

**JT International S.A.**

**8, rue Kazem Radjavi,  
CH-1202 Geneva  
Switzerland**

**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.**

**25 March 2019**

**International Securities Identification Number (ISIN): JP3726800000  
Japanese Trading Code: 2914  
German Securities Code Number (Wertpapier-Kenn-Nummer): 893151  
Trading symbol: JAT**

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## 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.

<b>Section A — Introduction and Warnings</b>		
<b>A.1</b>	<b>Introduction and Warnings</b>	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.
<b>A.2</b>	<b>Use of the prospectus for subsequent resale or final placement of securities by financial intermediaries.</b>	Not applicable. The Offeror and the Issuer have not consented to the use of the prospectus for subsequent resale or final placement of securities.

<b>Section B — Issuer</b>		
<b>B.1</b>	<b>Legal and Commercial Name of the Issuer</b>	The Issuer’s legal and commercial name is Japan Tobacco Inc.  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.  References in this summary to the "Offeror" shall mean JT International S.A.
<b>B.2</b>	<b>Domicile and Legal Form of the Issuer, the Legislation under which the Issuer operates and its Country of Incorporation</b>	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>B.3</b>	<b>Description of the Nature of the Issuer’s current Operations and its principal Activities</b>	The JT Group is a leading global tobacco company operating in over 70 countries. The Group has operations in over 70 countries around the world, selling three of the top ten global cigarette brands by sales volume in over 130 countries.  We operate in four main businesses: International Tobacco; Japanese Do-

		<p>mestic Tobacco; Pharmaceutical; and Processed Food. Our two tobacco business generate a significant majority of our revenue. 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>The international tobacco business remains the JT Group’s growth engine, accounting for over 60% of the Group’s consolidated adjusted operating profit. Looking ahead, we expect the international tobacco business to continue achieving sustainable top- and bottom-line growth in the mid- to long-term period, further strengthening its competitiveness in both combustibles and Reduced-Risk Products, or RRP, which are products with the potential to reduce the risks associated with smoking. Our international brand portfolio is very competitive and well-balanced, with strong equity brands across all relevant product categories and price segments. The portfolio includes leading brands in cigarettes and fine cut, such as Winston, MEVIUS, Camel and LD, as well as in Reduced-Risk Products, such as Ploom and Logic.</p> <p>Our Japanese Domestic Tobacco business generates about one third of our consolidated adjusted operating profit. In the RMC category, we had a 61.8% market share in 2018 in the ready-made cigarettes, or RMC, category, based on unit sales volume. 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 We continue to enhance brand equity and strengthen our leading position. In addition, we also focus on the RRP category, which has become widely popular.</p> <p>Our Pharmaceutical business focuses on the research and development, manufacturing and sale of prescription pharmaceuticals. Its mission is to build a R&amp;D-led business, aiming at first-in-class internationally competent compounds, to increase our market presence.</p> <p>Our Processed Food business primarily engages in frozen and ambient processed food (mainly staple food products such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread), seasonings (including yeast extracts and oyster sauce), and bakery chain outlets mainly in the Tokyo metropolitan area.</p> <p>As of December 31, 2018, the Company had 224 consolidated subsidiaries and 13 associates accounted for using the equity method. As of December 31, 2018, the Group employed close to 63,968 people.</p>
<b>B.4a</b>	<b>Recent Trends</b>	<p><b>Recent Developments</b></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, 2018).</p> <p><b>Trends</b></p> <p>The Company believes that trends during the period from December 31, 2018 through the date of this prospectus 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 and tightening tobacco-related regulations regarding sales activities, marketing, packaging and labeling for tobacco products, tobacco products themselves, and smoking in the international markets where Group’s tobacco products are sold.</p> <p>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 core business and profit growth engine of the Group, driven by an increase of revenues through a combination of an increased production and shipment volume, pricing gains, continued growth in market share and effective cost management and expects contribution from the pharmaceutical and processed food</p>

		<p>businesses to complement the Group's profit growth. This is expected to more than offset lower revenues in the Japanese domestic tobacco business due to a lower cigarette sales volume attributable to the continued industry volume contraction. Revenues in the pharmaceutical business are expected to grow due to higher royalty revenues despite unfavorable impacts mainly from drug price revisions. Revenues in the processed food business are also expected to grow led by the sales increase in frozen and ambient processed food products and seasonings.</p> <p>The Group will continue to prioritize quality revenues 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, accelerating investment in Reduced-Risk Products.</p>																																																																															
<b>B.5</b>	<b>Description of the Group and the Issuer's position within the Group</b>	Not applicable, because information regarding the organizational structure of the Group is not required to be provided elsewhere in the prospectus.																																																																															
<b>B.6</b>	<b>Interests in the Company's Capital</b>	Not applicable, because information regarding the Company's capital structure is not required to be provided elsewhere in the prospectus.																																																																															
<b>B.7</b>	<b>Selected Financial Information regarding the Group</b>	<p>The following selected consolidated financial data as of and for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016 are taken from the Company's audited consolidated financial statements for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively, as published in the Company's annual reports of the relevant fiscal years.</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 8.026 as of March 22, 2019 (source: European Central Bank).</p> <table border="1"> <thead> <tr> <th rowspan="2">Billions of yen<sup>(1)</sup>, except earnings per share numbers</th> <th colspan="3">For the years ended December 31,</th> </tr> <tr> <th>2018 (Jan 1-Dec 31)</th> <th>2017 (Jan 1-Dec 31)</th> <th>2016 (Jan 1-Dec 31)</th> </tr> </thead> <tbody> <tr> <td colspan="4"><b>Selected Statement of Income Data</b></td> </tr> <tr> <td><b>Revenue</b> .....</td> <td>2,216.0</td> <td>2,139.7</td> <td>2,143.3</td> </tr> <tr> <td>Japanese domestic tobacco .....</td> <td>621.4</td> <td>626.8</td> <td>684.2</td> </tr> <tr> <td>International tobacco .....</td> <td>1,312.3</td> <td>1,237.6</td> <td>1,199.2</td> </tr> <tr> <td>Pharmaceuticals .....</td> <td>114.0</td> <td>104.7</td> <td>87.2</td> </tr> <tr> <td>Processed Food .....</td> <td>161.4</td> <td>163.1</td> <td>164.1</td> </tr> <tr> <td>Other .....</td> <td>6.8</td> <td>7.5</td> <td>8.6</td> </tr> <tr> <td><b>Cost of sales</b> .....</td> <td>(933.0)</td> <td>(843.6)</td> <td>(872.4)</td> </tr> <tr> <td><b>Gross profit</b> .....</td> <td>1,282.9</td> <td>1,296.1</td> <td>1,270.9</td> </tr> <tr> <td>Selling, general and administrative expenses .....</td> <td>(770.4)</td> <td>(786.9)</td> <td>(754.1)</td> </tr> <tr> <td>Share of profit in investment accounted for using the equity method .....</td> <td>3.9</td> <td>6.2</td> <td>6.5</td> </tr> <tr> <td><b>Operating profit</b> .....</td> <td>565.0</td> <td>561.1</td> <td>593.3</td> </tr> <tr> <td>Profit before income taxes .....</td> <td>531.5</td> <td>538.5</td> <td>578.2</td> </tr> <tr> <td><b>Profit for the period</b> .....</td> <td>387.4</td> <td>396.7</td> <td>425.8</td> </tr> <tr> <td>Profit attributable to owners of Japan Tobacco Inc. ....</td> <td>385.7</td> <td>392.4</td> <td>421.7</td> </tr> <tr> <td><b>Adjusted Operating Profit</b><sup>(2)</sup> .....</td> <td>595.5</td> <td>585.3</td> <td>586.8</td> </tr> <tr> <td>Japanese domestic tobacco .....</td> <td>209.0</td> <td>232.3</td> <td>260.2</td> </tr> <tr> <td>International tobacco .....</td> <td>384.5</td> <td>351.3</td> <td>336.2</td> </tr> </tbody> </table>	Billions of yen <sup>(1)</sup> , except earnings per share numbers	For the years ended December 31,			2018 (Jan 1-Dec 31)	2017 (Jan 1-Dec 31)	2016 (Jan 1-Dec 31)	<b>Selected Statement of Income Data</b>				<b>Revenue</b> .....	2,216.0	2,139.7	2,143.3	Japanese domestic tobacco .....	621.4	626.8	684.2	International tobacco .....	1,312.3	1,237.6	1,199.2	Pharmaceuticals .....	114.0	104.7	87.2	Processed Food .....	161.4	163.1	164.1	Other .....	6.8	7.5	8.6	<b>Cost of sales</b> .....	(933.0)	(843.6)	(872.4)	<b>Gross profit</b> .....	1,282.9	1,296.1	1,270.9	Selling, general and administrative expenses .....	(770.4)	(786.9)	(754.1)	Share of profit in investment accounted for using the equity method .....	3.9	6.2	6.5	<b>Operating profit</b> .....	565.0	561.1	593.3	Profit before income taxes .....	531.5	538.5	578.2	<b>Profit for the period</b> .....	387.4	396.7	425.8	Profit attributable to owners of Japan Tobacco Inc. ....	385.7	392.4	421.7	<b>Adjusted Operating Profit</b> <sup>(2)</sup> .....	595.5	585.3	586.8	Japanese domestic tobacco .....	209.0	232.3	260.2	International tobacco .....	384.5	351.3	336.2
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Other.....	(30.6)	(27.8)	(24.4)
<b>Basic earnings per share (yen)<sup>(3)</sup></b> .....	<b>215.31</b>	<b>219.10</b>	<b>235.47</b>
		<b>As of December 31,</b>	
	<b>2018</b>	<b>2017</b>	<b>2016</b>
<b>Selected Statement of Financial Position Data</b>			
Total assets .....	5,461.4	5,221.5	4,744.4
Cash and cash equivalents .....	282.1	285.5	294.2
Interest bearing debt .....	987.6	755.8	555.3
Total liabilities.....	2,761.0	2,379.5	2,216.3
Non-controlling interests .....	69.9	80.3	71.9
Total equity .....	2,700.4	2,842.0	2,528.0
<p>(1) Figures in billion yen are rounded off to the million yen.</p> <p>(2) 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.</p> <p>(3) Based on profit attributable to owners of Japan Tobacco Inc.</p> <p>There has been no significant change in the financial condition and operating result of the Issuer and its consolidated subsidiaries since the date of the last financial statements (December 31, 2018) and no material adverse change in the prospects of the Company and its subsidiaries, taken as a whole, has occurred since December 31, 2018.</p>			
<b>B.8</b>	<b>Pro Forma Financial Information</b>	Not applicable, because no historical financial information is required to be provided in the prospectus.	
<b>B.9</b>	<b>Profit Forecast</b>	Not applicable. This prospectus does not contain any profit forecast.	
<b>B.10</b>	<b>Qualifications in the Audit Report on the historical Financial Information</b>	Not applicable. There are no such qualifications in the auditors' report.	
<b>B.11</b>	<b>Working Capital Statement</b>	In the Company's opinion, the Company's working capital is sufficient for its present requirements for at least the next 12 months.	

<b>Section C — Securities</b>		
<b>C.1</b>	<b>Type and Class of the Securities being offered, including the Security Identification Code</b>	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.
<b>C.2</b>	<b>Currency of the Securities Issue</b>	Japanese Yen is the currency of the securities issue.
<b>C.3</b>	<b>Number of Shares Issued</b>	The Company is authorized to issue up to 8,000,000,000 common shares. As of December 31, 2018, the Company had 2,000,000,000 common shares

		outstanding. The issued shares are fully paid.
<b>C.4</b>	<b>Rights attached to the Securities</b>	<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 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</p>

		<p>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.</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 &amp; 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 payments 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	<b>Transferability</b>	<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 "<b>Sale Restriction Period</b>"). 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	<b>Admission to Trading on a Regulated Market</b>	<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	<b>Dividend Policy</b>	<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</p>

		<p>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 69.7% 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, 2018.</p> <p>The Company believes that maintaining a solid balance sheet is essential for the Company as it will provide the ground to continue aggressively 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 Company's 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 last three fiscal years were as follows:</p> <p>For the fiscal year ended December 31, 2018: 150 JPY per share  For the fiscal year ended December 31, 2017: 140 JPY per share  For the fiscal year ended December 31, 2016: 130 JPY per share.</p>
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## Section D — Risks

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.

<b>D.1</b>	<b>Risks related to the Group's Business or its Industry</b>	<ul style="list-style-type: none"> <li>- The Group's businesses have been and may continue to be adversely affected by global economic conditions.</li> <li>- 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.</li> <li>- Currency fluctuations affect the Group's operating results.</li> <li>- 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.</li> <li>- Any decrease in demand for tobacco products in certain key markets,</li> </ul>
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		<p>including Japan, may negatively and disproportionately affect the Group's operating results.</p> <ul style="list-style-type: none"> <li>– Global competition from other tobacco manufacturers may reduce the Group's market share and may adversely affect the Group's profitability.</li> <li>– Catastrophes, including natural disasters, IT infrastructure failures and cyber-crime may disrupt the Group's businesses and limit the Group's growth.</li> <li>– The Group's operating results may be adversely affected by instabilities in the procurement of raw materials.</li> <li>– 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.</li> <li>– 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.</li> <li>– Increases in the illegal trade of tobacco products could adversely affect the Group.</li> <li>– 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).</li> <li>– 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.</li> <li>– 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.</li> <li>– 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.</li> <li>– 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.</li> <li>– 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.</li> <li>– The Group's pharmaceutical and processed food businesses are subject to various risks.</li> <li>– Failure to hire and maintain a pool of talented employees may adversely affect the Group's businesses and operating results</li> </ul>
<b>D.3</b>	<b>Key Risks related to the Shares</b>	<ul style="list-style-type: none"> <li>– 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.</li> <li>– There may be future sales or other dilution of the Company's equity, which may adversely affect the market price of its common shares.</li> </ul>

		– 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		
<b>E.1</b>	<b>Net Proceeds and Estimate of total Expenses</b>	<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 (¥ 11,071 based on an exchange rate of USD 1 - ¥ 110.71 as of as of March 22, 2019, 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>
<b>E.2a</b>	<b>Reasons for the Offer and Use of Proceeds</b>	<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>
<b>E.3</b>	<b>Description of the Terms and Conditions of the Offer</b>	<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 "<b>Plan Periods</b>", 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 "<b>Enrollment Period</b>") 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 "<b>Monthly Period</b>"). 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 "<b>Participant's Contributions</b>"). 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 "<b>Matching Contribution</b>"). 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 "<b>Participants</b>").</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> <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 (¥ 11,071 based on an exchange rate of USD 1 - ¥ 110.71 as of as of March 22, 2019 (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>
<b>E.4</b>	<b>Description of material Interest to the Offer including Conflict or Interests</b>	Not applicable. There are no such interests.
<b>E.5</b>	<b>Name of the Entity offering to sell the Security</b>	JT International S.A.
<b>E.6</b>	<b>Maximum Dilution</b>	<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</p>

		with the ESPP.
<b>E.7</b>	<b>Estimated Expenses charged to the Investor</b>	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	<b>Einführung und Warnhinweise</b>	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	<b>Verwendung des Prospekts für die spätere Weiterveräußerung oder endgültige Platzierung von Wertpapieren durch Finanzintermediäre.</b>	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	<b>Juristische und kommerzielle Bezeichnung des Emittenten</b>	<p>Die juristische und kommerzielle 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	<b>Sitz und Rechtsform des Emittenten, die für den Emittenten geltende Jurisdiktion und Land der Gründung</b>	Der Emittent ist eine Aktiengesellschaft, die nach japanischem Recht gegründet wurde und japanischem Recht unterliegt. Der Hauptgeschäftssitz des Emittenten befindet sich in 2-1, Toranomon 2-chome, Minato-ku, Tokyo 105-8422, Japan.
B.3	<b>Art der derzeitigen Geschäftstätigkeit und Haupttätigkeiten des Emittenten</b>	<p>Der JT-Konzern ist ein weltweit führender Hersteller von Tabakprodukten und in über 70 Ländern tätig. Der Konzern ist weltweit in über 70 Ländern vertreten und verkauft, gemessen am Umsatzvolumen, drei der weltweit beliebtesten zehn Zigarettenmarken in mehr als 130 Ländern.</p> <p>Wir sind hauptsächlich in vier Geschäftsbereichen tätig: Internationales Tabakgeschäft (<i>International Tobacco</i>); Tabakgeschäft Japan (<i>Japanese Domestic Tobacco</i>); Arzneimittel (<i>Pharmaceutical</i>) und Industriell Verarbeitete Nahrungsmittel (<i>Processed Food</i>). Mit den beiden Tabakgeschäften erwirtschaften wir den weitaus größten Teil unserer Umsätze. Zur Diversifizierung der Ertragsfelder und Erzielung eines nachhaltigen Wachstums ist der Konzern auch in den Bereichen Arzneimittel und industriell verarbeitete Lebensmittel aktiv.</p> <p>Wachstumsmotor des JT-Konzerns ist jedoch nach wie vor das internationale Tabakgeschäft, das für über 60 % des konsolidierten bereinigten Betriebsergebnisses des Konzerns verantwortlich zeichnet. Mit Blick in die Zukunft gehen wir davon aus, dass das internationale Tabakgeschäft mittel- bis langfristig weiterhin nachhaltige Umsatz- und Gewinnzuwächse erzielen und so unsere Wettbewerbsfähigkeit in den Bereichen Rauchwaren und Produkte mit reduziertem Risikoprofil, sogenannte <i>Reduced-Risk Products</i> oder RRP, d. h. Produkte, die möglicherweise ein vergleichsweise geringeres Risiko für die Gesundheit darstellen, weiter gestärkt wird. Unser Portfolio internationaler Marken ist äußerst konkurrenzfähig und ausgewogen und umfasst hochwertige Marken in allen wesentlichen Produktkategorien und Preissegmenten. Das Portfolio umfasst führende Zigaretten- und Feinschnitttabak-Marken wie Winston, MEVIUS, Camel und LD, sowie RRP, wie Ploom und Logic.</p> <p>Mit unserem Geschäftsbereich Tabakgeschäft Japan erwirtschaften wir etwa ein Drittel unseres konsolidierten bereinigten Betriebsergebnisses. In der Kategorie vorgefertigte Zigaretten (<i>ready-made cigarettes</i> oder RMCs) konnten wir im Jahr 2018 einen am Umsatzvolumen bemessenen Marktanteil von 61,8 % verzeichnen. Die Gesellschaft produziert und verkauft neun der zehn umsatzstärksten Produkte gemessen an Umsatzvolumina, wobei die drei führenden Produkte den Marken Mevius und Seven Stars zuzuordnen sind. Wir werden den Markenwert weiter erhöhen und unsere führende Stellung stärken. Einen weiteren Schwerpunkt legen wir auf die zwischenzeitlich sehr populär gewordene Kategorie RRP.</p> <p>Der Fokus unseres Geschäftsbereichs Arzneimittel liegt in der Forschung und Entwicklung (F&amp;E) sowie in der Herstellung und im Verkauf verschreibungspflichtiger Arzneimittel. Unsere Mission in diesem Geschäftsbereich ist der Aufbau eines F&amp;E geführten Geschäfts, ausgerichtet auf erstklassige international wettbewerbsfähige Wirkstoffe, zur Steigerung unserer Marktpräsenz.</p> <p>Unser Geschäftsbereich Industriell Verarbeitete Nahrungsmittel umfasst hauptsächlich tiefgekühlte und ungekühlt haltbare industriell verarbeitete Lebensmittel (vornehmlich Grundnahrungsmittel, wie Tiefkühlnudeln, Tiefkühlreis, Fertigreis und Tiefkühlbrot), Gewürze (einschließlich Hefeextrakte und Austernsaucen) sowie Verkaufsstellen von Bäckereiketten, vornehmlich im Ballungsraum Tokio.</p>

		Am 31. Dezember 2018 hatte die Gesellschaft 224 konsolidierte Tochterunternehmen und 13 nach der Equity-Methode einbezogene Beteiligungen. Zum 31. Dezember 2018 zählte die Gruppe ca. 63.968 Beschäftigte.
<b>B.4a</b>	<b>Aktuelle Entwicklungen</b>	<p><b>Aktuelle Geschäftstätigkeit</b></p> <p>Seit dem Ende des letzten Geschäftsjahres (31. Dezember 2018) haben sich keine wesentlichen Veränderungen in der Finanzlage oder der Handelsposition der Emittentin ergeben.</p> <p><b>Trends</b></p> <p>Von dem 31. Dezember 2018 bis zum Datum dieses Prospekts deuten nach der Ansicht der Gesellschaft 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, und die verschärfte tabakbezogener Regulierung betreffend Verkaufsaktivitäten, Vermarktung, Verpackung und Kennzeichnung von Tabakprodukten, die Tabakprodukte selbst und das Rauchen in den internationalen Märkten, in denen die Tabakprodukte der Gruppe verkauft werden.</p> <p>Trotz dieser Herausforderungen wird die Gesellschaft weiterhin versuchen, mittel- bis langfristig nachhaltiges Gewinnwachstum durch Investitionen in unter anderem das Tabakgeschäft zu erzielen. Die Gesellschaft ist der Ansicht, dass das internationale Tabakgeschäft der Gesellschaft weiterhin das Kerngeschäft und der Treiber für Profitwachstum des Konzerns sein wird, getragen durch eine Steigerung des Umsatzes aufgrund einer Mischung aus einem Anstieg der Produktions- und Auslieferungsvolumens, Preissteigerungen, weiteren Steigerungen der Marktanteile und einer wirksame Kostensteuerung, und erwartet einen Beitrag zum profitablen Wachstum des Konzerns von den Geschäftsbereichen Arzneimittel und industriell verarbeitete Lebensmittel. Die Gesellschaft geht davon aus, dass dies den Umsatzrückgang im japanischen Tabakgeschäft mehr als ausgleichen wird, welcher vor allem auf einem geringeren Verkaufsvolumen an Zigaretten beruht, welches wiederum auf den nachhaltigen Rückgang des Marktvolumens zurückzuführen ist. Die Umsätze im Arzneimittelgeschäft werden voraussichtlich trotz des negativen Einflusses von Arzneimittelpreisänderungen aufgrund höherer Lizenzeinnahmen steigen. Die Umsätze im Geschäft mit industriell verarbeiteten Lebensmitteln werden aufgrund eines zu erwartenden Umsatzanstiegs mit tiefgekühlten sowie ungekühlt haltbaren verarbeiteten Lebensmitteln und Gewürzen voraussichtlich ebenfalls steigen.</p> <p>Der Konzern wird weiterhin die Priorität auf qualitatives und solides Umsatzwachstum 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, und beabsichtigt, verstärkt in Produkte mit reduziertem Risikoprofil zu investieren.</p>
<b>B.5</b>	<b>Beschreibung des Konzerns und der Stellung des Emittenten innerhalb dieses Konzerns</b>	Entfällt, da bezüglich der Organisationsstruktur des Konzerns keine Informationen in diesem Prospekt enthalten sein müssen.

<b>B.6</b>	<b>Darstellung der Beteiligungen am Kapital der Gesellschaft</b>	Entfällt, da bezüglich der Kapitalstruktur der Gesellschaft keine Informationen in diesem Prospekt enthalten sein müssen.
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	(3) Basierend auf dem Gewinn, der den Eigentümern von Japan Tobacco Inc. zuzurechnen ist.  Die Finanzlage und Betriebsergebnis des Emittenten und seiner konsolidierten Tochtergesellschaften haben sich seit dem Datum des letzten Abschlusses (31. Dezember 2018) nicht erheblich geändert und die Geschäftsaussichten des Emittenten und seiner Tochtergesellschaften als Ganzes haben sich seit dem 31. Dezember 2018 nicht wesentlich verschlechtert.	
<b>B.8</b>	<b>Pro Forma Finanzinformationen</b>	Entfällt, da keine historischen Finanzinformationen in diesem Prospekt enthalten sein müssen.
<b>B.9</b>	<b>Gewinnprognose</b>	Entfällt. Dieser Prospekt enthält keine Gewinnprognose.
<b>B.10</b>	<b>Beschränkungen im Prüfungsbericht zu den historischen Finanzinformationen</b>	Entfällt. Es gibt keine entsprechenden Beschränkungen im Prüfungsbericht.
<b>B.11</b>	<b>Erklärung zum Geschäftskapital</b>	Die Gesellschaft ist der Auffassung, dass ihr Geschäftskapital für ihre derzeitigen Bedürfnisse für mindestens 12 Monate ausreicht.

<b>Abschnitt C - Wertpapiere</b>		
<b>C.1</b>	<b>Beschreibung von Art und Gattung der angebotenen Wertpapiere, einschließlich der Wertpapierkennnummer</b>	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.
<b>C.2</b>	<b>Währung der Wertpapieremission</b>	Der japanische Yen ist die Währung der Wertpapieremission.
<b>C.3</b>	<b>Anzahl der ausgegebenen Aktien</b>	Die Gesellschaft hat ein genehmigtes Kapital von bis zu 8.000.000.000 Stammaktien. Am 31. Dezember 2018 hatte die Gesellschaft 2.000.000.000 im Umlauf befindliche Stammaktien. Die ausgegebenen Aktien sind voll eingezahlt.
<b>C.4</b>	<b>Beschreibung der mit den Wertpapieren verbundenen Rechte</b>	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 ein Stück bilden, übertragen werden. Nach den Vorschriften der japanischen Börsen entsprechen Aktien, die weniger als ein Stück bilden, abgesehen von

		<p>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 Clearingsystems 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 Vollmachtteilung 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 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</p>
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		<p>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	<b>Übertragbarkeit</b>	<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 („<b>Verkaufsbeschränkungsfrist</b>“). 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	<b>Zulassung zum Handel an einem geregelten Markt</b>	<p>Entfällt. Die Stammaktien der Gesellschaft sind im ersten Index der Tokioer 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, 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.</p>

<p><b>C.7</b></p>	<p><b>Dividendenpolitik</b></p>	<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 Barausschüttungen an Aktionäre oder zum 30. Juni eingetragene Pfandgläubiger ausbezahlt.</p> <p>Die Gesellschaft hat weiterhin den Gewinn für ihre Aktionäre gesteigert durch eine Erhöhung der Dividende. Dadurch erreichte die Gesellschaft eine Auszahlungsquote von 69,7% 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 2018 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 aggressive 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 der Gesellschaft, 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 das 4S Modell der 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 2018 endende Geschäftsjahr: 150 JPY pro Aktie</p> <p>Für das auf den 31. Dezember 2017 endende Geschäftsjahr: 140 JPY pro Aktie</p> <p>Für das auf den 31. Dezember 2016 endende Geschäftsjahr: 130 JPY pro Aktie.</p>
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## 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.

### D.1

#### Risiken im Hinblick auf das Geschäft des Konzerns oder seiner Branche

- 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.
- Akquisitionen oder ähnliche Investitionen werfen möglicherweise nicht die erwarteten Ergebnisse ab oder der daraus resultierende in der Bilanz des Emittenten verbuchte Firmen- und Geschäftswert ("goodwill") 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.
- Ein Anstieg des Schwarzhandels mit Tabakprodukten kann sich nachteilig auf den Konzern auswirken.
- Dem Konzern können erhebliche Kosten entstehen im Zusammen-

		<p>hang 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).</p> <ul style="list-style-type: none"> <li>– 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.</li> <li>– 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.</li> <li>– Die Verpflichtung des Konzerns nach dem "Tobacco Business Act" im wesentlichen den gesamten im Inland angebaute Tabakblätterbestand zu kaufen, kann die Wettbewerbsposition des Konzerns in Japan im Vergleich zu internationalen Wettbewerbern, die nur Tabakblätter nicht-japanischen Ursprungs verwenden, nachteilig beeinflussen.</li> <li>– 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.</li> <li>– 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.</li> <li>– Die Geschäftstätigkeit des Konzerns mit Arzneimitteln und industriell verarbeiteten Lebensmitteln ist vielfältigen Risiken ausgesetzt.</li> <li>– Misslingt es, einen Fundus an talentierten Arbeitnehmern einzustellen oder zu halten, kann dies die Geschäftstätigkeit und die Betriebsergebnisse des Konzerns nachteilig beeinflussen.</li> </ul>
<b>D.3</b>	<b>Hauptrisiken im Bezug auf Aktien</b>	<ul style="list-style-type: none"> <li>– 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 weiter zu veräußern.</li> <li>– Es besteht die Möglichkeit, dass der Börsenpreis der Stammaktien der Gesellschaft durch künftige Verkäufe oder andere Verwässerungen des Eigenkapitals sich nachteilig verändert.</li> <li>– Möglicherweise erhalten Investoren keine Dividenden für die von ihnen gehaltenen Stammaktien. Stammaktien sind Eigenkapital und sind nachrangig gegenüber aktuellen und zukünftigen Schulden der Gesellschaft.</li> </ul>

<b>Abschnitt E – Das Angebot</b>		
<b>E.1</b>	<b>Nettoemissionserlöse und geschätzte Ge-</b>	Entfällt. Weder die Gesellschaft noch der Anbieter oder andere Gesellschaften des

	<b>samtkosten</b>	<p>Konzerns, die am ESPP teilnehmen ("<b>Teilnehmende Gesellschaften</b>"), 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 (¥ 11.071 basierend auf einem Wechselkurs von USD 1 - ¥ 110,71 zum 22. März 2019 (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>
<b>E.2a</b>	<b>Gründe für das Angebot und die Verwendung des Emissionserlöses</b>	<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>
<b>E.3</b>	<b>Beschreibung der Angebotsbedingungen</b>	<p><i>Angebote 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 ("<b>Planzeiträume</b>", 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 "<b>Anmeldezeitraum</b>"), ein Anmeldeformular ausfüllt.</p> <p><i>Planzeitraum und Erwerbsperiode.</i> Jeder Planzeitraum beträgt 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 "<b>Monatszeitraum</b>"). 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 („<b>Teilnehmerbeitrag</b>“). Jede Teilnehmende Gesellschaft überweist oder veranlasst</p>

		<p>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 („<b>Zuschussbeitrag</b>“). 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 („<b>Teilnehmer</b>“).</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 (¥ 11.071 basierend auf einem Wechselkurs von USD 1 - ¥ 110,71 zum 22. März 2019 (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.</p>
E.4	<b>Beschreibung aller für das Angebot wesentlichen Interessen, einschließlich von Interessenskonflikten</b>	Entfällt. Es bestehen keine solchen Interessen.
E.5	<b>Name des Unternehmens, das die Wertpapiere zum Verkauf anbietet</b>	JT International S.A.
E.6	<b>Maximale Verwässerung</b>	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.
<b>E.7</b>	<b>Schätzung der dem Anleger in Rechnung gestellten Ausgaben</b>	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 8.026 as of March 22, 2019 (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 tobacco business of the JT Group has consistently expanded our earnings base to secure long-term growth by making acquisitions, entering new markets and increasing share in markets where we had limited presence. The Group's products are sold in over 130 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 59.2% of its external revenue and 64.6% of its adjusted operating profit for the year ended December 31, 2018, has assumed significantly greater importance to the Group's operating results in recent years.

Geographical expansion may increase our exposure to country risks. In any market where we operate, we may face economic, political or social turmoil which may negatively affect our operations and financial results. 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, 31.3% of the total shipment volume of the Group's international tobacco business was to CIS+ for the year ended December 31, 2018. 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 sanctions 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.

Political instability, economic downturn, social unrest or other unfavorable developments in a certain market could disrupt our business, leading to lower volume, revenue and profit in the market. 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.***

As the JT Group is operating globally, we are exposed to the risks associated with currency fluctuations. The reporting currency of our consolidated financial statements is Japanese yen, while the financial statements of our international subsidiaries are reported in other currencies such as the Russian ruble, Euro, British pound, Taiwanese dollar, US dollar, and Swiss franc. and the local currencies of other countries in which it operates. For the year ended December 31, 2018, the Group's international tobacco business, which is almost entirely conducted in currencies other than yen, represented 59.2% of its external revenue and 64.6% 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 reduce 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 Italy, Russia, Turkey and the U.K., among other jurisdictions. In Russia, the Group's largest market in international tobacco business by sales volume, the excise tax on cigarettes was increased in 2017 as established in the Russian tax code. Further increases will follow in 2019. 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. In 2018, the EU Commission initiated a public consultation on excise duties applied to manufactured tobacco and possible taxation of novel products. Specifically, the EU Commission has solicited the opinions of interested stakeholders on taxation of e-cigarettes and heat-not-burn tobacco products and collect views on a possible revision of the Tobacco Excise Directive.

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, however, the tax rate relating to third class cigarettes from April 1, 2018 to March 31, 2019 will be extendingly applied or the period until September 30, 2019 due to partial amendment of Income Tax Act, Local Tax Act and other tax-related law in 2018. 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 130 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. Overall demand in Japan for cigarettes for the year ended January 1, 2018 to December 31, 2018 declined approximately 5% year-on-year. 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 2019, 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 JT Group competes fiercely in both the domestic and international tobacco business with our competitors.

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.

In the overseas tobacco markets, we expanded our own business organically as well as through M&A, by acquiring the non-US tobacco operations of RJR Nabisco Inc. and thereafter acquiring Gallaher Ltd. As a result, we are in competition with global players in the international tobacco business or with local competitors with strength in specific markets. 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 due to a number of factors, including increasing regulations, rising health awareness, changes in smokers' preferences or changes to economic conditions of each market. It can also fluctuate from competitors' pricing strategies or strength of brand equity. Moreover, market share can fluctuate in the short-term due to new product launches by each market player and the accompanying promotional activities. 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 the Japanese domestic tobacco market, import of tobacco products was deregulated in 1985, followed by the provisional suspension of custom duties on imported tobacco in 1987. Since then, competition has intensified each year, as smokers' preferences diversify and as our competitors pursue aggressive promotional activities. 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. The Group's share was recovered to 61.8% for the year ended 31 December 2018. 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, climate change, IT infrastructure failures and cyber-crime may disrupt the Group's businesses and limit the Group's growth.***

The operations of the JT Group may be disturbed by natural disasters such as earthquakes, typhoons, 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 one of the most important markets for our businesses and subject in particular to various natural disasters. The Great East Japan Earthquake was devastating. The impacts on us included casualties among our employees, physical damage to our factories, and supply shortages of certain tobacco product materials. Our tobacco business was forced to temporarily suspend product shipment and limit shipment volume for an extended period. Although JT Group is working to reinforce its business continuity capabilities, any such event could adversely affect the Group's business. Natural or manmade disasters could cause damage to us as well as our suppliers, trade partners and consumers, leading to disruption of our business and negatively impacting financial results.

Climate change due to global warming could cause various damages, including flooding and landslide disasters caused by abnormal weather conditions such as concentrated torrential rains. Severe heat, heavy snowfall and

drought due to unseasonable weather changes, water resources, and loss of biodiversity could also be expected to arise from climate change.

The effects of climate change could adversely affect our results of operations by damaging our Group's value chain.

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 manage or support a variety of business processes and activities. The Group uses information technology systems to record, process and summarize 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 centers 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.***

Across its businesses, the JT Group procures raw and processed materials for product manufacturing. In particular, we strive to procure key materials in the required quantity and at reasonable costs. Our key materials include agricultural products: most notably, tobacco leaf for the tobacco business, and grains for the processed food business. Availability of agricultural products is often affected by natural phenomena, such as weather conditions. In addition, there is a growing concern that agricultural production costs may rise, due to the high demand in energy resources, global population increases, and economic growth in emerging countries.

Insufficient supply of key materials could lead to inability to manufacture our products, subsequently resulting in the loss of revenue and profit. Furthermore, the increase in procurement costs driven by higher production costs for agricultural products would directly pressure our earnings.

***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 (which was increased to 70% in December 2017).

Acquisition of assets related to the tobacco business of Mighty Corporation in the Philippines in September 2017.

*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.

Acquisition of the Donskoy Tabak companies in August 2018, reinforcing No.1 position in Russia.

### *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.

Acquisition of the Indonesian kretek cigarette company PT Kayadibya Mahardhika and its distributor "PT Surya Mustika Nusantana" in October 2017.

Acquisition of the tobacco business of the Akij Group, the second largest tobacco company in Bangladesh, in August 2018.

### *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 vapor 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.

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, 2018 the recorded amount of goodwill was ¥2,008.4 billion, constituting 36.8% 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, 2018, the recorded amount of intangible assets was ¥503.1 billion, constituting 9.2% of total assets on a consolidated basis. Among intangible assets, the carrying amount for trademarks as of December 31, 2018 was ¥421.3 billion, constituting 83.7% 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.***

The tobacco industry is highly regulated in various aspects, and regulations could influence the business performance of the JT Group and financial results. Among the regulations on products, for example, we may incur additional costs in order to comply with ingredients and packaging requirements.

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 organizations 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 a ban on characterizing flavours for cigarettes and fine cut (with an exemption for menthol until 2020) 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 came into force in May 2017, although particular provisions such as tracking and tracing have not yet entered into force.

Furthermore, the regulatory attempt to commoditize tobacco products could lead to an increase in illicit trade and negatively influence our legitimate business. Business activities of tobacco companies are also restricted. With more prohibitive regulations on communication with consumers, our ability to effectively market products becomes further limited, and our top-line performance may be adversely impacted.

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. Further tightening of tobacco regulations on marketing activities could undermine our strategy for top-line growth as we lose opportunities to enhance brand equity. Moreover, certain regulations may impose additional compliance costs on us. These may negatively influence our volume, revenue and profit.

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

Illicit trade is a major concern not only for the tobacco industry, but for wider society. For the tobacco industry, it undermines legitimate tobacco business. For society, illicit trade reduces excise revenue for the government, often fuels organized crime, and may increase health concerns due to poor manufacturing standards and improper product handling. The tobacco industry has been fighting against illicit trade, which takes the forms of contraband, counterfeit and illicit whites.

Illegally traded products in a market tend to increase after a substantial tax increase or a repeated tax increase. Regulatory actions seeking to commoditize packages and products could also trigger the acceleration of illicit trade because such commoditization could make counterfeit manufacturing easier and detection of illicit products more difficult. The JT Group takes a zero tolerance approach towards all these criminal activities with an emphasis on eliminating contraband products.

An increase in illicit trade could reduce legitimate industry volume, leading to a decline in our shipment volume, revenue and profit. In addition, the industry bears the cost to combat illicit trade, resulting in pressure on its earnings. Furthermore, it is possible that low quality counterfeits and improperly handled smuggled products damage the credibility of genuine brands, as well as the reputation of their owners. 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.***

JT and some of its subsidiaries are defendant in lawsuits around the world filed by plaintiffs seeking damages for harm allegedly caused by smoking, its marketing of tobacco products, or exposure to tobacco smoke. As of December 31, 2018, 21 smoking and health-related cases were pending against: (i) one or more of JT's subsidiaries or (ii) parties to whom JT or one of its subsidiaries may have certain indemnity obligations pursuant to an agreement such as the agreement for the acquisition of RJR Nabisco, Inc.'s non-U.S. tobacco operations, with certain exceptions, against all liabilities and obligations based upon, or arising from, tobacco products consumed or intended to be consumed outside of the United States that were manufactured or sold by such non-U.S. tobacco operations. In addition, JT and some of its subsidiaries are also defendants in lawsuits other than the smoking and health-related cases

Litigation can involve, among 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 governments for recovery of health care costs related to alleged tobacco-related health issues, and product liability claims. For example, as of December 31, 2018, JT's subsidiaries or its indemnitees were subject to 8 ongoing class actions in Canada and 10 claims brought by 10 Canadian provinces, based on respective provincial legislation enacted exclusively for the purpose of authorising the provincial government to file a direct action against tobacco manufacturers to recoup the health-care costs the government has allegedly incurred and will incur, resulting from "tobacco related wrong". All of these 18 Canadian litigations have been stayed by the court order in March 2019.

JT and its subsidiaries cannot predict the outcome of any pending or future litigation. Plaintiffs in smoking and health-related cases sometimes seek substantial amount of monetary compensation, therefore, unfavourable decisions could materially effect on JT Group's businesses, operating results and financial condition. Moreover, regardless of the results of these lawsuits, critical media coverage may reduce social tolerance about smoking, additional public regulations concerning smoking and prompt the filing of a number of similar lawsuits against the JT and/or its subsidiaries, forcing it to bear litigation costs and materially affecting its business performance. In addition to smoking and health-related cases, JT or some of its subsidiaries may also be a party to another lawsuits in the future, such as product liability claims in the event of a product quality problem named as a defendant of further cases in actions unrelated to smoking or health, and may further become subject to such litigation in the future. Any such developments could negatively affect the business performance or manufacture, sale, and import and export of tobacco products by JT Group should their outcomes prove unfavourable.

***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.***

JT 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 JT Group has developed or intends to develop or use, or for trademarks covering brands owned or used by JT Group.

If patents or trademarks related to JT Group's operations are issued to others, JT 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 JT Group's use of any technologies, substances or brands infringes their patents or trademarks, regardless of their merit, could require JT 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 JT Group, JT Group may be required to pay damages and obtain one or more licences from third parties. JT Group may not be able to obtain these licences on a timely basis at a reasonable cost, or at all. Defence of any lawsuit or failure to obtain any of these licences could adversely affect JT Group's ability to develop and commercialise 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 (*atabako 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. 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](https://www.jt.com/investors/results/annual_report/index.html):

- Annual Report for the fiscal year ended December 31, 2018 including audited consolidated financial statements;
- Annual Report for the fiscal year ended December 31, 2017 including audited consolidated financial statements;
- Annual Report for the fiscal year ended December 31, 2016 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 <https://www.jti.com/about-us/our-business/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, 2018, 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 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.

*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 <https://www.jti.com/about-us/our-business/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 (¥ 11,071 based on an exchange rate of USD 1.00 - ¥ 110.71 as of as of March 22, 2019 (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 or any of the Participating Companies, as no new common shares will be issued by the Company in connection with the ESPP.

## 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 69.7% 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, 2018.

The Company believes that maintaining a solid balance sheet is essential for the Company as it will provide the ground to continue aggressively 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 Company's 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 last three fiscal years were as follows:

For the fiscal year ended December 31, 2018: 150 JPY per share.

For the fiscal year ended December 31, 2017: 140 JPY per share.

For the fiscal year ended December 31, 2016: 130 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*" and "*Taxation in Austria*".

## CAPITALIZATION

### Capitalization and Indebtedness

The following tables based on the Company's audited consolidated financial statements for the fiscal year ended December 31, 2018 as published in the Company's Annual Report for the fiscal year ended December 31, 2018 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 8.026 as of March 22, 2019 (source: European Central Bank).

Certain numerical figures set out in the tables below have been subject to rounding adjustments and, as a result, the totals of the data may slightly deviate from the actual arithmetic of such figures.

### CAPITALIZATION

	December 31, 2018 (in millions of yen) (unaudited) <sup>1</sup>
<b>Total current debt</b>	1,430,185
- Guaranteed	-
- Secured <sup>2</sup>	-
- Unguaranteed/Unsecured	1,430,185
<b>Total non-current debt</b>	1,330,770
- Guaranteed	-
- Secured <sup>3</sup>	610,515
- Unguaranteed/Unsecured	720,255
<b><u>Total debt</u></b>	<b>2,760,955</b>
<b>Shareholders' Equity</b>	
a.....Share capital	100,000
b.....Legal Reserve	736,400
c.....Other Reserves	-
d.....Other items <sup>4</sup>	1,864,045
<b><u>Total equity</u></b>	<b>2,700,445</b>
<b><u>Total debt and equity</u></b>	<b>5,461,400</b>

(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: -442,829; Other components of equity: -423,357; Retained earnings: 2,660,381; Non-controlling interests: 69,851

(4) Derived from the Company's accounting records.

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.

### NET FINANCIAL INDEBTEDNESS

	December 31, 2018 (in millions of yen) (unaudited) <sup>1</sup>
A. Cash and deposits	235,241
B. Cash equivalents	5,000
C. Trading securities	68,410
<b>D. Liquidity (A)+(B)+(C)</b>	<b>308,651</b>
<b>E. Current Financial Receivable</b>	<b>9,044</b>
F. Current bank debt	283,023
G. Current portion of non-current debt	12,443
H. Other current financial debt	4,486
<b>I. Current Financial Debt (F)+(G)+(H)</b>	<b>254,953</b>
<b>J. Net Current Financial Indebtedness (I)-(E)-(D)</b>	<b>(62,743)</b>
K. Non-current bank loans	116,870

L. Bonds Issued	610,444
M. Other non-current loans	10,067
<b>N. Non current Financial Indebtedness (K)+(L)+(M)</b>	<b>737,381</b>
<b>O. Net Financial Indebtedness (J)+(N)</b>	<b>674,638</b>

(4) Derived from the Company's accounting records.

### **Working Capital Statement**

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

## SELECTED CONSOLIDATED FINANCIAL DATA

The following selected consolidated financial data as of and for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016 are taken from the Company's audited consolidated financial statements for the fiscal years ended December 31, 2018, December 31, 2017 and December 31, 2016, respectively, as published in the Company's annual reports of the relevant fiscal years.

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 8.026 as of March 22, 2019 (source: European Central Bank).

Billions of yen <sup>(1)</sup> , except earnings per share numbers	For the years ended December 31		
	2018 (Jan 1-Dec 31)	2017 (Jan 1-Dec 31)	2016 (Jan 1-Dec 31)
<b>Selected Statement of Income Data</b>			
<b>Revenue</b> .....	2,216.0	2,139.7	2,143.3
Japanese domestic tobacco.....	621.4	626.8	684.2
International tobacco.....	1,312.3	1,237.6	1,199.2
Pharmaceuticals.....	114.0	104.7	87.2
Processed Food.....	161.4	163.1	164.1
Other.....	6.8	7.5	8.6
<b>Cost of sales</b> .....	(933.0)	(843.6)	(872.4)
<b>Gross profit</b> .....	1,282.9	1,296.1	1,270.9
Selling, general and administrative expenses.....	(770.4)	(786.9)	(754.1)
Share of profit in investment accounted for using the equity method.....	3.9	6.2	6.5
<b>Operating profit</b> .....	565.0	561.1	593.3
Profit before income taxes.....	531.5	538.5	578.2
<b>Profit for the period</b> .....	387.4	396.7	425.8
Profit attributable to owners of Japan Tobacco Inc.....	385.7	392.4	421.7
<b>Adjusted Operating Profit</b> <sup>(2)</sup> .....	595.5	585.3	586.8
Japanese domestic tobacco.....	209.0	232.3	260.2
International tobacco.....	384.5	351.3	336.2
Pharmaceuticals.....	28.4	24.1	9.7
Processed Food.....	4.1	5.4	5.0
Other.....	(30.6)	(27.8)	(24.4)
<b>Basic earnings per share (yen)</b> <sup>(3)</sup> .....	215.31	219.10	235.47
	<b>As of December 31, 2018</b>	<b>As of December 31, 2017</b>	<b>As of December 31, 2016</b>
<b>Selected Statement of Financial Position Data</b>			
Total assets.....	5,461.4	5,221.5	4,744.4
Cash and cash equivalents.....	282.1	285.5	294.2
Interest bearing debt.....	987.6	755.8	555.3
Total liabilities.....	2,761.0	2,379.5	2,216.3
Non-controlling interests.....	69.9	80.3	71.9
Total equity.....	2,700.4	2,842.0	2,528.0

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

(2) 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.

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

## LEGAL AND ARBITRATION PROCEEDINGS

During the previous twelve months, the Company and some of its subsidiaries are engaged in legal proceedings around the world, generally may be classified as: (i) smoking and health-related cases brought on behalf of individual, or a class of individual, plaintiffs, seeking damages for harm allegedly caused by smoking, its marketing of tobacco products, or exposure to ETS; (ii) health-care cost recovery litigations brought by governmental plaintiffs seeking to recoup the health-care costs they have allegedly incurred and will incur, resulting from “tobacco related wrong”; (iii) product liability claims other than smoking and health-related cases such as a product quality problem; and (iv) other legal proceedings such as commercial and tax disputes. Damages claimed in some of the smoking and health-related cases range in substantial amount of monetary compensation.

While the Company and its subsidiaries have a number of valid defences 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 or in future lawsuits. 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, 2018, there were a total of 21 smoking and health-related cases pending in which or one or more of the Company’s subsidiaries were named as defendant or for which the Company or the relevant subsidiary may have certain indemnity obligations pursuant to an agreement, such as the agreement for the acquisition of RJR Nabisco, Inc.’s non-U.S. tobacco operations.

#### Individual Claims

As of December 31, 2018, there were 2 individual cases pending, both of which are dormant. One is a case brought against the Company’s indemnitee in South Africa in 2000, in which the plaintiff is seeking compensatory and punitive damages, alleging that the defendant marketed products which it knew to be dangerous to health, manipulated nicotine content to foster addiction, failed to comply with South African labelling requirements and participated in a clandestine worldwide operation to encourage children to smoke. This case is dormant since February 2001.

The other case is pending against a the Company’s subsidiary in Ireland and is dormant since May 2004.

#### Class Actions

As of December 31, 2018, there were 8 ongoing class actions in Canada against the Company’s subsidiary and/or its indemnitees.

The 2 class actions brought in Quebec in 1998 against three Canadian tobacco manufacturers, including the Company’s subsidiary JTI-Macdonald Corp. One of the Canadian class action, Cecilia Letouneau, plaintiffs were seeking a total of approximately ¥374.3 billion (approximately CAD 4.6 billion) in compensatory damages, an amount for which all the defendants are jointly and severally liable, and a total amount of approximately ¥374.3 billion (approximately CAD 4.6 billion) in punitive damages, to be divided among all the defendants based on their respective market shares. The Quebec Superior Court published the first instance judgment in favor of the plaintiffs in June 2015. In June 2015, JTI-Mac and other tobacco manufacturers appealed the judgment to the Quebec Court of Appeal, and the appeal on the merits was heard and concluded in November 2016. In March 2019, the Quebec Court of Appeal dismissed the appeal of defendants by substantively upholding the first instance judgment and ordering a punitive damage award against the appellants of approximately ¥13.5 billion (approximately CAD 161 million), in which the share of the total damage award against JTI-Mac is approximately ¥1.3 billion (approximately CAD 15 million). The another Canadian class action, Conseil Québécois sur le tabac et la santé, Plaintiffs were seeking a total of approximately ¥1,013.9 billion (approximately CAD 12.4 billion) in compensatory damages, an amount for which all the defendants are jointly and severally liable, and a total amount of approximately ¥66.1 billion (approximately CAD 0.8 billion) in punitive damages, to be divided among all the defendants based on their respective market shares. The Quebec Superior Court published the first instance judgment in favor of the plaintiffs in June 2015. In June 2015, JTI-Mac and other tobacco manufacturers appealed the judgment to the Quebec Court of Appeal, and the appeal on the merits was heard and concluded in November 2016. In March 2019, the Quebec Court of Appeal dismissed the appeal of the defendants by substantively upholding the first instance judgment and ordering a compensatory damage award jointly and severally against the defendants of approximately ¥1 trillion 103 billion (approximately CAD 13.5 billion), in which the share of the total damage award against JTI-Mac is approximately ¥143 billion (approximately CAD 1.8 billion), and a punitive damage award of approximately ¥3 million (approximately CAD 40 thousand) per defendants

In 3 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.

The 2 class actions brought in British Columbia against tobacco industry members in 2010, including JTI-Macdonald Corp. and the Company's indemnitees, are currently dormant. The class action brought in Ontario in 2012 against tobacco industry members, including JTI-Macdonald Corp. and the Company's indemnitees, is currently dormant.

All of these Canadian class actions have been stayed by the court order in March, 2019.

In addition to the class actions referred to above, a class action was brought in Israel against a the Company's subsidiary in July 2017.

### **Health Care Cost Recovery Litigation**

As of December 31, 2018, there were 10 ongoing health-care cost recovery cases in Canada pending against JTI-Macdonald Corp. and JT's indemnitees, brought by 10 Canadian provinces. These provinces filed lawsuits under their own provincial legislations that were enacted specifically for the purpose of authorising the respective provincial governments to file direct actions against tobacco manufacturers to recoup the health-care costs the governments allegedly incurred and will incur as a result of "tobacco-related wrongs". In the British Columbia claim, first filed in 2001, the constitutionality of the provincial legislation authorising the suit was challenged and, in 2005, upheld by the Supreme Court of Canada. The claims in New Brunswick, Ontario and Newfoundland and Labrador, were brought in 2008, 2009, and 2011, respectively, under legislation similar to that introduced in British Columbia. The claims in Quebec, Alberta, Manitoba, Saskatchewan and Prince Edward Island, were filed in 2012, while the claim in Nova Scotia was filed in 2015.

All of these Canadian health care cost recovery litigations have been stayed by the court order in March, 2019.

### **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 engaged in other proceedings, such as commercial or tax disputes.

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

Please refer to the Section "*Information on the Governing Bodies of the Company - Members of the Board and Audit & Supervisory Board Members of the Company*" 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 JT Group is a leading global tobacco company operating in over 70 countries. The Group has operations in over 70 countries around the world, selling three of the top ten global cigarette brands by sales volume in over 130 countries.

We operate in four main businesses: International Tobacco; Japanese Domestic Tobacco; Pharmaceutical; and Processed Food. Our two tobacco business generate a significant majority of our revenue. The Group also engages in the pharmaceutical and processed food businesses in order to diversify its sources of profit and achieve future sustainable growth.

The international tobacco business remains the JT Group's growth engine, accounting for over 60% of the Group's consolidated adjusted operating profit. Looking ahead, we expect the international tobacco business to continue achieving sustainable top- and bottom-line growth in the mid- to long-term period, further strengthening its competitiveness in both combustibles and Reduced-Risk Products, or RRP, which are products with the potential to reduce the risks associated with smoking. Our international brand portfolio is very competitive and well-balanced, with strong equity brands across all relevant product categories and price segments. The portfolio includes leading brands in cigarettes and fine cut, such as Winston, MEVIUS, Camel and LD, as well as in Reduced-Risk Products, such as Ploom and Logic.

Our Japanese Domestic Tobacco business generates about one third of our consolidated adjusted operating profit. In the RMC category, we have captured over 60% market share. We continue to enhance brand equity and strengthen our leading position. In addition, we also focus on the RRP category, which has become widely popular.

Our Pharmaceutical business focuses on the research and development, manufacturing and sale of prescription pharmaceuticals. Its mission is to build a R&D-led business, aiming at first-in-class internationally competent compounds, to increase our market presence.

Our Processed Food business primarily engages in frozen and ambient processed food (mainly staple food products such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread), seasonings (including yeast extracts and oyster sauce), and bakery chain outlets mainly in the Tokyo metropolitan area.

As of December 31, 2018, the Company had 224 consolidated subsidiaries and 13 associates accounted for using the equity method. As of December 31, 2018, the Group employed close to 63,968 people.

### 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, 2018, 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 *EquatePlus* ([www.equateplus.com](http://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 (*shikkoyaku*) (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 Since	Number of Shares Owned <sup>(1)</sup>	Number of Subscription Rights to Shares <sup>(2)</sup>
<b>Members of the Board:</b>				
Yasutake Tango .....	Chairman of the Board	June 2014	9,100	243
Masamichi Terabatake.....	Representative Director and President, Chief Executive Officer	March 2018	19,000	112
Mutsuo Iwai.....	Representative Director and Executive Vice President	March 2016	23,000	323
Naohiro Minami .....	Representative Director and	March 2018	11,800	151

Name	Position	Member Since	Number of Shares Owned <sup>(1)</sup>	Number of Subscription Rights to Shares <sup>(2)</sup>
Kiyohide Hirowatari .....	Executive Vice President Representative Director and Executive Vice President	March 2018	4,800	148
Kazuhito Yamashita	Member of the Board and Senior Vice President	March 2019	6,200	198
Main Kohda .....	Member of the Board (Outside Director)	June 2012	0	0
Koichiro Watanabe .....	Member of the Board (Outside Director)	March 2018	0	0
Yukiko Nagashima	Member of the Board (Outside Director)	March 2019	0	0

### Audit & Supervisory

#### Board Members:

Ryoko Nagata .....	Standing Audit & Supervisory Board Member	March 2018	12,400	209
Hiroshi Yamamoto	Standing Audit & Supervisory Board Member	March 2019	0	0
Toru Mimura i <sup>(3)</sup>	Standing Audit & Supervisory Board Member	March 2019	0	0
Hiroshi Obayashi <sup>(3)</sup>	Audit & Supervisory Board Member	March 2015	0	0
Koji Yoshikuni i <sup>(3)</sup>	Audit & Supervisory Board Member	March 2019	0	0

(1) Shares of the Group's common stock owned as of December 31, 2019

(2) Number of Subscription Rights to Shares as of December 31, 2019. 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 two years term expiring in March 2020.

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 three 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, 2019, the Company held 11 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.

*Masamichi Terabatake* became the Company's Representative Director, President and CEO in March 2018. He has served as President and Chief Executive Officer from January 2018 and as Executive Vice President of JT International S.A. from June 2013 to December 2017.

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

*Naohiro Minami* became the Company's Representative Director and Executive Vice President in March 2018. He is also responsible for Chief Financial Officer and Communications. He has served as Senior Vice President Chief Financial Officer from June 2012 to December 2017.

*Kiyohide Hirowatari* became the Company's Representative Director and Executive Vice President in March 2018. He is also responsible for Legal, Corporate Strategy, Digitalization, Human Resources, Operation Review & Business Assurance, Pharmaceutical Business and Food Business. He has served as Senior Vice President Human Resources from June 2017 to December 2017.

*Kazuhito Yamashita* became the Company's Member of the Board and Senior Vice President in March 2019. He is also responsible for Compliance, Sustainability Management and General Affairs. He has served as Senior Vice President Head of China Division from January 2015 to December 2018.

*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, an outside director of Japan Exchange Group, Inc. from June 2016 and an outside director of Mitsubishi Motors from June 2018. She was a member of the Board of Governors of Japan Broadcasting Corporation from June 2010 to June 2013, .

*Koichiro Watanabe* became a Member of the Board in March 2018. He is also Representative Director and Chairman of the Board of Dai-ichi Life Holdings, Inc. and of The Dai-ichi Life Insurance Company.

*Yukiko Nagashima* became a Member of the Board in March 2019. She is also Audit & Supervisory Board Member of Recruit Holdings Co., Ltd. from June 2016, and Audit & Supervisory Board Member of Recruit Co., Ltd from April 2018.

#### *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 & 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, 2019, the Company held 13 Audit & Supervisory Board meetings. Three out of five 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.

*Ryoko Nagata* became the Company's Standing Audit & Supervisory Board Member in March 2018. Previously, she served as Senior Vice President and Assistant to the President of the Company and Senior Vice President CSR.

*Hiroshi Yamamoto* became the Company's Standing Audit & Supervisory Board Member in March 2019. Previously, he served as Vice President of Operational Review and Business Assurance Division.

*Toru Mimura* became the Company's Standing Audit & Supervisory Board Member in March 2019. Previously, he served as some positions in Ministry of Finance and Ministry of Defence, and Chairman of Sompo Japan Nipponkoa Research Institute Inc. from September 2016 to December 2018.

*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.

*Koji Yoshikuni* became the Company's Standing Audit & Supervisory Board Member in March 2019. He is the Vice President of the Graduate School of Project Design from April 2017. Previously he served as Executive Director of Nippon Hoshō Kyōkai (Japan Broadcasting Corporation).

#### **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 2019. 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 Contributions<sup>1</sup>**

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 265,327 for a single taxpayer, and EUR 530,654 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 July of the year following the payments or by 28 February of the year after the year, which follows the tax year 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 80,400 / (EUR 73,800 in the new Eastern States), while the health and long-term care contributions are capped at an annual income of EUR 54,450.

### **Sale of Shares**

When you sell the shares, you can realize 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.

### **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).

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<sup>1</sup> Only non-executive participants are entitled to receive matching contributions.

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.

**2019 FBAR:**

Form Name: FinCEN Form 114

Due Date: April 15, 2020 with an automatic extension until October 15, 2020.

Requirement To File: If you are a "U.S. person" and have financial interest in foreign financial account(s) or signature authority over foreign financial account (s) with aggregate value that exceeds 10,000 at any time during the year.

**2019 Form 8938:**

Due Date: At the same time you file your annual US tax return (April 15, 2020 with potential extension to October 15, 2020, 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).

## 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 April 2018 (applicable for current 2018/19 UK tax year until 5 April 2019). 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:**

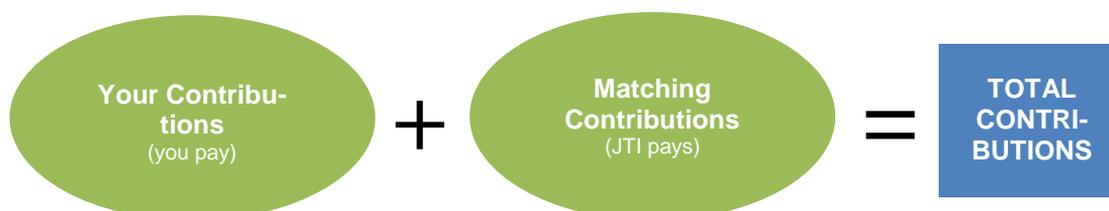
The particular terms of your participation in the ESPP are set out in the ESPP rules, and election form ("Plan Documents"). If there is an inconsistency between the description below and your Plan Documents, the Plan Documents will take precedence. As stated in your Plan Documents, the ability to participate 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:

### **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 Contributions<sup>2</sup>

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 2018/2019 tax year are as follows:

	<b>Applicable rate</b>
Personal allowance	0% up to GBP 11,850 of income <sup>3</sup>
	<b>Income bracket (above annual personal allowance)</b>
Basic rate band	20% between GBP 0 – 34,500
Higher rate band	40% between GBP 34,501 – 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 your recognize 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.

For the 2018/2019 tax year, the employee NIC rate is 12% on the NIC determined income between the Primary Threshold of GBP 8,424 and the Upper Earnings Limit of GBP 46,350 per year, while the rate drops down to 2% on any income above GBP 46,350.

### **Sale of Shares**

When you sell the shares, you can realize a capital gain or capital loss (the difference between the sale price and the base cost of the shares<sup>4</sup>, 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 11,700 for tax year 2018/2019).

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 realized (including gains from any other chargeable disposals) during tax year is in excess of the annual exempt amount (GBP 11,700 for tax year 2018/19); 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 46,800 for tax year 2018/19).

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<sup>2</sup> Only non-executive participants are entitled to receive matching contributions.

<sup>3</sup> 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 2017/2018, no personal allowance will be available where adjusted net income is in excess of GBP 123,000).

<sup>4</sup> 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.

## **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.

For the 2018/19 tax year a GBP 2,000 tax free dividend allowance is available for all taxpayers. Consequently, where dividends received are less than GBP 2,000 no UK tax will be due and no credit for the Japanese withholding tax will be available.

Dividend income in excess of GBP 2,000 is 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 2,000 then you may have an additional tax liability, applied at these rates, to settle when filing your annual UK tax return.

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.

#### ***2019 FBAR:***

Form Name: FinCEN Form 114

Due Date: April 15, 2020 with an automatic extension until October 15, 2020.

Requirement To File: If you are a "U.S. person" and have financial interest in foreign financial account(s) or signature authority over foreign financial account (s) with aggregate value that exceeds 10,000 at any time during the year.

#### ***2019 Form 8938:***

Due Date: At the same time you file your annual US tax return (April 15, 2020 with potential extension to October 15, 2020, 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).

## 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 2019. 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 (withheld through payroll as from 1st January 2019).

## **Matching Contributions<sup>5</sup>**

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)<sup>6</sup>.

As from 1st January 2019, your French income on matching contribution, (if they are taxable in France and not subject to a tax credit in France) will be withheld directly from your payslips. Your personal income tax rate will be communicated from by tax administration to your employer.

The year following the reception of the income, 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).

You will receive your French income tax bill in September. This document will provide you with the balance of the French income tax to pay (or the reimbursement) after deduction of the French income tax already withheld in your payslips.

In 2019, the 2018 income tax returns will have to be filed online

With the implementation of the Pay As You Earn system (PAYE system), income received in 2018 and qualified as non-exceptional income will benefit from an exemption of French income tax (with the grant of a tax credit amounting to the income tax relating to non-exceptional income subject to PAYE system). However, you will still be subject to French income tax on your exceptional income.

In any case, a 2018 French income tax return will have to be filed online and you will receive in September a French income tax bill containing:

- The total amount of French income tax on exceptional and non-exceptional income;
- The amount of tax credit relating to non-exceptional income;
- The amount of French income tax to pay on exceptional income.

### ***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 2019 is as follows:

- Average 23% for part of the annual gross remuneration not exceeding € 324,192.
- 10.10 % on income exceeding € 324,192 (uncapped rate 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 realize 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.

Since 1<sup>st</sup> January 2018 a flat rate tax (“PFU”) applies to investment income including capital gains. The overall rate for the flat tax is set at 30%, including income tax at 12,8%, and the social surtaxes (CSG, CRDS, additional social withholdings), whose global rate is raised to a total 17,2%. At the same time, the reduction for

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<sup>5</sup> Only non-executive participants are entitled to receive matching contributions.

<sup>6</sup> 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).

the holding period was eliminated as of 2018 (except as applicable to sales of shares in a PME under some conditions). The exceptional contribution on high income (“CEHR”) applicable to a fraction of fiscal reference income at a rate of 3% or 4% is still applicable in addition to the “PFU” at 30%.

The taxpayer can choose an election for taxation at progressive income tax rates (from 0% to 45%). In this situation, a relief on the capital gain / capital loss can still apply for shares acquired before January 1, 2018, 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. The full amount of capital gains will be subject to 3% / 4% exceptional tax on high level income (if applicable) and to the 17.2% social surtaxes (out of which 6,8% are tax deductible).

The tax on capital gain will be paid when you receive your tax bill due in September/October of the year following the sale).

## **Wealth Tax and Dividend Taxation**

### ***Wealth Tax for French Residents***

Since January 1, 2018, the wealth tax is replaced by a tax on real estate property (IFI). This tax is applicable to non professional real estate assets whether held directly or indirectly via a company or special investment vehicle regardless of how many intermediate entities exist between the taxpayer and the real property asset.

Thus, financial assets are exempt from this new tax.

The report has to be done at the same time than the French income tax return on a specific form called “form 2042-IFI”.

### ***Dividend Taxation***

As capital gain, dividend income will benefit from the flat tax (“PFU”).

The overall rate for the PFU is set at 30%, including income tax at 12,8%, and the social surtaxes whose global rate is raised to a total 17,2%. The exceptional contribution on high income (“CEHR”) applicable to a fraction of fiscal reference income at a rate of 3% or 4% is still applicable in addition to the “PFU” at 30%.

The taxpayer can choose an election for taxation at the progressive income tax rates (marginal tax rate of 45%). In this situation, the dividend you receive will be taxed as investment income and will be subject to progressive tax rates of up to 45% (plus the 3% / 4% exceptional tax on high income, if applicable) and to 17.2% social surtaxes (out of which 6.8% are deductible). This dividend income will be eligible to 40% rebate (only applicable on 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 thresholds<sup>7</sup>, you will have to pay a withholding tax of 12.8% plus 17.2% 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 12,8% 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.

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<sup>7</sup> i.e. € 50,000 for a single taxpayer / € 75,000 for a couple filing jointly

## **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.

### ***2019 FBAR:***

Form Name: FinCEN Form 114

Due Date: April 15, 2020 with an automatic extension until October 15, 2020

Requirement To File: If you are a "U.S. person" and have financial interest in foreign financial account(s) or signature authority over foreign financial account (s) with aggregate value that exceeds 10,000 at any time during the year.

### ***2019 Form 8938***

Due Date: At the same time you file your annual US tax return (April 15, 2020 with potential extension to October 15, 2020, 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).

## 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 2019. 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 Contributions<sup>8</sup>**

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 2019 social security rate is 6.35% up to a maximum monthly income of EUR 4,070.10 which corresponds to a maximum annual contribution of EUR 3,101.42.

### **Sale of Shares**

The subsequent sale of shares is taxed as capital gain in your income tax return directly, at the following rates for 2019:

- 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.

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 worldwide, 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 on December 31<sup>st</sup> of the year in question.

### ***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 (2019):

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<sup>8</sup> Only non-executive participants are entitled to receive matching contributions.

- 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.

#### ***2019 FBAR:***

Form Name: FinCEN Form 114

Due Date: April 15, 2020 with an automatic extension until October 15, 2020.

Requirement To File: If you are a "U.S. person" and have financial interest in foreign financial account(s) or signature authority over foreign financial account (s) with aggregate value that exceeds 10,000 at any time during the year.

#### ***2019 Form 8938:***

Due Date: At the same time you file your annual US tax return (April 15, 2020 with potential extension to October 15, 2020, 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).

## 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 2019. 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:

#### ***a) 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.

**b) Matching contributions<sup>9</sup>**

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*

For 2019 the tax deduction related to the tax free amount is calculated as follows:

- For tax base equal or lower than PLN 8 000 the tax deduction is PLN 1 440.
- For tax base between PLN 8 001 and PLN 13 000 the tax deduction is calculated based on the following formula:  $PLN\ 1\ 440 - PLN\ 883,98 * (tax\ base - PLN\ 8\ 000) / PLN\ 5\ 000$ .
- For tax base between PLN 13 001 and PLN 85 528 the tax deduction is PLN 556,02 (the same as in 2017).
- 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.

**Sale of shares**

When you sell the shares, you can realize 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 proceeding 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 proceeding 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
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<sup>9</sup> Only non-executive participants are entitled to receive 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 proceeding 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 proceeding 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 proceeding 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> <p><i>* We are aware of some judgments of administrative courts according to which it is not possible (based on the existing provisions of the PIT Act) to include the value of income subject to progressive taxation at acquisition of the shares as tax deductible costs (in the courts' opinion, it should only lead to taxation at the time the shares are sold so that there is no double taxation). Nevertheless, the application of this approach would be recommended only at the moment of obtaining a positive individual tax ruling.</i></p>
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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 30<sup>th</sup> 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 an appropriate form, depending on the type of instrument, 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 26 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.

### **Solidarity Tax**

From 1st January 2019 new tax in Poland has been introduced – solidarity tax. According to current wording of the provisions, the taxable base includes also income from the sale of the shares. The tax amounting 4% is applicable to the taxpayers who obtain the net income (understood as gross income decreased by tax deductible costs and social security contributions) exceeding PLN 1 000 000. The tax should be paid and reconciled in the annual tax return submitted by the taxpayer by the end of April of the following tax year on the dedicated tax form. JTI has no remitter obligations.

### **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.

2019 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2020 with an automatic extension until October 15, 2020

Requirement To File: If you are a "U.S. person" and have financial interest in foreign financial account(s) or signature authority over foreign financial account (s) with aggregate value that exceeds 10,000 at any time during the year.

2019 Form 8938:

Due Date: At the same time you file your annual US tax return (April 15, 2020 with potential extension to October 15, 2020, 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).

## 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 2019. 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 contributions<sup>10</sup>***

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 10% 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 due on the gross amount of the matching contributions. The employee social security rates are currently 25% (pension, uncapped) and 10% (health fund, uncapped).

### **Sale of shares**

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

#### Income tax

The net capital gain will be subject to capital gains tax at the flat rate of 10%. The taxable amount is calculated based on the difference between the sale price and the acquisition price of the shares. In general, 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 return by 15 March of the year following the one in which the sale was performed, using the form named Single return, and pay the related taxes, based on a self-assessment made by the tax payer based on the information reflected in the Single return, within the same reporting deadline (i.e. 15 March).

#### Health fund contribution

Should health fund contribution (10%) be also due<sup>11</sup> on capital gain, the information should be included in the same above mentioned Single return and the taxpayer should pay the related contribution, based on a self-assessment made by the tax payer based on the information reflected in the Single return, within the same reporting deadline (i.e. 15 March).

### **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 Single return.

You have the obligation to report any foreign dividends in your individual tax return by 15 March of the year following the one in which the dividend income is derived, using the form named Single return, based on a self-

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<sup>10</sup> Only non-executive participants are entitled to receive matching contributions.

<sup>11</sup> If the annual income obtained by you equals at least 12 times the level of the minimum national gross salary (i.e. for 2019 the minimum national gross salary is RON 2,080; a differentiated salary of RON 2,350 was established for individuals hired on a function which requires higher education skills and have a minimum one year experience as employees with such skills). For assessing this condition, certain types of income should be cumulatively considered, as per the provisions of tax legislation (e.g. rental income, investment income, income derived from independent activities, income from other sources etc.)

assessment made by the tax payer based on the information reflected in the Single return, and pay the related taxes within the same reporting deadline (i.e. 15 March).

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 should be established by the taxpayer himself/herself in accordance with the provisions of the applicable Double Tax Treaty and the Romanian tax legislation. To be entitled to 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/paid. In practice, the documents issued by the entity, which withheld and paid the foreign income tax on your behalf may also be accepted. As the income tax to be paid on such dividends is to be established by the taxpayer himself, the tax credit is also to be established by the taxpayer himself/herself, in accordance with the provisions of the Romanian tax legislation.

#### Health fund contribution

Should health fund contribution (10%) be also due<sup>12</sup> on dividends, the information should be included in the same above mentioned Single return and the taxpayer should pay the related contribution, based on a self-assessment made by the tax payer based on the information reflected in the Single return, within the same reporting deadline (i.e. 15 March).

#### **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.

2019 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2020 with an automatic extension until October 15, 2020.

Requirement To File: If you are a "U.S. person" and have financial interest in foreign financial account(s) or signature authority over foreign financial account (s) with aggregate value that exceeds 10,000 at any time during the year.

2019 Form 8938:

Due Date: At the same time you file your annual US tax return (April 15, 2020 with potential extension to October 15, 2020, 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 or living abroad).

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<sup>12</sup> If the annual income obtained thresholds apply if married by you equals at least 12 times the level of the minimum national gross salary (i.e. for 2019 the minimum national gross salary is RON 2,080; a differentiated salary of RON 2,350 was established for individuals hired on a function which requires higher education skills and have a minimum one year experience as employees with such skills). For assessing this condition, certain types of income should be cumulatively considered, as per the provisions of tax legislation (e.g. rental income, investment income, income derived from independent activities, income from other sources etc.)

## TAXATION IN THE KINGDOM OF SWEDEN

The following is a general summary description of the Swedish 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 2019. 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 residents 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:

**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<sup>13</sup>**

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 60% (2019). The matching contributions have to be reported in your annual income tax return, which is due in beginning of May in the year following the income year.

As the matching contributions are treated as employment income from a Swedish tax perspective, the income will be reported by your employer in the monthly individual PAYE-return (Sw. *Arbetsgivardeklaration på individnivå*, in short "AGI"), which is filed to the STA in the month following the payment. The STA should then make sure to include the amount on your pre-printed tax return, which is sent out between March 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. This means, that should the taxable amount not have been reported in your annual tax return by your employer, you personally have the responsibility to manually add that amount to the tax return.

Social security

All Swedish social security contributions are managed by your employer.

The general pension fee amounts to 7% on employment income up to a maximum of SEK 519,708. The highest Swedish general pension fee therefore is capped at appr. SEK 36,380 (for income year 2019).

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.

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.

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<sup>13</sup> Only non-executive participants are entitled to receive matching contributions.

### 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.

2019 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2020 with an automatic extension until October 15, 2020

Requirement To File: If you are a "U.S. person" and have financial interest in foreign financial account(s) or signature authority over foreign financial account (s) with aggregate value that exceeds 10,000 at any time during the year.

2019 Form 8938:

Due Date: At the same time you file your annual US tax return (April 15, 2020 with potential extension to October 15, 2020, 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).

## 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 2019. 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 contributions<sup>14</sup>***

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% (2019). 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% (2019) applicable to special payments.

The employee contributions are capped at an annual income ceiling of EUR 10,440 (2019) 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 realize 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 price<sup>15</sup> of the shares. Any fees in connection with the acquisition or sale are not tax deductible. A loss can be offset 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.

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<sup>14</sup> Only non-executive participants are entitled to receive matching contributions.

<sup>15</sup> 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.

### 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.

2019 FBAR:

Form Name: FinCEN Form 114

Due Date: April 15, 2020 with an automatic extension until October 15, 2020

Requirement To File: If you are a "U.S. person" and have financial interest in foreign financial account(s) or signature authority over foreign financial account (s) with aggregate value that exceeds 10,000 at any time during the year.

2019 Form 8938:

Due Date: At the same time you file your annual US tax return (April 15, 2020 with potential extension to October 15, 2020, 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).

## **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 financial condition and operating result of the Issuer and its consolidated subsidiaries since December 31, 2018 and no material adverse change in the prospects of the Company and its subsidiaries, taken as a whole, since December 31, 2018

### 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, 2018).

### Trends

The Company believes that trends during the period from December 31, 2018 through the date of this prospectus 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 and tightening tobacco-related regulations regarding sales activities, marketing, packaging and labeling for tobacco products, tobacco products themselves, and smoking in the international markets where Group’s tobacco products are sold.

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 core business and profit growth engine of the Group, driven by an increase of revenues through a combination of an increased production and shipment volume, pricing gains, continued growth in market share and effective cost management and expects contribution from the pharmaceutical and processed food businesses to complement the Group’s profit growth. This is expected to more than offset lower revenues in the Japanese domestic tobacco business due to a lower cigarette sales volume attributable to the continued industry volume contraction. Revenues in the pharmaceutical business are expected to grow due to higher royalty revenues despite unfavorable impacts mainly from drug price revisions. Revenues in the processed food business are also expected to grow led by the sales increase in frozen and ambient processed food products and seasonings.

The Group will continue to prioritize quality revenues 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, accelerating investment in Reduced-Risk Products.