

To Our Shareholders

Supplementary Explanation for “Item 3: Election of Five (5) Audit & Supervisory Board Members” of the 38th Ordinary General Meeting of Shareholders

Japan Tobacco Inc. (JT) plans to propose Mr. Shigeru Taniuchi (“Mr. Taniuchi”) as a candidate for Outside Audit & Supervisory Board Member (the “Proposal”) at the 38th Ordinary General Meeting of Shareholders to be held on March 24, 2023.

We would therefore like to provide a supplemental explanation regarding Mr. Taniuchi’s independence and his knowledge, experience, and skills as below.

Shareholders are encouraged to use the information as a reference when exercising your voting rights.

1. Background to Provide Supplementary Explanation

The Company provides a supplementary explanation to inform our shareholders that the Company believes that there is no concern about Mr. Taniuchi’s suitability and independence as an Outside Audit & Supervisory Board Member of the Company despite his work experience in the Ministry of Finance, which is headed by the Minister of Finance who is the Company’s largest shareholder.

2. Supplementary Explanation from the Company

(1) Our Approach to Appointment of Audit & Supervisory Board Members

Audit & Supervisory Board Members assertively exercise its authority as an independent organization entrusted by shareholders, including attending and speaking at the Board of Directors meetings and other important meetings as well as actively inspecting business sites. In addition, they also conduct audits appropriately from an objective viewpoint in accordance with the characteristics of the duties of the Outside/Standing Audit & Supervisory Board members.

The Audit & Supervisory Board Members strive to ensure sound and sustainable growth of the Company and to maintain and enhance the trust from society by overseeing the performance of duties by the Directors and Executive Officers.

As stipulated in the “JT Corporate Governance Policy^(Note),” candidates for the Audit & Supervisory Board Members are nominated by resolution of the Board of Directors as persons who are expected to perform their duties appropriately from a position independent of the Board of Directors. The resolution is made after securing opportunities to receive appropriate advice from Independent Outside Directors by having the Advisory Panel on Nomination and Compensation deliberate on a candidate

proposal formed by the President and report the content and results of its deliberations to the Board of Directors, upon receiving prior consent from the Audit & Supervisory Board.

(2) Independence of Mr. Taniuchi

Mr. Taniuchi entered the Ministry of Finance in 1986 and worked in fields such as finance, taxation, and legal affairs, including in the Regional Taxation Bureau. We judge there is no concern about independence because a certain period of time has passed since he retired from important positions at the Ministry of Finance, and satisfies the Criteria for Evaluating the Independence of Outside Executives of the Company (retrospective period: the past five years) and the requirements of an independent auditor prescribed by the Tokyo Stock Exchange, Inc.

(3) Roles and Skills Expected of Mr. Taniuchi

Mr. Taniuchi has extensive experience over many years of serving in a wide range of important positions in ministries and agencies, and through this has acquired extensive experience and deep knowledge of such fields as finance and legal affairs. In addition, as Deputy Director-General or Director-General at the Ministry of Health, Labour and Welfare, he was in charge of measures for welfare and the needy, collection of remains of war dead, revision of medical fees, revision of nursing care fees, and other issues. Also as Head of the office of the Cabinet Secretariat, he was involved in the issues including declining birthrates and loneliness and isolation, as well as other multifaceted issues related to local communities and the environment. Through such diverse interactions in both the public and private sectors, he has developed a deep knowledge of society. We judge that his broad outlook and high standing underpinned by his wide-ranging experience will enable him to make a significant contribution to the effective auditing of the Group in this highly uncertain business environment.

The Audit & Supervisory Board is composed of members with abundant experiences in the fields of management, law, finance, accounting and others. We believe that his extensive experience and insight in many fields will contribute to a more rigorous and appropriate auditing system, and that his roles as Standing Audit & Supervisory Board Member and Outside Audit & Supervisory Board Member facilitate improvements to auditing from a third party perspective, and will lead to a strengthening of the Group's corporate governance.

If "Item 3: Election of Five (5) Audit & Supervisory Board Members" is approved as proposed, the skills matrix for the new Audit & Supervisory Board member structure is as follows.

Skills Matrix of Candidates for the Company's Audit & Supervisory Board Members (New Structure)

Areas in which the skills are expected to be particularly effective	Audit & Supervisory Board Members				
	Hideaki Kashiwakura	Tsutomu Hashimoto	Shigeru Taniuchi	Nobuo Inada	Hiroko Yamashina
	Standing Audit & Supervisory Board Member	Standing Audit & Supervisory Board Member	Standing Audit & Supervisory Board Member Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member	Outside Audit & Supervisory Board Member
Corporate Management	●				●
Global Management	●	●			
Corporate Finance, Accounting and Capital Policy	●	●	●		
Legal, Compliance and Risk Management		●	●	●	●
IT / Information Security		●			
Corporate Governance	●	●	●	●	●
Sustainability / Environment and Society			●	●	
D&I / Organizational Behavior and Human Resource Management	●		●	●	●
Business Development / M&A	●				

* D&I (Diversity and Inclusion)

As stated above, the Company believes that Mr. Taniuchi is qualified to serve as an Outside Audit & Supervisory Board Members of the Company because he is independent and has sufficient knowledge, experience, and skills required of an Audit & Supervisory Board Member of the Company.

(Note) "JT Corporate Governance Policy" is posted on the Company's website.

https://www.jt.com/about/corporate_governance/index.html