</i> Stammaktien der Gesellschaft in Übereinstimmung mit den Bedingungen des ESPP. Der Plan wird durch den Erwerb bestehender Aktien durch den jeweiligen Treuhänder im Namen der Teilnehmer in fortlaufenden Zeiträumen („Planzeiträume“), vergleichen Sie bitte auch unten) auf der Grundlage des für jeden einzelnen teilnehmenden Arbeitnehmer bestimmten Gehaltseinbehalts durchgeführt. Die angebotenen Aktien beinhalten keine von der Gesellschaft neu auszugebenden Aktien und das ESPP sieht keine Ausgabe neuer Aktien im Zusammenhang mit dem ESPP vor.</p> <p><i>Anmeldezeiträume.</i> Ein teilnahmeberechtigter Arbeitnehmer wird als Plan-Teilnehmer eingetragen, nachdem er die Voraussetzungen an die Teilnahmeberechtigung erfüllt hat. Diese erfüllt er, indem er während eines Anmeldezeitraums, der jedes Jahr am oder um den 30. März beginnt und am oder um den 15. April endet (jeder ein „Anmeldezeitraum“), ein Anmeldeformular ausfüllt.</p> <p><i>Planzeitraum und Erwerbsperiode.</i> Jeder Planzeitraum beträgt</p>

	<p>zwölf Monate und beginnt am 1. Juni eines jeweiligen Jahres und endet am 31. Mai des folgenden Kalenderjahres. Jeder Planzeitraum besteht aus einzelnen, aufeinanderfolgenden Monatszeiträumen (je ein "Monatszeitraum"). Jeder Monatszeitraum beträgt einen vollen Kalendermonat und beginnt am ersten Tag des entsprechenden Monats und endet am letzten Tage dieses Monats. Die jeweilige Depotbank kauft während der ersten zehn (10) auf das Ende des betreffenden Monatszeitraums folgenden Handelstage nach den dann bestehenden Marktkonditionen die entsprechende Anzahl an Stammaktien der Gesellschaft an einer japanischen Wertpapierbörse, an der die Aktien der Gesellschaft gehandelt werden.</p> <p><i>Einbehalte vom Gehalt.</i> Ein fester Betrag, der von jedem teilnehmenden Mitarbeiter bestimmt wird und auf einen maximalen Beitrag von ¥990.000 pro Monat / ¥11.880.000 pro jährliches Angebot beschränkt ist („Teilnehmerbeitrag“). Jede Teilnehmende Gesellschaft überweist oder veranlasst in jedem Monatszeitraum die Überweisung von zwölf Prozent (12%) des Beitrags von jedem Teilnehmer, der keine Führungskraft ist ("<i>non-executive</i>"), auf das Konto des entsprechenden Teilnehmers („Zuschussbeitrag“). Teilnehmer in Führungspositionen ("<i>executive participants</i>") haben keinen Anspruch auf einen Zuschussbeitrags.</p> <p><i>Teilnahmeberechtigung.</i> Jeder festangestellte Arbeitnehmer der Teilnehmenden Gesellschaften (einschließlich Arbeitnehmer, die in Teilzeit arbeiten), der an der Vereinigung für Arbeitnehmer - Kapitalbeteiligungen des JT-Konzerns ("<i>JT Group Employee Ownership Association</i>") der Gesellschaft nicht teilnahmeberechtigt ist („Teilnehmer“).</p> <p><i>Depotbank.</i> Equatex AG.</p> <p><i>Kaufpreis.</i> Die Depotbank kauft während der ersten zehn auf das Ende des betreffenden Monatszeitraums folgenden Handelstage zu den dann bestehenden Marktkonditionen die Stammaktien der Gesellschaft. Die Gesamtzahl an erworbenen Aktien wird in den Akten der Teilnehmer vermerkt.</p> <p><i>Bereitstellung ("delivery").</i> Die Stammaktien der Gesellschaft werden für den Teilnehmer in seinem Namen von der Depotbank verwahrt. Die Teilnehmer haben das Alleineigentum, erhalten den Ertrag und tragen die Risiken an den Aktien ab dem Tag ihres Erwerbs gemäß den Bedingungen des Plans.</p> <p><i>Verfügungsbeschränkungen.</i> Aktien, die im Namen eines Teilnehmers gekauft wurden, werden gesperrt und können bis zum Ablauf der Verkaufsbeschränkungsfrist nicht verkauft werden.</p> <p><i>Verwaltung des ESPP.</i> Der Plan wird von der Geschäftsführung ("<i>board of directors</i>") der JT International S.A. oder von einem oder mehreren von der Geschäftsführung ("<i>board of directors</i>") einberufenen und mit von der Geschäftsführung ("<i>board of directors</i>") bestimmten Rechten ausgestatteten Ausschüssen verwaltet.</p> <p><i>Beendigung des ESPP.</i> Der Plan gilt unbefristet, bis die Geschäftsführung ("<i>board of directors</i>") den Plan beendet. Die Geschäftsführung ("<i>board of directors</i>") kann den Plan jederzeit beenden.</p> <p><i>Kosten.</i> Grundsätzlich tragen die Teilnehmenden Gesellschaften die Transaktionskosten, die Depotgebühren, die Courtagen und andere Kosten, die im Zusammenhang mit der Durchführung und Verwaltung des ESPP bezüglich der von ihnen angestellten Teilnehmer anfallen. Die geschätzten Kosten liegen bei etwa 100 US Dollar pro Teilnehmer (¥ 11,339 basierend auf einem Wechselkurs von USD 1</p>
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		- ¥113.39 zum 16. März 2017 (Quelle: Bank of Japan). Die Transaktionskosten, die Depotgebühren, die Courtagen sowie die andere Kosten, die in Verbindung mit dem Verkauf von Aktien im Namen des Teilnehmers anfallen, werden von dem Teilnehmer getragen.
E.4	Beschreibung aller für das Angebot wesentlichen Interessen, einschließlich von Interessenskonflikten	Entfällt. Es bestehen keine solchen Interessen.
E.5	Name des Unternehmens, das die Wertpapiere zum Verkauf anbietet	JT International S.A.
E.6	Maximale Verwässerung	Entfällt. Es wird keine Verwässerung durch den Kauf und Verkauf von Aktien nach dem ESPP auf der Ebene der Gesellschaft oder anderer Teilnehmender Gesellschaften geben, da im Rahmen des ESPP keine neuen Stammaktien von der Gesellschaft ausgegeben werden.
E.7	Schätzung der dem Anleger in Rechnung gestellten Ausgaben	Entfällt. Es gibt keine solchen Ausgaben. Nur Transaktionskosten, Depotgebühren, Courtagen sowie andere Kosten, die in Verbindung mit dem Verkauf von im Namen des Teilnehmers gehaltener Aktien anfallen, werden von dem Teilnehmer getragen.

RISK FACTORS

Before enrollment in the ESPP, employees should carefully consider the risks described below and other information contained in this prospectus, and take these factors into account in making their investment decision. The occurrence of one or more of these risks alone or in combination with other circumstances may have a material adverse effect on the business and financial condition of the Company and cause the market price of the Company's shares to decline. In such case, employees could lose all or part of their investment. The prospectus contains all risks which the Company deems material. However, the risks described below may turn out to be incomplete and therefore may not be the only risks to which the Company is exposed. Additional risks and uncertainties could have a material adverse effect on the business and financial condition of the Company. The order of presentation of the risk factors below does not indicate the likelihood of their occurrence or the extent or the significance of the individual risks.

References in this section to the "Group" shall mean Japan Tobacco Inc. and its consolidated subsidiaries, unless the context indicates otherwise. References to "JT International" are to JT International Holding B.V., the Company's consolidated subsidiary, and its consolidated subsidiaries, unless the context indicates otherwise.

Certain financial and numeric information in this section is expressed in Japanese yen (¥ or JPY). The exchange rate of euro to yen was ¥ 1,000 – EUR 7.977 as of March 16, 2017 (source: European Central Bank).

Risk relating to the Group's business or its Industry

The Group's businesses have been and may continue to be adversely affected by global economic conditions.

The results of the Group's businesses are influenced in part by global economic conditions and trends in consumer spending. In the past several years, conditions in the global financial markets and economic conditions generally have been highly volatile and the future economic outlook remains uncertain. There is widespread concern over slowing economic growth in certain emerging market economies, and political tensions between Russia and Ukraine and between Saudi Arabia and Iran.

Economic downturns may put pressure on the Group's revenue from its tobacco business due to the weakening of consumer spending power and thus demand, as well as shifts in smokers' purchases to brands in lower price ranges or different categories. For the Group's international tobacco business, the key markets consist of France, Italy, Russia, Spain, Taiwan, Turkey and the U.K. Market demand in most of these markets has been declining in recent years due to a combination of economic, demographic and social reasons. Similarly, market demand in Japan has contracted in recent years, and the Group expects this declining trend to continue in the near term. These trends may in turn undermine the Group's strategy to grow its top-line in tobacco operations. Weak consumer spending power may also reduce the demand for the Group's processed food products. Any of these factors may adversely affect the Group's financial condition and operating results.

Due to the geographical scope of the Group's operations, the Group's operating results may be adversely affected by economic, regulatory and political changes in many countries.

The Group's products are sold in over 120 countries around the world, with the tobacco business accounting for most of the Group's international business operations. The Group has a growing presence in international markets, which is broken down into four clusters: South & West Europe (including primarily France, Italy, Spain and Switzerland), North & Central Europe (including primarily Austria, Ireland, Poland, Sweden and the U.K.), CIS+ (including primarily Kazakhstan, Romania, Russia and Ukraine) and the Rest-of-the-World (including primarily Canada, Malaysia, Taiwan and Turkey). Consequently, the Group's international tobacco business, which accounted for 56.0% of its external revenue and 57.3% of its adjusted operating profit for the year ended December 31, 2016, has assumed significantly greater importance to the Group's operating results in recent years. Some of the countries in which the Group operates face the threat of civil unrest and could be subject to regime changes. In others, nationalization, terrorism, conflict and the threat of war may have a significant impact on the business environment. For example, 35% of the total shipment volume of the Group's international tobacco business was to CIS+ for the year ended December 31, 2016. As a result, political, economic and governmental instability in this cluster could materially and adversely affect the Group's operations and financial results. In addition, ongoing political instability in Ukraine and the related imposition of sanc-

tions by, among others, the U.S. and the EU on certain Russian individuals and entities may have an adverse impact on the Russian economy. Changes in the economic, political, or regulatory environment could disrupt the Group's supply chain and/or its distribution capabilities. In addition, such changes could lead to loss of property or equipment that is critical to the Group's business in certain markets and difficulty in staffing and managing its operations, which could adversely affect its operating results. While the Group will continue to pursue geographic expansion to achieve long-term growth of its businesses, the realization of any of the foregoing risks may adversely affect its operating results.

Currency fluctuations affect the Group's operating results.

The Group conducts a significant portion of its business in currencies other than yen, such as the Russian ruble, Euro, British pound, Taiwanese dollar, U.S. dollar, Swiss franc and the local currencies of other countries in which it operates. For the year ended December 31, 2016, the Group's international tobacco business, which is almost entirely conducted in currencies other than yen, represented 56.0% of its external revenue and 57.3% of its adjusted operating profit. Currency fluctuations may, therefore, adversely affect the Group's operating results.

Each of the Group's companies measures transactions in its own functional currency. The Group enters into transactions denominated in currencies other than the local currencies in which each of the Group's companies operate, exposing the Group to transaction risk to the extent that the amounts and proportions of various currencies in which its sales and assets are denominated differ from the amounts and proportions of various currencies in which its costs and liabilities are denominated. For example, the Group pays a substantial amount in U.S. dollars for non-Japan origin tobacco leaf for its Japanese tobacco business, but its tobacco sales in Japan are denominated in yen. Similarly, the purchase of a substantial amount of tobacco leaf for the Group's international tobacco operations is denominated in U.S. dollars while its tobacco sales in the international operations are denominated in local currencies. As a result, a strong U.S. dollar against such other currencies could adversely affect the Group's margins on a local currency basis. While the Group enters into hedging transactions, such as derivatives or issuing debt in currencies other than yen, to partially offset the currency fluctuation risk in its business transactions, hedging will not completely eliminate those risks and the Group remains exposed to the effects of currency fluctuations.

Furthermore, the Group is subject to currency translation risks. The Group's operating results in the international tobacco business are subject to differences between the U.S. dollar, which is the presentation currency of JT International, and the local presentation currencies of various countries in which JT International's consolidated subsidiaries operate. In this regard, a strong U.S. dollar relative to these local currencies, and in particular the Russian ruble, negatively affects profits of JT International. The Group's reporting results are further subject to exchange rate fluctuations between the yen, which is the Group's presentation currency, and the U.S. dollar. In general, a strong yen against the U.S. dollar negatively affects the translation of JT International's results into yen. Assuming no change in the relative value of the yen against the U.S. dollar at the same time, a strong U.S. dollar relative to the local currencies would in turn have a net negative impact on the Group's overall reported operating results. Moreover, if the Group liquidates, sells or impairs a significant value of any of its companies that it originally acquired in a currency other than yen, the applicable gain or loss that recorded in the Group's consolidated financial statements will include the accumulated amount of the currency fluctuations between the local currency and the yen.

Any of the factors set out above may adversely affect the Group's financial condition and operating results.

Increases in excise, consumption or other taxes on tobacco products in markets in which the Group operates may adversely affect the Group's sales of tobacco products and profitability.

General

Increases in tobacco-related taxes in Japan and other countries around the world are considered as a source of public finance and a measure to promote public health. If an increase occurs in the tax applicable to tobacco products, in most cases it is difficult for the Group to absorb such tax increases through improved operational efficiency. The Group thus typically seeks to increase the retail price of tobacco products. However, it may be difficult to fully pass on the cost of such tax increases to consumers without undermining sales volume and ultimately the Group's profitability. Reflecting part or all of a tax increase through an increase in the retail price may reduce consumption or cause demand to shift toward lower priced products, different categories or to illicit products such as contraband and counterfeit products, while absorbing a tax increase without a retail price increase would directly re-

duce the Group's profitability. Therefore, in order to maintain the Group's profitability, any retail price increase typically needs to be greater than the amount of the applicable tax increase to offset these adverse reactions on the part of consumers. In considering any price increase, the Group therefore must consider market conditions, including the potential impact on demand and the expected reactions of competitors based on historical patterns.

The Group's ability to effectively adjust to an increase in tobacco-related tax would be particularly limited if such increase was implemented at a timing or frequency the Group did not expect, by a margin wider than it expected in a particular market, or in a jurisdiction it did not anticipate.

International Tobacco Operations

In the past two years, the Group has experienced tobacco-related tax increases in France, Italy, Russia, Turkey and the U.K., among other jurisdictions. In Russia, the Group's largest market globally, the excise tax on cigarettes was increased in 2017 as established in the Russian tax code. From 2014, a higher EU-wide minimum excise tax target on cigarettes has taken effect pursuant to Council Directive 2011/64/EU (the "**Tobacco Excise Directive**"). Minimum excise duty level on fine cut have been progressively increasing since 2011 and will reach the final minimum target in 2020. A new excise directive is unlikely to come into force before 2018.

In addition to tobacco-related tax increases, the Group also experienced increases in Value Added Tax, ("VAT"), over the last two years in several international markets. The fact that it coincided with an increase of the tobacco-related tax made it even more difficult to predict the impact on the demand for the Group's products and the Group's business performance.

Japanese Domestic Tobacco Operations

The sale of tobacco products in Japan is subject to national and local tobacco excise taxes and national tobacco special excise tax calculated on the basis of sales volume, as well as consumption tax calculated based on the price of the products. These excise taxes for cigarettes, subject to a few minor exceptions, currently equal an aggregate of ¥12,244 per thousand units. Further, the one of the exceptions, the special tax rates of national and local tobacco excise taxes for former third class cigarettes have been abolished as a revision of tobacco excise tax in the fiscal year ended December 31, 2015. Accordingly, from the perspective of reducing dramatic changes and other such considerations, tax rate revisions will be implemented in stages as a transitional measure during April 1, 2016 through April 2019. In addition to tobacco-related tax, the Japanese consumption tax rate increased from 5% to 8% beginning April 1, 2014 and is currently expected to further increase to 10% on October 1, 2019. For a pack of 20 cigarettes selling for a retail price of ¥440, for example, excise and consumption taxes currently account for 63.1% of the retail price.

Any decrease in demand for tobacco products in certain key markets, including Japan, may negatively and disproportionately affect the Group's operating results.

While the Group's products are sold in over 120 countries around the world, a decrease in demand for tobacco products in one or more key markets may disproportionately affect the Group's operating results and financial condition. Demand for tobacco products in a particular market may decline due to various factors unique to each geographic region or jurisdiction, such as an economic contraction, rising health awareness, increases in tobacco prices, tightening regulations, demographic changes, or a combination of any of these or other factors. For the Group's international tobacco business, demand contraction in any of its key markets may negatively and disproportionately affect its operating results.

In the Group's Japanese domestic tobacco business, a substantial majority of the Group's earnings is represented by profit from tobacco products manufactured by the Group, with the rest relating to the Group's distribution of products of non-Japanese tobacco manufacturers in Japan. The shipment volume for cigarette in Japan has been declining and is expected to continue to decline as a result of factors such as expansion of T-vapor categories demographic changes in the adult population, increasing social concern regarding the health effects of smoking, legislation and administrative and industry guidelines on tobacco issues and the impact of tax increases in the past which resulted in higher retail prices for cigarettes. According to the TIOJ, an organization of tobacco manufacturers and importers of which the Company is a member, overall demand in Japan for cigarettes declined from 285.2 billion cigarettes for the year ended March 31, 2005 to 173.8 billion cigarettes for the year ended December 31, 2016. The Group expects this decline to continue, which may adversely affect its operating results. Industry volume is expected to decline in most of the Group's key markets in 2017, notably in the United Kingdom and Russia.

Global competition from other tobacco manufacturers may reduce the Group's market share and may adversely affect the Group's profitability.

The Chinese market is the world's largest tobacco market, accounting in 2015 for more than 40% of global cigarette consumption, but is almost exclusively operated by China National Tobacco Corporation. The global market share of the Group's products based on unit sales volume excluding China National Tobacco Corporation, by the Group's internal estimates, was 15.8% in 2015, and followed that of Philip Morris International Inc. ("Philip Morris International"), and British American Tobacco p.l.c. (British American Tobacco). According to the Company's internal estimate, Philip Morris International and British American Tobacco had market shares of 26.2% and of 19.1%, respectively excluding China National Tobacco Corporation. According to the Company's internal estimates, the market share of Imperial Brands PLC ("Imperial Brands"), which ranks immediately after the Group, was 8.9% in 2015.

The Group competes in various markets across the world with global tobacco manufacturers such as Philip Morris International, British American Tobacco and Imperial Brands, as well as other local manufacturers. The Group's market share in each market can fluctuate in the short term due to one-time factors including the release of new products by the Group or its competitors or special promotion efforts related thereto. Market share can also fluctuate due primarily to the level of competition, regulation, pricing strategy, change in smokers' preference, social interests in health, brand equity or economic conditions in each market. If the Group's market share declines due to these or other factors in significant markets, it would negatively affect the Group's operating results.

In Japan, competition with other international tobacco manufacturers has increased significantly since the liberalization of restrictions on the importation of tobacco products in 1985 and the suspension of customs duties on imported tobacco in 1987. Until the late 1980s, the Group held almost the entire Japanese cigarette market, based on unit sales volume. However, the Group's market share has since declined due to active marketing and promotion efforts by other international tobacco manufacturers as well as a diversification of consumer preferences in Japan. Based on the Company's internal estimates, the Group's market share based on unit sales volume was 72.9% for the year ended March 31, 2005, which then declined to 66.4% for the year ended March 31, 2006 and then to 64.8% for the year ended March 31, 2007, largely due to the termination of the Group's license to make, distribute and sell Marlboro brand cigarettes which used to be included in the Group's sales volume. The Group's market share remained slightly above 64% through the year ended March 31, 2011. For the year ended March 31, 2012, the Group's share dropped to 54.9%, mostly due to disruption of its domestic production and distribution caused by the Great East Japan Earthquake, which occurred on March 11, 2011, before recovering to 59.6% for the year ended March 31, 2013 and 60.4% for the year ended December 31, 2014. For the year ended December 31, 2015, the Group's share was 59.9%; for the year ended 31 December 2016, 61.1%. If international competitors are able to increase their market share by increasing marketing and promotion efforts or lowering their unit prices in Japan, this could adversely affect the Group's market share in Japan.

Catastrophes, including natural disasters, IT infrastructure failures and cyber-crime may disrupt the Group's businesses and limit the Group's growth.

The Group's operations may be negatively affected by catastrophes around the world. Such catastrophes may include natural disasters, such as earthquakes, typhoons, windstorms, floods, tsunamis, volcano eruptions, heavy snow and others, or disasters caused by human acts, such as explosions, infrastructure failures, terrorism or political instability and other events. The Group may suffer directly and indirectly from the effects of catastrophes in the future due to, among other things, supply shortages resulting from damages incurred by suppliers, interruption of transportation, logistics services or distribution channels, interruption of electricity or other utility services, and a general decline in demand for the Group's products. Catastrophes may cause unforeseen emergencies, including casualties, damage to physical assets and financial losses, and may negatively affect the Group's operating results.

Japan is subject in particular to various natural disasters, the frequency and severity of which are inherently unpredictable. For example, the Great East Japan Earthquake that occurred in March 2011 has inflicted damage on some factories of JT Group and raw materials suppliers, thereby creating an impact on JT Group's business operations, mainly in the domestic tobacco business. Although JT Group is working to reinforce its business continuity capabilities, any such event could adversely affect the Group's business.

To conduct its business, the Group relies upon information technology networks and systems, some of which are managed by third parties, to process, transmit and store electronic information, and to man-

age or support a variety of business processes and activities. The Group uses information technology systems to record, process and summarise financial information and results of operations for internal reporting purposes and to comply with regulatory financial reporting, legal and tax requirements. Additionally, the Group collects and stores sensitive data in data centres and on information technology networks. The secure operation of these information technology networks, and the processing and maintenance of this information is critical to the Group's business operations and strategy. Despite security measures and business continuity plans, the Group's information technology networks and infrastructure may be vulnerable to damage, disruption or shutdowns due to attacks by cyber criminals or breaches due to employee error or malfeasance, or other disruptions during the process of upgrading or replacing computer software or hardware, power outages, computer viruses, telecommunication or utility failures, terrorist acts, or natural disasters or other catastrophic events. The occurrence of any of these events could compromise the Group's networks and the information stored there could be accessed, publicly disclosed, lost or stolen. Any such access, disclosure or other loss of information could result in legal claims or proceedings, liability or regulatory penalties under laws protecting the privacy of personal information, disrupt operations, and damage the Group's reputation, which could adversely affect its business. In addition, as security threats continue to evolve the Group may need to invest additional resources to protect the security of the Group's systems.

The Group's operating results may be adversely affected by instabilities in the procurement of raw materials.

Tobacco leaf is the most important raw material for the Group's Japanese domestic and international tobacco businesses. In addition, the Group procures raw materials for its pharmaceutical and processed food businesses. Since a significant portion of the raw materials the Group procures are natural raw materials, such as tobacco leaf and agricultural products required for most processed food, weather conditions and other natural phenomena can directly affect the Group's procurement of raw materials. Furthermore, the increase in procurement costs driven by higher production costs for agricultural products directly impacted Group's profits.

Any shortage of natural resources may directly and indirectly affect the procurement of the raw materials the Group requires for its businesses. Any difficulty the Group has in procuring the raw materials necessary to manufacture its products, as well as any increases in the cost of such raw materials, due to weather conditions, commodity market conditions or other reasons, may adversely affect the Group's financial condition and operating results.

Any acquisitions or similar investments may not yield the anticipated results, or the resultant goodwill recorded on the Group's balance sheet may become impaired, in each case adversely affecting the Group's financial condition and operating results.

In the past, the Group has made a number of tobacco business related acquisitions, aiming for mid- to long-term growth through reinforcing its business foundation, geographic expansion, portfolio expansion and emerging product development.

Business foundation reinforcement

Acquisitions of the non-U.S. tobacco operations of RJR Nabisco, Inc. in 1999 for approximately ¥944.0 billion, Gallaher Group Plc, an international tobacco company, in 2007 for approximately ¥1,720.0 billion.

Geographic expansion

Acquisition of Haggar Cigarette & Tobacco Factory Ltd. (North Sudan), Haggar Cigarette & Tobacco Factory Ltd. (South Sudan) in November 2011. Arian Tobacco Industry in Iran in September 2015 and 40% of the shares of National Tobacco Enterprise Ethiopia S.C in July 2016.

Portfolio expansion

Acquisition of Gryson, a Belgium based fine cut manufacturing company, in August 2012 for approximately ¥54.9 billion and Natural American Spirit business outside the U.S. in January 2016 for approximately ¥592.2 billion.

Geographical expansion and portfolio expansion

Acquisition of Nakhla, one of the world's first (and remaining) leading manufacturers of water pipe tobacco in Egypt in March 2013.

Emerging product development

Acquisition of Zandera Ltd., a leader in e-cigarettes manufacturer in the U.K. in June 2014, Ploom Inc.'s intellectual property rights related to patents and trademarks for the Ploom tobacco vapour device in February 2015 and Logic Technology Development LLC, a leading U.S. e-cigarette company in July 2015.

In December 2013, the Group also acquired, for approximately ¥75.0 billion, a 20% stake in Megapolis Distribution B.V., the holding company of CJSC TK Megapolis, Russia's leading tobacco distributor, in order to strengthen its distribution platform in the region.

In addition to the tobacco business related acquisitions, the Group acquired Katokichi Co., Ltd. (since renamed TableMark Co., Ltd.), a food company in 2008 for approximately ¥109.0 billion, to broaden the business foundation of the Group.

The Group regularly considers acquisitions of and investments in other companies, joint ventures or similar arrangements in its international tobacco business and executes such transactions in the ordinary course of the Group's business whenever appropriate conditions are met. To the extent that any acquisition or similar investment does not generate the operational and financial results expected, the Group may be required to expend additional financial or managerial resources. The Group's ability to realize the anticipated benefits of any acquisition or investment will depend upon a number of factors including, but not limited to, the following:

- the Group's ability to integrate operations, personnel, technologies and organizations in different geographical locations or from different cultural backgrounds;
- continued demand for, and the Group's ability to manufacture and sell, the products of acquired or allied businesses;
- the Group's ability to prevent disruption of ongoing businesses;
- the Group's ability to retain key personnel of the acquired businesses and maintain employee morale;
- the Group's ability to extend the Group's financial and management controls and reporting systems and procedures to acquired businesses;
- the Group's ability to minimize the diversion of management attention from ongoing business concerns.
- the Group's ability to build an effective brand and product portfolio; and
- the Group's ability to link sales and market strategies of different product lines.

There can be no assurance that the Group's expansion strategy will successfully yield the anticipated results or that it will not adversely affect the Group's financial condition and operating results.

The Group has been diversifying its sources of cash flow and seeking to improve profitability by investing in or acquiring companies that the Group believes have the potential to help it achieve these goals. As a result of past acquisitions, the Group has recorded a large amount of goodwill. As of December 31, 2016 the recorded amount of goodwill was ¥1,602.0 billion, constituting 43.8% of total assets on a consolidated basis. Acquisitions and other types of investments will continue to be an option to achieve sustainable profit growth, and the Group will continue to look for those opportunities. Additional investments and acquisitions may result in further goodwill. Additionally, as of December 31, 2016, the recorded amount of intangible assets was ¥424.0 billion, constituting 8.9% of total assets on a consolidated basis. Among intangible assets, the carrying amount for trademarks as of December 31, 2016 was ¥364.9 billion, constituting 86.1% of total intangible assets.

The Group considers the goodwill to fairly reflect the business value and synergy effects of its acquisitions and the intangible assets to represent their then-current fair value. However, if the Group's acquisitions or investments fail to generate the anticipated benefits due to factors such as changes in the business environment or the competitive situation, or if there is an increase in the applied discount rates, the Group may be obliged to post an impairment loss, which may adversely affect its financial condition and operating results.

Restrictions on promotion, marketing, packaging, labeling and usage of tobacco products in any market in which the Group operates might reduce the demand for tobacco products and adversely affect the Group's operating results.

As a tobacco company, the Group is subject to substantial regulations globally that place various restrictions on the promotion, marketing, packaging, labeling and usage of tobacco products. For example, the Tobacco Business Act of Japan, as amended (the "Tobacco Business Act"), and related regulations contain restrictions on the sale of tobacco products, including restrictions on advertising activities and a requirement that cigarette packages contain warnings about the health risks associated with the consumption of tobacco products. Ministry of Finance and TIOJ guidelines further restrict tobacco advertising and promotion. Indoor smoking restrictions are another area where the Group is experiencing increasing regulation. Japanese national legislation enacted in 2003 restricted the use of tobacco products in public areas and an increasing number of local governmental and private organisations have also restricted tobacco usage. In addition, legislative action in relation to passive smoking is also under discussion.

Outside Japan, there is a similar trend toward increasingly restrictive regulation of the promotion, marketing, packaging, labeling, and use of tobacco products since the World Health Organization ("WHO") Framework Convention on Tobacco Control ("FCTC") came into force in February 2005.

The purpose of the WHO FCTC is to continuously and substantively control the proliferation of smoking. Its provisions include, among others, price and tax measures to reduce tobacco demand, non-price measures to reduce the demand for tobacco (specifically, among others, the followings are stipulated: protection from exposure to Environmental Tobacco Smoke ("ETS"), regulations on contents and emissions of tobacco products, regulation on disclosure of tobacco products, packaging and labeling of tobacco products, advertising, promotion and sponsorship), and measures relating to the reduction of the supply of tobacco (specifically, among others, prevention of illicit trade and further restriction on sales to minors are stipulated). Furthermore, various measures are being taken partly related to provisions regulating descriptive labeling such as "mild" and "light." Moreover, in November 2012, the protocol to eliminate illicit trade in tobacco products was adopted at the fifth session of the Conference of the Parties. As a general obligation, the Parties (including Japan and the EU) to the WHO FCTC are to formulate, adopt, periodically update and review strategies, plans and programs for tobacco regulation. However, the content, scope and method of specific controls undertaken by the Parties are ultimately legislated by each respective nation, catered to that nation's circumstances.

Examples of specific controls adopted by the parties to the WHO FCTC include tobacco law in Russia which sets out measures on protection from exposure to ETS and tobacco consumption became effective in June 2013 and has been implemented gradually, and the Tobacco Plain Packaging Act which provides stricter requirements for packaging appearance including package color, location, font size, color and style of the product name and the display of graphical health warnings. In addition to these, a number of other countries are considering the implementation of similar regulations.

In the EU, the Tobacco Product Directive (2014/40/EU), which revised the earlier Directive (2001/37/EC), entered into force in May 2014. This revised Directive includes strengthened regulation on packaging and labeling, restriction on the use of additives in tobacco products and regulation related to e-cigarettes, and requires all EU Member States to develop their own laws, regulations and ordinances to ensure that the requirements of the directive are enforced. The Directive was implemented in all EU Member States by May 2016, and is going to come into force by May 2017.

The Group expects that the level of restrictions on the promotion, marketing, packaging, labeling and usage of tobacco products will continue to increase globally. While the content, scope and method of the restrictions in each country will vary in accordance with implementation under each country's national law, the general tightening of tobacco-related regulations might have contributed to, and might continue to contribute to diminishing brand value and reducing demand for tobacco products, which may adversely affect the Group's operating results. Furthermore, any change in marketing methods could substantially increase the Group's marketing expenses and also could lower its market share if the Group could not react to such changes in a timely and appropriate manner.

Increases in the illegal trade of tobacco products could adversely affect the Group.

The illegal trade in tobacco products, including tobacco smuggling and counterfeiting, is a serious problem faced by the Group and the tobacco industry. Illegal tobacco undermines and undercuts legitimate tobacco businesses and their suppliers. For society, illegal trade reduces excise revenue for the government and fuels organised crime. Illegally traded products in a market tend to increase after a

steep tax increase. Regulatory actions seeking to commoditise packages and products could also trigger the acceleration of illegal trade because such commoditisation could make counterfeit manufacturing easier and the detection of illegal products more difficult.

An increase in illegal trade could reduce legitimate industry volume, leading to a decline in the Group's shipments, volumes, revenues and profits. In addition, the tobacco industry, including the Group, bears the cost of combatting illegal tobacco, resulting in pressure on the Group's earnings. Furthermore, it is possible that low quality counterfeits and improperly handled smuggled products could damage the credibility of the Group's genuine brands, as well as its reputation. Any of the above mentioned risks could have a material adverse effect on the Group's business, operating results and financial condition.

The Group and other tobacco companies have been working with government agencies in a number of countries to eliminate illicit trade. As a result, the Group has entered into cooperation agreements with the European Commission, EU Member States including the U.K, and the Government of Canada.

The Group could incur substantial costs in connection with litigation around the world alleging damages resulting from the usage of tobacco products or exposure to ETS.

The Group is subject to litigation around the world alleging adverse health and financial effects resulting from the use of tobacco products, the Group's marketing of tobacco products or exposure to ETS. As of December 31, 2016, 20 smoking and health-related cases were pending against: (i) one or more members of the Group or (ii) parties whom the Company has agreed to indemnify in connection with its acquisition of the non-U.S. tobacco operations of RJR Nabisco, Inc., with certain exceptions, against all liabilities and obligations based upon, or arising from, tobacco products consumed or intended to be consumed outside of the U.S. that were manufactured or sold by such non-U.S. tobacco operations.

Litigation can involve, amongst other things, claims from private individuals and class actions alleging financial loss and/or damages related to the negative health effects of tobacco products, claims from government institutions for recovery of government healthcare costs related to alleged tobacco-related health issues and product liability claims. For example, as of December 31, 2016, there were eight on-going class actions in Canada pending against the Company's subsidiaries or its indemnitees. The Group is also subject to several lawsuits brought by ten Canadian provinces, based on such provinces' respective provincial legislation enacted exclusively for the purpose of authorizing a direct action against tobacco manufacturers for recovery of public healthcare costs related to the use of tobacco products.

Plaintiffs in smoking and health class actions, health care cost recovery cases, product liability and other tobacco-related litigation sometimes seek billions of U.S. dollars in compensation. The Group cannot predict the outcome of any pending or future litigation. Regardless of the outcome of any litigation, the costs of defending claims may be substantial and it is possible that publicity regarding pending or future tobacco-related litigation against the Group and other tobacco manufacturers will reduce the social tolerance for, or cause an increase in restrictions on, smoking in markets in which the Group operates. If the number of lawsuits increases substantially in the future, the Group may face large defense costs, reduction in social tolerance of smoking or various stricter regulations. In addition, an unfavorable outcome in any such action could obligate the Group to pay large amounts in damages, negatively impact the Group's business, reduce social tolerance of smoking, encourage public and private restrictions on smoking or induce similar lawsuits to be brought against the Group or parties the Company has agreed to indemnify in the future. In addition, the Group is also named as a defendant in actions unrelated to smoking or health, and the Group may further become subject to such litigation in the future. Any such development could have a material adverse effect on the Group's business and operating results.

Claims of intellectual property infringement could require the Group to spend substantial time and costs and adversely affect the Group's ability to develop and commercialize products.

The Group's commercial success depends in part on its ability to avoid infringing patents, trademarks and other proprietary rights of third parties, and on its ability to avoid breaching any licenses that it has entered into with regard to its technologies and brands or those of other companies. Other parties may have filed, and may in the future file, applications for patents covering substance composition, techniques and methodologies relating to products and technologies that the Group has developed or intends to develop or use, or for trademarks covering brands owned or used by the Group.

If patents or trademarks related to the Group's operations are issued to others, the Group may have to rely on licenses from third parties, which may not be available on commercially reasonable terms on a timely basis, or at all. Claims by third parties that the Group's use of any technologies, substances or brands infringes their patents or trademarks, regardless of their merit, could require the Group to incur

substantial costs, including the diversion of management and technical personnel, to defend itself against any of these claims or enforce its intellectual property rights. In the event that a successful claim of infringement is brought against the Group, it may be required to pay damages and obtain one or more licenses from third parties. The Group may not be able to obtain these licenses on a timely basis at a reasonable cost, or at all. Defense of any lawsuit or failure to obtain any of these licenses could adversely affect the Group's ability to develop and commercialize products.

If the Group is unable to adequately protect its intellectual property, third parties may be able to use the Group's technology, which could adversely affect the Group's ability to compete in the market.

The Group will be able to protect its intellectual property rights from unauthorized use by third parties only to the extent that the Group's technologies and products are covered by valid and enforceable patents or trademarks or are effectively maintained as trade secrets. The Group applies for patents covering its technologies and products as and when it deems appropriate. However, these applications may be challenged or may fail to result in issued patents. The Group's existing patents and any future patents the Group obtains may not be sufficiently broad to prevent others from practicing the Group's technologies or from developing competing products. Furthermore, others may independently develop similar or alternative technologies or design their products around the Group's patents. The Group's patents may be challenged, invalidated or fail to provide the Group with any competitive advantages. Government action may also affect the value of the Group's intellectual property if, for example, any regulation under the disclosure regime were to force the Group to reveal trade secrets.

The Group also relies on trademarks and brand names to distinguish its products from those of its competitors. Although the Group devotes resources to protect its trademarks to the extent that it deems to be appropriate, these protective actions may not be sufficient to prevent unauthorized usage or imitation by others, which could harm the Group's image, brand or competitive position. The trademarks for which the Group applies may not be acceptable to regulatory authorities, and the Group's trademarks may be challenged by third parties.

In addition, the laws of some countries do not protect intellectual property rights to the same extent as the laws of the major industrialized nations, and many companies have encountered significant problems in protecting and defending such rights in some jurisdictions.

The Company's obligation under the Tobacco Business Act to purchase substantially all domestically produced tobacco leaf may adversely impact its competitive position in Japan compared to international competitors which use only non-Japan origin tobacco leaf.

The Tobacco Business Act requires the Company to enter annually into purchase contracts in advance with each domestic tobacco grower who intends to cultivate tobacco leaf for sale to the Group. The Company must purchase all tobacco leaf produced pursuant to such contracts except for tobacco leaf that is not suitable for tobacco products. Before conclusion of the contracts, the Company must consult with the Leaf Tobacco Deliberative Council (*hatabako shingi kai*), a deliberative body composed of representatives of domestic tobacco growers and academic appointees appointed by the Company and approved by the Minister of Finance of Japan, as to the aggregate cultivation area for specific varieties of tobacco leaf and the prices for tobacco leaf by variety and grade. The Council must deliberate and provide its opinion as to the appropriate prices of tobacco leaf based on the level which would allow continued domestic production of tobacco leaf by taking into account economic conditions such as production cost and commodity prices. The Company is legally required to respect the opinion of the Council.

Domestically produced tobacco leaf is not re-dried at the time of purchase, while non-Japan origin tobacco leaf is already re-dried when the Group purchases it. Ignoring this difference, domestically produced tobacco leaf in general is approximately four times more expensive than non-Japan origin tobacco leaf due to high domestic production costs. As such, continuing with the purchase of substantially all domestically produced tobacco leaf may adversely impact the Group's competitive position in Japan compared to international competitors which use only non-Japan origin tobacco leaf.

Any claims relating to hazardous materials, including radioactive and bacteriological materials, used in the Group's business or to which the Group's products may become exposed may adversely affect the Group's operating results.

The Group's research and development and manufacturing processes may involve the controlled use of hazardous materials, including radioactive and bacteriological materials, and may produce hazardous waste. The Group cannot completely eliminate the risk of accidental contamination or discharge and any resultant injury from these materials or waste. Real estate properties that the Group has owned or

used in the past or that the Group owns or uses now or in the future may contain undetected contamination resulting from the Group's activities or the activities of prior owners or occupants at those sites. Any claims relating to hazardous materials used in the Group's business or to which the Group's products may become exposed may adversely affect the Group's operating results.

National and local laws and regulations around the world impose substantial potential liability for the improper use, manufacture, storage, handling and disposal of hazardous materials. The Group may be sued for any injury or contamination that results from its use or the use by third parties of these materials. The Group does not maintain insurance coverage for any such injury or contamination. In addition, the Group's reputation may be harmed from publicity related to any alleged or actual contamination or injury. The Group may incur significant expenses for compliance with environmental laws and regulations or for implementation of any voluntary measures related to hazardous materials. In addition, current or future environmental regulations may impair the Group's research, development and production efforts.

Economic sanctions laws are complex, and penalties could be serious in the event of a violation. Moreover, a change in existing economic sanctions could deprive the Group of access to, or require it to limit or re-configure, its business in affected markets.

The Group conducts business in countries that are subject to economic sanctions. Although the Group manages its business operations appropriately and lawfully in accordance with various economic sanctions, if the Group were to violate the sanctions, it would be at risk of being subject to large monetary penalties or other such consequences. Also, if there is a development such as a change in the details of the sanctions, this may negatively affect the Group's business performances by, for example, making the Group unable to continue operating in the countries subject to the sanctions. Even if the Group complies with sanctions, simply operating in the countries subject to the sanctions may have a detrimental effect on the public image of the Group.

Existing economic sanctions could change and, deprive the Group of access to or limit its involvement with, or require it to stop, limit or reconfigure the Group's business in affected markets. Revenues attributable to dealings with countries subject to country-wide economic sanctions were below 2.5% of the Group's revenues excluding taxes paid for the year ended December 31, 2016.

The Group is aware of initiatives by governmental entities and institutional investors, including pension funds, in the U.S. to prohibit transactions with or require divestment of entities doing business with countries subject to economic sanctions. The Group is also aware that its reputation could suffer due to its association with countries subject to economic sanctions.

The Group's pharmaceutical and processed food businesses are subject to various risks.

Risks and uncertainties for the Group's pharmaceutical business include, but are not limited to:

- the risk that the Group may be unable to develop new commercially viable pharmaceutical products;
- the significant time as well as research and development expenses necessary to develop new pharmaceutical products;
- the risk that the Group may have to terminate the research and development of drugs in the Group's clinical development pipeline or discontinue marketing of a drug based on the decisions of counterparties to research and development and other collaborations and licensing arrangements as well as based on other factors beyond the Group's control;
- the risk that even if the Group develops new commercially viable pharmaceutical products, revenue derived from any such product may be insufficient to fully recoup the costs of research and development associated with the product;
- the Group's high dependence on a small number of key pharmaceutical products for its revenue;
- the risk that the Group may be unable to produce or outsource manufacturing of its pharmaceutical products efficiently and cost-effectively on a large scale;

- the risk that any commercial success that the Group's pharmaceutical product enjoys could be curtailed by either competitors' products or government-mandated price decreases or other pricing pressures;
- the Group's dependence on license to the pharmaceutical products developed by third parties and on third-party distribution channels;
- the Group's dependence on a small number of suppliers for key materials;
- the risk of the Group subject to a product liability claim or suspension of sales due to issues with quality of products or information provided to consumers through for instance packaging;
- the risk that the results of JT Group may be negatively influenced by legal cases relating intellectual property rights, including patents;
- broad government regulations dealing with many aspects of the overall drug approval and sale process, from research to manufacturing and distribution;
- the extent of the efforts of any third party with which the Group enters into any arrangement to develop or market a pharmaceutical product;
- the risk that the Group may be forced to discontinue research into, production of, development of, or sales of, a pharmaceutical product due to the occurrence of an unexpected side effect or insufficient clinical benefit; and
- the risk of social or legal responsibility relating to environmental harm in connection with the Group's use or storage of, or exposure to, radioactive or other hazardous materials.

Risks and uncertainties for the Group's processed food business include, but are not limited to:

- the risk that the Group's product's commercial viability is short-lived because it fails to meet consumer needs and preferences;
- fluctuations in the cost of raw materials (including via currency fluctuation) for the Group's products;
- the risk that sales of the Group's products are negatively affected by the weather conditions;
- domestic and overseas government regulations on the production, distribution or procurement of the Group's products (and incurrence of increased expenses to comply with such regulations);
- competition from larger processed food companies with advantages over the Group including, but not limited to, larger distribution channels and networks, stronger development capabilities and longer operating histories than the Group has;
- the risk that the Group may be unable to market and sell its products in an efficient manner;
- the risk that the Group may be unable to produce or outsource manufacturing of its products in an efficient, stable and cost-effective manner; and
- the risk, if the Group's products cause injury or contain defects, that the Group may: (i) cause harm to the consumers' health; (ii) damage the brand image of the Group's products and the image of the Group; or (iii) be subject to product liability and other claims.

Failure to hire and maintain a pool of talented employees may adversely affect the Group's businesses and operating results.

The Group believes its people and their diversity drive the Group's competitiveness; the Group therefore strives to attract, develop, and retain talented people worldwide. However, as the social image of the tobacco business deteriorates, it is increasingly challenging for the Group to hire and retain a pool of talented employees. If the Group fails to hire or retain talented employees to a degree sufficient to

support the Group's current and future operations, such failure could undermine the Group's ability to effectively operate its businesses and adversely affect its operating results.

Risks related to the Shares

The market price of the Issuer's common shares may fluctuate significantly, and this may cause the value of an investment to decline and make it difficult for investors to resell common shares at times or at prices they find attractive.

The trading price of the Company's common shares may fluctuate widely as a result of any number of factors, many of which are outside its control. In addition, the stock market is subject to fluctuations in the share prices and trading volumes that affect the market prices of the shares of many companies.

In addition, in recent years, the global equity markets have experienced substantial price and volume fluctuations. This volatility has had a significant impact on the market price of securities issued by many companies including the Company and other companies in its industry. The price of its common stock could fluctuate based on factors that have little or nothing to do with the Company and are outside of its control, and these fluctuations could materially reduce its stock price and investors' ability to sell their shares at a price at or above the price they paid for their shares. A significant decline in the Company's stock price could result in substantial losses for individual shareholders and could lead to costly and disruptive securities litigation.

There may be future sales or other dilution of the Company's equity, which may adversely affect the market price of its common shares.

The Company is not restricted, but with the approval of the Minister of Finance, from issuing additional common shares, or any securities that are convertible into, exchangeable for or that represent the right to receive, common shares. The issuance of any additional common shares or convertible securities could be substantially dilutive to holders of the Company's common shares. Moreover, to the extent that the Company issues restricted stock units, stock appreciation rights, options or warrants to purchase its common shares in the future and those stock appreciation rights, options or warrants are exercised or as the restricted stock units vest, holders of its common shares may experience dilution. Holders of its common shares have no preemptive rights that entitle them to purchase their pro rata share of any offering of shares of any class or series and, therefore, such sales or offerings could result in increased dilution to holders of its common shares. The market price of its common shares could decline as a result of sales of common shares made after this offering or the perception that such sales could occur.

Investors may not receive dividends on the common shares, and the common shares are equity and are subordinate to the Company's existing and future indebtedness.

Dividends on the common shares are payable only if declared by the Company's Board of Directors and are subject to restrictions on payments of dividends out of lawfully available funds. Although the Company has historically declared cash dividends on its common shares, it is not required to do so and may reduce or eliminate its common share dividend in the future. This could adversely affect the market price of its common shares.

Its common shares are equity interests in the Company and do not constitute indebtedness. As such, its common shares will rank junior to all indebtedness and other non-equity claims on the Company with respect to assets available to satisfy claims on the Company, including in a liquidation of the Company. The terms of certain issued and outstanding debt securities may additionally prevent the Company from paying dividends on the common shares.

GENERAL INFORMATION

Responsibility for Contents of the Prospectus

JT International S.A., whose corporate headquarters are located at 8, rue Kazem Radjavi, CH-1202 Geneva, Switzerland, assumes responsibility for the contents of this prospectus pursuant to section 5, paragraph 4 of the German Securities Prospectus Act (*Wertpapierprospektgesetz*) and declares that the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import, and that JT International S.A. has taken all reasonable care to ensure that the information contained in this prospectus is, to the best of its knowledge, in accordance with the facts and contains no omission likely to affect its import.

References in this prospectus to the "Company" or the "Issuer" shall mean Japan Tobacco Inc., references in this prospectus to the "Offeror" shall mean JT International S.A. and references to the "Group" shall mean Japan Tobacco Inc. and its consolidated subsidiaries, unless the context indicates otherwise.

Subject Matter of the Offering

This prospectus relates to the offering of common shares of the Company under the JT International S.A. Employee Share Purchase Plan (the "ESPP" or the "Plan").

Special Note Regarding Forward-Looking Statements

This prospectus contains "forward-looking statements". These statements are based on the beliefs and assumptions of the Company's management and on information available to it at the time such statements are made. Forward-looking statements include information concerning future results of the Company's operations, expenses, earnings, liquidity, cash flows and capital expenditures, industry or market conditions, assets under management, acquisitions and divestitures, debt and its ability to obtain additional financing or make payments, regulatory developments, demand for and pricing of its products and other aspects of its business or general economic conditions that are not historical facts. In addition, when used in this prospectus, words such as "believes", "expects", "anticipates", "intends", "plans", "estimates", "projects", "forecasts" and future or conditional verbs such as "will", "may", "could", "should" and "would" and any other statement that necessarily depends on future events, are intended to identify forward-looking statements.

Forward-looking statements are not guarantees and they involve risks, uncertainties and assumptions. Although the Company makes such statements based on assumptions that it believes to be reasonable, there can be no assurance that actual results will not differ materially from such expectations. The Company cautions investors not to rely unduly on any forward-looking statements.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- deterioration in economic conditions in areas that matter to the Group;
- economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which the Group operates;
- fluctuations in foreign exchange rates and the costs of raw materials;
- increases in excise, consumption or other taxes on tobacco products in markets in which the Group operates;
- decrease in demand for tobacco products in the Group's key markets;
- competition in markets in which the Group operates or into which the Group seeks to expand;
- catastrophes, including natural disasters;

- the Group's ability to realize anticipated results of its acquisitions or other similar investments;
- restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which the Group operates; and
- litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products.

Given these risks and uncertainties, prospective investors are cautioned not to place undue reliance on forward-looking statements, which speak only as of the date of this prospectus. The Company and the Offeror assume no duty or obligation to update, or to announce publicly any revision to, any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Other important risks and factors that could cause the Group's actual results to be materially different from those described in the forward-looking statements are discussed in "Risk Factors" and elsewhere in this prospectus.

Currency References

In this prospectus and any documents included herein, unless otherwise indicated, all amounts and references to "JPY" or "¥" are to Japanese Yen.

Documents Available for Inspection

The following documents, along with all other reports and amendments are publicly available free of charge during the entire validity period of this prospectus on the Company's website at https://www.jt.com/investors/results/annual_report/index.html:

- Annual Report for the fiscal year ended December 31, 2016 including audited consolidated financial statements;
- Annual Report for the fiscal year ended December 31, 2015 including audited consolidated financial statements;
- Annual Report for the fiscal year ended December 31, 2014 including audited consolidated financial statements;
- Annual Report for the fiscal year ended March 31, 2014 including audited consolidated financial statements;
- the Company's Articles of Incorporation (the original thereof is available solely in Japanese language).

This prospectus can be downloaded on the Offeror's website at www.jti.com/media/investor-information/employee-share-purchase-plan/.

THE OFFERING

Eligible employees have the opportunity to purchase common shares of the Company under the JT International SA Employee Share Purchase Plan (the "ESPP").

Information Concerning the Shares to be Offered

The shares offered under the ESPP are common shares of the Company. The Company's common shares are listed on the First Sections of the Tokyo Stock Exchange. The International Securities Identification Number (ISIN) for the Company's common shares is JP3726800000. The Japanese trading code for the Company's common shares is 2914. In Germany, the stock is traded in the unofficial market ("*Freiverkehr*") on the stock exchanges in Berlin, Düsseldorf, Frankfurt, Munich, Stuttgart and Tradegate under the symbol "JAT" and the German Securities Code Number (*Wertpapierkennnummer*) 893151.

All issued and outstanding common shares of the Company are fully paid and non-assessable. Substantially all of the outstanding common shares are registered and freely transferable. Each issued and outstanding common share entitles the holder to one vote on all matters presented to the shareholders in annual or special meetings of the Company.

The Company is authorized to issue up to 8,000,000,000 common shares. As of December 31, 2016, the Company had 2,000,000,000 common shares outstanding.

A Participant has no voting right in the shares covered by his or her purchase right until the shares are purchased on the Participant's behalf and the Participant has become a beneficial owner of the purchased shares.

The Offering under the ESPP

Description of the ESPP

The following summary describes the material features of the ESPP. The full text of the ESPP will be made available to each participant via the website of <https://espp.jti.com>.

Offered Shares. Common shares of the Company in accordance with the terms and conditions of the ESPP. The Plan is implemented by the acquisition of existing Shares on behalf of the Participants by the relevant custodian during sequential periods (the "**Plan Periods**", please also see below) on the basis of payroll deductions specified for each participating employees. The Offered Shares do not include any newly issued shares by the Company and the ESPP does not provide for an issuance of new shares in connection with the ESPP.

Enrollment Period. An eligible employee shall become enrolled for further participation to the Plan after satisfying the eligibility requirements by completing, within an enrollment period starting in each relevant year on or about March 30 and ending on or about April 15 (each an "**Enrollment Period**") an enrollment form.

Plan Period and Purchase Periods. Each Plan Period shall be twelve months, each commencing on June 1 in each relevant year and ending on May 31 of the following calendar year. Each Plan Period shall consist of several sequential monthly periods (each a "**Monthly Period**"). Each Monthly Period shall be one calendar month in length, commencing on the first day of the relevant calendar month and ending on the last day of such calendar month. The relevant custodian will purchase, during the ten (10) first trading days that follow the end of the relevant Monthly Period at the then applicable market conditions, the relevant number of Company common shares on Japanese stock exchanges where the Company's common shares are traded.

Payroll deductions. Fixed amount specified by each participating employee, subject to a maximum contribution of ¥990,000 per month/¥11,880,000 for each annual offering (the "**Participant's Contributions**"). Each Participating Company shall transfer or cause to be transferred an amount of twelve per cent. (12%) of each non-executive Participant's Contribution to be paid with respect to any particu-

lar Monthly Period to be credited to the relevant participant's account (the "**Matching Contribution**"). Executive participants are not entitled to the payment of any Matching Contribution.

Eligibility to Participate. Any permanent employee of a Participating Company (including any person employed in part-time capacity) who is eligible to participate in the JT Group Employee Ownership Association of the Company (the "**Participants**").

Custodian. Equatex AG.

Purchase Price. The Custodian will purchase the Company common shares during the ten first Trading Days that follow the end of the relevant Monthly Period at the then current market conditions. The total number of Shares acquired shall be recorded in the Participant's records.

JT International S.A. will publish the final number of Shares acquired by the Custodian during a Plan Period and information about the purchase prices at which the relevant Shares were acquired at the end of each Plan Period on the same internet page where the prospectus is published at www.jti.com/media/investor-information/employee-share-purchase-plan/.

Delivery. Any Company shares acquired by the Custodian shall be held by the Custodian on behalf of the relevant Participants. The Participants shall have the sole ownership, profits and risks relating to such shares from the date of their acquisition under the terms of the Plan.

Restrictions. Shares purchased on behalf of a Participant shall be blocked and shall not be capable of sale until expiration or termination of the Sale Restriction Period.

Administration of the ESPP. The Plan is administered by the board of directors of JT International S.A. or by one or more committees duly appointed by the board of directors having such powers as shall be specified by the board of directors.

Voluntary Suspension. A Participant may reduce his or her contribution to zero with effect as of the subsequent Plan Period by completing a notice in the form prescribed by the administrator and by following any other procedures as may be established or approved by the administrator from time to time. In the event of such a voluntary suspension, the suspended Participant may not resume contributing to the Plan during the same Plan Period but may only contribute in any subsequent Plan Period.

Termination of the ESPP. The Plan shall apply for an unlimited period of time, until it is terminated by the board of directors. The board of directors may terminate the Plan at any time.

Costs. In principle, the Participating Companies shall bear the transaction, custody, brokerage and other costs incurred in connection with the operation and administration of the Plan with respect to the Participants that are employed by them. The estimated cost is approximately USD 100 per Participant (¥ 11,339 based on an exchange rate of USD 1.00 - ¥113.39 as of as of March 16, 2017 (source: Bank of Japan). The transaction, custody, brokerage and other costs incurred in connection with the sale of shares deposited on behalf of a Participant shall be borne by the Participant.

ISIN/WKN/Common Code/Trading Symbol

International Securities

Identification Number (ISIN) JP3726800000

German Securities

Identification Number (WKN) 893151

Japanese Trading Code: 2914

Trading Symbol JAT (Germany)

REASONS FOR THE OFFERING AND USE OF PROCEEDS

Purpose of the Plan

The purpose of the ESPP is to provide eligible executives and employees of the Participating Companies with an opportunity to acquire a proprietary interest in the Company and thereby to align the interests of the participating executives and employees with the long term interests of the Company in a manner that complies with the Japanese regulations against insider dealings.

Proceeds and Use of Proceeds

Neither the Company nor the Offeror or any of the other Participating Companies will receive any proceeds from the purchase or sale of shares under the ESPP.

DILUTION

There will be no dilution from the purchase and sale of shares under the ESPP at the level of the Company, the Offeror or any of the other Participating Companies.

DIVIDEND POLICY

The declaration, payment and amount of any future dividends will be determined by the Company's Board of Directors and approval of the General Meeting of Shareholders, approval from the Minister of Finance will be required. Payment and amount will depend upon, among other factors, its earnings, financial condition and capital requirements at the time such declaration and payment are considered.

The Company has historically paid cash dividends twice per year. In addition to year-end dividends, the Company has paid interim dividends in the past in the form of cash distributions to its shareholders or pledgees of record as of June 30 of each year.

The Company continued to enhance its shareholder return, raising the dividend per share. As a result, the Company achieved 55.2% consolidated dividend payout ratio which the Company believes is a comparative level of payout ratio with its global peers in the FMCG (fast moving consumer goods) sector, for the year ended December 31, 2016.

The Company believes that maintaining a solid balance sheet is essential for the Company as it will provide the ground to continue pursuing business investment opportunities and cope with any adversity arising out of the volatile environment. At the same time, the Company intends to strike an optimal balance between profit growth and shareholder returns. This means that the Company will enhance shareholder returns based on profit growth outlook in the mid-to long-term. In particular, the Company will deliver sustainable and steady increase of dividend per share. Dividend payout ratio is not an indicator for the management target, although it will be taken into consideration when deciding the dividend amounts. As for share buy-back, the Company will consider it after scrutinizing the mid- to long-term expectations on the company's business environment as well as financial achievements and position, among other factors. The Company will continue to monitor the trend amongst the global FMCG companies that have a stakeholder model similar to the Company's 4S model and that have achieved strong business growth. The dividends paid (or to be paid) per share by the Company in the three last fiscal years were as follows:

For the fiscal year ended December 31, 2016: 130 JPY per share.

For the fiscal year ended December 31, 2015: 118 JPY per share.

For the fiscal year ended December 31, 2014: 100 JPY per share.

The Company assumes liability for withholding of taxes at the source in accordance with statutory provisions (if any), to the extent not taken handled directly by the Participating Companies. Please also refer to "*Taxation in the Federal Republic of Germany*", "*Taxation in the UK*", "*Taxation in Spain*", "*Taxation in France*", "*Taxation in Poland*", "*Taxation in the Republic of Romania*", "*Taxation in the Kingdom of Sweden*", "*Taxation in the Kingdom of Belgium*", "*Taxation in Austria*", "*Taxation in the Republic of Estonia*" and "*Taxation in the Republic of Lithuania*".

CAPITALIZATION

Capitalization and Indebtedness

The following tables based on the Company's audited consolidated financial statements for the fiscal year ended December 31, 2016 as published in the Company's Annual Report for the fiscal year ended December 31, 2016 which can be accessed as described in the section "Documents Available for Inspection" of this prospectus. The Company's consolidated financial statements were prepared in accordance with IFRS. Certain financial and numeric information in this section is expressed in Japanese yen (¥ or JPY). The exchange rate of euro to yen was ¥ 1,000 – EUR 7.977 as of March 16, 2017 (source: European Central Bank)

CAPITALIZATION

	December 31, 2016
	(in millions of yen)
	(unaudited) ¹
Total current debt	1,356,574
- Guaranteed	0
- Secured ²	20,000
- Unguaranteed/Unsecured	1,336,574
Total non-current debt	859,759
- Guaranteed	0
- Secured ²	338,211
- Unguaranteed/Unsecured	521,548
<u>Total debt</u>	2,216,333
Shareholders' Equity	
a.....Share capital	100,000
b.....Legal Reserve	736,400
c.....Other Reserves	0
d.....Other items ³	1,691,641
<u>Total equity</u>	2,528,041
<u>Total debt and equity</u>	4,744,374

The following table shows the Company's net financial indebtedness. Consequently, the table does not include non-financial debt from normal operations such as accounts payable, taxes payable, deferred tax liability, accrued expenses and long term liabilities other than bank debt or notes payable.

¹ Derived from the Company's accounting records.

² Mainly from bonds issued by the Company. Pursuant to the provisions of Article 6 of the Japan Tobacco Inc. Act, the Company's properties are pledged as general collateral for bonds issued by the Company. Bondholders are entitled to claim satisfaction in preference to unsecured creditors of the Company properties (with the exception of national and local taxes and certain other statutory obligations).

³ Other items are composed of (all in millions of yen): Treasury shares: (-443,822); Other components of equity: (-303,554); Retained earnings: 2,367,067; Non-controlling interests: 71,950

NET FINANCIAL INDEBTEDNESS

December 31, 2016

(in millions of yen)

(unaudited)⁴

A. Cash and deposits	235,921
B. Cash equivalents	0
C. Trading securities	61,102
D. Liquidity (A)+(B)+(C)	297,024
E. Current Financial Receivable	12,054
F. Current bank debt	187,949
G. Current portion of non-current debt	20,572
H. Other current financial debt	13,023
I. Current Financial Debt (F)+(G)+(H)	221,544
J. Net Current Financial Indebtedness (I)-(E)-(D)	-87,533
K. Non-current bank loans	877
L. Bonds Issued	338,158
M. Other non-current loans	9,009
N. Non current Financial Indebtedness (K)+(L)+(M)	348,045
O. Net Financial Indebtedness (J)+(N)	260,511

Working Capital Statement

In the Company's opinion, its working capital is sufficient for its present requirements for at least the next 12 months.

⁴ Derived from the Company's accounting records.

SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of and for the fiscal years ended December 31, 2016, December 31, 2015 and March 31, 2014 are taken from the Company's audited consolidated financial statements for the fiscal years ended December 31, 2016, December 31, 2015 and March 31, 2014, respectively, as published in the Company's annual reports of the relevant fiscal years.

The following selected consolidated financial data as of and for the fiscal year ended December 31, 2014 are partly derived from the Company's audited consolidated financial statements for the fiscal year ended December 31, 2014, as published in the Company's annual report for the fiscal year ended December 31, 2014 and as footnoted in the table below. The fiscal year 2014 was a transitional period for the change in accounting period and covers nine months from April 1, 2014 to December 31, 2014 for the Group's Japanese domestic tobacco business with fiscal year ends other than December 31. The same change in the accounting period was applied to those of the Company's consolidated subsidiaries whose fiscal year ends were other than December 31. As a consequence, certain of the data shown below, is unaudited. Based on the assumption that the fiscal year of the Company and all of its consolidated subsidiaries is 12 months from January to December, the consolidated statement of income data as of and for the 12 months ended December 31, 2014 is as shown in the table below.

The Company's annual reports can be accessed as described in the section of this prospectus entitled "Documents Available for Inspection". The Company's consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS").

The exchange rate of euro to yen was ¥ 1,000 – EUR 7.977 as of March 16, 2017 (source: European Central Bank).

	For the years ended December 31			For the year ended March 31
	2016 (Jan 1-Dec 31) ⁽¹⁾	2015 (Jan 1-Dec 31) ⁽¹⁾	2014 (Jan 1-Dec 31)	2014 (Apr 1-Mar 31) ⁽¹⁾
billions of yen⁽²⁾, except earnings per share numbers				
Selected Statement of Income Data				
Revenue	2,143.3	2,252.9 ⁽⁴⁾	2,259.2 ^{(1),(4)}	2,399.8
Japanese domestic tobacco	684.2	677.3 ⁽⁴⁾	687.4 ^{(3),(4)}	710.3
International tobacco	1,199.2	1,317.2 ⁽⁴⁾	1,328.0 ^{(3),(4)}	1,270.0
Pharmaceuticals	87.2	75.6 ⁽⁴⁾	65.8 ^{(3),(4)}	64.4
Beverage				184.5
Processed Food	164.1	165.8 ⁽⁴⁾	161.2 ^{(3),(4)}	156.9
Other	8.6	17.0 ⁽⁴⁾	16.9 ^{(3),(4)}	13.6
Cost of sales	872.4	920.1 ⁽⁴⁾	904.9 ^{(1),(4)}	980.0
Gross profit	1,270.1	1,332.8 ⁽⁴⁾	1,354.3 ^{(3),(4)}	1,419.9
Other operating income	70.1	15.4 ⁽⁴⁾	50.1 ^{(1),(4)}	55.6
Selling, general and administrative expenses	754.1	789.3 ⁽⁴⁾	839.6 ^{(1),(4)}	828.9
Share of profit in investment accounted for using the equity method	6.5	6.4 ⁽⁴⁾	7.8 ^{(1),(4)}	1.7
Operating profit	593.3	565.2 ⁽⁴⁾	572.6 ^{(1),(4)}	648.3
Profit before income taxes	578.2	565.1 ⁽⁴⁾	574.6 ^{(1),(4)}	636.2

Profit for the period from continuing operations ⁽⁴⁾	425.8	402.7	397.5 ⁽¹⁾	
Profit (loss) for the period from discontinued operations ⁽⁵⁾		87.5	(1.8) ⁽¹⁾	
Profit for the period	425.8	490.2	395.7 ⁽¹⁾	435.3
Profit attributable to owners of Japan Tobacco Inc.	421.7	485.7	389.1 ⁽¹⁾	428.0
Adjusted Operating Profit⁽⁶⁾	586.8	626.7 ⁽⁴⁾	661.0 ^{(1),(4)}	
Japanese domestic tobacco	260.2	254.1 ⁽⁴⁾	238.7 ^{(3),(4)}	
International tobacco	336.2	394.4 ⁽⁴⁾	447.1 ^{(3),(4)}	
Pharmaceuticals	9.7	(2.3) ⁽⁴⁾	(7.3) ^{(3),(4)}	
Processed Food	5.0	2.7 ⁽⁴⁾	1.4 ^{(3),(4)}	
Other	(24.7)	(22.2) ⁽⁴⁾	(18.9) ^{(3),(4)}	
Earnings per share⁽⁷⁾				
Basic (yen)				
Continuing operations ⁽⁴⁾	235.47	221.95	215.36 ⁽¹⁾	
Discontinued operations ⁽⁵⁾		48.59	(1.30) ⁽¹⁾	
Total	235.47	270.54	214.06 ⁽¹⁾	235.48
Diluted (yen)				
Continuing operations ⁽⁴⁾	235.33	221.81	215.24 ⁽¹⁾	
Discontinued operations ⁽⁵⁾		48.56	(1.30) ⁽¹⁾	
Total	235.33	270.37	213.94 ⁽¹⁾	235.35

	As of December 31, 2016 ⁽¹⁾	As of December 31, 2015 ⁽¹⁾	As of December 31, 2014 ⁽¹⁾
Selected Statement of Financial Position Data			
Total assets	4,774.4	4,558.2	4,704.7
Cash and cash equivalents	294.2	526.8	385.8
Interest bearing debt	555.3	255.3	228.2
Total liabilities	2,216.3	2,036.7	2,082.2
Non-controlling interests	71.9	69.9	85.7
Total equity	2,528.0	2,521.5	2,622.5

(1) Taken from the audited financial statements in the Company's annual reports for the relevant years.

(2) Figures in billion yen are rounded off to the million yen.

(3) Unaudited figures. These figures were derived from the Company's management reporting by applying the same accounting methods to the financial results for the periods of January through December 2014.

(4) Based on continuing operations. The Company classified "Beverage Business" as discontinued operations in the fiscal year

2015. As a result, continuing operations and discontinued operations have been presented separately. The consolidated statements of income the year ended December 31, 2014 have been reclassified.

(5) Based on discontinued operations.

(6) Adjusted Operating Profit = Operating profit + amortization cost of acquired intangibles arising from business acquisitions ± adjustment items (income and costs). Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others.

(7) Based on profit attributable to owners of Japan Tobacco Inc.

LEGAL AND ARBITRATION PROCEEDINGS

The Group is subject to litigation around the world. Pending claims generally may be classified as: (i) smoking and health-related cases brought on behalf of individual plaintiffs or a class of individual plaintiffs alleging personal injury resulting from cigarette smoking and exposure to environmental tobacco smoke, (ii) health care cost recovery cases brought by governmental plaintiffs seeking reimbursement for health care costs the plaintiffs claim they have incurred and will incur for treatment of ailments allegedly caused by cigarette smoking and (iii) commercial contract-related claims. Damages claimed in some of the smoking and health class actions, health care cost recovery cases and other smoking and health-related litigation range in the billions of U.S. dollars. To date, the Group has never lost a case or paid any settlement award in connection with smoking and health-related litigation against it. However, the Group is unable to predict the outcome of currently pending or future lawsuits.

Although the Company and some of its subsidiaries, who are defendants in such lawsuits, believe there is a number of valid defenses and claims in these pending cases, litigation is subject to many uncertainties and it is not possible to predict with certainty their outcome at this time. See "*Risk Factors—Risks Relating to Our Business— The Group could incur substantial costs in connection with litigation around the world alleging damages resulting from the usage of tobacco products or exposure to environmental tobacco smoke*".

Smoking and Health-Related Litigation

As of December 31, 2016, there were a total of 20 smoking and health-related cases pending in which the Company or one or more members of the Company's subsidiaries were named as defendant or for which the Company may have certain indemnity obligations pursuant to the agreement for our acquisition of RJR Nabisco, Inc.'s non-U.S. tobacco operations.

Individual Claims

As of December 31, 2016, there were two individual cases pending against the Company's subsidiary or its indemnitee. This includes a case brought against the Company's indemnitee in South Africa in 2000, in which the plaintiff is seeking compensatory and punitive damages and alleging that the Company's indemnitee marketed products which it knew to be dangerous to health, manipulated nicotine content to foster addiction, failed to comply with South African labeling requirements and participated in a clandestine worldwide operation to encourage children to smoke. This case has been dormant since February 2001.

Of the two individual cases one, which is pending against the Company's subsidiary in Ireland, is currently dormant.

Class Actions

As of December 31, 2016, there are eight ongoing class actions in Canada against the Company's subsidiary and/or its indemnitees. In each of two suits brought in Quebec in 1998 against three Canadian tobacco manufacturers, including the Company's Canadian subsidiary JTI-Macdonald Corp., the class was certified in 2005. The trial was conducted from March 2012 through December 2014. In May 2015, the Quebec Superior Court rendered a first instance judgment ordering the payment by defendants of approximately CAD 15.6 billion with interest: (i) approximately CAD 15.5 billion with interest in relation to the first class, where defendants are jointly and severally liable for compensatory damage, and (ii) CAD 131 million in relation to the second class. JTI-Macdonald Corp.'s total share of the damages awarded is approximately CAD 2 billion with interest. The defendants' appeal on the merits was heard the third quarter of 2016. In three other class actions, brought in Saskatchewan, Manitoba and Nova Scotia in 2009 and currently dormant, plaintiffs are seeking damages from tobacco industry members, including JTI-Macdonald Corp. and the Company's indemnitees, on behalf of a class of plaintiffs who allege that they are or have been addicted to the nicotine contained in cigarettes manufactured by the defendants. Two class actions were brought in British Columbia against tobacco industry members in 2010, including JTI-Macdonald Corp. and the Group's indemnitees, one of which is dormant as preliminary motions are pending and the pre-trial process is ongoing in another case, and one class action brought in Ontario against tobacco industry members, including JTI-Macdonald Corp. and the Group's indemnitees, in 2012, is currently dormant.

Health Care Cost Recovery Litigation

As of December 31, 2016, there are ten ongoing health care cost recovery cases in Canada pending against JTI-Macdonald Corp. and the Company's indemnitees, brought by ten Canadian provinces. These provinces filed lawsuits under their own provincial legislation that was enacted specifically for the purpose of authorizing the respective provincial governments to file direct actions against tobacco manufacturers to recoup the health care costs the governments have incurred and will incur as a result of "tobacco-related wrongs." In the British Columbia suit, first filed in 2001, the constitutionality of the provincial legislation authorizing the suit was upheld by the Supreme Court of Canada in 2005. The proceedings are currently in the pre-trial phase. The health care cost recovery suits in other Canadian provinces are also currently in the pre-trial phase in the first instance

Master Settlement Agreement

Although the Group has not been sued by any state in the U.S. or subject to any indemnity claims with respect thereto, JT International U.S.A. has been voluntarily participating in the Master Settlement Agreement with the U.S. states since 1999 in order for the Group to continue to market its cigarette brands within the U.S. The Master Settlement Agreement, which settles all past and present claims alleged by the settling states against certain major U.S. tobacco companies, prohibits tobacco companies from targeting youth in advertising and marketing, restricts tobacco industry lobbying and requires tobacco companies to make payments perpetually based on their U.S. market share. The Group has generally paid less than \$10 million per year pursuant to this agreement.

EU Cooperation Agreement

In 2007, JT International S.A. and JT International Holding B.V. signed a cooperation agreement with the European Commission, the executive branch of the EU, and 26 EU Member States as part of efforts to combat illicit trades. In 2009, the U.K. joined the agreement. During the period of the 15 years after the execution of the agreement, the JT Group must pay \$50 million annually in the first five years and \$15 million annually in the subsequent 10 years in accordance with the agreement. The seizure of contraband JT cigarettes by the participating EU Member States can result in additional payments depending on the amount seized, although some exemptions are available under the terms of the agreement and such payments have been and are expected to remain immaterial. These financial contributions are to be used to support anti-smuggling and anti-counterfeiting initiatives led by the EU or EU Member States.

Certain Other Actions

The Company and some of its subsidiaries are also named as defendants in other proceedings, such as commercial disputes and tax disputes. In Japan, a former President & CEO of Katokichi Co., Ltd. filed a claim against TableMark Holdings Co., Ltd. (renamed after acquisition of Katokichi Co., Ltd. by the Company) and its subsidiary seeking damages allegedly incurred by the plaintiff from an asset purchase agreement between the plaintiff and Katokichi Co., Ltd. and a joint and several guarantee provided by the plaintiff. The plaintiff argues the invalidity of the asset purchase agreement.

**SHAREHOLDINGS AND STOCK OPTIONS OF MEMBERS OF THE ADMINISTRATIVE,
MANAGEMENT AND SUPERVISORY BODIES**

Please refer to the Section "*Management*" for information regarding the shareholdings and stock options of the administrative and supervisory bodies of the Company.

GENERAL INFORMATION ABOUT THE COMPANY

Company Name

The Company's legal and commercial name is Japan Tobacco Inc.

General Information about the Company and its Business

The Group is the third largest manufacturer of tobacco products in the world by market share based on unit sales volume (excluding China National Tobacco Corporation) in 2015 and the sole manufacturer of tobacco products in Japan. The Group has operations in over 120 countries around the world, selling three of the top ten global cigarette brands by sales volume. Following a series of acquisitions in recent years, the Group has increased its global presence. For the year ended December 31, 2016, the Group's international tobacco business contributed 56.0% of its external revenue from continuing operations. The Group's Global Flagship Brands include Winston, sold in more than 120 countries and Camel, sold in more than 85 countries. In Japan, where the industry volume was 173.8 billion cigarettes in 2016, the Company had a 61.1% market share based on unit sales volume, and the Company manufactures and sells nine of the top ten products by sales volume, with the top three products coming from Seven Stars and Mevius brands. The Group also engages in the pharmaceutical and processed food businesses in order to diversify its sources of profit and achieve future sustainable growth.

As of December 31, 2016, the Company had 202 consolidated subsidiaries and 12 associates accounted for using the equity method. For the year ended December 31, 2016, the Group had external revenue from continuing operations and adjusted operating profit from continuing operations of ¥2,143.3 billion and ¥586.8 billion, respectively; in the international tobacco business ¥1,199.2 billion and ¥336.2 billion, respectively; in the Japanese domestic tobacco business ¥684.2 billion and ¥260.2 billion, respectively; in the pharmaceutical business ¥87.2 billion and ¥9.7 billion, respectively, and; in the processed food business; ¥164.1 billion and ¥ 5.0 billion, respectively. Total profit attributable to owners of the Company was ¥421.7 billion for the year ended December 31, 2016. As of December 31, 2016, the Group employed 44,667 people (including temporary and part-time employees).

The exchange rate of euro to yen was ¥ 1,000 – EUR 7.977 as of March 16, 2017 (source: European Central Bank)

Available Information

See the section of this prospectus entitled "Documents Available for Inspection" above.

Auditors

The Parent's Company Auditor is Deloitte Touche Tohmatsu LLC, Shinagawa Intercity Tower C, 2-15-3, Konan, Minato-ku, Tokyo, Japan. Deloitte Touche Tohmatsu LLC is an independent registered accounting firm, the Japanese member firm of Deloitte Touche Tohmatsu Limited and a member of The Japan Institute of Certified Public Accountants.

DESCRIPTION OF THE SECURITIES

Type and the Class of the Securities being offered, including the Security Identification Code

The securities offered under the ESPP are the Company's common shares.

As of December 31, 2016, the Company's authorized common shares consisted of 8,000,000,000 common shares.

The Company's common shares are listed on the First Sections of the Tokyo Stock Exchange. The International Securities Identification Number (ISIN) for the Company's common shares is JP3726800000. The Japanese trading code for the Company's common shares is 2914. In Germany, the stock is traded in the unofficial market ("*Freiverkehr*") on the stock exchanges in Berlin, Düsseldorf, Frankfurt, Munich, Stuttgart and Tradegate under the symbol "JAT" and the German Securities Code Number (*Wertpapierkennnummer*) 893151.

Legislation under which the Securities have been Created / Regulation of the Shares

The shares were created under the Companies Act and the Japan Tobacco Inc. Act of Japan (the "JT Act"). Except as otherwise expressly required under the laws of a country, the ESPP and all rights thereunder shall be governed by and construed in accordance with the laws of Switzerland (the country of incorporation of the Offeror).

Trading in the Company's common shares is regulated by the Companies Act, JT Act and the Act Concerning Book-Entry Transfer of Corporate Bonds, Stocks, etc. (Act No. 75 of 2001, as amended).

Form of Securities, Name and Address of the Entity in Charge of Keeping the Records

The Company's common shares are registered shares.

The Company's designated ESPP custodian is Equatex AG. The shares issuable under the ESPP to eligible employees participating in the ESPP to whom this prospectus is addressed are deposited into a designated account held with Equatex AG, Vulkanstraße 106, 8048 Zurich, Switzerland. Participants may obtain information about their accounts online by accessing the web portal *EquatexPlus* (www.equateplus.com) or by calling the Equatex call center.

Equatex AG also serves as the dividend paying agent for the purpose of this offer.

Commission

In principle, the Participating Companies shall bear the transaction, custody, brokerage and other costs incurred in connection with the operation and administration of the Plan with respect to the Participants that are employed by them. The estimated cost is approximately 100 US Dollar per Participant. The Participant shall bear the transaction, custody, brokerage and other costs incurred in connection with the sale of shares deposited on behalf of a Participant.

Currency of the Securities Issue

The Japanese Yen is the currency of the security issue.

Rights attached to the Securities

No eligible employee participating in the ESPP shall have any voting, dividend or other shareholder rights with respect to any shares offered under the ESPP until the shares are purchased pursuant to the ESPP on behalf of the participant. Following the purchase, the eligible employee participating in the ESPP shall be entitled to the rights attached to the shares, as further described below:

Unit Share System. The Company's Articles of Incorporation provide that 100 shares constitute one "unit". The Company's Board of Directors may reduce the number of shares which constitutes one unit or abolish the unit share system altogether. Under the new clearing system in Japan, shares constituting less than one unit are transferable. Under the rules of the Japanese stock exchanges, shares constituting

less than one unit do not comprise a trading unit, except in limited circumstances, and, accordingly, may not be sold on the Japanese stock exchanges.

A holder of shares constituting less than one unit cannot exercise any voting rights pertaining to those shares. In calculating the quorum for various voting purposes, the aggregate number of shares constituting less than one unit will be excluded from the number of outstanding shares.

In accordance with the Japanese Companies Act, the Company's Articles of Incorporation provide that a holder of shares constituting less than one unit does not have any rights of a shareholder in respect of those shares, other than those provided by the Company's Articles of Incorporation, including the following rights: to receive dividends, to receive cash or assets in the case of the consolidation of shares or stock split, exchange or transfer of shares, corporate split or merger, to be allotted shares and stock acquisition rights, without any additional contribution, when such rights are granted to shareholders, and to participate in any distribution of surplus assets upon liquidation.

The Company's Articles of Incorporation provided that a holder of shares constituting less than one unit may at any time request that the Company sell to it such number of shares as may be necessary to raise its share ownership to a whole unit. Under the new clearing system, such request must be made to the Company through the relevant account managing institution. The price at which shares constituting less than one unit will be purchased or sold by the Company pursuant to such a request will be equal to (a) the closing price of the Company's shares reported by the Tokyo Stock Exchange on the day when the request is received by the transfer agent or (b) if no sale takes place on the Tokyo Stock Exchange on that day, the price at which the sale of the Company's shares is executed on such stock exchange immediately thereafter.

Under the ESPP, the participants, whether the holder of one unit of shares or fractional shares, may be entitled to instruct the custodian to exercise the voting rights attributable to the shares purchased under the ESPP. Absent such instructions, the custodian shall exercise the voting rights attributable to the shares in accordance with the recommendations of the Board of Directors of the Company, and each participant shall be deemed to have granted a power of attorney to the custodian to that effect.

Sources and Payment of Dividends. Following shareholder approval, which occurs in March of each year as well as the approval of the Minister of Finance of Japan, year-end dividends are distributed in cash on a pro rata basis to shareholders or pledgees of record as of December 31 of each year. In addition to year-end dividends, the Company may also pay interim dividends (i.e., cash distributions) to shareholders or pledgees of record as of June 30 of each year by resolution of the Company's Board of Directors and approval of the Minister of Finance of Japan. Holders of the Company's common shares are entitled to receive the aforesaid dividends. There are no dividend restrictions and no special procedures for stockholders resident in the European Union and the EEA. The Company is relieved of its obligation to make any distributions to go unclaimed for three years after the date they first become payable.

Voting Rights. A shareholder of record is entitled to one vote per one unit of shares of the Company's common stock, provided that neither the Company nor any corporation, partnership or other similar entity, of which voting rights in a proportion equal to or more than one-quarter are directly or indirectly owned by the Company, shall have voting rights. Except as otherwise provided by law or by the Company's Articles of Incorporation, a resolution can be adopted at a General Meeting of Shareholders by a majority of the voting rights represented at the meeting. Shareholders may also exercise their voting rights through proxies, provided that the proxy is granted to one of the Company's shareholders having voting rights. The Companies Act of Japan and the Company's Articles of Incorporation provide that the quorum for the election of Members of the Board and Audit & Supervisory Board Members is one-third of the total number of voting rights. The Company's Articles of Incorporation provide that common stock may not be voted cumulatively for the election of Members of the Board. The Company's shareholders may exercise voting rights in writing, or electronically in accordance with a resolution of the Board of Directors.

Liquidation Rights. If the Company is liquidated, the assets remaining after payment of all taxes, liquidation expenses and debts will be distributed among the Company's shareholders of common stock in proportion to the number of shares they hold, subject to distribution payments for shares with a liquidation preference, if any.

No Preemptive, Redemption or Conversions Provisions. The Company's Articles of Incorporation do not provide for preemptive rights. The Company's common shares are not subject to redemption and do not have any conversion rights.

Transferability

Any amounts credited to a participant's account under the ESPP may not be assigned or transferred by a participant other than by will or by the laws of descent and distribution. The shares acquired under the ESPP are blocked and are not capable of being sold or transferred until the expiration of a period of twelve months following the acquisition of the shares under the ESPP, or for such other period as the administrator of the ESPP may communicate from time to time to the participants by reference to the Japanese regulations against insider dealings (the "**Sale Restriction Period**"). Upon expiration or termination of the Sale Restriction Period, and to the extent that the participant is entitled to do so under applicable laws and regulations (including the regulations of the Japanese Stock Exchanges) as well as the policies adopted or trading restrictions imposed by the Company or any other company of the Group participating in the ESPP, the shares are freely transferable.

INFORMATION ON THE GOVERNING BODIES OF THE COMPANY

Corporate Governance Structure of the Company

The Company's Board of Directors has the ultimate responsibility for the administration and supervision of the Group's affairs and forms the basis of the Group's corporate governance framework. The Company's Audit & Supervisory Board also conducts such administrative and supervisory functions through its monitoring and audit activities in cooperation with independent auditors. The Compensation Advisory Panel and the JT Group Compliance Committee are the two committees in place to further enhance this governance framework. The Compensation Advisory Panel provides opinions to the Board of Directors regarding the compensation calculation policy and the compensation system for the Company's Members of the Board and executive officers. The JT Group Compliance Committee advises the Company's Board of Directors on important compliance matters.

The Japan Tobacco Inc. Act

The JT Act created the Company to assume management and operation of manufacturing, selling and importing tobacco products, for the purpose of accomplishing the purposes stated in the Tobacco Business Act. The JT Act also permits the Company to engage in other activities necessary to accomplish its purpose, subject to approval by the Japanese Minister of Finance.

Under the JT Act, even if the Company issues new shares in the future with the approval of the Japanese Minister of Finance, the government shall continue to hold more than one-third of all of the Company's issued shares (excluding shares of class of stock without voting rights).

The Group is subject to oversight by the Japanese Minister of Finance. The Japanese Minister of Finance, in the course of implementing the JT Act or the Tobacco Business Act, may oversee and issue orders to the Company if necessary for the enforcement of the JT Act and the Tobacco Business Act. The Japanese Minister of Finance may also require the Company to submit reports in relation to its activities and conduct investigations of its offices, books and records. In addition, the Company must obtain the approval of the Minister of Finance for, among other things:

- any amendment to the Company's Articles of Incorporation;
- any appropriation of surplus;
- any merger, corporate split, or dissolution of the Company;
- any expansion of the Company's business into areas beyond tobacco and related businesses;
- the election or removal of the Company's Members of the Board, executive officers (*shikkoya-ku*) (if any) and audit & supervisory board members;
- any transfer or encumbrance of manufacturing facilities or similar significant assets;
- any issuance of new shares, stock acquisition rights or new bonds with stock acquisition rights (including in the case of the share exchange); and
- adoption or amendment of the Company's annual business plan.

Furthermore, the Company is required to submit its annual financial statements and business reports to the Japanese Minister of Finance within three months of each fiscal year end.

Members of the Board and Audit & Supervisory Board Members of the Company

The following table provides information on the Company's Members of the Board and audit & supervisory board members:

Name	Position	Member of the Board or Audit & Supervisory Board Member Since	Number of Shares Owned ⁽¹⁾	Number of Subscription Rights to Shares ⁽²⁾
Members of the Board:				
Yasutake Tango	Chairman of the Board	June 2014	2,800	123
Mitsuomi Koizumi	President, Chief Executive Officer and Representative Director	June 2007	29,500	513
Yasushi Shingai	Executive Vice President, Deputy Chief Executive Officer, and Representative Director	June 2005	26,700	260
Mutsuo Iwai	Executive Vice President and Representative Director	March 2016	21,000	218
Hideki Miyazaki.....	Executive Vice President and Member of the Board	June 2012	16,600	265
Motoyuki Oka	Member of the Board (Outside Director)	June 2012	0	-
Main Kohda	Member of the Board (Outside Director)	June 2012	0	-
Audit & Supervisory Board Members:				
Futoshi Nakamura	Standing Audit & Supervisory Board Member	June 2012	4,800	-
Tomotaka Kojima	Standing Audit & Supervisory Board Member	June 2013	0	-

Name	Position	Member of the Board or Audit & Supervisory Board Member Since	Number of Shares Owned ⁽¹⁾	Number of Subscription Rights to Shares ⁽²⁾
Yoshinori Imai ⁽³⁾	Audit & Supervisory Board Member	June 2011	700	-
Hiroshi Obayashi ⁽³⁾	Audit & Supervisory Board Member	March 2015	0	-

(1) Shares of the Group's common stock owned as of December 31, 2016

(2) Number of Subscription Rights to Shares as of December 31, 2016. 200 shares of common stock are to be issued for one subscription right to share.

(3) "Outside Audit & Supervisory Board Member" under the Companies Act.

Members of the Board

The Company's Board of Directors has the ultimate responsibility for the administration and supervision of the Company's affairs. The Company's Articles of Incorporation provide for not more than 15 Members of the Board. Members of the Board are nominated by the Board of Directors and elected at a General Meeting of Shareholders for a two-year term, although they may serve any number of consecutive terms. Currently the Company has seven Members of the Board, with the term expiring upon conclusion of the Annual General Meeting of Shareholders to be held in March 2018.

The Board of Directors elects from among its members and Executive Officers: (i) a President; and (ii) one or more Executive Vice Presidents(s). The Board of Directors may also elect from among its members a Chairman of the Board, if necessary. In addition to the foregoing, the Board of Directors elects from among its members one or more Representative Directors, who have the authority to individually represent the Company. Currently, the President and two Executive Vice Presidents are the Representative Directors. The Chairman of the Board concentrates on supervising the management activities as a non-Representative Director and chairs the Board of Directors. If there is a Member of the Board who has any conflict of interest regarding the board proposals, the Member of the Board cannot participate in the vote for such matters.

The Company's Board of Directors meets every month and a Special Meeting of the Board of Directors may be called if necessary. During the year ended December 31, 2016, the Company held 13 regular Board of Directors meetings and 3 special meetings of the Board of Directors. The Board of Directors decides those matters required to be resolved at the Board of Directors under the Companies Act, such as disposal and acquisition of important assets; significant amounts of borrowings; appointment and dismissal of important employees; establishment, change, and closure of branches and/or important organizations, as well as other important matters.

Under the Company's Articles of Incorporation, the Board of Directors may authorize share repurchases through market transactions in order to promptly deal with the changing business environment and the payment of interim dividends in order to promptly return cash to the shareholders.

The Companies Act provides that compensation for Members of the Board shall be determined at a General Meeting of Shareholders. The Company's Board of Directors usually determines the compensation for each Member of the Board based on the upper limit of the aggregate amount of Members of the Board's compensation approved by a General Meeting of Shareholders and according to an internal policy.

The Company's Articles of Incorporation stipulate that the Company may enter into an agreement with Members of the Board (excluding those are Executive Directors, etc.) to limit the scope of their liabilities in advance to the extent permitted by the Companies Act and the Company may exempt Members of the Board from liabilities to the extent permitted by the same act. This provision is intended to enable Members of the Board to fulfill their expected role and make it easier to appoint the right persons

from a broad choice both within and outside the Company. As of the date of this prospectus, the Company has such liability limiting agreements with its Chairman of the Board and Outside Directors.

All of the Company's Members of the Board are engaged in the Company's business on a full-time basis except for Motoyuki Oka and Main Kohda, who are Outside Directors as defined under the Companies Act.

The business address of the Company's Members of the Board is 2-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8422, Japan.

Yasutake Tango became the Company's Chairman of the Board in June 2014. He has served as Special Advisor to the Prime Minister from December 2012 to April 2014. In addition he is an outside board member of Ogaki Kyoritsu Bank Ltd. from June 2015.

Mitsuomi Koizumi became the Company's President, CEO and Representative Director in June 2012. He has served as Representative Director and Executive Vice President from June 2009 to June 2012.

Yasushi Shingai became the Company's Executive Vice President, Deputy CEO and Representative Director in June 2011. He is also in charge of Compliance, Strategy, HR, General Administration, Legal and Operational Review & Business Assurance. In addition he is an outside board member of Recruit Holdings Co., Ltd. from June 2014, and an administration officer of Japan Vending Machine Manufacturers Association from June 2011 to May 2012.

Mutsuo Iwai became the Company's Representative Director and Executive Vice President in March 2016. He has served as the Company's Senior Executive Vice President from June 2013 to March 2016. He is also a President of the Company's Tobacco Business and a Chairman of JT International Group Holding B.V.

Hideki Miyazaki became a Member of the Board and the Company's Executive Vice President in June 2012. He has served as the Company's Executive Vice President and CFO from June 2010 to June 2012. He is also in charge of CSR, Finance and Communications. In addition he is an administration officer of Financial Accounting Standards Foundation from June 2013.

Motoyuki Oka became a Member of the Board in June 2012. He is also an Advisor of Sumitomo Corporation where he served as President and CEO from June 2001 to June 2007 and Representative Director and Chairman of the Board of Directors from June 2007 to June 2012, and an outside board member of NEC Corporation from June 2013.

Main Kohda became a Member of the Board in June 2012. She is also a novelist, and an outside director of LIXIL Group Corporation from June 2013, and Japan Exchange Group, Inc. from June 2016. She was a member of the Board of Governors of Japan Broadcasting Corporation from June 2010 to June 2013, and a member of the board of NTT DOCOMO INC from July 2009 to September 2013.

Decision –Making Process other than Board of Directors Meetings

For important management issues, particularly management policy and basic plans regarding overall business operations of the Company, in addition to matters to be referred to the Board of Directors, a clear decision-making process is stipulated in rules on the allocation of responsibilities and authorities, which enables swift decision making.

Audit & Supervisory Board Members

As an independent body acting on behalf of the Company's shareholders, each Audit & Supervisory Board Member has a statutory duty to conduct operating audits and accounting audits. The operating audit seeks to ensure that the business execution by the Members of the Board is compliant with legal and regulatory requirements and the Company's Articles of Incorporation. The accounting audit supervises the process and the result of the audit conducted by the independent auditors. The Audit & Supervisory Board Members' report containing the result of both operating audits and accounting audits is submitted to shareholders at the Annual General Meetings of Shareholders. Audit & Supervisory Board Members have various legal rights in order to accomplish their roles and responsibilities, including making reporting requests to the Members of the Board, Executive Officers, and employees, issuing an injunction for illegal activities by Members of the Board, representation of the company in the case of litigation between any Member of the Board and such company, and dismissal of independent auditors by the consent of all Audit & Supervisory Board Members under limited circumstances. Audit & Su-

Supervisory Board Members are obligated to attend the Board of Directors meetings, monitor the discussion and, if necessary, express their opinions at such meetings, but are not entitled to vote. Audit & Supervisory Board Members are required to report to the Board of Directors, and have the right to call the Board of Directors when they find any breach of or any attempt to breach laws and regulations or the Articles of Incorporation.

The Company's Articles of Incorporation provide for not more than four Audit & Supervisory Board Members for a term of not more than four years, although they may serve any number of consecutive terms. Audit & Supervisory Board Members are elected at a General Meeting of Shareholders. Before the Board of Directors submits a proposal to elect Audit & Supervisory Board Members to the General Meeting of Shareholders, the proposal needs to be approved by the Audit & Supervisory Board. The Company currently has four Audit & Supervisory Board Members. During the year ended December 31, 2016, the Company held 13 Audit & Supervisory Board meetings. Two out of four Audit & Supervisory board members are Outside Audit & Supervisory Board Members. Outside Audit & Supervisory Board Members are appointed in light of their significant experience in their respective backgrounds and broad perspective.

The Company's Articles of Incorporation provide that Audit & Supervisory Board Members shall be exempt from liability, and that the Audit & Supervisory Board Members shall be able to sign a limited liability contract, to the extent allowed under the Companies Act. The Company has signed such limited liability contracts with all of our Audit & Supervisory Board Members.

Futoshi Nakamura became the Company's Standing Audit & Supervisory Board Member in June 2012. Previously, he served as Head of the Operational Review and Business Assurance Division.

Tomotaka Kojima became the Company's Standing Audit & Supervisory Board Member in June 2013. Previously, he served as Executive Director of the National Hospital Organization. He also has been the Secretary General of Japan Association of Corporate Directors since November 2010.

Yoshinori Imai became the Company's Audit & Supervisory Board Member in June 2011. Previously, he served as Executive Vice President of Japan Broadcasting Corporation and he has also been a Visiting Professor of Ritsumeikan University since April 2011.

Hiroshi Obayashi became the Company's Audit & Supervisory Board Member in March 2015. He is a lawyer, an outside statutory auditor of Daiwa Securities Co. Ltd. from April 2011, an outside board member of Mitsubishi Electric Corporation from June 2013, and an outside statutory auditor of Nippon Steel & Sumitomo Metal Corporation from June 2014.

Good Standing of Members of the Board and Audit & Supervisory Board Members of the Company

For at least the previous five years none of the Members of the Board or Audit & Supervisory Board Members of the Company has been associated with any bankruptcy, receivership or liquidation of a Company when acting in their capacity as members of the administrative, management or supervisory board or senior manager of the Company or has been subject to any official public incrimination and/or sanctions by statutory or regulatory authorities (including designated professional bodies). None of the Members of the Board, Executive officers or Audit & Supervisory Board Members of the Company has ever been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of an issuer or from acting in the management or conduct of the affairs of any issuer or has been convicted in relation to fraudulent offences.

Potential conflicts between any duties to the Company of Members of the Board and Audit & Supervisory Board Members of the Company and their private interests and/or other duties

There are no potential conflicts between any duties to the Company of Members of the Board or Audit & Supervisory Board Members of the Company and their private interests and/or other duties.

There are no family relationships between any of the Company's Members of the Board or Audit & Supervisory Board Members.

TAXATION IN THE FEDERAL REPUBLIC OF GERMANY

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of January 2017. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire, sell shares or receive dividends.

This description assumes that you are tax resident and work in Germany at all times. The tax implications may differ if you are not both tax resident under domestic German tax laws and under the laws of any applicable double tax treaty, nor working in Germany. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law and double tax treaty purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Germany or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Germany will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

Your contributions

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your employment income subject to withholding of tax and social security upon payment of your monthly salary.

Matching contributions⁵

If you receive matching contributions, as they are considered as an employment income under German tax legislation, you will be liable to personal income tax and social security on the taxable benefit. Liability arises when the matching contributions are made by your employer.

Income tax

Income tax is calculated on the gross amount of your matching contributions. Tax withholdings will be handled by your employer directly on a monthly basis. For your information, Germany's applicable tax rate is 44.31% (income tax and solidarity surcharge; an additional amount corresponding to church tax may also be due depending on your situation). Additional 3.17% is due on income exceeding EUR 256,304 for a single taxpayer, and EUR 512,607 for married taxpayers filing jointly.

Your tax withholdings will be considered as an advance payment once you file your annual German income tax return (document to be filed by 31 May of the year following the payments or by 31 December if your income tax return is prepared by a certified tax advisor).

Social security

In principle, JTI will be obliged to withhold your part of the German social security contributions on the gross amount of matching contributions.

The employee pension and unemployment contributions are capped at an annual income of EUR 76,200 / EUR 68,400 in the new Eastern States, while the health and long-term care contributions are capped at an annual income of EUR 52,200.

Sale of shares

When you sell the shares, you can realise a capital gain or capital loss (the difference between the sale price and the acquisition price, less certain expenses linked to the sale, e.g. banking fees).

The capital gain will then be taxed at the rate of 26.375% (income tax and solidarity surcharge), to which an additional church tax may be added depending on your situation. The base cost of the share will be determined at the FIFO principle (First In, First Out).

If the purchased shares are not held at a German financial institution at the time of sale, the capital gains tax is not withheld at source but the capital gain will have to be reported and taxed at a rate of 26.375% plus, if applicable, church tax through your annual German income tax return.

⁵ Only non-executive participants are entitled to receive matching contributions.

Wealth tax and dividend taxation

Wealth tax for German residents

Germany does not apply any taxation of individuals' wealth. Therefore, this section is not applicable to German tax residents.

Dividend taxation

In Germany, dividends taxation follows the same rules as for Capital gains tax. Taxes are calculated on the gross dividend paid, at the rate of 26.375% (to which additional church taxes may apply depending on your situation). The taxable event takes place at the dividend payment date. If the purchased shares are not held at a German financial institution at the time of dividend payment, the tax is not withheld at source but the income will have to be reported and taxed at a rate of 26.375% plus, if applicable, church tax through your annual German income tax return.

Since the gross dividends are subject to a withholding tax in Japan (15.315%), a tax credit of up to 15% of the gross dividend will be provided in the German tax return, based on the Double Tax Treaty concluded between Germany and Japan.

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Germany and you should seek independent tax advice.

TAXATION IN THE U.K.

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in the U.K. as of January 2017 (applicable for current 2016/17 UK tax year until 5 April 2017). Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you purchase shares, receive dividends or sell shares you acquire under the ESPP.

This description assumes that you are tax resident, working and domiciled in the U.K. at all times. The tax implications may differ if you are not both resident and domiciled, nor working in the U.K. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in the UK or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to the UK will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax, or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

a) Your contributions

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your employment income subject to withholding of tax and social security upon payment of your monthly salary.

b) Matching contributions⁶

If you receive matching contributions, as they are considered as an employment income under UK tax legislation, you will be liable to personal income tax and social security on the taxable benefit. Liability arises when the matching contributions are paid by your employer.

Income tax

Income tax is calculated on the gross amount of your matching contributions. Tax withholdings will be handled by your employer directly on a monthly basis. For your information, the UK income tax rates for the 2016/2017 tax year are as follows:

	Applicable rate
Personal allowance	0% up to GBP 11,000 of income ⁷
	Income bracket (above annual personal allowance)
Basic rate band	20% between GBP 0 – 32,000
Higher rate band	40% between GBP 32,001 – 150,000
Additional tax rate	45% on income in excess of GBP 150,000

The income tax rates for the 2017/18 tax year are as follows:

	Applicable rate
Personal allowance	0% up to GBP 11,500 of income
	Income bracket (above annual personal allowance)
Basic rate band	20% between GBP 0 – 33,500
Higher rate band	40% between GBP 33,501 – 150,000
Additional tax rate	45% on income in excess of GBP 150,000

There are a number of circumstances in which you will be required to file a UK tax return. These circumstances include a tax year in which your earnings are in excess of GBP 100,000 and a year in which you recognise capital gains.

Paper returns must be submitted by 31 October of the year following the end of the relevant tax year, while online returns must be submitted by 31 January. Any tax due must be paid by 31 January. Furthermore, although no fees apply to submit a tax return, interest and penalties may apply if the necessary deadlines are not met.

Social security

JTI will be obliged to withhold your part of the UK National Insurance Contributions (NICs) on the gross amount of matching contributions.

⁶ Only non-executive participants are entitled to receive matching contributions.

⁷ Note that the personal allowance is reduced by GBP 1 for every GBP 2 that adjusted net income is in excess of GBP 100,000 (i.e. for tax year 2016/2017, no personal allowance will be available where adjusted net income is in excess of GBP 122,000).

For the 2016/2017 tax year, the employee NIC rate is 12% on the NIC determined income between the Primary threshold of GBP 8,060 and the Upper Earnings Limit of GBP 43,000 per year, while the rate drops down to 2% on any income above GBP 43,000.

Sale of shares

When you sell the shares, you can realise a capital gain or capital loss (the difference between the sale price and the base cost of the shares⁸, less certain expenses linked to the sale, e.g. banking fees).

If your total capital gains for a tax year are less than the capital gains tax (CGT) annual exemption, no CGT is payable (GBP 11,100 for tax year 2016/17).

If your taxable income (including employment income) and chargeable gains (after the annual exemption described here above) are below the basic rate tax band for the tax year, CGT is payable at the rate of 10%. If your taxable income as described above is over that figure, CGT is payable at 20%.

Your UK tax return will have to report any capital gains if either of the following options apply:

- The amount of total gains you have realised (including gains from any other chargeable disposals) during tax year is in excess of the annual exempt amount (GBP 11,100 for tax year 2016/17); or
- The disposal proceeds are in excess of the chargeable asset threshold for the relevant tax year (four times the annual exempt amount (i.e. GBP 44,400 for tax year 2016/17).

Wealth tax and dividend taxation

Wealth tax for UK residents

The UK does not apply any taxation of individuals' wealth.

Dividend taxation

In principle, income tax arises on the gross dividend income at the date of payment. Your employer has no withholding obligations in this respect.

Since the gross dividends are subject to a withholding tax in Japan a tax credit will be provided in your UK tax return limited to 10% of the gross dividend, based on the Double Tax Treaty concluded between the UK and Japan.

From April 2016 the way in which dividends are taxed in the UK changed (subject to legislative approval of the 2016 Finance Bill). Previously, dividends were received with a notional tax credit equal to 1/9th of the net receipt attached to the dividend. For basic rate taxpayers, who were subject to a 10% tax on dividend income, this meant that no UK tax would effectively be due and no credit for the Japanese withholding tax would be available.

From 6 April 2016 a GBP 5,000 tax free dividend allowance is available for all taxpayers. Consequently, where dividends received are less than GBP 5,000 no UK tax will be due and no credit for the Japanese withholding tax will be available.

Dividend income in excess of GBP 5,000 will be taxed at 7.5% for basic rate taxpayers. 32.5% for higher rate taxpayers and at 38.1% for additional rate taxpayers. Should you have dividend income in excess of GBP 5,000 then you may have an additional tax liability, applied at these rates, to settle when filing your annual UK tax return.

⁸ Base cost of the shares is determined based upon a set of matching rules. Matching rules are complex, therefore we recommend you to seek advice from your personal tax advisor prior to selling shares.

Any claim for a foreign tax credit should be made through the filing of a UK income tax return. There is however no requirement to submit documentation to prove the Japan tax paid on the dividends (although exceptionally the UK tax authorities might request this if the tax return, as a whole, was subject to an audit).

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of the UK and you should seek independent tax advice.

TAXATION IN FRANCE

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in France, as of January 2017. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you purchase shares, receive dividends or sell shares you acquire under the ESPP.

This description assumes that you are tax resident, working and domiciled in France at all times. The tax implications may differ if you are not both resident nor working and domiciled in France. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in France or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to France will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

Your contributions

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your employment income which is subject to French social security charges withheld through your payroll and to personal income tax (payable upon receipt of your tax bill when you file your annual French tax return).

Matching contributions⁹

If you receive matching contributions, as they are considered as an employment income under French tax legislation, they will be subject to French social security charges (if applicable) and you will be liable to personal income tax on the net taxable amount (i.e. the matching contributions, less the deductible part of social charges and a deduction for professional expenses). Liability arises when the matching contributions are made by the employer.

Income tax

The net taxable amount of the matching contributions (i.e. the gross amount after deduction of the deductible part of social charges (if any) and a deduction for professional expenses) will be subject to personal income tax at progressive tax rates from 0% to 45%, plus the 3% and 4% exceptional tax on high level income (if applicable)¹⁰.

The net taxable amount (including Japanese source income) must be reported in the French tax return (generally by the end of May of the year following the taxable event). In 2017, the 2016 income tax returns will have to be filed online (except when Tax reference income will be lower than 28 000 € in 2015) The amount of income tax due must be paid upon receipt of the tax bills (2 tax instalments, except the first year, payable by 15 February and 15 May and the final tax amount which is generally due in September/October of the year following the taxable event).

Social security

In principle, JTI will be obliged to withhold your part of the French social security contributions (if any) on the gross amount of matching contributions.

Your part of the French social security charges for 2017 is as follows:

- Average of 22% - 23% for part of the annual gross remuneration not exceeding € 313,824.
- 9.15 % on income exceeding € 313,824 (uncapped for part of the annual gross remuneration exceeding this amount).

Since your employer withholds this on your behalf, there is no reporting obligation for you in this regard.

Sale of shares

When you sell the shares, you can realise a capital gain or capital loss (the difference between the sale price and the acquisition price, less certain expenses linked to the sale, e.g. banking fees).

If the shares are fungible, it is possible to treat the average purchase price per share as the market value of shares acquired in order to determine the amount of the gain/loss.

⁹ Only non-executive participants are entitled to receive matching contributions.

¹⁰ The 3% and 4% exceptional tax on high level income applies if your annual reference tax income (including any earning income such as employment income, capital gains, dividends etc.) exceeds € 250,000 for single, widowed, separated or divorced taxpayers and € 500,000 for a couple filing jointly, married or civil partners taxpayers).

A relief on the capital gain / capital loss can apply, for the calculation of the personal income tax only, depending on the length of the holding period. This reduction amounts to 50% of the gross capital gain amount if the shares were held between two and eight years, and to 65% if they were held for eight years or longer. Capital gains will be subject to income tax at progressive rates (marginal tax rate of 45%).

The full amount of capital gains will be subject to 3% / 4% exceptional tax on high level income (if applicable) and to the 15.5% social surtaxes (out of which 5.1% are tax deductible). You must pay this tax when you receive your tax bills (2 tax instalments, except the first year, payable by 15 February and 15 May and the final tax amount which is generally due in September/October of the year following the sale).

Wealth tax and dividend taxation

Wealth tax for French residents

You may also have to report any shares (including any fractional shares) you hold as at 1 January of each year in the private assets statement of your annual tax return. The share value can be determined by either of two following methods: (i) the last open market value stated by the financial establishment before 1 January of the taxable year or (ii) the average of the last 30 days' open market value.

Note however that only 25% of the market price of the shares on 1 January may be included in the net taxable basis (i.e. $\frac{3}{4}$ of the value of the shares will be exempted for wealth tax purposes), provided you hold the shares for at least six years following the year the exemption is first claimed.

The filing requirements depend on the net wealth as at 1 January of each year as follows:

- If the net assets are between € 1.3 million and € 2.57 million, there is no need to make a separate wealth tax declaration as it will be reported as part of the French income tax return on form 2042C
- If the net assets are greater than € 2.57 million, a specific return (form 2725) must be filed in June of the taxable year.

For French tax residents whose net worldwide assets on 1 January exceed € 1.3 million, wealth tax is due (rates vary from 0.50% up to 1.5%).

Dividend taxation

The dividends you receive will be taxed as investment income and are subject to progressive tax rates of up to 45% (plus the 3% / 4% exceptional tax on high income, if applicable) and to 15.5% social surtaxes (out of which 5.1% are deductible). The dividend income will be eligible to a 40% rebate (only applicable to personal income tax). Since the gross dividends are subject to a withholding tax in Japan (15.315%), a tax credit will be available in France based on the tax treaty concluded between France and Japan (i.e. the tax credit will amount to 10% of the gross dividend paid or 11.2% of the net dividend paid).

To obtain the tax credit, you need to report the Japanese source dividend on your annual French tax return. The French tax authorities will automatically calculate the tax credit on the Japanese source dividends on the basis of the information reported on your tax return.

You will have to use form 2047 to report your foreign sourced income (dividend net amount/source/tax credit rate) and then on general forms 2042 and 2042C.

Please note that, except in case your last reference tax income as shown on your last income tax bill is below certain thresholds¹¹, you will have to pay a withholding tax of 21% plus 15.5% social surtaxes on the gross amount of dividends by the 15th of the month following the dividend payment. Payment of these taxes have to be done through filing of a form 2778-DIV. The 21% tax advance payment can be offset against taxes due upon filing of the French tax return.

Other

In addition to the above, you will also have to enclose to your annual income tax return a detailed list of any foreign accounts (including brokerage accounts) held directly or indirectly, open or closed abroad in the relevant tax year. This reporting also applies to bank accounts in which the savings are held in your name.

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of France and you should seek independent tax advice.

¹¹ i.e. € 50,000 for a single taxpayer / € 75,000 for a couple filing jointly

TAXATION IN SPAIN

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of January 2017. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire shares, receive dividends or sell shares you acquire under the ESPP.

This description assumes that you are tax resident and work in Spain. The tax implications may differ if you are not tax resident nor working in Spain, are a citizen or tax resident of another country, or taxed in Spain as non-Spanish resident.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Spain or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Spain will not have to bear any social security costs, as these are paid by their employer company.

In addition, this information is general in nature and this description does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. Japan Tobacco is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of Shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

Your contributions

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your employment income subject to withholding of tax and social security upon payment of your monthly salary.

Matching contributions¹²

Matching contributions are in principle considered as taxable income at the time they are made by your employer. However, an exemption can be applied if certain conditions are met, as explained further below.

Income tax

Your employer will exempt the first EUR 12,000 (per year) of your matching contributions as per the Spanish tax legislation. Any amount above this threshold will be considered as taxable employment income and needs to be reported by you as such.

The above only applies if you keep the shares for a minimum of three years (as of the date of acquisition) and your overall employee participation does not exceed 5% of JTI's share capital. Should you decide not to keep the shares for a three year period, you will have to report the whole amount of the matching contributions as salary income (claw back clause taxing the initial exempted EUR 12,000).

Furthermore, the shares have to be offered in the same conditions to all the employees of the company, group or subgroup of the company. However, this requirement will still be met if a minimum seniority is demanded to the workers in order to be able to obtain the shares from the company.

The exemption does only relate to income tax, but not to social security contributions.

You will have to report your employment income and corresponding withholding tax in your annual personal income tax return.

Social security

Social security liability will arise on the matching contributions at the date the payment is made by your employer. Your contributions are withheld by your employer directly.

The 2017 social security rate is 6.35% up to a maximum monthly income of EUR 3,751.60. No withholdings will apply if you have already reached the maximum monthly income amount that for 2017 is EUR 2,865.46 as monthly basis salary.

Sale of shares

The subsequent sale of shares is taxed as capital gain in your income tax return directly, at the following rates for 2017:

- 19% for the first EUR 6,000
- 21% between EUR 6,001 to EUR 50,000
- 23% for the amounts above.

Your taxable base will be calculated based on the positive difference between the sale price and the acquisition price, applying a First in, First out basis.

¹² Only non-executive participants are entitled to receive matching contributions.

Should you decide to sell the shares within 3 years of acquisition, the taxation will apply to the extent amount of the matching contributions have not been subject to tax (as a result of the above mentioned EUR 12,000 exemption). You will then need to amend the income tax return you have filed the year of acquisition and pay the corresponding taxes.

Wealth tax, dividend taxation and reporting

Wealth tax for Spanish residents

Share ownership is considered to determine your taxable wealth basis according to the Spanish wealth tax legislation. The wealth tax is mandatory for individuals who maintain assets in Spain, with a general exemption of EUR 700,000. However, this amount may vary depending on which community you reside in (for example, in Catalonia the exemption is EUR 500,000 while in Madrid there is no wealth taxation due to a tax discount).

If you meet the wealth tax filing criteria as mentioned above, shares must be included at the value calculated according to their average value throughout the last quarter of the year.

Dividend taxation

The dividends you receive will be taxed as savings' income to be included in the income tax return you will file. The rates are the following (2017):

- Dividends up to EUR 6,000: 19%
- Dividends from EUR 6,000 to EUR 50,000: 21%
- Dividends from EUR 50,000 onwards: 23%

Since the gross dividends are subject to a withholding tax in Japan (15.315%), a tax credit will be available in Spain based on the tax treaty concluded between Spain and Japan, up to 15%. To obtain the tax credit, you need to report the Japanese source dividend withholding on your annual Spanish tax return.

Reporting

You will also have to report the acquisition, sale of shares or receipt of dividends in your annual personal income tax return. The shareholding has to be reported in the wealth tax return and in Form 720 (Form to report assets located abroad in excess of EUR 50,000).

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Spain and you should seek independent tax advice.

TAXATION IN THE REPUBLIC OF POLAND

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of January 2017. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire, sell shares or receive dividends.

This description assumes that you are tax resident and work in Poland at all times. The tax implications may differ if you are not both tax resident under domestic Polish tax laws and under the laws of any applicable double tax treaty, nor working in Poland. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law and double tax treaty purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Poland or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Poland will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

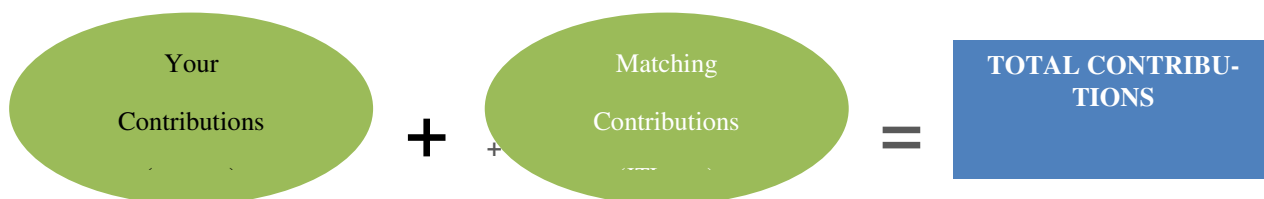
The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

c) Your contributions

You will not have to pay additional income tax and social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your taxable employment income and your employer will have already withheld income tax and social security charges.

d) Matching contributions¹³

Income tax

The matching contributions paid by your employer are considered as your additional income at the moment when the shares are acquired (i.e. when the shares of the Japanese company are granted to you for free). This income should be classified as “earned from other sources” and is subject to progressive taxation (at 18% and 32% tax rate). You are personally obliged to declare this income in your annual tax return (PIT-36 form) by the 30 April of the year following the year in which this income was derived. Additionally, you are obliged to pay the tax due directly to the Polish tax office with the same deadline.

Taxable base		Tax	
Over	To		
	PLN 85 528	18%	
PLN 85 528		PLN 15 395.04 + 32% on excess over PLN 85 528	minus tax deduction*

* From 2017 the tax deduction related to the tax free amount is calculated as follows:

- For tax base equal or lower than PLN 6 600 the tax deduction is PLN 1 188.
- For tax base between PLN 6 601 and PLN 11 000 the tax deduction is calculated based on the following formula: $PLN\ 1\ 188 - PLN\ 631,98 * (tax\ base - PLN\ 6\ 600) / PLN\ 4\ 400$.
- For tax base between PLN 11 001 and PLN 85 528 the tax deduction is PLN 556,02 (the same as in 2016).
- For tax base between PLN 85 529 and PLN 127 000 the tax deduction is calculated based on the following formula: $PLN\ 556,02 - PLN\ 556,02 * (tax\ base - PLN\ 85\ 528) / PLN\ 41\ 472$.
- For tax base above PLN 127 000 the tax-free amount is PLN 0.

Social security

The matching contributions paid by your employer are not subject to social security and health insurance contributions.

¹³ Only non-executive participants are entitled to receive matching contributions.

Sale of shares

When you sell the shares, you can realise a capital gain or capital loss.

If you sell **all of the shares** that you possess, the taxable value should be calculated as a difference between:

(i) the sale proceeds (converted into PLN using the average exchange rate announced by the National Bank of Poland applicable for the day preceding the date of sale) and;

(ii) the acquisition price of all of the shares (converted into PLN using the average exchange rate announced by National Bank of Poland applicable for the day preceding the day of acquisition of the shares) increased by purchase costs and sale costs (such as bank transfer fees, commissions etc.).

If you sell **only a part of your shares**, the taxable gains (or losses) for the shares sold should be calculated using the FIFO (first-in first-out) method (e.g. the shares that have been purchased from the contributions withheld from your salary/additionally paid by your employer in a first month of participation in the ESPP should be considered as sold at the earliest).

The taxable amount should be calculated according to the following rules, depending on whether you sell the shares acquired from your contributions or matching contributions:

Shares purchased from your contributions	Shares purchased from the matching contributions
<p>The taxable income equals to the difference between:</p> <p>(i) the sale proceeds (converted into PLN using the average exchange rate announced by the National Bank of Poland applicable for the day preceding the date of sale) and;</p> <p>(ii) the acquisition price of the shares (converted into PLN using the average exchange rate announced by National Bank of Poland applicable for the day preceding the day of acquisition of the shares) increased by purchase costs and sale costs (such as bank transfer fees, commissions etc.).</p>	<p>The taxable income equals to the difference between:</p> <p>(i) the sale proceeds (converted into PLN using the average exchange rate announced by the National Bank of Poland applicable for the day preceding the date of sale) and;</p> <p>(ii) the amount of matching contributions paid by your employer and subject to taxation at the earlier stage (i.e. when the shares were acquired).</p>

As we understand, according to the rules of the ESPP, your employer is obliged to pay additional 12% of your contributions as the matching contributions. So in order to determine whether you sold the share purchased from your contributions or from the matching contributions you should use the proportion of your contributions to the total contributions, i.e. 89,29% (e.g. when you sold 100 shares, 89 of them are the shares purchased from your funds and 11 are the shares purchased from the matching contributions).

The net capital gain will be subject to capital gains tax at a rate of 19%.

You are responsible for reporting the income derived from the sale of shares with the Polish tax authorities using PIT-38 form (along with PIT/ZG attachment). The annual tax return must be filed by 30th April of the year following the year in which you derived the income. You are also obliged to pay the tax due with the same deadline (if any).

Additionally, you have the obligation to report any holding /acquisition / sale of shares as well as their underlying dividends to the National Bank of Poland, using the PW-AIN or PW-AUN form on the electronic portal <http://sprawozdawczosc.nbp.pl/>, if the following conditions are met:

- The shares have to be held abroad.
- The total value of the shares is equal or more than PLN 7.000.000 at the end of the year.

As mentioned above, the reporting should be submitted using the relevant form on a quarterly basis and filed with the National Bank of Poland within 20 days after the end of each quarter in which you hold shares abroad.

Wealth tax and dividend taxation

Wealth tax for Polish residents

There is no wealth tax in Poland.

Civil law activities tax for Polish residents

Assuming that the acquisition of shares takes place outside of Poland, there will be no civil law activities tax due.

Dividend taxation

Gross dividend is considered as capital gains and is subject to income tax when the dividend is received or put at the taxpayer's disposal at a rate of 19%. Please note that you are obliged to pay the tax due on the dividend income even if it is automatically reinvested in the JTI shares.

You have the obligation to report any dividends received under the Plan in your individual tax return and pay the related taxes, using PIT-36 or PIT-38 forms, by 30 April of the following year.

Since the gross dividends are subject to a withholding tax in Japan (15.315%), a tax credit of maximum 10% of the gross dividend can be claimed in your Polish tax return based on the Double Tax Treaty concluded between Poland and Japan.

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Poland and you should seek independent tax advice.

TAXATION IN THE REPUBLIC OF ROMANIA

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of January 2017. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire, sell shares or receive dividends.

This description assumes that you are tax resident and work in Romania at all times. The tax implications may differ if you are not both tax resident under domestic Romanian tax laws and under the laws of any applicable double tax treaty, nor working in Romania. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law and double tax treaty purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Romania or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Romania will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

Your contributions

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP as the shares that you acquire are purchased at the fair market value and no discount is offered. Furthermore, the contributions that you make to buy shares will already form part of your taxable employment income and your employer will have already withheld income tax and social security charges.

Matching contributions¹⁴

If you receive matching contributions, as they are considered as an employment income under the current Romanian tax legislation, you will be liable to personal income tax and social security contributions on the taxable salary benefit. Liability arises when the matching contributions are paid by your employer.

Income tax

Income tax is calculated on the taxable amount of your matching contributions. Taxes are withheld by your employer through the payroll on a monthly basis. The Romanian tax flat rate is 16% on the taxable basis (gross salary income minus employee's mandatory social security contributions).

As a local employee working in Romania, you do not have any further reporting obligation in relation to your salary income and the income tax computed by employer.

Social security

Your employer will withhold your part of the Romanian social security contributions on the gross amount of the matching contributions. The employee social security rates are currently 10.5% (pension, applied to a maximum monthly computation basis capped at RON 13,405 for January 2017 and starting February 2017 uncapped) + 5.5% (health fund contribution applied to a maximum monthly computation basis capped at RON 13,405 for January 2017 and starting February 2017 uncapped) and 0.5% (unemployment, uncapped).

Sale of shares

When you sell the shares, you can realise a capital gain or capital loss.

Income tax

The net capital gain will be subject to capital gains tax at the flat rate of 16%. The taxable amount is calculated based on the difference between the sale price and the acquisition price of the shares. Broker/transaction fees in connection with the acquisition or sale are tax deductible.

You have the obligation to report any sale of shares (i.e. capital gain/loss) in your individual annual tax return by 25 May of the year following the one in which the sale was performed, using the form 201 (in respect of income derived from abroad), and pay the related taxes within 60 days from the date the tax decision is communicated to you by the Romanian tax authorities.

Health fund contribution

For the capital gain obtained in January 2017, 5.5% health fund contribution will be due on gain, still capped at a certain ceiling (i.e. around EUR 36.000/year which includes all the revenues apart

¹⁴ Only non-executive participants are entitled to receive matching contributions.

from employment). As of February 2017, the health fund contribution 5.5% may be still due on the capital gain derived (yet, without any cap), but only in certain cases (i.e. you ceased to obtain employment revenues). The health fund liabilities shall be assessed by the tax officer after you file your annual tax return above, by issuing a health decision that should be settled in 60 days from the date when it is communicated to you.

Wealth tax and dividend taxation

Wealth tax for Romanian residents

Romania does not apply any taxation of individuals' wealth.

Dividend taxation

Gross foreign dividend is considered as investment income and is subject to income tax at the flat rate of 5% through your annual income tax return and tax assessment.

You have the obligation to report any foreign dividends in your individual tax return by 25 May of the year following the one in which the dividend income is derived, using the form 201, and pay the related taxes within 60 days from the date the tax decision is communicated to you by the Romanian tax authorities.

Since the gross dividends are subject to a withholding tax in Japan (15.315%), you can claim a tax credit in your Romanian tax return based on the Double Tax Treaty concluded between Romania and Japan, however, the tax credit cannot exceed the amount of the Romanian tax due. The tax credit to be granted by the Romanian tax authorities will be established by them in accordance with the provisions of the applicable Double Tax Treaty and the Romanian tax legislation. To claim a tax credit, the Romanian legislation requires an official proof of income tax paid issued by the Japanese tax authorities, reflecting the gross dividend amount and the income tax withheld. In practice, the documents issued by the entity, which withheld and paid the foreign income tax on your behalf may also be accepted.

Health fund contribution

For the dividends obtained in January 2017, 5.5% health fund contribution will be due on the gross dividend, still capped at a certain ceiling (i.e. around EUR 36.000/year which includes all the revenues apart from employment). As of February 2017, the health fund contribution 5.5% may be still due on the dividends derived (yet, without any cap), but only in certain cases (i.e. you ceased to obtain employment revenues). The health fund liabilities shall be assessed by the tax officer after you file your annual tax return above, by issuing a health decision that should be settled in 60 days from the date when it is communicated to you.

Since the gross dividends are subject to a withholding tax in Japan (15.315%), you can claim a tax credit in your Romanian tax return based on the Double Tax Treaty concluded between Romania and Japan, however, the tax credit cannot exceed the amount of the Romanian tax due. The tax credit to be granted by the Romanian tax authorities will be established by them in accordance with the provisions of the applicable Double Tax Treaty and the Romanian tax legislation. To claim a tax credit, the Romanian legislation requires an official proof of income tax paid issued by the Japanese tax authorities, reflecting the gross dividend amount and the income tax withheld. In practice, the documents issued by the entity, which withheld and paid the foreign income tax on your behalf may also be accepted.

(Please note that if you are no longer employed, a 5.5% health fund contribution will be due on foreign dividends and capital gains.)

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Romania and you should seek independent tax advice.

TAXATION IN THE KINGDOM OF SWEDEN

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of January 2017. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire, sell shares or receive dividends.

This description assumes that you are tax resident and work in Sweden at all times. The tax implications may differ if you are not both tax resident under domestic Swedish tax laws and under the laws of any applicable double tax treaty, nor working in Sweden. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law and double tax treaty purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Sweden or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Sweden will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

Your contributions

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your taxable employment income and your employer will have already withheld income tax and social security charges.

Matching contributions¹⁵

If you receive matching contributions, as they are considered as an employment income under Swedish tax legislation, you will be liable to personal income tax on the taxable benefit. Liability arises at the date when the shares are acquired.

Income tax

Income tax is calculated on the gross amount of your matching contributions. Preliminary taxes are withheld by your employer through payroll in accordance with applicable tax tables. However, tax to be withheld is limited to the amount of cash remuneration paid out that month. In case additional tax is due, this has to be paid by the latest when the tax return has been handled by the Tax Agency. The additional tax, if any, is due once the final tax decision has been issued by the Swedish Tax Agency (STA), normally between the end of June and December, in the year after the income year.

The highest Swedish applicable tax rate is currently appr. 60% (2017). The matching contributions have to be reported in your annual income tax return, which is due by beginning of May in the following year.

As the matching contributions are treated as employment income from a Swedish tax perspective, the income will be reported by your employer in a year-end statement in January in the year following the income year, and further filed to the Swedish Tax Agency. The tax agency should then make sure to include the amount on your pre-printed tax return, which is sent out between February and April in the year following the income year.

Please note however, that the tax liability for the matching contributions finally lies with you as a tax payer in Sweden, and you are therefore individually responsible for reporting the amount in your annual income tax return manually, should it for some reason not have been reported by your employer in the first case.

Social security

All social security contributions are managed by your employer.

The general pension fee amounts to 7% on income up to a maximum of SEK 496,305. The highest Swedish general pension fee therefore is capped at appr. SEK 34,741 (for income year 2017).

As you are granted a tax reduction with an amount exactly corresponding to the amount of employee contributions withheld by your employer, your contribution liability is offset against the tax reduction, and therefore your actual cost is zero.

Sale of shares

When selling your shares, a capital gain or loss can be generated.

¹⁵ Only non-executive participants are entitled to receive matching contributions.

The capital gain (i.e. the income, minus any acquisition costs) will be taxed at a flat rate of 30%. The taxable amount is calculated based on the difference between the market value of the shares at allocation and the proceeds of sale. The average market value should be used to determine the cost of the shares, thus all transactions must be considered during the period (first in first out) in order to calculate the price paid for the shares. Costs related to the sale of shares should be deducted from the sale proceeds.

The tax is due when the final tax assessment is issued by the STA. You have an obligation to report any sale of shares and capital gain in your income tax return.

Wealth tax and dividend taxation

Wealth tax for Swedish residents

Sweden does not apply any taxation of individuals' wealth.

Dividend taxation

Gross dividend is subject to income tax when the dividend is paid. Taxes are calculated on the gross dividend paid, at a flat rate of 30% and the tax is due when the final tax assessment is issued by the STA. You have to declare this income in your individual annual income tax return.

Since the gross dividends are subject to a withholding tax in Japan (15.315%), a tax credit can be claimed in the Swedish tax return up to 15% of the gross dividend based on the Double Tax Treaty concluded between Sweden and Japan. The form SKV 2703 should be attached to your tax return.

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Sweden and you should seek independent tax advice.

TAXATION IN THE KINGDOM OF BELGIUM

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of January 2017. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire, sell shares or receive dividends.

This description assumes that you are tax resident and work in Belgium at all times. The tax implications may differ if you are not both tax resident under domestic Belgian tax laws and under the laws of any applicable double tax treaty, nor working in Belgium. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law and double tax treaty purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Belgium or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Belgium will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

a) *Your contributions*

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your taxable employment income and your employer will have already withheld income tax and social security charges

b) *Matching contributions*¹⁶

If you receive matching contributions, as they are considered as an employment income under Belgian tax legislation, you will be liable to personal income tax and social security contributions on the taxable benefit. Liability arises when the matching contributions are paid by your local employer.

Income tax

Income tax is calculated on the gross amount of your matching contribution less the mandatory employee social security contributions. Taxes are withheld by your employer through the monthly tax return, but final income tax will be due upon the issue of the tax assessment. For your information, the Belgian combined federal and regional tax is ranging as follows:

EUR 0,00 – EUR 11.070,00: 25% (plus communal taxes)

EUR 11.070,00 – EUR 12.720,00: 30% (plus communal taxes)

EUR 12.720,00 – EUR 21.190,00: 40% (plus communal taxes)

EUR 21.190,00 – EUR 38.830,00: 45% (plus communal taxes)

EUR 38.830,00 – above: 50% (plus communal taxes)

You must report the taxable benefit in your individual income tax return for the income year in which the taxable event occurred. Your individual income tax return may be lodged in a paper form or electronically. Filing dates are communicated by the tax authorities.

Social security

Your employer will withhold your part of the Belgian social security contributions on the gross amount of matching contributions on a monthly basis.

The employee social contributions rate is 13.07% on the uncapped amount of matching contributions.

Sale of shares

Ordinary capital gain tax

Gains from the sale of share investments falling in the scope of the normal management of your private estate are exempt from Belgian taxes. However, if your investment in shares falls beyond the scope of the normal management of your private estate, it will be taxed at 33% (plus communal taxes).

¹⁶ Only non-executive participants are entitled to receive matching contributions.

Whether your investment in shares is regarded as falling within or beyond the scope of the normal management of your private estate should be addressed on a case-by-case basis and it is recommended to discuss this with your personal tax adviser.

In case of your investment being considered as taxable, you would need to report the taxable gain as miscellaneous income in your income tax return relating to your income year in which the sale of shares occurred.

Wealth tax and dividend taxation

Wealth tax for Belgian residents

Belgium does not apply any taxation of individuals' wealth.

Dividend taxation

Dividend is considered as investment income and is subject to income tax in Belgium. According to the Double Tax Treaty, Japan is in principle allowed to levy a withholding tax of maximum 15% on dividends paid to a Belgian resident. In Belgium the net frontier dividend (i.e. 85%) will be subject to a flat tax rate of 30%. The aggregate tax is then 40.50%.

- If the dividend is not paid through a Belgian intermediary, your net frontier dividend will have to be reported in your Belgian income tax return and taxes will be due upon the issue of the tax assessment.
- If the dividend is paid through a Belgian intermediary, it will be subject to a 30% Belgian withholding tax and no separate reporting is required in your personal income tax return.

Please note that the Japanese withholding tax cannot be claimed as a tax credit from the Belgian income tax.

U.S. reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Belgium and you should seek independent tax advice.

TAXATION IN AUSTRIA

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of January 2017. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire, sell shares or receive dividends.

This description assumes that you are tax resident and work in Austria at all times. The tax implications may differ if you are not both tax resident under domestic Austrian tax laws and under the laws of any applicable double tax treaty, nor working in Austria. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law and double tax treaty purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Austria or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Austria will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

Your contributions

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your taxable employment income and your employer will have already withheld income tax and social security charges.

Matching contributions¹⁷

If you receive matching contributions, as they are considered as an employment income under Austrian tax legislation, you will be liable to personal income tax and social security contributions on the taxable benefit. Liability arises at the point in time when the shares are acquired.

Income tax

Income tax is calculated on the gross amount of your matching contributions. Taxes are withheld by your employer through the monthly payroll. The Austrian tax rates range between 6% and 55% (2017). As the tax has already been withheld by your employer there is no obligation to file, due to the acquisition of shares via the ESPP, an Austrian annual income tax return.

You qualify for a tax exemption on the ESPP benefit up to EUR 3,000 per annum (as all employees or a company specific group of employees is allowed to participate in the plan). Prerequisite for the tax exemption is that you intend to hold the shares for a period of at least five years (the five years holding period starts with January 1 of the year following the acquisition of the shares). In order to benefit from this exemption, you should inform your employer (via a letter or email) that you intend to keep the shares at least five years. As soon as you sell the shares within the holding period, or you cannot prove until 31 March each year during the holding period that you still own the shares, your employer will be obliged to withhold income tax on the previously tax-free amount, unless the sale takes place after/at termination of employment.

Social security

Your employer will withhold your part of the Austrian social security contributions on the gross amount of the matching contributions. The employee social security rates are currently 17.12% (2017) applicable to special payments.

The employee contributions are capped at an annual income ceiling of EUR 9,960 (2017) for all special payments.

As long as the conditions for the preferential tax treatment mentioned above are fulfilled and the benefit in kind will be considered as tax free, it is not subject to social security contributions either.

Sale of shares

When you sell the shares, you can realise a capital gain or capital loss.

The net capital gain will be subject to capital gains tax at the flat rate of 27.5%. The taxable amount is calculated based on the difference between the sale price and the acquisition price¹⁸ of the shares. Any fees in connection with the acquisition or sale are not tax deductible. A loss can be offset

¹⁷ Only non-executive participants are entitled to receive matching contributions.

¹⁸ The acquisition price of the shares for tax purposes should be calculated using the « moving average approach », based on the law (§ 27a (4) Z3 Income Tax Act) – with each acquisition a new average acquisition price has to be calculated. It is your obligation to keep the documents to be able to calculate the moving average price.

with other capital gains of the corresponding tax year, dividends or interest of securities (e.g. from bonds). A loss cannot be offset with other kinds of income (e.g. salary income), and cannot be carried forward in later tax years.

You have the obligation to report any sale of shares in your individual tax return, using the forms E1 and E1kv, by April (paper form) or June (electronically), of the following year. The corresponding tax is payable after tax assessment by the tax office (in case tax assessment is expected after 30 September of the following year a down payment of the expected tax amount is recommended to prevent interest (currently 1.38% pa).

Wealth tax and dividend taxation

Wealth tax for Austrian residents

Austria does not apply any taxation of individuals' wealth.

Dividend taxation

Gross dividend is considered as investment income and is subject to income tax at the flat rate of 27.5% through your annual income tax return and tax assessment.

Since the gross dividends are subject to a withholding tax in Japan (15.315%), you can claim a tax credit in your Austrian tax return based on the Double Tax Treaty concluded between Austria and Japan (maximum credit of up to 20% would be possible based on the treaty). You are required to complete the standard form (E1kv) for investment income.

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Austria and you should seek independent tax advice.

TAXATION IN THE REPUBLIC OF ESTONIA

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of November 2016. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire, sell shares or receive dividends.

This description assumes that you are tax resident and work in Estonia at all times. The tax implications may differ if you are not both tax resident under domestic Estonian tax laws and under the laws of any applicable double tax treaty, nor working in Estonia. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law and double tax treaty purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Estonia or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Estonia will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

c) *Your contributions*

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your taxable employment income and your employer will have already withheld income tax and social security charges.

d) *Matching contributions*¹⁹

If you receive matching contributions, as they are considered as a benefit in kind under Estonia tax legislation, your employer will be liable to fringe benefit taxes on the taxable benefit. Since you cannot dispose of the shares during the blocking period, the taxable event of the in-kind benefits would only arise after the end of this one year blocking period, i.e. when the shares are deblocked.

The benefit-in-kind will be equal to the market value of the shares at the end of the blocking period. You would have to inform your Estonian employer about the receipt of such shares.

Income tax

The fringe benefits are subject to 20/80 income tax and 33% social tax²⁰.

You do not have any related reporting requirements.

Social security

As benefit in kind the Matching Contributions are not subject to additional social security contributions (besides the combined total fringe benefit charge as mentioned above).

Sale of shares

When you sell the shares, you can realise a capital gain or capital loss (the difference between the sales price and the acquisition costs of the shares at the acquisition date). The capital gain resulting from sale of shares will be subject to income tax at a flat rate of 20%. The value of the fringe benefit subject to income tax by the employer can be included in the acquisition cost of the shares by you, when disposing of the shares and realising a capital gain.

The acquisition cost of shares could be calculated by consistently applying one of the following methods:

- FIFO – First In First Out – at sale of shares the acquisition cost should be the actual cost paid for the particular share; or

¹⁹ Only non-executive participants are entitled to receive matching contributions.

²⁰ For example, where the net amount of benefit is 100 this would be calculated as follows:

- the income tax due by the local employer would be 25 (20/80 x 100) and
- the social tax due based on the grossed up amount of the fringe benefit (including income tax due) is 41.25 (0.33 x 100 + 25)
making a combined total FBT charge of 66.25

- The weighted average method – at sale the acquisition cost of share should be calculated by dividing the amount of the acquisition costs of shares existing at the time of the sale by the number of total shares

Any expenses related to incurring such income are considered deductible under the provisions of the law.

Individual income tax returns for the preceding year must be submitted by March 31. Resident individuals who declare capital gains from realising of shares are required to pay any tax due by October 1 of the calendar year following the period of taxation.

Wealth tax and dividend taxation

Wealth tax for Estonian residents

Estonia does not apply any taxation of individuals' wealth.

Dividend taxation

For the preparation of this tax sheet it has been assumed that you are only the economical owner of the dividend payment and not the legal owner (as the dividends were paid into the cash account of the plan administrating bank for re-investment). Therefore, the dividend income received by you is considered benefit-in-kind subject to 20/80 income tax and 33% social tax (see also income tax section above). The liability would arise at the date the shares from the re-invested dividends are transferred to you (no blocking period applies).

You do not have any related reporting requirements. Your employer must withhold the total fringe benefit charge due.

The gross dividends are also subject to a withholding tax in Japan of 15.315%. However, no relief or tax credit can be obtained for the Japanese withholding tax.

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Estonia and you should seek independent tax advice.

TAXATION IN THE REPUBLIC OF LITHUANIA

The following is a general summary description of the tax and social security consequences of your participation in the ESPP.

This description is based on the tax and other laws concerning equity awards in effect in your country as of November 2016. Such laws are often complex and change frequently. As a result, the information contained in this supplement may be out of date at the time you acquire, sell shares or receive dividends.

This description assumes that you are tax resident and work in Lithuania at all times. The tax implications may differ if you are not both tax resident under domestic Lithuanian tax laws and under the laws of any applicable double tax treaty, nor working in Lithuania. If you are a citizen or resident of another country, transfer employment or residency after enrollment, or are considered a resident of another country for local law and double tax treaty purposes, the income and social tax information below may not be applicable to you in the same manner.

In particular, the tax and social security consequences may differ for international mobile employees who are not tax resident in Lithuania or who are subject to tax in any other jurisdiction. Under JTI's international assignment policy, assignees sent to Lithuania will not have to bear any social security costs, as these are paid by their employer company.

Furthermore, this information is general in nature and does not address all of the various laws, rules and regulations that may apply. It may also not apply to your particular tax or financial situation. The Company is not in a position to assure you of any particular tax result and this description does not constitute tax advice. Accordingly, you are strongly advised to seek appropriate professional advice as to how the tax and social security or other laws in your country apply to your specific situation. If you are a U.S. citizen or a green card holder, you are also advised to seek advice with respect to U.S. taxes and/or reporting obligations that may apply to you.

Note:

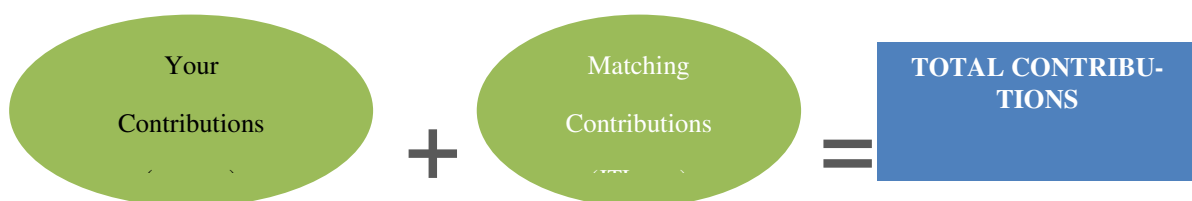
The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate in the ESPP is neither a guarantee of continued participation in the ESPP nor continued employment; employment is and always will be on the basis as provided for in your employment agreement. The benefits acquired through the ESPP will not be included in calculations of any severance, resignation, redundancy, end of service payments, any bonuses, long-service awards, pension or retirement benefits or similar payments.

Enrollment in the ESPP

You are not subject to tax when you enroll in the ESPP, nor when a new Enrollment Period begins.

Purchase of shares

Under the ESPP, shares are purchased using the contributions you elect to make (deducted from payroll) and the matching contributions that your employer makes. Together, these form the total contributions used each month to buy Japan Tobacco Inc. shares to be held on your behalf.



You will be liable to tax and, if applicable, social security on the taxable benefit as mentioned below:

e) Your contributions

You will not have to pay additional income tax or social security charges on the contributions you pay into the ESPP. This is because the contributions that you make to buy shares will already form part of your taxable employment income and your employer will have already withheld income tax and social security charges.

f) Matching contributions²¹

If you receive matching contributions, as they are considered as an employment income under the Lithuanian tax legislation, you will be liable to personal income tax and social security charges on the taxable benefit. Liability arises at the date the ownership of shares is transferred to you.

Income tax

Income tax is withheld by your employer on the gross amount of your matching contributions. For your information, the Lithuanian income tax rate is flat and amounts to 15% of annual taxable income.

You do not have any related reporting requirements. Your employer must withhold income taxes due and report your matching contribution amount as well as income tax withheld on it.

Social security

Matching Contributions are subject to social security contributions since the costs are borne by the local JTI entity which is your employer. The contributions should be due at the date the ownership of the shares is transferred to you by the company.

The social contributions amount to 9% of the gross matching contribution amount without cap and are withheld by the employer.

Sale of shares

When you sell the shares, you can realise a capital gain or capital loss (the difference between the sales price and the fair market value at the acquisition date). The capital gain will be subject to a flat income tax rate of 15%. Capital gains not exceeding EUR 500 during the calendar year are in principle tax exempted.

The share acquisition costs must be substantiated by documents. The average price of the shares over the acquisition period can in principle be used to establish the acquisition cost of the shares as long as there are relevant documents proving their value. Costs related to the sale of shares (commission fees) can be deducted from the sale proceeds in order to reduce taxable income amount, however, they must also be documentarily supported.

The tax is due by 1 May of the year following the sale of shares and should be paid by you personally by filing the annual income tax return (form GPM308) by the same deadline.

Wealth tax and dividend taxation

Wealth tax for Lithuanian residents

Lithuania does not apply any taxation of individuals' wealth.

²¹ Only non-executive participants are entitled to receive matching contributions.

Dividend taxation

Dividends are considered as investment income and the gross dividend amount is subject to income tax at a flat 15% rate.

Since the gross dividends are subject to a withholding tax in Japan (15.315%), the foreign tax credit can be claimed for the foreign tax amount actually paid on the relevant income in Lithuania (up to 15% of income tax payable). Foreign tax credit application should be filed through your income tax return and providing the foreign taxation proofs of the dividend amounts reported.

You must report foreign dividends in your annual income tax return (form GPM308) until 1 May of the year following the dividend receipt date.

US reporting obligations

You may have U.S. reporting obligations with respect to JT shares you own and foreign accounts that you maintain outside of the U.S. Specifically, if you have interest in foreign financial assets (which include JT shares, rights to acquire JT shares, interest in a foreign financial accounts), you may be required to file a Report of Foreign Bank and Financial Accounts (FBAR) and IRS Form 8938, Statement of Specified Foreign Financial Assets which may be required under the Foreign Account Tax Compliance Act (FATCA).

Please find below some very general reporting information for FBAR and Form 8938. Please consult your personal tax advisor for additional details and to determine whether you are required to make FBAR and 8938 filings. Please note that it is your personal responsibility to comply with these US tax reporting requirements, if applicable.

2016 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2017 (if an extension is filed the extended deadline is October 15, 2017)

Requirement To File: If you are a "U.S. person" and have an interest in foreign financial accounts with aggregate value that exceeds 10,000 at any time during the year.

2016 Form 8938

Due Date: At the same time you file your annual US tax return (April 15, 2017 with potential extension to October 15, 2017, if an extension is filed)

Requirement to File: "Specified individuals" including U.S. citizens and U.S. tax residents who have foreign assets valued at \$50,000 or more on the last day of the tax year or \$75,000 or more at any time during the tax year (higher thresholds apply if married or living abroad).

Please note that you may have additional tax obligations outside of Lithuania and you should seek independent tax advice.

TAXES ON THE INCOME FROM THE SECURITIES WITHHELD AT SOURCE UNDER JAPANESE TAX LAWS

Dividends from Japanese publicly traded shares held by non-resident individuals (foreign investors with minority interests) are subject to 15%. Additionally tax withholdings will be subject to the income surtax of 2.1%, which is levied for the income earned for the period from 1 January 2013 through 31 December 2037.

The Company does not have any responsibility for the withholding of taxes at source from Japanese shares, since this obligation lies with the handler of the payment.

Depending on the resident country of the shareholder of the recipient, a reduced withholding tax rate may be applied by submitting the “Special Application Form For Income Tax Convention” and “Attachment Form For Limitation On Benefits Article” forms prior to dividend payout. The details for such application could differ depending on the country and further consultation should be sought where applicable.

RECENT DEVELOPMENTS AND TRENDS

Except as disclosed under “Recent Developments” below, there has been no significant change in the Issuer’s financial condition and operating result since December 31, 2016 and no material adverse change in the prospects of the Company and its subsidiaries, taken as a whole, since December 31, 2016.

Recent Developments

There were no significant changes in the financial or trading position of the Group which has occurred since the end of the last financial period (December 31, 2016).

Trends

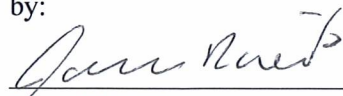
The Company believes that recent trends indicate that individual smokers will consume fewer cigarettes and that smaller percentages of populations will smoke mainly due to demographic changes, tax increases, health concerns, smoking bans in public places and tightening regulations on promotions and advertising. Despite such challenging circumstances, the Company will continue to aim to achieve sustainable profit growth in the mid- to long-term by investing in Tobacco Business among others. The Company believes that the Group’s international tobacco business will continue to be the profit growth engine of the Group, driven by a combination of pricing gains, continued growth in market share and effective cost management. The Group will continue to prioritize quality top line growth by continued investments in expanding geographic footprint, building its brand equity, and strengthen emerging products, among others. In the Japanese domestic tobacco business, the Group will continue to increase investment in order to further enhance its brand portfolio. The Group will also continue to strengthen its ability to anticipate and respond to the consumers’ needs in what has become an increasingly competitive environment.

Geneva, Switzerland

Mardi 28, 2017

JT International SA

by:



Marc RUEDE

Global Rewards Vice President



Carole MOUNIER

Legal Director HR