

Integrated Report 2025

—Fulfilling Moments, Enriching Life—

Japan Tobacco Inc.

What does it mean to enrich your life?

Is it something you can see?

Is it something you can figure out yourself?

Can someone else tell you what it is?

Or is it already somewhere inside you?

Is there even an answer? Honestly, I'm not sure.

But maybe that's when we start by asking questions.

What does that person think?

What do I really feel?

There's no need to rush to find an answer.

Just ask yourself and maybe also someone else these questions.

That is a good place to start.

Fulfilling Moments, Enriching Life



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While on May 7th, 2025, the Company announced entering into an agreement with Shionogi & Co., Ltd to transfer the pharmaceutical business and our stake in TORII PHARMACEUTICAL CO., LTD. ("Torii"), a consolidated subsidiary of JT, the JT Group's performance and initiatives described in this report include those associated with the pharmaceutical business and Torii. Please see the press releases on our website for the details.

- **Notice regarding the transfer of JT Group's Pharmaceutical Business through a company simplified absorption-type split**
- **Notice of Change in Consolidated Subsidiary (Transfer of Subsidiary Shares)**

Editorial policy

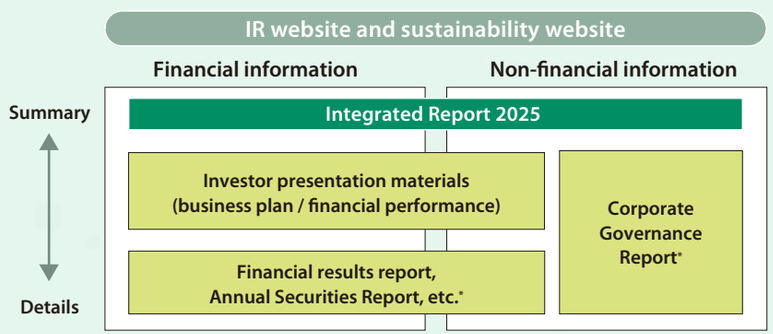
About the publication of Integrated Report 2025

The theme of Integrated Report 2025 is "The Evolution of the JT Group (Past and Future)." We have created a new Management Message section that compiles messages from members of top management in an aim to communicate our thoughts on the Group's further growth to stakeholders in an easy-to-understand manner. We have also included a special feature including an interview with our Chairperson and Group CEO about the group's growth journey and future challenges, as we will celebrate the 40th anniversary of our incorporation in 2025.

We have changed the title year of the report to the publication year starting with this edition because our Integrated Report introduces our latest ideas and intentions, along with achievements, aimed at realizing the JT Group Purpose of "Fulfilling Moments, Enriching Life." We hope that this report will serve as a tool that will encourage our stakeholders to have high expectations for the future growth potential of the Group.

About our Integrated Report

In this report, we integrate financial information such as management policies, business strategies, and performance trends with sustainability information that supports our growth over the medium to long term. It is published with the aim to deliver and inform our value creation story, both present and future, to a wide range of stakeholders, including shareholders and investors. Additionally, please take a look at the online version for enhanced readability.



* Documents systematically stipulated under the Companies Act, Financial Instruments and Exchange Law, etc.



About the cover

This year's cover design reflects the concept of evolution from the production theme of Integrated Report 2025, "The Evolution of the JT Group (Past and Future)," and the JT Group Purpose, "Fulfilling Moments, Enriching Life," while also following the design style of the covers from the past two years.

It also features an approachable design, in the hope that the report will be read by a wider range of stakeholders.

Editorial policy

Period covered

In principle, this report covers the period from January 1, 2024 to December 31, 2024, but also includes some information related to activities before and after this period.

Scope of report

Japan Tobacco Inc. and consolidated subsidiaries

Published

July 2025

Referenced guidelines

The IFRS Foundation's "International Integrated Reporting Framework" was referred to in the writing of this report. In addition, the GRI Standards of the Global Reporting Initiative were referred to with regard to ESG information.

FORWARD-LOOKING STATEMENTS

This report contains forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as "may," "will," "should," "would," "expect," "intend," "project," "plan," "aim," "seek," "target," "anticipate," "believe," "estimate," "predict," "potential" or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

(1) increase in awareness of health concerns related to smoking;
(2) regulatory developments, including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;
(3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
(4) our ability to further diversify our business beyond the tobacco industry;
(5) our ability to successfully expand internationally and make investments outside Japan;
(6) competition, changing consumer preferences and behavior;
(7) our ability to manage impacts derived from business diversification or business expansion;
(8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
(9) fluctuations in foreign exchange rates and the costs of raw materials; and
(10) catastrophes, including natural disasters.

MANAGEMENT MESSAGE









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Masamichi Terabatake
Representative Director and President,
Chief Executive Officer

Toward further growth of the JT Group

Evaluation of the Group's management environment and business performance

Looking back on fiscal year 2024, the Group faced a challenging business environment, with the emergence of geopolitical risks, rising supply chain costs driven by global inflation, and substantial fluctuation in foreign exchange rates. However, even under these conditions, thanks to strong top-line growth led by our tobacco business, consolidated revenue and adjusted operating profit (AOP) reached new record highs for the third consecutive year since fiscal year 2022.

In particular, in the tobacco business, which is the core driver of profit growth, expansion of market share in combustibles*1 across many markets, including our key markets, along with pricing effects, continued to be the main impetus for profit growth. For combustibles, we have been implementing a strategy of continuous ROI improvement, and I believe our acquisition of U.S. company Vector Group Ltd. (Vector), which was completed in October 2024 contributed to this. With this acquisition, we expect not only to improve our ROI but also to expand our presence in the U.S. market, generate stable cash flow in hard currency that is resilient to exchange rate fluctuations, and contribute to profit over the medium to long term.

In Reduced-Risk Products (RRP),*2 we strengthened investment in heated tobacco sticks (HTS),*3 leveraging the profits generated from combustibles, and continued our geographical expansion of the Group's global HTS brand, Ploom. As a result, we continued to make steady progress in fiscal year 2024, expanding into 11 new markets, including Jordan, the Philippines, and South Korea, bringing the total number of countries where we operate to 26 (as of the end of May, 2025).

While the processed food business also experienced an adverse business environment, it reached new record high AOP for the second consecutive year, which contributed to the Group's overall profit growth.

In addition, in lawsuits against defendant tobacco companies, including our local subsidiary in Canada related to smoking and health, the local court approved a comprehensive settlement plan on March 6, 2025 (local time). As a result, all lawsuits pending against our local subsidiary have been resolved, and not only has the uncertainty that has existed in our Canadian business for the past quarter century also been resolved, but we can now expect our Canadian business to continue to contribute to the Group in terms of earnings and cash generation.

*1 Combustibles: Combustibles include all tobacco products excluding contract-manufactured products and RRP
*2 Reduced-Risk Products (RRP): Products with the potential to reduce the risks associated with smoking. In JT's portfolio, these products include heated tobacco products (HTP), e-vapor and oral
*3 Heated tobacco sticks (HTS): Heated tobacco products that directly heat tobacco sticks. One stick is equivalent to a stick of cigarettes

▸ Please see CFO message (P. 15) for details

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Providing "fulfilling moments" through our business

"Fulfilling moments" has been the core value of the JT Group, even before its incorporation, and in fiscal year 2023 we redefined this as the JT Group Purpose. To realize this Purpose, we believe it is important to maximize the value of our existing businesses and to develop and execute businesses that contribute to "fulfilling moments."

■ Maximizing the value of existing businesses

Our current core business is the tobacco business, and we are confident that it will continue to grow. Combustibles, in particular, are expected to continue to make up the majority portion of our sales volumes and earnings, and as such will continue to play an important role. Meanwhile, we are concentrating our business resources on RRP, particularly the HTS segment, which is expected to grow the fastest through fiscal year 2035, in order to establish HTS as a future profit growth engine. We are on track to achieve the break-even point for the RRP business by the end of 2028*4, and aim to expand HTS share of segment to mid-teens level in our key markets, which include Japan and Italy.

*4 Break-even at market brand contribution level representing gross profit less commercial expenditure and before allocation of overheads

■ Development and execution of business that contributes to "fulfilling moments"

Independent of the established business divisions, we set up **D-LAB (P. 61)**, a corporate R&D organization to actualize the JT Group Purpose through research centered on "fulfilling moments," in an effort to explore prospects and create seeds for future business. D-LAB is engaged in a host of activities to enable the Group to provide the value of "fulfilling moments" to many people decades from now. We will continue working with a long-term perspective to ensure that we can contribute to fostering "fulfilling moments" in society.

Toward even more steady growth of the JT Group

The operating environment surrounding the Group remains highly uncertain, with geopolitical instabilities, the impact of various countries' policies on the global economy, the development of discussions regarding tax increases and regulations, and changes in consumer behaviors associated with these factors. We will continue to monitor these trends and respond flexibly.

Over the medium to long term, we will continue to pursue mid-to-high single-digit average annual growth for consolidated AOP at constant currency. During the period covered by Business Plan 2025, from fiscal year 2025 to fiscal year 2027, we expect high single-digit growth in consolidated AOP at constant currency. In our core tobacco business, the business environment is expected to remain adverse, with a decrease in total industry volume, continued down trading, tightening of regulations and taxation on RRP, and increased competition. In combustibles, including traditional cigarettes, we aim to realize strong top-line growth driven mainly by market share growth and pricing, and in RRP, we will continue and increase focused investments in HTS to expand the geographic coverage of Ploom, and to capture a higher share of our existing markets, we intend to achieve break-even across the RRP category by fiscal year 2028.

Also, we announced entering into an agreement with Shionogi & Co., Ltd ("Shionogi") to transfer the pharmaceutical business and our stake in TORII PHARMACEUTICAL CO., LTD. ("Torii"), a consolidated subsidiary of JT.

The pharmaceutical business and Torii have contributed to JT Group's sustainable profit growth for a long period of time. However, in recent years, the environment surrounding the pharmaceutical business has been changing. To ensure Pharmaceutical's drug discovery capabilities and benefits for patients continue to be developed, we have determined that the best option is to transfer the pharmaceutical business to Shionogi, a specialized pharmaceutical company that values both the pharmaceutical business and Torii with a focus on new drug discovery.

Upon completion, our group's business portfolio will consist of two segments: the tobacco business and the processed food business, each keeping its strategic role. The tobacco business will remain the core driver of growth, and the processed food business will complement JT Group's profit growth. We will strive to achieve the JT Group Purpose and deliver sustainable profit growth over the medium to long term.

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■ Enhancing human capital

To realize further growth of the Group, it is the human resources that are the most important source of competitive advantage and our major strength. In the past, I was responsible for major acquisitions of overseas companies and the subsequent integration process. The experience made me acutely aware that diverse human resources were essential to the successful smooth integration and the subsequent growth of the acquired companies. The Group has employees of over 100 different nationalities. I strongly support the concept of diversity and inclusion—that respects different backgrounds and values, not only with regard to nationality, gender, and age but also experience and expertise, as it leads to the sustainable growth of the Group.

The Group's concept of "people come first" recognizes that individual employees are its driving force. Guided by this idea, in fiscal year 2024 we clarified our definition of human capital and set focus targets for expanding human capital. Moreover, in a business environment marked by change, further enhancement of the Group's organizational strength will be important for supporting its sustainable growth. I believe that organizational strength is nurtured when a company and its employees understand the company's direction, work together toward its realization, voluntarily grow and contribute to each other, and build relationships of trust. I have always been proactive in visiting every workplace to engage actively in personal communication with employees to share and reinforce the Group's direction and the values embedded in the JT Group Purpose. Looking ahead, we will further enhance organizational strength by understanding and examining the status of the Group's employees based on the results of our employee engagement survey (EES).

▸ Please see Human capital in the JT Group (P. 29) for details.



To our stakeholders

As we aim for sustainable profit growth, we allocate management resources based on the 4S model, which is our management principle, and the JT Group Purpose. Specifically, we will prioritize investment in the tobacco business, which will lead to sustainable profit growth over the medium to long term, while continuing to strike a balance between profit growth through business investments and shareholder returns. We will continue to pursue further strengthening of shareholder returns by realizing profit growth over the medium to long term, with a target payout ratio of 75%*5 as a competitive level in the capital market.

Even in the tough business environment that is expected to continue, we will work together in a united effort to continue producing products and services that exceed consumers' expectations, as we aim for the sustainable growth of the Group. At the same time, in order for the Group to continue providing "fulfilling moments" to our various stakeholders through our businesses and fulfill a necessary role in society, I am personally committed to driving forward the uninterrupted evolution of the Group. I ask our stakeholders to continue their steadfast support for the Group now and in the future.

*5 Decided within a scope of about ±5%

Resource allocation policy

- Prioritize business investments for sustainable profit growth in the medium to long term
- Strike a balance between profit growth through business investments and shareholder returns

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Special feature: Interview with the Chairperson and CEO

40th anniversary of incorporation—the JT Group's past and future



Mutsuo Iwai
Chairperson of the Board

Masamichi Terabatake
Representative Director and President, Chief Executive Officer

As the JT Group marks its 40th anniversary of incorporation, Chairperson of the Board Mutsuo Iwai and Representative Director and President, Chief Executive Officer Masamichi Terabatake were interviewed by Ms. Yuka Tanimoto about the Group's growth journey so far, and its challenges for the future, guided by its Purpose.

Q JT has marked its 40th anniversary of incorporation. Could you talk about the time when it was established?

Iwai I joined the Company in 1983, just before Japan Monopoly Corporation became Japan Tobacco Inc. (the "incorporation") in 1985, and I have been with the Company for over 40 years. I think the JT Group can be described succinctly as a company that is "young at heart." Although the Company's history stretches back for over 100 years to the founding of its predecessor, the Japanese Monopoly Bureau of the Ministry of Finance, in 1898, even after the incorporation, we did not consider the Company to be "complete," but rather that we should continue to evolve and to learn from sources outside the Group.

During the Japan Monopoly Corporation years from 1949, the Company's operations were strictly domestic, since it was a public entity, but my senior colleagues at the time had a strong desire to try making a global operation and to take on new businesses. With the privatization and incorporation in 1985, we evolved into a company with responsibility for its own management decisions and investments, culminating in the realization of the long-cherished wish of those senior colleagues.

Terabatake When I joined the Company in 1989, it had already been incorporated, and was in the process of a major transformation in terms of internationalization and diversification. With a strong internal drive to change, we decided to start by following the path of other private corporations, aiming to use other Japanese private companies as benchmarks for our growth. Then, with a view to achieving even higher goals, the idea emerged of turning the Company into a global enterprise. This way of thinking, that we should constantly evolve and not be satisfied with the status quo, has continued to be passed down to this day.

Q Was the JT Group's desire to constantly evolve part of the original fundamental DNA of the Company?

Iwai The Group has tended to demonstrate its true value in times of crisis and change. For example, just after the incorporation, when there was a sharp fluctuation in foreign exchange rates due to the Plaza Accord, and then in 1987 when tariffs on imported cigarettes were eliminated, competition from foreign manufacturers intensified and the Company lost share in the domestic tobacco market.

To respond to these changes in the external environment, the Company has undergone significant transformations. We do not simply respond passively; for example, looking ahead to future globalization, we have grown while deepening our knowledge of world-class technologies and business operations, such as utilizing a license contract with global cigarette brand Marlboro as an opportunity to learn about world-class tobacco manufactur-

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ing technology. I think it is this mindset of repeated transformation, taking crises not as threats but as opportunities for growth, that is part of the Group's DNA.

Terabatake We have passed down the idea of looking at the consumer who will ultimately use our products and services, and developing our business freely on a global scale. Today, we retain a deeply rooted consumer-centric awareness even at the frontline level, and this, too, is part of the Group's DNA. It is because of this mentality that we have developed a solid brand as a manufacturer, and that we are able to continue supplying excellent products to consumers. The Company has deeply rooted values that appreciate this mindset, and I think these values will continue to be passed down.

Q In the 40 years since the incorporation, there have been some major changes in the global economy and the environment for the industry. Can you tell us about the background factors that have enabled the JT Group to grow through these changes?



Iwai The biggest turning point for the Group was the acquisition of U.S. company RJR Nabisco Inc.'s non-U.S. tobacco business in 1999. Before that, we had been diversifying and trying various businesses, but in many cases, we had found it difficult to succeed in fields outside our main business.

In this environment, we decided on this major acquisition because it was an opportunity to take a big leap forward in our main tobacco business, where we also had our own knowledge. This move spurred our international expansion, and we grew by establishing our own style of management while being deeply involved with local operations.

We also proceeded to select and concentrate our businesses so as to concentrate our management resources on new businesses as well. As a result, we have built the current business structure, and achieved sustainable growth.

Terabatake Since its incorporation, the Company has grown through internationalization and diversification. Our internationalization started in earnest around 1992 with the acquisition of Manchester Tobacco Company Ltd. in the U.K. After this initial step, we accelerated our overseas tobacco business with the 1999 acquisition of RJR Nabisco Inc.'s non-U.S. tobacco business, followed by the acquisition of Gallaher Group Plc in 2007. Today, JT is considered to be a company that performed successful M&As, but at the time, we found many difficulties in the post-merger integration process, which did not all go smoothly by any means. However, viewed from a three- or five-year time line, the Group built up communication with its newly acquired members, and integrated them in an organization with the same strategic direction.

In addition, we shared our consumer-centered 4S model approach not only in Japan, but also with our new Group members, and continued investing for long-term growth rather than short-term profits. These initiatives formed the distinctive growth foundation of the Group today.

Q In my view, becoming an international company is attainable, but becoming a truly global company is much more challenging. What factors do you think enabled the JT Group to become a global company?

Iwai I think that ultimately the important factors are people and trust. In the initial period after the acquisition of RJR Nabisco Inc.'s non-U.S. tobacco business and founding of JT International (JTI, currently the tobacco business headquartered in Geneva, Switzerland), there were some differences of opinion between JTI and the JT head office. However, understanding each other's strengths and setting common goals fostered a sense of unity. That is not to say that this was our clear policy from the beginning. Rather, trust was established as a result of various discussions with JTI, as the need to give JTI more autonomy emerged.

Another factor in our successful globalization was the sharing of the 4S model. The values in this model have guided us in making necessary investments, market developments, and product improvements. In particular, I believe that a common awareness of our aims to overcome quality issues and surpass our global competitors have supported the Group's growth.

Terabatake We do not impose the methods of Japanese companies on our acquired companies; our policy has been to

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analyze their practices and discuss them extensively to adopt the best ones. This has led to an attitude of fairness to people of all backgrounds, and since 1999 we have uniformly implemented promotion based on ability.

As a result, we have created a corporate culture where all employees including those from acquired companies, are treated as members of the JT Group. Evaluations are also completely fair, and employees do not receive special treatment due to being Japanese either.

I think that it is this fairness that has created a corporate culture where employees' trust in the Company is supported, their abilities are evaluated fairly, and they are given opportunities to grow accordingly.

Q From what you have said, the Company has seen numerous changes and evolved through them. Could you talk again about the strengths that the JT Group has cultivated through this process of repeated change and growth?

Terabatake The Group's greatest strength is its people. We have built a virtuous cycle in which employees work with motivation and produce results so that the individuals and the Company grow together. To realize this, we prepared systems to support people and focused on enhancing job satisfaction in the Group.

Now, we have introduced a globally integrated system for supporting the growth of our human resources, creating an environment where all employees can take on challenges equally. For example, if a position opens up at JTI, employees throughout the world, including Japan, can apply for it, and the best person is selected through a fair selection process. These kinds of systems and structures support the Group's growth, but at the core it is ultimately people. By bringing together the motivation and skills of various employees, we have built the Group as it is today.

Iwai The Group's diversity has room for further improvement from a gender perspective; however, from a perspective of individuality, I feel that our Company is brimming with diversity. The Group does not suppress individuality, rather it provides an environment where people can work while utilizing their various strengths. While there are differences in the cultures of JT and JTI, I think that in this environment we have fostered an approach of accepting the differences in our culture and values, and engaging in constructive discussion to create something better.

Naturally, it is important that this diversity is utilized not for the sake of individuals, but for the sake of the team. People who are able to harmonize and also focus on the results of the team grow and become great leaders.

Q In these changing times, what are the important navigational markers that the JT Group should always aim for, and what should it continue to protect going forward?

Iwai "Fulfilling moments" was mentioned in the New "43" Long-Term Business Plan, formulated in 1968, when JT was still Japan Monopoly Corporation. This is a value we have long preserved since then, and crystallized and set out in writing as the JT Group Purpose, "Fulfilling Moments, Enriching Life," in 2023. This Purpose is the North Star guiding our business growth, and it is what we should always aim for. For example, our core tobacco business may not be an essential business for life, but it contributes to "fulfilling moments." Even in a rapidly changing society, our Purpose expresses the unchanging importance of this value.

Terabatake In addition to what Chairperson Iwai said about the JT Group Purpose, I would like to add that it is the essential expression of the pride that our employees take in the Company.

That is why it is important that individual employees remain mindful of the JT Group Purpose as they perform their roles for society and the future. The Group is one big team of employees who love the Company, and our culture is supported by the notion that "people come first." I value this approach and am strongly committed to continuing it faithfully going forward.



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Q It seems that in an era such as this, "fulfilling moments" are actually needed. Finally, I would like to ask both of you for your thoughts about "fulfilling moments," and about the future vision described by the JT Group Purpose and the future value that the JT Group will create.

Iwai The progress of technology is massively changing values and the social order. In an era where the value of humanity itself is being questioned, it is important to ask ourselves what it means to be human and what humanity represents.

Human beings seek not only to live, but to be fulfilled. Up until now, the Group has provided fulfilling moments centered on tobacco products, but going forward, we must examine the question of what fulfilling moments are, and look to provide that value in new ways. The value of things considered luxury items must surely be found in this.

Another word to describe "fulfilling moments" in English is "delight." The essence of this is in a change of behavior and mind. It is more than simple pleasure; I think the important aspects of it are a feeling of fulfillment and relaxation and a positive change of mind.

Terabatake Looking ahead, with the inevitable advances in technology, including AI, people's lifestyles will change as society progresses, and I think we will live in a world where we will feel greater stress. In this situation, I believe our role is to focus on "fulfilling moments" and on providing moments where people can take a break and feel relief.

I myself find it important to take time to change my mind and reset my emotions. For example, rather than constantly thinking about work, I deliberately use weekends to take a break and refresh myself, which enhances my ability to concentrate. I think that creating changes for your mind and establishing a rhythm like this leads to better performance. Similarly, the Group's value is not in simply providing services and products, but also in staying attuned to people's minds and creating opportunities to give their minds a rest.

In order to provide society with the "fulfilling moments" described in the JT Group Purpose, we believe it is important to reliably realize sustainable growth while remaining focused on our tobacco business, and to continue generating a cycle in which employees achieve personal growth as they enjoy their work while the Company also grows.

To this end, as president, I will strive to create an environment where employees can freely challenge themselves.

Through the accumulation of these efforts, I want to guide the Group to advance daily toward a future in which it has a firmly established position as a company that provides fulfilling moments, and to evolve into a company that can achieve even further growth.

Iwai As President Terabatake said, the Group's role is to support a society with awareness for enriching life. For example, tobacco once had a cultural aspect in the lifestyles of the Edo period in the form of *kiseru* or Japanese tobacco pipe culture. However, as the times changed, tobacco has become increasingly commoditized.

Even so, I would like us to stay with our initial goal of being closely attuned to consumers' fulfilling moments and forming a new culture. With D-LAB's activities, diversifying businesses, and heated tobacco products, the Group aims to provide products and services that create opportunities for new cultures to emerge. It is therefore important to provide offerings that will be valued not by everyone, but by those who choose them. Through the accumulation of these activities, I hope that the Group will evolve into a company that creates new cultures in the future.

Tanimoto While it is naturally important for companies to focus on their economic activities, I feel that corporate activities that create culture will ultimately lead to a new era of capitalism. Thank you both for the many wonderful points you have shared today.



Yuka Tanimoto
Executive Director and Managing Editor of Forbes JAPAN Web Editorial Team
After working at a securities company and as a financial and economic anchor at Bloomberg TV, she obtained an MBA in the United States in 2004. Subsequently, she worked as a newscaster for Nikkei CNBC, and as the firm's first female commentator, conducting interviews with over 4,000 notable figures worldwide. She has appeared on multiple media shows in Japan. She joined Forbes JAPAN in February 2016, and has been in her current role since January 1, 2022.

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Hisato Imokawa
Senior Vice President,
Chief Sustainability Officer

Our approach to sustainability

The JT Group's management principle is the 4S model. Under the 4S model, we strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups and exceeding their expectations wherever we can. Our Group has always conducted business by engaging with various stakeholders, a familiar concept in sustainability. As nature, society and people's lives are intertwined, sustaining our ways of living, and the activities of businesses, will depend on the sustainability of the environment and society in which we exist. This is the basis of our approach to sustainability.

For example, leaf tobacco is one of the key raw materials for our tobacco business, the core business of the Group. Sustainability of the natural surroundings and the leaf farming communities from which leaf tobacco is cultivated is crucial for the stable procurement of leaf tobacco over the medium to long term. "Human capital," for example, is the driving force of our business activities. The sustainability of our business is only attainable if the environment and conditions in which our employees find themselves are secure, stable and sustainable. The same is true for the local communities of our stakeholder groups. As the Group CSO responsible for sustainability, I carry out my duties with the awareness that nature and society or human life and corporate activities are all connected and interrelated.

Outline of our sustainability strategy

The JT Group has created the JT Group Purpose, "Fulfilling Moments, Enriching Life." This indicates the direction in which the Group should be heading to ensure the sustainability of our society and Group's businesses therein. In pursuing our management principle, the 4S model, and by realizing the JT Group Purpose, we have identified the Group's material topics which should be prioritized. Specifically, we have identified five groups of material topics, which we refer to as the JT Group Materiality. These are "Living with the planet," "Value creation that exceeds consumer expectations," "Investing in our people and supporting their growth," "Responsible supply chain management" and "Good governance."

Sustainability strategy outline

JT Group Purpose
Meaning of the JT Group's existence

JT Group Materiality
Priority material issues for the realization of the JT Group Purpose

JT Group Sustainability Targets
Specific goals and initiatives of the Group based on the JT Group Materiality

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Furthermore, in 2024, we have set specific targets and initiatives based on the JT Group Materiality. The JT Group Sustainability Targets consists of a total of 25 items. The JT Group Purpose, the JT Group Materiality and the related JT Group Sustainability Targets are the backbone of our sustainability strategy. Our Board is involved in setting and managing the sustainability strategy. The progress and results of our initiatives are communicated to our stakeholders through the company website or the Integrated Report. The JT Group Sustainability Targets are reviewed every year so that they can evolve. In 2025, targets were reviewed and updated.

The JT Group Sustainability Targets

In 2024, the JT Group Sustainability Targets consisting of 25 items were set. We have targets for our tobacco business, our core business, which are related to one of the JT Group Materiality, "Value creation that exceeds consumer expectations." One of the targets aims to expand the number of markets where Reduced-Risk Products (RRP) are available—this is a target we carried over from the previous tobacco sustainability target. We have also set a new target for "Transparency in reduced-risk science" whereby we will ensure that reduced-risk claims are substantiated and that we are transparent about the risks of our products. These targets will accelerate the Group's focus on RRP.

In relation to "Living with the planet," another JT Group Materiality, we have established targets related to biodiversity, a subject which has become increasingly important in recent years. We have set forth the implementation of biodiversity impact assessments, and we are currently working on assessments throughout the value chain of our tobacco business. Since the Group's impact on ecosystems varies from region to region, even within the same tobacco business, it will become increasingly important to find more region-specific solutions. Rather than a top-down approach from the head office, my aim is that each region and operation will develop their own solutions. As CSO, I will facilitate and support these initiatives.

This is the first year that we are reporting on the progress of the JT Group Sustainability Targets. Since most of the targets are medium to long term, we cannot explain all of our progress based on the results of a single year. Nevertheless, I trust we can say we are generally off to a good start. I also recognize that we are gradually and surely putting in place our own system for promoting and driving these targets.

For example, in terms of our targets to tackle climate change, which is related to our materiality "Living with the planet," there was qualitative and quantitative progress made in the management of these targets. Looking at the Greenhouse Gas (GHG) emissions reduction targets in 2024, Scope 1 & 2 GHG emissions reduction progressed steadily in line with the targets. As for Scope 3 GHG emissions reduction involving engagement with our value chain, this has always been a challenge. We therefore encouraged our key suppliers to work on science-based GHG emissions reduction targets and progress was made towards better data collection. Our Group is working to make its operations carbon neutral by 2030 and achieve Net-Zero GHG emissions across the entire value chain by 2050.

We have taken several steps to achieve these goals. In 2022, the Science Based Targets initiative (SBTi) validated targets set by our Group as 1.5°C aligned. We also submitted an application to obtain SBTi validation for Net-Zero GHG emissions across the entire value chain.

Another important subject related to the Group's supply chain management is respect for human rights. We have always made efforts to implement human rights due diligence not only within our Group but also throughout our supply chain. COVID-19 prevented us from physical travel, but even during this period, we continued with our due diligence initiatives by using online alternatives. Across the JT Group, as of the end of 2024, Human Rights Impact Assessments have been completed in 16 countries, and evaluations using self-assessment questionnaires have been completed in 18 countries.

Structure to support our initiatives

We have set out a governance structure in which the Board of Directors is involved in setting and managing the sustainability strategy as well as updating the sustainability targets. At the executive management level, we have held regular Sustainability Advisory Forums since 2020 to discuss the Group's sustainability issues. As CSO, I chair the forum, which is attended by the heads of the JT Group's businesses and corporate functions.

In 2024, three forums were held. We discussed and shared information about topics such as updating the JT Group Sus-

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tainability Targets, our initiatives and targets related to tackling climate change, progress on human rights due diligence, preparing for the start of the EU Corporate Sustainability Reporting Directive (CSRD), non-financial data management and stakeholder engagement, among others.

Discussions at the forum are duly reported to the CEO and the Board of Directors.

Sustainability Advisory Forum

- **Chairperson:** Chief Sustainability Officer
- **Members of the forum:**
  - Representatives of business divisions
  - Senior Vice Presidents of JT corporate functions

Mid-to long-term sustainability issues

In 2024, geopolitical instability and conflicts continued in various parts of the world. It was also a year of elections as we witnessed changes in governments in the United States and the United Kingdom, as well as a cabinet reshuffle in Japan where the JT Group has its head office. This instability will likely continue in 2025, and we may feel the impact of policy shifts from changes in governments in key countries. Nevertheless, our approach and stance on sustainability remains unchanged: As nature, society and people's lives are intertwined, sustaining our ways of living, and the activities of businesses, will depend on the sustainability of the environment and society in which we exist.

Looking ahead, we are proactively addressing challenges for the medium to long term. Through our sustainability initiatives, we handle various data and information which are often referred to as "non-financial information". Some non-financial information is needed for disclosure purposes. But I believe there are other non-financial information and data that could be utilized to add and create new value, if we could make good use of them. We are working on establishing a non-financial data management system that could lead to the realization of our Purpose of "Fulfilling Moments, Enriching Life".

Sustainability disclosure regulations will be in force in many countries in the future. Large-scale global companies with offices in Europe are preparing for their first CSRD reporting. Our Group, with our tobacco business headquarters in Europe, is also preparing to comply with CSRD reporting requirements. The implementation of CSRD has been postponed and there are still some uncertainties. Nevertheless, in Japan, the Sustainability Standards Board of Japan (SSBJ) has issued a sustainability disclosure standard that is going to be adopted in the near future. As we are required to communicate both qualitative and quantitative sustainability information, it is vital that we can collect, manage and disclose accurate, high-quality data.

I am personally interested in how we use various capitals and what we give back in relation to the society and the natural environment our business operates in. I am interested in how these activities are interconnected, whether we can identify these connections in a broader sense. Companies, including the JT Group, use resources from the surrounding environment as well as resources from our society thereby drawing upon human, social and natural capital. We make use of these capitals and in doing so add some kind of value. Eventually these are provided back to the environment or to society. I believe that sustainability is about maintaining or circulating this cycle as a positive system. My aim is to build a clear picture of this cycle and, if possible, quantify the flow of capital. This would enable us to look at various initiatives and challenges from a different perspective especially where an activity may have been considered simply as a cost burden but in fact leads to value creation. This exercise therefore has the potential to transform our decision-making. It would be difficult for us to drive this on our own, so we would like to collaborate and work with partner companies that have expertise and knowledge in this area.

While responding swiftly and flexibly to changes in the business environment, we will continue to duly face the challenges ahead to realize our Purpose of "Fulfilling Moments, Enriching Life." We will do so through co-creation with our partner companies and stakeholders.

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Hiromasa Furukawa
Senior Vice President,
Chief Financial Officer

JT Group's strong financial base and strategy

Backed by a financial policy of maintaining a strong financial base, the JT Group has achieved sustainable growth over many years. While remaining committed to this financial policy, the Group is striving to further enhance business performance moving forward with business investment mindful of capital costs. At the same time, continuing to enhance the quality and transparency of our management through expanded information disclosure and dialogue with shareholders and other investors is essential to meeting the expectations of capital markets. Through these initiatives, we seek to improve corporate value and will take steps toward fulfilling the JT Group Purpose.

Strong financial base and stable funding

To make sustainable growth possible, the Group has set maintaining a strong financial base anchored by resilience and flexibility as its financial policy. "Resilience" means the ability to maintain business despite the emergence of significant risks, such as an economic crisis. "Flexibility" mainly means responding in an agile manner to attractive investment opportunities.

Furthermore, pursuant to the Japan Tobacco Inc. Act, the Japanese government must always own at least one-third of our total issued shares, and the Minister of Finance must approve any offerings of newly issued subscription rights to shares for funding. Consequently, debt finance is our basic stance with respect to raising funds. From the standpoint of maintaining financial soundness and secureness, we seek primarily to control interest rate volatility risk and retain liquidity, and move to make debt and liabilities long term. Accordingly, the weighted average for our remaining years of debt is over six years (as of December 31, 2024) and the long-term debt ratio is over 90% (as of April 30, 2025), delivering a debt composition that is capable of withstanding abrupt changes in the financial markets.

In addition, we are constantly working to diversify funding methods in order to improve funding stability. Over the past several years, this has led us to enter into subordinated loans, issue subordinated debt, and introduce a green loan facility.

Green loan facility utilization

We are aiming to be carbon neutral in the Group's own operations by 2030 and to achieve Net-Zero Greenhouse Gas (GHG) emissions across our entire value chain by 2050.

The Group's commitment to sustainability is reflected in our dedicated green loan, which was established in 2023 to fund initiatives to reduce carbon emissions. We have utilized the loan to fund installation of solar panels in Poland and Türkiye, and use of biomass fuel in Malawi. Several new projects are in development and are set for rollouts in 2025.

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Cash flow management

Improved capital efficiency and business investments for realizing medium- to long-term sustainable profit growth are indispensable to maximizing corporate value. Cash flow management is vital to making these possible. And while the highest priority is placed on improving our cash creation capabilities via top-line growth in our businesses, we are working to optimize cash flow (CF) through a variety of initiatives.

The JT Group has operations globally, leading to a structure in which CF from these businesses is particularly susceptible to exchange rate volatility. Thus, to the extent possible, we use exchange forwards and other derivatives as hedges to mitigate the impact of sudden exchange rate volatility on CF in the short term. Nevertheless, when it comes to derivatives for addressing currencies in some emerging markets and long-term exchange rate changes, there are issues in cases in which hedging itself is not possible, or where the economic rationale is lacking.

In response to such issues, along with geographic and currency diversification in our businesses, we are also promoting natural hedges, pairing revenues and payments in the same currency whenever possible, as measures to strengthen resilience against exchange rate volatility across the Group. As a result of acquiring U.S.-based Vector Group Ltd. (Vector), completed last October, we have been able to raise the proportion of hard currency making up revenue and CF within the Group higher than before, which is helping bolster our ability to withstand exchange rate movements.

Further, from the standpoint of the connection between commodity prices and exchange rate changes, price revisions are another response to inflation. Of course, price revisions will be carried out after careful consideration of market environments, but we think they could also be a useful measure in responding to exchange rate fluctuations.

Beyond these, we are also seeking to optimize working capital through ongoing improvement of the cash conversion cycle, including through the rightsizing of inventory stock levels, and by reviewing cash receipt and payment terms through such measures as the liquidation of receivables and supplier financing.

Business investments for sustainable profit growth and shareholder returns

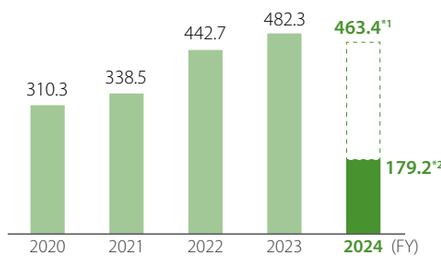
The JT Group's resource allocation policy, based on the 4S model and the JT Group Purpose, gives top priority to business investments, particularly in the tobacco business, that will lead to sustainable profit growth over the medium to long term. And our emphasis on striking a balance between profit growth through business investment and shareholder returns remains unchanged.

As a business investment, we continue to prioritize investment in Reduced-Risk Products (RRP) in the tobacco business, notably heated tobacco sticks (HTS). In our current business plan spanning fiscal year 2025 to 2027, plans call for large-scale strategic investment totaling 650.0 billion yen, centered mainly on marketing activities. In combustibles, the source for supporting RRP growth, our aim is to improve ROI through pricing and market share gain, as well as measures toward cost optimization.

In terms of shareholder returns, our focus remains mainly on dividends, and we continue to target a payout ratio of 75%*, a competitive level in the capital markets. By growing adjusted operating profit (AOP) at constant currency—the Group's key performance indicator—through business investment, we believe this will result in medium- to long-term growth in net profit and in turn lead to further improvement in shareholder returns.

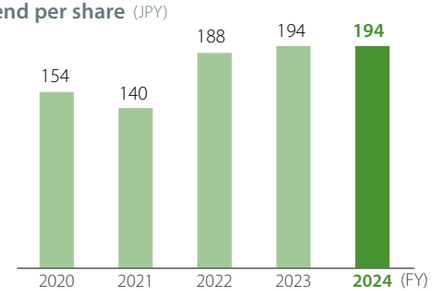
* Within a margin of ±5%

Profit attributable to owners of the parent company (JPY BN)



*1 Excluding a provision for litigation losses
*2 Including a provision for litigation losses

Dividend per share (JPY)



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Improving profitability of capital

In drawing up a business plan, we calculate and examine our capital costs and report them to the Board of Directors. We check and confirm that our return on equity is well above capital costs. We set up a hurdle rate, taking into account country risks and inflation risks in our operating markets and use it as our baseline for profitability. By maintaining that discipline, we ensure our ROE is always above capital costs.

Furthermore, based on an approach that emphasizes sustainable profit growth into the future over the pursuit of short-term profit, we, as stated earlier, use AOP at constant currency as the Group's key performance indicator, excluding the effects of amortization of intangible assets from M&A activities in prior fiscal years and the impact of major swings in exchange rates due to transient factors. Through mid-to-high single-digit growth in AOP at constant currency over the medium to long term, we are aiming ultimately to achieve net profit growth.

We intend to pursue sustainable improvement in ROE through extensive investment discipline and profit management from a medium- to long-term perspective.

Improving our financial performance

Improving our financial performance is critical to leveraging capital gained to date to further accumulate profits from business activities into a solid financial base.

Throughout 2024, we saw an adverse business environment characterized by more acute geopolitical risks, rising supply chain costs, and exchange rate volatility. Despite this climate, we achieved record-high performance in both revenue and AOP on a reported basis.

Our key performance indicator, AOP at constant currency, rose 7.5% year on year. In addition to pricing contributions in the tobacco business throughout the year, performance benefited from the inclusion of business results for the three months following the acquisition of Vector, leading to profit growth that surpassed investments to strengthen Ploom, higher supply chain costs due to inflation, and an increase in personnel and other indirect costs.

Revenue and AOP on a reported basis rose by 10.9% and 3.3%, respectively, year on year, atop contributions from higher revenue in the processed food business, in addition to tobacco business momentum.

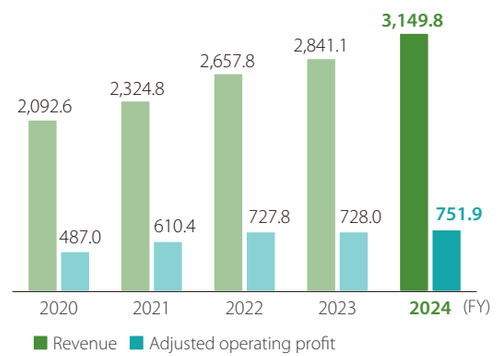
Meanwhile, a settlement has been reached through mediation for all pending tobacco-related claims, including all smoking and health lawsuits in Canada brought against the JT Group's local subsidiary. Accordingly, we posted 375.6 billion yen to a provision for litigation losses for settlement payment, which caused a significant decline in both operating profit and net profit year on year. Excluding the impact of this provision, operating profit and net profit rose 3.7% and declined 3.9%, respectively, from the previous fiscal year.

Free cash flow was 170.5 billion yen, a year-on-year decline of 273.2 billion yen, due to payment for the acquisition of Vector.

As a performance forecast under the current business plan (2025-2027), we are projecting high single-digit growth in AOP at constant currency, lifted by the continued contribution of pricing in combustibles, RRP development and contributions from the acquisition of Vector. These factors will likely overcome the effects of investments focused on HTS to strengthen RRP.

Visit WEB for Details Click Here **Financial data**

Revenue and adjusted operating profit (JPY BN)



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Stakeholder communication

Improvements in financial performance, along with enhancing the quality and transparency of our management through proactive dialogue with capital markets, are critical to improving corporate value. As part of this, we are focusing on market evaluation. Comparing our total shareholder returns (TSR) with the Tokyo Stock Price Index (TOPIX) shows that we have trailed the TOPIX over the long term, but thanks to profit growth and higher dividends, we have outperformed it compared to the end of 2019.

We believe that continuous profit growth is important for the medium- and long-term stability of our share price and we aim to build corporate value through its achievement. We also believe that improving investor understanding of the Group through enhanced information disclosure will lead to an increase in TSR.

Total shareholder returns

	2020	2021	2022	2023	2024
JT	92.7%	107.6%	129.2%	177.6%	**203.5%**
TOPIX	107.4%	121.1%	118.1%	151.5%	**182.5%**

Note: Baselines for all percentages are a share price and actual performance as of the end of December 2019.

▸ Please see Stock information (P. 95) for a long-term comparison of trends in TSR.

We appropriately disclose timely information, not only financial information including business performance, but also non-financial information such as business strategy, information related to ESG factors and the status of each business segment. We also proactively engage in dialogue with our shareholders and other investors, with sights on promoting a deeper understanding of the JT Group. We hold meetings with securities analysts and institutional investors in and outside of Japan regarding the details of recently announced financial results and other disclosures, as well as one-on-one meetings regarding ESG matters, earnings briefings for individual investors, and dialogue with bond investors. Beyond these, we also host investor-focused events and create opportunities for dialogue between Outside Directors and investors.

In 2024, we held approximately 480 individual meetings and also took part in conferences hosted by securities houses. The CEO, Executive Vice President in charge of finance and myself attended some of these events and received a host of feedback mainly related to our RRP business performance, medium- to long-term strategy, particularly our future business portfolio vision, and evaluations of our Integrated Report. We leverage feedback from investors to improve and review our initiatives and we will continue to pursue active dialogue with investors so that they can understand the Group's performance and initiatives.

Toward improved corporate value

On the road to realizing further improvement in corporate value, we must achieve steady business growth despite a highly uncertain business environment.

Particularly in the tobacco business, we must address the global economic impact of increasingly stark geopolitical risk, hyperinflation in some markets of our EMA cluster, changing macroeconomic trends and tightening regulations. Adding to this, with interest in ESG investment rising in recent years, and given the coming codification of laws governing the disclosure of sustainability information, high-quality communication with stakeholders is another clear demand.

In order to enhance corporate value, my mission as the CFO is to propose and execute the financial and capital strategies that will help achieve and embody the JT Group Purpose of "Fulfilling Moments, Enriching Life." As our society itself and the business environment undergo massive change, I am tasked with retaining and enhancing a financial base that makes it possible to respond to business opportunities and various risks flexibly, while maintaining the strength we have cultivated through to today and our financial discipline.

We also remain committed to communicating our progress and achievement to capital markets via dialogue with stakeholders, so that our corporate value is well understood.

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Dialogue with investors in 2024

Number of meetings	• About 480
Meeting participants	• Wide range of equity and debt investors, both active and passive, in Japan and abroad • Respondents with various roles including analysts, fund managers, ESG managers, and personnel with voting privileges
Meeting formats	• One-on-one meetings mainly online, as well as participation in conferences hosted by securities houses
JT personnel responsible	• CEO, Executive Vice President in charge of finance, CFO, Senior Vice Presidents (in charge of corporate strategy), CSO, among others
Main discussion themes	• Financial performance FY2024 results, FY2025 forecasts, profit growth outlook during Business Plan 2025 • Medium- and long-term strategies RRP business strategy and progress towards future growth, strategy for the U.S. market including acquisition of Vector, future business portfolio • Tax and regulatory situations in the tobacco business, litigation against the JT Group's Canadian subsidiary • Capital allocation policies • Environment, Social, Governance (ESG) Environment: Initiatives for climate change, biodiversity and forest preservation Social: Promoting human rights due diligence, initiatives to expand human capital, addressing issues related to smoking and health Governance: Effectiveness of the Board of Directors, DE&I (initiatives to increase the ratio of women's representation in managerial positions) • Enhancement of disclosure information through the Integrated Report, etc. • Company assessment in light of disclosure requirements of sustainability information
Internal sharing of investor opinions	• Reports to the Board of Directors three times a year • Quarterly report to Directors, Executive Officers and related divisions on status of IR efforts and investor opinions
Examples referencing investor opinions	• Enhancement of disclosure • Continued ESG-related talks • Dialogue with investors by Outside Directors

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JT Group Purpose

Fulfilling Moments, Enriching Life

We at JT Group have always been a part of moments that foster a more enriching life.

Regardless of the changing times, from advances in science and technology to diversifying values, we will continue to cherish a life that finds fulfillment in the moment.

The times we accept our true selves. The times we share the joy with loved ones, and the times we lift each other up. These strings of moments add to the beautiful days that make up a wonderful life. And we hope that these make a better society, a better world, and even a better future.

These were the times we shared over the years.
JT Group will take these fulfilling moments to the next level.
We will continue enriching lives through our businesses and endeavors with our growing customers and partners.

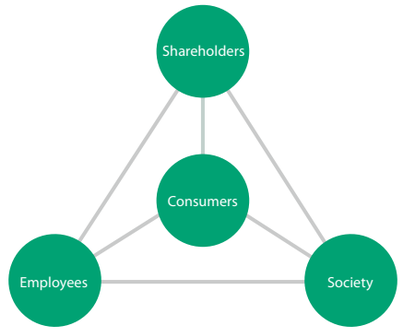
JT Group will do everything it can to make the world say that today is another good day.

Our management principle

To pursue the 4S model

Under the 4S model, we strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups and exceeding their expectations wherever we can.

By pursuing the 4S model, we aim to achieve sustainable profit growth over the medium and long terms. We firmly believe that pursuing the 4S model is the best approach to continuously grow our corporate value and serve our four stakeholder constituencies' common interests.



Consumers

We provide exceptional products and services that deliver value beyond fulfillment of diverse needs and preferences.
To keep doing so, we will upgrade our innovation capabilities by leveraging our Group's diversity.

Shareholders

We aim to enhance shareholder returns by delivering medium-and long-term profit growth, placing priority on striking a balance between profit growth through business investments and shareholder returns.

Employees

We aim to be an appealing, highly esteemed company for which our employees are proud to work. While evaluating employees fairly and transparently and supporting their personal growth, we aim to foster a corporate culture that respects and embraces diverse values.

Society

In order to fulfill our responsibility as a member of society and contribute to the sustainable development of society through our business, we will work with a wide range of stakeholders and strive to resolve various issues together.

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At a glance

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External recognition

The JT Group is a global company with, at its core, the tobacco business selling products in more than 130 markets.

The founding of Japan Tobacco Inc.
1985

Total number of JT Group companies*2
Consolidated subsidiaries 268
Companies accounted for under the equity method 53

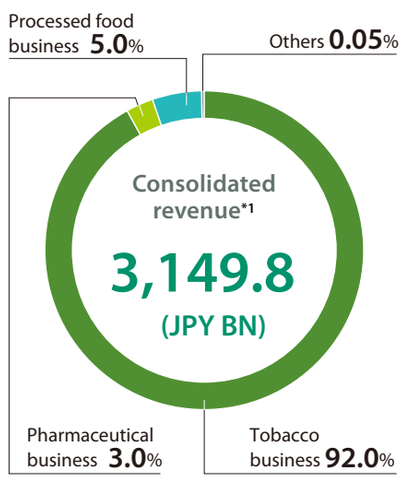
Number of employees (consolidated)*2
53,593

Number of nationalities*2
Over 100 countries

Total tobacco volume*1
552.9 billion units
(3rd place in the world*3)

R&D expenses*1
78.6 billion yen

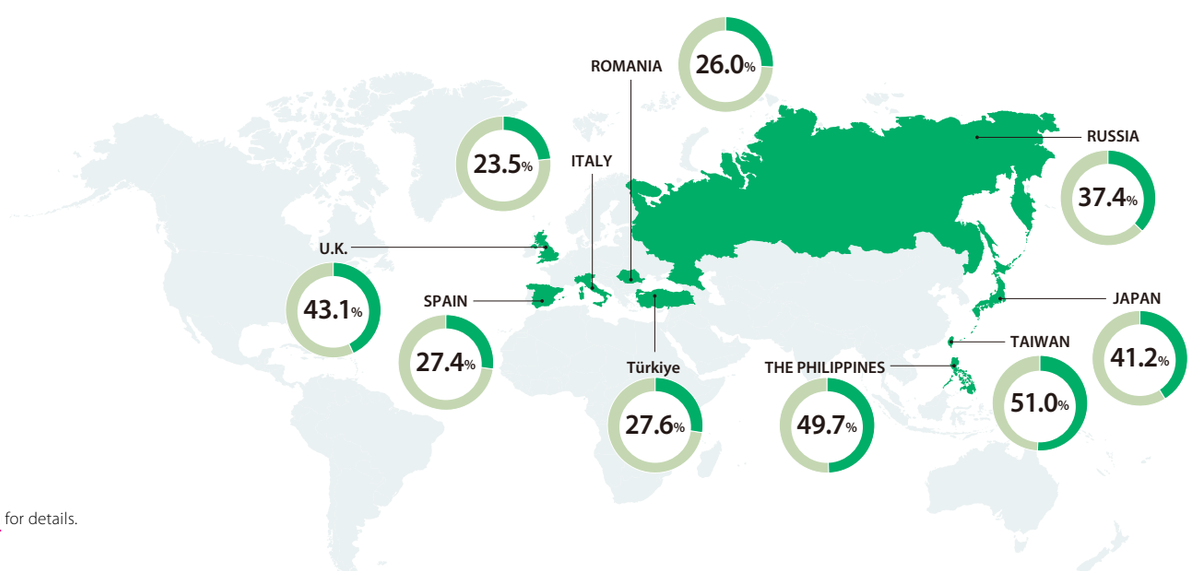
Please see Processed food business (P. 59) for details.



Please see Overview of Pharmaceutical Business (P.80) for details.

Please see Tobacco business (P. 52) for details.

Key market shares in the tobacco business*1, *4



*1 Actual results for FY2024
*2 As of the end of December 2024
*3 Excluding China National Tobacco Corporation
*4 SoM is computed based on the combustibles and heated tobacco product (HTP) industry size

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JT Group history

"Fulfilling moments," as stipulated in the JT Group Purpose, has been the value the Group cherishes as the core concept of its management since the days when JT was a government corporation. To realize the JT Group Purpose, we will work to maximize the value of the products and services provided by our existing businesses, while making forward-looking corporate efforts to create more advanced values.

Management with a focus on "fulfilling moments"

1985 Mission: "A marketing company that creates moments of pleasure"

1994 Management principle: "Pursue the 4S model"

1996 JT Management Vision '96:
A new concept "delight," encompassing moments of discovery, surprise and joy in a wide range of encounters.

2002 JT branding statement:
Offering our stakeholders the unique added value of irreplaceable delight, surprise and joy through our entire operation. In following through on this promise, we work to be irreplaceable to society at large.

2023 JT Group Purpose:
"Fulfilling Moments, Enriching Life"

Fulfilling Moments, Enriching Life

A system capable of providing diverse values

1985 The founding of Japan Tobacco Inc.
JT establishes our pharmaceutical and processed food businesses

1994 JT joins the Tokyo Stock Exchange

1998 JT acquires majority stake in Torii Pharmaceutical Co., Ltd.

1999 JT acquires the non-U.S. tobacco business of RJR Nabisco Inc.

2007 JT acquires Gallaher Group Plc (U.K.)

2008 JT acquires majority stake in Katokichi Co., Ltd. (currently TableMark Co., Ltd.) and Fuji Foods Corporation

2016 JT acquires the non-U.S. tobacco business of Natural American Spirit

2020 JT launches the corporate R&D organization D-LAB

2022 JT unifies the tobacco business infrastructure as One Team

2024 JT acquires the Vector Group Ltd.

Value creation through our products and services

1981 MILD SEVEN goes on sale overseas

1999 JT acquires the global brands Winston and Camel

2007 JT acquires the global brand LD

2013 A new name for Mild Seven: MEVIUS

2016 JT introduces Ploom TECH (infused tobacco capsules)

2020 JT introduces "ENAROY®" Tablet and "CORECTIM®" Ointment

2021 JT introduces Ploom X heated tobacco sticks (HTS)

2023 TableMark begins online sales for BEYOND FREE

Expansion of markets for Ploom X

2024 TableMark's frozen udon noodles were recognized by the Guinness World Records™* as the top-selling frozen noodle product in the world

* • Record name: Largest frozen noodle brand - current • Products covered: Frozen noodles (excluding pasta)
• Basis of certification: verified by a third-party research firm • Period covered: January-December 2024

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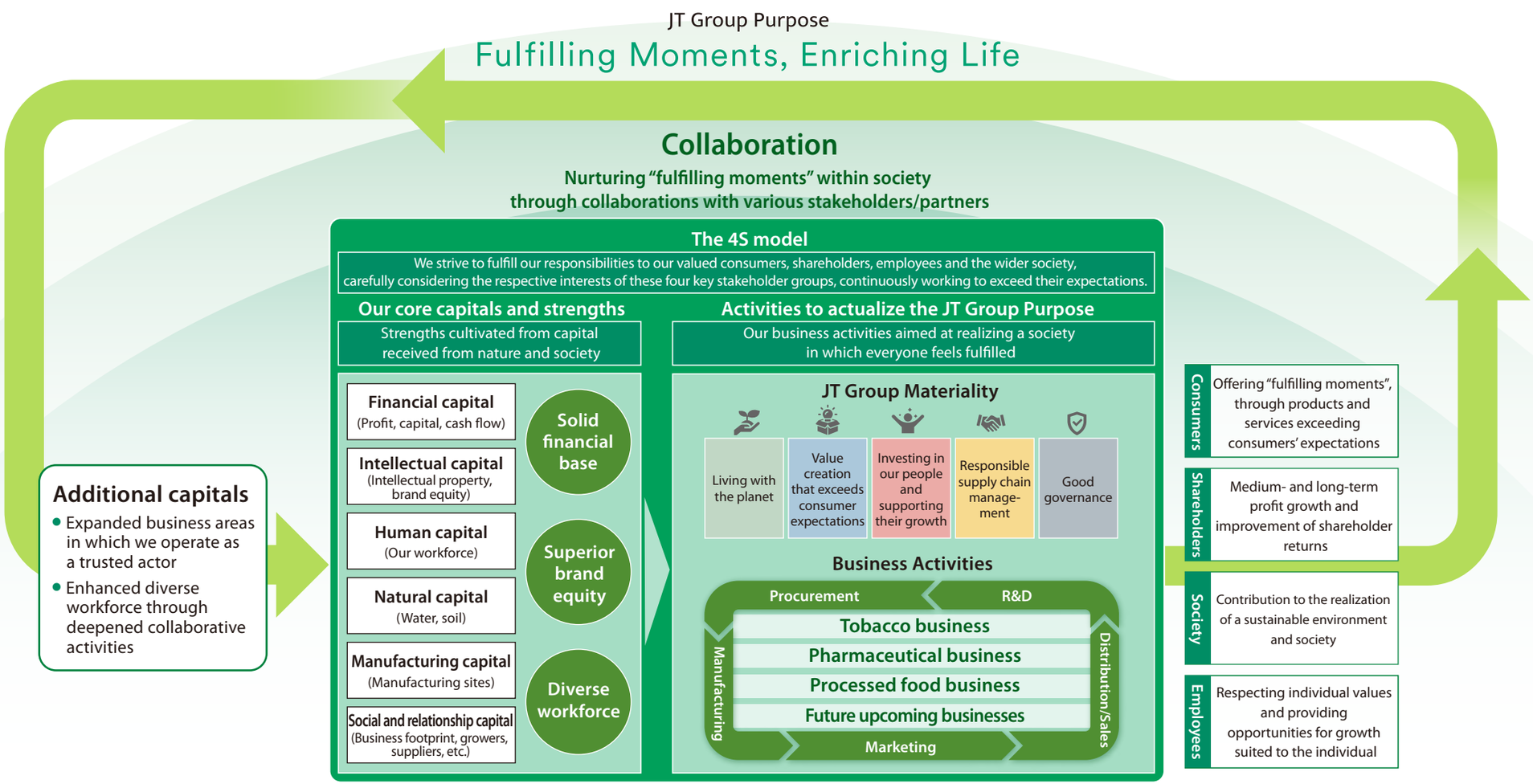
Value creation process

The JT Group will aim to realize the JT Group Purpose in accordance with the 4S model, based on the belief that people's lives and corporate activities can only be sustainable if the natural environment and society are sustainable.

- Leveraging the JT Group's strengths that we have built from the capital derived from nature and society, we will create new value through our business activities by pursuing the JT Group Materiality.
- By working together with various stakeholders and partners to create such value, we will contribute to the creation of a society in which each individual can experience more "fulfilling moments".
- Harnessing the new capital gained from this process to promote further value creation, the JT Group will grow sustainably together with nature and society.



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Source of value creation: Six capitals

The JT Group provides value to its stakeholders through its business activities by harnessing the various types of capital derived from nature and society. The JT Group believes that capital is cyclical, and uses the new capital created through co-creation between the JT Group and society to generate additional value. The capital accumulated through this process forms the strength of the JT Group.

Financial capital

Reinforce a strong financial foundation that is distinguished by both resiliency and flexibility

We will maintain a strong financial base that is both resilient enough to continue business in the event of a major risk, such as an economic crisis, and adaptable enough to respond flexibly to attractive investment opportunities.

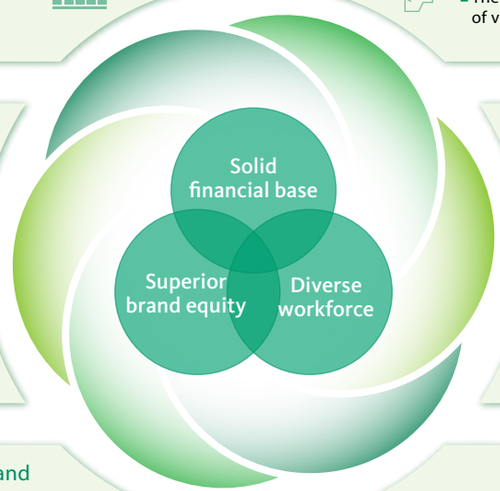
- Adjusted operating profit: **751.9** billion yen
- Total equity: **3,848.7** billion yen
- Free cash flow: **170.5** billion yen

Intellectual capital

Further strengthen the value added by intellectual capital

We believe the brand equity we have developed in the tobacco business and the high level of R&D in each of our businesses are the source of the Group's long-term competitiveness and business growth, and we will further strengthen the added value (competitive advantage) that our intellectual capital brings to the Group.

- R&D expenditures: **78.6** billion yen
- The JT Group owns **2** of the top 10 brands of combustibles in terms of global share of volume



Human capital

Empower our people to realize fulfilling moments for society

We recognize that all efforts to fulfill the JT Group Purpose begin with each and every employee, and we focus on expanding and cultivating our human capital by enhancing our HR initiatives to bring our human best.

- Number of nationalities represented in workforce: More than **100** countries
- Ratio of female managers: **24.9**%

Natural capital

Achieve both sustainable growth of the JT Group and a sustainable society

We believe the JT Group's efforts to mitigate the environmental impact of not only its own global operations but also that throughout its value chain are necessary for the Company's sustainable growth, and we see this as an important responsibility to fulfill in order to realize a sustainable society.

- Water withdrawal: **8,534** thousand m³
- Soil resources on directly contracted growers

Manufacturing capital

Maintain a global manufacturing structure that enables efficient and timely product supply

To be able to supply safe products to the market in an efficient and timely manner, we will carry out aggressive capital investment to maintain and improve the optimized global manufacturing system we have established and the manufacturing facilities that ensure high quality and productivity.

- Capital investment: **150.7** billion yen
- Number of tobacco manufacturing sites: **38** plants (in **27** countries)
- Number of processed food production sites: **23** plants*

* ISO 22000 or FSSC 22000 certified except for one plant that started operation in FY2020

Social and relationship capital

Build trust with stakeholders

Recognizing that collaboration with stakeholders is essential for the JT Group to achieve sustainable growth, we aim to be a company that continues to exist within society by forging an extensive collaborative network based on relationships of trust developed through ongoing communication.

- Number of countries and regions where JT products are sold: More than **130**
- Number of directly contracted leaf tobacco farmers: More than **69,000**
- Number of shareholders: **948,772**

(FY2024 or December 31, 2024)

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Source of value creation: Six capitals

Intellectual capital

The JT Group's perception of intellectual capital

The JT Group regards R&D capabilities in each of its businesses as the source of our long-term competitiveness and business growth, and considers such competencies to be important management assets that are indispensable for realizing the JT Group Purpose of "Fulfilling Moments, Enriching Life."

Based on this recognition, we are working to increase the competitiveness of our products and services by leveraging our strong brand equity, founded on the high quality and innovative features of our products in addition to our robust R&D capabilities.

Moreover, for intellectual property derived from our R&D activities, a dedicated division has been established for each business to protect and utilize such assets in accordance with the environment and strategies of each business. Furthermore, we respect the intellectual property rights of other companies by taking thorough risk management measures to ensure that our products do not infringe on the rights of third parties. At the same time, we take strict measures against any imitation of our products or infringement of our intellectual property rights by third parties.

Tobacco business

In the tobacco business, the R&D Group has been established to advance science and technology to develop novel products that can cause a stir among consumers. It is also engaged in technological innovation and product development to realize a society where both smokers and non-smokers can live together amiably.

In recent years, we have focused on R&D in the Reduced-Risk Products (RRP) category, which we see as a pillar that will drive future business growth, and are conducting R&D in multiple areas, such as RRP devices, tobacco raw materials, taste and flavor, and consumer preferences, as well as undertaking co-creation with R&D group members at our various bases around the world. In addition, to strengthen our patent portfolio in the RRP category, we are actively filing applications globally and obtaining patent rights, focusing on elemental technologies for our own RRP and proprietary technologies. As for the intellectual property management system of the tobacco business, the divisions in charge of intellectual property cooperate globally to address the needs of the business.

We have a full lineup of highly competitive brands, including 2 of the top 10 brands of combustibles in terms of global share of sales volume. To further bolster our brand value, we will strengthen our technological capabilities and brand equity that we have cultivated over the years, and focus on developing products that meet the changing needs of consumers in a timely and flexible manner.

Pharmaceutical business

In the pharmaceutical business, we are developing innovative drugs that address true unmet medical needs from the patient's standpoint by getting to the root of the disease, with the goal of delivering original new drugs to patients around the world who are suffering from diseases sooner than ever before.

In addition to in-house research and development centered on JT's Central Pharmaceutical Research Institute, we are promoting collaboration and networking with external research institutions, and are engaged in overseas research and clinical development based on Akros Pharma Inc.

in the United States. Among our innovative new drugs developed to date are elvitegravir, an HIV integrase inhibitor, which is one of the active ingredients in the anti-HIV drug Genvoya, and trametinib, the active ingredient in the world's first MEK inhibitor Mekinist, a treatment for melanoma.

Processed food business

In the processed food business, we hold several brands that have long been enjoyed by consumers, including frozen udon noodles, which have a 51-year history, packed cooked rice, oyster sauce, and *tsukune* skewers. Recognizing that these brands are important assets to embody our Business Purpose of "Bring Joy to Meals and Fun to the Table," we are leveraging our brand equity for cultivating new brands such as BEYOND FREE.

In addition, advanced technologies are required to mass-produce delicious processed foods safely and with high quality. For example, distinctive technologies include processing technologies to reproduce artisanal techniques and technologies to ferment and cultivate micro-organisms with high efficiency. The Food Research Institute, established in 2022, manages intellectual property in a comprehensive manner, incorporating unique intellectual property and know-how into the value chain, and strategically utilizing it in research and development for both risk management and new value creation.

We will continue to position our intellectual capital, including our brand and intellectual property, as important assets for our business as a source of medium- to long-term value creation, and we will continue to take on the challenge of creating new value.

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Creating value through intellectual capital

We interviewed supervisors on the front lines of business to find out how the JT Group provides consumers with value, leveraging the intellectual capital it has accumulated in the Reduced-Risk Products (RRP) category.



Manabu Yamada
Global Tobacco Business R&D-JPN RRPDC
Vice President (as of the end of March 2025*1)

Taishi Muratani
Global Tobacco Business Marketing
RRP Product & Brand
Ploom Brand Director

Q What does your business consist of today?

Yamada At the RRP Development Center (RRPDC), we design and develop RRP devices as one of the departments responsible for JT Group R&D. For example, Ploom X is made up of a number of different parts, including an outer shell, internal structural components, a heating engine, electrical circuits, firmware, communication technology and a smartphone app, with specialists in each area conducting development in collaboration with one another. Even after the launch of the product, we continuously conduct product maintenance based on feedback from market and manufacturing departments.

Muratani We, the Marketing RRP Product & Brand team, while considering the needs of consumers*2 in Japan, mainly develop product and communication strategies for the JT Group's heated tobacco products (HTP), such as Ploom and WITH, and deliver the products to consumers.

Specifically, in collaboration with the responsible departments of JTI in Switzerland, the headquarters of our tobacco business, we work to strengthen the equity of the HTP brands. That is to say, we develop products and brand communications that enhance brand value.

Q What have been particular points of focus or difficulty regarding heated tobacco sticks (HTS) product development and cultivating brand equity for Ploom?

Yamada Our initial HTS product development basically started from nothing in terms of talent and processes for electronic device design. Even the development of taste and aroma for sticks is completely different from that of combustibles. For this reason, we started with technical analysis of competitors' products, and developed our technology through trial and error, strengthening organizational capacity and improving operational processes. Through repeated product upgrades we have arrived where we are today, and Ploom AURA, our new device launched in late May 2025, has become the fourth generation under this brand.



Ploom AURA JET BLACK

From new product development to post-launch maintenance, it is essential to collaborate with a wide range of relevant parties both in-house and outside, spanning countries and regions and including various departments within R&D, the tobacco business headquarters in Switzerland, procurement and quality assurance departments, and even suppliers who are our business partners. To swiftly advance projects with close collaboration among relevant functions, communication is predominately in English. Since more than half of the members at RRPDC have been transferred from electronics-related companies in Japan, they seem to be quite surprised at first with English-based communication.

Muratani The most challenging point in cultivating the brand equity of Ploom in Japan was improving consumers' perception of the brand. We launched full-fledged sales of Ploom in 2016 as a low-temperature HTP called Ploom TECH discontinued after December 2023. While consumers liked the lighter fragrance, many of them, particularly those who enjoy cigarettes, opined that the taste experience was not satisfying enough. The impression that Ploom was a brand that lacked satisfaction in regard to taste experience had taken root among consumers from that point.

To overcome this, we improved the taste experience and launched Ploom X in 2021, our first global model with the aim of introducing it to various markets around the world. In Japan, we focused

*1 R&D Principal Scientist Vice President from April 2025
*2 Adult consumers: Minimum legal age for smoking varies in accordance with the legislation in each country; in Japan, smoking is not permitted for those under 20 years of age

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again on the great needs of consumers for taste experience. In order to meet and satisfy their expectations, we rolled out Ploom X with an evolved taste experience, along with communications focused on this advancement. As a result, we have dispelled the consumer perception that the Ploom brand lacks taste experience, and now more than 1.6 million consumers use Ploom products. To further accelerate this momentum, as Mr. Yamada mentioned, we have launched our new device, Ploom AURA, the first fully renewed model in about four years since 2021.



Q Can you tell us what it means to be distinctively JT and discerning when it comes to HTS product development and cultivating the Ploom brand?

Yamada For our new device, Ploom AURA, along with an advanced new stick, we significantly redesigned the heating engine structure. At the same time, we built upon and evolved the sleek form of Ploom X, culminating in a slim design.

We believe that the core of cultivating the Ploom brand is its "flavor." For this new device, we have upgraded the heat control technology through countless prototypes with the stick development team to maximize the "flavor" of the new stick. From this trial and error process, we have introduced four heating profiles. Consumers can choose their preferred flavor from various combinations of flavors and heating modes and enjoy it.

Additionally, the asymmetric design of Ploom X, consisting entirely of curved surfaces and lines, is a unique feature of our product. In general, straight lines and flat surfaces are desired in the design and manufacture of electronic devices. Despite this, RRPDC engineers put the utmost care into our elegant and slimmer new device, and succeeded in redesigning virtually every component. The range of color variations, built on high-quality color combinations and half-mirror technology (allowing light to pass through only when the LED is lit), help the design stand out and reflect JT's commitment to quality.

As the technology of electronic devices and HTS is rapidly evolving, we at RRPDC are also seeking to develop our technology on a daily basis, incorporating new knowledge and technology. We will continuously create products with "JT qualities" from a consumer-centric viewpoint, so that more consumers can enjoy our products.

Muratani Where Ploom AURA is concerned, another appealing point is the upgrade to app connectivity, which, as Mr. Yamada commented, is linked to the ability to choose heating modes. This spec is one that allows the consumer to select the heating mode using an app, and is expected to improve the experience for consumers. As I mentioned before, "flavor" is the appeal of the Ploom brand that we are focused on most today. With Ploom AURA, we will further emphasize improving taste experience as a key point of appeal, and communicate the evolution of taste experience, design, and experience to consumers.

RRPDC and all the JT Group's efforts have been concentrated in delivering Ploom AURA to consumers. We are committed to further enhancing the value of the Ploom brand in Japan by sharing the benefits of Ploom AURA with a wide range of consumers.

Q In closing, please share your aspirations and thoughts for realizing the JT Group Purpose. What message would you like to leave with consumers and other stakeholders?

Muratani I think the work of branding is to highlight differentiation. I want to exaggerate our differences from others, as well as reach consumers who have yet to experience Ploom products for themselves. Our mission is to share with them a whole new way of enjoying tobacco through the Ploom brand.

In the Ploom brand, we have cherished the notion of "Pleasure: Providing and extending consumers' pleasurable experiences." We believe that with this approach, enhancing consumer satisfaction through the value and experience the Ploom brand offers is also tied to the JT Group Purpose of "Fulfilling Moments, Enriching Life."

Yamada We at RRPDC contribute to making the JT Group Purpose a reality through the development of RRP devices, together with our diverse members from around the world. We would be very happy if Ploom AURA, our new product encapsulating our desire and cutting-edge technology, adds in even some small way to "fulfilling moments" for consumers.



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Source of value creation: Six capitals

Human capital

Human capital in the JT Group

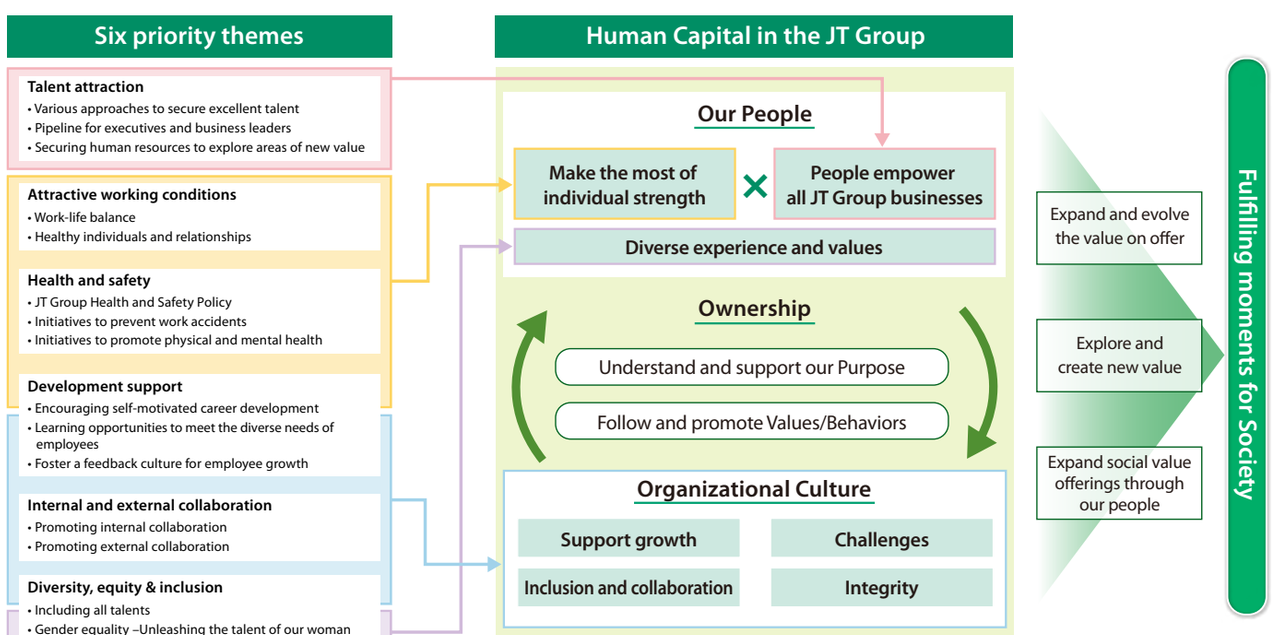
In the midst of an era of discontinuous changes in society and the business environment, we redefined and announced the JT Group Purpose "Fulfilling Moments, Enriching Life" in 2023. The Purpose indicates the direction in which we are working to ensure the sustainability of society and the JT Group.

All efforts to fulfill the Purpose begin with each and every JT Group employee, and we recognize that they will be more important than ever to our success.

Based on this understanding, we continue to apply the principles of the JT Group Human Resource Management Philosophy as our basic approach to human capital. In defining human capital, we look at it from three angles: Our People who generate corporate activity; an Organizational Culture that encourages better corporate decisions and activities; and Ownership, which facilitates a beneficial cycle between our people and organizational culture. In addition, we have set six priority themes to steadily expand and cultivate our human capital. We regularly monitor indicators to track the progress and impacts of initiatives under each theme, while also enhancing our HR initiatives. Furthermore, we conduct an annual JT Group engagement survey* to ascertain the status of the Group as a whole and to verify and improve our initiatives.

JT Group employees will contribute to the creation of a society in which everyone can experience fulfilling moments by expanding and evolving the value we provide, exploring and creating new value, and being active as members of society beyond the boundaries of our business and organizations.

* The survey is conducted at JT and its major subsidiaries, including the global tobacco business. In the FY2024 survey, both the participation rate of 94% (+2%) and the Employee Satisfaction (eSat) score of 78 (+1) improved from the previous survey.



Please see Investing in our people and supporting their growth (P. 35) for more details on six priority themes for human capital growth.

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Our people

Diversity forms the foundation of a company's success and contributes to real sustainable growth. We try to bring our human best, which in turn empowers all Group businesses.

We are putting special effort into strategic hiring and development support for people who contribute to the growth and optimization of our existing businesses, who develop new businesses to meet the ever-changing consumer sense of fulfilling moments, and who lead the businesses and management of the Group.

To remain a company of choice for a diverse range of people, we prioritize the mental and physical health and safety of our employees with a "people come first" approach. In addition, we offer various programs to ensure work-life balance and career paths suitable for all life stages to help them work happily in JT Group workplaces.

Organizational culture

Our organizational culture, which is an expression of shared corporate values, is important for helping people from diverse backgrounds work together and steer corporate activities as members of the JT Group. We believe it is important to cultivate shared values that are deeply rooted throughout the organization and become the standards for decision-making and business practices as we continue to create unique value.

We have been building a corporate culture that encourages integrity, based on a highly tuned ethical sense and mutual assistance among employees for personal growth. While continuing to cherish this cultural tradition, we support employees in rising to new challenges and promoting collaboration within the Group and with external parties, so we can offer "fulfilling moments" despite the ever-diversifying values of society, and foster an organizational culture unique to the JT Group and the times.

Ownership

To help our diverse people make the most of their potentials and create value unique to the Group, it is important for each employee to take ownership in order to enable a mutually beneficial cycle between our people and the organizational culture.

To assure this, it is essential that each employee understands and supports the JT Group Purpose, takes ownership of the Group's priority values and desired actions, puts them into practice and helps promote them through their own initiative.

We have formulated Values/Behaviors as guidelines on how JT Group employees should conduct themselves, and we not only encourage each and every employee to live in these actions, but we have also introduced an appraisal system that regularly reviews employees' actual actions.

Our message

The JT Group has continued to grow while cherishing the fundamental belief that people are essential to all corporate activities — "people come first." This people-centric mindset is the foundation of our efforts to realize the JT Group Purpose, which is embodied in the definition of human capital.

What makes the JT Group's human capital unique is our strong recognition of Organizational Culture — one of our human capital elements — as a vital factor that evolves along with Our People. Building on the values we have long cherished, such as Integrity and Support growth, we are committed to further fostering a culture of Challenges, Inclusion and collaboration. In this way, we aim to keep moving forward, even as society and the business environment change.

To further accelerate the JT Group's growth, we have been securing people who explore areas of new value. We are actively promoting career development within the organization through initiatives such as career roundtables and internal internship programs, while also proactively seeking external talent.

By supporting the growth of each and every employee, we will continue to open up the future of the JT Group and move steadily toward fulfilling our Purpose.



Teruaki Nakashima
Senior Manager,
Human Resources Division,
Strategy Planning

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Use of capitals in the value chain

Three strengths cultivated through the accumulation of capitals



The JT Group's capitals are employed and accumulated at each stage of the value chain, and the accumulated capitals are further used for increasing the added value of the entire Group. We also continuously engage in activities to ensure that this cycle is sustainable. Within these, our human capital and financial capital underpin and drive all activities throughout the value chain, and their abundance is the foundation of the JT Group's growth.

	R&D	Procurement	Manufacturing	Marketing	Distribution/Sales
Accumulated capitals	• Development of new technologies and products that meet consumer needs and preferences at the R&D sites of each business, along with continuous accumulation of intellectual capital	• Optimization of supply through long-term relationship building with tobacco leaf growers, dealers, and various suppliers over many years (social and relationship capital) • Realization of stable, cost-competitive procurement of high-quality ingredients (natural capital)	• Global production system (manufacturing capital) for stable manufacturing of high-quality products that meet consumer needs • Inspection program that ensures high quality standards	• Strong brand equity (intellectual capital) of product groups to support provision of products that meet consumer and patient needs • Thorough compliance with marketing-related laws, regulations, and guidelines for products provided in the tobacco and pharmaceutical businesses	• Developing sales strategies based on strong relationships with distributors, tobacconists, and medical institutions (social and relationship capital) • Building of distribution networks optimized for consumer needs and adapted to the business environment
Strengths and characteristics	● Globally integrated R&D structure with outcome-based, consumer-centric approaches ● Over 2,000 IP filings, diverse innovation partnership with third-party players ● High-level small molecule drug discovery capabilities ● Proprietary yeast-related, processing and freezing technologies	● Diversified leaf supply across vertically integrated operations and third parties, ensuring reliability regardless of weather or market fluctuations ● Advanced planning and inventory management for uninterrupted manufacturing ● Inspection and audit programs for ingredient safety	● Global footprint, state-of-the-art equipment and manufacturing processes, with industry-leading quality standards for all our products ●●● Ensuring product quality and safety in line with laws and regulations, and international standards	● Strong brand equity, notably Winston, Camel, MEVIUS and LD, supported by focused investment ● Consumers at center of our offerings: we provide freedom of choice and superior quality ● Multiple leading brands by market share in Japan	● Global sales network with tailored RTC for each market, and motivated salesforce with strong ties with trade ● Responsible sales information provision system based on guidelines ● Product proposal capabilities to meet consumer needs with a rich product lineup
Initiatives for increasing added value	● Accelerating the development of new RRP platforms ● Protecting innovation with sound IP strategy ● Improvement of R&D productivity ● Establishment of proprietary drug discovery technology ● Development of new products considering environmental impact and sustainability	● Further enhancing and adapting the RRP sourcing strategy to be more resilient and avoid disruptions ●●● Increasing emphasis on social and environmental sustainability of supply ● Continuously balancing risk mitigation and sourcing flexibility	●●● Constantly reviewing and optimizing manufacturing footprint, while improving manufacturing processes ● Expansion of RRP production capacity through continuous investment ●● Accelerating our environmental impact reduction initiatives to meet Group targets	●●● Strengthening product proposal capabilities and sales strategies through understanding of consumer and patient needs ●●● Continuous investment in brand equity across the business, notably Ploom in the tobacco business ● Continuous deployment of youth access prevention strategies ●● Expanding capabilities in areas of digital, advanced analytics and B2C	●●● Regularly evaluating new market entries and channels for profitability, while optimizing RTC based on the evolving environment ●●● Disclosure of product information on websites and product packaging ● Building stronger relationships with key distributors and tobacconists, while enhancing e-commerce capabilities in markets where nicotine and tobacco products e-commerce is legally allowed

● Tobacco business ● Pharmaceutical business ● Processed food business

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Our sustainability strategy

Outline of our sustainability strategy

JT Group Purpose

Fulfilling Moments, Enriching Life

JT Group Materiality

As nature, society, and people's lives are intertwined, sustaining our ways of living, and the activities of corporate entities, will depend on the sustainability of the environment and society in which we exist.
In realizing the JT Group Purpose, we are contributing to that sustainability through our commitment to working on the issues identified in our materiality.



Living with the Planet

Preserve a harmonious relationship between our environment, people, and corporate organizations through initiatives to improve our impact on the environment



Value Creation that Exceeds Consumer Expectations

Create diverse products and services beyond consumer expectations



Investing in our People and Supporting their Growth

Invest in people to support their development with attention to diversity, and enhance human capital by fostering a corporate culture that maximizes individuality and ability of each person



Responsible Supply Chain Management

Create a sustainable supply chain capable of withstanding sudden changes in the business environment, by tackling social issues such as respecting human rights or preservation of our environment



Good Governance

Enhance our governance by improving our stakeholder satisfaction and continue to be a trustworthy corporate entity

JT Group Sustainability Targets

25 Sustainability targets based on our materiality

In order to ensure the sustainability of our society and the business of the JT Group within it, the JT Group has created the JT Group Purpose, which sets out the direction the JT Group should take.

The Group's management principle is to pursue the 4S model. As nature, society and people's lives are intertwined, sustaining our ways of living, and the activities of businesses, will depend on the sustainability of the environment and society in which we exist. We recognize that our strive to achieve sustainability for nature, society and our Group's business within, is fundamental to the management of our Group. On this note with the JT Group Purpose as the starting point, the JT Group Materiality were identified, setting out five groups of materiality as priority material issues for the Group.

Furthermore, we have formulated the JT Group Sustainability Targets, consisting of a total of 25 items of targets and initiatives our sustainability performance. Our Board is involved in setting and managing the sustainability strategy while the targets are reviewed and assessed on a regular basis.

We are strongly committed to the sustainable growth of our society and the Group's business within it. Through our sustainability strategy, we will continue to provide value in order to realize the JT Group Purpose of "Fulfilling Moments, Enriching Life."

▸ Please visit the JT website for more information on our sustainability strategy, including materiality.

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Sustainability initiatives

Living with the planet

The JT Group recognizes the importance of preserving a healthy relationship between nature, people and business through initiatives to improve our impact on the environment. Based on this recognition, we have reviewed our environmental initiatives, considering the potential impacts of climate and nature on our business, as well as the impact that our business could have on the global ecosystem. To mitigate our potential impacts on climate and nature, we have established targets related to "Living with the planet."

Climate change

Roadmap to Net-Zero

One of our key focus areas is Greenhouse Gas (GHG) emissions reduction. We are working to be carbon neutral in our own operations by 2030 and to achieve Net-Zero GHG emissions across our entire value chain by 2050. In support of this, we have absolute emission reduction targets for 2030 and have established roadmaps as to how we will achieve those targets. We carry out annual reviews to ensure the feasibility and effectiveness of our strategy for achieving Net-Zero GHG emissions.

In 2024, we continued to increase the proportion of renewable energy that we use and are well on-track to achieve our 2030 renewable electricity target.

Visit WEB for Details Click Here Tackling climate change

Climate scenario analysis

The JT Group conducted climate scenario analyses using multiple global warming scenarios (including 1.5°C and 4°C). For these analyses, we utilized scenarios based on typical concentration pathways outlined by the Intergovernmental Panel on Climate Change (IPCC), such as Representative Concentration Pathways (RCP2.6, RCP4.5, RCP8.5). As a result of the analyses, we identified two major climate-related risks to the JT Group: carbon pricing (increased carbon taxes) and changes in farming environments due to rising average temperatures.

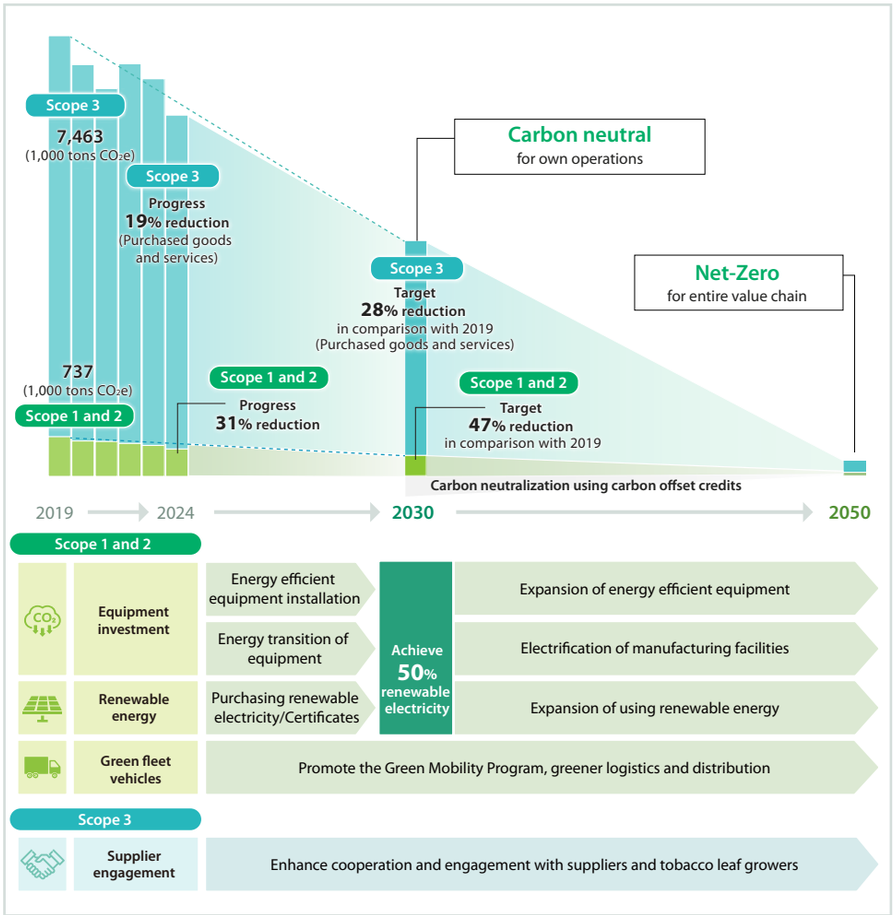
Visit WEB for Details Click Here Addressing the TCFD recommendations

External recognition: Science Based Targets (SBT)

Our GHG emissions reduction target for 2030 has been validated by the Science Based Targets initiative (SBTi), an international initiative on climate change, as 1.5°C aligned. We have applied for SBTi validation for our target to achieve Net-Zero GHG emissions across the entire value chain by 2050.

SCIENCE BASED TARGETS
DRIVING AMBITIOUS CORPORATE CLIMATE ACTION

How the JT Group plans to achieve Net-Zero



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External recognition: CDP

We were selected by the international environmental disclosure platform CDP for inclusion in its "A List" for the sixth consecutive year. The A List denotes companies with the highest evaluation for outstanding climate change initiatives. JT Group press release, February 2025

In July 2025, we were also recognized as "Supplier Engagement Leader 2024" in CDP's Supplier Engagement Assessment for the sixth consecutive year.

Biodiversity

The JT Group's business activities use raw materials from nature, such as tobacco leaf and other crops. Therefore, the sustainability of the natural environment is essential to the sustainability of our business activities. Moreover, as a leading global company, the JT Group has responsibilities to contribute to the preservation of the natural environment not only in its own operations, but also in its value chain.

Based on these considerations, one of our key targets is to conduct biodiversity impact assessments to evaluate the impact and dependency each of our businesses has on biodiversity. The assessment conducted by our tobacco business adopted a structured approach following the SBTN* methodology to better understand its relationship with nature to prioritize areas for intervention. The assessment conducted in 2024 comprised several key steps:

- Initial data collection on its value chain, markets and origins established a baseline for the assessment
- A sector-level materiality assessment provided an initial overview and interpretation of its potential impacts and dependencies on biodiversity
- A global biodiversity overview was performed as well as detailed impact and dependencies analysis for specific countries, including Brazil, Malawi, Zambia, Tanzania, Indonesia and Bangladesh
- Locations for intervention were prioritized across various spheres of influence, including direct operations, upstream value chain, adjacent areas, and systems

* Science Based Targets Network

For its next steps, the tobacco business plans to develop location-specific action plans and extend the scope of detailed analysis. We believe these initiatives will have a positive impact not only on biodiversity, but also on other environmental issues such as climate change. We will proceed with the development of new strategies and targets aimed at "Living with the planet," and accelerate these initiatives.

Visit WEB for Details Click Here Protecting biodiversity

Protecting water

One of our key focus areas relates to protecting water, and we aim to contribute to the preservation of a sustainable water environment by monitoring the appropriate use of water resources and setting targets to prevent water pollution. Recognizing that water is a valuable shared resource, we have a target to acquire certification for eligible tobacco factories against the AWS* Standard, a key element of which is strengthening collaboration with other water-related stakeholders. In 2024, we further reduced our water consumption by increasing water recycling in Malawi, Türkiye, Russia and Japan, and improving processes in Germany, Ethiopia, the Philippines and Indonesia.

* Alliance for Water Stewardship (AWS) is a global membership collaboration comprising businesses, NGOs and the public sector. Its members contribute to the sustainability of local water resources.

Visit WEB for Details Click Here Protecting water resources

Sustainability initiatives

Value creation that exceeds consumer expectations

To remain a trusted corporation, it is essential for each business unit within the JT Group to provide value centered around "fulfilling moments" to our consumers. Under "Value creation that exceeds consumer expectations," a pillar of our materiality, we have established five sustainability targets, aiming to actualize our Group's desire to deliver value that exceeds expectations from a wide range of consumers and society, through our efforts to create innovative products and services. For details of the initiatives, please see the pages for each business.

Please see Tobacco business (P. 52), Pharmaceutical business (P. 80), Processed food business (P. 59) for details.

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Sustainability initiatives

Investing in our people and supporting their growth

Six priority themes for human capital growth

To expand and cultivate our human capital, the JT Group aims to attract external talent and engage our people, foster an organization where employees can thrive, and empower each individual to grow while maximizing their strengths and skills. To achieve this, we have set six priority themes to focus on. We have also established metrics to track progress and impacts of initiatives based on the themes, and we monitor these continuously to verify and improve our initiatives. We will promote initiatives for expanding human capital with an aim to further enhance our corporate value.

▸ Please see Human Capital in the JT Group (P. 29) for further information.

Priority theme 1: Diversity, equity & inclusion

The JT Group believes that effort to create a work environment where diverse people can continue to perform at the top of their potential leads to sustainable growth.

Diversity forms the foundation of a company's success and contributes to real sustainable growth. We work to create environments that are open to diversity, where all employees are treated equally regardless of different backgrounds and values and continue to perform at their best.

Including all talents

The Group is a workplace for people from over 100 nationalities. We consider their diversity in terms of race, faith, ethnicity, background, birthplace, gender, age, ability or disability, sexual orientation and marital status to be as valuable as their individual experiences and specialties. Moreover, we aspire to be an organization that respects all employees and helps them feel they belong to one team, with psychological safety.

We continuously hire people with various backgrounds and values and conduct activities to help employees value diversity, such as a range of seminars and events for sharing diverse values. We have also set out our approach to employing people with disabilities, aiming to create an inclusive environment in which everyone can thrive. In Japan, we are working to develop environments in which foreign talent can thrive, including multilingual measures. We are also working to give same-sex partners and all types of families equal access to the benefits and programs the Group offers to its employees, so we can be an equal-opportunity organization, impartial about differences in individual preferences or orientation.

These initiatives made Ernst & Young Global Limited recognize for the second time JTI as one of the first in the tobacco industry worldwide to meet their Global Equality Standard. We are steadily making gender and LGBTQ+ inclusion efforts in Japan as well, and in 2024, JT was included for a ninth consecutive year in the Gold PRIDE Index of the nonprofit organization work with Pride.

▸ Please see External recognition for details.

Gender equality—Unleashing the talent of our women

Gender equality is a high priority in Group operations. Assuring equality at all career levels, particularly by increasing the ratio of women in managerial positions, is an important challenge. In 2023, the Group announced a target of having women in 30% of its managerial positions by 2030. To that end, we have introduced women's representation in managerial positions as a new indicator (KPI) for the compensation of JT's Directors of the Board (who also serve as Executive Officers) and Corporate Senior Vice Presidents starting in 2025. In addition, we promote the career development of female employees with support for their growth and messaging from our senior managers, while also organizing seminars to promoting understanding of the obstacles in women's career paths. These efforts are making steady progress, with the ratio of women in managerial positions reaching 24.9% in 2024 (23.5% in 2023). We will continue to promote multiple initiatives to help accelerate women's career development and achieve gender equality Group-wide, while continuously nurturing the pipeline of female management candidates and monitoring the gender pay gap.

▸ For information about our gender equity initiatives in Japan, please see JT Human Resource Management.

FY2024 (Unit: %)

Items		Male	Female	Total
Employee demographics	29 and younger	10.6	5.3	15.9
	30-49	48.2	17.0	65.1
	50 and older	14.6	4.3	18.9
Ratio of managerial positions		75.1	24.9	100
Gendered wage differences*	Management	100	99.0	—
	Non-Management	100	113.2	—

* We calculated women's wages relative to men's (100%) by nation and company, then calculated a weighted average according to number of employees

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Priority theme 2: Talent attraction

The Group runs multiple businesses globally, so its sustainable growth requires a sufficient talent pool for each location and business.

For us to remain a company that is attractive to diverse people and retain enough excellent talent, we set attractive compensation levels for each location and business, and recruit candidates with a focus on value, in the way that best suits each business. We also hire and develop talent who will lead the Group as senior management and each business as a leader, who expand and optimize our businesses and who explore new areas where we can offer value to society.

Various approaches to secure excellent talent

The Group sets compensation benchmarks specific to each country and business to ensure our compensation and benefit packages are attractive and competitive. We also put effort into communicating the attractiveness of Group companies to excellent employee prospects. To that end, JTI has successfully established an excellent company brand by being recognized as a Global Top Employer for 11 consecutive years by the Top Employer Institute , while continuing hiring campaigns specific to each country. Furthermore, when hiring new graduates, in addition to hiring people who aim to build a wide-ranging career that goes beyond the functions, we also hire by job type from the joining stage. When we also hire mid-career employees, we disclose roles and responsibilities at the time they join the Company. Through these initiatives, we create an environment and career development supportive of meeting our employees' future direction and needs, and secure the talent pool we need for each business.

Pipeline for executives and business leaders

For the sustainable growth of the JT Group, we think it is important not only to recruit talent needed for each location and business, but also to have initiatives to promote them through talent development. To secure a pool of internal candidates as future Group executives and business leaders over the medium and long term, we provide early-stage training for both selected candidates and open applications. We are working to pool talent by providing opportunities for prospects at every level to gain broad leadership experience by working in a range of positions around the world. In 2024, about 500 people participated in the program as executive and leadership candidates. For about 200 people, senior management team and business leaders monitor their development status, and discuss their individual potential, medium- and long-term growth challenges and career plan, referring to objective external assessments and their competitiveness in the labor market.

Securing human resources to explore areas of new value

The Group explores opportunities to offer new value over the medium and long term while working to expand existing businesses. In addition to M&A, we conduct activities for providing fulfilling moments in new forms through the exploration and creation of future business seeds at our corporate R&D organization, D-LAB, under the leadership of a dedicated Senior Vice President. In order to continuously develop talent for these activities, we are working to recruit and develop people to support this new business development by operating a training program that includes growth opportunities not only within the Company but also outside the Company, and by adopting a unique HR policy that is tailored to the characteristics of each activity based on the differences in working styles and skills required.

Priority theme 3: Attractive working conditions

The JT Group notes the importance of creating environments that help employees make the most of their individual strengths and contribute to the optimum performance of the organization. We maintain systems that support each employee in choosing a workstyle that suits them. We are working to create a workplace with a high level of psychological safety so that employees can feel safe and demonstrate their strengths and skills.

Work-life balance

The Group uses the advantages of both in-office and remote work and encourages its employees to choose the workstyle that each finds most suitable. A case in point is our flextime system that does not impose a fixed work schedule. By the best combination of flexible schedules and work locations with the possibility of remote working, we believe each employee can make the most of their strengths and live fully, which will lead to optimal performance for the organization.

To make working easy for employees in all life stages, the Group assists them in balancing work and family. Under the Global Family Leave Policy, all employees working in JT and global tobacco business sites are entitled paid equivalent leave of up to 20 weeks when they become parents, regardless of gender, sexual orientation and the way the employees become parents (natural birth, adoption or surrogacy). The ratio of employees for the overall JT Group who took parental leave in 2024 has increased to 98% (95% in 2023). In particular, the ratio for male employees grew steadily to 96% (91% in 2023). In Japan, we are working to improve systems for leave related to care of children and seniors and for other family-related purposes, and we encourage employees to

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make use of them. In 2025, we began aiming to achieve 100% parental leave uptake among male employees in Japan by 2030. By increasing the ratio of parental, irrespective of gender, we are promoting a balance of work with childcare and home life for employees.

FY2024 (Unit: %)

Item	Male	Female	Total
Ratio of employees who took parental leave*	96	104	98

* Of the employees who have become a parent via adoption, surrogacy or birth, the percentage of employees in FY2024 who took parental leave not only the statutory leave, but also those who took parental leave further approved by the company. If there are any employees who have taken parental leave for their child born in the previous fiscal years, the ratio of employees who took parental leave may exceed 100% in this fiscal year

Healthy individuals and relationships

The JT Group implements continuous initiatives to improve compliance and conducts annual JT Group employee engagement surveys as well as pulse surveys as needed. The results illustrate the state of our organizations and inspire evolution so all employees feel safe and can make the most of their strengths and talents. In Japan in 2016, the local group set up an organization specialized in assisting organizational development, which plans and conducts initiatives to improve employee engagement in Group companies and divisions. In addition, we believe trusting relationships between employees and their line managers and among coworkers is important in shaping workplaces where diverse individuals can truly thrive. We set up regular dialogue opportunities, conduct 360-degree surveys and offer one-on-one assistance tools to improve the quality of dialogue.

Priority theme 4: Health and safety

The JT Group recognizes that fostering human capital requires work environments that actively promote health, safety, and wellbeing for employees, contractors, and visitors alike. By supporting individuals physically and mentally, we aim to create the conditions where everyone can fully apply their capabilities and engage meaningfully in their work. That is why we have stated our aim of zero harm in the JT Group Health and Safety Policy, and put a range of measures in place, such as raising employee safety awareness. We also put effort into health-related support to help each employee promote their own health.

JT Group Health and Safety Policy

To further promote health and assure safety at work, the Group has established the JT Group Health and Safety Policy approved by the Board of Directors.

Specifically, we implement health and safety initiatives under the responsibility of the JT CEO to realize "WHAT WE AIM" in the policy (described below) and enhance Group governance under a system supervised by the Board of Directors. Based on the policy, we have set up monitoring indicators to track the Group's health and safety initiatives, and institute measures promptly as they are determined as necessary.

Each business within the JT Group must maintain a Health and Safety Policy aligned with the Group's Policy. These policies must be committed to preventing injuries and illnesses, complying with legal requirements, involving workers in safety matters, and driving continuous improvement. They must address key risks, outline prioritized action plans, be reviewed regularly, communicate to all employees and contractors, and make available to relevant stakeholders.

WHAT WE AIM

- In our pursuit of "Fulfilling Moments, Enriching Life," the JT Group upholds the philosophy of "People come first," placing the utmost importance on safety and health and aims for zero harm*.
- To achieve this commitment, we will create a work environment that encourages the health, safety and well-being of everyone including employees, contractors and visitors, enabling individuals to immerse themselves in their work both physically and mentally.

HOW WE ACT

To align with our policy, we will implement the following:

1. Complying with all applicable laws, regulations and internal rules in the respective country or region.
2. Working towards eliminating or reducing hazards and harmful factors.
3. Advocating for the physical and mental health of all our employees.
4. Proactively and continuously providing essential education and training on occupational health and safety.
5. Regularly evaluating these efforts and continually improving them.
6. Encouraging open communication with our employees regarding occupational health and safety.
7. Appropriately disclosing essential information on occupational health and safety to our stakeholders.

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Initiatives to prevent work accidents

The JT Group is committed to achieving zero work accidents by implementing preventive measures tailored to the specific risks of each operation. Risk assessments have identified driving vehicles and machinery operation as high-risk activities. In response, we are focusing on raising employee awareness and enhancing work environments to reduce these risks and promote safer practices.

At overseas locations with driving vehicles, we are introducing an app that analyzes driver behavior and provides tailored individual advice. The app is currently being used by around 3,000 drivers. We also hold safe driving trainings for drivers who have a high risk of causing accidents. In addition, we have introduced guidelines aimed at preventing accidents involving pedestrians to increase driver safety awareness and risk management capabilities, while fostering a safety culture.

On locations with machinery operation, we are involved in the formulation of targets and plans, the identification of risks through hazard prediction activities, the implementation of measures to reduce risks such as modifying machinery, and the evaluation and auditing of these initiatives.

Among these, in the tobacco business we have created procedure manuals for safe operations during machine operation and maintenance, and roll out globally. We also collaborate with machinery manufacturers to improve the design and safety standards of machinery. Moreover, in addition to complying with local laws and regulations, we are working to obtain ISO 45001 certification, the international standard for occupational health and safety management systems, on a global basis. Approximately 70% of tobacco factories have obtained this certification.

In offices and research centers, we are implementing various initiatives according to the features of operations to reduce the risk of work accidents.

Looking ahead, we will carefully monitor the status of work accident occurrences in the Group, and continuously promote effective measures toward the achievement of zero work accidents.

▸ Please refer to the JT website for data on contractors.

Item	Category	FY2021	FY2022	FY2023	FY2024
Number of work-related fatalities	Employees	0	2	0	4
Lost-Time Injury Frequency Rate (LTIFR)*1	Employees	1.09	1.16	1.02	1.02
Occupational Illness Frequency Rate (OIFR)*1	Employees	2.37	2.96	0.03	0.02
Work accident severity rate*2	Employees	—	—	0.03	0.03

*1 The number of people per 1,000,000 working hours *2 The number of days per 1,000 working hours

Initiatives to promote physical and mental health

The JT Group also puts effort into initiatives to help promote the mental and physical health of each employee. We are designing and introducing systems to better support employees with spontaneous health action.

For mental health support, in Japan we offer employees opportunities to self-assess their stress conditions and this helps us to implement workplace-specific measures based on the results of analyses, to facilitate access to specialists and counselors, and to offer training and other measures to prevent employees' mental issues.

Overseas, we utilize tools to assess mental health status, run mental health seminars, train Mental Health First Aiders (counselors) who can provide an initial response in-house, and promote meaningful communication between managers and their members as part of a range of global initiatives.

For physical health support, we better understand risk through data gathering related to occupational health and develop consistent approaches. If the issues are attributed to the work or workplace, we take appropriate measures immediately to protect employees' health and prevent recurrences. At JT, KENKO Investment for Health is promoted under the leadership of the CEO, and occupational health staffs are assigned in 11 key areas across Japan to help employees take care of their physical and mental health. Specifically, occupational health staffs across Japan have one-to-one interviews with employees and provide them with support programs to meet issues and needs. Our support systems allow each employee to take initiative to promote their own health and that of their families as well, providing financial assistance for testing and vaccinations they have selected.

In collaboration with Group companies in Japan, we set up a walking challenge program. This unique initiative has created a range of opportunities to promote health, revitalize the organization and contribute to society in combination with TABLE FOR TWO.

JT has been certified as Outstanding Organizations of KENKO Investment for Health (White 500) for nine consecutive years under the Ministry of Economy, Trade and Industry.

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Priority theme 5: Development support

To expand our human capital, the JT Group focuses on providing learning and development opportunities for all employees to support their career aspirations based on their self-prepared development plans.

Encouraging self-motivated career development

The Group works to create opportunities for employees to think about and choose their careers.

Every year, employees have a career discussion with the line manager about their aspirations and plans. We also offer them opportunities to explore a diverse range of career options beyond the function in which they currently work. JT's career challenge initiative is a case in point, allowing employees to apply for a position of their choice once a year. In addition, in 2024 JT launched career roundtables and internal internship programs. Another initiative is the job posting of the tobacco business that globally discloses open positions, inviting employees to apply. In FY2024, 4,355 positions became open and 8,703 employees applied for them, demonstrating the growing use of the system to support self-motivated career development.

Learning opportunities to meet the diverse needs of employees

The Group responds to the growth needs of employees and provides learning opportunities to help realize diverse career plans. In identifying the strengths and challenges of employees in their various development stages, we have introduced original learning programs that effectively employ on-the-job training, level-specific training, off-the-job learning of the employee's choice, and assessments. We offer training options such as LinkedIn Learning and Udemy, allowing employees to choose content and embrace opportunities to study on their own initiative. Building an online learning environment is also a high priority, to help free employees from time-space constraints.

Foster a feedback culture for employee growth

The Group values its organizational culture of interest in employee growth and provides extensive support to help.

To cultivate feedback culture, we promote ongoing regular one-to-one meaningful conversation which includes discussions about each employee's strengths and development areas. In addition to various training, materials are being provided, and we offer the possibility of mentors within the organization as well as external coaches to support employees in their growth and development. In 2024, about 97% of Group employees participated in feedback meetings about their achievements as well as advice leading to improvement.

For the entire organization to support growth for every employee, managers meet ahead of employee performance appraisals to discuss each employee's performance and challenges for growth from various viewpoints, as well as the kinds of new experience needed for further growth.

Priority theme 6: Internal and external collaboration

The JT Group actively creates opportunities fostering collaboration within the Group at the regional, functional and individual levels. The same goes for collaboration between the Group and other companies, community organizations and the like to put together various viewpoints and knowledge outside the Group's borders, so we can create new types of fulfilling moments.

Promoting internal collaboration

The Group is working to create opportunities to put a range of forces together beyond organizational boundaries for inducing innovation. Using Workplace, a digital communication tool for the Group, we encourage the creation of various communities that transcend regions, businesses, and functions as a way to promote mutual understanding and knowledge sharing. In 2024, we conducted training to enable senior management to implement and promote internal communication themselves, as we continued to cultivate a collaboration mindset.

As remote work becomes more established as a workstyle, we believe physical offices are important for promoting collaboration. For example, both the JT and JTI head offices have been designed to promote exchange and collaboration among employees. Our office designs are conductive not only to pursuing projects that span across locations and functions in a collaborative way, but also to holding events that encourage communication and informal exchanges between employees.

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Promoting external collaboration

To create new fulfilling moments, the Group considers it necessary to go beyond the framework of our businesses and organizations to bring together viewpoints and knowledge from outside. When Group employees contribute outside the Company as members of society, we think it benefits the employees themselves, the Group's business operations and the local community, leading to new value creation. So we actively encourage a broad range of collaboration, on both organizational and individual levels, with people outside the Company, other companies, universities, research institutes and community organizations.

Our corporate R&D organization D-LAB is working on realizing fulfilling moments from diverse viewpoints. For instance, collaborating with Ars Electronica, D-LAB researches the future of fulfilling moments through ART THINKING.

D-LAB has also joined JAXA's "THINK SPACE LIFE" business co-creation platform* as an incubation partner, through which we have collaborated with other companies to develop products that act like a switch to help awaken the mind and feel the sense of a "fulfilling moment," even in a unique environment with various restrictions, such as outer space, which represents the ultimate challenge. As a result of this initiative, in September 2024 we launched Chupica, a tablet-type toothpaste and mouthwash, and Yurumaru, warm body wipes made from craft hot springs.

The Group actively offers employees opportunities for volunteering and donating with financial assistance backed by the Company, and considers this is important, not just as a path to corporate social contribution, but also as opportunities for employees themselves to gain new perspectives. As a result, 11,104 Group employees volunteered and worked a combined total of 42,442 hours in the past year.

* Currently operated by the specified non-profit organization MIRATUKU

▸ Please see P. 48 for information about the status of progress on each priority theme.

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Our initiatives

JT

Various initiatives to support career development

We believe that our people are the driving force for a company to achieve sustainable growth. Our commitment is to create environments that help employees make the most of their individual strengths and to support their growth. Under the system that supports the career development of each employee, we bring out their ownership and provide various growth opportunities to achieve both employee and corporate growth. This thought has never changed and never will.

In an era of continuous changes in society and the business environment, including the transformation of the employment landscape and diversification of workstyles, it is increasingly important for each employee to improve their awareness of their own career aspirations and take proactive action. We believe that encouraging employees' career development requires promoting cross-functional collaboration, providing opportunities for employees to take on new challenges that maximize their potential, and fostering a culture where they actively support each other's growth. In 2024, under the theme of "Growing Together: The bond between people and functions," we launched career roundtables and internal internship programs in addition to existing initiatives.

At the career roundtables, 58 functions introduced their business activities and workstyles to a total of 850 participating employees. About internal internship programs, which were introduced to allow employees to gain new perspectives and skills by experiencing roles in other functions, 54 employees engaged in cross-functional participation.

These initiatives have encouraged employees to reflect more deeply on their careers while also marking the first step toward building a culture of shared growth and mutual support across the organization.

In 2025, while further developing our initiatives, we are placing a strong focus on empowering each employee under the theme "Shaping your own future" by supporting their self-motivated growth and development. We will introduce new workshops and coaching programs to provide opportunities for employees to clarify their personal values, set meaningful goals, and take proactive steps toward their future.

We remain committed to supporting each employee's growth and promoting them building a career that is true to them.



Internal internship program (Global Functions Finance)
Global Functions Finance, with offices around the world, designed a special program in which participants could experience FP&A work and global workstyle. Colleagues from our global offices also participated remotely, encouraging participants to take on new challenges for their career development, in keeping with the "One Team" spirit.

JTI

My Way—JTI Evolved Performance Management Experience

Based on the JT Group Purpose announced in 2023, we in the tobacco business have set our Business Purpose as "Creating fulfilling moments. Creating a better future." With our Purpose setting our direction, Our Way guides us on how we live and behave to deliver on these commitments.

All of our people have a role to play in living Our Way and bringing their Human Best, so we encourage all of our people to embark on a journey of upskilling their Our Way behaviors and support them with practicing Our Way in their day-to-day interactions. JTI People & Culture offers a variety of resources and educational tools to help them living Our Way. As an example, "My Way — JTI Evolved Performance Management Experience" was introduced in 2024.

My Way consists of five distinctive modules — My Goals, My Growth, My Talks, My Feedback, and My Year — and is designed to empower our people to own their growth and bring their Human Best by encouraging open and meaningful discussions between employees and line managers at every step. The ultimate objective is to drive high performance while living Our Way.

My Year and My Goals in particular have been embraced by employees, with approximately 97% using this new performance management approach. JTI also recognizes that feedback and conversations with line managers and colleagues are imperative for employees' growth. In order to support employees' growth, JTI continues to create opportunities for collaboration, and also develops strategies that focus on employees' growth.

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Our initiatives

My GOALS My Goals is about being clear on what and how to achieve business goals living Our Way behaviors and being aligned with the team and organizational priorities.

My GROWTH My Growth is about strengthening focus on personal growth to achieve both personal and professional aspirations.

My TALKS My Talks is about holding regular meaningful conversations between employees and line managers.

My FEEDBACK My Feedback is about fostering a safe space for open and regular feedback highlighting both strengths and development areas in order for people to stay aware of their performance and strive towards continuous improvement.

My YEAR My Year is about reflecting on the past year's accomplishments and setting the base for personal and professional goals for the next year.

TableMark group

Zero Work Accident Project

In the processed food business, one of our priority themes of our sustainability strategy is zero work accidents (continuous status without work accidents occurring). TableMark, the core company of our frozen and ambient foods business, is aiming for a group-wide recordable injury rate of 0.61 or below (per 200,000 working hours) by 2030.

To achieve the target of zero work accidents at all TableMark group companies, we believe it is essential that the persons in charge of each organization look not only at their own companies and divisions, but remain committed to achieving the group-wide target, promoting activities while drawing on diverse insights and opinions. We have therefore brought together members from various divisions as a group-wide project. This project focuses particularly on work accidents involving machinery operation in factories and work accidents related to vehicles operations, as they tend to result in serious damage, discussing and formulating measures to prevent them and providing feedback to workplaces.

Up until now, when work accidents have occurred in factories, the basic procedure has been for the factory where the work accident occurred to report in writing to the administrative division on the details of the accident and recurrence prevention measures. To improve the quality of measures, we have established a forum for directly discussing their validity and effectiveness. In addition, we have also strived to strengthen connections between manufacturing sites by sharing the results of risk assessments and establishing unified rules.

With regard to preventing vehicle accidents, we collected case studies from sales offices throughout Japan and distributed videos aimed at raising safety awareness among employees.

In 2024, work accidents at offices were observed (work accidents that occurred at offices other than factories, and not while driving a vehicle). Since these work accidents had not occurred often up until now, there was no system in place for sharing examples. We therefore collected near-miss examples and conducted meetings to illuminate workplace hazards to draw employees' attention to workplace safety and make them aware of potential danger in their work.

As a result of these initiatives, the recordable injury rate in 2024 was reduced to 0.74 (down 0.08 year on year; 31 incidents, down 4 year on year), representing steady progress against our target for 2030. Looking ahead, we will continue to promote a range of initiatives aimed at achieving zero work accidents.



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Sustainability initiatives

Responsible supply chain management

Respect for human rights

Respecting human rights is essential in conducting our business based on our management principle, the 4S model. We also believe that respecting human rights is fundamental to the JT Group Materiality, which is the core of our sustainability management.

We respect human rights across our value chain, and recognize the International Bill of Human Rights and the International Labour Organization's Declaration on Fundamental Principles and Rights at Work. The JT Group Human Rights Policy follows the framework provided by the UN Guiding Principles on Business and Human Rights (UNGP).

A five-pillar approach

Our human rights approach is based on five pillars. This circular approach provides a systematic way of conducting ongoing due diligence and is in line with the UNGP, the Organisation for Economic Co-operation and Development (OECD) Guidelines for Multinational Enterprises, and the OECD-FAO (Food and Agriculture Organization) Guidance on Responsible Agricultural Supply Chains.



Grievance mechanisms

Our system for reporting concerns helps us ensure that we listen to and act on the grievances of those whose human rights might be impacted by our activities. Providing effective grievance mechanisms, we encourage employees and those who work for our business partners to speak up if they have concerns over the actual or potential violation of the JT Group Code of Conduct, including any human rights abuses.

Through the distribution of user guides and posters, we are working to increase awareness of our system for reporting concerns.

▸ Please see the JT website for more details.

Initiatives within our own operations
The five pillars outlined above are also the foundation of human rights due diligence conducted at our own sites. ▸ Please see the JT website for more details.

Our human rights due diligence

JT Group's salient human rights issues

We use the concept of "prioritization" to address the most important human rights issues for the JT Group. We have identified nine salient issues related to our own operations and value chain.

To do this, we identified various issues that potentially have a negative impact on human rights through our activities or business relationships. We then prioritized them based on their respective severity and likelihood.

● Child labor ● Environmental impacts ● Fair wage ● Forced labor ● Harassment and gender impacts
● Health and safety ● Health risk ● Non-discrimination and equality ● Working hours

Human Rights Impact Assessments

Based on the concept of "prioritization," we conduct assessments in countries where the greatest risks to people lie. We also review the classification of high-risk countries, considering changes in business and social environments.

Across the JT Group, as of the end of 2024, Human Rights Impact Assessments have been completed in 16 countries, and evaluations using self-assessment questionnaires have been conducted in 18 countries. Please see



our website where we publish key findings, including human rights risks that have been identified, our actions and the progress we have made in each country.

Supplier engagement

Business partners are essential for the JT Group to conduct its business and achieve sustainable growth. With this in mind, we believe it is important to engage in dialogue with them to understand the progress in their human rights-related initiatives and difficulties they may face so that we can appropriately cooperate with them.

In view of the salient human rights issues outlined above, we recognize that the following supply chains are of particular importance, and we continue driving initiatives.

▸ Please see our tobacco leaf sourcing (P.57) for details.
▸ Please see our RRP sourcing (P.54) for details.
▸ Please see the JT website for more details on our processed food business's supply chain.

Visit WEB for Details Click Here **Human rights initiatives**

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Community investment

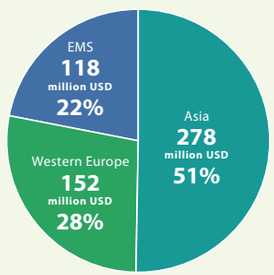
For our Group to grow sustainably, it is vital for us to contribute to the sustainable development of our society. We are working with a wide range of stakeholders to resolve social issues toward the development of inclusive and sustainable communities.

Achievement of community investment target within the JT Group Sustainability Targets

In 2019 we set the following target: "Between 2015 and 2030 we will invest 60.0 billion yen to help make communities inclusive and resilient." Since then, we have been continuously investing in communities. As a result, our investments from 2015 to 2024 reached 65.5 billion yen, achieving the target six years ahead of schedule.

Investment results by geography

In Asia, which encompasses the main markets of the tobacco business—Japan, the Philippines, and Taiwan—we have invested 33.1 billion yen, approximately 50% of the total amount invested since 2015. In other areas, we are working through our local business sites to resolve social issues in every area where we have business operations around the world.



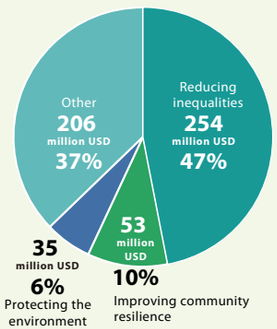
Investment results by area

The JT Group's programs are designed to respond to global social issues and challenges inherent to each region. They are focused on three specific areas: 1. Reducing inequalities, 2. Improving community resilience in disaster-prone areas, and 3. Protecting the environment.

To reduce inequalities, we are working to improve access to food, water, sanitation, education, and culture and the arts for underprivileged people. Reducing inequalities accounts for approximately 47% of our investments since 2015.

In improving community resilience in disaster-prone areas, in addition to emergency support activities during disasters and medium-term recovery support activities, we are also promoting the creation of safe and sustainable regional communities by engaging in disaster risk mitigation activities during normal times.

In our efforts for protecting the environment, we are engaged in forest and biodiversity protection around the world, as well as environmental clean-up activities.



From 2015 to now, the JT Group has provided support for a total of 5,891 organizations and 26.51 million people all around the world. We will continue to evolve our initiatives to create even greater social impact toward the development of inclusive and sustainable communities.



548 million USD
TOTAL

27 million
BENEFICIARIES

5,891
ORGANIZATION SUPPORTED

Visit WEB for Details Click Here

Community investment

Sustainability initiatives

Good governance

Corporate governance is the foundation for improving the satisfaction of various stakeholders and the JT Group to continue to be a trustworthy corporate entity. We believe it is the basis for all our activities. As part of our commitment to "Good governance," one of our materiality, we have set "Internal control" as a sustainability target to ensure proper governance in each business, which is essential for sustained growth and enhancing corporate value.

Please see Corporate governance (P.67) for more details on the JT Group governance.

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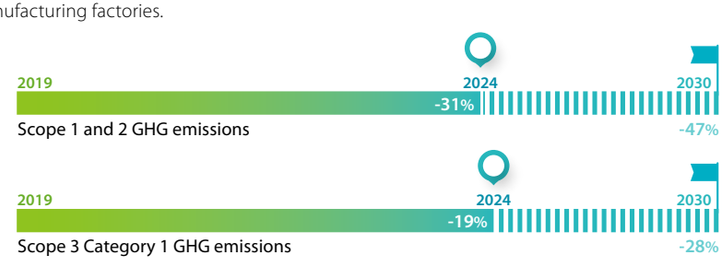
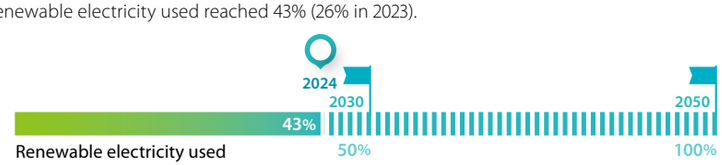
JT Group sustainability targets—2024 results

We have set out the JT Group Sustainability Targets comprising of a total of 25 items. The following is a curated summary of the progress and results for 2024.

For full results and details, please refer to "FY2024 results for the JT Group Sustainability Targets". Please see P.80 about our pharmaceutical business.

Living with the planet | Value creation that exceeds consumer expectations | Investing in our people and supporting their growth | Responsible supply chain management | Good governance

Materiality	Target items	2024 results summary
	Biodiversity impact assessment	We conducted a biodiversity impact assessment for the tobacco business based on the methodology of the global standard SBTN*. Specifically, we quantified the impacts and dependencies of the tobacco business on biodiversity and conducted a more detailed examination of six countries: Brazil, Malawi, Zambia, Tanzania, Indonesia, and Bangladesh. For the next steps, we plan to develop location-specific action plans and expand the number of countries targeted for detailed assessments in order to understand biodiversity impacts and dependencies throughout the value chain. * SBTN (Science Based Targets Network): An international organization comprised mainly of non-profit organizations and economic organizations that develops methodology for scientific targets and activities in the five domains of freshwater, land, ocean, biodiversity, and climate in order to preserve the natural environment and reduce environmental impacts
	Emissions reduction	Across the JT Group, we reduced Scope 1 and 2 GHG emissions by 31% (22% in 2023) and Scope 3 GHG emissions from purchased goods and services (Category 1) by 19% (11% in 2023) compared to 2019. In particular, in the tobacco business, we reduced Scope 1 and 2 GHG emissions by 33% (20% in 2023) and Scope 3 Category 1 GHG emissions by 22% (12% in 2023) compared to 2019. In the processed food business, we switched boiler fuel from heavy oil to LNG (Liquefied Natural Gas) and introduced solar power generation at our manufacturing factories. JT Group overall 
	Renewable electricity	In the tobacco business, the proportion of renewable electricity used reached 56% (32% in 2023), and we achieved our 2025 target ahead of schedule. Driven by this increase, the JT Group's overall proportion of renewable electricity used reached 43% (26% in 2023). JT Group overall 

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FY2024 results for the JT Group sustainability targets

Materiality	Target items	2024 results summary
	Protecting water	We appropriately monitored the Group's use of water in areas with water scarcity, and achieved a 22% reduction in water withdrawal in the tobacco business compared to 2019 (20% in 2023). In our processed food business, we promoted reuse and efficient use of wastewater through the renewal of wastewater treatment facilities. Regarding water recycling, in addition to appropriate monitoring in the tobacco business, our processed food business continued its efforts to make effective use of water resources, such as through multi-stage utilization within factory premises. With regard to water pollution prevention, the tobacco business is advancing efforts to acquire Alliance for Water Stewardship* certification. * Alliance for Water Stewardship (AWS): A global membership collaboration comprising businesses, NGOs and the public sector. Its members contribute to the sustainability of local water resources. It developed AWS certification for sustainable water use in factories around the world Tobacco business 2019 2024 2030 -22% -33% Water withdrawal
	Enhancing biodiversity – No deforestation, no conversion	2024 was positioned as the year for preparing for efforts beyond 2025. Our tobacco business will implement its Deforestation and Conversion Free (DCF) monitoring and verification approach in 2025 and report on progress versus target in the next disclosure cycle.
	Waste reduction	In the tobacco business, the proportion of factory waste sent to landfill was reduced to 8%. We also continued piloting take-back schemes for Ploom devices and promoted anti-littering awareness for consumables through targeted campaigns. In the processed food business, we conducted continuous initiatives centered on activities such as thoroughly sorting waste at manufacturing factories. As a result, the recycling rate for waste at our Japanese offices was 91%. Tobacco business 2024 2030 8% 0% Proportion of factory waste sent to landfill Processed food business 2024 91% 95% Recycling rate for waste at Japanese offices

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Materiality	Target items	2024 results summary
	Designing for circularity – Packaging, product and device	In 2024, for packaging, including plastics, the JT Group's overall use of reusable or recyclable packaging reached 92% (91% in 2023). In addition, the use of recyclable packaging in the tobacco business has reached 91% (90% in 2023). 17% of packaging in the tobacco business is currently made from recycled content. We continue increasing absolute weight of recycled materials used in our packaging year over year. If measured against the 2022 scope, our result for 2024 would be equivalent to 20% already. We also worked actively to reduce virgin plastic by prioritizing non-plastic and recycled alternatives. We dedicated significant resources to the ongoing research and development of more sustainable filter alternatives. We are making steady progress in our efforts to comply with the recently adopted EU Batteries Regulation. Our plan is to launch devices featuring battery removability and replaceability starting in 2027 in Europe, with the goal of enabling the battery to be removed and replaced by the consumer. In the processed food business, we reduced the volumes of packaging materials and waste generated by eliminating trays from noodles with toppings, reducing the thickness of exterior packaging film for udon, and utilizing recycled cans for packaging used in the manufacturing process. From the viewpoint of using biomass raw materials, we used biomass-based ink for printing packaging for new and renewed products for home use and promoted the use of exterior packaging film made using RiceResin®*. * RiceResin® is a registered trademark of Biomass Resin Minamiuonuma Co., Ltd. Old rice that is not edible and crushed rice generated during rice milling are upcycled (improving the value of an object by modifying waste or unnecessary objects) into plastic using new technology JT Group overall 
	Sustainable agriculture	We completed the elimination of Criterion 1 HHPs (Highly Hazardous Pesticides) from our direct tobacco leaf supply chain as planned. We will promote ongoing initiatives with directly contracted growers to eliminate the use of all HHPs. The percentage of directly contracted growers adopting the GAP (Good Agricultural Practices) Protocol reached 86%. Tobacco business 
	Reduced-Risk Products*	The number of markets where RRP is offered for the JT Group expanded from 18 countries in 2023 to 28 countries in 2024. The JT Group offers RRP, with the potential of risk reduction, social consideration, convenience, and affordability, such as heated tobacco, E-Vapor and oral products. * RRP (Reduced-Risk Products): Products with the potential to reduce the risks associated with smoking
	Transparency in Reduced Risk Science	The JT Group ensures transparency regarding the risks associated with tobacco products and that our claims regarding the potential of risk reduction are appropriately supported. Related to this, in 2024, we issued a total of 74 scientific publications through papers, conference presentations, etc.
	Youth Access Prevention (YAP)	Youth Access Prevention (YAP) is one of our core principles. We regularly trained our sales force on the importance of adhering to YAP guidelines and our global responsible marketing policies. We also proactively engaged with our trading partners to ensure they operate in accordance with our Global Marketing Principles and apply all applicable local regulations.

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Materiality	Target items	2024 results summary
	Creating first-in-class drugs	In June 2024, VTAMA® Cream 1% for the treatment of atopic dermatitis and plaque psoriasis received manufacturing and marketing approval in Japan. In addition, in September 2024, LEO Pharma A/S, our license partner for delgocitinib, obtained approval in Europe, and submitted a marketing approval application in the United States for the treatment of adult patients with moderate to severe chronic hand eczema (CHE). In 2024, we spent 33.9 billion yen on our research and development activities.
	Food inclusion	Based on its Business Purpose of "Bringing Joy to Meals and Fun to the Table," the processed food business stays close to ever-diversifying customer values and interests, and develops and offers high-value-added products, aiming for a world where everyone can freely and deliciously enjoy what they want to eat and maintain a healthy lifestyle. As part of our initiatives, we launched the BEYOND FREE* product line in 2023, and introduced its new products and implemented promotional activities, such as participating in events, in 2024. By providing such products and services, we are contributing to a society in which everyone can freely and deliciously enjoy what they want to eat (food inclusion), in line with their diverse values. * BEYOND FREE: Brand of foods, in which plant ingredients are carefully selected for each menu item to provide a delicious plant-based experience, not only in taste and appearance, but also in aroma and texture
	Diversity, equity & inclusion	In our efforts to empower women, we made steady progress toward 2030 target on women's representation in managerial positions, which reached 24.9% across the entire Group (23.5% in 2023). Women's representation in managerial positions in the tobacco business reached 26.8%. In the processed food business, its efforts to enhance women's representation in managerial positions have been progressing steadily, and we have taken initiatives to expand the pool of candidates (e.g., leadership development training). To empower diverse talent, including women, we have created an environment that promotes flexible workstyles. As a further effort to achieve 2030 target, we have introduced women's representation in managerial positions as a new indicator (KPI) for the compensation of JT's Directors of the Board (who also serve as Executive Officers) and Corporate Senior Vice Presidents starting in 2025. We have also defined and promoted our "approach to employing people with disabilities" with the aim of creating an inclusive environment in which everyone can thrive. In Japan, we have fostered the development of an environment in which foreign talent can thrive, including multilingual measures, and we have made steady progress in LGBTQ+ inclusion initiatives, as JT was included in the Gold PRIDE Index for the ninth consecutive year in 2024. JT Group overall 
	Talent attraction	Overall, the Group has ensured a sufficient talent pool at each stage (approximately 500 participants in the early-stage training program, and approximately 200 candidates whose careers have been monitored/discussed by the senior management team and business leaders). In the tobacco business, we were certified as a Global Top Employer for 11 consecutive years through 2024.
	Attractive working conditions	As a Group-wide initiative, we have promoted the awareness and use of various systems such as Family Leave within the Company to support employees in balancing work and family life. The total ratio of employees who took parental leave* has increased to 98% (95% in 2023), and the rate of male employees in particular has been steadily increasing (96% in 2024, 91% in 2023). * Of the employees who have become a parent via adoption, surrogacy or birth, the percentage of employees in 2024 who took parental leave, not only statutory leave, but also those who took parental leave further approved by the Company. If there are any employees who have taken parental leave for their child born in previous fiscal years, the rate of employees who took parental leave may exceed 100% in this fiscal year

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Materiality	Target items	2024 results summary
	Health and safety	The JT Group's Lost-Time Injury Frequency Rate (LTIFR) and other indicators were level year on year, but the number of work-related fatalities increased (from 3 in 2023 to 6 in 2024). In all cases, we immediately implemented recurrence prevention measures. Looking ahead, we will carefully monitor the status of work accident occurrences in the JT Group, and continuously promote effective measures toward the achievement of zero work accidents. In the tobacco business, the recordable injury rate per 200,000 working hours fell to 0.24 (0.34 in 2023), and in the processed food business it was 0.85* (0.86 in 2023). * Including the headquarters functions of the processed food business from 2024 **Tobacco business** 2024: 0.24 — 2030: 0.1 Recordable injury rate per 200,000 working hours **Processed food business** 2024: 0.85 — 2030: 0.63 Recordable injury rate per 200,000 working hours
	Development support	We have continued to use career discussions as an initiative for encouraging self-motivated career development, and in the tobacco business, we have promoted job posting, which globally discloses open positions, and implemented various measures (e-learning, workshops, system introduction, etc.) for practicing "Our Way." Moreover, at JT, we launched career roundtables (58 organizations with a total of 850 participants) and internal internship programs (54 participants).
	Internal and external collaboration	As an initiative to promote internal collaboration and provide opportunities for it, we have planned and held regular events at the JT head office for encouraging communication between employees across businesses, functions and organizations. In external collaboration, we promoted initiatives through cooperation with other companies and participation in business collaboration platforms in order to conceptualize "fulfilling moments" from diverse perspectives at D-LAB. In addition, as a result of actively providing and supporting opportunities to participate in volunteer activities, employees have engaged in 260,512 hours of volunteer activities during their working hours since 2015, which is 87% progress toward the 2030 target (218,070 hours in 2023). **JT Group overall** 2015: 260,512 — 2024 — 2030: 300,000 Hours spent volunteering
	Supplier screening and supply chain due diligence	The JT Group as a whole screened 99.6% of its key suppliers against ESG criteria. We will continue to follow up with suppliers for whom screening has not been completed. In terms of individual businesses, we have made steady progress in the tobacco business on planning and implementing ESG performance assessments of our critical suppliers. We also worked to improve suppliers' understanding of supply chain due diligence and the accuracy of their reporting. In our processed food business, we interviewed key Tier 1 suppliers in our supply chain to gain a deeper understanding of the status of their human rights initiatives. Furthermore, as part of communicating with suppliers in line with the JT Group Responsible Procurement Policy and the JT Group Human Rights Policy, we conducted a survey and interviews at 95 of our suppliers regarding the status of their ESG initiatives in order to share our values and ascertain the status of each supplier.
	Grower living income	We completed implementing our Living Income Calculator in our direct tobacco leaf supply chain origins.

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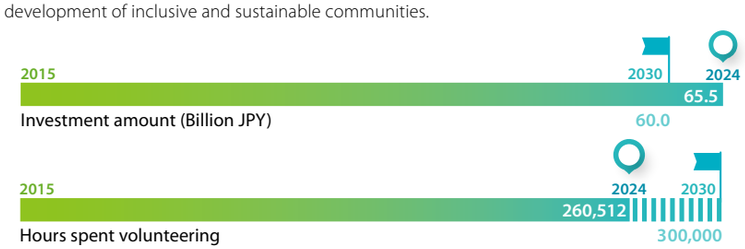
Materiality	Target items	2024 results summary
	Human rights in grower communities	We conducted human rights monitoring through checking compliance with Agriculture Labor Practices (ALP) and other standards in our direct tobacco leaf supply chain origins. All the recognized breaches have been addressed through corrective action plans. We will continue to address human rights issues among growers by continuing this initiative and combining it with Human Rights Impact Assessments and other means. In addition, the status of the relevant KPIs and prevention and remediation actions are as follows. **(Relevant KPIs)** • Number of confirmed extreme breaches: 7 • Total number of corrective actions implemented: 7 • Total ratio of corrective actions implemented: 100% **(Status of prevention and remediation actions implemented)** • Number of community members and teachers participating in ARISE* child labor education and awareness activities: 25,932 • Number of households with improved incomes as a result of socio-economic empowerment: 1,709 • Number of government policies or plans developed, revised or amended as a result of ARISE engagement: 2 • Number of identified at-risk children, withdrawn or prevented from child labor and enrolled in education: 9,019 Please see the ARISE program website for details. * ARISE (Achieving Reduction of Child Labor in Support of Education): The JT Group's original support program for eliminating child labor in communities of directly contracted growers, developed in cooperation with non-profit organization Winrock International and the International Labour Organization (ILO)
	Grievance mechanisms	In 2024 over 60% of our growers and farm workers in direct tobacco leaf supply chain origins had access to grievance mechanisms. By 2027, we plan to implement effective grievance mechanism systems in all origins, including all vertically integrated growers.
	Community investment	Since 2015, local business sites led our initiatives in areas throughout the world where we operate and continuously implemented initiatives to resolve social issues, focusing on the specific areas of reducing inequalities, improving community resilience in disaster-prone areas, and protecting the environment. As a result, the cumulative investment amount by 2024 reached 65.5 billion yen/US$548 million (US$500 million in 2023), and we have reached our target investment amount in Japanese yen six years ahead of schedule. Since 2015, our employees have volunteered 260,512 hours on company time, which is 87% progress toward the 2030 goal (218,070 hours in 2023). From 2015 to now, the JT Group has provided support for a total of 5,891 organizations and 26.51 million people all around the world. We will continue to evolve our initiatives to create even greater social impact toward the development of inclusive and sustainable communities. **JT Group overall** 
	Internal control	In 2024, our tobacco business engaged openly and transparently in public policy debate and made our views known to regulators, NGOs and other relevant stakeholders in the countries where we operate. In 2024, our Anti-Illicit Trade team provided 4,064 intelligence reports to law enforcement agencies globally and delivered AIT awareness sessions, including counterfeit recognition, smuggling trends, methodology, routes, etc. to 3,057 law enforcement officers. In our pharmaceutical business, our internal educational activity "For the Patients Project" was held nine times, with a total of about 200 employees attending. We also conducted monthly training and awareness-raising activities with different themes each time for all our medical representatives. In the processed food business, we continued initiatives to strengthen our quality assurance systems, including overseas, through cooperation between Group companies, such as mutual inspections and knowledge sharing. Through internal training and study sessions regarding quality and safety, we aimed to increase the awareness of food safety among each employee involved in the processed food business, and cultivated a culture of food safety.

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Tobacco business

Business Purpose **Creating fulfilling moments. Creating a better future.**

Our Business Purpose—Creating fulfilling moments. Creating a better future—defines why we exist as a business and how we contribute to the broader JT Group Purpose. It is also a statement to the wider society of our intent and the North Star guiding our tobacco business strategy.

In 2024, the tobacco business delivered another remarkable performance. Our clear strategic focus, guided by our Business Purpose, has fueled another record level in total volume, both in combustibles and Reduced-Risk Products (RRP). Strong volume performance combined with solid pricing drove a high single-digit increase in core revenue and adjusted operating profit, driving JT Group's growth algorithm.

In RRP, we increased our investments toward heated tobacco sticks (HTS). We scaled up Ploom's global presence and grew share of segment across our markets, driving an impressive 40% increase in HTS volume and 44% in HTS revenue. Our confidence in the future potential of this RRP segment is intact.

In combustibles, which remains an important consumer segment, focused investments in our Global Flagship Brands (GFB) and continued share gains, led to a 2% volume increase. This outstanding performance, combined with the solid pricing environment and our focus to return on investment in this category, fueled a 9% increase in combustibles revenue and an improved operating margin for the category.

Going forward, we will keep on delivering steady top- and bottom-line growth, while enhancing our capabilities to gradually build a second profit growth engine with Ploom. I am confident in our ability to remain the core profit driver of the Group to enable mid- to long-term sustainable growth.

Eddy Pirard
President & CEO, JT International S.A.



Industry overview

The tobacco industry is regarded as one of the highly regulated industries, mainly due to public concerns on health-related risks associated with smoking, and those regulations are ranging from product specifications to marketing activities. Many governments also regularly increase tax associated with nicotine products to decrease consumption while securing tax revenue from such products.

The JT Group is committed to complying with any laws and regulations relevant to our products and operations. We support regulation that is evidence-based, proportionate and effective, and actively seek dialogue with governmental authorities around the world regarding the regulation of our products and the tobacco and nicotine sector.

Visit WEB for Details Click Here

Our views on regulation
Tackling illegal trade

The industry can be divided in two product categories: combustible products and RRP.

Combustibles

Cigarettes, fine cut tobacco (FCT), pipes, cigars, cigarillos and waterpipe tobacco are part of the combustibles category. While cigarettes contain pre-rolled tobacco, FCT products allow adult consumers to roll or make their own cigarettes. The global combustibles industry volume totaled around 5.0 trillion stick* equivalent units in 2024, representing a value of approximately 119 trillion yen*. The largest markets are China—which accounts for over 45% of global volume—followed by Indonesia, Russia, the U.S., Türkiye, Germany, Japan and Vietnam. While the global combustibles industry volume is declining, the industry value continues to increase driven by positive pricing contribution.

* Figures are based on Euromonitor, excluding waterpipe tobacco

RRP

Heated tobacco, e-vapor and oral products are part of the RRP category. As they deliver nicotine without combustion, they have the potential to reduce risks associated with smoking.

Heated tobacco products (HTP) include heated tobacco sticks (HTS), which generate an aerosol containing nicotine by heating a tobacco stick, and infused tobacco capsules (Infused), a hybrid system which creates a tobacco-enriched vapor using indirect heating of a tobacco capsule.

E-vapor products heat a nicotine-containing liquid instead of tobacco leaves and come in different formats: open tanks, closed pods and disposables.

Oral products are usually in the form of small pouches to be inserted in the mouth between the lip and the gum. If they contain tobacco they are referred to as snus, if they do not as nicotine pouches or modern oral.

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The global RRP industry had an estimated value of approximately 12 trillion yen in 2024*. The largest markets are Japan for HTP and the U.S. for e-vapor and oral products. The most successful RRP category varies from one market to another depending on consumer preferences. The overall RRP category, though smaller than combustibles, has been growing steadily over the last years, and we expect this growth to continue.

* Figures are based on Euromonitor

Our view of the future

Over the last years, increasing consumer demand for RRP have resulted in the main international tobacco players expanding their portfolio in both combustibles and RRP. JT Group's tobacco business offers products to consumers across all combustibles and RRP segments.

We expect the global combustibles industry value to continue growing in the foreseeable future, while the global RRP industry is expected to grow both in terms of volume and value. Among RRP segments, we expect HTS to be the largest growth driver, followed by e-vapor and modern oral. The growth rate will ultimately depend on innovation, consumer acceptance, regulation and taxation of RRP.

Notes: 1. The word consumers used in the context of the tobacco business means adult consumers. Minimum legal age for smoking varies in accordance with the legislation in each country
2. This section is intended only to explain the business operations of the JT Group, not to promote sales of tobacco or nicotine containing products or encourage smoking or using nicotine containing products
3. Reduced-Risk Products (RRP): Products with the potential to reduce the risks associated with smoking

Business strategy—Business Plan 2025

	Combustibles	RRP	Capability
Business	**Continuously improve ROI** • Continuous top-line growth through pricing and SoM gain • Maintain efforts to optimize costs • Strive to deliver profitability and margin improvement	**Prioritize investments in HTS and strive to achieve 2028 ambitions*** • Commit business resources towards HTS growth and establish a future profit growth engine • Explore future growth opportunities in the other RRP segments	**Strengthen the business foundations** • Consumer-centric approach • Strong pipeline of development, mainly in RRP category • Continue strengthening company-wide strategic capabilities and manage key risks

	Sustainability priorities	
	Products	**Operations**
Sustainability	• Reducing health impact • Designing for circularity	• Attracting talent and fostering an inclusive employee experience • Improving grower livelihoods • Tackling climate change • Conserving nature

* By the end of 2028, 1) reach mid-teens HTS SoS in key markets, including Japan and Italy 2) achieve break-even across the RRP category

To create fulfilling moments and a better future, we have articulated a clear strategy for the tobacco business.

As outlined in our Business Plan 2025, we will prioritize management resources towards HTS and continuously improve return on investment in combustibles, the largest category across the nicotine industry. To support these efforts, we also continue to strategically strengthen our key capabilities, building on our consumer-centric approach and further developing our innovation pipeline in the RRP category.

This strategy, moreover, confirms the tobacco business as the core profit driver of the Group to enable mid- to long-term sustainable profit growth.

RRP

The RRP category is still to mature, with each product segment being in different stages of development as consumer acceptance varies across markets.

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For several reasons, we expect HTS will provide the strongest growth among existing product segments in RRP. In this context, the Group is prioritizing investments towards HTS and accelerating efforts to increase share of segment, further building commercial capabilities and enhancing consumer-centric innovations to strengthen our Ploom offerings.

We also continue to explore other RRP segments such as e-vapor and modern oral, to improve our understanding of consumer preferences and expectations as well as better grasp the different business model dynamics by segment, while strengthening our existing presence.

Transparency in RRP Science

We are committed to developing products with the potential to reduce the risks associated with smoking. That is why we invest in research and innovation—to develop alternatives to smoking that may reduce harm and give adult consumers better, more informed choices.

Adult consumers want to know what is in their products. That is why we provide transparency both in our research and our ingredients for the majority of our products on our websites, even when it is not required. Transparency matters, and we are committed to it.

We believe real progress happens when public health experts, regulators, scientists, and the tobacco industry work together. Our consumers deserve access to accurate information and better alternatives and we look forward to offering our products, with all of the benefits we believe they present.



RRP Sourcing

We have a dedicated RRP sourcing team specialized in sourcing RRP devices. These are manufactured by third-party contract manufacturing organizations. We take a collaborative approach to responsible sourcing and build supplier capability to identify and address sustainability issues in our electronics value chain.

As a member of the Responsible Business Alliance (RBA), we are committed to the RBA Code of Conduct and leverage the available tools to ensure responsible manufacturing of our products. All our Tier 1 suppliers have undergone independent third-party audits under the RBA Validated Assessment Program. As a result of our collaboration with suppliers, in 2024 all our Tier 1 suppliers have an audit score of above 160 points, which exceeds the average score of RBA audits conducted in the same countries.

In 2024 we developed the Conflict Minerals Statement to demonstrate our commitment to responsible sourcing of metals contained in our products. Our approach to due diligence is aligned to the Organization for Economic Co-operation and Development (OECD) Due Diligence Guidance for Responsible Supply Chains of Minerals from Conflict-Affected and High-Risk Areas. We leverage the tools offered by the Responsible Minerals Initiative to increase visibility further down our supply chain. Having followed this approach in 2024 and ensuring all smelters and refiners in our value chain are audited against recognized industry schemes, we can conclude the metals in our value chain are not linked to human rights abuses or other risks inherent to minerals and metals sourcing.

In 2024, we strengthened our RRP sourcing governance and also held capacity-building sessions across our multiple RRP sourcing locations.

Visit WEB for Details Click Here **Our approach to RRP Sourcing**

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Combustibles

Although the combustibles industry volume continues to decline, the category remains resilient and a large consumer segment.

The Group intends to continue satisfying the needs of these consumers, by exceeding their expectations. To do so, resources will be allocated in priority towards our GFBs—Winston, Camel, MEVIUS and LD—which have strong brand equity. This also enables us to grow market share and strengthen our ability to take pricing when opportunities arise.

We also continue enhancing cost containment efforts to help offset ongoing inflationary pressures and further improve the category profit margin.

M&A of Vector Group

An important achievement of 2024 was the acquisition of Vector Group in the United States, a step-change opportunity. This transaction not only closes a gap in our footprint, but importantly, makes us the fourth largest player in the largest and most profitable combustibles market outside China.

Following this acquisition, the US market will become one of JT Group's top ten profit markets. With its higher gross margin per stick, it fits our strategy to enhance return on investment in combustibles. These returns will also contribute to funding some of our global RRP investments and rebalance our currency profile by increasing the weight of hard currencies and improving our natural hedging capabilities.

Performance over the last five years

Within its footprint, the JT Group's tobacco business outperformed the industry volume trend over the last five years, through continued market share gains driven by our GFBs and our strategic focus on HTS with Ploom.

GFB volume grew for the 6th consecutive year, exceeding 400 billion units and reaching 73% of our total volume in 2024. Winston and Camel further increased volumes by +4.4% and +7.9%, respectively. The achievement of these remarkable results was fueled by our excellence in execution and by decades of sustained investments behind GFBs.

In HTS, our investments in 2024 were focused on the geo-expansion of Ploom, building brand equity, and driving consumer adoption. As of December 2024, we have successfully launched Ploom in markets representing close to 75% of the global heated tobacco volume. In addition to its wider global availability, Ploom was the fastest growing brand in 2024 in terms of share of the heated tobacco segment, fueled by share gains in all launched markets.

GFB and Ploom volume growth, together with solid pricing and cost discipline, enabled the tobacco business to consistently grow core revenue and adjusted operating profit at constant currency over the last five years.

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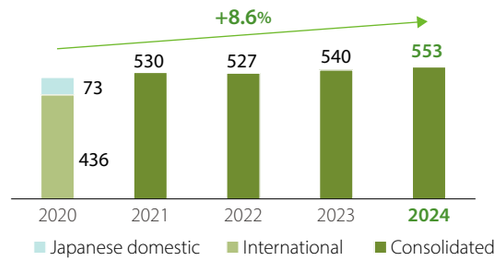
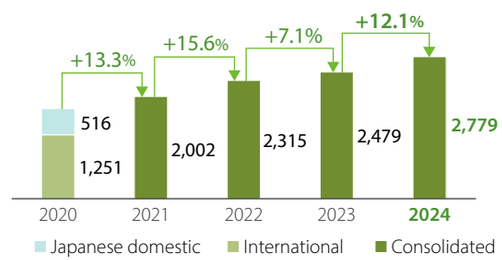
2. This section is intended only to explain the business operations of the JT Group, not to promote sales of tobacco or nicotine containing products or encourage smoking or using nicotine containing products
3. Reduced-Risk Products (RRP): Products with the potential to reduce the risks associated with smoking

Total shipment volume (BnU)*

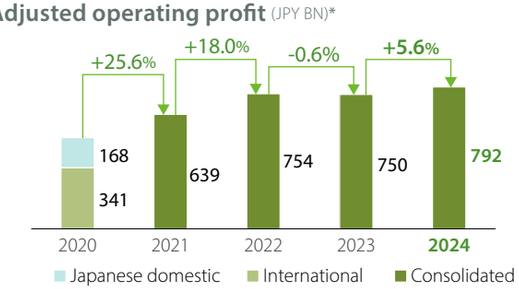


Core revenue (JPY BN)*



Var at const FX	+7.9%	+4.8%	+6.4%	+9.1%

Adjusted operating profit (JPY BN)*



Var at const FX	+22.8%	+8.2%	+4.4%	+9.7%

* The year-on-year variances from 2020 to 2021 of core revenue and adjusted operating profit are calculated based on the sum of the Japanese domestic and international tobacco businesses. From 2022, we consolidated the tobacco business, and 2021 figures are adjusted as well

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In 2024 we demonstrated impact across our Product, People, Planet pillars, highlighted by our 2024 performance.

One of our biggest achievements is the reduction of emissions from our own operations by 33% and from tobacco and non-tobacco raw materials by 22% (since our base year of 2019). These reductions were driven by a significant increase in our use of renewable electricity, decarbonization of our fleet, supplier engagement, and programs to improve tobacco curing efficiency and use of sustainable fuels. We are particularly proud that we met our 2025 target of 50% renewable electricity ahead of schedule and are well on track to achieve 100% by 2040.

JTI was assessed by EcoVadis, the leading sustainability intelligence platform for global supply chains. Based on the quality of our sustainability management system, JTI scored in the top 1% of companies who also completed the EcoVadis assessment within the previous 12 months. Working toward creating a better future for people and the planet takes real action and change. This is a recognition of our collective efforts to integrate sustainability across every aspect of our business practices.

This year was also one where sustainability was further integrated with the business. This is demonstrated through the parallels we are making in this report between our commitments to the Product pillar and our commercial strategy, embedding the topics of transparency in RRP science and RRP sourcing (P.54) within the way we deliver on our business growth.

Elsewhere in our upstream value chain, we continued to make meaningful impact on our People and Planet pillars that will continue to be a focus for the tobacco business.



Circularity

To engage trade partners and consumers in responsible disposal, we have launched take-back and recycling initiatives for Ploom devices. Our ambition is to reduce electronic waste, promote recycling, and encourage sustainable consumer choices.

In the U.K., Ploom has partnered with waste management experts at TerraCycle to establish a device recycling program, ensuring the proper disposal of electronic waste while creating opportunities for materials recycling and potential reuse.

In Japan, we introduced collection boxes for used Ploom devices, capsules, and cartridges. By 2021, this program expanded nationwide, with 1,100 collection points across all 47 prefectures. Today, it is a collaborative effort involving multiple tobacco companies, making recycling more accessible and convenient for consumers.



Grower's livelihood

We are proud to have fully implemented our Agricultural Labor Practices (ALP) program in all sourcing countries within the direct contracting system by 2025, aiming to enhance workers' rights and safety. This achievement reflects our commitment to proactively manage sustainability risks and implement sustainable farming practices.

Our ALP program is part of our Supply Chain Due Diligence (SCDD) in farming communities. By 2028, we aim for all tobacco supplying entities to achieve a SCDD maturity score of over 90%, verified by an independent third party.

Our SCDD process follows the Guidance for Responsible Agricultural Supply Chains provided by the OECD and the Food and Agriculture Organization, as well as recommendations by the International Labour Organization. It also follows the United Nations Guiding Principles on Business and Human Rights.

Growers' income, respecting human rights across our supply chain and providing effective grievance mechanisms to support and protect all farmworkers are important topics for us.

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In 2024 we achieved the target of establishing a Living Income Calculator in all vertically integrated leaf origins. This helped us make informed decisions going forward while continuing the efforts to empower growers through the production schemes.

Our direct contracting model is rooted in deep respect for growers. By working closely with growers, we foster trust, ensure fair pricing, and provide tailored agronomic support to enhance productivity and quality. This approach uplifts rural economies and strengthens farming communities, promoting prosperity and resilience.



Strengthening Climate Action

As a global manufacturing company with a predominantly agricultural supply chain, the impacts of climate-related risks represent a real threat to our business, as well as to the communities where we operate and society, more widely. We recognize our responsibility to reduce our contribution to climate change and the need to adapt to increasing climate-related Risks.

We have a long history of taking climate action, and this year we have strengthened our approach, increased our investment, and further reduced emissions and our environmental impact. We launched our first Climate Transition Plan, a time-bound, budgeted action plan that clearly shows how our climate ambitions will be achieved and how the business model will pivot to support the transition to a low-carbon economy. JTI also issued our first report in line with the recommendations of the Taskforce on Climate-related Financial Disclosures (TCFD).

Our factory in Poland installed a large solar farm comprising over 24,000 photovoltaic panels, the largest in the region. The solar farm provides around 20% of the factory's electricity and reduces annual energy costs by around USD 4 million. Together with the local energy supplier and banks, JTI invested in a new 16.8 megawatt wind park in Germany, which supplies electricity to our local factory and the region. This enabled JTI to establish a Power Purchase Agreement (PPA) that secures 50% of the generated electricity from the wind park for JTI. By the end of 2024, 56% of the electricity we use came from renewable sources.

But we plan to do more. We will continue to expand our emissions reduction program, increase the generation and use of renewable energy, and decarbonize our fleet. We will further strengthen our integrated approach to addressing risks to climate, nature and people.

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Processed food business

Business Purpose	Bringing Joy to Meals and Fun to the Table

The Business Purpose of our processed foods business, "Bringing Joy to Meals and Fun to the Table," is realized through the products and services we provide, so that our consumers can experience the value of food through meals. It is not only that the products are delicious, but also that the quality is protected to bring assurance, that the products are sold at affordable prices and offered at accessible locations, and that they meet diverse needs. We have continued to deliver our products in this way, despite the changing times.

TableMark Co., Ltd.'s flagship product, frozen udon noodles, was recognized by the Guinness World Records™ for the highest sales volume in 2023. In other frozen food categories, we hold the No. 1* share in Japan for frozen udon noodles, *okonomiyaki*, *takoyaki*, and meat dumplings. This year marks the 30th anniversary of the launch of the packed cooked rice which is an ambient food product. In the field of seasonings, we have four overseas production bases and have a market presence in more than 20 countries around the world.

These are the results of our stakeholders' recognition of our efforts to realize our Business Purpose. We will continue to strive to deliver value to as many consumers as possible.

* Fuji Keizai Co., Ltd. Processed foods marketing data book 2025: Vol.2 2023 results from the frozen udon noodle, frozen *okonomiyaki*, frozen *takoyaki* and frozen meatballs



Keisuke Nakagomi
Senior Vice President,
Food Business

Industry overview

Japan's processed food market has been expanding steadily against the backdrop of growing demand for quick and simplified meal preparation due to the increase in the number of dual-income households and changing lifestyles. In addition, as the frequency of eating at home is rising alongside the increase in the number of those working from home and for other reasons, the longer storage life, simplicity, and convenience of processed foods are once again becoming selling points, and demand is expected to remain strong even though consumption behaviors have returned to pre-COVID-19 patterns, as shown by the recovery in demand for dining out, for example.

Although Japan's population has been entering a declining phase recently, demand for processed foods is expected to continue to increase owing to labor shortages in the food service industry and other factors.

At the same time, we will continue to closely monitor trends in sales channels, such as the expansion of private brand product lineups by distribution companies and industry reorganization among wholesalers, as well as soaring labor and logistics costs arising from labor shortages and raw material price fluctuations reflecting the volatility in international market prices and exchange rates.



Our business overview

In the processed food business, we operate a frozen and ambient foods business and a seasonings business. In the frozen and ambient foods business, TableMark Co., Ltd. and other companies are developing several convenient and tasty brands for daily use, such as frozen Sanuki Udon noodles, frozen *okonomiyaki*, and packed cooked rice.

In the seasonings business, centered on Fuji Foods Corporation, we deliver products that utilize unique technologies, such as seasonings that can easily add authentic cooking aroma and yeast extracts, to the food service industry and processed food manufacturers. We also have bases in four locations overseas in the U.S. and various Asian countries, and we are developing business in a wide range of fields.

Performance over the past five years

While revenue was impacted by changes in demand due to the COVID-19 pandemic, sales remained strong, especially for flagship products. Despite the continued significant rise in raw material and other business costs, adjusted operating profit is growing steadily, supported by price revisions, cost cuts achieved through an improved product mix, and the establishment of an optimal production system.

Revenue for fiscal year 2024 increased 2.2% from the previous fiscal year, underpinned by price revisions mainly in the frozen and ambient foods business, as well as sales growth in the seasonings business thanks to a recovery in demand for the dining-out sector and other factors.

Despite the increase in raw material costs, adjusted operating profit increased by 17.8% compared to the previous fiscal year, primarily due to sales growth including the effect of price revisions.

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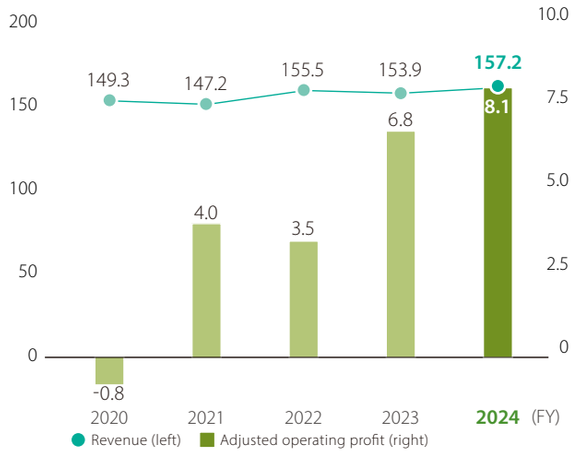
Revenue and adjusted operating profit (JPY BN)



Business strategy

The processed food business is positioned to complement the JT Group's profit growth and it is working to grow profits in Japan and accelerate overseas expansion, with the following as its basic strategies.

- Strengthen the earnings base in Japan and profit growth by enhancing the value of flagship products with a high market share
- Accelerate expansion into overseas markets, where business opportunities are growing amid the rising global popularity of Japanese food, leveraging taste creation expertise developed in Japan
- Address future food issues and work toward realizing the JT Group's processed food Business Purpose through business activities such as research and development

Sustainability strategy

We aim to address social issues related to food together with our stakeholders and create fulfilling moments through food.

We promote sustainability initiatives based on the JT Group Materiality to contribute to the creation of sustainable nature and society, and the JT Group Sustainability Targets based on this materiality.

Specifically, we will contribute to food inclusion in line with diversifying consumers values and interests, and promote initiatives to reduce the environmental impact of our products and manufacturing processes, as well as carry out food safety initiatives that are fundamental to the realization of our Business Purpose.

Case study 1

Food safety initiatives

Materiality Good governance

Target items Provide safe, secure and high-quality products

In the processed food business, to realize our Business Purpose of "Bringing Joy to Meals and Fun to the Table," we are committed to stringent safety management from four perspectives: food safety, food defense, food quality, and food communication, ensuring that we deliver safe and high-quality products to our consumers. These efforts are not only carried out by the manufacturing and quality assurance departments. We foster a culture where all employees share the importance of food safety and implement a Group-wide quality assurance system throughout the entire value chain, from product development to delivering products to consumers.

Visit WEB for Details Click Here **Other sustainability initiatives**

Case study 2

BEYOND FREE line of foods, offering high-value-added products

Materiality Value creation that exceeds consumer expectations

Target items Contribute to food inclusion

The processed food business stays close to diversifying consumer needs, values and interests, and develops and markets high-value-added foods, aiming for a world where everyone can freely and deliciously enjoy what they want to eat and maintain a healthy lifestyle.

As part of this effort, TableMark Co., Ltd. offers through its online shop the BEYOND FREE brand of foods, in which plant ingredients are carefully selected for each menu item to provide a delicious plant-based taste, not only in taste and appearance, but also in aroma and texture.

From 2025, in order to deliver value to more consumers, in addition to our own e-commerce channel, BEYOND FREE, we have started to sell our products through major e-commerce malls and to offer commercial products for restaurants. Going forward, we will continue to believe in the potential of plant-based ingredients and to explore the power of raw materials to deliver new and delicious flavors.



Visit WEB for Details Click Here **BEYOND FREE website**

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Delightful Moment Laboratory



Yuki Otaki
Senior Vice President,
D-LAB

What is D-LAB?

D-LAB is a corporate R&D organization pursuing multi-disciplinary fulfilling moments research, along with the exploration and creation of seeds for future businesses. We are approaching this challenge from a long-term perspective to realize the JT Group Purpose: "Fulfilling Moments, Enriching Life."

The concept of "fulfilling moments" is not new. It dates back to the days of the JT Group's predecessor, the state-run Japan Tobacco and Salt Public Corporation, when the phrase "We enrich people's lives by offering fulfilling and delightful moments" was used in the long-term business plan formulated in 1968. Since then, the concept of "fulfilling moments" has always appeared in the missions and visions of the JT Group. We have been weaving this concept of "fulfilling moments" into a variety of our products and services centered on tobacco, but to be able to continue to pursue this value over the long term in a rapidly changing society, we need to take a more progressive approach. With this in mind, D-LAB was born with the aim of discovering "fulfilling moments" through novel and unconventional methods. D-LAB was organized in 2013 as a project within the Corporate Planning Division and was spun off as a separate division in 2020. It now has more than 80 experienced members coming from a wide range of backgrounds.

We aim to flexibly change the means of providing "fulfilling moments" in line with the ever-changing values of society and people, and contribute to fostering "fulfilling moments" in society from a long-term perspective, while also aiming to contribute to improving the JT Group's profits.

D-LAB's initiatives

What constitutes a "fulfilling moment" is constantly changing with the times and people. In order to respond to these changes or to create them ourselves, D-LAB is engaged in two major initiatives in this regard: "multi-disciplinary fulfilling moments research" and the "exploration and creation of future business seeds." At any given time, more than 100 projects are in progress.

In our research on "fulfilling moments," in addition to joint research with universities, we are undertaking activities to deepen understanding of the value of "fulfilling moments" in collaboration with partner companies. For example, we are collaborating with Ars Electronica, a leader in Art Thinking, to conceptualize fulfilling moments by pushing the boundaries of existing knowledge with the adoption of a fresh new approach involving analysis and examination of media artwork.

To explore and create future business seeds, we are striving to understand the markets related to the value of "fulfilling moments," searching for seeds that could lead to future products and services, and creating fulfilling moment businesses that are not confined to any particular industry or domain. Among our initiatives is a sole investment in a fund that invests in promising startups that are likely to contribute to the creation of future businesses. With the successful launch of businesses from scratch, the development of multi-product lineups, and other accomplishments, some projects have advanced to the phase of actually delivering the value of "fulfilling moments" to consumers.

D-LAB will continue various activities to deliver the JT Group's long-cherished value of "fulfilling moments" to people in the decades to come.

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Examples of initiatives

Deep Breathing Lounge

D-LAB has created the Deep Breathing Lounge for deep breathing experiences where we provide "fufuly," a robotic breathing cushion, and "ston" series, deep-breathing support devices. The lounge was permanently installed at JT headquarters last October. The promotion of the lounge has been successful. We have several plans in the works to introduce the lounge at other companies. We also participated in domestic and international exhibitions and recorded thousands of visitors with positive feedback. The Deep Breathing Lounge is more than just a place to sample the breathing-support products. It is a place to experience the value of "fulfilling moments." It also embodies the concept of D-LAB to take on the challenge of innovation and business creation, focusing on our shared value of offering "fulfilling moments." We aim to create a new "breathing market" by taking breathing to the next level.



The robotic breathing cushion "fufuly" and the deep-breathing support device "ston s" can be experienced at the Deep Breathing Lounge at the Kamiya-cho headquarters



The "ston" series is a deep-breathing support device that contains no nicotine or tar

Visit WEB for Details Click Here **Deep Breathing Lounge**

Chupica

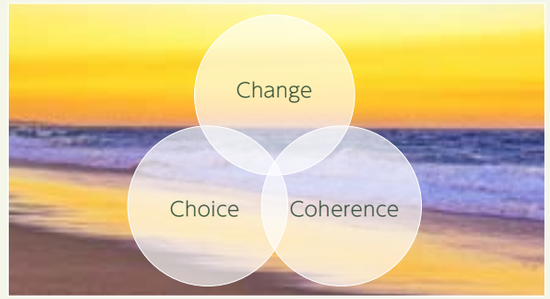
Chupica is a tablet-type toothpaste and mouthwash jointly developed by D-LAB and other entities, including TSUYOMI Inc. D-LAB participated in JAXA's "THINK SPACE LIFE" business co-creation platform*. We ideated a number of concepts to improve life quality both in space and on the ground. Chupica is designed to be used without rinsing for more outstanding and more convenient oral care in a space where water is scarce. Thorough attention has been given to the product's lathering and flavor features to provide a convenient and refreshing experience. Even in an extreme environment with various constraints, such as outer space, this product facilitates a switch to clear the mind and feel the sense of a "fulfilling moment."

* Currently operated by the specified non-profit organization MIRATUKU



Visit WEB for Details Click Here **Chupica**

Interview with a D-LAB researcher



Multi-disciplinary research on fulfilling moments and the value we provide

At D-LAB, we invest in research on the value of "fulfilling moments" itself to realize it. We focus on three key elements of "fulfilling moments": change, choice, and coherence. We promote all of our activities, incorporating these elements as the starting point. However, this is a tentative hypothesis, and we need to continue to update our understanding of "fulfilling moments" in light of ever-changing social and human perspectives. We will continue to deepen our understanding of value from multiple viewpoints by researching the latest science and technologies and using methods from creative fields such as art and design.


(Photo: Tom Mesic)

Chiai Takeda, D-LAB Manager
(In charge of research on providing value)

Visit WEB for Details Click Here **Corporate R&D: D-LAB concept movie**

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Roundtable Discussion with Outside Directors



Tetsuya Shoji
Independent Outside Director

Yukiko Nagashima
Independent Outside Director

Hiroko Yamashina
Independent Outside Director

JT places importance on dialogue with capital markets, and our Outside Directors have been participating in meetings with institutional investors since 2023. We asked those Outside Directors to share what they learned, and to talk about their role as Outside Directors and the challenges and expectations for the growth of the JT Group.

What did you learn or take away from your discussions with institutional investors?

Shoji I think that dialogue with institutional investors is very important for helping them gain a deeper understanding of JT's business and initiatives. I feel such dialogue is extremely meaningful as it provides an opportunity to learn and think about how JT can properly communicate information to remain attractive in the capital markets. In the Japanese market, in particular, institutional and regulatory support is driving an increase in individual investors, and JT has seen a significant increase in the number of individual shareholders. While it is difficult to communicate directly with all of JT's shareholders, it is extremely valuable to have an opportunity for a face-to-face conversation even with just some of them.

Yamashina As part of its efforts to increase corporate value, JT is looking to strengthen investor engagement, including IR activities, and as Outside Directors, we are also very interested in this. Being able to talk directly with institutional investors and exchange opinions with them was a valuable experience.

Outside Directors see the Company from an outside perspective that is independent and objective. However, since we are also members of the Board of Directors, we were able to communicate our own recognition and evaluation of the effectiveness of the Board of Directors and the status of its discussions, which tend to be hidden from the outside. We were also able to get a deeper understanding of the concerns and expectations of investors, and their awareness of surrounding issues. We will share with the executive side investors' concerns and the issues they have raised, but I think this was also an opportunity for me personally to refamiliarize myself and think more deeply about these issues.

Nagashima I also have the same opinion in general. Through these discussions, I felt very strongly that the institutional investors have a deep interest not only in what can be inferred from the skill matrix, but also in the thinking of the Board members and the status of their involvement with each individual agenda item. The discussions reinforced for me the responsibility we as Outside Directors with different backgrounds have in participating in Board of Directors meetings. I was also able to gain a tangible understanding through candid conversations that investors are focused not only on business, but also on the quality of governance and the evolution of our ESG initiatives.

Since the role of Outside Directors is to supervise management, we are separated from the business front lines to a degree. I realized again that this is why our contribution is expected—and also scrutinized—from a governance perspective.

How will the opinions and feedback from investors be utilized in discussions at Board of Directors meetings?

Shoji I was impressed by their opinions and feedback regarding the business portfolio. JT has been progressing towards becoming a multifaceted, international company, and since being privatized it has opened up new markets in an environment of free competition. Each of the businesses that it has developed along the way was carefully verified and discussed with regard to growth potential and so forth.

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These days, we are constantly being asked by the market, "What is the optimal business portfolio for increasing corporate value?" So, we are discussing seriously within the Board of Directors how to respond to the expectations and feedback from the capital markets and investors. Since business portfolio discussions are undertaken from a long-term perspective, it is not easy to provide specific information in our communications, but we consider it important to indicate that we recognize the relevant issues and provide appropriate disclosure of our thinking regarding the business portfolio in order to gain trust from the capital markets.

Nagashima As an outsider with an independent point of view, I believe I am expected to participate in management by objectively understanding and assessing the JT Group's potential and risks. On the other hand, I personally understand the value of luxury products that enrich life, such as alcohol and coffee, so I have also expressed my opinion in terms of the significance and purpose of the tobacco business from a qualitative standpoint. However, I was struck by how the institutional investors we spoke with emphasized the importance of quantifying even qualitative aspects to ascertain a company's value. This interaction prompted me to reconsider what my own stance should be as an outsider on JT's Board of Directors.



Yamashina Recently, at JT we have been promoting unifying the tobacco business as One Team. The business had been divided into Japan and overseas, and this move to unify has brought up questions such as whether the initiative increases the distance with our overseas operations, how we are managing governance, and how the Outside Directors are involved. While JT delegates the growth of the businesses it has acquired to the JTI management team, which has deep knowledge of local business, it has long faced the difficult problem of how to ensure effective governance across the entire Group. The current system, built through trial and error, is considered to be one of JT's strengths, but it has been pointed out, rightly I feel, that outside observers are not easily able to see who is implementing governance, and how. We should not be complacent because the system is currently working; rather, I think we should be even more proactive in assessing how to update the system to ensure it works when changes occur going forward.

How do you think you can contribute as an Outside Director to enhancing the effectiveness of the Board of Directors and its supervisory function?

Shoji Working toward the shared goal of increasing corporate value, our role as Outside Directors is to provide support for decision-making by the Board of Directors and to offer advice when the Board is considering countermeasures in cases of risk. Even if we are not experts in each of JT's business domains, we are able to provide specific advice based on our sense of business judgment and experience cultivated through our careers. I am certain that this is what is expected of us from the executive side as well. Furthermore, we have regular opportunities to visit the workplaces of those actually carrying out operations and talk with them. One look is worth a thousand words, and the information and sense of actual conditions that we get from talking directly to people on the front lines really help when participating in Board deliberations.

I believe that JT's Board of Directors is appropriately managed. Information is provided in advance, matters for discussion are clearly prioritized, and the environment is constantly updated to enable us Outside Directors to fulfill our responsibilities.



Yamashina In last year's evaluation of the Board's effectiveness, the Company held individual interviews and shared their content with everyone. What I felt through this exercise was that we Outside Directors and Outside Audit & Supervisory Board Members make important contributions as individuals speaking based on our own skills and from our own experience, but I also thought that we might be able to contribute to enlivening discussions at Board of Directors meetings by synergizing our diverse mix of backgrounds.

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For example, there are times when, after another Outside Director has spoken, I add my perspective to help foster a more constructive discussion. If we Outside Directors and Outside Audit & Supervisory Board Members had a space to freely share our own thoughts about issues with one another, I believe it could further enhance the effectiveness of the Board of Directors and enable us to make an even broader contribution.

Nagashima Let me share a specific regarding the dialogue among Outside Directors. We have opportunities to make site visits to deepen our understanding of business operations. We gain various insights from visiting sites, and before they fade away, we promptly share and discuss observations among ourselves. Given our diverse backgrounds, even when visiting the same site, our perspectives on findings can differ from each other, resulting in an opportunity for mutual learning.

Yamashina The sharing of information among Outside Directors is not simply to increase the amount of information, but rather to enable us to share our respective views and awareness of issues. In some cases, participation from Outside Audit & Supervisory Board Members, who have many opportunities for engagement with the front lines, can enable even deeper discussion. By combining our respective experiences and perspectives, we can enrich the discussion. If we are able to build a shared understanding of the issues that warrant attention, I believe this will lead to more effective feedback for the Board of Directors.



What are your aspirations as Outside Directors, and what are your expectations of JT in the future?

Yamashina My background is in the finance sector. For many years, I have gone outside the scope of financial services to engage in new challenges. For many years, my primary company sought out new challenges outside the scope of financial services, always looking one step ahead. At times, I found myself wondering where we started, but I have always thought it is important to be willing to try things out. Naturally, there are difficulties, but several of the businesses that have been created through taking up challenges have become firmly established pillars. Based on this experience, I feel that it will become increasingly important to develop new businesses in line with the JT Group Purpose, "Fulfilling Moments, Enriching Life," beyond the tobacco business.

I believe that the current situation calls for a flexible approach, with a change in mindset from the conventional tobacco business, for a more agile, thinking-on-the-go style. I think the important elements for JT going forward will be agility, speed, and a culture that tolerates failure and uses it to continue driving forward.

Nagashima They say that failure breeds success. I believe it is extremely important to be ready to carefully review failures and continue to the next attempt. But time waits for no one. Just realizing that a certain path is not correct is progress, and we need to swiftly change our direction and pivot towards a new course. This relates to a question I once received from a shareholder at one of JT's General Meetings of Shareholders, but given my background in leading various business models, I recognize the need to encourage the executive side to be more agile and flexible in their approach to decision-making. My intention is to contribute with a greater awareness than ever before of the potential need for a strategic pivot in management or business direction.

In addition, in light of the current global situation, it is going to become even more important to have a strong sensitivity to changes in the world, such as global intelligence. I feel it is necessary for me to update my knowledge so that I can understand the background to executive decisions and provide appropriate supervision and advice when necessary.

Shoji I have a background in IT, and as AI penetrates further into our daily lives going forward, I imagine that eventually it will be possible to use AI for providing various support related to smoking habits themselves and diversify smoking experiences. For example, just as automobiles are evolving from something we drive into something that drives us, tobacco has the potential to transform and develop from a simple luxury product to something that offers new added value including "fulfilling moments." I would find it highly rewarding if my own knowledge could also be applied in these future-oriented discussions.

JT has firmly established a positive culture that encourages people to take on challenges and an environment that allows them to act autonomously. I aim to continue to support the Company from an objective standpoint so that it can maintain and further invigorate this excellent culture.

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Corporate governance

Visit WEB for Details Click Here JT Corporate Governance Policy

Corporate governance structure

Basic policy

The JT Group believes that corporate governance is a framework for transparent, fair, timely and decisive decision-making in pursuit of the 4S model, our management principle. Pursuing the 4S model means striving to fulfill our responsibilities to our valued consumers, shareholders, employees and wider society, carefully considering the respective interests of these key stakeholder groups, and exceeding their expectations wherever we can.

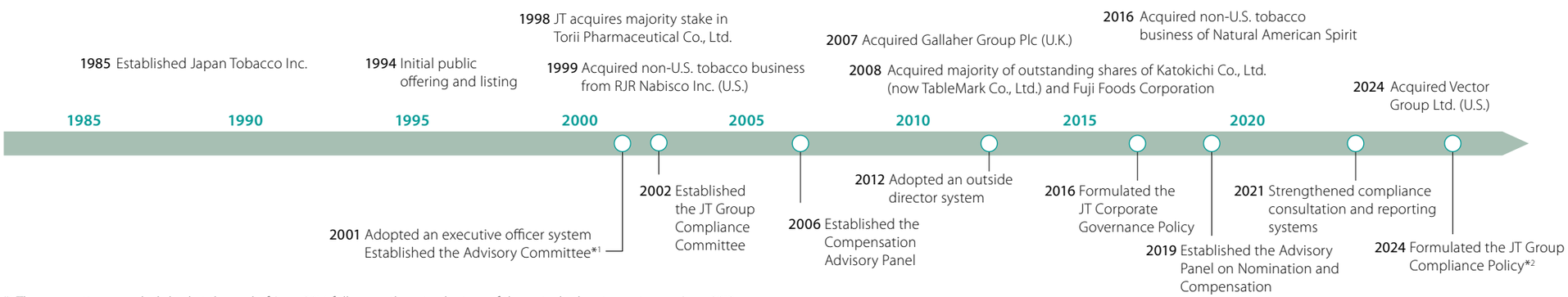
We have established the JT Corporate Governance Policy in recognition that improvement in corporate governance is conducive to sustainable profit growth and corporate value over the medium and long term, benefits our stakeholders and, in turn, helps to move the economy and society forward. We believe that the Corporate Governance Code has high affinity with the 4S model, and we fully comply with the principles of the Corporate Governance Code, which includes the principles of the Prime Market in Tokyo Stock Exchange.

We will endeavor to continuously enhance our corporate governance as a key management priority.

Rationale behind the current governance regime

We are strengthening objective and impartial management oversight functions by positioning an independent and fair Audit & Supervisory Board that appropriately oversees the job performance of Executive Officers and Members of the Board (hereinafter Directors). We have built an effective corporate governance regime under the Audit & Supervisory Board's oversight. It includes the JT Group Compliance Committee and the Advisory Panel on Nomination and Compensation, both established voluntarily. The former is comprised of the President and Chief Executive Officer (hereinafter CEO), Executive Vice Presidents and an outside expert; the latter is comprised entirely of Directors who do not serve as Executive Officers, and more than half of whose members are Independent Outside Directors. We have also streamlined our Board of Directors and expedited operational execution by delegating authority to Executive Officers. We continuously seek to improve corporate governance and increase management transparency and objectivity through, for instance, the appointments of an additional Outside Director and Outside Audit & Supervisory Board Member in March 2019, an additional Outside Director in March 2022, and an additional Outside Director in March 2024. Through such measures, we settled upon our current corporate governance regime as we believe it functions effectively with respect to operational execution and oversight.

Evolution of the governance structure



*1 The committee was abolished at the end of June 2014 following the introduction of the outside director system in June 2012

*2 In conjunction with the restructuring of the Group compliance system, the Group's Code of Conduct was reorganized, and a policy summarizing the values and ethics of the JT Group, which are common globally, was formulated.

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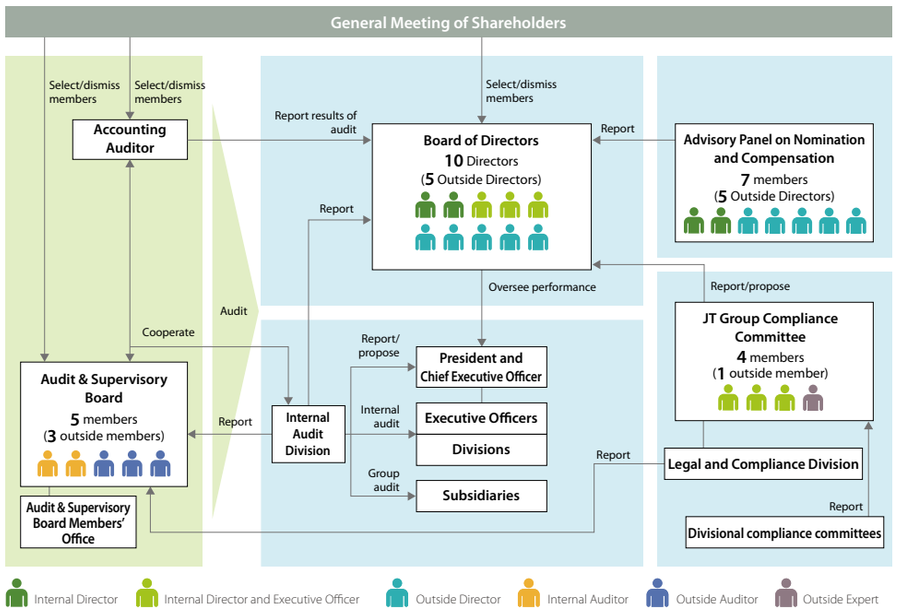
Corporate governance structure (As of March 26, 2025)



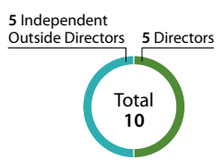
Board of Directors

The Board of Directors is the body responsible for determining JT Group management strategies and key issues, and for overseeing all business activities. Board of Directors meetings take place once a month in principle and on more occasions as necessary and promptly, in order to make decisions with regard to important matters, including those specified by laws and regulations, to supervise business execution, and to receive reports from Directors on the status of business execution.

Chairperson: Mutsuo Iwai (Chairperson of the Board)

Number of meetings: 13 in FY2024

Structure



Main deliberation and discussion items:

- Important matters such as formulation of management plans, investment projects (such as acquisition of shares in Vector Group Ltd.), and appointment of Executive Officers
- Progress on financial results, financial matters, and sustainability strategies
- Matters related to Group compliance, risk management, and internal control
- Matters related to the evaluation of the effectiveness of the Board of Directors and the Advisory Panel on Nomination and Compensation

Advisory Panel on Nomination and Compensation

The Advisory Panel on Nomination and Compensation supports the growth of executive candidates, including succession plans; deliberating on the selection of nominees for seats on the Board of Directors and Audit & Supervisory Board and dismissal of designated Directors and Directors also serving as Executive Officers; and reporting the results of the deliberation on remuneration of Directors and Executive Officers to the Board. The Panel's purpose is to render the Board's decision-making more objective and transparent and upgrade its oversight functions through deliberation regarding executive appointment and remuneration in accordance with the results of the deliberation among the Panel.

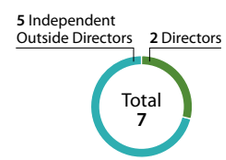
Chairperson: Tetsuya Shoji (Independent Outside Director)

* Chairperson of the Panel is elected from among Independent Outside Directors by themselves, effective March 2022

* Chairperson for FY2025 is Tetsuya Shoji

Number of meetings: 6 in FY2024

Structure



Main discussion items:

- Selection of candidates for the Board of Directors and discussions on the skills matrix
- Discussions regarding the selection of a group of companies to benchmark remuneration levels, etc.
- Confirmation of remuneration levels
- Confirmation of executive candidates
- Discussions regarding key performance indicators for executive bonuses and performance share units

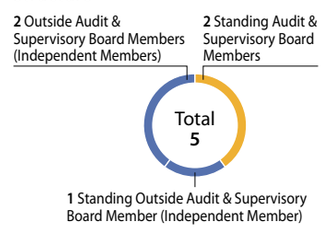
Audit & Supervisory Board

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members with abundant experience in the fields of management, law, finance, accounting and others. The Audit & Supervisory Board conducts operational and accounting audits and assertively exercises its authority as an independent body entrusted by shareholders, including attending and speaking at Board of Directors and other important meetings as well as actively inspecting business sites. In addition, it also conducts audits appropriately from an objective viewpoint in accordance with the characteristics of the duties of the Outside/Standing Audit & Supervisory Board Members.

Chairperson: Hideaki Kashiwakura (Standing Audit & Supervisory Board Members)

Number of meetings: 17 in FY2024

Structure



Main discussion items:

- Discussion and preparation of audit policy
- Discussion and preparation of audit reports by the Audit & Supervisory Board

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Evaluation of the effectiveness of the Board of Directors

We evaluate annually the effectiveness of our Board of Directors through a multi-step process. First, all Directors and Audit & Supervisory Board Members complete a self-assessment questionnaire with regards to factors including the Board's operations, oversight function and dialogue with shareholders and investors. Second, the Board's administrative staff interview the Directors and Audit & Supervisory Board Members individually as necessary to delve deeper into their questionnaire responses and compile the evaluation results. Lastly, the Board reviews and analyzes the self-assessment results with the aim of further improving its effectiveness.

For FY2024, the questionnaire was administered as outlined below. In addition, external consultants conducted interviews with all Directors and Audit & Supervisory Board Members to explore issues in order to further improve the effectiveness of the Board of Directors.

Evaluation method

—Participants: Total of 15 Directors and Audit & Supervisory Board Members
—Evaluation period: 2024 (Jan. 2024 – Dec. 2024)
—Questionnaire drafting period: Jun. 2024 – Sept. 2024
—Questionnaire response period: Sept. 18, 2024 – Oct. 1, 2024
—Questionnaire summary: Evaluation of questions (5 grades) and open-ended responses
—Interview period: Oct. 31, 2024 – Nov. 21, 2024
—Interview summary: Interviews conducted by external consultants based on the questionnaire results
—Discussion by the Board of Directors: Feb. 18, 2025

* We receive advice from external consultants in drafting and analyzing the results of the questionnaire and interview with the aim of ensuring objectivity and further improving the evaluation process.

Questionnaire evaluation items

Main evaluation items are as follows. In addition to items for ongoing confirmation, questions were designed to confirm improvements to issues identified in the FY2023 results.

1. Role, function and composition of the Board of Directors (6 questions)
2. Operation of the Board of Directors (7 questions)
3. Collaboration with auditing organizations and risk management (3 questions)
4. Relationships with shareholders and investors (3 questions)
5. Voluntary committees (2 questions)
6. Issues for enhancing deliberation and sharing (1 question)
7. Open-ended questions (4 questions)

• **Initiatives in FY2024**

In FY2024, the following initiatives were conducted for issues identified in the effectiveness evaluation pertaining to FY2023.

Key issues	Initiatives in detail
• Continued enhancement of effective and efficient operations of the Board of Directors • Continued enhancement of the supervisory functions of the Board of Directors	• Continued improvement of the Board of Directors, including adjusting agendas and determining the best time to bring up agenda items as well as ensuring that meetings run smoothly • Further enhancement of opportunities to discuss major management issues and the status of risk management, etc. • Further enhancement of communication opportunities among executives by holding meetings for exchanging opinions

• **Evaluation results in FY2024**

As in FY2023, the Board effectiveness evaluation for FY2024 yielded generally positive results across all evaluation items, confirming that the Board is functioning not only effectively but also increasingly so. In particular, praise was given for the strong leadership demonstrated by management and the well-maintained composition and high-level of operation of the Board of Directors.

Although no urgent issues were identified in the interviews, there are some issues that should be addressed in order to further demonstrate the value of the Board of Directors. Accordingly, for FY2025 and beyond, the Board is pursuing initiatives focused on addressing the issues identified below, in order to continuously enhance the Board's effectiveness.

Key issues	Initiatives going forward
• Continued enhancement of the supervisory functions of the Board of Directors • Continued enhancement of effective and efficient operations of the Board of Directors	• Enhancement of opportunities to discuss and share medium- to long-term governance structures, major management issues, etc. • Creation of more robust opportunities for communication among executives • Improved Board meeting operations, including smoother proceedings

We will continue to implement the necessary improvements, including the above-mentioned initiatives, with the aim of further improving effectiveness.

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Succession Planning

We recognize that continuously producing next-generation management human resources to lead the future management of the Group, and expanding the candidate pool both qualitatively and quantitatively, is a particularly important challenge. In order to continuously produce leaders who possess the high-level skills and qualities necessary for global success, we select as future management candidates human resources at various organizational levels through open applications targeting employees of Group companies and recommendations from senior management, including Executive Officers, with the direct commitment and involvement of senior management, led by the CEO. For each candidate, at meetings aimed at supporting the growth of next-generation management human resources attended by the CEO, we carefully assess their qualifications as potential executives (including Executive Officers) capable of realizing the JT Group's growth strategy, considering factors such as objective external evaluations and market competitiveness, along with integrity as a professional and extremely high levels of ownership combined with elevated and broad perspectives. We prioritize candidates for development, create development plans involving diverse and challenging work experiences, and regularly confirm their development status based on these plans, while also periodically discussing medium- to long-term growth issues and strategies related to development policies. In particular, for individuals recognized as potential candidates for positions such as Director and Audit & Supervisory Board Members, the Advisory Panel on Nomination and Compensation regularly verifies their development status while referencing insights from Independent Outside Directors who serve as committee members and external advisors, and it also discusses succession plans and planning processes with a view to enhancing both. One specific initiative is the JT-Next Leaders Program (NLP), which aims to continuously produce young top management to lead the JT Group's domestic and international business operations. This program, launched in 2013, targets employees, from pre-employment candidates to employees up to the age of 40, who meet the application requirements; administers an objective selection process combining internal and external assessments such as human assessments, 360° surveys, and executive interviews; and provides priority growth support on a Group-wide scale for several years to qualified employees. Through such programs, we are continuing our efforts to enhance our pool of management human resources from a young age and to strengthen the competitiveness of our human resources.

Executive remuneration

Executive remuneration policy

The Board establishes policies on executive remuneration including the methodology used in determining each Director's remuneration. These policies are determined after being deliberated and reported by the Advisory Panel on Nomination and Compensation, comprised entirely of Directors who do not serve as Executive Officers with more than half its members being Independent Outside Directors, in order to ensure independence and objectivity. Based on these policies, our basic concept for executive remuneration is as follows:

- Set remuneration at an adequate level to retain personnel with superior capabilities
- Link remuneration to the Company's performance so as to motivate executives to achieve their performance targets
- Link remuneration to the Company's value over the medium and long term
- Ensure transparency by implementing objective and quantitative frameworks

Process for setting executive remuneration

We benchmark the amount of remuneration for each Director based on a survey on remuneration for directors conducted by third parties, taking into account the remuneration levels at major Japanese manufacturers with similar sizes and profits (benchmark corporate group) that are operating overseas. Specifically, after benchmarking the level of base salaries for directors of peer companies and the percentage of variable remuneration including executive bonuses and medium- and long-term incentives, the amount of remuneration for each Director is determined using various calculation methods stipulated in internal regulations, based on deliberations by the Advisory Panel on Nomination and Compensation, within the maximum amount approved at the Ordinary General Meeting of Shareholders. Currently, the Board considers that the Representative Director, CEO is the most qualified to determine the amount of remuneration for each Director, having an overview of the Company's management and performance as well as taking into account the evaluation of each Director's execution of duties. Based on this concept, the Board delegates its determination to the Representative Director, CEO, who in turn determines the amount of remuneration for each Director including base salary, executive bonus, monetary compensation claims for the allotment of the restricted stock remuneration plan and the performance share unit plan, based on various calculation methods stipulated in internal regulations and in accordance with

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deliberation by the Advisory Panel on Nomination and Compensation. Thereafter, the Board concludes the Representative Director, CEO's determination is aligned with the policies. In 2023, Masamichi Terabatake, the Representative Director, CEO, determined the amounts of remuneration.

Remuneration for Audit & Supervisory Board Members is also benchmarked in the same way, and is determined by deliberation among the Audit & Supervisory Board Members within the maximum amount approved at the Ordinary General Meeting of Shareholders.

Composition of executive remuneration

Executive remuneration is comprised of (1) a monthly "base salary" and (2) an "executive bonus" linked to the Company's business performance in a fiscal year, as well as (3) a "restricted stock remuneration plan" and (4) a "performance share unit plan," both of which are linked to corporate value over the medium and long term. The composition of executive remuneration is as follows.

Directors who also serve as Executive Officers

For the Directors who also serve as Executive Officers, remuneration consists of the base salary, executive bonus, restricted stock remuneration plan and performance share unit plan. The composition ratio of remuneration is as follows in cases where the executive bonus and the performance share unit plan are at the standard amount.

<table>
<tr><th>Composition</th><th>Monetary remuneration</th><th>Monetary remuneration (performance-linked)</th><th>Stock remuneration</th><th>Stock remuneration (performance-linked)</th></tr>
<tr><td rowspan="2">Ratio*1</td><td rowspan="2">Base salary
29-34%</td><td rowspan="2">Executive bonus
28-29%</td><td>Restricted stock remuneration plan*2</td><td>Performance share unit plan*2</td></tr>
<tr><td colspan="2">38-43%</td></tr>
</table>

*1 The composition ratios vary depending on the duties of Members of the Board and the ranges are indicated in the table
*2 The ratio of restricted stock remuneration plan and performance share unit plan is about 3 to 1
*3 Under the performance share unit plan, 50% is paid as cash towards tax payment
*4 The above table shows the ratio of remuneration composition if the executive bonus and performance share unit plan are paid at the standard amount. The above ratios could fluctuate depending on the Company's performance, share price, remuneration levels of benchmark companies, etc.

Internal Directors and non-executive officers

Internal Directors and non-executive officers receive remuneration that consists solely of a base salary and does not include performance-linked remuneration, as they are responsible for determining Group-wide management strategies to enhance corporate value and for fulfilling their supervisory functions, such as monitoring the execution of medium- and long-term growth strategies.

Outside Directors

Remuneration for Outside Directors is composed solely of a base salary and does not include performance-linked remuneration to ensure their independence. An Outside Director who serves as the Chairperson of the Advisory Panel on Nomination and Compensation receives remuneration at a level of the amount corresponding to the duty, in addition to the remuneration level of other Outside Directors.

Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members is composed solely of a base salary, in light of their key responsibility for conducting audits.

Components of executive remuneration

Base salary

Executives are remunerated with a monthly base salary commensurate with their responsibilities. They are individually evaluated on achievement of their performance targets, from the viewpoint of motivating them to achieve performance targets through execution of their duties and actions that will lead to the Company's sustainable profit growth. Performance targets are set through interviews with the CEO at the beginning of the fiscal year and evaluated at the end of the fiscal year. The base salary for the following fiscal year will be set within a certain range reflecting the individual performance evaluations. However, an individual performance evaluation is not applicable to the CEO.

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Executive bonus

The executive bonus for Directors who also serve as Executive Officers will be paid as monetary remuneration reflecting the Company's performance for a fiscal year. Core revenue at constant currency, adjusted operating profit (AOP) at constant currency, adjusted operating profit on a reported basis, profit, and an RRP-related qualitative evaluation index*, which will be used to measure the performance of the business itself, act as KPIs in the calculation of executive bonuses, from the viewpoints of (1) providing shareholders with shared value related to the performance of the business itself, which is the foundation of sustainable profit growth, and the achievement rate of profit growth, and (2) setting indices conducive to sustainable profit growth over the medium and long term. In calculating the amounts of executive bonuses, 15% accounts for core revenue at constant currency, 35% for AOP at constant currency, 25% for adjusted operating profit on a reported basis and 25% for profit. The ratio that performance on a reported basis accounts for on the KPIs used to determine executive bonuses has been set to 50%. Performance-linked payout is based on KPI achievement in the range of 0% to 190% and either -10%, 0%, or +10% is added/deducted depending on evaluations of the RRP-related qualitative evaluation index. In the case that a Director who received an executive bonus engages in certain misconduct, the Director involved will be required to return part of the executive bonus already paid.

* This is a qualitative evaluation metric related to the execution and achievement level of strategies for our focus area of Reduced-Risk Products (RRP).

Restricted stock remuneration plan

The restricted stock remuneration plan is designed to further enhance shared value over the medium and long term between the Directors who also serve as Executive Officers (hereinafter, eligible Directors) and the shareholders. Eligible Directors receive monetary compensation claims every fiscal year towards restricted shares and allocation of the Company's common stock by paying all of the monetary compensation claims in kind in accordance with the resolution of the Board of Directors (the allotment being made from treasury shares). The Company enters into an agreement with the eligible Directors with regards to the allotment of the shares. Although the restriction period is thirty years, in cases where any eligible Director retires due to expiration of their term or resigns due to reasons deemed acceptable by the Board of Directors from a position as Director or any other position separately specified by the Board of Directors during the restriction period, the transfer restrictions are removed on all of the allotted shares that the eligible Director owns. Furthermore, upon the date of payment, in the case where any eligible Director, Audit & Supervisory Committee Member or Executive Officer loses their status due to expiration of their term or another reason deemed acceptable by the Board of Directors, the transfer restrictions are removed on all of the allotted shares that the eligible Director owns.

In the event that a Director who was allotted restricted shares has violated laws or regulations or any other cause as determined by the Board of Directors during the restriction period, all or part of the allotted shares will be acquired by the Company without compensation. Additionally, in cases where the Company is involved in mergers or other organizational realignments in which the Company is the absorbed entity during the restricted period, restrictions may be removed on the allotted shares prior to the effective date of the organizational realignment by resolution of the Company's Board of Directors.

Performance share unit plan (PSU)

PSU is a performance-linked stock compensation system that aims to strengthen shared value with shareholders, to enhance the Company's value over the medium and long term and to commit to achieving business results over the medium term. PSU offers monetary remuneration claims and cash to Directors who also serve as Executive Officers during the first year of the three-year performance evaluation period.*[1] Compensation will be paid in the form of monetary claims and cash payments for issuance of the Company's common stock based on the degree to which numerical targets, such as business performance, are reached during a given performance evaluation period. The attainment rates of numeric targets including earnings are determined following a review by the Advisory Panel on Nomination and Compensation. As a general rule, eligible Directors receive the cash and monetary claims after the end of each performance evaluation period. Eligible Directors receive allotments of the Company's common stock through payment of all of the monetary remuneration claims in kind (the allotment is made from treasury shares).

We determine necessary indices to calculate the number of shares to be given to eligible Directors, including each numeric target used in this compensation system and performance-linked factors following a review by the Advisory Panel on Nomination and Compensation. In order to share value with shareholders, profit (attributable to the owners of the parent company) has been set as a PSU KPI for the evaluation period starting in 2021. For the evaluation period starting in 2022, we have decided to introduce an ESG-related index on top of profit, in order for the Company and shareholders to gain a mutual perspective of evaluating and being evaluated. The decision was made to enact this same change for the evaluation periods starting in 2023, 2024 and 2025. In 2022,

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2023 and 2024, we included our progress on initiatives to realize Net-Zero as an ESG-related index, specifically the target attainment rates for reducing Greenhouse Gas (GHG) emissions. In addition to indices related to efforts to achieve Net-Zero, the ESG-related index for 2025 will include those efforts to promote DE&I, which are part of the JT Group Sustainability Targets. In particular, the JT Group will use the achievement of a target ratio of females in management positions to evaluate this. Furthermore, for the evaluation period starting in 2025, we have decided to introduce an RRP-related quantitative evaluation index*2 in addition to profit and an ESG-related index. The aim is to further promote shared value with shareholders by achieving medium-term performance targets and contributing to improved corporate value.

Performance-linked payout is set to be in the range of 0% to 200% based on KPI (i.e., profit) achievement for the evaluation period starting in 2021. In evaluation periods starting in 2022, 2023 and 2024, performance-linked payout is set to be in the range of 0% to 190% based on KPI achievement and either -10%, 0%, or +10% is added/deducted depending on evaluations of the ESG-related index. In the evaluation period starting in 2025, performance-linked payout will fluctuate between 0% and 180% depending on KPI achievement, and either -5%, 0%, or +5% will be added/deducted depending on the achievement level of the GHG emission reduction target on the ESG-related index. Depending on the achievement level of the JT Group's target ratio of females in management positions, either -5%, 0%, or +5% will be added/deducted, and depending on the level of achievement of the RRP-related quantitative evaluation index, either -10%, 0%, or +10% will be added/deducted.

In the case we acknowledge certain wrongful behavior as determined by the Board of Directors or any other illegal acts have been committed by a Director during the performance evaluation period, the Director will be disqualified from receiving all or part of the cash and monetary claims planned to be paid.

*1. The performance evaluation period for 2021 is the three-year period from FY2021 to the end of FY2023, 2022 is the three-year period from FY2022 to the end of FY2024, 2023 is the three-year period from FY2023 to the end of FY2025, and 2024 is the three-year period from FY2024 to the end of FY2026. From 2025 onwards, we plan to offer performance-linked PSU's to Directors who also serve as Executive Officers during the first fiscal year of each three-year performance evaluation period. The maximum amount is approved at the Ordinary General Meeting of Shareholders.

*2. This is a quantitative evaluation index related to the degree to which the sales volume of heated tobacco sticks (HTS) is achieved in RRP, one of our focus areas.

KPIs for executive remuneration

We have introduced financial and non-financial indicators as KPIs to design a more multifaceted system for assessing our performance. This will allow us to evaluate our initiatives aimed at medium- and long-term growth and further strengthen shared value with shareholders.

Executive bonus

KPI	Purpose/Details	Ratio
Core revenue at constant currency	Assess top-line growth rate. Introduced given the significance of assessing top-line growth to realize medium- and long-term sustainable profit growth	15%
Adjusted operating profit at constant currency	Assess performance of business itself, which is the foundation of sustainable profit growth	35%
Adjusted operating profit on a reported basis	Assess business performance including FX impact. Introduced to assess current performance from a multifaceted perspective considering the balance between the constant FX basis and reported basis	25%
Profit	Introduced to share attainment rate of profit growth with shareholders	25%
RRP-related qualitative evaluation index	Assess qualitatively the implementation of strategies and attainment rate regarding RRP, our focus area	±10%

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Performance share unit plan (PSU)

KPI	Purpose/Details	Ratio
Profit	Introduced to share attainment rate of profit growth with shareholders	100%
ESG-related index	Introduced in order for us (evaluatee) and shareholders (evaluator) to gain a mutual perspective on what is conducive to corporate value. In addition to indicators related to efforts to achieve Net-Zero, the ESG-related index for 2025 will include those efforts to promote DE&I, which are part of the JT Group Sustainability Targets. Specifically, the indices are (1) the target attainment rates to reduce GHG emissions and (2) the achievement of a target ratio of female management positions	(1)±5% (2)±5%
RRP-related quantitative evaluation index*	Introduced to further promote shared value with shareholders by achieving medium-term performance targets and contributing to improved corporate value	±10%

* This is a quantitative evaluation index related to the degree to which the sales volume of HTS is achieved in RRP, one of our focus areas.

Total amount of remuneration in 2024

Category	Total amount (JPY MM)	Total amount by component (JPY MM)				Number of eligible persons
		Base salary	Executive bonus	Restricted stock remuneration plan	PSU	
Directors (excluding Outside Directors)	1,252	473	395	278	107	6
Audit & Supervisory Board Members (excluding Outside Members)	88	88	—	—	—	2
Outside Directors	195	195	—	—	—	9
Total	1,535	756	395	278	107	17

Notes: 1. Figures for PSU in the table represent those booked as expenses for 2024
2. Executive bonus and PSU are categorized as performance-linked remuneration
3. The restricted stock remuneration plan and PSU are categorized as non-monetary compensation
4. The table above includes a Director and an Outside Director who retired on March 22, 2023

Maximum amount of executive remuneration

The maximum total amount of executive remuneration for all Directors is as follows. The Company's Audit & Supervisory Board Members are eligible only for base salary and the maximum total amount of remuneration is set at 240 million yen per annum.

		Amount of executive remuneration	Internal Directors		Outside Directors
			Executive Officers	Non-executive officers	
Base salary		Up to 800 million yen (160 million yen for Outside Directors)	○	○	○
Executive bonus		Up to 0.3% of profit (profit attributable to owners of the parent company)	○	—	—
Restricted stock remuneration plan	Total amount of monetary remuneration	Up to 600 million yen	○	—	—
	Number of shares to be issued	Up to 300,000 shares			
PSU	Total amount of monetary remuneration and cash for tax payments	Up to the amount obtained by multiplying fixed number of base share units*1 (up to 200,000 shares) with the share price at offering*2	○	—	—
	Number of shares to be issued	Up to 100,000 shares			

*1 Number of base share units (determined by the Board of Directors based on the duties, etc. of respective eligible Directors) x Offering ratio (within a range of 0-200% based on the degree of achievement of targets)

*2 After the performance evaluation period ends, based on the closing price of the ordinary shares of the Company on the TSE on the preceding business day of the date of the resolution by the Board of Directors concerning the allotment of the ordinary shares of the Company under the plan (or the closing price on the immediately preceding business day, if transactions are not executed on that day), the amount shall be determined by the Board of Directors within the range not particularly favorable to eligible Directors

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Internal controls

Basic concept

The Company, in terms of its organizational structure, has always strived to run an internal control system encompassing the Company and the Group through initiatives in such areas as compliance, internal audits, and risk management. Moreover, we have created the systems required under the Companies Act and the Ordinance for the Enforcement of the Companies Act by implementing measures aimed at ensuring the effectiveness of audits by Audit & Supervisory Board Members. We work to maintain and enhance the existing corporate structures by periodically reviewing and revising them in order to ensure appropriate execution of business.

Compliance system

We, based on the regulations established by the Board of Directors, have formulated the JT Group Compliance Policy, which summarizes the globally shared values and ethics of the JT Group, to ensure that Directors and employees act appropriately while complying with laws and regulations, the Articles of Incorporation, and social norms. It has also established business unit compliance codes of conduct for corporate and business divisions, and aligns them with the JT Group Compliance Policy while adapting them to their unique environments and characteristics to ensure thorough compliance. In order to realize the compliance management that should be aimed for, we have established the JT Group Compliance Committee, which consists of the President, Executive Vice Presidents, and external experts.

The JT Group Compliance Committee has been a deliberative body to oversee and promote compliance throughout the JT Group and to ensure accountability to the Board of Directors since FY2024. It consists of the President, Executive Vice Presidents and external experts, and is chaired by the President. In addition, an Executive Officer in charge of compliance has been appointed to oversee the Legal and Compliance Division, which is responsible for establishing and implementing a system across the JT Group and identifying problem areas. Furthermore, the divisional compliance committees established within corporate and business divisions autonomously deliberate compliance-related matters within their jurisdictions. The JT Group Compliance Committee, meanwhile, in addition to grasping and deliberating initiatives for the entire JT Group, strengthens ties with the Board of Directors through ample reporting to the Board. Through this framework, we strive for robust and enhanced JT Group compliance in terms of both supervision and promotion.

In FY2024, two JT Group Compliance Committee meetings were held under the new compliance structure. The committee deliberated on initiatives to promote compliance and other matters, and reflected the results of the deliberations in the compliance practice plan for FY2025 to be formulated by each department.

The compliance promotion departments of the Company and its subsidiaries (namely, the Legal and Compliance Division in the Company, and corresponding departments in subsidiaries) distribute compliance codes of conduct for every department through their respective departments and organizations to drive awareness among the Directors and employees of the Company, as well as the Directors, employees and others of subsidiaries (hereinafter, collectively called "Directors and employees"). The compliance promotion departments also work on enhancing the effectiveness of compliance through awareness-raising activities by enlightening Directors and employees about compliance through training and other programs.

Compliance Action Plans

Compliance Action Plans formulated by each division include actions to maintain and enhance compliance programs, address priority compliance issues, conduct training and seminars, operate the internal reporting system and implement Compliance Promotion Month.

Compliance surveys

We annually conduct a Group-wide survey to check the status of compliance practices in our Japanese operations. In 2024, 96.3% of employees completed the survey. The results of the survey are reported to Directors and employees, and the relevant departments use these results to evaluate compliance initiatives and formulate and implement improvement measures.

Internal reporting system (whistle-blower system)

Group companies have set up hotlines for Directors and employees and other parties to report acts suspected of being legal/regulatory violations and other such concerns. Compliance promotion departments that receive a report or query via their hotlines investigate its details and then take action, including recurrence prevention measures, as needed. Additionally, we have set up another hotline apart from the one staffed by its Legal and Compliance Division. The second hotline is independent of organizational units involved in operational execution and staffed by Audit

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& Supervisory Board Members, who investigate the details of any reports or queries received via the hotline. JT then takes action, including recurrence prevention measures, as needed, and refers or reports serious problems involving the JT Group to the divisional compliance committees and the JT Group Compliance Committee for further review as needed.

Risk management system

The JT Group has introduced enterprise risk management (ERM) for the entire Group in order to contribute to the Group's sustainable profit growth and enhancement of corporate value over the medium to long term, and to strengthen the framework that enables transparent, fair, swift, and definitive decision-making within the Group. By identifying risks that may impact the Group and evaluating them in terms of both impact and likelihood, we select important risks to be addressed as a priority, formulate response plans, and conduct monitoring.

In promoting ERM, we have established a structure where the CEO serves as the responsible officer, and discussions are conducted with the Executive Vice Presidents and the Executive Officer in charge of ERM (Senior Vice President in charge of corporate governance) appointed by the CEO. ERM is also implemented in each business with the division heads of the tobacco, pharmaceutical, and processed food businesses taking responsibility, and the details are reported to the Executive Officer in charge of ERM. The inclusion of the Executive Officer in charge of ERM, who oversees the risk status of the business, in discussions enables the identification of important risks across the Group. These important risks identified through discussions involving the CEO, Executive Vice Presidents, and the Executive Officer in charge of ERM are addressed under the responsibility of the response managers designated by the CEO (each business division head and the Executive Officer in charge of corporate), who formulate response plans and conduct monitoring, and the results are reported to the CEO, Executive Vice Presidents, and the Executive Officer in charge of ERM. The status of these initiatives is reported to the Board of Directors at least once a year. By appropriately managing risks, the Group is able to appropriately seize opportunities for business growth and strategic business development.

▸ Please see Risk factors (P. 83) for more details on risks facing the JT Group.

Information security

We have established information security regulations to clearly demonstrate our commitment to information security and comprehensively promote information security measures on an ongoing basis. Specifically, we have adopted the JT Group IT Governance Policy and JT Group Information Security Standards and mandated and implemented the required IT risk mitigation measures, including access restrictions, antivirus defenses, education, audits, and monitoring. We strive to manage and safeguard our IT systems, data and other information assets in an appropriate manner. We are continuously pursuing initiatives to strengthen our information security with respect to both hardware and software. Hardware-wise, we continually test and improve our key IT systems' security-related technologies and operations, including requests to suppliers. Software-wise, we conduct security-related educational activities globally to promote proper handling of information assets by all employees. In 2024, 94% of all JT Group company employees attended security training programs. Additionally, we extended a single information classification and protection solution across all our business divisions and established a unified approach to security operations across the JT Group. We are also conducting educational activities across the entire JT Group, having rolled out our internally developed i-SECURE program. The i-SECURE program's effectiveness is constantly being measured by employee behavior metrics. It has been instrumental in raising awareness of information security among employees.

Internal auditing

Our Internal Audit Division conducts internal audits from an objective standpoint independent of organizational units involved in operational execution and reports directly to the CEO. It maintains company property and strives to enhance the efficiency of management through its examination and assessment of controlling/operating systems which relate to all business activities as well as the status of business execution from the perspectives of legality and rationality. To fulfill its responsibilities, it has unrestricted authority to observe all activities, inspect all records and question all personnel on a Group-wide basis.

The Division formulates annual internal audit plans subject to the CEO's approval. Its head mandatorily reports internal audit results to the CEO, reports to the Board of Directors annually, and may

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freely and regularly confer with the CEO and our subsidiaries' senior-most executives about internal audit findings, internal control statuses and risk assessments.

Our subsidiaries may set up internal auditing organizations at their own discretion. Those that have done so include major subsidiaries JTI, TS Network and TableMark. Subsidiaries' internal audit plans are approved by, and their audit results reported to, their respective presidents or the Board of Directors. JT's Internal Audit Division coordinates internal audits with subsidiaries' internal auditing organizations. Subsidiaries' annual internal audit plans and their internal audit results are reported to the Group CEO and our Board of Directors through our Internal Audit Division. To increase the efficiency and effectiveness of internal audits, we periodically hold meetings to improve audit quality through information sharing among internal auditing staff across the Group. We also conduct joint audits with and provide auditing assistance to subsidiaries as necessary.

Policies on Group management

We aim for the Group's sustainable profit growth and increasing corporate value over the medium to long term by pursuing the 4S model, our management principle, and sharing the JT Group Purpose on a Group-wide basis. Based on our belief that better corporate governance contributes to achieving the aforementioned goals, we strive to optimize the Group structure by defining functions and regulations shared in the Group and managing the Group as a whole. In addition, we coordinate compliance (including an internal reporting system), internal auditing, assurance of reliability of financial reporting and more with our subsidiaries and maintain these activities.

Internal control system for JTI

JT International Holding B.V., which serves as the holding company for JTI's business operations, has a majority of its directors appointed from among JT's Executive Officers, and they are responsible for making strategic decisions for the tobacco business as a whole. In addition, important decision-making authority and approval procedures related to the tobacco business, including JTI, are stipulated in the authority regulations and other relevant policies, which ensures the agility of business operations by delegating certain authority to JTI while also securing subsidiary governance through JT's approval of matters such as JTI's formulated budgets, medium-term plans, and investment deals exceeding a certain amount. Within JTI, authority is delegated by JT to the Executive Officers in charge of each market, plant, and JTI.

In addition, Audit & Supervisory Board Members and the Internal Audit Division have the right to audit JTI, and Audit & Supervisory Board Members conduct audits of JTI as appropriate. JTI's Internal Audit Division conducts JTI's internal audits, while JT's Internal Audit Division works closely with JTI's Internal Audit Division to conduct audits in areas of operations where JT and JTI are working together. The results of the audit by JTI's Internal Audit Division are reported to the Board of Directors of JT International Holding B.V.

An appropriate governance structure has been created through such efforts.

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Directors and Audit & Supervisory Board Members

(As of March 26, 2025)

Ten Directors (including five Outside Directors)



Mutsuo Iwai

Chairperson of the Board
Date of birth: October 29, 1960
Number of shares held: 45,500



Shigeaki Okamoto

Deputy Chairperson of the Board
Date of birth: February 20, 1961
Number of shares held: 1,200



Masamichi Terabatake*

Representative Director and President, Chief Executive Officer
Date of birth: November 26, 1965
Number of shares held: 307,386



Koji Shimayoshi*

Representative Director and Executive Vice President
Date of birth: March 7, 1968
Number of shares held: 59,200



Kei Nakano*

Representative Director and Executive Vice President
Date of birth: March 1, 1968
Number of shares held: 66,946



Yukiko Nagashima

Director (Independent Outside Director)
Date of birth: April 4, 1961
Number of shares held: 0



Masato Kitera

Director (Independent Outside Director)
Date of birth: October 10, 1952
Number of shares held: 0



Tetsuya Shoji

Director (Independent Outside Director)
Date of birth: February 28, 1954
Number of shares held: 0



Hiroko Yamashina

Director (Independent Outside Director)
Date of birth: May 20, 1963
Number of shares held: 0



Kenji Asakura

Director (Independent Outside Director)
Date of birth: December 11, 1955
Number of shares held: 0

Five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members)



Hideaki Kashiwakura

Standing Audit & Supervisory Board Member
Date of birth: February 28, 1969
Term of office: 4 years from March 2023
Number of shares held: 12,128



Tsutomu Hashimoto

Standing Audit & Supervisory Board Member
Date of birth: May 31, 1967
Term of office: 4 years from March 2023
Number of shares held: 1,584



Shigeru Taniuchi

Standing Audit & Supervisory Board Member (Independent Outside Audit & Supervisory Board Member)
Date of birth: September 7, 1962
Term of office: 4 years from March 2023
Number of shares held: 0



Nobuo Inada

Audit & Supervisory Board Member (Independent Outside Audit & Supervisory Board Member)
Date of birth: August 14, 1956
Term of office: 4 years from March 2023
Number of shares held: 0



Emiko Takeishi

Audit & Supervisory Board Member (Independent Outside Audit & Supervisory Board Member)
Date of birth: February 16, 1960
Term of office: 3 years from March 2024
Number of shares held: 0

Notes: 1. Please refer to the Notice of Convocation of the Ordinary General Meeting of Shareholders for reasons for appointment of Directors and Audit & Supervisory Board Members.
2. We have established a set of independence criteria. Please refer to the JT Corporate Governance Policy for details.
3. The Directors marked with * also serve as Group Executive Officers

Visit WEB for Details Click Here

Executive Officers

JTI CEO/Executive Vice Presidents, and JTI Executive Committee members

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The concept of skills necessary for the Directors

The Company will pursue the 4S model, the Group's management principle, and realize the JT Group Purpose. The area of "human enrichment" undergoes changes in various ways with the times and the people, and the Company will strive to evolve constantly so that it can continue to be trusted by society and make valuable contributions in this area in the future. On that basis, the Company believes that it is important for its Board of Directors to be comprised of diverse professionals who agree with the 4S model and the JT Group Purpose, with a high sense of ethics and integrity as well as knowledge, experience and skills.

In order for the Board of Directors, comprised of members based on the above view, to properly fulfill its roles and responsibilities, the Company particularly expects each Member of the Board to demonstrate skills based on their knowledge and experience in the following areas, and believes that the Board of Directors as a whole has the necessary skills.

Areas in which skills are expected to be particularly effective

- "Corporate Management," including the JT Group's management strategy, operations, and business strategy that contribute to sustainable profit growth and enhancement of corporate value based on the 4S model, our management principle.
- "Global Management," which is essential for the JT Group, which operates globally, in order to achieve medium- and long-term business growth.
- "Corporate Finance, Accounting and Capital Policy" and "Legal, Compliance and Risk Management," which are the basis of decision-making for effective management and business activities for our corporate value growth and business continuity.
- "IT/Information Security," which is one of the important management foundations for strengthening the competitiveness of the JT Group and for business continuity.
- "Corporate Governance," which is the foundation of our corporate activities in order to maximize stakeholder value, pursue sustainable profit growth, and grow our corporate value over the long term.
- "Sustainability/Environment and Society," which we consider to be the core to our management initiatives and for which we formulate strategies based on the 4S model and materiality analysis, in order to contribute to building a sustainable environment and society through the realization of the JT Group Purpose.
- "DE&I (Diversity, Equity & Inclusion)/Organizational Behavior and Human Resource Management," to respect different backgrounds and values, such as gender, sexual orientation, age, and nationality, as well as experience and expertise, and promote investment in human resources including growth support focusing on personnel diversity, and the creation of an environment where diverse employees can perform to the best of their abilities.
- "Business Development/M&A" to formulate strategies and carry out measures for further development and business growth in order to continue providing "human enrichment" in accordance with ever-changing society and the values of people.

In addition, in light of the roles and responsibilities of Audit & Supervisory Board Members to oversee the job performance of Members of the Board, we are particularly expecting Audit & Supervisory Board Members to demonstrate their skills in the areas of "Corporate Finance, Accounting and Capital Policy," "Legal, Compliance and Risk Management," and "Corporate Governance." We believe that the entire Audit & Supervisory Board has the necessary skills.

Skills matrix for proposed Directors and Audit & Supervisory Board Members (As of March 26, 2025)

Name	Position	Areas in which skills are expected to be particularly effective								
		Corporate Management	Global Management	Corporate Finance, Accounting and Capital Policy	Legal, Compliance and Risk Management	IT/Information Security	Corporate Governance	Sustainability/ Environment and Society	DE&I/Organizational Behavior and Human Resource Management	Business Development/M&A
Mutsuo Iwai	Chairperson of the Board	●	●		●	●	●		●	
Shigeaki Okamoto	Deputy Chairperson of the Board			●	●		●	●	●	
Masamichi Terabatake	Representative Director	●	●		●	●	●	●	●	●
Koji Shimayoshi	Representative Director	●	●		●	●	●	●	●	●
Kei Nakano	Representative Director	●		●	●		●			●
Yukiko Nagashima	Outside Director	●					●		●	●
Masato Kitera	Outside Director		●		●		●	●	●	
Tetsuya Shoji	Outside Director	●	●			●	●		●	●
Hiroko Yamashina	Outside Director	●			●		●		●	
Kenji Asakura	Outside Director	●	●			●	●	●		●
Hideaki Kashiwakura	Standing Audit & Supervisory Board Member	●	●	●			●		●	●
Tsutomu Hashimoto	Standing Audit & Supervisory Board Member		●	●	●	●	●			
Shigeru Taniuchi	Standing Audit & Supervisory Board Member			●	●		●	●	●	
Nobuo Inada	Outside Audit & Supervisory Board Member			●	●		●	●	●	
Emiko Takeishi	Outside Audit & Supervisory Board Member				●		●	●	●	

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Pharmaceutical business

We issued the following press releases on May 7th, 2025; 1) Notice regarding the transfer of JT Group's Pharmaceutical Business through a company simplified absorption-type split, and 2) Notice of Change in Consolidated Subsidiary (Transfer of Subsidiary Shares).

We entered the pharmaceutical business in 1987 and since then have pursued consistent research and development aimed at creating first-in-class small molecule drugs, while maintaining stable investments in R&D. In 1998, we acquired a majority stake in TORII PHARMACEUTICAL CO., LTD. ("Torii"), consolidating it as a group company. Over the years, together with Torii, we built an integrated value chain for the pharmaceutical business, in which it conducts R&D while Torii handles manufacturing, sales and promotion activities. By maximizing synergies, the pharmaceutical business has been providing trusted prescription drugs to numerous patients globally, and complementing JT Group's sustainable profit growth over the medium to long-term.

Unfortunately, in recent years, the environment surrounding the pharmaceutical business has been changing. In particular, the hurdle for discovering revolutionary original drugs to meet Unmet Medical Needs i.e., the medical needs for diseases that currently lack treatment, has become higher. Additionally, international competition has intensified, driven by significant investments from large global pharmaceutical companies. Furthermore, joint R&D activities of the pharmaceutical business with external partners have been gradually limited due to constraints related to the presence of tobacco products at JT.

We firmly believes that the drug discovery capabilities and expertise that it has cultivated in the pharmaceutical business remain a significant opportunity to provide valuable benefits to patients and society in the future. However, under the current structure and considering the highlighted environmental changes, it appears we are not best placed to continue growing the pharmaceutical business medium- to long-term. As a result, to ensure capabilities and benefits for patients continue to be developed, we have determined that the best option for the pharmaceutical business employees, patients, healthcare professionals and society is to transfer it to a dedicated pharmaceutical company that values both the pharmaceutical business and Torii, with a focus on new drug discovery.

In light of this decision, we have agreed to transfer the pharmaceutical business and Torii Shares to Shionogi & Co., Ltd. ("Shionogi"). Through the Absorption-type Split and the transfer of Torii Shares to Shionogi, the high drug discovery capabilities that JT Group has cultivated over the years will be preserved, and patients will continue to access trusted prescription drugs. We have also entered into an agreement with Shionogi regarding a series of transactions related to the Tender Offer for Torii Shares.

If all transactions progress as planned, the pharmaceutical business, including Torii, is expected to be classified as a discontinued operation from the third quarter of fiscal year ending December 31, 2025.

Industry overview

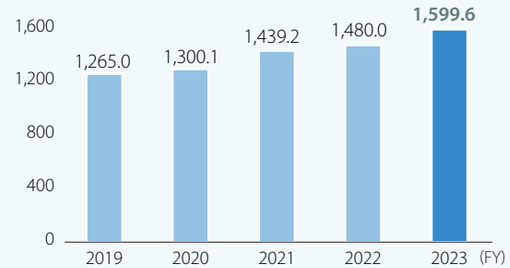
The global pharmaceutical market has been experiencing an average growth rate of 5.8% over the past five years, reaching approximately USD 1,599.6 billion in 2023 (up 8.1% from the previous year). While demand for advanced medicine is increasing due to heightening health awareness, population growth, and improvements to public healthcare systems, governments in various countries are tightening controls on drug prices to curb healthcare costs, against the backdrop of aging populations and budget deficits.

In Japan, the government's promotion of generic drugs to hold down medical costs has led to an expansion of their share in the medical pharmaceutical market. In addition, drug price reductions have been implemented every year since 2021.

In addition, as unmet medical needs continue to be filled and the hurdles to new drug discovery increase, the industry as a whole is investing heavily in new drug discovery processes, led by the use of AI.

As these trends are expected to continue going forward, drug-related companies must persist in developing therapeutic drugs that address unmet medical needs, while keeping a close eye on drug pricing systems and regulatory developments in each country.

Global pharmaceutical market* (USD BN)



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Calculated based on IQVIA World Review (Data Period, Year 2019-2023)
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Pharmaceutical R&D, manufacturing, sales and marketing are stringently regulated in Japan and major overseas markets. Additionally, regulatory authorities globally have been reviewing new drug applications (NDA) increasingly rigorously in recent years in response to a growing imperative to ensure drug safety. Given the need to demonstrate safety in larger sample sizes over sufficiently long timeframes, clinical trials are growing in both scale and duration. Meanwhile, with required NDA documentation being internationally standardized both qualitatively and quantitatively, drug companies now commonly use a single set of data available in multiple countries for drug development, a practice that increases development efficiency and reduces costs.

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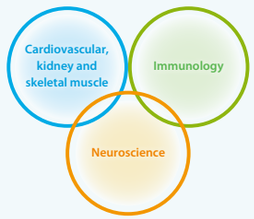
Business overview

In Japan, JT is primarily responsible for R&D operations, while Torii is responsible for product manufacturing and marketing. In overseas markets, we out-license development and commercialization rights for our compounds and receive one-time compensation, milestone payments based on development progress, and royalty income based on net sales from our licensing partners.

To realize this, the pharmaceutical business is developing innovative drugs that address true unmet medical needs from the patient's standpoint by getting to the root of the disease, with the goal of delivering original new drugs faster than ever before to patients around the world who are suffering from diseases.

In addition to in-house research and development centered on JT's Central Pharmaceutical Research Institute, the pharmaceutical business is promoting collaboration and networking with external research institutions, and is engaged in overseas research and clinical development based on Akros Pharma Inc. in the United States. Among our innovative new drugs developed to date are elvitegravir, an HIV integrase inhibitor and one of the active ingredients in the anti-HIV drug Genvoya® , and trametinib, the active ingredient in Mekinist®, the world's first MEK inhibitor for treatment of melanoma.

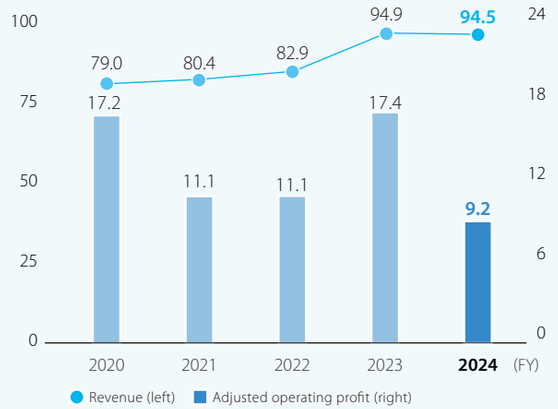
In light of factors such as the rising hurdles to new drug discovery, the pharmaceutical business is also working on drug discovery process innovation, including the use of AI. The pharmaceutical business is focusing its R&D on the areas of "cardiovascular, kidney and skeletal muscle," "immunology," and "neuroscience," where it can effectively leverage its accumulated knowledge. It has been aiming to build unique pipelines by targeting diseases with particularly high unmet medical needs.



Performance over the past five years

Although overseas royalty income declined, revenue was supported by an increase in revenue from Torii, which is responsible for the domestic market. The increase in revenue at Torii was due to significant growth in the allergy and dermatological fields. The pharmaceutical business is steadily investing in R&D to discover innovative drugs and actively pursuing in-licensing activities in the domestic market. Adjusted operating profit has remained largely stable from fiscal year 2020 to 2024, despite fluctuations in one-time compensation and milestone payments.

Revenue and adjusted operating profit (JPY BN)



Approach to sustainability

We have been pursuing the sustainability of the pharmaceutical business by creating first-in-class drugs, fostering employees' ethical awareness and emission reduction, among others.

In 2024, the pharmaceutical business spent 33.9 billion yen on its research and development activities. As a result of activities so far, in June 2024, VTAMA® Cream 1% for the treatment of atopic dermatitis and plaque psoriasis received manufacturing and marketing approval in Japan. In addition, in September 2024, LEO Pharma A/S, our license partner for delgocitinib, obtained approval in Europe and submitted a marketing approval application in the United States for the treatment of adult patients with moderate to severe chronic hand eczema (CHE).

Case study

Pharmaceutical development leveraging patient opinions

We are promoting efforts to utilize patient opinions in pharmaceutical development.

- Calling this approach "patient centricity," we are continuously providing relevant information to employees to ensure their understanding.
- We send thank-you letters to all clinical trial participants to express our appreciation to them for their participation.
- We are preparing a system to release Patient Lay Summaries (PLS) for the public.

Progress in FY2024

To continuously cultivate employees, expand their sense of mission and ethics to save patients, we conduct an internal awareness-raising activity called the "For the Patients Project." We select about 10 members each year to investigate patient healthcare needs through exchanges with healthcare facilities and internal events.

Specifically, we gather information through interviews with medical specialists and university professors who are active in JT's R&D areas, and provide that information internally on drugs that are urgently needed in the medical field. Moreover, we hold employee-participatory events and lectures to increase opportunities for employees to think about drug development from various perspectives and empathize with the patient's standpoint.

In addition, for the purpose of providing information on clinical trials to a wide audience, information on clinical trials conducted in Japan is available on the JT corporate website.

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Risk factors

The JT Group is a global company with, at its core, the tobacco business selling products in more than 130 markets. Our operations are subject to various risks stemming from their attributes, changes in business environments, and other factors.

We have introduced consistent enterprise risk management (ERM) processes across the entire Group with the aim of contributing to sustainable profit growth and corporate value over the medium to long term, and enhancing the JT Group's system for ensuring transparent, fair, timely, and decisive decision-making. We identify risks that could have an impact on the Group, assess them in terms of their potential impact and likelihood in order to prioritize them, formulate mitigation plans, and monitor their plan's progress. Any of these risk factors could have an impact on the Group's business operations and financial results; however, managing risk appropriately will enable us to grasp business growth opportunities appropriately and strategically develop our business.

This following discussion of risk factors should be read together with "FORWARD-LOOKING STATEMENTS" on P. 3.

Risk factors	Risk description	Potential impact(s)	Main measures to address risk
1. Large or repeated tax increases	Tobacco products are subject to tobacco taxes or other similar taxes in addition to sales tax or VAT. Some countries have been raising tobacco taxes or discussing tax increases from a fiscal and/or public health standpoint. Additionally, VAT rates generally tend to increase over time. Our policy with respect to tax increases is to raise prices to pass on the tax increase to consumers*, taking into account not only the tax increase's magnitude but also the price elasticity of demand for tobacco products. We also endeavor to minimize tax increases' impact on our operations through measures to drive top-line growth and improve cost efficiency. Most governments have adopted a reasonable approach to taxation, recognizing that large or repeated tax increases may end up reducing tax revenues. In some instances, however, past tax increases have materially affected our business in certain markets.	Large or repeated increases in taxes on tobacco products tend to lead to reduced consumption of, and/or increased illicit trade in, tobacco products. They may also induce consumers* to switch to lower-priced products. Consequently, they may result in reductions in our unit sales, revenue and/or profits.	• Promote understanding among relevant authorities that large or repeated tax increases may have counterproductive consequences, such as growth in illicit trade and decreased tax revenue due to reduced demand • Optimize product portfolio for adaptability to changes in consumers* preferences and behavior • Strengthen and expand global operational platform and increase number of consistently profitable markets to avoid overdependence on profits from a few markets • Further improve cost efficiency to ensure adequate profitability • Set prices appropriately to minimize tax increase impact in affected markets
2. Growth in illicit trade	Illicit trade is a problem for not only the tobacco industry but also society as a whole. It harms the tobacco industry by diverting demand from law-abiding businesses. Its potential societal harms include reduction in government tax revenues, increased organized crime, and adverse health consequences due to poor production quality or inadequate post-production quality controls. Together with the rest of the tobacco industry, we continue to endeavor to eradicate illicit trade, particularly cigarette smuggling and counterfeiting. Illicit trade tends to grow following large or repeated tax increases. Additionally, regulations on cigarette ingredients and packaging may facilitate illicit trade by making cigarettes easier to counterfeit and illegitimate products harder to detect.	Growth in illicit trade results in decreased demand for legitimate products and may lead to reductions in our unit sales, revenue and/or profits. Costs incurred to combat illicit trade may also weigh on profits. Additionally, circulation of counterfeit products may undermine trust in legitimate products and, in turn, impair the value of both the brand and brand owner for a number of reasons, including the low quality of counterfeit products.	• Take action to eradicate illicit trade in cooperation with governments, regulatory authorities and law enforcement agencies • Operate a track-and-trace system for tobacco products and analyze the movement of products through the supply chain • Do business only with reputable parties in accord with stringent compliance policies • Educate consumers* on negative consequences of purchasing illegitimate products ▸ Please see **Tackling illegal trade** for more details on activities to eradicate illicit trade.

* Adult consumers. Minimum legal age for smoking varies in accordance with the legislation in each country

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Risk factors	Risk description	Potential impact(s)	Main measures to address risk
3. Tightening of tobacco regulations	The tobacco industry is subject to many regulations, most notably on sales promotion activities (including advertising). Regulatory developments may affect our operations and/or financial results. Such regulations can also lead to growth in illicit trade to the potential detriment of our law-abiding, above-board businesses. Additionally, if stricter regulations are imposed on communications with consumers*, they may preclude effective sales promotion activities and, in turn, adversely affect top-line growth. As a responsible company, we comply with the laws and regulations of every market in which we operate. We believe laws and regulations should rightfully differ from one country to another as a reflection of countries' respective legal systems, cultures and social conditions.	Imposition of stricter regulations on sales promotion activities may undermine top-line growth strategies' effectiveness by depriving us of opportunities to grow brand equity. It can also cause us to incur additional regulatory compliance costs under certain circumstances. Our unit sales, revenue and/or profits may decrease as a result of such impacts.	• Expeditiously collect accurate information to learn of regulatory developments • Pursue constructive dialogue with governments and regulatory authorities to encourage reasonable, unbiased regulation that fulfills its intended objective ▸ Please see Regulations and key laws (P. 87) for more details.
4. Competition	Our tobacco business is engaged in fierce competition with competitors. In the tobacco business, we have been expanding our operations through not only organic growth but also M&A, including acquisitions of RJR Nabisco Inc.'s non-U.S. tobacco business and Vector Group Ltd. As a result of such acquisitions, we compete with both global tobacco companies and local players with strong footholds in their respective markets. Market shares fluctuate in response to various factors, including regulatory changes, shifts in consumer* preferences/behavior, and local economic conditions. Market shares are also prone to short-term fluctuations in response to one-off events such as competitors' new product launches and accompanying sales promotion campaigns.	Market share fluctuations may affect our financial results. Additionally, markets in which we operate sometimes become embroiled in price competition due to events such as a brand repositioning or a price cut in pursuit of market share gains. Such price competition may negatively impact our profit margins in individual markets.	• Optimize product portfolio by offering products that meet consumer* needs and changing preferences/behavior, and by achieving strong brand positioning in every price segment • Strengthen sales capabilities and conduct effective sales promotions • Further improve cost efficiency to ensure profitability • Strengthen and expand global operational platform and increase number of consistently profitable markets to avoid overdependence on profits from a few markets
5. Country risk	To realize long-term growth, we have continued to expand our earnings foundation through M&A, entry into new markets and organic growth in existing markets, mainly in our tobacco business. Such geographic expansion has been accompanied by increased exposure to country risk. If political, economic or social turmoil were to occur in a market in which we operate, our operations and/or financial results may be affected. With the extension and increasingly complex effects of the Russia-Ukraine war, the Company has been operating in the Russian market in strict compliance with all sanctions and regulations imposed nationally and internationally. Since the challenges of operating in Russia at this time are unprecedented, the Company is unable to reasonably estimate the outlook and the impact on financial results as of the issued date of Integrated Report 2025.	Political instability, economic recession, social unrest or other such events could disrupt our operations in the market in question. The disruption includes interruption in supply chains or distribution, damage to assets or facilities, or difficulties in staffing and sales management. This may lead to a decrease in our unit sales, revenue and/or profits.	• Collect and monitor information related to country risk in markets in which we operate to maintain stable operations, and conduct scenario planning based on the information • Strengthen and expand global operational platform and increase number of consistently profitable markets to avoid overdependence on profits from a few markets

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Risk factors	Risk description	Potential impact(s)	Main measures to address risk
6. Currency risk	Our operations' global scope exposes us to currency risk. While we prepare our consolidated financial statements in Japanese yen, our overseas subsidiaries prepare their financial statements in various other currencies, including the Russian ruble, Euro, British pound, Taiwanese dollar, US dollar and Swiss franc. Changes in such foreign currencies' exchange values against the yen affect our reported earnings. We generally do not hedge risks stemming from such currency translation of financial statements except to hedge the currency risk posed by translating foreign subsidiaries' equity into yen. We hedge this risk with foreign currency debt, a portion of which is designated as net-investment hedges. Additionally, gains or losses on the sale or liquidation of subsidiaries that were acquired in a transaction denominated in a non-yen currency and impairment losses recognized against such subsidiaries are affected by changes in the acquisition currency's exchange value against the yen between the acquisition date and the date of the sale, liquidation or impairment.	Our consolidated financial results are affected by changes in other currencies' exchange value against the yen. The international tobacco business's financial results, the reporting currency for which is the US dollar, are affected by changes in other currencies' exchange rate against the US dollar. Subsidiaries' transactions in currencies other than their respective reporting currencies are also subject to currency risk.	• Formulate foreign exchange hedging policies that comprehensively take into account prevailing foreign exchange market conditions, among other factors, and mitigate currency risk by hedging with foreign currency debt or other suitable instruments in accordance with said policies
7. Unfavorable litigation developments	Some of JT's subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking, the marketing of tobacco or exposure to tobacco smoke. There are lawsuits involving smoking and health-related cases pending in which some of JT's subsidiaries are named as defendants or for which JT may have certain indemnity obligations pursuant to the agreement for JT's acquisition of RJR Nabisco Inc.'s non-U.S. tobacco business. In addition, JT and/or some of its subsidiaries are also defendants in lawsuits other than the smoking/vaping and health-related cases and may face further lawsuits in the future.	The JT Group is unable to predict the outcome of currently pending or future lawsuits. A decision unfavorable to the JT Group and payment of a substantial amount of monetary compensation could materially affect its financial performance. Moreover, critical media coverage of these lawsuits may reduce social tolerance of smoking, strengthen public regulations concerning smoking and prompt the filing of a number of similar lawsuits against the JT Group, forcing it to bear litigation costs and materially affecting its business performance. Apart from smoking/vaping and health-related litigation, the JT Group also may become a defendant in further litigation. Should any problems arise on the Group's product quality, this may lead to claims seeking product liability. Such litigation cases may negatively affect the Group's business performance or the manufacture, sale and import and export of its products, should the outcome of any such claims prove unfavorable.	• Apply a system in order to deeply cooperate internally and externally, quickly understand the information regarding the case and share information with management and relevant departments • Coordinate with experienced external counsel if necessary and respond to litigation cases pertaining to the JT Group in a timely and appropriate manner ▸ Please see Litigation (P. 90) for more details.

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Risk factors	Risk description	Potential impact(s)	Main measures to address risk
8. Natural disasters and other contingency situations	Our financial results could be adversely affected by earthquakes, tsunami, typhoons, floods, other natural disasters and pandemic consequences, potentially including employee casualties, product supply shortages or stoppages due to damage to our supply chain and distribution networks, and reduced demand for our products. To minimize natural disasters' impact on our operations, we have adopted a Business Continuity Plan, the scope of which includes global supply chain optimization.	Natural disasters could disrupt not only our own operations but also any of our value chain partners' operations. Such disruptions could adversely affect our financial results.	• Routinely gather and relay information related to crisis management on ongoing basis • Insure key assets with casualty insurance as appropriate • Periodically review business continuity plans, including overall global optimization of supply chains, secure appropriate levels of inventory, and make revisions as warranted • Conduct initiatives such as disaster preparedness drills and foster disaster preparedness mindset among employees
9. Climate change	Climate change associated with global warming has various adverse impacts, including flooding and landslides due to abnormal weather events such as torrential rainfall; intense heat waves, heavy snowfall and drought due to anomalous weather; water-resource change and biodiversity loss. Such impacts' potential consequences include supply chain disruptions and changes in the environments in which tobacco leaf and/or other agricultural commodities we use in our products are grown or raised. Such consequences may adversely affect our products and/or financial results through deterioration in these inputs' quality and/or increases in their prices/sourcing costs. Additionally, if a carbon tax is imposed on energy derived from fossil fuels in conjunction with the transition to a decarbonized society to mitigate climate change's impacts, our profits may be reduced by increased operating expenses.	Climate change could adversely affect our operations and/or value chains and, in turn, our financial results. Additionally, our financial results could be adversely affected by increases in operating expenses stemming from the transition to a decarbonized society.	• Conduct climate scenario analysis in accord with TCFD recommendations and develop the capability to more accurately ascertain climate change's potential impacts on our operations and take appropriate action to mitigate them • Strive to reduce Greenhouse Gas (GHG) emissions to Net-Zero across our value chain to mitigate climate change's impacts • Implement the measures in Section 9 above to address risks posed by natural disasters and other contingencies, which may be exacerbated by climate change ▸ Please see Living with the planet (P. 33) for more details.

Visit WEB for Details Click Here **Annual Securities Report: Business and other risks**

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Regulations and key laws

Tobacco business

The tobacco regulatory environment has been becoming increasingly stringent since the WHO Framework Convention on Tobacco Control (FCTC) took effect in February 2005.

The FCTC's objective is to "reduce continually and substantially the prevalence of tobacco use and exposure to tobacco smoke." The FCTC covers price and tax measures to reduce tobacco demand, non-price measures to reduce tobacco demand (e.g., protection from exposure to secondhand smoke, regulation of tobacco products' contents and emissions, regulation of tobacco product disclosures, regulation of tobacco products' packaging and labeling, regulation of tobacco advertising, promotion and sponsorship) and measures to reduce the supply of tobacco products (e.g., measures to prevent illicit trade in tobacco products and sales of tobacco products to minors).

While the FCTC requires its Parties to develop, implement, periodically update and review national tobacco control strategies, plans and programs, it leaves to the discretion of each country the specifics of national regulations' content, scope and methods. The FCTC's governing body, the Conference of the Parties (COP), has been meeting regularly since the FCTC first took effect. The COP is a forum for ongoing discussions among the FCTC Parties on issues such as formulating FCTC Article-specific guidelines and protocols (which must be separately ratified or otherwise acceded to by the Parties).

Among the FCTC Parties, Russia, one of our key markets, enacted a comprehensive tobacco control law in February 2013 and phased it in from June 2013. The law restricts retail sales locations and point-of-sale displays of tobacco products; prohibits advertising, sales promotions and sponsorship; sets minimum retail prices; bans smoking in public; and combats illicit trade in tobacco products.

The EU revised its July 2001 Tobacco Products Directive (TPD) effective May 2014. The revised TPD tightened restrictions on tobacco product packaging and labeling, added new regulations on tobacco product additives, tobacco product flavor and E-Vapor products, and also included measures to address illicit trade. EU member countries have implemented regulations associated with the revised EU TPD.

Australia mandates generic packaging of tobacco products under its Tobacco Plain Packaging Act, which took effect in December 2012. The law prohibits tobacco packaging from bearing logos, brand images, promotional text or anything else except the product name printed in a standardized font and color. Plain packaging regulations have since been adopted elsewhere, including in France and the U.K. A number of other countries are exploring the possibility of following suit or have already decided to follow.

In Japan, the Tobacco Business Act (TBA) prescribes that we are obligated to purchase a grower's entire tobacco crop excluding any portion not suitable for manufacturing tobacco products and that our own tobacco products as well as tobacco products imported by a designated distributor may be sold by retailers only at prices approved by the Minister of Finance. Tobacco product sales and promotional activities in Japan are regulated under the TBA, related laws/regulations and voluntary industry standards. One regulatory requirement is that advertisements and product packaging must carry a cautionary statement about the health implications of consuming tobacco products. The cautionary statement on tobacco product packaging was changed to be consistent with the latest scientific knowledge, and the area it occupied on the packaging was enlarged. Revisions to the Tobacco Institute of Japan (TIOJ)'s advertising voluntary standard included measures to more effectively shield those under 20 years of age from tobacco product ads, including online, and new restrictions on point-of-sale ad size and display methods.

In July 2018, the Health Promotion Act (HPA) was amended to better prevent unwanted exposure to secondhand smoke in facilities frequented by the public. We recognize public places that allow smoking are going to decrease in number under the amended HPA, which fully took effect from April 1, 2020. While it is difficult to predict smoking environment changes in detail, we expect our financial results to be affected to some extent.

In relation to Reduced-Risk Products (RRP), the U.S. and European countries are starting to establish new guidelines and frameworks for scientifically assessing the reduction in health risks associated with smoking. Tobacco makers have been stepping up activities to obtain official certification of risk-reduction benefits. Some countries have applied existing tobacco product regulations to RRP while others have newly

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adopted separate regulations. In the EU for example, it was decided in November 2022 that a flavor ban regulation previously applied only to certain tobacco products would also be applied to heated tobacco products (HTP). Also, in the U.S., sales of certain flavored E-Vapor cartridges were banned from February 2020. With a global regulatory consensus yet to take shape, regulatory treatment of RRP varies widely among markets/countries.

Regulatory impacts on our operating performance

While the future content of laws, regulations and industry guidelines on smoking, tobacco products and tobacco product marketing, sales promotions, packaging and labeling is impossible to accurately predict, we expect the regulations discussed above to expand in scope and/or new regulations (including municipal regulations) to be imposed in Japan and overseas markets in which we sell products.

We are supportive of reasonable and appropriate regulation of tobacco, but if tobacco regulations like those described above are tightened or if we are not afforded enough time to adequately adapt to such regulatory tightening, our financial results may be adversely affected by contraction in tobacco product demand, loss of market share and/or increased regulatory compliance expenses.

Self-regulation of marketing

In addition to complying with the regulations of every country and region in which we operate, we also operate in accord with our own Global Marketing Principles (GMPs), the principles based on our recognition of the importance of responsibly marketing tobacco products. Our GMPs are based on the recognition of the importance of conducting responsible marketing activities for tobacco products, and describe the principles for advertising, promotion, and others activities conducted by the Group. This includes ensuring that marketing activities are targeted at people of 18 years of age or older, and of legal smoking age. These marketing activities are not aimed at encouraging anyone to start smoking or discouraging them from quitting, even if they are of legal smoking age. We also recognize that the prevention of smoking by minors (those who have not reached legal smoking age) is an issue that needs to be addressed by society as a whole. We are pursuing various initiatives to address this issue in coordination with governments and concerned organizations in addition to appropriately operating in accord with our GMPs.

Please visit JTI.com for more details.

Pharmaceutical business

Pharmaceutical R&D, manufacturing, sales and marketing are stringently regulated in Japan and major overseas markets. Additionally, regulatory authorities globally have been reviewing new drug applications (NDA) increasingly rigorously in recent years in response to a growing imperative to ensure drug safety. Given the need to demonstrate safety in larger sample sizes over sufficiently long timeframes, clinical trials are growing in both scale and duration. Meanwhile, with required NDA documentation being internationally standardized both qualitatively and quantitatively, drug companies now commonly use a single set of data available in multiple countries for drug development, a practice that increases development efficiency and reduces costs.

In Japan, pharmaceutical manufacturing and sales are regulated by the Ministry of Health, Labour and Welfare (MHLW) and/or prefectural authorities under the Act on Securing Quality, Efficacy and Safety of Products Including Pharmaceuticals and Medical Devices (the "Pharmaceutical and Medical Device (PMD) Act"). The PMD Act requires companies that manufacture and sell pharmaceuticals to be licensed in every prefecture in which they operate and to renew those licenses every five years. Additionally, every pharmaceutical manufactured or sold in Japan must be approved by the MHLW. Japan's National Health Insurance (NHI) program maintains a drug formulary and sets official drug prices. The NHI is planning to radically reform drug pricing. The planned reforms include annual drug price revisions, paring-down of the list of drugs qualifying for premium pricing intended to incentivize drug discovery and reduce off-label drug use, and tiered reductions in long-listed drug prices based on generic substitution rates.

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Processed food business

Our processed food business is regulated as a food product manufacturer and distributor, mainly under the Food Safety Basic Act, Food Sanitation Act and Food Labeling Act.

The Food Safety Basic Act, enacted and effective from 2003 with the purpose to ensure food safety and protect consumers, charges food companies with a responsibility to implement safeguards necessary to ensure food safety from a scientific standpoint through risk control, assessment and communication at each stage of their entire supply chains. The Food Sanitation Act aims to keep food and beverages free of hygienic hazards and protect the health of consumers. It requires food companies to acquire knowledge and technology, verify ingredient safety, inspect their facilities, and otherwise act diligently to fulfill their responsibilities to ensure the safety of their food products, additives, utensils, containers and/or packaging. As part of the revision in 2018, additional requirements such as hygiene management in line with the HACCP (Hazard Analysis and Critical Control Point) are in place. The Food Labeling Act, aiming to uphold consumer interests and contribute to making food production support the protection and/or promotion of consumer health, sets labeling standards for food products offered for sale, including with respect to allergen content, shelf life, ingredients, and place of origin. Food companies are required to label their products in compliance with these standards.

In addition to meticulously complying with these and other applicable laws and regulations, our processed food business is committed to the highest standards of food safety management from the four perspectives—food safety, food defense, food quality and food communication—in order to provide consumers with safe, high-quality food products that they can enjoy with peace of mind.

Japan Tobacco Inc. Act

JT was established pursuant to the Japan Tobacco Inc. Act (the "JT Act") to manufacture, sell and import tobacco products. Under the JT Act, the Japanese government must always own at least one-third of our total issued shares (excluding any non-voting share classes*1). The Minister of Finance must approve any offerings of newly issued stock or subscription rights to shares, as well as any issuance of stock, subscription rights to shares or bonds cum subscription rights to shares in conjunction with a stock swap. In addition to manufacturing, selling and importing tobacco products and operating businesses incidental thereto, we are permitted by the JT Act to engage in other businesses as required to fulfill our purpose and subject to the Minister of Finance's approval. Other matters requiring the Minister of Finance's approval include appointment/dismissal of Directors, Executive Officers and Audit & Supervisory Board Members, amendments to our Articles of Incorporation, appropriations of capital surplus (excluding appropriations to rectify an accumulated deficit), mergers, split-ups and dissolution. We are also required to submit a statement of financial position, statement of income and business report to the Minister of Finance within three months of every fiscal year-end.

The Reconstruction Financing Act*2, which was proclaimed on December 2, 2011, directed the government to reassess state involvement in the tobacco industry under the Tobacco Business Act by March 31, 2023, and to explore the possibility of divesting its JT shareholdings.

*1 Defined as classes of shares with no right to vote on any resolutions at general meetings of shareholders

*2 The Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake

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Litigation

Some of JT's subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking, the marketing of tobacco or exposure to tobacco smoke. There are lawsuits involving smoking and health-related cases pending in which some of JT's subsidiaries are named as defendants or for which JT may have certain indemnity obligations pursuant to the agreement for JT's acquisition of RJR Nabisco Inc.'s non-U.S. tobacco business. In addition, JT and/or some of its subsidiaries are also defendants in cases other than the smoking and health-related cases.

In the past, numerous large-scale smoking and health-related cases have been brought against tobacco product manufacturers in the U.S. While the number of such lawsuits has declined in recent years, we recognize that the litigation risk remains in the U.S. due to the availability juries sympathetic to plaintiffs, punitive damages and contingency fees. Companies within the Vector Group, which were acquired in 2024 are defendants in multiple smoking and health-related cases in the U.S.

Please see the "Contingent Liabilities" note in our Consolidated Financial Statements' "Contingencies" for major lawsuits to which some of JT's subsidiaries or indemnitees are named as defendants.

The JT Group is unable to predict the outcome of currently pending or future lawsuits. A decision unfavorable to companies within the JT Group and payment of a substantial amount of monetary compensation could materially affect the JT Group's financial performance. Moreover, regardless of the results of these lawsuits, critical media coverage may reduce social tolerance of smoking, strengthen public regulations and prompt the filing similar lawsuits against companies within the JT Group, forcing it to bear litigation costs and materially affecting its business performance. Apart from smoking and health-related cases, the JT Group also may become the defendant in further litigation. Should any problems arise as to the quality of the Group's products, this may lead to claims. Such litigation cases could negatively affect the Group's business performance or the manufacture, sale and import and export of its products, should the outcome of any such claims prove unfavorable.

Canadian litigation

There were 10 health care cost recovery cases in Canada against JTI-Macdonald Corp. (hereinafter referred to as "JTI-Mac"), our Canadian subsidiary and JT's indemnitees (RJR Nabisco Inc.'s affiliates), brought by Canadian provinces. In addition, there were 8 class actions in Canada where plaintiffs were seeking damages for harm allegedly caused by smoking of cigarettes.

In 2019, the Quebec Court of Appeal dismissed an appeal of an adverse judgment in two class action lawsuits related to smoking and health against JTI-Mac and its competitors and co-defendants, Rothmans, Benson & Hedges Inc. (hereinafter referred to as "RBH"), and Imperial Tobacco Canada Limited (hereinafter referred to as "ITC"), (hereinafter collectively referred to as the "Tobacco Companies").

In 2019, JTI-Mac applied to the Ontario Superior Court for protection under the Companies' Creditors Arrangement Act (hereinafter referred to as the "CCAA"), which was approved. RBH and ITC also sought and received protection under the CCAA in March 2019. As a result, all legal proceedings and enforcement of judgments in Canada to which the Tobacco Companies were the parties were stayed, and the Tobacco Companies were able to preserve their assets and continue their businesses.

Subsequently, the Tobacco Companies participated in a court-ordered mediation process with representatives of multiple claimants, including the Quebec class action plaintiffs and all provincial and territorial governments (hereinafter collectively referred to as the "Claimants"), in an attempt to reach a final resolution of all pending litigation.

On March 6, 2025, the Ontario Superior Court approved a CCAA Plan of Compromise and Arrangement for JTI-Mac. Similar plans were also approved in relation to ITC and RBH. Pursuant to the approved plans, the Tobacco Companies will pay a total of 32.5 billion Canadian dollars in the aggregate (approximately 3.56 trillion yen) to the Claimants.

This settlement will bring an end to all smoking and health-related cases pending against JTI-Mac. In addition, any potential claims against JTI-Mac and its affiliates for damages related to manufactured tobacco products based on past or current activity will be barred.

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Long-term consolidated financial data

(Millions of yen)

	Dec. 2014[*1, *2]	Dec. 2015[*2]	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023	Dec. 2024[*6]
Revenue	2,019,745	2,252,884	2,143,287	2,139,653	2,215,962	2,175,626	2,092,561	2,324,838	2,657,832	2,841,077	**3,149,759**
Cost of sales	822,538	920,056	872,433	843,558	933,034	942,299	898,001	956,861	1,090,989	1,225,974	**1,407,462**
SG&A expenses	752,559	789,346	754,115	786,911	770,407	831,707	784,472	888,574	941,538	981,052	**1,462,924**
Operating profit	499,880	565,229	593,329	561,101	564,984	502,355	469,054	499,021	653,575	672,410	**323,461**
Profit attributable to owners of the parent company	362,919	485,691	421,695	392,409	385,677	348,190	310,253	338,490	442,716	482,288	**179,240**
Adjusted operating profit	588,684	626,657	586,777	585,300	595,463	515,927	486,952	610,434	727,779	728,002	**751,868**
Capital expenditures	112,448	129,751	112,998	140,905	159,808	131,434	112,883	100,882	101,044	120,715	**150,691**
Depreciation & amortization[*4]	113,989	133,123	140,794	145,407	158,671	168,074	159,987	167,099	176,888	153,341	**152,819**
R&D expenses	44,008	57,796	58,193	60,600	65,377	64,079	60,847	65,016	70,808	75,098	**78,614**
Current assets	1,696,874	1,798,217	1,605,990	1,707,767	1,809,406	1,925,673	2,003,919	2,321,289	2,723,591	3,259,561	**3,577,572**
PP&E and intangible assets (excl. goodwill)	1,121,038	1,014,343	1,104,805	1,224,782	1,261,918	1,243,673	1,122,894	1,062,995	1,022,399	1,022,318	**1,394,162**
Goodwill	1,539,376	1,429,287	1,601,987	1,891,210	2,008,416	2,002,595	1,909,392	2,060,965	2,446,063	2,616,440	**2,914,254**
Other non-current assets	347,417	316,388	431,592	397,725	381,660	381,130	345,178	328,960	356,026	383,778	**484,744**
Total assets	4,704,706	4,558,235	4,744,374	5,221,484	5,461,400	5,553,071	5,381,382	5,774,209	6,548,078	7,282,097	**8,370,732**
Current liabilities	1,360,098	1,265,920	1,356,574	1,478,623	1,430,185	1,501,757	1,323,793	1,500,326	1,562,664	1,927,276	**2,148,607**
Non-current liabilities	722,106	770,790	859,759	900,833	1,330,770	1,307,702	1,458,095	1,387,803	1,368,653	1,442,329	**2,373,398**
Total liabilities	2,082,204	2,036,710	2,216,333	2,379,456	2,760,955	2,809,459	2,781,888	2,888,128	2,931,317	3,369,605	**4,522,005**
Equity attributable to owners of the parent company	2,536,838	2,451,596	2,456,091	2,761,687	2,630,594	2,662,696	2,522,834	2,809,258	3,540,435	3,830,156	**3,766,623**
Non-controlling interests	85,665	69,929	71,950	80,340	69,851	80,916	76,660	76,823	76,326	82,336	**82,104**
Total equity	2,622,503	2,521,524	2,528,041	2,842,027	2,700,445	2,743,611	2,599,495	2,886,081	3,616,761	3,912,491	**3,848,727**
Per share data											
Dividends (yen)	100	118	130	140	150	154	154	140	188	194	**194**
EPS (yen)	199.67	270.54	235.47	219.10	215.31	195.97	174.88	190.76	249.45	271.69	**100.95**
Diluted EPS (yen)	199.56	270.37	235.33	218.97	215.20	195.87	174.80	190.68	249.36	271.63	**100.94**
Equity attributable to owners of the parent (yen)	1,395.74	1,369.06	1,371.39	1,541.94	1,468.44	1,501.12	1,421.92	1,583.10	1,994.78	2,157.46	**2,121.33**
Cash flow data											
Net cash flows from operating activities	543,696	468,432	376,549	419,212	461,389	540,410	519,833	598,909	483,799	566,317	**630,011**
Net cash flows from investing activities	(49,110)	(63,271)	(687,509)	(352,632)	(383,307)	(123,571)	5,354	(97,499)	(101,822)	(125,432)	**(439,766)**
Net cash flows from financing activities	(388,859)	(254,852)	91,318	(77,032)	(62,360)	(333,832)	(297,404)	(353,138)	(306,176)	(270,500)	**(94,906)**
Cash & cash equivalents at the end of the year	385,820	526,765	294,157	285,486	282,063	357,158	538,844	721,731	866,885	1,040,206	**1,084,567**
Financial metrics											
ROE (%)	14.4	19.5	17.2	15.0	14.3	13.2	12.0	12.7	13.9	13.1	**4.7**
ROA (%)	10.8	12.2	12.4	10.8	10.0	8.4	7.7	8.5	9.6	9.0	**3.0**
Debt equity ration (times)	0.09	0.10	0.23	0.27	0.38	0.37	0.38	0.33	0.27	0.30	**0.46**
Dividend payout ratio (%)	50.1	53.2[*3]	55.2	63.9	69.7	78.6	88.1	73.4	75.4	71.4	**192.2**
Ratio of equity attributable to owners of the parent company to total assets (%)	53.92	53.78	51.77	52.89	48.17	47.95	46.88	48.65	54.07	52.60	**45.00**
Liquidity	389,473	528,967	297,024	291,819	308,651	375,823	548,303	730,183	880,378	1,080,930	**1,184,456**
Interest-bearing debt[*5]	228,214	255,291	555,257	755,804	987,588	974,502	958,881	918,622	958,311	1,142,259	**1,726,789**

*1 FY2014 was nine months long (Jan.-Sep. 2014) because of a change in fiscal year-end from March to December

*2 In 2015, the beverage business was classed as a discontinued operation, due to the Company transferring its shares and other securities in its beverage vending machine operator subsidiary, as well as terminating the manufacturing and sale of beverages. Revenue, Cost of sales, SG&A expenses, Operating profit, Adjusted operating profit, Capital expenditures, Depreciation & amortization and R&D expenses for 2014 and 2015 shown on this page are based on values for continuing operations

*3 In 2015, the beverage business was classed as a discontinued operation, due to the Company transferring its shares and other securities in its beverage vending machine operator subsidiary, as well as terminating the manufacturing and sale of beverages. The consolidated dividend payout ratio, including the discontinued operation, was 43.6%

*4 Depreciation & amortization related to lease transactions have been excluded since 2019

*5 Lease obligations have been excluded since 2019

*6 As announced in the press release dated March 10, 2025, titled "Notice Regarding Settlement of all Tobacco Claims against the JT Group's Canadian subsidiary, and Provision for Litigation Losses", the financial figures for the fiscal year ended December 31, 2024, include a provision for litigation losses amounting to 375.6 billion yen, which has been recorded as an operating expense for the fiscal year 2024 as a revised post-event event

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Links to detailed information

For more information about the JT Group's achievements and initiatives, please visit the following websites.

Financial information	
• Annual securities report	https://www.jti.co.jp/investors/others/12g3_2/index.html
• Investor presentations	https://www.jt.com/investors/results/presentation_financial/index.html
• Stock information	https://www.jt.com/investors/stock_information/
• For shareholders	https://www.jt.com/investors/shareholders/index.html
• For debt investors	https://www.jt.com/investors/financial/index.html

About each business	
• Tobacco business	https://www.jt.com/about/division/tobacco/index.html
Our six core principles	https://www.jti.com/about-us/our-business/our-six-core-principles
Tackling illegal trade	https://www.jt.com/sustainability/tobacco/illegal_trade/index.html
• Pharmaceutical business	https://www.jt.com/about/division/pharma/index.html
• Processed food business	https://www.jt.com/about/division/food/index.html

Materiality	
• Environment	https://www.jt.com/sustainability/environment/index.html
• Consumer expectations	https://www.jt.com/sustainability/diverse_consumer_needs/index.html
• People	https://www.jt.com/sustainability/people/index.html
• Supply chain management	https://www.jt.com/sustainability/supply_chain_stakeholder/index.html
• Good governance	https://www.jt.com/sustainability/governance_compliance/index.html

Others	
• Business plan	https://www.jt.com/investors/management_information/business_plan/index.html
• About the JT Group	https://www.jt.com/about/index.html
• Integrated report	https://www.jt.com/investors/results/integrated_report/index.html
• Fact sheets	https://www.jt.com/investors/results/integrated_report/pdf/2025/factsheets_fy2025.pdf
• CLUB JT (Japan site)	https://shop.clubjt.jp/
• LinkedIn (JT)	https://www.linkedin.com/company/japan-tobacco-inc-jt/
• LinkedIn (JTI)	https://ch.linkedin.com/company/jti?trk=similar-pages

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Glossary of terms

Unless otherwise stated, terms and numbers reported in this glossary are in accordance with IFRS (International Financial Reporting Standards).

Financials	
Adjusted operating profit	Operating profit + Amortization cost of acquired intangibles arising from business acquisitions + Adjusted items (income and costs)* * Adjusted items (income and costs) = Impairment losses on goodwill ± restructuring income and costs ± others
Adjusted operating profit at constant FX	Constant currency is computed using the same foreign exchange rates as in the equivalent period in the previous fiscal year for the tobacco business. Results at constant currency are provided additionally and are not an alternative to finance reporting under IFRS.
Clusters	The JT Group's tobacco markets are divided into three distinctive clusters: Asia, Western Europe, and EMA. Please note that these three clusters are specifically designed to provide insight into our business for guidance purposes only and do not reflect the JT Group's management structure. • Asia cluster includes the tobacco regions of Japan and Asia Pacific • EMA cluster includes the tobacco regions of Eastern Europe, MENEAT, Americas and Global Travel Retail
Core revenue at constant FX (consolidated)	The sum of revenues in the pharmaceutical business, processed food business, and others, as well as the core revenue at constant FX in the tobacco business.
Free cash flow (FCF)	The sum of cash flows from operating activities and investing activities, excluding the following items: • **From operating CF**: Depreciation from lease transactions, interest received, dividends received, interest paid and income taxes related to these items excluding lease transactions, and other items • **From investing CF**: Purchase of investment securities (both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes
IFRS (International Financial Reporting Standards)	The JT Group adopted IFRS from the fiscal year ended March 31, 2012.
Profit	Profit attributable to owners of the parent company.
Revenue	Revenue excluding tobacco excise taxes and revenue from agent transactions. • **Core revenue**: Core revenue includes all revenue excluding those from distribution, contract manufacturing and other peripheral businesses.
RRP-related revenue (Tobacco business)	RRP-related revenue, as a part of core revenue, represents all sales of RRP, principally consumables, devices and related accessories.
Total volume (Tobacco business)	The volume of tobacco-based products which excludes contract-manufactured products, RRP devices and related accessories.

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Products	
Combustibles	Combustibles include all tobacco products excluding contract-manufactured products and RRP.
Fine cut tobacco (FCT)	Loose tobacco products also known as rolling tobacco. These can be used for both RYO (roll-your-own) cigarettes, i.e. using rolling papers, and MYO (make-your-own) cigarettes, i.e. by filling a filter tube with cut tobacco.
Global Flagship Brands (GFB)	GFB includes four brands namely Winston, Camel, MEVIUS and LD.
Reduced-Risk Products (RRP)	Products with the potential to reduce the risks associated with smoking. • **E-Vapor**: Products which consumers use by heating electronically a nicotine based liquid that contains no tobacco leaf. A 2ml of liquid is equivalent to 20 sticks of cigarettes. • **HTP (heated tobacco products):** Products that contain tobacco leaf and create a tobacco-enriched vapor by heating electronically the tobacco, either directly or indirectly, without any combustion. • **HTS (heated tobacco sticks):** Heated tobacco products that directly heat tobacco sticks. • **Infused (infused tobacco capsules):** Heated tobacco products that indirectly heat tobacco leaves. • **Oral**: Products delivering nicotine in the form of a closed pouch. These pouches can contain tobacco and are known as snus. Without tobacco, these consumables are referred to as nicotine pouches. To deliver nicotine and flavor, these pouches are inserted between the consumer's lip and gum.

Sustainability	
ALP	Agricultural Labor Practices
CDP	Headquartered in London, CDP is the leading international non-profit organization that accelerates action to achieve a sustainable economy, assessing disclosure and actions by companies from around the world.
DJSI (Dow Jones Sustainability Indices)	The DJSI was created jointly by S&P Dow Jones Indices and SAM. It is a recognized worldwide ESG stock index and a global sustainability benchmark that tracks the stock performance of the world's leading companies in terms of economic, environmental and social criteria.
GHG emissions	Greenhouse gas emissions • **Scope 1 emissions**: Direct GHG emissions from corporate activities, such as burning of fossil fuels at factories. • **Scope 2 emissions**: Indirect GHG emissions from consumption of purchased electricity, heat or steam. • **Scope 3 emissions**: Other indirect emissions, including from manufacture of products bought from other companies.
SBTi (Science Based Targets initiative)	The SBTi was formed in 2015 by CDP, the UN Global Compact (UNGC), the World Resources Institute (WRI), and the World Wide Fund for Nature (WWF). The SBTi validates targets submitted by companies to confirm and communicate that they are science-based and in line with the Paris Agreement.
SDGs	The Sustainable Development Goals (SDGs) were adopted by all United Nations Member States in 2015 as a universal call to action to end poverty, protect the planet and ensure that all people enjoy peace and prosperity by 2030.
TCFD (Task Force on Climate-related Financial Disclosures)	TCFD was established by the Financial Stability Board (FSB) to examine how climate-related information should be disclosed, and how financial institutions should respond. TCFD positions climate change as a serious risk to the world's economy and publishes its recommendations for companies to identify and disclose items such as "Governance," "Strategy," "Risk Management" and "Metrics and Targets."

Others	
Consumers (Tobacco business)	Adult consumers. Minimum legal age for smoking varies in accordance with the legislation in each country.
BnU	Billion cigarette equivalent units
JPY BN	Billion Japanese yen
USD MM	Million US dollars

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Stock information As of December 31, 2024

Common stock

Authorized: 8,000,000,000

Issued: 2,000,000,000
(Treasury shares: 224,409,101)

Number of shareholders: 948,772

Share registrar

Mitsubishi UFJ Trust and Banking Corporation
4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

Listing

Tokyo Stock Exchange: Prime Market

Principal shareholders

Name	Shares held
Minister of Finance	666,885,200
The Master Trust Bank of Japan, Ltd. (Trust Account)	181,802,200
Custody Bank of Japan, Ltd. (Trust Account)	63,152,600
SMBC Nikko Securities Inc.	32,821,850
STATE STREET BANK WEST CLIENT – TREATY 505234	25,781,341
Barclays Securities Japan Limited BNYM	15,000,000
Japan Securities Finance Co., Ltd.	12,067,900
JT Group Employee Shareholding Association	11,384,995
BNYM AS AGT/CLTS NON TREATY JASDEC	10,691,882
JPMorgan Securities Japan Co., Ltd.	10,527,863

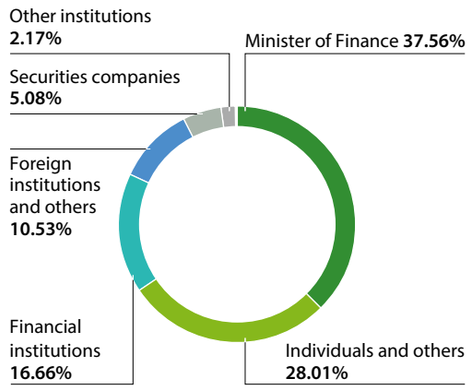
Note: Equity ownership is calculated after deducting treasury shares (224,409,101 shares)

Visit WEB for Details Click Here

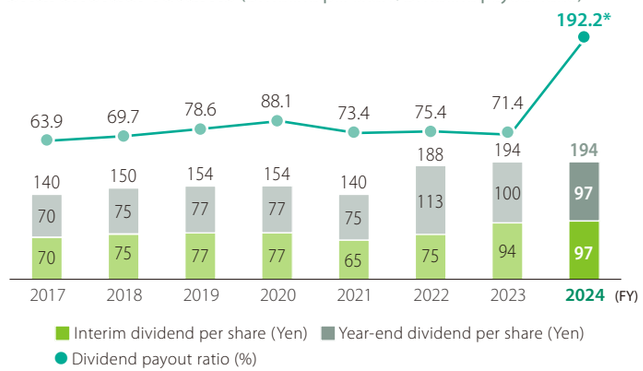
Stock information

Offering JT shares by government

Composition of shareholders (excluding treasury shares)



Shareholder returns (Dividend per share/Dividend payout ratio)



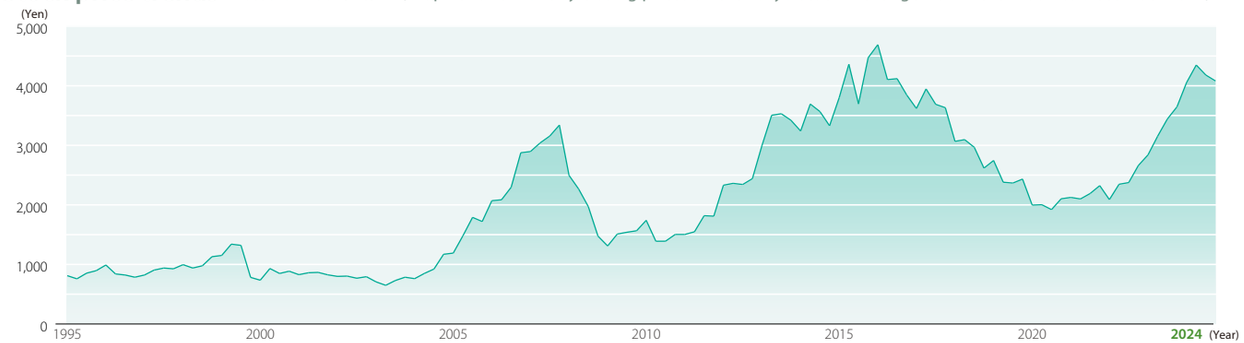
* The consolidated dividend payout ratio, including the impact of the provision for litigation losses against the JT Group's Canadian subsidiary. The dividend payout ratio, excluding this impact, is 74.3%.

Total shareholder return

	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024
JT	137.9%	123.0%	120.8%	94.8%	93.9%	88.6%	99.4%	115.2%	150.6%	**169.5%**
TOPIX	112.1%	112.4%	137.4%	115.5%	136.4%	146.4%	165.1%	161.1%	206.6%	**248.8%**
TOPIX: Foods	128.5%	125.9%	149.3%	128.1%	128.6%	127.2%	132.6%	142.2%	176.5%	**192.5%**

Note: Baselines for all percentages are a share price and actual performance as of the end of December, 2014.
TOPIX and TOPIX: Foods are calculated based on figures including dividends

Stock price trends Listed on 1994/10/27 (Graph shows monthly closing prices on the Tokyo Stock Exchange from March 1994 to December 2024)



* Stock splits were carried out at a ratio of 1 share to 5 shares effective April 1, 2006, and 1 share to 200 shares effective July 1, 2012. The stock price reflects the adjusted stock price.

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