

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

Securities Code: 2914
May 30, 2013

To Our Shareholders

Mitsuomi Koizumi
President, Chief Executive Officer and
Representative Director
Japan Tobacco Inc.
2-1, Toranomom 2-chome, Minato-ku, Tokyo

NOTICE OF CONVOCATION OF THE 28TH ORDINARY GENERAL MEETING OF SHAREHOLDERS

You are cordially invited to attend the 28th ordinary general meeting of shareholders of Japan Tobacco Inc. (“JT” or the “Company”) to be held as set forth below.

If you cannot attend the meeting, you may exercise your voting rights in written form or by electromagnetic means including the Internet. Please see the “Reference Documents for the General Meeting of Shareholders” hereinafter described and exercise your voting rights by 6:00 p.m., on Thursday, June 20, 2013, by returning to us by that time the Voting Rights Exercise Form enclosed herewith indicating whether you are for or against each of the items, or by accessing the web-site designated by us for the exercise of voting rights (<http://www.evotep.jp/>).

Particulars

1. **Date and Time of the Meeting:** Friday, June 21, 2013, at 10:00 a.m.
2. **Place of the Meeting:** Tokyo Prince Hotel
3-1, Shibakoen 3-chome, Minato-ku, Tokyo
3. **Purpose of the Meeting:**
 1. **Matters to be Reported:**
 1. Report on the Business Report, the Consolidated Financial Statements, and the Accounting Auditors’ Report and JT’s Audit & Supervisory Board Report on the Consolidated Financial Statements for the 28th Business Term (From April 1, 2012 to March 31, 2013)
 2. Report on the Non-Consolidated Financial Statements for the 28th Business Term (From April 1, 2012 to March 31, 2013)

Matters to be Resolved:

Company’s Proposals (Item 1 to Item 3)

- Item 1:** Dividend of Surplus
Item 2: Election of One (1) Director
Item 3: Election of One (1) Audit & Supervisory Board Member

Shareholder’s Proposals (Item 4 to Item 7)

- Item 4:** Dividend Proposal
Item 5: Share Buy-back
Item 6: Partial Amendments to the Articles of Incorporation
Item 7: Cancellation of All Existing Treasury Shares

4. Other Decisions on the Convocation of the Meeting

- (1) If the voting right is exercised both by return of the Voting Rights Exercise Form and via the Internet, only the exercise of the voting right via the Internet shall be valid.
- (2) If the voting right is exercised more than once via the Internet, only the last exercise of the voting right shall be valid.

Instructions for Exercising Your Voting Rights

1. There are three methods to exercise the voting rights: by attending the meeting, by post, and via the Internet. Please see the next page for further details about how to exercise the voting rights.
2. JT participates in the electromagnetic voting rights exercise system (Voting Rights Exercise Platform) operated and administered by ICJ, Inc.

Information on Matters Posted on JT's Web-site

1. Notes to Consolidated and Non-Consolidated Financial Statements are posted on our web-site (<http://www.jti.co.jp/>) in accordance with laws and regulations, and the provision in Article 17 of the Articles of Incorporation. Therefore, they are not included in this Notice of Convocation of the 28th Ordinary General Meeting of Shareholders.

In addition to documents stated in the reference documents attached to the Notice of Convocation of the 28th Ordinary General Meeting of Shareholders, Notes to Consolidated and Non-Consolidated Financial Statements posted on the Company's web-site are included in Consolidated and Non-Consolidated Financial Statements audited by Audit & Supervisory Board Members and the Accounting Auditors in the course of preparing Audit Report and Accounting Auditors' Report respectively.

2. If there is any amendment to the "Reference Documents for the General Meeting of Shareholders," Business Report (available in Japanese), or Non-Consolidated and Consolidated Financial Statements (available in Japanese), it will be published on our web-site (<http://www.jti.co.jp/>).



- * For those attending, please bring this Notice of Convocation of the 28th Ordinary General Meeting of Shareholders with you.
- * In case an agent attends the meeting, please present a proxy together with the Voting Rights Exercise Form at the reception desk on arrival at the meeting.
Only one other shareholder who can exercise the voting rights at the 28th Ordinary General Meeting of Shareholders is supposed to be eligible to serve as your agent.
- * Please note that the meeting will be conducted in Japanese only without an interpreter.

Detailed Instructions for Exercising Your Voting Rights

Exercise of voting rights at the Company's General Meeting of Shareholders is shareholders' important right. Please by all means exercise your voting rights.

Relation between Item 1, Company's proposal, and Item 4, shareholder's proposal

Item 4 "Dividend Proposal," which is a shareholder's proposal, is a counter proposal against Item 1 "Dividend of Surplus," which is the Company's proposal. Therefore, Item 1 and Item 4 are incompatible. Accordingly, please note that, in cases where you exercise your voting rights to vote for both Item 1 and Item 4 in written form or by electromagnetic means, the exercise of the voting rights concerning Item 1 and Item 4 will be invalid.

There are three methods to exercise your voting rights as indicated below.

A. In case of attending the meeting



Please present the Voting Rights Exercise Form at the reception desk on arrival at the meeting. (Not required to place a seal.)

B. In case of exercising the Voting Rights by post



Please post the Voting Rights Exercise Form indicating whether you are for or against each of the items so as to be returned to us by 6:00 p.m., on Thursday, June 20, 2013.

C. In case of exercising the Voting Rights via the Internet



See the next page.

Instructions for Exercise of the Voting Rights via the Internet

For the exercise of the voting rights via the Internet, please access the designated web-site for the exercise of voting rights (“Voting Rights Exercise Web-site”), and exercise your voting rights after confirming the items below.

If you have any inquiries, please contact “Inquiries on systems, etc. (Help Desk)” provided below.

For those attending, procedures for exercising your voting rights by post (return of the Voting Rights Exercise Form) or via the Internet are unnecessary.

Particulars

1. Voting Rights Exercise Web-site



- (1) The exercise of the voting rights via the Internet is available only by accessing the Voting Rights Exercise Web-site from your computer or smartphone. (However, you will not be able to access the web-site from 2:00 a.m. to 5:00 a.m. each day during the exercise period.)
- (2) If you use firewalls, etc. for the Internet connection, antivirus programs or a proxy server, you may not be able to access the web-site depending on your Internet environment.
- (3) The exercise of the voting rights via the Internet is only available by 6:00 p.m. on Thursday, June 20, 2013. We appreciate it if you exercise your voting rights at your earliest convenience.

2. Exercise of the Voting Rights via the Internet

- (1) On the Voting Rights Exercise Web-site, please indicate whether you are for or against each of the items following the directions on the web-site using the “Log-in ID” and “Temporary Password” described in the Voting Rights Exercise Form.
- (2) In order to prevent unauthorized access (web spoofing) or alteration of the voting by non-shareholders, you will be asked to change your “Temporary Password” on the Voting Rights Exercise Web-site.
- (3) JT will notify you of the new “Log-in ID” and “Temporary Password” at each convocation of the General Meeting of Shareholders.

3. In the Event Voting Rights Are Exercised More than Once

- (1) If the voting right is exercised both by return of the Voting Rights Exercise Form and via the Internet, only the exercise of the voting right via the Internet shall be valid.
- (2) If the voting right is exercised more than once via the Internet, only the last exercise of the voting right shall be valid.

4. Expenses Incurred When Accessing the Voting Rights Exercise Web-site

Each shareholder shall bear any expense for accessing the Voting Rights Exercise Web-site (Internet provider connection expense, communications expense, etc.)

If you have any inquiries, please contact “Help Desk” shown below.

Inquiries on systems, etc.



Mitsubishi UFJ Trust and Banking Corporation
Corporate Agency Division
Help Desk
Tel: 0120-173-027 (Japanese-language only)
(Business hours: 9:00 to 21:00, Toll-free)

REFERENCE DOCUMENTS FOR THE GENERAL MEETING OF SHAREHOLDERS

Items and Relevant Information

Company's Proposals (Item 1 to Item 3)

Company's Proposal

Item 1: Dividend of Surplus

The year-end dividends on shares of Common Stock for the 28th Business Term are proposed to be paid with a consolidated dividend payout ratio at 37.6% exceeding the target of 35.9%, which was announced as a target at the beginning of the term, on the following terms.

(1) Type of assets to be paid as dividends:

Cash

(2) Allotment of assets to be paid as dividends and their aggregate amount:

¥38 per share of Common Stock of JT Aggregate amount: ¥69,064,616,200

Together with the interim dividends of ¥30 per share paid in November 2012, the annual dividends for the 28th Business Term will be ¥68 per share.

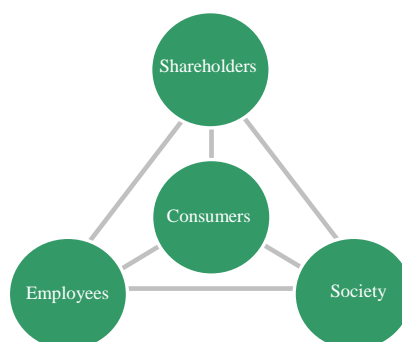
(3) Effective date for distribution of surplus:

June 24, 2013

Reference: JT's basic view on allocation of management resources

The Company prioritizes business investments for sustainable future profit growth in the medium to long-term, in line with these management principles, and seeks to improve the attractiveness of our shareholder returns at the same time by benchmarking global FMCG (*1) companies in a variety of sectors.

In the Business Plan 2013, the Company set out targets for the adjusted EBITDA (*2) growth rate (at constant rates of exchange) and the consolidated dividend payout ratio as follows. Further, we set the adjusted EPS (*3) growth rate (at constant rates of exchange) as the key performance indicator regarding our shareholder return.



Management Principle

We will balance the interests of consumers, shareholders, employees and wider society, and fulfill our responsibilities towards them, aiming to exceed their expectations.

Consolidated Profit Target

Adjusted EBITDA Growth Rate (at constant rates of exchange)	Mid to high single-digit (*4) growth per annum over the medium to long-term 6.1% growth for the fiscal year 2013 against the fiscal year 2012
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Shareholder Return

Consolidated Dividend Payout Ratio	40% for the fiscal year 2013, subsequently aiming to reach 50% for the fiscal year 2015
Adjusted EPS Growth Rate (at constant rates of exchange)	High single-digit (*5) growth per annum in the medium to long-term

*1 FMCG: Fast Moving Consumer Goods

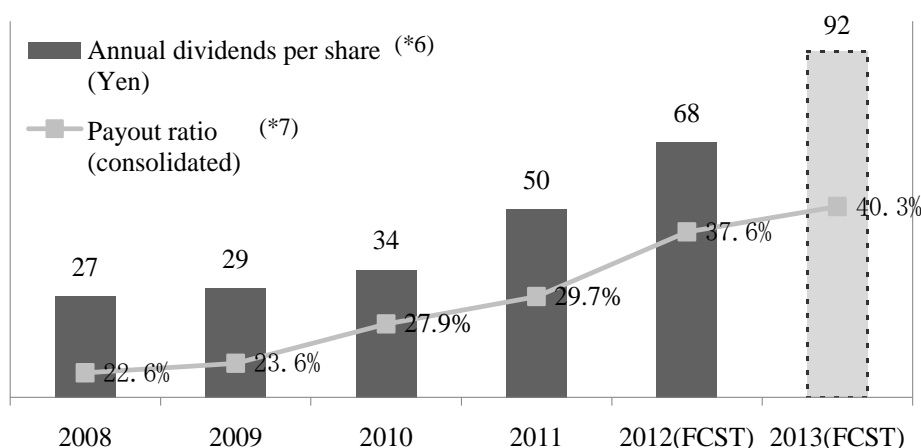
2 Adjusted EBITDA = Operating profit + depreciation and amortization ± adjustment items (income and costs)
*Adjustment items (income and costs): Impairment losses on goodwill ± restructuring income and costs ± others

3 Adjusted EPS = (Profit or loss attributable to owners of the parent company ± adjustment items (income and costs) ± tax and minority interests adjustments) / (weighted-average common shares + increased number of ordinary shares under subscription rights to shares)
*Adjustment items (income and costs): Impairment losses on goodwill ± restructuring income and costs ± others

*4 mid to high single-digit: mid to high single-digit-percentage

*5 high single-digit: high single-digit-percentage

Reference: Dividend payment and dividend payout ratio



*6 A 200 for 1 share split was effectuated as of July 1, 2012. The above numbers are calculated on the assumption that the share split was retroactively effective.

*7 Consolidated dividend payout ratio for the fiscal year ended March 31, 2011 and prior fiscal years are calculated in J-GAAP based on earning before goodwill amortization. The fiscal year ended March 31, 2012 and fiscal year thereafter are calculated in IFRS.

Company's Proposal

Item 2: Election of One (1) Director

Director Mr. Mutsuo Iwai will resign at the conclusion of this ordinary general meeting of shareholders. Accordingly, the election of one (1) Director as his replacement is proposed.

The candidate for the office of Director is as follows:

Name (Date of Birth)	Brief Personal History, Positions and Responsibilities in the Company, and Significant Concurrent Positions outside the Company	Number of the Company's Shares Held
Masamichi Terabatake (November 26, 1965)	Apr. 1989 Joined the Company Jul. 2005 General Manager, Secretary's Office Jul. 2008 Vice President of Corporate Strategy Jun. 2011 Senior Vice President, Chief Strategy Officer and Assistant to CEO in Food Business Jun. 2012 Senior Vice President, Chief Strategy Officer (Current Position)	3,300

(Notes) 1. No conflict of interest exists between the Company and the above candidate.

2. The above candidate will retire from his position as Senior Vice President of the Company on May 31, 2013 and will assume the office of Executive Vice President of JT International S.A. on June 1, 2013.

Company's Proposal

Item 3: Election of One (1) Audit & Supervisory Board Member

Audit & Supervisory Board Member Mr. Hisao Tateishi will resign at the conclusion of this ordinary general meeting of shareholders. Accordingly, the election of one (1) Audit & Supervisory Board Member as his replacement is proposed.

The Audit & Supervisory Board has approved this proposition.

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

Name (Date of Birth)	Brief Personal History, Positions in the Company, and Significant Concurrent Positions outside the Company	Number of the Company's Shares Held
Tomotaka Kojima (December 19, 1953)	Apr. 1976 Joined Ministry of Finance Jul. 2000 Director of the Fukuoka Local Finance Branch Bureau Jul. 2002 Deputy Head of Finance Group of the Company Jul. 2004 Deputy Director General of Employee Welfare Bureau, Secretariat of National Personnel Authority Apr. 2007 Deputy Director General for Administrative Policy Matters, National Personnel Authority Jan. 2008 Director General of Equity and Investigation Bureau, Secretariat of National Personnel Authority Aug. 2009 Executive Director, National Hospital Organization. Nov. 2010 Secretary General, Japan Association of Corporate Directors (Current Position)	0

(Note) No conflict of interest exists between the Company and the above candidate.

Shareholder's Proposals (Item 4 to Item 7)

The proposals from Item 4 to Item 7 were made by a shareholder.

The Board of Directors' general view on the shareholder's proposal

The Board of Directors is opposed to all four proposals from the proposing shareholder.

The Board of Directors believes that it will be in the best interests of all shareholders to achieve sustainable profit growth in the medium to long-term through business investments for future profit growth and to increase the company's value thereby.

The proposing shareholder has made substantially the same proposals as those that were rejected at the General Shareholders' Meeting last year. Those proposals are, in summary, related to a return to shareholders and cancellation of treasury shares. Regarding the proposal for return to shareholders, the significantly high amount of the proposed return far exceeds the amount of cash flow generated by the business and would require the company to make additional financial borrowing from a third party. Regarding the proposal for cancellation of treasury shares, this would impose constraints on the flexibility of the company's capital strategy. Thus, in the event that these shareholder proposals were approved, it would become an obstacle to making business investments for future profit growth and increasing the company's value through sustainable profit growth in the medium to long-term.

The company has a track record to achieve sustainable profit growth through business investments, most notably by two large scale business acquisitions. In addition to such profit growth, the company has steadily improved the return to shareholders by a stable and continuous increase of the consolidated dividend payout ratio and a consistent growth of the amount of dividend per share.

Furthermore, given a legal restriction on the issuance of new shares under the relevant provisions of the Japan Tobacco, Inc. Act ("JT Act"), the use of treasury shares is intended to be an important capital strategy as a substitute for the issuance of new shares in the company. Therefore, the Board of Directors believes that decisions on capital strategy including cancellation of treasury shares should be entrusted to the Board of Directors. This will ensure flexibility responding to changing business environment and then the increase of the company's value through sustainable profit growth in the medium to long-term.

The Board of Directors recommends all shareholders of the company to oppose all of these shareholder's proposals.

The following are the agenda and reasons for the four proposals made by the shareholder which are stated as presented, together with the Board of Directors' view on each of them.

Shareholder's Proposal

Item 4: Dividend Proposal

1. Agenda

The year-end dividends on shares of Common Stock for the 28th fiscal year shall be paid in the amount of ¥120 per share of Common Stock.

2. Reason for Proposal

The Company has sufficient cash and retained earnings to pay a higher dividend. The Company has on average returned 30% of its earnings to shareholders as dividends and share buybacks in the last three years which is a substantially lower dividend payout ratio compared to its international competitors. Over the same period the Company's competitors, British American Tobacco and Philip Morris International respectively returned on average 80% and 120% of their earnings to shareholders.

The Board of Directors' view on Item 4

The Board of Directors is opposed to this proposal.

The Board of Directors has prioritized business investments for sustainable profit growth in the medium to long-term, while at the same time pursuing a competitive level of return to shareholders compared to the global FMCG players.

The company has achieved an average annual EBITDA growth rate of 5.9% during the fiscal years 2000 to 2012 through business investments which include the acquisitions of RJR International and Gallaher. In the International Tobacco business that we have focused on in particular so far, the company has achieved an average annual US dollar based EBITDA growth rate of 24% (*1) during the period.

In addition to profit growth, the company has increased the consolidated dividend payout ratio. The amount of dividend per share has been increased by an average of 26% per year during the past five years. The company has therefore steadily increased the amount of return to shareholders.

In the Business Plan announced in April 2012, the Board of Directors set out a target rate for the adjusted EBITDA growth rate (at constant rates of exchange) of 5.2% and a consolidated dividend payout ratio of 35.9% in the fiscal year 2012. In fact, the company has achieved an adjusted EBITDA growth rate (at constant rates of exchange) of 15.1%, far exceeding the target rate. Further, the consolidated dividend payout ratio will be 37.6% exceeding the target as mentioned in the Company's proposal Item 1.

The total return ratio in the fiscal year 2012 will be 109.5%, taking into consideration the company's share buy-back of approximately ¥250 billion in conjunction with the 4th offering of shares by the government in February 2013, for the purpose of mitigating the market impact.

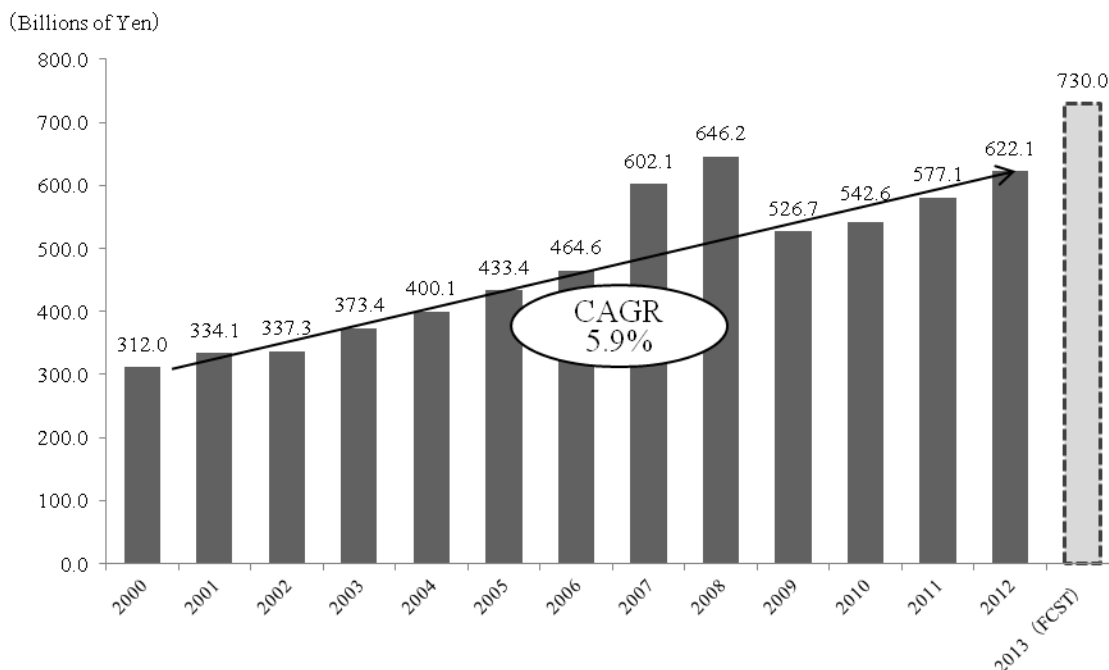
In the meantime, in the event that the shareholder's proposal for return were approved, the total amount of annual dividend per share in the fiscal year 2012 would be ¥150 (including interim dividend), which amounts to a consolidated dividend payout ratio of 82.8% and a total return ratio of 152.9% taking into consideration the company's share buy-back of ¥250 billion.

The Board of Directors believes that the significantly high return as stated in the proposal, which far exceeds the amount of cash flow generated by the business and would require the company to make additional financial borrowing from a third party, is short-term focused, and would become an obstacle to making business investments for future profit growth, loss of business competitiveness and decrease of the company's value in the medium to long term.

In the Business Plan 2013 announced on April 25, 2013, the Board of Directors set out the target rate of the consolidated dividend payout ratio of 40% for the fiscal year 2013, and also the ratio of 50% for the fiscal year 2015, and expects the amount of dividend per share for the fiscal year 2013 will be ¥92 (up 35.3% from the previous year, consolidated dividend payout ratio of 40.3%).

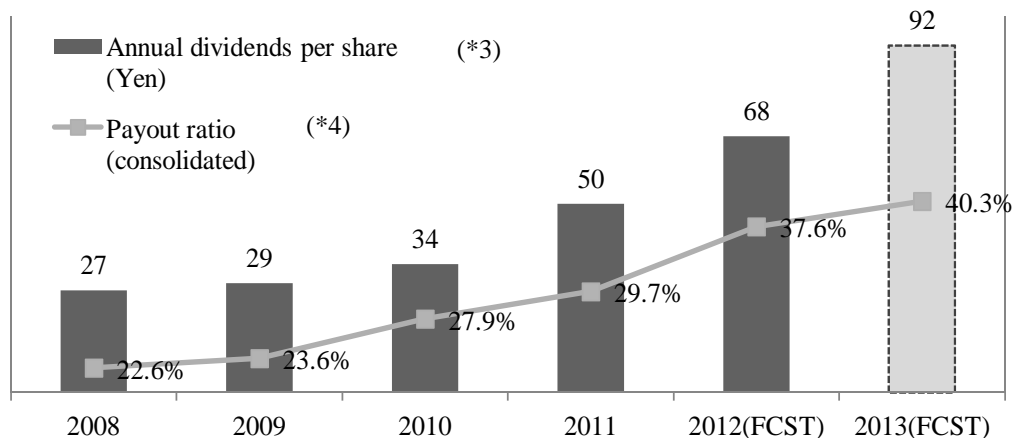
*1. 2000-2009: Based on US-GAAP, 2010-2012: IFRS basis

Reference: Adjusted EBITDA (*2) Growth



*2. The fiscal year ended March 31, 2001 to the fiscal year ended March 31, 2011: Based on J-GAPP
The fiscal year ended March 31, 2012 and thereafter: Adjusted EBITDA (IFRS basis)

Reference: Dividend payment per share and consolidated dividend payout ratio



*3. A 200 for 1 share split was effectuated as of July 1, 2012. The above numbers are calculated on the assumption that the share split was retroactively effective.

*4. Consolidated dividend payout ratio for the fiscal year ended March 31, 2011 and prior fiscal years are calculated in J-GAAP based on earning before goodwill amortization. The fiscal year ended March 31, 2012 and fiscal year thereafter are calculated in IFRS.

Shareholder's Proposal

Item 5: Share Buy-back

1. Agenda

Pursuant to Article 156.1 of the Companies Act, the Company will acquire its shares of Common Stock in exchange for cash as follows:

- Shares to be acquired: 100,000,000;
- Maximum aggregate amount of consideration: ¥350,000,000,000 (the "Proposed Amount"); provided that, if the aggregate amount for acquisition as permitted under the Companies Act (the "Distributable Amount" as set forth in Article 461 of the Companies Act) is less than the Proposed Amount, it shall be reduced to such amount as permitted under the Companies Act; and
- Period for the acquisition: Within 1 year from the end of this Ordinary General Meeting for Shareholders

2. Reason for Proposal

The capital structure of the Company is underleveraged and the shares are undervalued. The Company should use its cash resources to buy back shares and then to raise its dividend payout in line with its international peers. This will ensure the Board delivers on its pledge to prioritise the return of profits to shareholders and to deliver a competitive shareholder return.

The Board of Directors' view on Item 5

The Board of Directors is opposed to this proposal.

The Board of Directors has prioritized business investments for sustainable profit growth in the medium to long-term, and is also pursuing a competitive level of return to shareholders compared to the global FMCG players.

In order to implement the share buy-back of ¥350 billion as stated in the Proposer's proposal, the company would be required to make additional financial borrowing from a third party. The Board of Directors believes that the significantly high return as stated in the proposal, which far exceeds the amount of cash flow generated by the business is short-term focused and would become an obstacle to making business investments for future profit growth, to loss of business competitiveness and to decrease of the company's value in the medium to long-term.

Regarding possible future share buy-backs, the Board of Directors will determine this in a timely and appropriate manner in accordance with business environment from the perspective of properly managing the adjusted EPS growth rate (at constant rates of exchange) that we set as the key performance indicator regarding return to shareholders.

Shareholder's Proposal

Item 6: Partial Amendments to the Articles of Incorporation

1. Agenda

The following new provision will be added as Article 19.2 in Chapter 3 "General Meeting for Shareholders" of the Articles of Incorporation:

Article 19.2 The general meeting for shareholders can resolve the matters in respect of cancellation of treasury shares including the class and the number of shares to be cancelled, in addition to the matters set forth in the Companies Act.

2. Reason for Proposal

The Company has been holding treasury shares without using them properly or cancelling them. If the treasury shares are to be allocated to the public or particular third parties, the interest of the existing shareholders will be significantly damaged.

In order to protect the interest of the shareholders, the general meeting for shareholders should have the authority to resolve matters in respect of cancellation of treasury shares by its resolution.

The Board of Directors' view on Item 6

The Board of Directors is opposed to this proposal.

Under the JT Act, the company has a legal restriction on the issuance of new shares pursuant to the provision that requires the approval of the Minister of Finance and the provision that prescribes the obligation of the government to hold one-third or more of the total number of the issued shares of the company. (*5) (*6)

Treasury shares can be utilized in a capital strategy as a substitute for the issuance of new shares. The Board of Directors believes that, considering the legal restriction of the company as stated above, it is important to maintain the flexibility of the company in utilizing treasury shares, rather than cancelling all of them.

The Board of Directors intends to use treasury shares if it determines that the company can realize profit growth over the medium and long term and it will be in the best interests of all shareholders.

The Board of Directors believes that decisions on capital strategy including cancellation of treasury shares should be entrusted to the Board of Directors, and that this will facilitate flexible operations in accordance with changing business environment and then to the increase of company's value through sustainable profit growth in the medium to long-term.

*5. The number of the votes to which the shareholders who may not exercise their votes on certain matters. The total number of the issued shares is calculated without the number of shares for which it is provided that the voting rights may not be exercised in connection with all matters to be resolved at the shareholder's meeting.

*6. The percentage held by the Minister of Finance is 33.35% as of March 31, 2013.

Shareholder's Proposal

Item 7: Cancellation of All Existing Treasury Shares

1. Agenda

Based on the amendment of the Articles of Incorporation in Agenda No. 3, we propose the following:

All the treasury shares owned by the Company shall be cancelled.

2. Reason for Proposal

The Company has no need to hold shares in treasury. Cancelling shares also ensures that the benefits of repurchasing shares are fully obtained. If the treasury shares are to be allocated to the public or particular third parties, the interest of the existing shareholders will be significantly damaged.

The Board of Directors' view on Item 7

The Board of Directors is opposed to this proposal.

As stated in our view on Item 6 above, the company has a legal restriction on the issuance of new shares under the relevant provisions of the JT Act. The Board of Directors believes that it is important to maintain the flexibility of the company in utilizing treasury shares as a substitute for the issuance of new shares, rather than cancelling all of them.

Therefore, at this time, the Board of Directors will not consider cancelling all of the treasury shares, by which the company's flexible capital strategy would be limited.

The figures concerning return to shareholders such as the consolidated dividend payout ratio, EPS, and etc. is calculated excluding the treasury shares in accordance with accounting standards, and whether the company cancels the treasury shares will not affect these figures used as an index showing the level of return to shareholders.