



## Integrated Report 2023

Japan Tobacco Inc.

新しい世界に飛び込んでみる

Being autonomous and proactive

Understand the situation deeply and clearly

Focus on value

進化

自分事化して考える

主体的に、自律的に取り組む

Grow together

向上心を持ち続ける

Insatiable challenge

想像力

Cultivate multiple perspectives

状況を深く明確に理解する

責任を持って判断・行動する

多様な価値観の結集

Take action

Be curious

自分の理想を目指して

共に成長する

Think about a better future

Accept diverse opinions and move forward together

Bring together diverse values

行動力を高めよう

Make decisions and take action responsibly

Aim for further growth

Consumer-first

Pursue my ideals

多面的な視点を養う

Keep a desire to improve

Imagination

より良い未来について考える

Stick it out until the end

信頼できる仲間がいる環境

成果にこだわる

Thinking outside the box

さらなるやりがい・成長を目指す

Be honest about what is in front of you

一緒に成長する

Commitment

An environment with reliable people

Dive into a new world

Respect each other

多様な意見を受け入れ、仲間とともに前に進もう

Create empathy

目の前のことに誠実に取り組もう

Fulfilling Moments, Enriching Life

お客様第一

共感して、共感を生み出そう

最後まで諦めずにやり抜くこと

Evolution

さらなるやりがい・成長を目指す

飽くなき挑戦

常識にとらわれない

The wordings on this slide represent the values we cherish in order to co-create with society at large towards realizing the JT Group Purpose "Fulfilling Moments, Enriching Life." We, the JT Group, will continue to move forward towards the realization of our Purpose.

**004 MESSAGE from the CEO**

**“Fulfilling Moments, Enriching Life”**  
 “I will continue my dialogue with our people and stakeholders outside the Company to further promote the Purpose and demonstrate specific actions to fulfill it”



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**Cover story**

The cover and the following page express the value we cherish in order to achieve our Purpose. We are steadily making progress towards the realization of the JT Group Purpose, which sets the direction the JT Group aims for. In order for our Group to continue to be a sustainable entity, we will advance our efforts towards the realization of the JT Group Purpose, and through co-creation with all of our stakeholders, we will continue to evolve constantly.

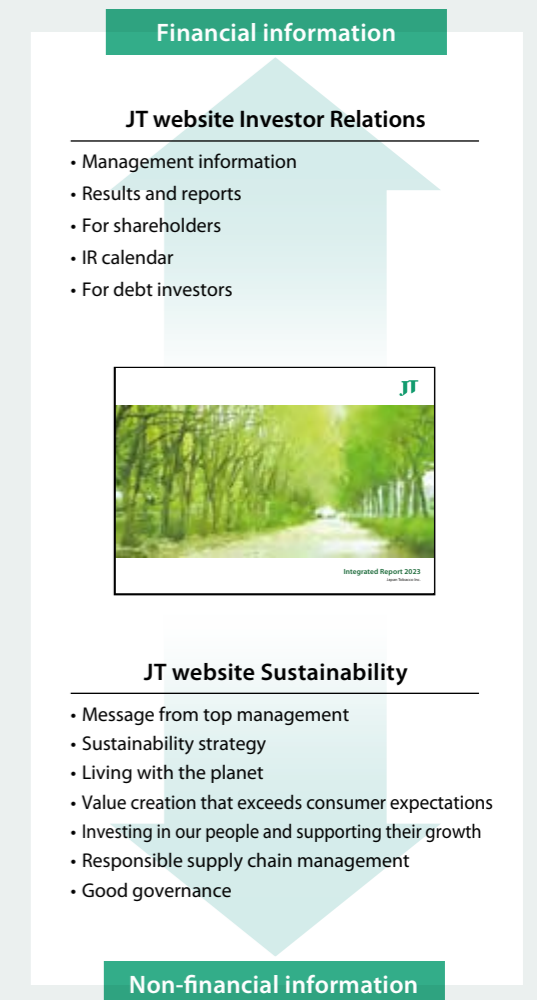
We would like to express our gratitude towards our stakeholders for the many comments we receive each year on our integrated report. We have incorporated these comments as an important element during the planning process and the production of this report.

Note: The illustration on the cover was created using generative AI

**About our integrated report**

In this report, we integrate financial information such as management policies, business strategies, and performance trends with sustainability information that support 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.



Forward-looking statements contained in this document are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown 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. Please see “FORWARD-LOOKING STATEMENTS” on P. 149 for further details.

**“Fulfilling Moments, Enriching Life”**

*My mission is to lead the evolution of the JT Group to assure that we maintain the trust of society while creating value in developing “fulfilling moments,” despite these changing over time and based on each individual, and continue to make important contributions to society worldwide.*



**Masamichi Terabatake**  
Representative Director and President,  
Chief Executive Officer

**Business environment and the JT Group’s performance in 2023 and progress towards achieving the JT Group Purpose**

**Q. What was 2023 like for the JT Group?**

Before looking back on the year, let me express my heartfelt support to all those affected by the many natural disasters, conflicts and painful incidents around the world, particularly in Ukraine, Sudan, the Middle East, Japan and Taiwan. The JT Group will continue to provide assistance to impacted regions, maintaining top priority on the security of our employees and their families.

Our operating environment was not exempt of challenges in 2023, including new and greater geopolitical risks, higher supply chain costs amid global inflation, and large exchange rate fluctuations, to name just a few factors.

Despite these headwinds, our continued focus on future-oriented business investments have led to improved results

over our 2022 figures and the targets set at the beginning of 2023 for all businesses, setting new records\*1 across all indicators from revenue to profit.

For the tobacco business, the Group’s core business and profit growth engine, 2023 marked the second year of the integration of the domestic and international tobacco businesses. In January 2024, as the final integration stage, we completed our unified business infrastructure to further enhance our strong global operations as One Team. The integration is already showing positive results, in terms of global resource allocation and collaboration.

In combustibles, in addition to steady pricing contributions, we maintained strong share momentum leveraging our balanced portfolio of high-equity brands. For RRP (Reduced-Risk Products)\*2, we gradually expanded the sales territories for Ploom X, making it available in 13 markets at the end of

2023. Within HTS (heated tobacco sticks), we continued to grow, particularly in Japan, the world’s largest market for this product category, reaching 11.4% of the HTS segment in December 2023.

The pharmaceutical and processed food businesses also delivered solid year-on-year profit increases and continued to positively complement Group profit growth.

I would like to touch on the JT Group Purpose, which we announced in 2023. I have been personally involved in helping disseminate the Purpose, through dialogues in town hall meetings and with employees at every worksite I visited. These efforts are meant to reinforce our foundation towards fulfilling the Purpose, taking in the viewpoints of all stakeholders in and outside the Company. Many people have shared their support towards the values the JT Group is committed to uphold, as well as towards the image of society we envision. I was particularly impressed by the strong commitment from each employee to make it happen.



Town hall meetings held in 2023

In 2024, we are entering a new phase, during which we will work to better embody the Purpose, through a set of important initiatives. To ensure that the JT Group Purpose is fulfilled, we have created Business Purposes for better integration in each business and in the evolution of its operations. In addition, we have also set action guidelines and initiatives within each business and corporate division. These decisions are made to encourage conscious actions in accordance with the Purpose, and are designed to support each employee in individual practice through workshops, and the like, provided by fellow employees. By taking ownership of the Purpose, and following through on action guidelines as well as delivering on the business plan through the execution of each business strategy, I am confident the fulfillment of the Purpose is within our reach.

\*1 Revenue, Adjusted operating profit, Operating profit and Profit attributable to owners of the parent company in the ongoing business

\*2 RRP (Reduced-Risk Products): Products with the potential to reduce the risks associated with smoking

## Business Plan 2024

### Q. Tell us about Business Plan 2024 with your understanding of our business environment.

#### Our business and operating environment

The corporate environment continues to evolve, becoming more complex than before. The changes I am referring to include very diverse aspects, including climate change, human rights and ESG issues, geopolitical risks, and technological innovation. This means that moving a corporation in the right direction is incrementally challenging. To address this, I feel we must ask ourselves how we will make the Group's businesses more sustainable, while supporting continuously growing profit.

#### The Group as a whole

We remain committed to our medium- and long-term profit growth targets, specifically mid- to high-single-digit annual growth on average for adjusted operating profit (AOP) at constant currency on a consolidated basis. Over the three years of our current business plan (2024-2026), we project mid-single-digit annual growth on average for consolidated AOP at constant currency, the lower limit of our mid- to long-term targets. Despite expectations for similar results in 2024, we expect to return to a growth trajectory from 2025 onwards with the growth rate increasing at constant currency.

#### Tobacco business

We expect that the environment for the tobacco business will continue to be impacted by the decline in total industry volume, ongoing downtrading, new and increasing geopolitical risks, tighter and more complex regulations and tax regimes on RRP and intensifying competition, as well as currency risks.

To ensure sustainable growth in this operating environment, we will accelerate strategic investments in HTS, a category which we estimate will have the strongest growth going forward, to gradually build HTS as the second profit growth engine next to combustibles. Our investment will focus on marketing, in particular to fund the expansion of Ploom

X sales territories, to grow our share in existing and new markets and to introduce new HTS devices. We expect these investments will drive an increase in RRP volume and RRP-related revenue, which we forecast will grow by 2026 to about 2.5 times the RRP-related revenue of 2023. In parallel, sustained share expansion and pricing opportunities in combustibles will continue to be the main drivers of our top-line growth. For 2024, rising supply chain costs with inflation and greater investments in RRP will likely offset top-line growth. As these effects will gradually phase out, we are confident in our forecast for the tobacco business of mid-single-digit compounded annual growth for AOP at constant currency from 2024 to 2026.

Regarding more specifically the RRP category, I can also confirm that we are making steady progress toward the medium-term ambitions for 2028 I have mentioned previously, specifically a mid-teens category share in the HTS segment and reaching breakeven in the RRP category. While our investment will grow, we project a gradual improvement in the profitability of the RRP business in the latter half of the current business plan period, fueled by top-line growth and the resulting productivity improvement.

#### Pharmaceutical business

Given high public pressure for drug price reductions amid a worldwide need to reduce healthcare costs due to tightening public budgets, we expect the environment for the pharmaceutical business will remain challenging, and royalty income from abroad will continue to erode. We are nevertheless continuing to conduct research and development of next-generation strategic products and working to maximize the value of each product to enhance the profit contribution to the entire Group. For the three-year period starting in 2024, we project the profit level will be stable.

To strengthen the value of the JT pharmaceutical business, we have integrated its value chain with listed subsidiary Torii Pharmaceutical Co., Ltd. (Torii). Together, we have established an efficient collaborative system, in which JT handles research and development while Torii produces and markets the products. And while there are costs for keeping Torii public, we are strong believers that these are more than offset by the advantages of letting Torii be independent. For instance, Torii can attract and keep excellent people,

cultivate their morale, and build trust, as well as sharpen its competitiveness and expand its growth opportunities through its own operations. I am confident that these factors will help Torii build strong corporate value and enhance its contribution to the Group's target of medium- and long-term sustainable profit growth and building value for the entire Group.

#### Processed food business

Japan's processed food market is trending larger driven by lifestyle changes and related needs for greater convenience. In addition, opportunities are expanding outside Japan as populations grow, coupled with higher income standards and broadening popularity for Japanese cuisine worldwide. We intend to drive sustainable profit growth, mainly through top-line expansion, by allocating our resources to high-value product groups and taking necessary related measures. We project mid-single-digit profit growth over the three-year period starting in 2024.

## Significance of creating the JT Group Purpose

### Q. Tell us again about the significance of creating the JT Group Purpose.

For the JT Group to remain purposeful to our stakeholders now and going forward, we needed to define more clearly why the JT Group exists, using the 4S model management principle as a compass.

In creating the JT Group Purpose, we looked to the past for the kinds of value the Group has been offering our customers. We then looked at ourselves in the present, then in the future, imagining what we hope to be, say, in 2050. Backcasting from the future, we conducted many discussions to determine answers to important questions like: "What does the JT Group want to be in the future society?", "What will make the JT Group appreciated by the future society?", and "How can we contribute to the future society?". To answer all these questions, we summarized the meaning of the JT Group's existence in this short phrase: "Fulfilling Moments, Enriching Life."

We have been working diligently to stay close to fulfilling moments through our products and services, and even

#### Resource allocation policy

The priority in allocating resources will continue to be on investments leading to sustainable profit growth, especially in the tobacco business, based on the 4S model and the JT Group Purpose. Shareholder returns, which we are working to enhance, are also a priority, focusing on a payout ratio of 75%\*, which we view as benchmark, by achieving medium- and long-term net profit growth.

As for the 2023 dividend, we have agreed to distribute 100 yen per share at the end of the year, up six yen from the initial forecast, based on our 2023 financial results and shareholder return policy. Adding the interim dividend of 94 yen, we paid a record-high dividend of 194 yen per share in 2023.

\* Within a margin of ±5%

by creating such moments. Continuing this endeavor and working for the sustainability of the Group as a corporate member of future society, we believe that both, the Group and society, will be sustainable. I firmly believe that the JT Group Purpose carries that message.

"Fulfilling Moments, Enriching Life" also expresses the Group's hope to be close to the people and in their hearts in this rapidly changing society and highly unpredictable business environment. We work to deliver our value of fulfilling moments not just through the products and services of our tobacco, pharmaceutical, and processed food businesses, but through our many forward-looking corporate efforts that will take us beyond what the JT Group is now.

To that end, we set up D-LAB, a corporate R&D organization for multi-angle research, centered on fulfilling moments and on an effort to explore and create seeds for future business with a long-term vision. About 100 projects are going forward there now, making steady progress by adopting a trial-and-error approach, and aiming to contribute to the future profit growth of the Group. Subjects include mental wellness, breathing, sleep, aroma, diet, and appeal to the

five senses, which we think will impact our existing business areas as important prospects. Step by step, D-LAB is showing increasing deliverables, such as products marketed through crowdfunding and technologies that have won innovation awards abroad.

The JT Group Purpose is our North Star, giving the Group a clear sense of direction, and our 4S model is the compass to help us reach the destination. As they guide us in pursuing our objectives, our business endeavors will evolve, building sustainable corporate value over the very long term.

## Evolution of sustainability management

**Q. Tell us about the Group's sustainability strategy, recently revised to embody the Purpose.**

We believe that as nature, society and people's lives are intertwined, sustaining our ways of living, and the activities of entities, will depend on the sustainability of the environment and society in which we exist. By realizing the JT Group Purpose, we would like to contribute to the sustainability of our environment and our society. In May of 2023, we revised the JT Group Materiality, and selected five topics of materiality as the foundation for our sustainability management.

Furthermore, based on the revised materiality, we have been working on specific goals and initiatives for the Group. We have now set the JT Group Sustainability Targets, consisting of a total of twenty-five items, which we believe will help us embody the Purpose in our work to achieve them.

In setting specific goals and initiatives for the JT Group Sustainability Targets, we focused our attention on the

relationship and ties with the revised materiality, while also including past initiatives. For example, in pursuing our materiality "Living with the planet," we will perform a comprehensive assessment on the impact of the Group's business on the ecosystem, with a view to preserving biodiversity.

Similarly, in considering the materiality "Investing in our people and supporting their growth," we set clear targets focused on securing and expanding our human capital in the Group. We defined human capital from three angles: People who generate corporate activity, Organizational Culture that encourages better corporate decisions and activities, and Ownership which enables the creation of a beneficial cycle between both people and organizational culture. In setting our targets, we assigned metrics not only to the state of human capital but also the progress and results for related HR initiatives. We will monitor them regularly to steadily expand and cultivate our human capital.

For details of our material topics and related targets and initiatives, please refer to the JT Group sustainability strategy in the report (P. 36).



The essence of the new sustainability strategy based on the Group Purpose is that people's lives, society, activities of entities, and the activities of all humans are part of the ecosystem. As a company responsible for creating the future, the Group is determined to proactively work on resolving social issues.

As CEO, I am involved in setting and managing the new sustainability strategy, along with other Board Members. As part of managing the JT Group Sustainability Targets, we will revisit these targets regularly so that they can be further evolved.

## To our stakeholders

**Q. Please give our stakeholders a message.**

In creating the value of "fulfilling moments," which will change in different ways over time and according to each individual, we, the JT Group, are working to maintain the trust of society and will continue to make important contributions. For that, we must carry our initiatives forward and fulfill the JT Group Purpose. We have been gradually building the framework to achieve this, such as our action guidelines, the JT Group Sustainability Targets and the initiatives of D-LAB. To maximize the effect of our initiatives within that framework, I will continue my dialogue with our people and stakeholders outside the Company to further promote the Purpose and demonstrate specific actions to fulfill it.

Let me reiterate that the compass for fulfilling our Purpose is the 4S model, our management principle under which 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. I strongly believe that leveraging the Group's strengths, our solid financial base, superior brand equity, and diverse workforce, as well as relentlessly working to achieve the ideals of the 4S model will lead to medium- and long-term sustainable profit growth, constant improvement of our corporate value, and realization of our Purpose.

The value the JT Group has been offering, "fulfilling moments," will continue to evolve for everyone. This means that we too will have to continue evolving to keep offering that value for the years to come, regardless of change. To make that happen, I will continue to focus on a long-term view in everything I do.



# IDENTITY

This chapter includes interviews from two of our Executive Vice Presidents, in which they have spoken about their current and future commitment to the realization of the JT Group Purpose.

Additionally, we will introduce both the past and current situation of the JT Group, as well as our approach to value creation moving forward.

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Photos on the Right: Employees from JT and JTI



MESSAGE from the CEO

IDENTITY

SUSTAINABILITY MANAGEMENT

BUSINESS and STRATEGIES

GOVERNANCE

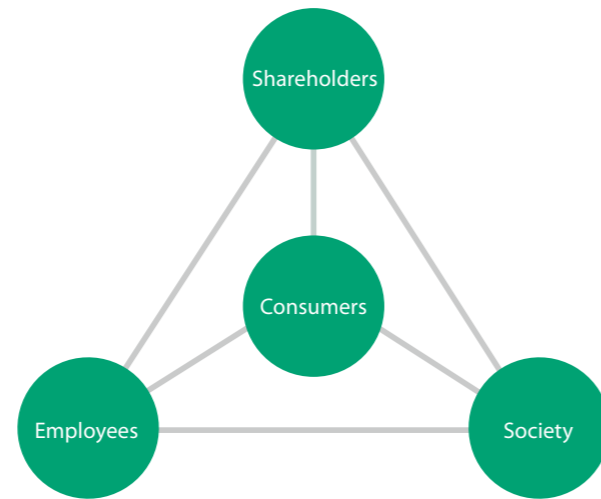
OTHER INFORMATION

# Our management principle

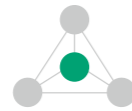
## To pursue the 4S model

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.

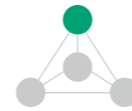


### Consumers



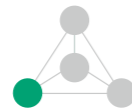
We provide exceptional products and services that deliver value beyond fulfillment of diverse needs and preferences. To keep doing so, we will upgrade our innovation capabilities by leveraging our Group's diversity.

### 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.

# 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.





**Kei Nakano**  
Representative Director and  
Executive Vice President

**Koji Shimayoshi**  
Representative Director and  
Executive Vice President

We asked our two Executive Vice Presidents to give us their thoughts on the progress and the process of creating the JT Group Purpose, the initiatives implemented to promote the Purpose across the entire Group, and the corporate R&D organization D-LAB, which focuses on the Company's shared value of offering fulfilling moments.

**Tell us about the story behind creating the JT Group Purpose.**

**Nakano** We announced the JT Group Purpose in February 2023, following a process that took nearly four years from when we began discussing ideas for it. JT tends to pursue the essence of things, in other words, commit to in-depth, thorough discussions when instituting a new framework. Since I became Senior Vice President in charge of Corporate Strategy in October 2019, we have been bringing leading executives together to talk about the Purpose over and over again. These talks brought up "fulfilling moments" as a key concept.

We also talked a lot about why we should formulate a specific Purpose, and to what extent. After asking ourselves what values we cherish and have been offering, we concluded that "fulfilling moments" would be our key phrase. Once that decision was made, our discussion revolved around this central concept. We also invited the tobacco business executives to the discussion to help us clarify whether "fulfilling moments" would be convincing enough to motivate JT Group employees worldwide and initiate positive action. Through a long series of talks, we reached consensus on the Purpose, "Fulfilling Moments, Enriching Life."

**So the phrase "enriching life" was added. How did employees respond to this Purpose?**

**Nakano** The phrase "enriching life" carries the image of becoming more aware of and attentive to the diverse values and feelings that individuals hold, and striving to realize them beyond what was previously considered, aiming for their fulfillment. That's why we will need to continue evolving, which we see as a commitment that we must meet in order to fulfill the Purpose of "enriching life."

At first, we announced the Purpose only to the corporate divisions. While we heard many supportive responses, we also received questions about what the phrase "fulfilling

moments" specifically means, given that it could be interpreted in many ways. So, we explained the background of the Purpose and our process in creating it, and discussed it with employees many times.

Anticipating that the tobacco business and others would respond to the Purpose in the same way the corporate divisions did, the President and Executive Vice Presidents have shared the task of visiting all Group business sites, in the year following the announcement, to communicate the Purpose in person. After stepping up these efforts, I feel that understanding is growing among employees. It will take time to establish complete understanding among all employees, so I am relentlessly continuing that effort.

**How do you plan to permeate and embody the Purpose in the future?**

**Shimayoshi** The Purpose describes why the JT Group exists, and we intend to honor that over the long term. Because our employees are not always conscious of the Purpose at work, we've created an action guideline to help everyone work with a sense of ownership.

It would be too easy to say that the guideline can change everyone's actions right away. However, since we didn't create it from scratch but by refocusing on the values we've long cherished such as "fulfilling moments," we believe that everyone can understand and put it into action gradually. Even though there may be only limited opportunities at work for our people to be fully conscious of the Purpose explicitly, I'm confident that we will be much closer to fulfilling it in 20 or 30 years, if everyone acts within the framework of the Purpose on a daily basis.

**Nakano** To truly understand "fulfilling moments," I think we first have to undertake some introspection. Individuals experience this kind of fulfillment in uniquely different ways, but there are certainly common threads. It's important that, individually, we ask ourselves, without worrying about what others think, what we really like and dislike and what we want to do. We can then look for the common threads in everyone's answers. Without clarifying our own thoughts and feelings, communication and discussion with others is

harder. So, I often say that the starting point of a dialogue is to have a clear thought and share that with the other party. This kind of dialogue with employees is very important, something we, as management, should be doing constantly.

**Shimayoshi** In addition to daily actions and attitudes, to fulfill the Purpose, it's important to follow through on the strategies we've set for each business and build positive results in our efforts to achieve the goals of our business plan. So, we created separate Business Purposes for the tobacco, pharmaceutical and processed food businesses, drawing on the essence of the JT Group Purpose and applying it to their operations.

For example, the tobacco Business Purpose is "Creating fulfilling moments. Creating a better future." This expresses our intent to help create a better future for our consumers and society by offering products and services that provide fulfilling moments.

The pharmaceutical Business Purpose is "Respecting science, technology and people, we will contribute to patients' lives," expressing the specific value the business exists to create. Pharmaceuticals are regulated under strict quality standards, their market success rate is low, and when they succeed it's only after a great deal of time in development. Because this

## Interview with the Executive Vice Presidents

is inevitable in this industry, we make extensive efforts to develop pharmaceuticals bearing in mind that value creation is only possible when we stay focused, make the most of the latest science and technology, and collaborate closely with coworkers and many others.

The processed food Business Purpose is “Bringing Joy to Meals and Fun to the Table.” This expresses our intention to deliver through our food products not just nutrients that are safe, reliable, and delicious, but many happy surprises, culinary discoveries and joyful occasions with special people and smiles around the table. We believe that promoting these Business Purposes will lead to fulfilling the Purpose.

A range of discussions are going on in the corporate divisions, without reference to divisional boundaries, on ways to realize the Purpose. One result of the discussions from a medium- and long-term standpoint is the JT Group Sustainability Targets, announced in February 2024. Through our work to achieve those 25 targets, we hope to embody the Purpose as we increase value for our stakeholders.

In addition, to contribute directly to fulfilling the Purpose, we have D-LAB, a corporate R&D organization conducting multifaceted research centered on fulfilling moments as well as exploring prospects and creating seeds for future business.

### What’s the background of D-LAB?

**Nakano** It started with the awareness that the JT Group needs more new businesses. Our main operation is and will remain the tobacco business, which I believe will still grow, notably the RRP (Reduced-Risk Products)\* segment. However, looking at our direction over a longer time span, as well as taking into account the tobacco operating environment such as the trends in product demand, regulations, and changes in taxation, it raises the need for supplemental businesses beyond the existing businesses.

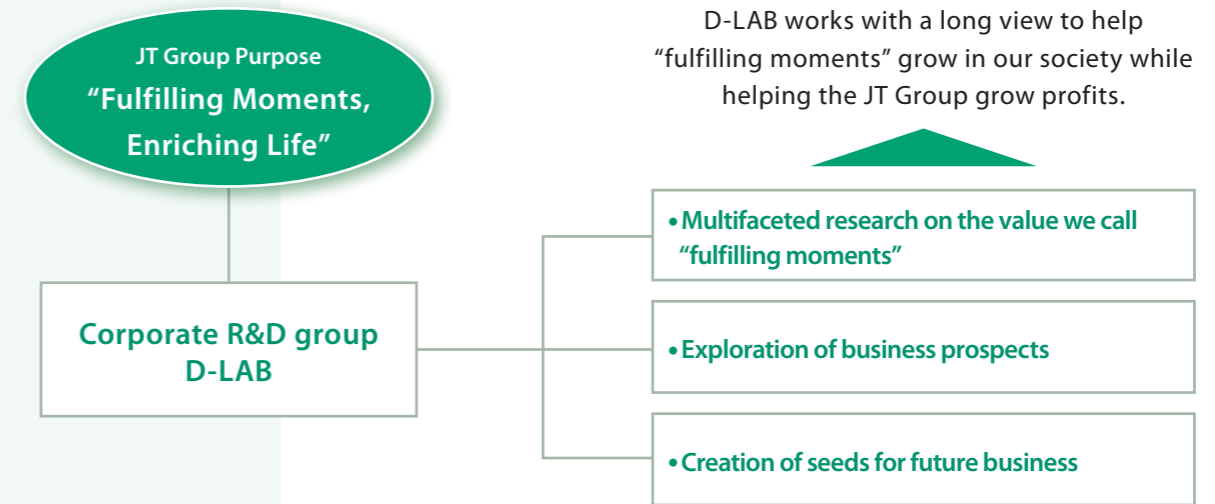
**Shimayoshi** Tobacco is just one way to deliver the value of the Purpose to consumers in the form of fulfilling moments. To explore other product categories and services that can achieve the same, we decided to create D-LAB to exclusively focus on the Purpose.

\* RRP (Reduced-Risk Products): Products with the potential to reduce the risks associated with smoking



**Kei Nakano**  
**Representative Director and Executive Vice President**  
 Spent many years in business development and has rich experience in tobacco marketing and communications, including IR and PR.

▶ For details about him, refer to Management structure on P. 116.



**Nakano** D-LAB has been operating for over 10 years, first as a project within the Business Development & Corporate Strategy Division for seven years, then as an independent organization as of 2020. It conducts multifaceted research centered on fulfilling moments, explores business prospects, and creates ideas for future businesses. Over 100 projects are taking place simultaneously.

In this multifaceted research, we work with other companies and universities to deepen the understanding of the value of fulfilling moments. To explore business prospects, we have set aside a fund for investing in startups, currently standing at about 200, mainly in Europe and the United States, that we think are compatible with fulfilling moments. To create ideas for future businesses, we are starting projects from scratch. Some of these projects are already running trials on new products and services, and some have actually put products on the market, providing fulfilling moments to consumers.

We do not expect these projects to become profitable in the short to medium term; instead, we are cultivating a wide range of projects with a long-term view.

### How do you decide which projects to take on at D-LAB?

**Nakano** At the moment, we are interpreting “fulfilling moments” quite broadly, in part because the reference to “Fulfilling Moments, Enriching Life” in the Purpose is broad in its implications. As I mentioned, everyone feels fulfilled on different occasions, and our ideas about such moments can shift with cultural differences, the times and society. So, we apply this value in a broad sense and carry out a wide range of initiatives to promote it.



**Koji Shimayoshi**  
**Representative Director and Executive Vice President**  
 Spent many years in tobacco production in Japan and abroad, with a range of experience including tobacco business planning, HR and working abroad fulltime as a JTI member.

▶ For details about him, refer to Management structure on P. 116.

## What is your primary judgment criterion? Is it just whether something can help create “fulfilling moments?”

**Nakano** Yes, exactly. Offering fulfilling moments through products and services is the primary value of the JT Group, regardless of where the market is. We think constantly about offering the value of fulfilling moments through all our forward-looking operations, going beyond what is now and making sure we stay close to fulfilling moments for people and society, even as they change in diverse ways over time and for each individual.

## What can you tell us about the people and organization at D-LAB?

**Shimayoshi** In 2013, when plans related to the initiatives currently going on at D-LAB came up, I was an HR vice president and saw that the personnel would need to be re-organized for new projects. JT has a high execution capacity. Once a decision is made, the Company tends to powerfully push things forward all at once, like a big machine turning on. To bring “fulfilling moments” up from the idea stage to tangible reality, we thought we would need people with diverse ideas and working methods to be involved in the whole process leading up to the final decision-making. So,

we expanded our horizon in recruiting both new graduates and experienced people, and put together a group from a wide range of backgrounds. We continued discussions to create optimal working conditions and organization to help all our people make the most of their individual talents.

For the actual initiatives, we as senior management stay out of the way and leave all the decisions to the people on the projects. As Mr. Nakano mentioned, I want them to have as many options as possible to try.

**Nakano** I basically accept all they want to do and give them free rein to conduct research. I don’t interfere much when they set up small startup projects, either. I get more involved when they reach the stage of needing funding to follow through, but I give them a lot of freedom there, too. In starting a new business, there are standard protocols, from a specific concept to feasibility studies and test-marketing. Following these protocols, they can make decisions on their own, with certain limitations, on whether to take the next step.

We’ve only just started, moving steadily forward from zero to one. To go from one to ten, then reach a hundred from ten, we’ll need different capabilities. Scaling up and speeding up will be the next theme, and we will tap further into the experience and knowledge we’ve built jointly with our outside partners.



Robotic cushion with deep breathing technology



This is a COLDRAW-exclusive extraction device designed to quickly and efficiently extract the high-quality potential of botanical ingredients

## What are the D-LAB initiatives going forward?

**Nakano** The results of the research are gradually transforming into products, including the fufuly cushion that “breathes,” and COLDRAW, a technology platform that efficiently extracts the flavors and colors of botanical ingredients for non-alcoholic beverages. We will be taking on more initiatives offering tangible results to stakeholders like these, as manifestations of fulfilling moments that will contribute to the JT Group’s profit growth in the long run. These

initiatives are designed to go forward over long timescales, so short-term returns are not a priority.

**Shimayoshi** Our core tobacco business still has good growth potential, and we hope to offer products in a wider variety of forms, including HTS (heated tobacco sticks), to meet consumer needs. If efforts inside the tobacco business to explore such prospects organically overlap with D-LAB initiatives and develop into collaborations, there may be a significant increase in the opportunities where we can offer fulfilling moments.

**Before we close, tell us about what you’ve resolved to do to fulfill the JT Group Purpose.**

**Nakano** I’ve been speaking mainly about D-LAB, out of my commitment to create new businesses to fulfill the JT Group Purpose. Let’s not forget that the tobacco business is also designed to provide fulfilling moments, and that business is in a way a precondition for the Purpose.

D-LAB will naturally work on new business prospects. That’s a long-term effort, however, and the Company’s current daily focus will remain on the tobacco business. I understand that our initiative to promote the understanding of the Purpose within and outside the Group requires long-term efforts. I will continue discussing this and establishing initiatives for better understanding and broader support.

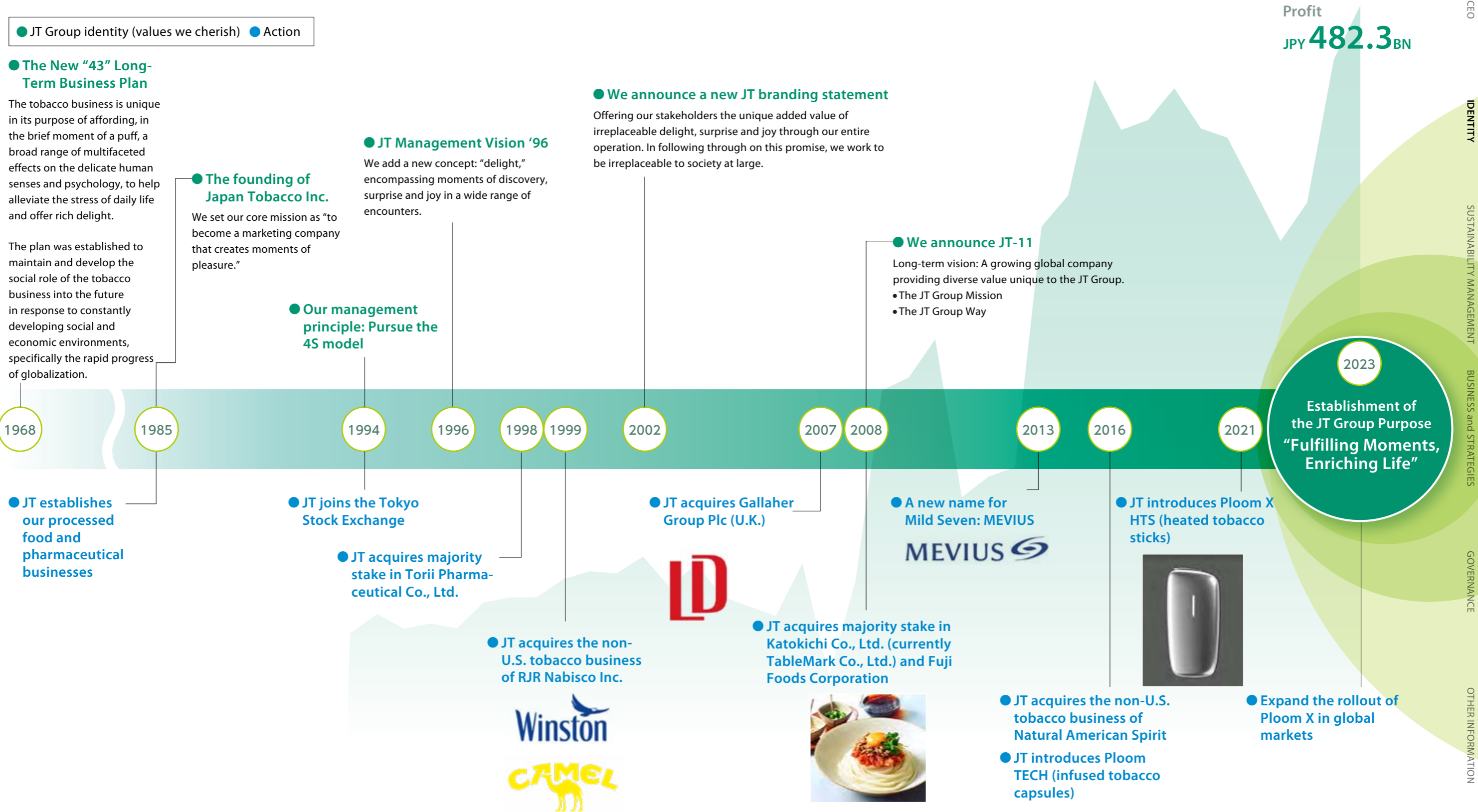
**Shimayoshi** We conduct our businesses primarily for better financial performance of the Group. With that in mind, we often do it purely for the joy of what we do. We enjoy fulfilling the Purpose, and conduct our business as a means to that end. We hope to start more businesses to offer fulfilling moments, as well as expand existing ones.

We will manage the JT Group’s current and future businesses with the aim to bring our vision for “Fulfilling Moments, Enriching Life” into reality.



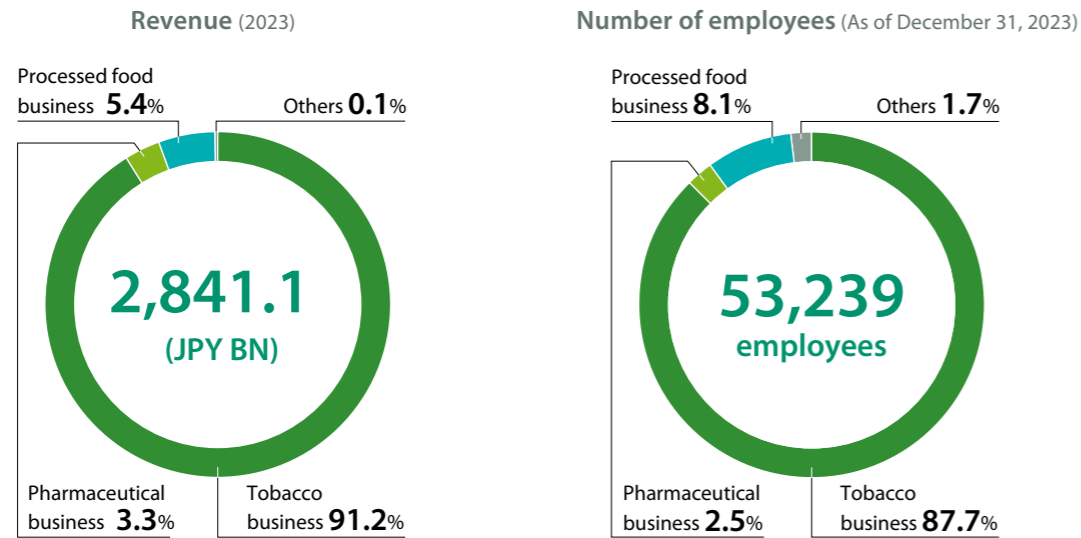
# JT Group Journey

Since the formulation of The New "43" Long-Term Business Plan in 1968, when JT was a government corporation, the social role of the tobacco business and an awareness of globalization to realize this role have been emphasized. In 2023, we defined the area where we will continue to contribute with confidence as "fulfilling moments" and designated "Fulfilling Moments, Enriching Life" as the Purpose for the JT Group. This new Purpose has been steadily taking root in the organization, and we will strive for even further implementation.



# At a glance

The JT Group is a leading global tobacco company and our products are sold in over 130 markets. In addition to the tobacco business, we operate pharmaceutical and processed food businesses.



## Tobacco business

The tobacco business, headquartered in Geneva, Switzerland since 2022, manufactures and offers tobacco products all over the world.

Its key markets include Italy, Japan, Romania, Russia, Spain, Taiwan, the Philippines, the U.K., and Turkey, with leading brands in combustibles, such as Winston, Camel, MEVIUS and LD, as well as in RRP (Reduced-Risk Products),\* such as Ploom and Logic.

\* RRP (Reduced-Risk Products): Products with the potential to reduce the risks associated with smoking



## Pharmaceutical business

The pharmaceutical business focuses on the R&D, manufacturing, and sale of prescription drugs, concentrating on three specific therapeutic areas: Cardiovascular, Kidney and Skeletal Muscle; immunology; and neuroscience.

Its products include CORECTIM® Ointment 0.5% and 0.25%, Riona® Tablets 250 mg and ENAROY® Tablets 2 mg and 4 mg, among others.



## Processed food business

The processed food business is present in the frozen and ambient food business, mainly for frozen noodles, frozen *okonomiyaki* (Japanese savory pancakes), and packaged cooked rice, and the seasonings business, focusing on yeast extracts.

Major products include Sanuki Udon (frozen noodles), Gottsu-umai okonomiyaki (Japanese savory pancakes), and HIMAX (yeast extract) in particular.

Sanuki Udon celebrates its 50th anniversary this year, with about 600 million servings produced and sold annually.



## Global business foundation

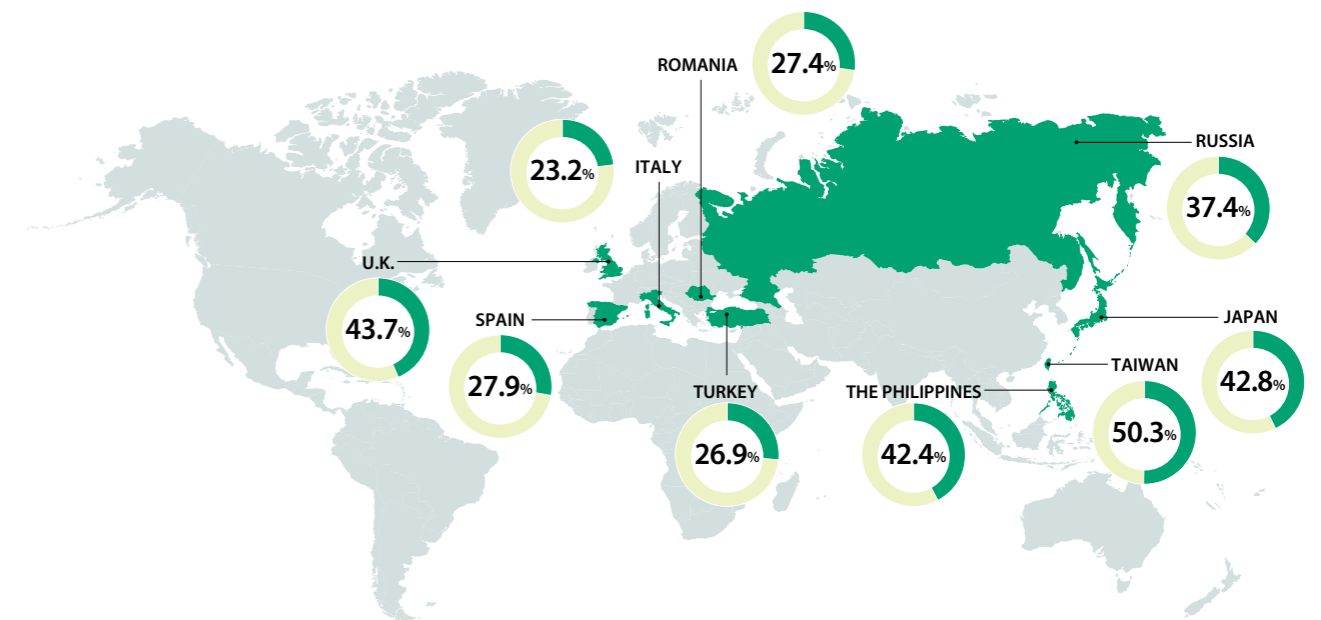
The Group's tobacco business has the third-largest sales volume in the world\*<sup>1</sup> and includes 3 of the top 10 global selling combustible brands\*<sup>2</sup> in its product portfolio.

The Group has a global manufacturing footprint and aims to manufacture quality tobacco products that secure consumers' trust. As of the end of 2023, the Group operates

5 factories in Japan (3 manufacturing tobacco and 2 tobacco-related factories), and 33 factories in 27 other countries (including tobacco-related factories).

\*<sup>1</sup> Excluding China National Tobacco Corporation  
\*<sup>2</sup> As of 2022

### Key market shares in tobacco business (As of December 31, 2023)



Note: SoM is computed based on combustibles and HTP (heated tobacco products) industry size

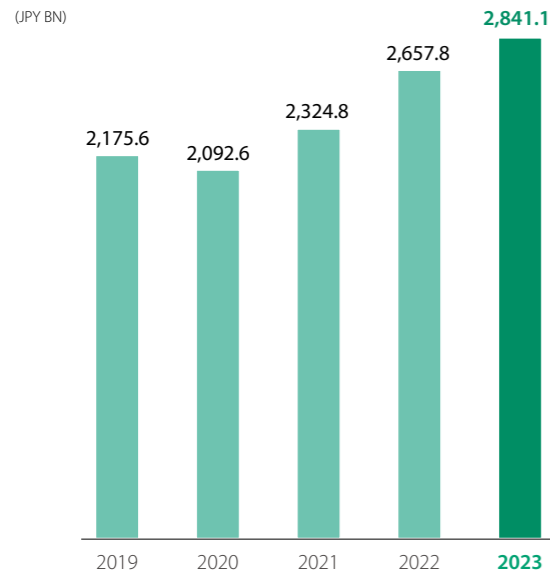
### Factories (As of December 31, 2023)



# Key performance indicators

## Financial performance review

### Revenue



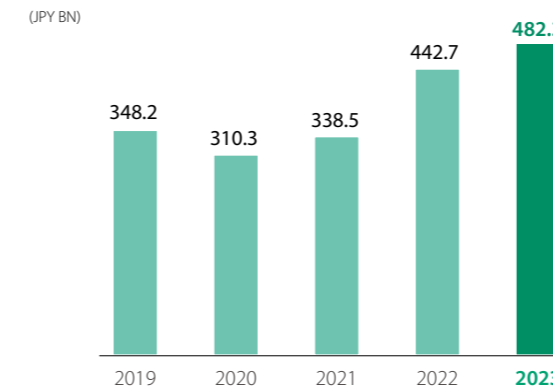
**JPY2,841.1BN**  
**6.9% YoY increase**

Since 2021, our consolidated revenue has been growing, mainly due to positive foreign exchange effects in addition to market share growth and positive pricing effects.

In 2023, revenue grew by 6.9% year on year to 2,841.1 billion yen.

In 2019 and 2020, despite continuing growth of market share and positive pricing effects in the tobacco business, revenue decreased for two consecutive years, as a result of negative foreign exchange effects, growth of the Japanese RRP (Reduced-Risk Products) market, and a continuing downward trend in the Japanese market as a whole.

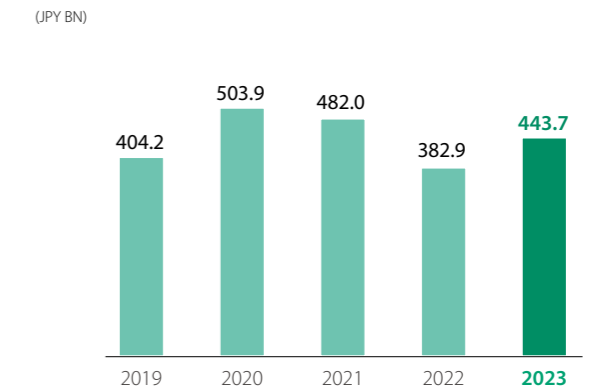
### Profit



**JPY482.3BN**  
**8.9% YoY increase**

Profit grew by 8.9% year on year to 482.3 billion yen, driven by operating profit growth, as well as lower financial costs and corporate income tax.

### Free cash flow

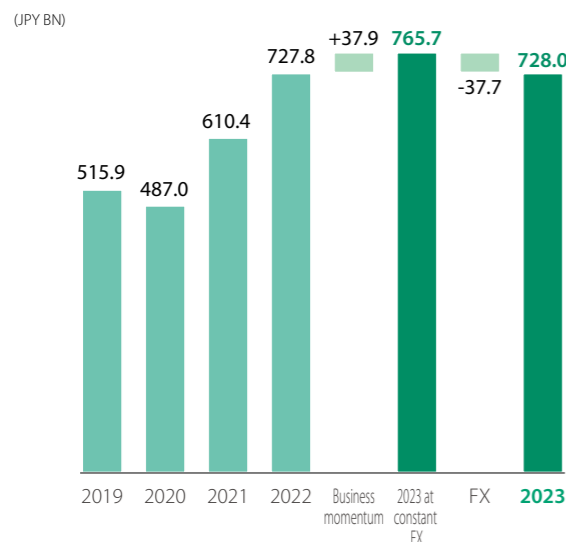


**JPY443.7BN**  
**JPY60.8BN YoY increase**

In terms of free cash flow, the cash-generating capacity of our businesses is stable.

Free cash flow for 2023 increased by 60.8 billion yen to 443.7 billion yen, driven by a favorable comparison to 2022 due to the absence of costs related to initiatives to strengthen competitiveness in the tobacco business in Japan and lower corporate income tax, partially offset by an increase in capital expenditures.

### Adjusted operating profit

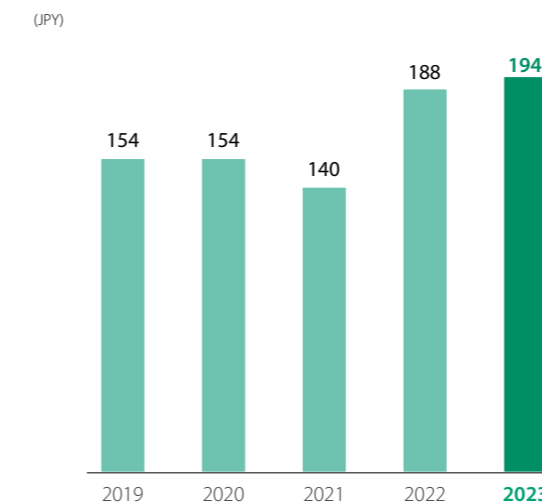


**5.2% YoY increase on a constant FX basis**  
**JPY728.0BN** (reported basis)  
**stable as previous year**

Adjusted operating profit on a reported basis was stable at 728.0 billion yen, due to negative foreign exchange effects despite increases across all businesses on a constant FX basis.

On a constant FX basis, adjusted operating profit grew by 5.2% year on year to 765.7 billion yen.

### Dividend per share



**JPY194**

We paid total dividends of 194 yen per share for 2023.

In 2021, we changed our policy on shareholder returns, and to increase those returns by realizing medium- and long-term profit growth for the JT Group while maintaining a strong financial base<sup>\*1</sup>, we benchmarked our payout ratio at 75%<sup>\*2</sup>, a competitive level in the capital markets<sup>\*3</sup>.

<sup>\*1</sup> The Group will maintain a strong financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities


<sup>\*2</sup> To be in the range of approximately ±5%

<sup>\*3</sup> We monitor the shareholder return trends of Fast-Moving Consumer Goods companies which have a stakeholder model similar to our 4S model and have realized strong business growth


## Non-financial performance review

### 2023 sustainability highlights

Summarized here are some of our sustainability achievements and the progress we have made in 2023. Materiality is the foundation for managing our business. By setting targets


 The Group's management principle is the 4S model. We believe that as nature, society and people's lives are intertwined, sustaining our ways of living, and the activities of entities, will depend on the sustainability of the environment and society in which we exist. In pursuing this principle and by realizing the JT Group Purpose, we will contribute to the sustainability of our environment and our society. With the revision of the JT Group Materiality, the foundation of our sustainability management, **we identified five material topics**. Based on the revised materiality, **the JT Group Sustainability Targets have been set** consisting of a total of 25 items. We will pursue initiatives as set in the JT Group Sustainability Targets based on materiality, to realize our Purpose and to contribute towards a sustainable environment and society.

▶ For details, see [P. 36](#).

 "Living with the planet" is one of the five topics of the JT Group Materiality. Target items include "Emissions reduction" and "Protecting water." JT achieved a place on CDP's prestigious "A List" for both tackling climate change and water security, recognized for its leadership in corporate sustainability. This is the sixth recognition (for five consecutive years) for climate change, and fourth recognition for water security. JT was also recognized as Supplier Engagement Leader 2023 in addressing climate change for the fifth consecutive year. Through dialogue with our stakeholders, we will be sure to follow through on our initiatives to support sustainable growth for both the Group and society.

▶ For details, please see our [press release](#).

and initiatives based on materiality, the JT Group will strive for a sustainable growth for nature, society and our business within.

 "Investing in our people and supporting their growth" is one of the five topics of the JT Group Materiality. In 2023, we **set new target items such as "Talent attraction" or "Attractive working conditions"** in addition to "Diversity, equity & inclusion." For the PRIDE Index, which recognizes the most LGBTQ+ friendly companies, JT achieved Gold status, the highest ranking in 2023 for the eighth consecutive year. JTI was certified as a Global Top Employer for the tenth consecutive year by 2023. This award recognizes employers that globally create the ideal conditions for their employees to develop, both professionally and personally. The Group works 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.

▶ For details, please see [JTI website](#).

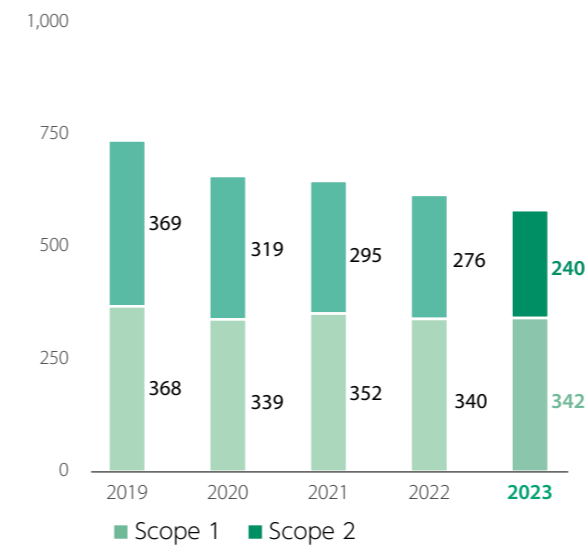
 "Responsible supply chain management" is one of the five material issues of the Group. Launched in 2012, Agricultural Labor Practices (ALP) is the key program for the Group's leaf supply chain management. ALP today is a part of the broader **Leaf Supply Chain Due Diligence** process. We continue to deliver against our target to implement ALP in all sourcing countries by 2025, making significant progress in 2023. Working with over 65,000 directly contracted leaf growers across various leaf sourcing countries, 100% of our directly contracted growers are now covered by ALP. We are dedicating efforts to enhance the livelihoods of growers in countries facing challenges, and we have established new targets to achieve this goal.

### JT Group environmental performance data

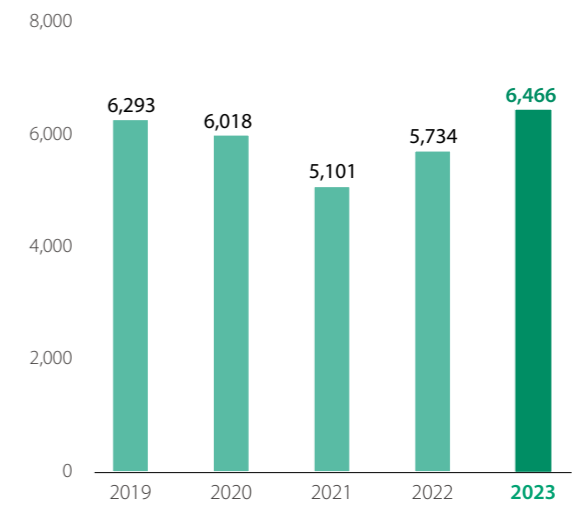
As a global organization, we recognize that we have a key role to play in reducing our environmental impact – not only in our own business operations, but across our value chain.

We will continue to measure performance across a range of environmental topics and set ourselves targets along the way.

**Greenhouse Gas emissions Scope 1 and 2**  
(CO<sub>2</sub>e thousand tons)

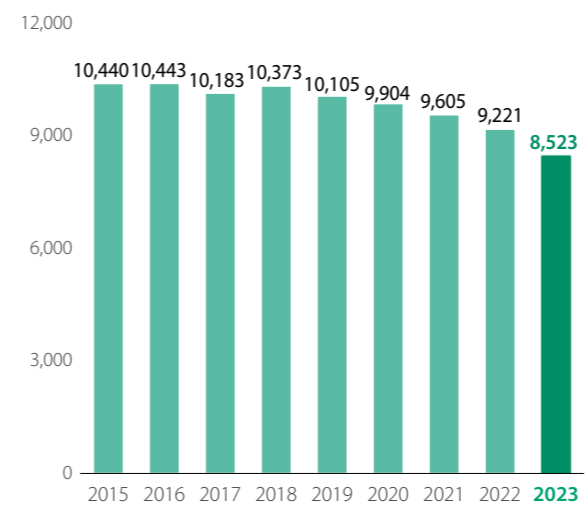


**Greenhouse Gas emissions Scope 3 Category 1**  
(CO<sub>2</sub>e thousand tons)

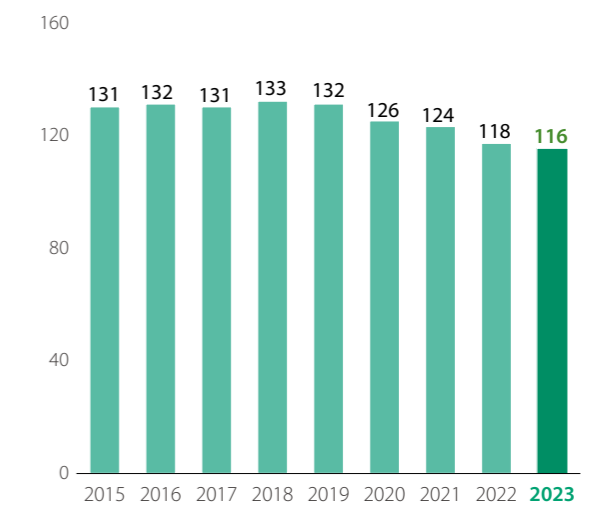


Note: The increase was mainly due to temporary procurement increases from Tanzania and other nations that will require more time to shift to renewable energy sources in the leaf-drying process, as a result of business scale expansion and climatic influences

**Water withdrawal**  
(Thousand m<sup>3</sup>)



**Waste generated**  
(Thousand tons)

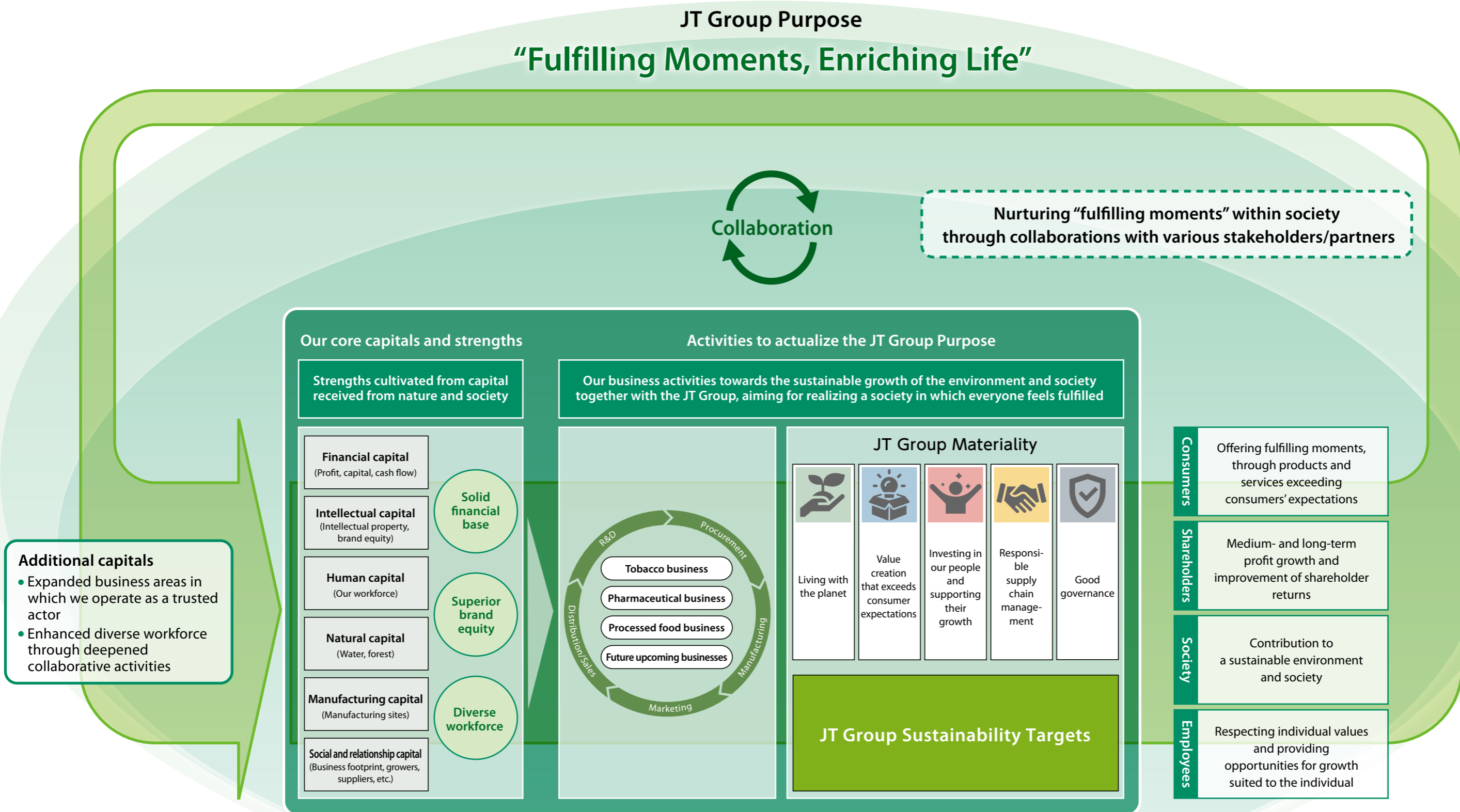


# Value creation process

The JT Group believes that people's lives and corporate activities can only be sustainable if the natural environment and society are sustainable.

Based on this belief, we will contribute to the creation of a society in which people's lives are enriched, aiming for realizing the JT Group Purpose, "Fulfilling Moments, Enriching Life."

Leveraging strengths cultivated from capital received from nature and society and taking actions based on the JT Group Materiality, we will foster "fulfilling moments" in society with various stakeholders and partners through our business activities. By connecting new capital gained from a fulfilled society to even more business activities, we will continue to contribute to the sustainable growth of the JT Group and an enriched society.

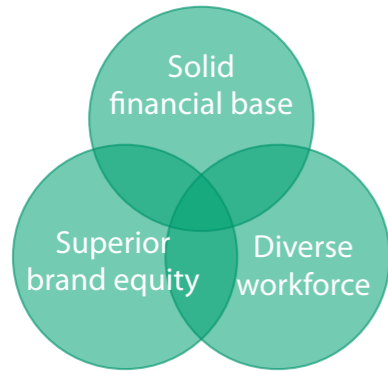




# Our value chains

The JT Group strives to provide products and services that exceed our consumers' expectations, with each of its businesses demonstrating its strengths and adding value at each stage of the value chain.

Three strengths driving our global growth



Tobacco business



- 8 R&D centers covering scientific research, technology & product development
- Consumer-driven R&D focusing on what matters most to consumers\*1
- 2,000+ IP filings, 90+ innovation partnerships with third-party players
- Leaf supply diversified across vertically integrated operations and third parties
- Reliability of leaf supply regardless of weather or market fluctuations
- Full compliance with regulations; assurance of leaf integrity and origin
- 38 factories across our footprint, out of which four produce RRP (Reduced-Risk Products)
- State-of-the-art equipment and manufacturing processes
- Industry-leading quality standards for all our products
- Strong brand equity, notably Winston, Camel, MEVIUS & LD
- Consumers\*1 at center of our offerings: We provide freedom of choice and superior quality
- Full compliance with local regulation in all countries where we operate
- Sales in 130+ markets
- Tailored RTC\*2 on market-by-market basis
- Motivated salesforce with strong ties with trade

Pharmaceutical business



- Development of innovative drugs
- Ability to stably manufacture high-quality pharmaceuticals
- Conduct responsible detailing activities

Processed food business



- Proprietary yeast, processing and freezing technologies
- Ability to develop high-value-added products that meet consumer needs and preferences
- Stable, cost-competitive sourcing of high-quality ingredients (extensive supplier network and inspection program)
- Management systems that ensure stable, efficient manufacturing of high-quality food products based on food safety management
- Top-market-share\*3 products/brands (Sanuki Udon, Gottsu-umai series, etc.)
- Market insight based on communication with consumers (identification of consumers' increasingly diverse needs/preferences)
- Sales force capable of proposing products that meet consumer needs with an extensive product lineup

\*1 Adult consumers. Minimum legal age for smoking varies in accordance with the legislation in each country

\*2 Route to consumer

\*3 Fuji Keizai Co., Ltd., Foodstuff Marketing Handbook 2024: Vol. 2, 3, 2022 results

Each of the JT Group's businesses are also working to further leverage their strengths in the value chain, in order to increase the value they can provide to our consumers.

		R&D	Procurement	Manufacturing	Marketing	Distribution/Sales
Tobacco business	Initiatives to maintain/upgrade strengths	<ul style="list-style-type: none"> <li>Moving from "site-based" teams to "outcome-based" global teams</li> <li>Enhancing cascading in R&amp;D of consumer-related*1 data and analytics</li> <li>Protecting innovation with sound intellectual property (IP) strategy</li> </ul>	<ul style="list-style-type: none"> <li>Continuously balancing risk mitigation and sourcing flexibility</li> <li>Advanced planning and inventory management for uninterrupted manufacturing</li> <li>Increasing emphasis on social and environmental sustainability of supply</li> </ul>	<ul style="list-style-type: none"> <li>Constantly reviewing and optimizing our manufacturing footprint</li> <li>Ongoing capital expenditures to increase our RRP production capacity</li> <li>Kaizen approach for all our manufacturing processes</li> </ul>	<ul style="list-style-type: none"> <li>Continued investment in GFB's (Global Flagship Brands) brand equity and in establishing the Ploom brand</li> <li>Nurturing consumer-centric mindset across the entire organization</li> <li>Additional internal initiatives as self-regulation and JT Group Code of Conduct</li> </ul>	<ul style="list-style-type: none"> <li>Regularly assessing entries in new markets/channels considering present and future profitability</li> <li>Optimizing RTC* based on evolving environment</li> <li>Strengthening relationships with key distributors and tobacconists</li> </ul> <p>*Route to consumer</p>
	Priorities and actions to achieve them	<ul style="list-style-type: none"> <li>As RRP (Reduced-Risk Products)*2 industry innovation cycles get shorter, the Group is implementing initiatives to accelerate the development of new RRP platforms</li> </ul>	<ul style="list-style-type: none"> <li>As the Group's exposure to RRP grows, we are adapting our device procurement strategy to be more resilient in case of disruptions</li> </ul>	<ul style="list-style-type: none"> <li>To support the Paris Agreement on global climate change, we are accelerating the pace of our environmental impact reduction initiatives</li> </ul>	<ul style="list-style-type: none"> <li>Given growing importance, expanding our capabilities in areas of digital, advanced analytics and B2C</li> </ul>	<ul style="list-style-type: none"> <li>Looking to enhance our e-commerce capabilities in markets where it is legal for nicotine and tobacco products</li> </ul>
Pharmaceutical business	Initiatives to maintain/upgrade strengths	<ul style="list-style-type: none"> <li>Improving R&amp;D efficiency through concentration of resources in targeted disease domains</li> <li>Promoting efficient and expeditious clinical development through coordination among domestic and foreign R&amp;D sites</li> <li>Proactively pursuing opportunities to out- and in-license compounds</li> </ul>		<ul style="list-style-type: none"> <li>Formulated guidelines to verify conformity between drugs' approved specifications and actual manufacturing processes</li> <li>Continuing annual inspections of contract manufacturing plants based on guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Formulated internal standards based on Guidelines for Sales Information Provision Activities for Ethical Drugs issued by Ministry of Health, Labour and Welfare</li> <li>Thoroughly complying with said standards through training of Torii Pharmaceutical's medical sales reps</li> </ul>	
	Priorities and actions to achieve them	<ul style="list-style-type: none"> <li>Add more research themes and expedite progress</li> <li>Develop proprietary drug discovery technology</li> </ul>		<ul style="list-style-type: none"> <li>Continuously monitor compliance with laws/regulations</li> </ul>	<ul style="list-style-type: none"> <li>Continue above initiative</li> </ul>	
Processed food business	Initiatives to maintain/upgrade strengths	<ul style="list-style-type: none"> <li>Develop new products tailored to consumer needs based on market/competition research and analysis</li> <li>Develop new technologies and production methods through external collaborations</li> </ul>	<ul style="list-style-type: none"> <li>Verifying ingredients' safety based on quality specification certifications submitted by suppliers</li> <li>Monitoring main ingredients' pesticide residue content and periodically inspecting ingredient production plants in accord with applicable laws/regulations and our own standards</li> <li>Inspecting source farms' soil and water quality, verifying crop conditions, checking pesticide management practices, and inspecting livestock and fish farms</li> </ul>	<ul style="list-style-type: none"> <li>Mandatory certification of compliance with ISO 22000 or FSSC 22000 international food safety standard across all JT-affiliated plants and contract manufacturing plants globally</li> <li>Verifying end products' compliance with pesticide content and other safety standards through monitoring inspections</li> <li>Reducing contamination risk by establishing and complying with food defense guidelines</li> </ul>	<ul style="list-style-type: none"> <li>Conducting consumer-centric market analysis to develop product proposals that add new value</li> <li>Building more brand equity through product line expansion and effective sales promotion</li> <li>Stepping up marketing/sales activities that prioritize highly profitable products</li> </ul>	<ul style="list-style-type: none"> <li>Expanding in-store product selection and gaining preferential display locations through aggressive sales approach targeted primarily at supermarkets and convenience stores</li> <li>Strengthening communication with consumers through online disclosure of product information and labeling of products with production location, main ingredients' place of origin, and contact information for consumer inquiries/feedback</li> <li>Improving safety visibility through traceability of inspection/audit results across the entire value chain from raw material sourcing through production, processing, distribution and sales</li> </ul>
	Priorities and actions to achieve them	<ul style="list-style-type: none"> <li>Develop high-value-added products that meet consumer needs and preferences</li> <li>Develop new products that take into account environmental impact and sustainability</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen supply chain to enable sourcing of safe, high-quality ingredients</li> <li>Building a sustainable supply chain by fostering transparent relationships with suppliers and taking human rights and environment into account when sourcing ingredients</li> </ul>	<ul style="list-style-type: none"> <li>Manufacture safe, high-quality food products</li> <li>Building optimal production systems that ensure efficiency and product quality</li> <li>Install energy-efficient equipment to reduce environmental impacts</li> <li>Pursuing transition to clean energy</li> </ul>	<ul style="list-style-type: none"> <li>Propose products and promote sales strategies in response to increasingly diverse consumer needs and trends</li> <li>Proposing products personalized to consumers' individual preferences and lifestyles</li> </ul>	<ul style="list-style-type: none"> <li>Strengthen sales capabilities and disclose information to reassure consumers</li> <li>Disclosing more information, e.g. on website and product packaging</li> <li>Stable supply to consumers</li> <li>Building an optimal logistics network that maximally utilizes in-house logistics (in response to Japanese government's logistics reform initiative)</li> </ul>

\*1 Adult consumers. Minimum legal age for smoking varies in accordance with the legislation in each country  
 \*2 RRP (Reduced-Risk Products): Products with the potential to reduce the risks associated with smoking

# SUSTAINABILITY MANAGEMENT

This chapter introduces the sustainability strategy of the JT Group. We will delve into our thoughts regarding the goals and initiatives of our Group (the JT Group Sustainability Targets), which are aligned with the Group's materiality. Furthermore, we will provide updates on the progress of initiatives corresponding to each materiality. In the CSO interview, we will discuss the process for formulating the Group Sustainability Targets and our thoughts on the evolution of our sustainability strategy, taking into account future challenges.

- 036 JT Group sustainability strategy
- 040 CSO interview
- 042 Living with the planet
- 048 Value creation that exceeds consumer expectations
- 050 Investing in our people and supporting their growth
- 060 Responsible supply chain management
- 062 Community investment
- 063 Good governance

Photo on the right are related to our sustainability strategy: Employees, Products (Ploom X), and Environmental protection initiatives (solar panels in the Philippines factory)



## Setting the JT Group Sustainability Targets

The JT Group Purpose indicates the direction in which the JT Group will be heading to ensure the sustainability of our society and the Group's business therein.

The Group's management principle to pursue the 4S model. We believe that as nature, society and people's lives are intertwined, sustaining our ways of living, and the activities of entities, will depend on the sustainability of the environment and society in which we exist. In pursuing this principle and by realizing the JT Group Purpose, we will contribute to the sustainability of our environment and our society. The JT Group Materiality, the foundation of our sustainability management, has been revised and we have identified five material topics.

▶ Read more about our process for identifying materiality on [JT.com](https://www.jt.com).

Based on the revised materiality, the JT Group Sustainability Targets have been set, consisting of a total of 25 items. In setting the new targets and initiatives, we focused our attention on the relationships and ties with the revised materiality, while also including past initiatives.

The underlying point of the new sustainability strategy based on our Group Purpose is that people's lives, society, activities of entities, and the activities of all humans are part of the ecosystem. As a company responsible for creating the future, we are determined to proactively work on resolving social issues.

Our Board is involved in setting and managing the sustainability strategy. The JT Group Sustainability Targets will be revisited regularly so that they can be further evolved. With our new sustainability strategy in place, we will uphold our commitment to provide value in realizing the JT Group Purpose "Fulfilling Moments, Enriching Life."

## The JT Group Sustainability Targets and 25 Target Items


























# JT Group Purpose

## Fulfilling Moments, Enriching Life

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.

				
<b>Living with the Planet</b>	<b>Value Creation that Exceeds Consumer Expectations</b>	<b>Investing in our People and Supporting their Growth</b>	<b>Responsible Supply Chain Management</b>	<b>Good Governance</b>
Preserve a harmonious relationship between our environment, people, and corporate organizations through initiatives to improve our impact on our environment	Create diverse products and services beyond consumer expectations	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	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	Enhance our governance by improving our stakeholder satisfaction and continue to be a trustworthy corporate entity

	<b>Biodiversity impact assessment</b>		<b>Emissions reduction</b>		<b>Renewable energy</b>
	<b>Protecting water</b>		<b>Enhancing biodiversity – No deforestation, no conversion</b>		<b>Waste reduction</b>
	<b>Designing for circularity – Packaging, product and device</b>		<b>Sustainable agriculture</b>		<b>Reduced-Risk Products</b>
	<b>Transparency in reduced-risk science</b>		<b>Youth access prevention</b>		<b>Creating first-in-class drugs</b>
	<b>Food inclusion</b>		<b>Diversity, equity &amp; inclusion</b>		<b>Talent attraction</b>
	<b>Attractive working conditions</b>		<b>Health and safety</b>		<b>Development support</b>
	<b>Internal and external collaboration</b>		<b>Supplier screening and supply chain due diligence</b>		<b>Grower living income</b>
	<b>Human rights in grower communities</b>		<b>Grievance mechanisms</b>		<b>Community investment</b>
	<b>Internal control</b>				

Read more about the JT Group Sustainability Targets on [P.140](#)

## The JT Group Sustainability Targets

With the JT Group Purpose as our starting point and based on the JT Group Materiality, we have set the JT Group Sustainability Targets, comprised of 25 items. We will contribute to a sustainable planet and society by realizing our Group Purpose and moving forward with specific initiatives

set as sustainability targets. The targets are based on material issues relevant to our Group. Here, we will explain the thoughts and messages behind each material issue and related targets.



### “Living with the planet”

We believe that people’s lives, society, corporate activities, and the activities of all people are part of the ecosystem. On this basis, we have looked at our past environmental initiatives from the perspective of the ecosystem, considering the aspect of biodiversity as well as the impact that our business may have had on the ecosystem. To resolve any negative impact beyond the resilience of the ecosystem, we have established sustainability targets related to our materiality “Living with the planet.”

- ▶ Read more about related targets on [P. 140](#).
- ▶ Read more about the JT Group’s environmental initiatives on [P. 42](#).



### “Value creation that exceeds consumer expectations”

We strive to provide value that exceeds the expectations of a wide range of consumers or society with innovative products and services. We have set related sustainability targets with the aim of realizing our aspirations, through initiatives in each of our businesses of tobacco, pharmaceutical, and processed food.

- ▶ Read more about related targets on [P. 48](#) and [P. 141](#).
- ▶ Read more about the JT Group’s initiatives in the tobacco business on [P. 76](#), pharmaceutical business on [P. 90](#), and processed food business on [P. 94](#).



### “Investing in our people and supporting their growth”

We believe that each employee is the starting point for all the activities in realizing our Purpose. The importance of human resources will continue to grow in the future. We have set related sustainability targets with the aim of tackling multiple themes from multiple angles, in order to further expand the Group’s human resources.

- ▶ Read more about related targets on [P. 142](#).
- ▶ Read more about the JT Group’s initiatives related to investing in our people on [P. 50](#).



### “Responsible supply chain management”

Our supply chain is essential for our business. It is crucial for our supply chain to be resilient to rapid changes in the business environment. As part of the key initiative, we perform supplier screenings and due diligence, and are committed to addressing the social issues facing our suppliers and the communities in which they operate. It is important that we work jointly to resolve these issues. Bearing these factors in mind, we have set related sustainability targets.

- ▶ Read more about related targets on [P. 60](#) and [P. 142](#).
- ▶ Read more about our tobacco business on [P. 76](#), pharmaceutical business on [P. 90](#), and processed food business on [P. 94](#).
- ▶ Read more about the JT Group’s initiatives on human rights on [P. 61](#).



### “Good governance”

Good governance is the foundation for improving the satisfaction of various stakeholders and for our Group to continue to be a trustworthy corporate entity. We believe that this is the basis for all our activities. We strive to realize sustainable profit growth and continuous improvement in corporate value over the medium- and long-term, while also contributing to the development of our stakeholders, the economy and society as a whole. With this in mind, we have set related sustainability targets, taking into account the characteristics of each of our businesses.

- ▶ Read more about related targets on [P. 143](#).
- ▶ Read more about the JT Group’s governance on [P. 98](#).

## Monitoring and progress of targets

The Board of Directors is involved in setting and managing the Group’s sustainability strategy, and targets are periodically reviewed so that they can evolve.

The JT Group’s environment plan and targets have been carried over or updated and integrated into the JT Group Sustainability Targets. Moreover, sustainability targets previously set by the tobacco, pharmaceutical and processed

food businesses have also been incorporated, and new targets have been set. Please see details of the FY2023 results on [JT website](#).

Reporting of the JT Group Sustainability Targets will commence with FY2024 results in 2025.

### Sustainability Advisory Forum

Since 2020, we have held regular Sustainability Advisory Forums to discuss the Group’s sustainability issues. With our Chief Sustainability Officer acting as Chairman, the forum is attended by heads of the JT Group’s businesses and corporate functions.

In 2023, three forums were held. We discussed and shared information about sustainability issues such as

setting the JT Group Sustainability Targets, checking the progress of our GHG emissions reduction targets, our human rights initiatives and governance, sustainability issues of each business, EU Corporate Sustainability Reporting Directive, and stakeholder engagement, among others. Discussions at the forum are appropriately reported to the CEO and Board of Directors.

# CSO interview



**Akie Yamamoto**  
Sustainability Management  
Division (Interviewer)

**Hisato Imokawa**  
Senior Vice President,  
Chief Sustainability Officer

**Shin Ozaki**  
Sustainability Management  
Division (Interviewer)

## Q (Ozaki) Please tell us your thoughts on the JT Group's sustainability management.

(Imokawa) The JT Group's management principle to pursue the 4S model. We believe that sustainability of our ways of living and the activities of entities will depend on the sustainability of the environment and society in which we exist. This is based on our humbleness that human activities, our ways of living and the activities of entities are all part of the ecosystem. Moreover, we will not only pursue our own sustainability but also the sustainability of our society, so that we can continue to be a company that can help shape the future. The JT Group's sustainability management is to take initiatives in carrying out all activities to achieve this goal.

The framework for this is our Group's sustainability strategy. Specifically, 1) With the JT Group Purpose as the starting point, 2) the JT Group Materiality has been identified as the priority material issues for the Group, and 3) based on that materiality, the JT Group Sustainability Targets have been formulated. This is the backbone of our sustainability strategy. Materiality is the foundation for managing our business. By setting targets and initiatives based on materiality, our Group will strive for sustainable growth for nature, society and our business.

## Q (Yamamoto) You mentioned that materiality is the foundation for managing our business. Can you tell us about how you revised the materiality?

(Imokawa) In 2023, we identified five topics of materiality: "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."

With the revised materiality, we reorganized and incorporated the original three absolute requirements of sustainability\* into the Group materiality. At the same time, we elevated some of the business focus areas or business-driven issues to the Group level. For example, "Value creation that exceeds consumer expectations," which relates to products and services, and "Responsible supply chain management," which relates to our business and stakeholders, were incorporated. "Investing in people" had already been selected by all businesses as a focus area and was thus elevated to the Group materiality as "Investing in our people and supporting their growth." Eventually, we identified the current five topics of materiality.

\*The JT Group's three absolute requirements of sustainability: "Respecting human rights," "An improved social and environmental impact," and "Good governance and business standards"

## Q (Ozaki) How did you formulate the JT Group Sustainability Targets?



(Imokawa) In setting the targets and initiatives based on the JT Group Materiality, we placed importance on setting targets that reflected our identity. We first looked at what our goals should be or where we should be heading. We reflected upon discussions surrounding the revision of materiality, ana-

lyzed changes in the environment surrounding our Group as well as possible changes to come, and thereby worked out our goals and initiatives in accordance with each material topic. In parallel to this exercise, we revisited and updated

past targets set by each business. Targets created using this approach were reviewed by external experts before being finalized.

The JT Group Sustainability Targets not only incorporate past targets set by each business by maintaining or updating them, but also include new targets. The JT Group Environment Plan 2030 has also been integrated into the JT Group Sustainability Targets by maintaining or updating past targets. I believe we have been successful in wholistically setting various sustainability targets under one roof.

## Q (Yamamoto) How do the JT Group Sustainability Targets differ from previous targets?



(Imokawa) Firstly, it is quite different in terms of the flow and interrelations of "Purpose" to "Materiality" and "Sustainability Targets." In total, there are 25 targets—9 new targets, 10 revised targets and 6 targets that were maintained. I trust we have been able to come up with an evolved set of targets that can accommodate diverse sustainability topics.

In terms of new targets, for example, in relation to "Living with the planet," we believe that as nature, society and people's lives are intertwined, sustaining our ways of living, and the activities of entities, will depend on the sustainability of the environment and society in which we exist. Looking ahead and to maintain biodiversity, we wanted to comprehensively understand the impact of our business on the ecosystem. We have therefore set a target for "Biodiversity impact assessment," and as a first step, we will assess the impact and dependence of each of our businesses on the ecosystem. We have also added targets related to pesticides, which cannot be overlooked from the perspective of their impact on the ecosystem.

As for "Investing in our people and supporting their growth," we clarified our stance on the Group's human capital and have set a number of targets which are going to aid in expansion. Regarding "Responsible supply chain management," we have set a target for "Grower living income," as we believe it is necessary to work together to address social issues

faced by our suppliers and their communities. By 2025, we will measure living income in our direct tobacco leaf supply chain origins.

2023 results for those targets carried over to the new targets are more or less on track. I believe the targets are manageable against the respective goals.

## Q (Ozaki) Please tell us about future challenges.

(Imokawa) When we consider the group of social issues, we look at those issues that have surfaced and are visible to us. However, the issues may be inter-related so working on the essence of the issues to find solution is necessary. I trust that by focusing on the essence of the issue, the issue itself will change and evolve. The task is therefore not complete by merely setting targets. It is important to revisit and update them on a regular basis. We have a framework whereby our CEO as well as the Board of Directors are involved in setting and managing the sustainability strategy, so using this framework, we will revisit and update the JT Group Sustainability Targets so that they can continue to evolve.

Moreover, looking at sustainability trends in general, statutory disclosure of sustainability information will be commencing in various jurisdictions. The integration of financial and non-financial information, the collection and the management of the data, and how we utilize data would have to be more sophisticated. Through the exercise, I hope to find capabilities that we have not noticed or realized yet. I'm sure such findings will help to elevate our sustainability management. You asked me about future challenges. You asked me about future challenges. I would say that there will be many more "expectations" to come.

With the Purpose as a starting point and based on materiality, we have set sustainability targets that will serve as the center of our sustainability management. I will strive to pursue sustainability management so that our organization will continue to be needed by stakeholders in the future.



Interest in environmental issues has been growing every year worldwide, and climate change is a leading concern. Corporations influence the environment through their operations, procuring resources needed to conduct business, emitting Greenhouse Gases (GHG) and producing waste in the process. At the same time, environmental factors influence our operations as well. As a worldwide business concern, the JT Group accepts the important responsibility of working to reduce the environmental footprint of its operations across the entire value chain to help make society more sustainable. Through sustainable operations, we conserve natural resources, reduce waste and make our business more cost-efficient. Responding to customer demand for environment-friendly, sustainable products, we are working to build harmony between our businesses and our environment.

► Our environmental initiatives are based on the [JT Group Environment Policy](#).

## Targets and progress

In 2024, we set several targets related to “Living with the planet,” one of the materiality topics in the JT Group Sustainability Targets. Following up on efforts to achieve the objectives of the JT Group Environment Plan 2030, they

have been updated to more ambitious targets, with some new targets added as well.

► Read more about targets and progress on [JT.com](#).

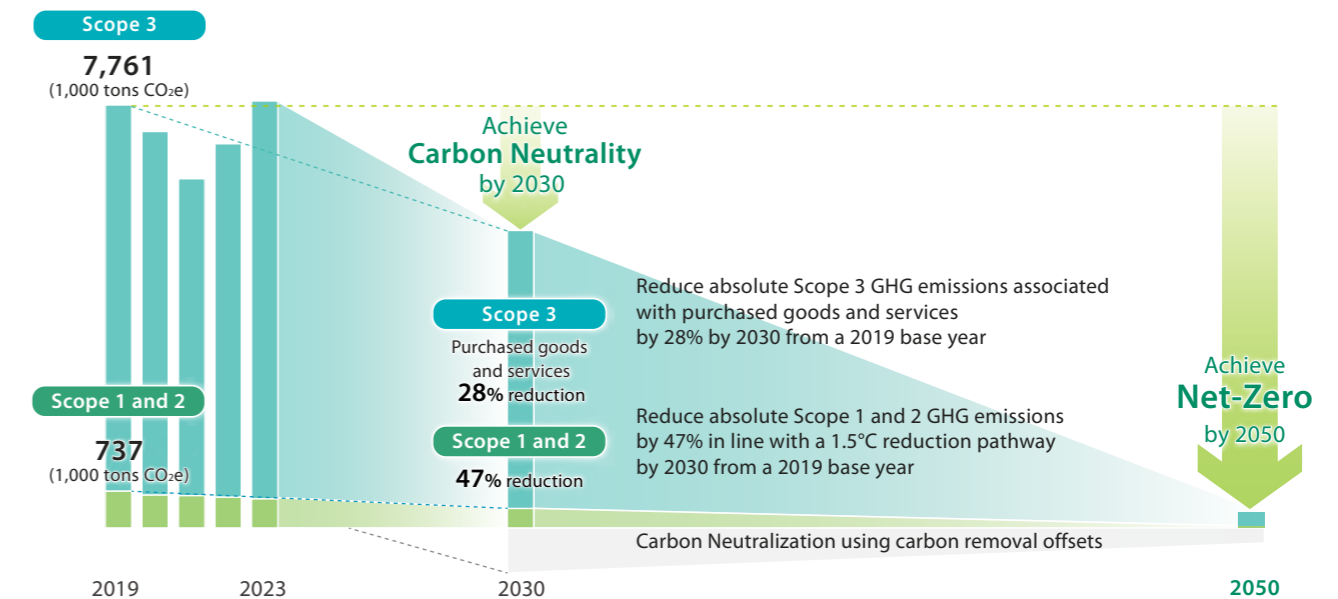
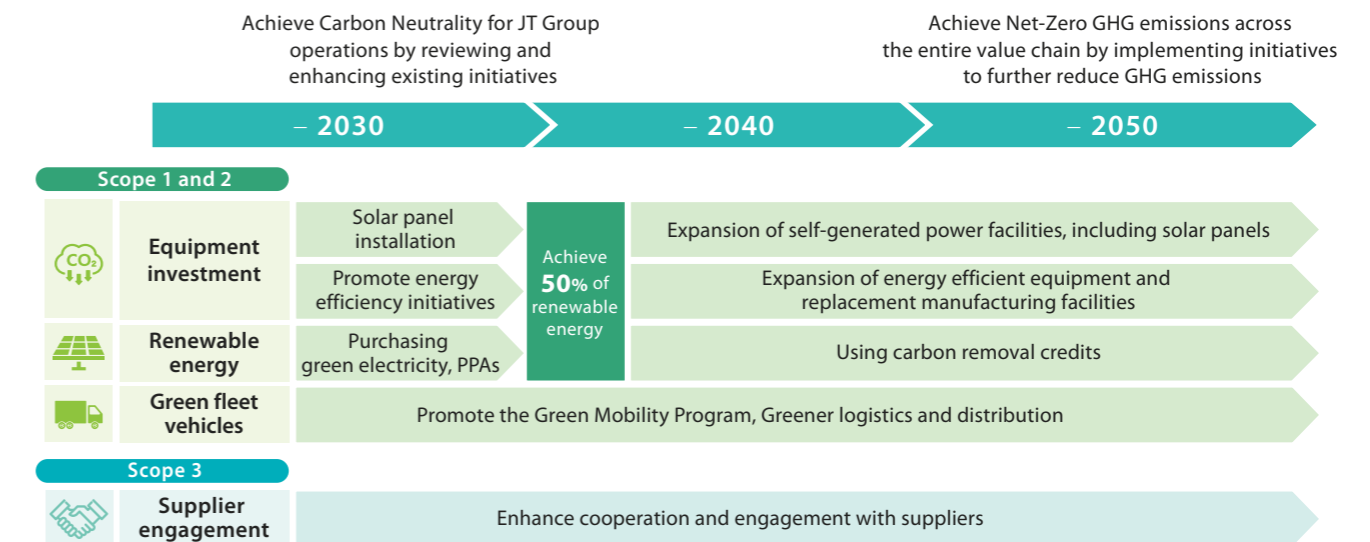
Targets	Representative targets
Biodiversity impact assessment	Each JT Group business will perform an assessment to evaluate its impact and dependence on ecosystems, including biodiversity aspects. We will complete impact assessments for our tobacco business in 2024, and for our pharmaceutical and processed food businesses by 2025.
Emissions reduction	All JT Group operations will be carbon neutral by 2030, and the entire value chain will achieve Net-Zero by 2050. <ul style="list-style-type: none"> <li>Reduce absolute Scope 1 and 2 GHG emissions by 47% relative to 2019 levels by 2030, in line with the 1.5°C global warming scenario.</li> <li>Reduce absolute Scope 3 GHG emissions associated with purchased raw materials and services by 28% relative to 2019 levels by 2030.</li> </ul>
Renewable energy	Convert all sources of energy used throughout the JT Group to renewable in order to achieve Net-Zero GHG emissions by 2050. <ul style="list-style-type: none"> <li>Increase ratio of renewables in total energy consumed by the entire JT Group to 50% by 2030 and 100% by 2050.</li> </ul>
Protecting water	<ul style="list-style-type: none"> <li>Reduce water used in tobacco business operations by 33% relative to 2019 levels by 2030.</li> </ul>
Enhancing biodiversity - No deforestation, no conversion	<ul style="list-style-type: none"> <li>Replace all wood fuel from natural forests that directly contracted tobacco leaf growers use in the tobacco curing process with renewable fuel sources by 2030.</li> <li>Achieve Net-Zero deforestation of managed natural forests throughout the JT Group’s entire tobacco business supply chain by 2030.</li> </ul>
Waste reduction	<ul style="list-style-type: none"> <li>Achieve zero factory waste to landfills in our tobacco business by 2030.</li> </ul>
Designing for circularity - Packaging, product and device	<ul style="list-style-type: none"> <li>Reduce the volume of packaging (including plastic) used in JT Group operations, and bring reusable and recyclable packaging to 88% by 2025 and 100% by 2030.</li> </ul>
Sustainable agriculture	Our tobacco business will eliminate the use of Criterion 1 Highly Hazardous Pesticides (HHPs) from its tobacco leaf supply chain in 2024 and all HHPs by 2040. 100% of our directly contracted growers will adopt the Good Agricultural Practices (GAP) Protocol of our tobacco business by 2030.

## Road map to Net-Zero

The JT Group is working to make its operations carbon neutral by 2030 and achieve Net-Zero GHG emissions across the entire value chain by 2050, and its 2030 reduction targets have been validated by SBTi. In June 2024, we submitted a

commitment letter declaring to make science-based GHG emissions reduction targets within two years toward Net-Zero GHG emissions across the value chain.

### How the JT Group plans to achieve Net-Zero



Note: These are the plans as of May 31 2024, and they are subject to revision in accordance with future business strategies

## Climate change

Climate change is one of the most serious environmental challenges our society and businesses have ever faced. Manifesting as the greenhouse effect, extreme weather and the like, climate change affects not just the supply chain for our products, made mainly through agricultural production, but our operations worldwide as well. Addressing this challenge is therefore a serious commitment for the Group. Working to reduce GHG emissions over the long term, we are contributing to global measures against climate change. In February 2022, we announced our ideal of entirely carbon-neutral operations by 2030. This is an ambitious, science-based objective. In 2022, SBTi validated targets set by the Group in pursuit of limiting the increase in global average temperature to less than 1.5°C above pre-industrial levels. In June 2024, we submitted a commitment letter declaring to make science-based GHG emissions reduction targets within two years toward Net-Zero GHG emissions across the value chain by 2050.

The JT Group has been disclosing information in accordance with the Task Force on Climate-related Financial Disclosures framework.

Indicator	Description
<b>Governance</b>	Climate-related issues are of strategic importance to our business. Through our business-wide enterprise risk management process, we have identified climate-related risk as one of the enterprise-level risks for our tobacco business, which also needs to be considered in local risk inventories and assessment processes. Board oversight is critical and climate-related issues, especially those that may have impacts on business strategy, are brought up in quarterly Board-level meetings. See P. 114 for the ESG-related index for executive remuneration. ▶ Our corporate governance position and structure can be found on the <a href="#">JT website</a> .
<b>Strategy</b>	Through climate scenario analysis performed in 2019, we identified two main risks: potential cost increases due to governments raising carbon taxes to further reduce GHG emissions and the impact on tobacco leaf growing due to changes in environmental conditions. Our plan is to mitigate these risks by continuing to implement climate-related initiatives across our value chain and address areas for improvement. ▶ See the <a href="#">JT website</a> for general information on environmental initiatives and Risk factors (P. 128).
<b>Risk management</b>	We consider climate-related risks and identify risk mitigation and management approaches through our enterprise risk management (ERM) process. We also include these risks in local risk inventories, assessment processes, and action plans, which are partly based on our ongoing country-level climate scenario analyses. We will compare business-wide risks from local assessments and identify the most critical ones. ▶ See <a href="#">Country-level climate scenario analysis</a> .
<b>Metrics and targets</b>	Our JT Group Environment Plan 2030 includes a commitment to reduce GHG emissions from our own operations by 47% (2030 versus 2019). We have also set a longer-term GHG emissions reduction target, as well as targets for renewable electricity, backed by our Group-wide climate scenario analysis. ▶ Read more about the JT Group Environment Plan 2030, <a href="#">Environmental data/External verification</a> and <a href="#">Data calculation/consolidation methods</a> on JT.com.

## Scenario analysis

To identify risks and opportunities for our business related to climate change, the Group conducted scenario analyses using multiple scenarios (1.5°C, 4°C, etc.). In conducting 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, RCP8.5). As a result of the analyses, we identified two major climate-related risks: carbon pricing (increased carbon taxes) and changes in growing environments due to rising average temperatures.

	Risks and opportunities	Applied scenarios and financial impacts (billion yen)		Time frame			Impacts	Countermeasures
		1.5°C	4°C	Short	Medium	Long		
Transition risks	Measures and policies to address climate change effect	-8.5	-2.8	●	●	●	• Land-use restrictions limiting material production	• Closely examine policy trends • Deepen low-carbon production methods
	Carbon pricing	-108.9	-2.7	●	●	●	• Higher procurement costs for raw materials and others • Higher in-house operational costs	• Closely monitor carbon-tax trends • Promote advanced decarbonization • Collaborate with suppliers
	Demand/supply shift for materials and energy	-0.9	3.3	●	●	●	• Increasing/decreasing costs for oil, electricity and materials, including batteries	• Procure with future costs in mind
Physical risks	Changes in farming environments due to rising average temperatures	-3.5	-34.8	●	●	●	• Higher costs for raw materials, like tobacco leaf and rice, due to changes in farming environments	• Continuous reviews to ensure procurement from best locations • Apply smart farming methods • Reinforce relationships with key farmers
	More frequent, larger-scale abnormal climatic events	-7.1	-18.8	●	●	●	• Impediment to plant operations • Raw material shortages and higher material costs	• Develop or choose weather-resistant varieties • Diversify supply and production locations
	Tight water supply	-0.1	-0.1		●	●	• Suspension of plant operations due to drought • Increased processing costs with reduced produce quality	• Increase efficiency of water use at production sites
Opportunities	Changes in customer lifestyles	0.1	0.7		●	●	• Higher demand for ethical products • Increased demand for processed and frozen foods due to a growing need for easy meal preparation, an effect of rising temperatures	• Monitor consumer trends • Develop products catering to customer needs
	Effects of rising temperatures on supplier locations and methods	0.2	1.1		●	●	• Harsher price competitiveness for higher-yielding wheat varieties and the like	• Promote smart farming and better varieties • Partnerships with startup firms

▶ Read more about climate scenario analysis on [JT.com](#).



## Biodiversity

Believing that the sustainability of people's lives and corporate operations is possible only when nature and society are sustainable, the JT Group has made biodiversity preservation a high priority. By understanding how our businesses affect and depend on ecosystems, we are working harder to preserve biodiversity.

### Risk assessment

In 2022, we undertook a qualitative assessment of the effects of our tobacco business and its dependence on ecosystems, based on TNFD v0.3 and the International Union for Conservation of Nature's guidelines. We assessed our impact on natural resources at each stage of business, namely

material procurement, production and disposal, as well as the scope and gravity of the influence, to identify where our impact on ecosystems is greatest. We did the same assessment and identification concerning dependencies.

### Business effects and dependence on biodiversity

In tobacco leaf production, land use and soil pollution in Brazil were identified as the strongest effects of our business on biodiversity, and that holds true in other tobacco-producing nations. On the dependency side, we found that our tobacco business greatly depends on a range of

ecosystem services, such as protection from flooding and storm damage and land stabilization and erosion prevention in Brazil, and we found similar tendencies in other tobacco-producing nations.

### Early-stage analysis of risks and opportunities

We identified the effects of landslides and floods, consequences of progressive soil deterioration following forest development, and overuse of agricultural chemicals as major risks to production volume and quality of tobacco leaf. We believe we can reduce such risks to some degree

and discover more opportunities to procure tobacco leaf in reliable, sustainable ways by following through on our initiatives to maintain and enhance ecosystem services like tree-planting and agrichemical restrictions.

### Reducing impact and dependence on biodiversity

We are working to reduce both the impact and dependence on biodiversity of our Tobacco business, with reference to the AR3T framework, based on the Science-Based Targets for Nature guidance, from the standpoints of avoidance, reduction, regeneration, restoration and transformation. We avoid the use of toxic agrichemicals and replace them with safer, more environment-conscious products. We reduce waste by managing the safety and possible impacts of our products and packaging on society and the environment throughout their life cycles, and by operating systems designed for effective recycling of products as resources and managing industrial waste. The Group helps preserve

forests by assisting with natural regeneration. In Zambia, we participate in the Shishamba Forest Livelihoods Project for sustainable management of the Miombo woodlands. In Brazil, we work to restore over 300 hectares of permanently protected areas in partnership with research institutes, environmental-education organizations and the nation's National Bank for Economic and Social Development. As part of this transformation, we have been accelerating our efforts to organize and standardize data pertinent to biodiversity preservation in partnership with the international non-profit LIFE Institute since 2017.

## Protecting water

Water is an important natural resource for our business activities, and we have already achieved a 15% reduction in water withdrawal associated with our tobacco business compared to 2015 levels, a target of the JT Group Environment Plan 2030, ahead of schedule. Under the JT Group Sustainability Targets, we have set our own independent standards that reflect or exceed those of laws and regulations, including more ambitious targets for water withdrawal reduction and targets related to preventing water pollution so as to minimize impacts on ecosystems, and we monitor our performance. We require all of our tobacco leaf suppliers to produce high-quality tobacco leaf and implement our GAP Protocol with a view to protecting ecosystems. This not only increases the economic sustainability of the tobacco leaf growers, but also prevents the risk of water pollution with nitrate nitrogen, a highly water soluble compound that is incorporated in many chemical fertilizers and agrichemicals that are widely used on agricultural land.

### Enhancing biodiversity – No deforestation, no conversion

We have a target to totally replace the naturally obtained wood that our directly contracted tobacco leaf suppliers use to dry tobacco leaves with renewable fuel resources by 2030. We use the Agroforestry app to log annual tree-planting progress in tobacco farmlands in Tanzania, Zambia and Brazil. The JT Group also works to achieve Net-Zero destruction of the forests it manages across its entire supply chain for the tobacco business by 2030.

▶ Please refer to [JT website](#) for details of the initiative.

## Waste reduction

We have already achieved our JT Group Environment Plan 2030 target of a 20% reduction in the volume of waste associated with our tobacco business compared to 2015 levels ahead of schedule, and we have now set a more ambitious target in the JT Group Sustainability Targets. In addition to reducing waste generated in our business activities and changing our waste disposal methods, we have also incorporated initiatives related to products used by consumers with the goal of reducing environmental impacts throughout the value chain. Targeting zero factory waste to landfills by 2030, we are reducing the use of packaging materials that contain plastic, and aiming to have 100% of our packaging made from recycled or recyclable materials by 2030.

## Collaboration with suppliers

Collaboration with suppliers is important for understanding and improving our impacts on ecosystems, including realizing Net-Zero GHG emissions throughout the value chain.

To reduce Scope 3 GHG emissions, we are using a supply chain program provided by CDP, an international environmental NGO, to help us ascertain environmental information related to diverse suppliers associated with our business, including suppliers of raw materials, such as tobacco leaf, and logistics companies.

By doing so, we have strengthened our engagement with suppliers, enabling us to identify environmental risks and business opportunities in the value chain, and we are now examining and implementing measures for more efficient energy use and reduction of GHG emissions.

We will be constantly mindful of what the JT Group can achieve as we continue to collaborate with suppliers in committed efforts to preserve healthy relationships between nature, people, and companies.

# 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.

## Tobacco business

Our tobacco business sets out specific targets, namely “RRP (Reduced-Risk Products)\*,” “Transparency in reduced-risk science” and “Youth access prevention.”

In the tobacco business, we consider our mission is to provide a diverse range of options that meet the needs of each individual consumer at a high standard. To achieve this, it is necessary to expand product categories considering changes in society, in addition to conventional combustibles. We are aware that there are societal expectations for RRP related to the potential to reduce the risks associated with smoking. To meet these expectations and enable more consumers to choose our products, we have “RRP” as one of the targets, to drive its geographical expansion. Simultaneously, in order for consumers to properly evaluate our RRP, it is essential to disseminate evidence-based information, hence we have set “Transparency in reduced-risk science” as a target.

Additionally, the Group believes that minors should not use tobacco/nicotine products, and therefore, our consumers are only adults. In our tobacco business, we have already been implementing various measures to prevent underage smoking, but it continues to be an important issue for the sustainable growth of society where our business is also present. With this understanding, we have set “Youth access prevention” as a target. Not only will we continue to provide ongoing training to our sales representatives, but we will also collaborate with our partners to address this issue.

▶ Please see [Tobacco business P. 84](#) for details on specific initiatives and sustainability targets.



\*RRP (Reduced-Risk Products): Products with the potential to reduce the risks associated with smoking  
Notes: Please refer to Glossary of terms on P.145 regarding the word “consumers” used in the context of the tobacco business

## Pharmaceutical business

Our pharmaceutical business has been aiming to create groundbreaking original drugs that are globally recognized and deliver them to patients in a swift manner, as also stipulated in our previous sustainability strategy. The importance of this goal remains unchanged, and for “Creating first-in-class drugs,” we will continue to put our efforts and investments in research and development activities for innovation in specific therapeutic areas.

▶ Please see [Pharmaceutical business P. 92](#) for details on specific initiatives and sustainability targets.



## Processed food business

Our processed food business has set “Food inclusion” as a target. This demonstrates our will to contribute to a society where everyone can enjoy any food freely and a good taste, while embracing diverse perspectives and values.

▶ Please see [Processed food business P. 96](#) for details on specific initiatives and sustainability targets.



Due to the changes in external environments and lifestyles, consumers’ values and interests have become more diverse. We aim to achieve this target by further advancing efforts to develop and provide high-value-added products, such as allergy-friendly products, products that do not use ingredients derived from animals, or products that satisfy other preferences including health-consciousness.

### 5 sustainability targets to deliver “Value creation that exceeds consumer expectations”

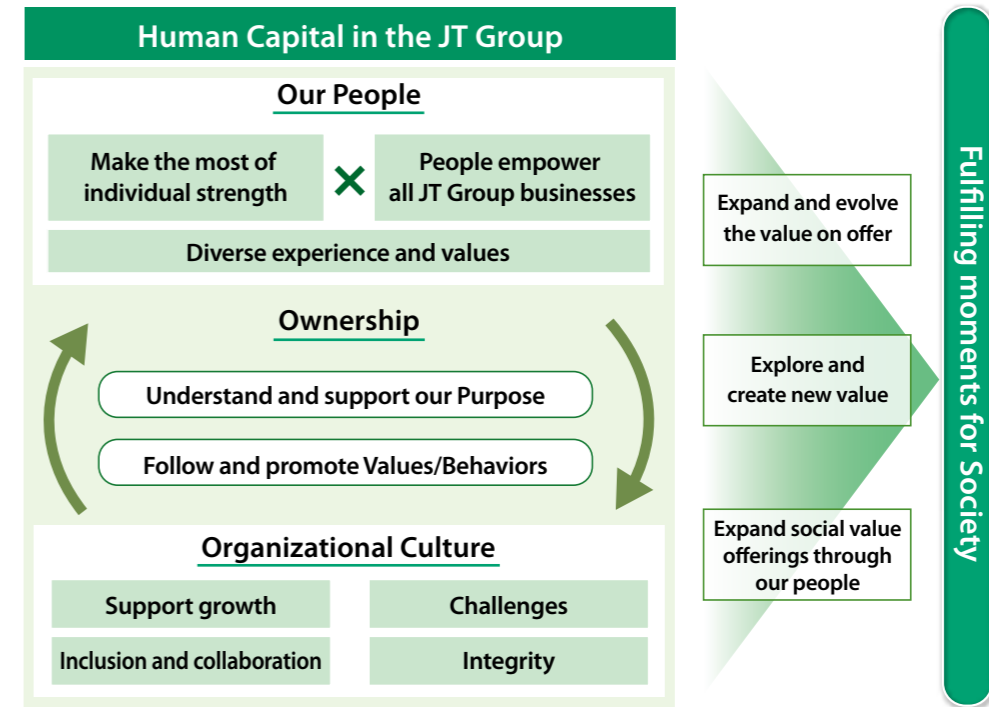
Materiality	Target items	Targets
	<b>Reduced-Risk Products</b> Revised	Our tobacco business will make its RRP* available in an increasing number of countries worldwide.
	<b>Transparency in Reduced Risk Science</b> New	In our tobacco business, we will ensure that reduced risk claims are substantiated and that we are transparent about the risks of our products.
	<b>Youth Access Prevention (YAP)</b> New	In our tobacco business, we will continue deliver training on YAP to our marketing and sales force. We will also continue to work with our trading partners to ensure compliance with its YAP pillars.
	<b>Creating first-in-class drugs</b>	In our pharmaceutical business, we will continue our efforts and investments in research and development activities for innovative drugs in specific therapeutic areas.
	<b>Food inclusion</b> Revised	In our processed food business, we will be aware of the diversifying values and interests of our consumers. Most of all so that our consumers can enjoy delicious food, we will not only exclude certain raw materials, but also develop and provide high-value-added products, such as allergy-friendly products, products that do not use ingredients derived from animals, or products that are health-conscious and satisfy other preferences.



## Human capital in the JT Group

In an era of continuous changes in society and the business environment, we recently redefined and announced the JT Group Purpose as “Fulfilling Moments, Enriching Life,” which indicates the direction in which we are working to ensure the sustainability of society and our Group. The Purpose extends beyond offering value to society, now and in the future, in the business areas that the Group works in, becoming a force that binds the Group’s range of initiatives together as we determine and execute medium- and long-term strategies, develop new business, promote sustainability initiatives and foster a common corporate culture. All efforts to fulfill this Purpose begin with each one of the Group’s employees, and we recognize that they are more important than ever to our success.

Based on this understanding, we advance the JT Group Human Resource Management Philosophy as our basic principles concerning our employees and work to raise our HR initiatives to a higher level so we can more clearly define our human capital and secure and expand that resource. In defining human capital, we look at it from three angles: 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. We regularly monitor related HR initiatives to steadily expand and cultivate our human capital. By pursuing these efforts, our people will contribute to build a society where everyone feels fulfilled by enhancing current business activities while exploring ways of creating new value for the business, while also engaging as active citizens beyond our business and organizational boundaries.



## Our people

Diversity forms the foundation of a company’s success and contribute to real sustainable growth. We try to bring our human best, which 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 (tobacco, pharmaceutical, and processed food), 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 an employer of choice for a diverse range of people, we prioritize our employees’ mental and physical health and safety 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, expressing the values the organization shares, is important to help diverse people work together and steer corporate activities as Group members. We consider it important to cultivate shared values, so they become deeply rooted across the organization and form the basis for good decisions and standard practices as we continue creating unique value.

The Group has 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’s 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’s essential that each employee understands and supports the JT Group Purpose, takes ownership in 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 for the desired actions that should be taken, 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.

While defining human capital as the combination of “our people,” “organizational culture” and “ownership,” we will attract diverse people externally and internally, create an organization which makes our people work happily and encourage each of them to grow and make the most of its strength and skill, we have set six priority themes to focus on, as well as metrics to track progress and impacts of initiatives based on the themes. We will continue to conduct JT Group engagement surveys to ascertain the status of the Group as a whole and to verify and improve our initiatives on an annual basis. In the previous JT Group survey (with a response rate of 92%), the Employee Satisfaction (eSat) score (“How happy are you working at this company?”) was 77\*, but we aim to further improve it through our Group-wide initiatives.

\* eSat score: Average of response scores  
Data coverage: JT Inc. and major subsidiaries including global tobacco business (the same applies from the next page)



## 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 contribute 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. 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 help employees value diversity through work opportunities and seminars intended to facilitate the understanding of gender, ethnicity or how the LGBTQ+ community experience work or life. We offer training programs to employees to help them be more aware of their own biases and embrace diverse values. 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 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 2023, JT was included for an eighth consecutive year in the Gold PRIDE Index of the nonprofit organization work with Pride.

▶ Please see Awards and recognitions [P. 146](#) 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. Under its committed senior management team, the Group has announced a target of having women in 30%\*<sup>1</sup> of its managerial positions by 2030. To that end, our senior managers support career growth for female employees, while educating senior managers educate employees on gender equality, helping motivate women, organizing seminars to promoting understanding of the obstacles in women's career paths, and promoting the workplace

advancement of women. We are undertaking multiple initiatives to help accelerate women's career development and promote gender equality Group-wide, actively nurturing the pipeline of female management candidates and monitoring the gender pay gap.

\*<sup>1</sup> To foster the growth and participation of women in the JT Group, we are promoting various Group-wide measures, such as unifying the scope of monitoring across the Group and targeting positions in managerial positions. As a result, we have decided to raise the target for the proportion of women in management positions from 25% to 30% by FY2030

(Unit: %)

Items		Male	Female	Total
Employee demographics	29 and younger	9.0	5.0	14.0
	30-49	51.5	16.8	68.3
	50 and older	13.8	3.9	17.7
Management ratio		76.5	23.5	100
Gendered wage differences <sup>*2</sup>	Management	100	97.9	—
	Non-Management	100	112.6	—

\*<sup>2</sup> We calculated women's wages relative to men's (100%) by nation and company, then calculated a weighted average according to number of employees

## Priority theme 2: Talent attraction

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

For us to remain a company that's 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

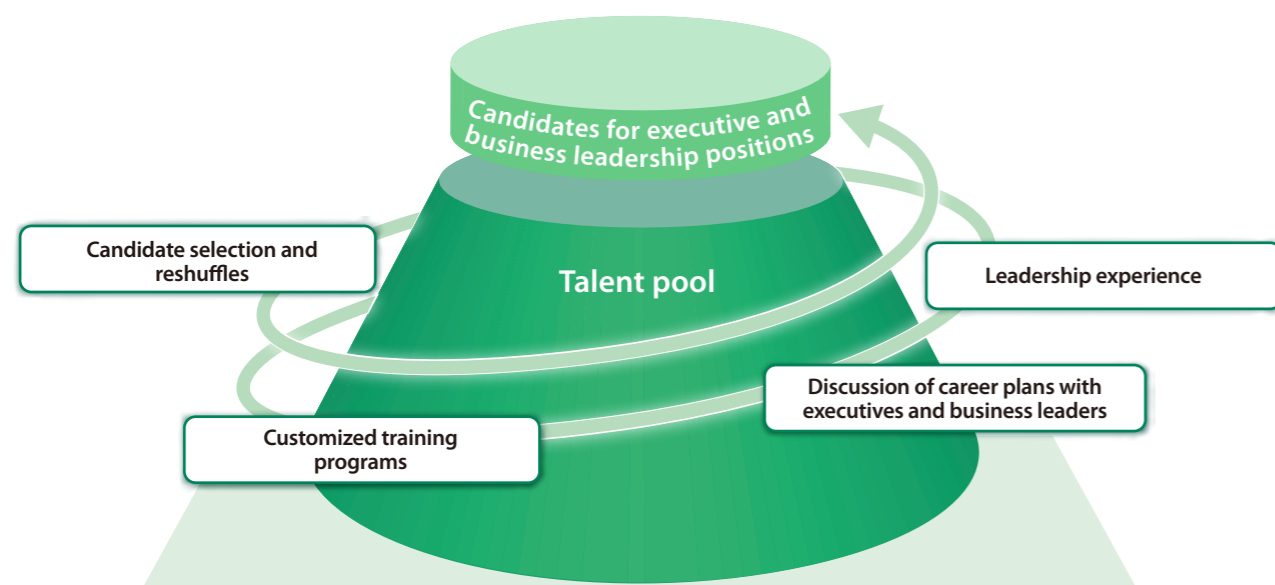
The Group sets compensation benchmarks specific to each country and business to ensure our compensation and benefit packages are attractive and competitive. We also put effort into communicating the attractiveness of Group companies to excellent employee prospects. To that end, JTI has successfully established an excellent company brand by winning the recognition of the Top Employer Institute as a Global Top Employer for 10 years running, while continuing hiring campaigns specific to each country. 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. Furthermore, when hiring mid-career employees, we disclose the roles and responsibilities at the time they join the Company. This helps create an environment and career development supportive of meeting our employees' future direction and needs. Through these initiatives, we 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's 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 pool generation-specific talent by providing opportunities for prospects to gain broad leadership experience by

working in a range of positions around the world. In 2023, about 500 people participated in the program as executive and leadership candidates. For about 150 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, a new organization called D-LAB was established in 2020 to expand corporate R&D activities that explore and create future business seeds. In 2023, we newly appointed 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 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 working 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 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.

the Global Family Leave Policy, all employees working on JT and global tobacco business sites are allowed 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). 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 make use of them. So far, the ratio of employees who took parental leave is as shown in the table below.

To make working easy for employees in all life stages, the Group assists them in balancing work and family. Under

(Unit: %)

Item	Male	Female	Total
Ratio of employees who took parental leave*	91	105	95

\* Of the employees have become a parent via adoption, surrogacy or birth, the percentage of employees in FY2023 who took childcare leave not only statutory leave, but also those who took childcare leave further approved by the company. If there are any employees who have taken childcare leave for their child born in the previous fiscal years, the rate of employees who took childcare leave may exceed 100% in this fiscal year

#### Healthy individuals and relationships

The Group implements initiatives to improve compliance and conducts 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. They plan and conduct 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 believes that to build and expand human capital it's essential to realize work environments that encourage 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. That's why we have created the JT Group Health and Safety Policy to aim for zero harm. We put a range of measures in place to raise employee safety awareness and improve work environments continuously. We also put effort into health-related support to help each employee promote their own health.

### JT Group Health and Safety Policy

To 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 (the below described) under the responsibility of the CEO to realize "WHAT WE AIM" in the policy 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.

In addition, each business establishes its own version of the Health and Safety Policy based on the policy, and works to implement it among employees and all people concerned. Health and Safety Policies are also established at each location as needed, and reviewed regularly.

#### 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.

### Initiatives to prevent workplace accidents

The Group believes that preventive measures according to the features of locations are important to achieve zero work accidents, and has implemented a range of measures to that end. We have processes for identifying and minimizing risks, preventing incidents, responding to emergency situations, and continuously improving safety. Driving vehicles and operating machines are particularly at-risk activities.

On global tobacco locations with driving operations, a

special on-the-road safety policy was revised and a mobile app were introduced in 2023 in response to risk assessment results and best practices identified. Safe driving training was held for more than 2,000 drivers, as well as on-the-road training for drivers recognized as having the potential to cause an accident.

On locations with machine operations, targets and plans to achieve them are set, risks identified, mitigation measures

instituted, and these initiatives are audited and assessed.

All our tobacco factories have implemented health and safety management systems in compliance with ISO 45001, an international safety standard that specifies requirements for occupational health and safety management systems, in addition to local laws and regulations.

In offices and research centers, we are implementing various

initiatives according to the features of locations to reduce the risk of work accidents.

We will continue monitoring work accidents across the Group and promoting effective preventive measures to achieve our goal, zero work accidents.

▶ Please refer to the [JT website](#) for data on contractors.

Item		2020	2021	2022	2023
Number of Fatalities	Employees	3	0	2	0
Lost Time Injury Frequency Rate (LTIFR) <sup>*1</sup>	Employees	0.99	1.09	1.16	1.02
Occupational Illness Rate (OIR) <sup>*1</sup>	Employees	0.51	2.37	2.96	0.03
Work accident severity rate <sup>*2</sup>	Employees	—	—	—	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, for example, 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. 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, health and productivity management 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 FORTWO.

JT has been certified as a health and productivity management organization (White 500) for eight consecutive years under the Ministry of Economy, Trade and Industry.

## 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 career options from among many, 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. Another is the job posting of the tobacco business that globally discloses open positions, inviting employees to apply. In FY2023, 4,251 positions became open and 7,532 employees applied for them.

### 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, 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 2023, about

94% 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 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. Through the use of Workplace, a digital communication tool for the Group, we encourage the creation of various communities that transcend regions, businesses, and functions, and promote mutual understanding, knowledge sharing, and motivation for co-creation. 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 and the pursuit of projects spanning across locations and functions.



### 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, for instance, participates in the THINK SPACE

LIFE platform of the Japan Aerospace Exploration Agency as an incubation partner to create fulfilling moments imagined from space.

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, 11,310 Group employees volunteered and worked a combined total of 24,549 hours in the past year.

# Responsible supply chain management

For the sustainable growth of the JT Group, it is crucial that our supply chain, essential for our business, is sustainable, being resilient to rapid changes in the business environment. Based on this belief, we have established four sustainability targets to address social issues facing our suppliers and the communities in which they operate, together with those stakeholders.

## Supplier screening and supply chain due diligence

Supplier screening and supply chain due diligence is aimed at ensuring the sustainability of the Group, as well as better understanding the challenges faced by suppliers and the communities in which they operate.

Additionally, our pharmaceutical and processed food businesses will complete supply chain due diligence for all key suppliers by 2025.

For example, by 2025, our tobacco business will proactively manage ESG risks in relation to all its critical suppliers. Also, by 2028, all tobacco supplying entities will achieve a Supply Chain Diligence maturity score >90%, verified by an independent third party.

For details about the supply chain of our tobacco business, see [P. 83](#), [P. 88](#), [P. 89](#).

### 4 sustainability targets to deliver “Responsible supply chain management”

Materiality	Target items	Targets
	<b>Supplier screening and supply chain due diligence</b> Revised	The JT Group will screen all key suppliers against ESG criteria. Our tobacco business will screen 100% of its key suppliers against environmental, social and governance criteria by 2023. The tobacco business will also implement Agricultural Labor Practices (ALP) program in all leaf-sourcing countries by 2025. Furthermore, by 2025, our tobacco business will proactively manage ESG risks with all its critical suppliers, to ensure a sustainable business continuity. By 2028, all tobacco supplying entities will achieve a Supply Chain Due Diligence maturity score >90%, verified by an independent third party. By 2025, we will complete supply chain due diligence of all key suppliers for our pharmaceutical business and processed food business and will also perform regular due diligence thereafter. Through the JT Group Supplier Code of Conduct and supplier questionnaires, our processed food business will work jointly with, share its values and communicate closely with its suppliers to realize a sustainable supply chain.
	 <b>Grower living income</b> New	In our tobacco business, the ambition is for all our leaf growers to achieve a living income. By 2025, we will implement our Living Income Calculator in 100% of our direct tobacco leaf supply chain origins.
	 <b>Human rights in grower communities</b> Revised	By 2025, our tobacco business will monitor 100% of farms in its direct tobacco leaf supply chain origins on human rights including child labor, and annually disclose related KPIs, prevention and remediation actions.
	 <b>Grievance mechanisms</b> New	By 2027, our tobacco business will provide access to remedy via safe, accessible and effective grievance mechanisms for 100% of growers and farm workers in its direct tobacco leaf supply chain origins.

## 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 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.

### A five-pillar strategy

Our human rights strategy is based on five pillars. This circular approach provides a systematic way of conducting ongoing due diligence and is in line with the UN Guiding Principles on Business and Human Rights, the Organisation for Economic Co-operation and Development (OECD) guidelines, and the Food and Agriculture Organization (FAO) guidance on responsible agricultural supply chains.

1. Embed
2. Identify and prioritize
3. Respond
4. Measure
5. Report

### Our human rights due diligence

We have made human rights due diligence an essential and integrated part of our business. It helps us to prevent adverse impacts on people and ensure the highest standards of behavior are upheld within our business and value chain.

In promoting initiatives based on the concept of “prioritize,” we conduct assessments in countries where the greatest risks to people lie. We also regularly review high-risk countries with an eye to changes in business and social environments.

In 2017, we conducted human rights impact assessments as pilots in Japan, where the Group’s headquarters are located, and Switzerland, where the headquarter functions of the tobacco business are located.

Since then, our tobacco business has conducted assessments in identified high-risk countries for human rights, and as of the end of 2023, we have completed human rights impact assessments in 11 countries and self-assessment questionnaires in 17 countries. In addition, supply chain impact assessments focused on the leaf tobacco supply chain were conducted.

For the pharmaceutical and processed food businesses, self-assessment questionnaires targeting our domestic business locations were completed in 2023. In 2024, we plan to conduct assessments on-site in several locations.

▶ Read more about respecting human rights on [JT.com](#).



## Community investment

For our Group to grow sustainably, it is vital for us to contribute to the sustainable development of our society. The [JT Group Community Investment Policy](#) determines a common goal across the JT Group: “To contribute to the development of inclusive and sustainable communities.” We believe that everyone should have the opportunity to participate in society, and that inclusive societies are better for business. In line with our community investment policy, and as a responsible local community member, we work with a wide range of stakeholders to resolve social issues.

### Our focus areas

Through long-term partnerships with local and international organizations, we have 513 community investment programs in 97 countries. Based on global and local needs, these programs help communities to become more inclusive, sustainable, and resilient. We focus on three specific issues:

1. Reducing inequalities, e.g., helping underprivileged people gain access to food and education.
2. Improving community resilience in disaster-prone areas, e.g., providing access to clean water.
3. Protecting the environment, e.g., protecting and reinvigorating forests and green public spaces.

### Measurement and management

To measure the social impact of our efforts, we use the [Business for Societal Impact \(B4SI\)\\*](#) Framework provided by Corporate Citizenship.

In 2023, we invested around 50 million US dollars in corporate community investment in countries where we operate. We encourage more accurate reporting and measurement to ensure all of our programs deliver social impact according to our policy.



\* B4SI is the global standard in measuring and managing corporate social impact

### Volunteering opportunities

Volunteering brings mutual benefits for employees, our business, and the community. It also enables our teams to make a positive impact in the communities where they live and work by sharing their skills and knowledge.

We actively encourage our employees to take part in volunteering activities. We do this by organizing programs and events or by providing the necessary resources (funds through corporate matching, employee time, in kind, or employee donations).

▶ Read more about community investment on [JT.com](#).

## 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.

Specifically, we address aspects related to the sustainable growth of each business. Our tobacco business will always protect its ability to participate in public policy debate with the aim to achieve balanced regulation. It will also engage in dialogue with law enforcement agencies, with the goal to exchange intelligence regarding illegal tobacco products. In the pharmaceutical business, we target aspects such as “ethical awareness and a sense of responsibility towards saving patients.” For the processed food business, our targets revolve around “food safety.”

Furthermore, within the Group, we have been enhancing corporate governance by making changes to the composition of the Board of Directors, establishing the Advisory Panel on Nomination and Compensation, and reviewing the executive remuneration policy. In addition to our efforts as a group, by strengthening internal controls within each business, we aim not only for sustainable profit growth and corporate value over the medium- and long-term, but also to benefit our stakeholders and, in turn, help the economy and society move forward.

Please see the chapter on Governance [P. 106](#) of this report for details regarding governance within the Group. For sustainability targets in each business, please see Tobacco business [P. 84](#), Pharmaceutical business [P. 92](#), and Processed food business [P. 96](#).

Materiality	Target items	Targets
	Internal control	<p>Our tobacco business will always protect its ability to participate in public policy debate with the aim to achieve balanced regulation that meets societal concern and support business growth. The tobacco business will also engage in dialogue with law enforcement agencies, with the goal to exchange intelligence regarding illegal tobacco products, in order to support the reduction of these products.</p> <p>In our pharmaceutical business, to develop talent and foster employees’ ethical awareness and sense of responsibility towards saving patients, we will continue to learn more about patients’ needs by engaging in dialogue with medical experts through our internal educational activity “For the Patients Project”. We will also conduct, among others, regular training programs for our medical representatives to provide medical professionals with latest, appropriate information on pharmaceutical products.</p> <p>Our processed food business will promote food safety management in compliance with global food safety standards to develop the highest level of food safety. While working on enforcing food safety and quality assurance, the processed food business will also enhance the way it communicates with consumers to provide them with safe, secure and high-quality products.</p>

# BUSINESS and STRATEGIES

This chapter introduces the strategies and results in both financial and non-financial aspects across the entire group and within each business. In the CFO message, we will reflect on the financial performance of fiscal 2023 and discuss the financial and capital policies that support our Business Plan 2024, as well as the thoughts behind the dialogue between the Group and the capital markets.

It also includes messages from the head of each business segment, in which they have expressed their Business Purposes and directions that have been set for the realization of the JT Group Purpose.

Driving sustainable corporate value

Realized by our commitment to consumers, shareholders, employees, and society.

- 066 Business Plan 2024
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Photos on the right: Employees of JT and JTI who are actively involved in the supply chain



MESSAGE from the CEO

IDENTITY

SUSTAINABILITY MANAGEMENT

BUSINESS and STRATEGIES

GOVERNANCE

OTHER INFORMATION

Every year, the JT Group publishes a three-year rolling business plan reflecting the changing operating environment, including economic trends, geopolitical risks and the competitive landscape. Business Plan 2024 covers the three years from 2024 to 2026.

Given the increasing uncertainty and complexity in our business environment, we will build a business foundation for sustainable future profit growth through optimal leveraging of our resources on a global scale and aggressive business investment.

## Operating environment outlook 2024-2026

### Tobacco business

We are projecting a difficult business environment ahead, with erosion of total industry volume, continued down-trading, prominent geopolitical risk, a tougher operational environment for RRP (Reduced-Risk Products) due to tightening regulations, higher taxes and stronger competition on top of exchange risk. Higher supply chain, due to rising raw material and logistics costs, and indirect costs, as well as increased illicit trade as travel restrictions ease, are also concerns.

### Pharmaceutical business

We project drug price reductions both in Japan and abroad, following a global trend toward rationalization of drug costs.

### Processed food business

Japan's domestic market is expanding in line with lifestyle changes and rising demand for convenience, including easier cooking that takes less time. Outside Japan, we project expanding business opportunities due to population growth, rising income standards and the worldwide popularity of Japanese cuisine.

## Group profit targets

**Mid- to long-term targets** Mid- to high-single-digit annual average adjusted operating profit (AOP) growth rate (consolidated basis) at constant currency

**Prospects during the business plan period** Consolidated AOP at constant currency is expected to remain at the same level as the previous year for 2024 due to enhanced investment in RRP, but will likely return to a growth path from 2025 onward, resulting in expectations of a compound annual growth rate in the mid-single digits for the entire three-year period of the business plan

## Roles and targets for each business

**Tobacco business**

**Core driver of the Group's profit growth**

- While continued strong top-line growth is expected, we foresee a mid-single-digit compound annual AOP growth rate over the three-year period starting in 2024 due to continued investment in RRP, primarily HTS (heated tobacco sticks). However, we expect the growth rate to increase in the later part of the business plan period due to top-line growth contribution from RRP

### Tobacco business operating policy

- Prioritize investment in HTS, which is expected to be the fastest growing RRP segment
- Ploom X will be available in over 40 markets by the end of 2026
- At the end of 2026, RRP-related revenue is expected to increase by approximately 2.5 times compared to 2023, driven by increased sales volume
- Our shares of the HTS key markets segment in key markets will expand to the mid-teens by 2028
- Our RRP business will breakeven by 2028\*
- Pursue top-line growth and continuing ROI improvement in the combustibles business
- Selective investment in RRP category products other than HTS, based on future market potential
- Continue strengthening Company-wide strategic capabilities

\* Breakeven at brand contribution level representing gross profit less commercial expenditure and before allocation of overheads

▶ Please see [Tobacco business \(P. 76\)](#) of this report for details.

### Pharmaceutical business/ Processed food business

#### Complement the Group's profit growth

- Pharmaceutical business: Focus on R&D investment for next-generation strategic products, and maximizing the value of each product  
Expect to maintain a stable profit level during the business plan period
- Processed food business: Realize profitable top-line growth  
Targeting mid-single-digit profit growth over the business plan period

▶ Please see [Pharmaceutical business \(P. 90\)](#) and [Processed food business \(P. 94\)](#) of this report for details.

## Resource allocation policy

### Resource allocation policy based on the 4S model and the JT Group Purpose

- Prioritize business investments<sup>\*1</sup> for sustainable profit growth over the medium and long terms
- Strike a balance between profit growth through business investments and shareholder returns

### Shareholder return policy

- While maintaining a strong financial base, aim to improve shareholder returns by achieving medium- and long-term profit growth<sup>\*2</sup>
- Target a dividend payout ratio of about 75%<sup>\*3</sup>, a competitive level<sup>\*4</sup> in capital markets
- Consider implementing a share buyback program, mainly taking into account the Group's financial outlook for the respective year and projected capital needs

- \*1 Growth of AOP for constant currency through high-quality top-line growth
- \*2 The Group will maintain a strong financial base that secures stability in case of changes in the business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities
- \*3 To be in the range of approximately ±5%
- \*4 Monitor the shareholder return trends of Fast-Moving Consumer Goods companies which have a stakeholder model similar to our 4S model and have realized strong business growth

▶ Please see [Message from the CFO \(P. 68\)](#) for details.

# Message from the CFO



**Hiromasa Furukawa**  
Senior Vice President,  
Chief Financial Officer

In October 2023, I took office as the Chief Financial Officer and Senior Vice President in charge of corporate communications. I work to fulfill the JT Group Purpose through formulating and executing financial and capital strategies, and build corporate value by maintaining meaningful, interactive communication with stakeholders, especially those in the capital markets, and sharing what I hear with the rest of our management team.

## Looking back on 2023 results

Throughout 2023, we saw continued challenges for business globally due to increasing geopolitical risks, higher supply chain costs due to inflation worldwide, and exchange rates broadly in flux. Despite all this, the Group was able to realize profit growth, bring in revenues and profits above the targets set at the beginning of the year, and achieve new records\* for both for the second consecutive year.

Adjusted operating profit at constant currency, the Group's key performance indicator, grew by 5.2% year on year, which we attribute mainly to the positive pricing contribution of the tobacco business throughout the year, offsetting the negative effects of higher supply chain costs and accelerated investment in HTS (heated tobacco sticks).

Our growth rate of adjusted operating profit at constant currency has been rising year on year for four years, even as our RRP (Reduced-Risk Products) business is still in the investment phase.

Our revenue on a reported basis was 2,841.1 billion yen, up 6.9% year on year due to sustained momentum for the

tobacco business and revenue growth in the pharmaceutical business. Adjusted operating profit on a reported basis was 728.0 billion yen, at about the same level as in 2023, affected mainly by the negative exchange effect of the Russian ruble.

Operating profit was 672.4 billion yen, up 2.9% year on year with reduced amortization of trademark rights, increasing real estate sales, and an adjusted item. On top of improved financial costs and lower corporation taxes paid, these two factors helped boost our profit for the year by 8.9% year on year, to 482.3 billion yen.

Free cash flow was 443.7 billion yen, up 60.8 billion yen year on year due to the end of expenditures related to initiatives to reinforce our tobacco business operations in Japan, recorded in fiscal 2022, and lower corporation taxes paid, more than offsetting the impact of the increased working capital.

\* Revenues, adjusted operating profit, operating profit from ongoing businesses, and profit from ongoing businesses attributable to owners of the parent company

## Operating environment outlook for 2024-2026

We project that conditions through the period of the current business plan (2024-'26) will remain challenging due to erosion of industry volume as well as downtrading, mainly in our key markets, rising geopolitical risk, tougher operational environment for RRP due to tightening regulations, higher taxes and stronger competition, and forex risks.

With these challenges in mind, we are committed to sustainable profit growth over the medium and long terms, specifically mid- to high-single-digit annual growth on average for adjusted operating profit at constant currency on a consolidated basis. In combustibles, we aim to improve ROI through marketing investments and consistent pricing execution for top-line growth, as well as cost efficiency

initiatives through continuous supply chain improvements. In RRP, we will prioritize reinvestment of profits generated from combustibles towards HTS, which is expected to be the fastest growing RRP segment.

During the period of the current business plan (2024-'26), we project consolidated adjusted operating profit at constant currency on a par with that for 2023 in 2024 due to enhanced RRP investment, moving to the growth path for 2025 and onward. As a result, we project average mid-single-digit growth over three years, near the low limit of our mid- to long-term targets of mid- to high-single-digit growth.

► For details see [Business Plan 2024 \(P.66\)](#) of this report.

## Financial policy

The Group formulates and executes its financial plans in line with our two core values of resilience and flexibility. Resilience means the ability to maintain business despite significant or unexpected risk, such as economic crisis. Flexibility mainly means promptly responding to attractive investment opportunities.

As a new initiative, the Group set up its first green loan facility in 2023. This is for ESG-related funding approach, demonstrating our commitment to ESGs and sustainability efforts. It will also help diversify our funding options and

expand our investor base. We will carry on with this keeping funding needs in mind.

Cash and cash equivalents on our balance sheet are increasing, but include some trapped cash related to international sanctions on Iran as well as retained funds related to our litigation in Canada. We will continue to work on flexible financing, watching the global situation from all angles, in addition to the outlook for funding needs, the money market environment and funding costs.

## Cash flow management

In our cash flow management, we put highest priority on stable cash generation from top-line business growth. We are also undertaking initiatives to reduce foreign exchange impact and optimize working capital.

In the tobacco business, particularly in emerging markets, we are working to optimize our businesses for local levels of economic growth and build the value of our businesses in local currency over the medium and long terms. We pursue cash creation via top-line growth, made possible both by, on the one hand, pricing that takes into consideration tax hikes

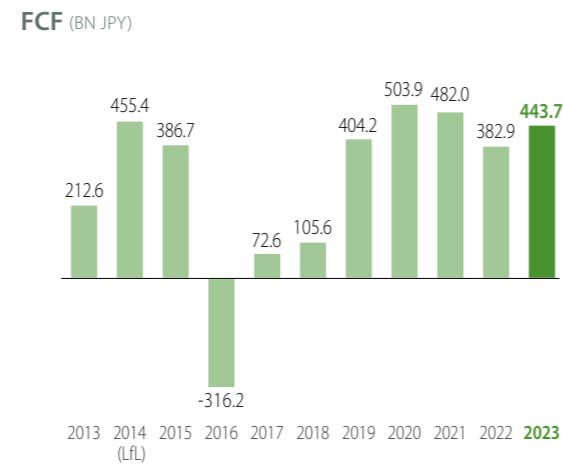
and inflation, and on the other, share gains building on the strength of our brand portfolio, enhanced with a long-term strategic investment view. Pricing is a profit-growth driver for our tobacco business, but it's done with consideration for various factors and from all angles, including brand equity, competition, consumer\* behavior and acceptance, and the economic environment. In some markets, temporarily or for short periods, our retail prices may fall behind inflation growth, but we have been generally successful in raising prices to meet inflation rates over the medium and long terms.

Because the JT Group operates worldwide, we live with constant risk of exchange effects on our cash flow. To reduce forex impact in this environment, we use natural hedging, by which we mean matching incoming and outgoing currencies, as well as hedging using exchange forwards and other derivatives, taking costs into consideration. In principle, foreign currency credits and debts are fully hedged. We also hedge 25-90% of future cash flow, and in some cases apply hedge accounting to reduce forex risk, taking into account possible impact on the profit and loss statement.

To optimize working capital, we continuously enhance our cash-conversion cycle, reviewing terms for receivables and payables and applying methods such as liquidation of receivables and supplier financing while optimizing inventory levels.

As a result of these initiatives, we have been reliably generating free cash flow of about 400 billion yen per year over 10 years, leaving aside the transient effects of M&A initiatives and so forth.

\* Adult consumers: The minimum legal age for smoking varies with legislation in each country; in Japan smoking is not permitted for those under 20 years of age



## Investment distribution

There has been no change in our two key policies for management resource allocation: give top priority to investment and balance profit growth resulting from investment with shareholder returns. Based on the 4S model, our management principle, and the JT Group Purpose, we will put top priority on investments leading to sustainable profit growth, especially in the tobacco business. We continue to designate the pharmaceutical and the processed food businesses as complementary to our core business, assisting profit growth for the entire Group.

Based on the resource allocation policy I've just described, our benchmark payout ratio has been 75%\* since February 2021. In monitoring trends in shareholder returns among global FMCG firms, we have confirmed this as a competitive level in terms of capital markets in Japan and abroad.

Through the term of the current business plan, we will invest substantially in HTS. However, we are working to increase shareholder returns by continuing to build adjusted operating profit at constant currency, which is our foundation for profit growth over the medium and long terms, while maintaining a target payout ratio based on the policy I've outlined.

In discussing whether to buyback our own shares and in what quantities, in addition to financial prospects for the current fiscal year, we carefully consider the medium- and long-term prospects of our environment; our FCF, balance sheet and the like; and levels of profit and progress with investments and initiatives.

\* To be in the range of approximately ±5%

## Profitability of capital and market evaluation

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 consideration risks associated with each country in which we operate, as well as inflation and other external risks, and use that as our baseline for profitability. By maintaining that discipline, we make sure our ROE is always above capital costs. The Group uses adjusted operating profit at constant currency as a key performance indicator\*, which excludes the effects of exchange rate fluctuations that can be substantial due to temporary factors, as well as amortization costs related to M&A activities for the previous year. We work to grow profit by achieving mid- to high-single-digit growth in this KPI over the medium and long terms. We also believe it leads to improved ROE.

Comparing our total shareholder returns (TSR), including dividends, with the Tokyo stock price index (TOPIX) shows that ours have been below the TOPIX over the long term, matching the trend in our share price, but outperformed the TOPIX in comparison between the end of 2019

(pre-pandemic), and the end of 2023, thanks to profit growth during the period and a higher 2022 dividend. We believe continuous profit growth is important to the medium- and long-term stability of our equity value. We also believe that building quantitative corporate value through profit growth, while cultivating a better understanding of the Group through enhanced information disclosure from a qualitative standpoint, will lead to rising TSR.

\* Supplemental note: Why we use adjusted operating profit at constant currency as a key performance indicator

- We use adjusted operating profit to show our business results for the current year in a way that's easy to understand, excluding the effects of amortization costs related to any acquisitions in the previous year.
- Starting with our Business Plan 2014, to manage business investments and returns more appropriately, we changed our key performance indicator from adjusted EBITDA to adjusted operating profit, which does not require adding back depreciation or amortization costs, which fluctuate with investment scale for the year.
- We use figures at constant currency, believing we can show the true strength of our businesses much more clearly by disregarding exchange rates effects, which can fluctuate substantially over short periods due to geopolitical risks and other factors not directly related to our businesses.

## IR activities

The Group appropriately discloses timely information, both financial, as with business results, and non-financial, such as management strategy, ESG factors and the status of each business segment, and engages in active dialogue with shareholders and institutional investors to ensure clear understanding. Our IR teams in Tokyo and Geneva, where JT and JTI are respectively headquartered, meet with securities analysts and institutional investors to discuss recently announced financial results and other disclosed information, as well as conduct individual meetings on ESG matters. Our plan for investor-focused events is in process.

In 2023, we held about 400 individual conferences, and in May an online Tobacco Investor Conference, as opportunities to explain our long-term prospects and strategies for the tobacco business. Our IR representatives participate in conferences hosted by securities houses and meet with domestic and overseas institutional investors. On some of these occasions, the CEO, Executive Vice President in charge

of finance and myself are present.

In meetings specifically focused on ESG, we sometimes seek investor opinions, including assessments of our integrated reports. In 2023, we held the first meeting between our Outside Directors and investors. We will actively continue this kind of dialogue, making the most of the opportunities we've created.

We report the investor opinions we obtain through these meetings to our Board of Directors three times a year, and quarterly to all executive officers and related divisions, along with information related to market trends, including share prices. We consider investor viewpoints as we improve and review our ongoing initiatives, and continue working to reflect their views and expectations appropriately in our strategies and operations so they will better understand our results and initiatives.

Dialogues with investors in 2023

<b>Number of meetings</b>	About 400
<b>Meeting participants</b>	<ul style="list-style-type: none"> <li>• Wide range of equity and debt investors, both active and passive, in Japan and abroad</li> <li>• Responsibilities and functions are diverse: analysts, fund managers, ESG managers, and personnel with voting privileges</li> </ul>
<b>Meeting formats</b>	<ul style="list-style-type: none"> <li>• Mainly virtual, online</li> <li>• One-on-one meetings and participation in conferences hosted by securities houses</li> </ul>
<b>JT personnel responsible</b>	CEO, Executive Vice President in charge of finance, CFO, Senior Vice Presidents (Chief Sustainability Officer, in charge of corporate strategy, among others)
<b>Main discussion themes</b>	<ul style="list-style-type: none"> <li>• Financial performance</li> <li>• Medium- and long-term strategies</li> <li>• Capital allocation policies</li> <li>• Environment, Social, Governance (ESG)</li> <li>• Integrated report</li> </ul>
<b>Internal sharing of investor opinions</b>	<ul style="list-style-type: none"> <li>• Reports to the Board of Directors three times a year</li> <li>• Quarterly report to Directors, Executive Officers and related divisions on the status of IR efforts and investor opinions</li> </ul>
<b>Examples referencing investor opinions</b>	<ul style="list-style-type: none"> <li>• Enhancement of disclosures</li> <li>• Continued ESG-related talks</li> <li>• Conducting dialogue with investors by Independent Outside Directors</li> </ul>

**Communication with bond investors**

The Group is also working to enhance communication with bond investors. In compliance with the Japan Tobacco Inc. Act, on which our Company was founded, the Japanese government is obliged to hold at least one-third of corporate equity at all times. Following this rule, the government must also accept one-third of any new shares issued for funds procurement. So debt finance is our primary funding method from the standpoint of fund maneuverability. Corporate bonds are a particularly important means for funding to help achieve sustainable growth. For reliable funding even in an unstable financial environment, we are endeavoring to broaden our scope of communications with domestic and overseas bond investors. To create more opportunities for dialogue with bond investors and promote better understanding of the Group, in addition to meetings

when issuing new bonds, since 2018, we have been regularly organizing non-deal road shows with bond investors in Europe, North America, the Middle East, and Asia. We will be adding similar opportunities to communicate with more bond investors.

In addition to enhancing our dialogue with bond investors, we are working to increase our engagement with the organizations that conduct ESG assessments and to improve our ESG scores, which are widely referenced in the capital markets. We believe we can strengthen our relationship with bond investors and prepare for the next bond issue by helping them better understand and appreciate our ESG initiatives.

**The response to the Sustainability Disclosure Standards**

Reflecting the growing interest in sustainability, the range of information stakeholders demand that corporations disclose is widening to cover ESG areas. Talks are going on in many countries, including Japan, to legally require the disclosure of sustainability information based on standards set by the EU, the IFRS Foundation, and the like.

This trend aims to increase the transparency of corporate approaches and initiatives toward sustainability, allowing investors and stakeholders to more accurately assess corporations. The Group considers this as an excellent opportunity to align with international standards for

disclosure of sustainability-related information. Providing more transparent and comparable information builds a stronger foundation for us in providing investors and other stakeholders with truly useful information.

We have been working to enhance our disclosure of sustainability-related information, including in integrated reports and on our website. Going forward, we will continue to do so in compliance with standards as a responsible corporation, and communicate it in ways that help us build corporate value.

# Business Purposes

We have set forth Business Purposes to connect the JT Group Purpose with the activities of each business. Through our many forward-looking corporate efforts, we will work to deliver our value of fulfilling moments that will take us beyond what the JT Group is now.

## Tobacco Business Purpose

**“Creating fulfilling moments.  
Creating a better future.”**

### Business direction

- Invest to grow and continuously improve ROI in combustibles
- Grow HTS (heated tobacco sticks) and explore other RRP (Reduced-Risk Products) segments
- Continue strengthening Company-wide strategic capabilities



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

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.

Firstly, we are about “Creating fulfilling moments.” At the heart of our Business Purpose is the high quality and enjoyable experiences our consumers around the world get from or with our products. We know that what consumers want from us is constantly evolving, and we are confident that we can, and will, always find ways to deliver on these expectations.

Secondly, we are committed to “Creating a better future.” A better future for both consumers and for the wider society. We will continue to invest in and develop products with the potential to be less harmful, based on robust science, as well as looking for ways to make our products more sustainable.

The word “Creating” is an integral part of our Business Purpose statement. It signals another important third dimension. We will accelerate innovation and diversification of our product portfolio. We are committed to finding new ways to provide fulfilling moments for consumers and in doing so, creating a better future for them and the societies in which we work.

Notes: Please refer to Glossary of terms on P. 145 regarding the word “consumers” used in the context of the tobacco business

▶ Please see [Tobacco business \(P. 76\)](#) for details.

## Pharmaceutical Business Purpose

**“Respecting science, technology and people,  
we will contribute to patients’ lives”**

### Business direction

- Increase drug discovery capability and build unique pipelines
- Reinforce earnings foundation in the domestic market
- Raise productivity by optimizing the business foundation over the medium and long terms



**Muneaki Fujimoto**  
Senior Vice President,  
President of Pharmaceutical Business

Quoting our Business Purpose, “Respecting science, technology and people, we will contribute to patients’ lives” as we pursue research and development aimed at creating first-in-class small molecule drugs with global applicability. Through our efforts, we deliver new drugs to overseas patients via out-licensing and to domestic patients through our Group company, Torii Pharmaceutical Co., Ltd.

We are proud to have received manufacturing and marketing approval in Japan for CORECTIM® Ointment 0.5% and 0.25% for indications of atopic dermatitis and ENAROY® Tablets 2 mg and 4 mg for the treatment of anemia associated with chronic kidney disease, both developed by our Central Pharmaceutical Research Institute. Furthermore, we are actively strengthening our revenue base in the Japan market by applying manufacturing and marketing approval in Japan for in-licensed JTE-061 in 2023 and leveraging external resources. Additionally, we are investing actively in advanced technologies such as AI to innovate the drug discovery process, aiming to create new drugs more quickly and efficiently. Through the steadfast implementation of these initiatives, we will continue making steady progress with R&D to help ensure sustainable profit growth.

As part of our efforts to promote the new Business Purpose established in 2023, we have conducted sessions involving executives and employees to ensure alignment on the direction, in addition to proactive communication from top management. We will continue our efforts to ensure that each employee remains aligned with this Business Purpose in their daily work, contributing further to the health of patients.

▶ Please see [Pharmaceutical business \(P. 90\)](#) for details.

## Processed food Business Purpose

**“Bringing Joy to Meals and Fun to the Table”**

### Business direction

- Further expansion of sales for our core products with proprietary technology, and strengthening our ability to develop high-value-added products in response to changing customer preferences
- Implement price revisions to respond to the impact of rising raw material and logistics costs, while continuously working to improve productivity and reduce costs
- Accelerating initiatives for long-term business growth



**Keisuke Nakagomi**  
Senior Vice President,  
Food Business

“Bringing Joy to Meals and Fun to the Table.” This is the Purpose of our processed food business.

Bringing joy and fun cannot be achieved by the food’s taste alone. It involves all value chains, such as ensuring quality, delivering safe and secure products to consumers every day, aligning with our business partners to streamline distribution, and removing dietary restrictions for consumers who lead diverse lifestyles through research and development.

We strongly recognize that each employee’s work is connected to the Business Purpose we are aiming for. In 2023, more than 3,000 employees participated in sessions across 38 locations, discussing the ideal future and the value we want to offer to consumers and society.

This year, TableMark Co., Ltd. marks the 50th anniversary of the launch of its frozen Sanuki Udon. It has been 50 years of challenges, driven by the desire to spread Sanuki udon nationwide. Fuji Foods Corp. has been a pioneer continuously proposing new foods, with Japan’s first consommé cube released in 1952 and oyster sauce. And now, we have launched the new product line BEYOND FREE to create new value in food.

We will continue to work on solving various social issues through food, and strive to move forward towards a new future where our products are chosen for your table every day.

▶ Please see [Processed food business \(P. 94\)](#) for details.

# Tobacco business



## Industry overview

The industry can be divided in two product categories: combustible products and RRP (Reduced-Risk Products).

### Combustibles

Cigarettes, FCT (fine cut tobacco), pipe, cigars and cigarillos 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 2023, representing a value of approximately 101 trillion yen. The largest markets are China—which accounts for over 45% of global volume—followed by Indonesia, Russia, the U.S., Turkey, Germany, Japan and Vietnam. While the global combustibles industry volume is declining, the industry value continues to increase driven by a positive pricing contribution.

### 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.

HTP (heated tobacco products) include HTS (heated tobacco sticks), which generate an aerosol containing nicotine by heating a tobacco stick, and Infused (infused tobacco capsules), 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 as snus, if they don't as nicotine pouches.

The global RRP industry had an estimated value of approximately 11 trillion yen in 2023. The largest markets are Japan for HTP and the U.S. for E-Vapor and oral products. Unlike combustibles, the most successful RRP 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, notably in HTS.

### Our view of the future

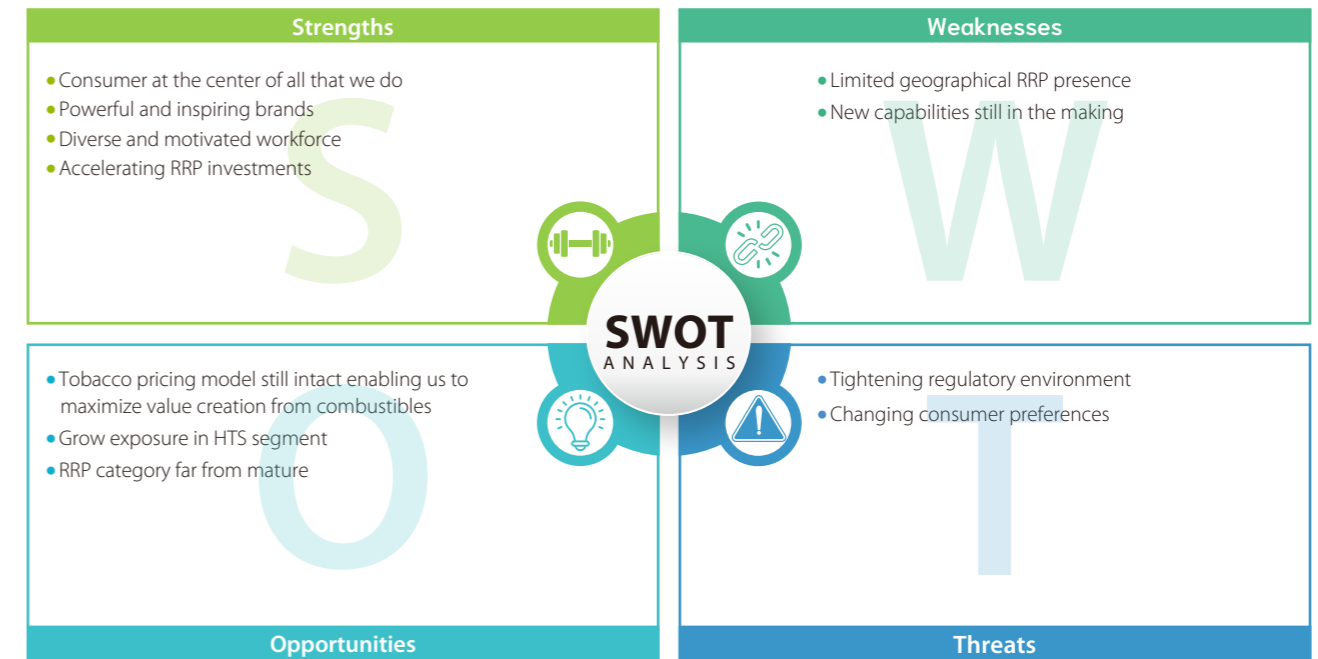
Over the last years, the main international tobacco players expanded their portfolio in both combustibles and RRP to offer more choice to consumers. The JT Group's tobacco business is ranked third in the world (excluding China) by volume and has a product offering across all combustibles and RRP segments.

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 nicotine pouches. The growth rate will ultimately depend on innovation, consumer acceptance, regulation and taxation of RRP products.

- 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. RRP (Reduced-Risk Products): Products with the potential to reduce the risks associated with smoking

## Our business overview

### SWOT analysis



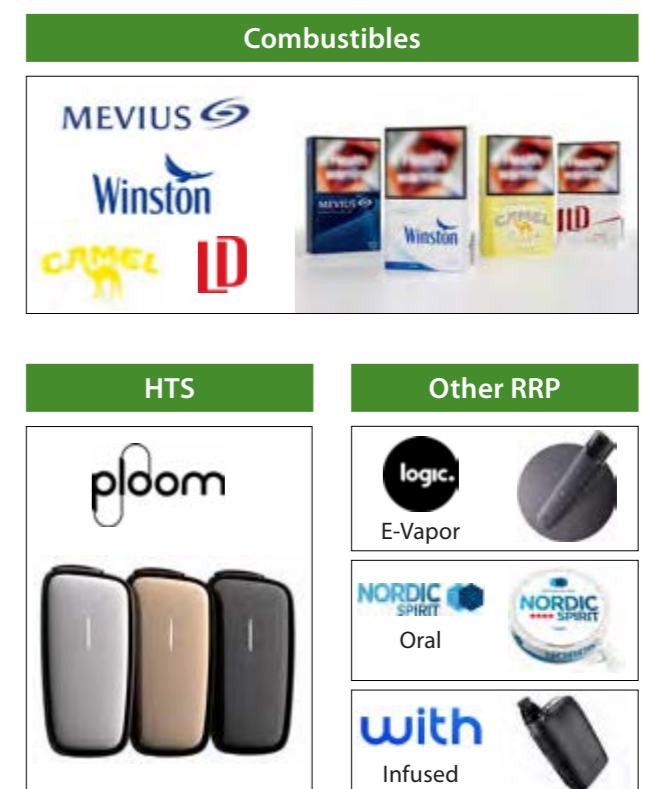
### Performance over the last five years

The tobacco business outperformed the industry volume over the last five years through continued market share gains driven by our GFB (Global Flagship Brands; Winston, Camel, Mevius and LD), Ploom X and acquisitions in tobacco markets that matter.

GFB volume grew constantly, reaching almost 390 billion units and more than 70% of our total volume in 2023. For the first time, Winston and Camel crossed the 200 and 100 billion units mark, respectively. The achievement of these remarkable milestones was fueled by our excellence in execution and by decades of sustained investments behind our GFB.

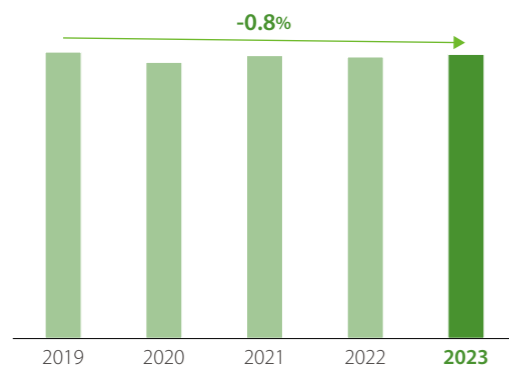
Since its launch in 2021, Ploom X recorded continued share of segment gains in Japan and significant traction among consumers, both in terms of acquisition and retention rates. By the end of 2023, Ploom X was rolled out in 12 markets outside Japan with encouraging results.

GFB and Ploom X volume growth, together with acquisitions, 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.

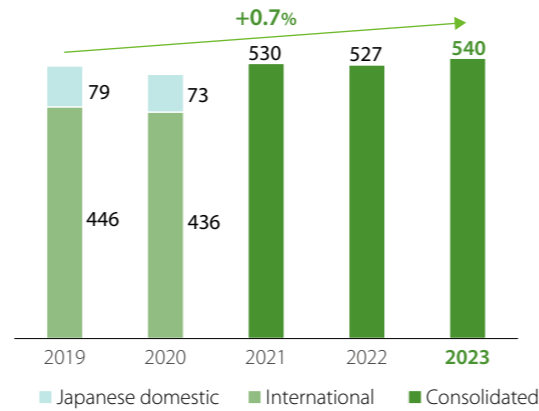




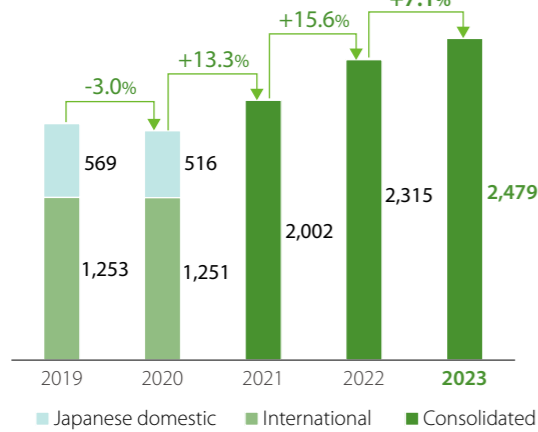
Total industry volume (BnU)\*1



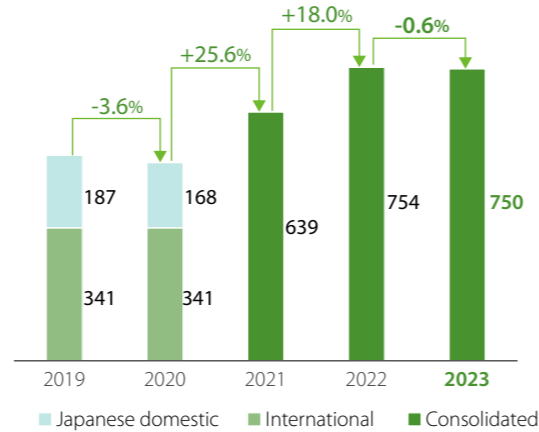
Total shipment volume (BnU)\*2



Core revenue (JPY Bn)\*2



Adjusted operating profit (JPY Bn)\*2



Var at const FX	2020	2021	2022	2023
	+1.9%	+7.9%	+4.8%	+6.4%

Var at const FX	2020	2021	2022	2023
	+7.3%	+22.8%	+8.2%	+4.4%

\*1 Based on internal estimates excluding China

\*2 The year-on-year variances from 2019 to 2020 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

## Business strategy

### Our Purpose

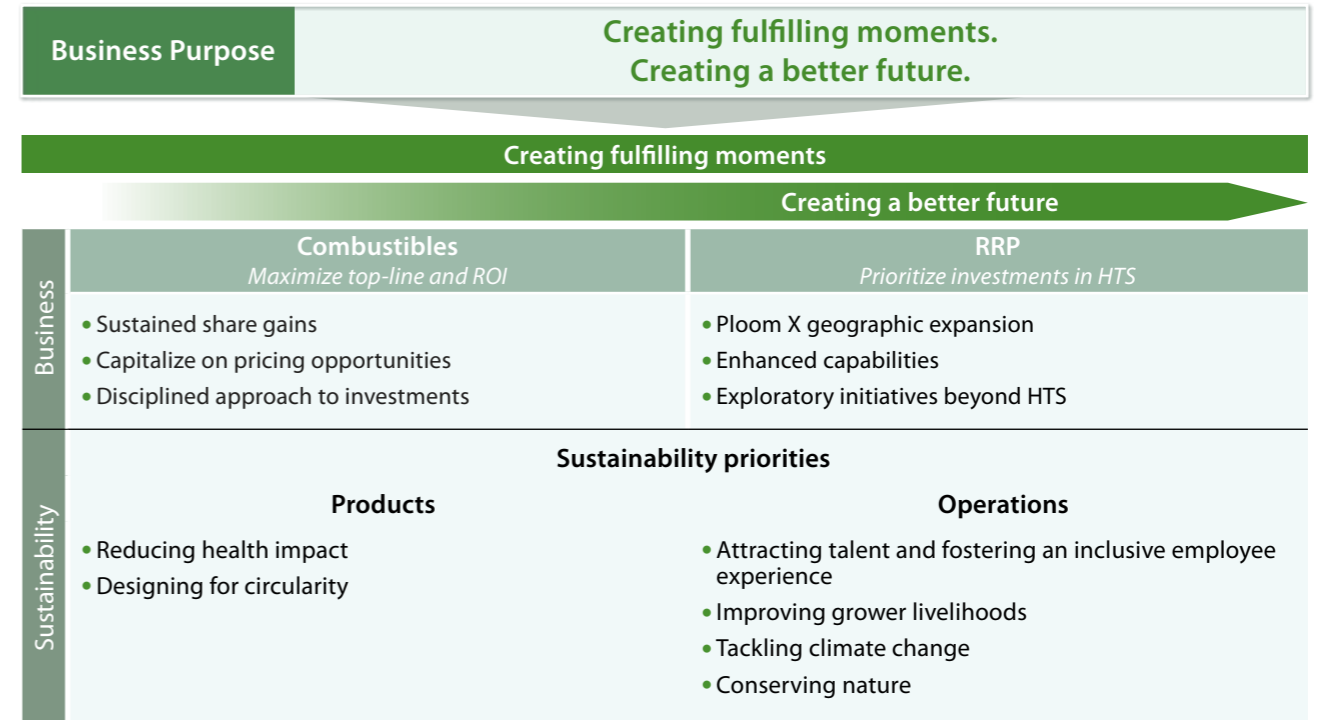
Our Purpose—Creating fulfilling moments. Creating a better future—defines why we exist as a business and how we contribute to the broader JT Group Purpose. It is also a statement to wider society of our intent and the North Star guiding our tobacco business strategy.

### Our strategy

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

prioritizing management resources towards HTS, the main RRP growth driver, and combustibles, the largest, most profitable category across the tobacco industry. This is in line with our view of the industry presented at the Tobacco Investor Conference in May 2023.

The combination of the Group's tobacco businesses into a single business segment, which was completed in January 2024, is supporting this prioritization of resources, globalizing the Group's knowledge and expertise, driving increased agility, and accelerating strategic decision-making.



This strategy, moreover, confirms the tobacco business as the profit engine of the Group and strengthens its role as the main source of profit growth for the medium- and long-term.

### RRP

The RRP category is still to mature, with each product segment being in different stages of development as consumer acceptance varies from one market to another.

We expect HTS will offer the strongest growth profile among existing product segments in RRP. In this context, the Group is prioritizing investments towards HTS and accelerating efforts to increase share of segment.

To more than double our RRP core revenue by 2026\*1, we will accelerate strategic investment in RRP, notably HTS. We expect to exceed the 300 billion yen investment which was originally planned from 2023 to 2025. Another investment area will address R&D efforts towards next-generation products (NGP), as we think the RRP category will continue to expand beyond the current product lineups.

In 2021, the Group launched its latest heated tobacco device—Ploom X—in Japan, followed by the U.K. in 2022 and 11 additional markets in 2023. Since Q1 2021, our share of HTS segment more than tripled in Japan, renewing our

confidence in our ability to offer superior-quality products in this growing segment. The Group is planning to roll out Ploom X and its dedicated consumables in more than 40 markets by 2026, with the ambition to reach a mid-teens share of the HTS segment in key markets by 2028.

This effort will be complemented by focused investments in other product segments, as one single solution doesn't translate into sustainable success in RRP. These additional segments, such as Infused, E-Vapor and oral, are considered exploratory opportunities. The Group aims to gain a better understanding of the dynamics in each of these segments and collect relevant consumer insights ahead of future growth. In the HTS and exploratory RRP segments combined, our ambition is to reach break-even by 2028\*2, driven by top-line growth and enhanced productivity.

\*1 Compared to 2023

\*2 Breakeven at brand contribution level representing gross profit less commercial expenditure and before allocation of overheads

### Combustibles

We recognize the combustibles industry volume will continue to decline. However, combustibles users will remain the largest cohort of consumers within the industry for at least another decade.

The JT 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 GFB—which have strong brand equity and high profitability—with the intent of maximizing returns and supporting the investments in RRP.

Consistently investing in the strengthening of the equity of Winston, Camel, MEVIUS and LD is key to sustain the Group's market share gains in the combustibles category and leverage pricing opportunities. In addition, we assigned each market to a strategic role (Earnings / Earnings & Share / Share) to enhance focus and guide decision-making.

**Strengthening competitiveness**

As part of the Group's continuous improvement efforts, we constantly review our global supply chain and our market operating models for efficiencies and better effectiveness.

Within the global supply chain, we explore opportunities to rationalize our manufacturing footprint and our leaf-sourcing channels, as well as logistical routes, closer collaboration with suppliers, and portfolio simplification.

In market-operating models, we optimize notably route-to-market and route-to-consumers in order to ensure we can respond quickly and with agility to changing customer expectations.

We also consider corporate initiatives like the simplification of internal structures, the migration of legacy IT systems to global solutions and the empowerment of Global Business Service centers to better support markets. The aim is to continuously improve margins, while maintaining quality, and to enhance cash flow generation by optimizing working capital and capital expenditures.

We believe that human resource development is key to strengthening competitiveness. With business operations in at least 70 markets and sales in more than 130 markets, our global employee workforce is very diverse, including over 110 nationalities.

The quality of human resources is key to business activity and performance, and this is the reason driving the efforts of the Group to strengthen human resource development and enhance its ability to attract, develop, and retain employees on a global basis.

**Sustainability priority**

In 2023, we launched a new Sustainability Impact Framework. The framework is built on a double materiality approach and defines JTI's sustainability priorities.

The framework helps ensure we focus on the areas where, through our products or operations, we can have the most impact.

The full framework can be seen on [P. 84](#).

**Increasing HTS consumer base in our Ploom X franchise**

**Ploom X share gains in Japan**

Ploom X recorded continued share gains within an increasingly competitive HTS segment in Japan, reaching an exit share of 11.0% in Q1 2024.

Consumers recognize the quality of our device, the superior taste and the strong brand equity of our heated tobacco sticks Camel and MEVIUS—which are the first and second combustible brands in Japan.

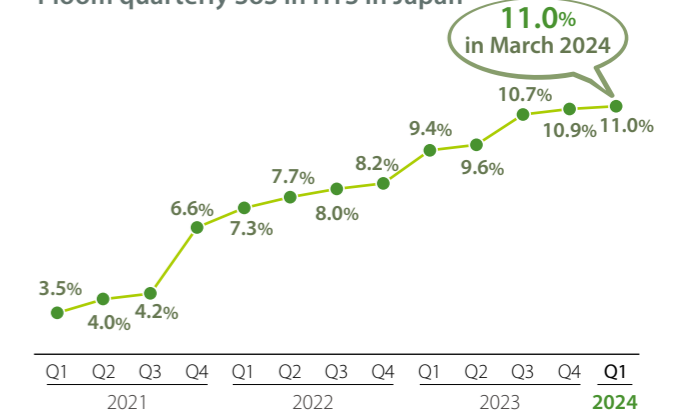
In March last year, relaunched MEVIUS heated tobacco sticks with an improved taste at a more affordable price, allowing consumers to choose from a broader variety of flavors and to better personalize their Ploom experience.

Our commercial engine includes both physical and digital channels to increase Ploom accessibility and visibility. We constantly invest in research and development to enhance our product's technology and address consumer feedback.

To give an example, our new Ploom X ADVANCED launched in November 2023 delivers improved taste with a higher heating temperature and features a reduced charging time, as well as an automatic heating function. All features that improve the consumer experience.

As a result of our various initiatives, the Ploom solus ratio, that is the percentage of Ploom users getting 100% of their tobacco consumption with Ploom over the last month, increased significantly over the last two years—a meaningful achievement.

**Ploom quarterly SoS in HTS in Japan\***



\* Ploom shipment volume / HTS industry shipment volume



**Encouraging results from Ploom X geo-expansion**

2023 was the first of a multi-year geographic expansion plan for Ploom X. As we had to build inventories of devices following the global micro-chip shortage, this expansion was skewed to the second half of 2023.

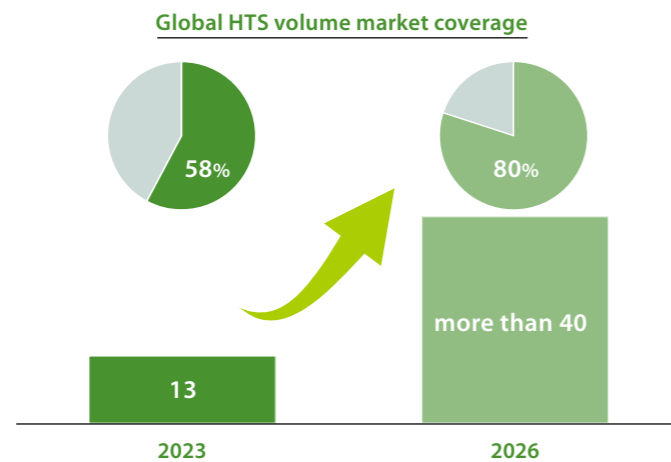
As result of the ongoing expansion plan, Ploom X is sold in 15 markets outside Japan as of the end of April 2024: the U.K., Italy, Lithuania, Portugal, the Czech Republic, Switzerland, Poland, Hungary, Romania, Greece, Kazakhstan, Slovenia, Slovakia, Spain, the Canary and, Islands.

Ploom X market share is growing steadily, including in newly launched markets. In Italy, we have strengthened our distribution and expanded nationwide since last November. Post the nationwide-expansion, our segment share has been

growing steadily, reaching 1.5% as of March 2024. In the Czech Republic and Switzerland, where we launched in June and September 2023, respectively, our segment share has constantly increasing since the launch, with segment share of 4.6% and 1.8% as of March 2024. Our launch strategy in HTS focuses initially on large urban cities. This means that our segment share performance tends to be higher in these cities. For instance, in Geneva, our segment share reached 4.1% in March. In the UK, we were humbled to hear that Ploom was recognized with the prestigious Product of the Year award.

We expect Ploom X's footprint to reach 28 markets by the end of 2024 and 40+ markets by the end of 2026, covering approximately 80% of the global HTS category volume.

Number of Ploom X markets



**Maximize top-line and ROI**

**Continued strong pricing in combustibles**

2023 marked another record year with 144 billion yen of favorable price/mix variance to core revenue. This performance demonstrates once again the resilience of pricing in combustibles and enabled us to more than compensate for the cost increases due to the macroeconomic and geopolitical environments.

Focusing on pricing more specifically, key markets like the Philippines, Romania, Russia, Spain and the U.K. supported our top-line expansion along with many others, notably Canada, France, Germany, Indonesia, Kazakhstan and Poland.

Looking ahead, we remain confident in the sustainability of the combustibles pricing model across our clusters.

**RRP sourcing**

We have a dedicated RRP sourcing team specialized in sourcing RRP devices. These are manufactured by third-party contract manufacturing organizations. Subject to strict technological and quality requirements, we engage with our suppliers to address sustainability risks inherent to the electronics industry.

We are a member of RBA, the world's largest industry coalition dedicated to corporate social responsibility. We commit 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 as part of the RBA Validated Assessment Program.

We seek to ensure the metals contained in our products are responsibly sourced. We take a risk-based approach and conduct due diligence in line with 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 (RMI) to increase visibility further down our supply chain.

We take a collaborative approach and support and build supplier capability to address identified sustainability issues in our value chain.

► Read more on [responsible procurement](#).



# Sustainability strategy

Our Purpose—Creating fulfilling moments. Creating a better future—is the basis of everything we do.

In 2023, we developed a new Sustainability Impact Framework (see below). The framework has established three main areas (or pillars) for us to focus on going forward. These include innovating products (product impact),

empowering people, and protecting the planet (operational impact). These focus areas were developed following a thorough materiality review that was conducted in 2022 by the tobacco business.

New [targets](#) and [KPIs](#) have been established in 2023 for each impact area of the framework.



## Innovating PRODUCT

### Reducing health impact

Reducing the health impact of our products is of notable importance, which is why reduced risk products (RRP) form an important part of our offering and are a competitive driver for our business.

While it is still too early to understand the long-term health effects of RRP, factors including the elimination of combustion and fewer toxicants found in the vapor, suggest there is potential for them to reduce the risks associated with smoking.

That's why we're committed to ensuring all our RRP fulfill this potential, also offering consumers greater choice in this fast-moving category. We pride ourselves on an open approach that embraces scrutiny from consumers, regulators and the scientific community, and we regularly present our findings at scientific conferences and in peer-reviewed journals.

### Designing for circularity

We have developed a circularity framework to illustrate how our Global Circular Economy ambition translates into reality.

The conventional model of "take-make-waste" is antithetical

Providing our customers with more access to RRP is therefore the central component of our strategy in this area. It has been contributing to our commercial growth as evidenced by our performance in 2023 (see P. 79 earlier in this section for more details).

However, minors should not use or have access to tobacco or other nicotine-containing products. This belief is central to JT's Tobacco Business Code of Conduct and its marketing practices, operational policies and way we do business. JT's tobacco business is committed to playing its full part in youth access prevention, ultimately success depends on all elements of society working together.

▶ Read more about the science behind RRP at [www.jt-science.com](http://www.jt-science.com)

to sustainability and we must therefore transition to a more circular economy moving forward. It requires a complete rethink of the way we produce and use resources and the practical steps we can take to extend the life of our products.

- 1 Rethink**  
Reduce the materials used in our production process and substitute finite and virgin materials with recycled or regenerative materials.
- 2 Extend**  
Improve the average lifetime and utilization rate of our products (devices) by building them with durability in mind and implementing interventions such as battery removability and replaceability.
- 3 Recover**  
Contribute to recovery of components or materials where possible via enabling recycled content integration in our packaging and establishing take back for recycling schemes.



We introduced new circularity targets regarding both products and packaging, including RRP devices. We are committed to embedding key circular development principles and communicating responsibly; engaging with suppliers to support circularity principles and ensure the availability of circular materials at scale; actioning the comprehensive circularity implementation plan we've developed to guide all our business functions, regions, and markets so they can deliver on targets; monitoring, analyzing, anticipating, and responding to a constantly evolving circularity landscape to ensure we're making the best choices for our products both now and in the future.

Moving forward, we have a number of ongoing key initiatives with ambitious deliverables that will continue to improve our product circularity, including allocating necessary resources such as R&D to sustainable packaging and sustainable filter alternatives.

While we ultimately seek to replace polypropylene (plastic) with non-plastic alternatives, in 2023 we began using recycled content in our polypropylene wraps. In 2023, we also continued replacing aluminum inner liner with a paper one and working on rolling it out more widely. This initiative has no impact on product quality, improves recyclability and reduces emissions footprint.

In 2023, 88% of our packaging (including plastic) was reusable or recyclable. This puts us on track to achieve our target of 100% recyclability by 2030. Additionally, 19% of our packaging was made from recycled content, which will assist us in achieving our target of 20% by 2025.

To encourage consumers to safely recycle or dispose our products, we inform them on how to dispose their old products in a responsible and sustainable manner. In our Ploom markets, consumers have access to responsible disposal of electronic devices.

In Japan, we launched a program in 2019 to collect used Ploom devices, capsules and cartridges via convenient collection boxes at around 300 shops in Tokyo. In 2020, this program was extended to include additional tobacco players and it was launched throughout Japan in 2021. Since then, around 1,200 collection points have been established in all 47 prefectures.

Read more about improvements of our packaging and about our approach to circularity, post-consumer waste management and anti-littering [on our website](#).

*Designing for circularity:*

**VIRGIN PLASTIC** will be further reduced in our packaging

**100%** of our packaging will be recyclable by 2030

**20%** recycled content in our packaging by 2025

We are working to develop more **SUSTAINABLE FILTER** alternatives

**100%** of our RRP devices shipped to the EU by 2027 will have removable and replaceable battery

All tobacco business targets can be found on [here](#).

## Empowering PEOPLE

### Attracting talent and fostering an inclusive employee experience

In 2023, we retained our Global Top Employer status (as certified by the Top Employers Institute) for the 10th consecutive year.

We believe that employee engagement leads to long-term employee retention, higher levels of productivity, and improved quality of work. Our aspiration is that every person that works in JT's tobacco business feels they belong.

Thus, we constantly invest in our employees at all levels to ensure they flourish. Our commitment to talent development and retention is reflected by the fact that over 90% of our management positions are staffed internally. In 2023, we have achieved 30% of women in leadership positions, and we are broadening this scope through our newly updated commitment to achieve and maintain at least 1/3 of women in management by 2030.

### Improving grower livelihoods

Our Agricultural Labor Practices (ALP) program has been expanded in scope to become more holistic and it now forms part of our supply chain due diligence (SCDD) in farming communities.

The SCDD process follows the Guidance for Responsible Agricultural Supply Chains provided by the Organization for Economic Co-operation and Development (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.

We are dedicating efforts to enhance the livelihoods of growers in countries facing challenges, and we have established new targets to achieve this goal. In 2023, we worked with 65,315 directly contracted growers, helping them to improve their productivity and leaf quality.

We also support communities in other ways. For example, our flagship ARISE (Achieving Reduction of Child Labor in Support of Education) program has been committed to tackling child labor in our tobacco-growing communities since 2011. ARISE is part of our Child Labor Elimination Framework. To date, 66,825 at-risk children have been withdrawn or prevented from child labor and enrolled in education through the program and 26,998 households have benefitted from socio-economic empowerment projects and improved incomes.

#### Improving grower livelihoods:

**100%**  
Of our direct tobacco leaf supply chain origins will implement our Living Income Calculator by 2025

**100%**  
Of farms in our direct tobacco leaf supply chain origins will be monitored for human rights, including child labor by 2025

**100%**  
Of growers and farmworkers in our direct tobacco leaf supply chain origins will get access to remedy via grievance mechanisms by 2027

All tobacco business targets can be found on [here](#).



## Protecting PLANET

### Tackling climate change and reducing emissions

We are a global company and climate change represents a real threat to the future of our business.

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

Since 2019, when we established our baseline, we have reduced emissions from our own operations by 19%, keeping us on track to reach our 2030 target of 47%. However, emissions associated with our leaf and non-tobacco materials have increased slightly by 3%, which we will address moving forward.

In 2023, we accelerated the operationalization of our Net-Zero strategy through workstreams dedicated to energy efficiency and procurement, green mobility, supplier engagement and sustainable business travel.

Additionally, in 2023, we established a green loan facility to support investment in projects that will help us deliver on our Net-Zero commitment. External verification of our use of the funds will be undertaken on an annual basis. The projects will have a timespan of three to five years and will be spread across our operations around the world. They will include initiatives in energy efficiency, renewable energy, power purchase agreements and nature-related agronomy programs.

### Conserving nature

With this important topic, we focus our efforts on four areas: protecting water, reducing operational waste, enhancing biodiversity and promoting sustainable agriculture.

In both water stewardship and waste management, we have achieved our 2030 targets seven years early. We have reduced our water withdrawal by 29% in relation to our own operations (against a target of 15%) and cut operational waste by 20% (against a target of 20%)\*. Consequently, new more ambitious targets have now been introduced.

In terms of sustainable farming, we committed to eliminate Highly Hazardous Pesticides (HHPs) from our supply chain. We train our growers on proper handling of Crop Protection Agents (CPAs) to protect people, animals and the environment. We also raise awareness among our suppliers about the importance of using less hazardous CPAs.

An example of our activities in action was in Bangladesh, a country that faced a dire water crisis that challenged communities and ecosystems. It was notably exacerbated by industrial pollution. Our local team introduced a new solar-powered, chemical-free wastewater treatment plant. They then shared their knowledge and learnings with neighboring industrial facilities, helping others to adopt the approach.

More detailed information on our sustainability strategy, targets and performance is available on [jti.metrio.net](http://jti.metrio.net).

\* Baseline year 2015

#### Tackling climate change:

**Carbon neutral**  
In our own operations by 2030

**Net-Zero GHG emissions**  
Across our entire value chain by 2050

**47%**  
Emissions reduction from our operations by 2030 (against a 2019 baseline)

**28%**  
Emissions reduction from our leaf and non-tobacco materials by 2030 (against a 2019 baseline)



#### Conserving nature:

**33%**  
Water withdrawal reduction by 2030 (against a 2019 baseline)

**Zero**  
Factory waste to landfills by 2030

**100%**  
All wood used in the tobacco curing process by directly contracted growers will be replaced with renewable fuel sources by 2030

All tobacco business targets can be found on [here](#).



## Industry overview

### Industry environment

The global pharmaceutical market has been experiencing an average growth rate of 4.9% over the past five years, reaching 1,472.5 billion US dollars in 2022 and marking a 2.7% year-on-year increase. This growth can be attributed to rising health awareness, population increases and development of public healthcare systems. While these factors have resulted in higher demand for more advanced drugs, governments are strengthening their control on drug prices by reigning in medical costs, against a backdrop of rapidly aging societies and fiscal deficits.



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(Data period: Years 2018-2022)  
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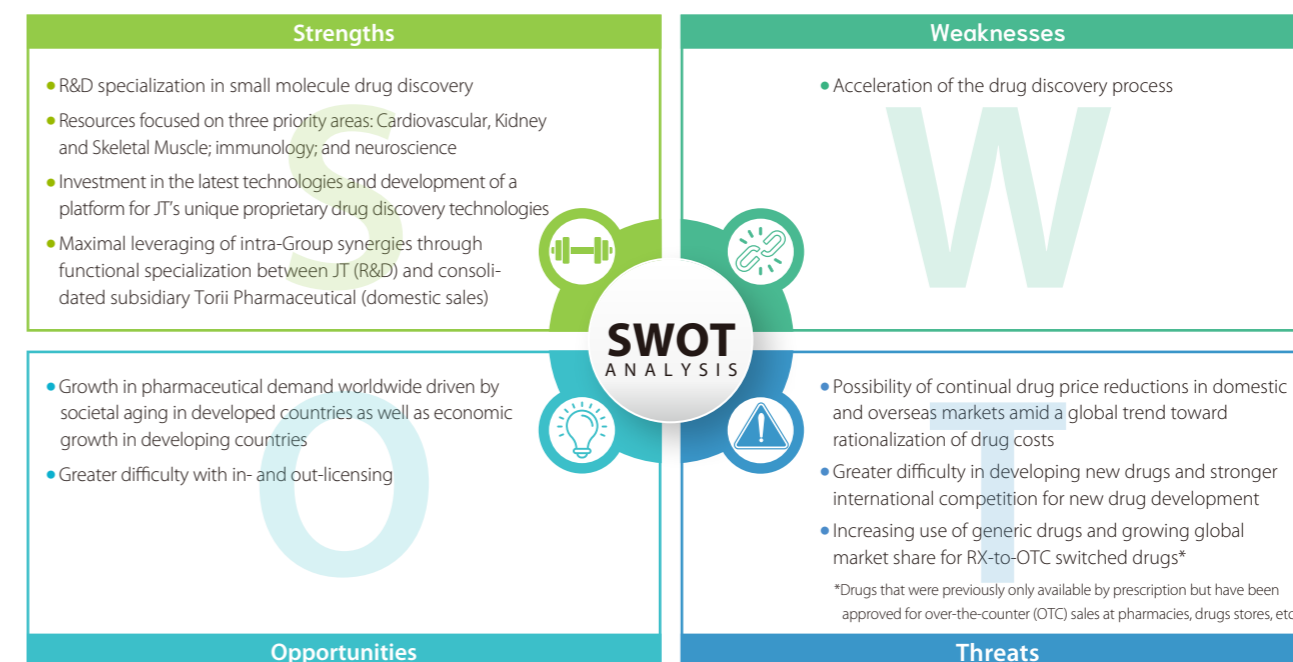
### Industry outlook

To control medical care expenses, the Japanese government has been promoting the use of generic drugs. This has resulted in the expansion of the generic drugs market within the Japanese pharmaceutical industry. Additionally, a drastic

reform of the drug pricing system has led to a gradual price reduction each year starting from 2021, posing challenges for the industry, with an average drug price reduction of 6.69% experienced in April 2022.

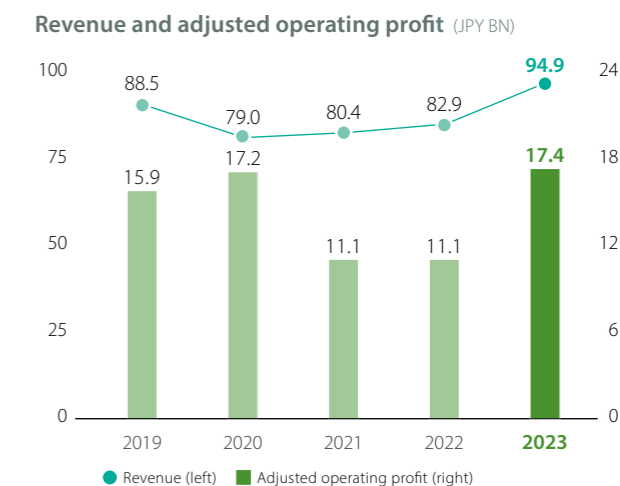
## Our business overview

### SWOT analysis



### Performance over the last five years

Revenue has been fluctuating with a decrease in overseas royalty income offset by revenue growth in the domestic market led by Torii Pharmaceutical. The revenue growth at Torii Pharmaceutical is attributed to significant expansions in sales of drugs for skin diseases and allergies. Stable investments have been made in research and development to discover revolutionary original drugs, and we are actively carrying out in-licensing in the domestic market. Despite fluctuations in lump-sum and milestone payments, adjusted operating profit from fiscal 2019 to 2023 has remained largely stable.



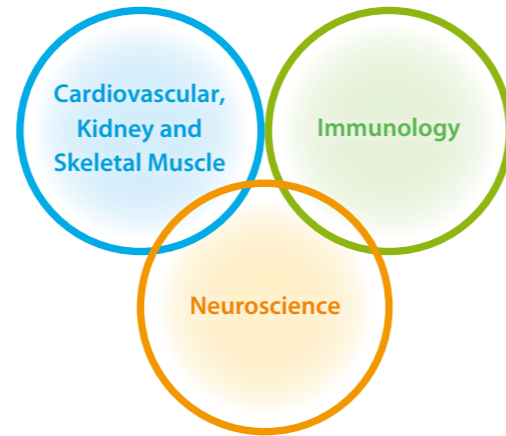
**Business Purpose** Respecting science, technology and people, we will contribute to patients' lives

**Business strategy**

With a focus on contributing to stable profits for the entire JT Group, the pharmaceutical business's basic strategies are:

- Increase drug discovery capability and build unique pipelines
- Reinforce the earnings foundation in the domestic market
- Raise productivity by optimizing the business foundation over the medium and long terms

The pharmaceutical business focuses its R&D on these areas: Kidney and Skeletal Muscle; immunology; and neuroscience.



**Sustainability strategy**

In our pharmaceutical business, we operate under the business Purpose of "Respecting science, technology and people, we will contribute to patients' lives." In 2019, we drew up the following sustainability strategy with three focus areas and five specific initiatives, and report on its progress annually.

The sustainability strategy was reviewed in 2023, and under the newly revised edition that will take effect from 2024, we reorganized the focus areas and set specific indicators and sustainability targets to be addressed. For more details, please refer to the pharmaceutical business section.

In working to fulfill our Purpose, we will contribute to JT Group Materiality efforts.

Materiality	Target items	Targets
	<b>Creating first-in-class drugs</b>	We will continue our efforts and investments in R&D activities for innovative drugs in specific therapeutic areas.
	<b>Emissions reduction</b>	By 2030, we commit to reduce Scope 1 and 2 GHG emissions by 47% in line with a 1.5°C reduction pathway against a 2019 base year. Along the way, we will help the JT Group achieve its goal of Net-Zero GHG emissions across the entire value chain.
	<b>Diversity, equity &amp; inclusion</b>	We promote the creation of an organizational culture where diverse talent can thrive, contributing to the achievement of the JT Group's target of increasing the ratio of female managers.
	<b>Foster ethical awareness</b>	To cultivate personnel with a sense of mission and ethical awareness aimed at saving patients, we will continue to learn more about patients' needs by engaging in dialogue with medical experts through our internal educational activity For the Patients Project.
	<b>Provide information responsibly</b>	We continue training our medical representatives to provide medical professionals with up-to-date, appropriate information on pharmaceutical products.

For progress of our sustainability initiatives in the pharmaceutical business up to 2023, refer to [KPI progress](#).

**Specific initiatives**

**Case study 1**

**For the Patients Project**

- Materiality** Good governance
- Target items** Foster ethical awareness

To continuously cultivate employees, expand their sense of mission to help patients and maintain ethical awareness about it, we've undertaken a Group-wide educational initiative called the For the Patients Project. Every year, we select about 10 members to investigate patient healthcare needs through exchanges with healthcare facilities and internal events. In 2023, we provided information internally about medications that are truly needed in the medical field through interviews with specialists related to our R&D areas such as atopic dermatitis and pediatric allergies. Also, we conducted interviews at children's hospices and organized dementia experiential sessions using VR internally, providing employees with opportunities to consider drug development from various perspectives and empathize with the patient's standpoint.



**Case study 2**

**Pharmaceutical development leveraging patient opinions**

- Materiality** Value creation that exceeds consumer expectations
- Target items** Creating first-in-class drugs

We have undertaken an initiative to incorporate patient opinions in pharmaceutical development.

- Calling this approach "patient centricity," we continuously provide related information to employees to ensure their understanding.
- To communicate our appreciation to participants in clinical trials, we send them thank-you letters.
- We are preparing a system to provide plain-language summaries of results.

We will continue to incorporate patient opinions into the pharmaceutical development process and work to make participation in clinical trials easier.







## Industry overview

### Industry environment

Japan's processed food industry has been steadily developing alongside the expansion in dual-income households and lifestyle shifts requiring quick and easy meal preparation. Furthermore, considering that more people are eating at

home as a result of the widening adoption of telework and other factors, we think processed foods are gaining value for their longer storage life, simplicity and convenience, leading to higher demand.

### Industry outlook

While signs of a return to pre-pandemic levels are evident, such as the recovery of dining out demand, we project that demand for processed foods will remain robust as lifestyle changes during COVID-19 continue to be adopted.

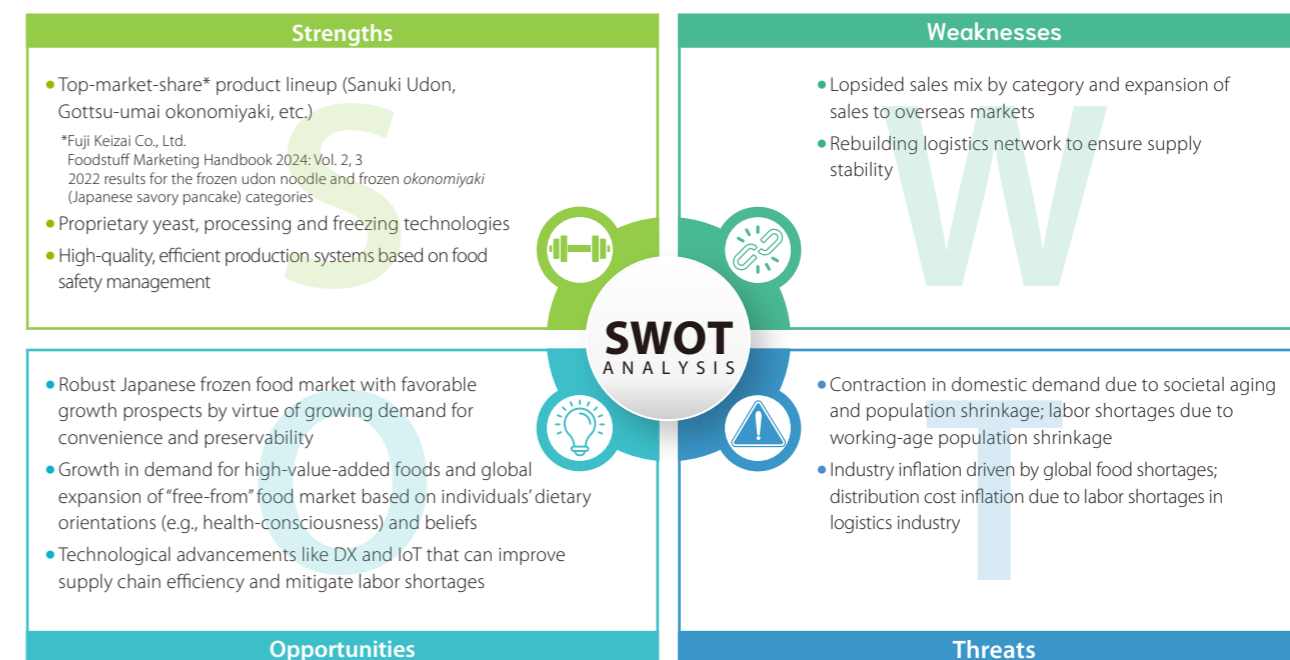
On the other hand, we believe it is necessary to pay attention to the following factors: trends in distribution channels,

such as the expansion of private brand products by retailers and the restructuring of the wholesale industry; rising labor and logistics costs due to labor shortages; and fluctuations in raw material prices due to international market conditions and exchange rate fluctuations.



## Our business overview

### SWOT analysis



### Performance over the last five-years

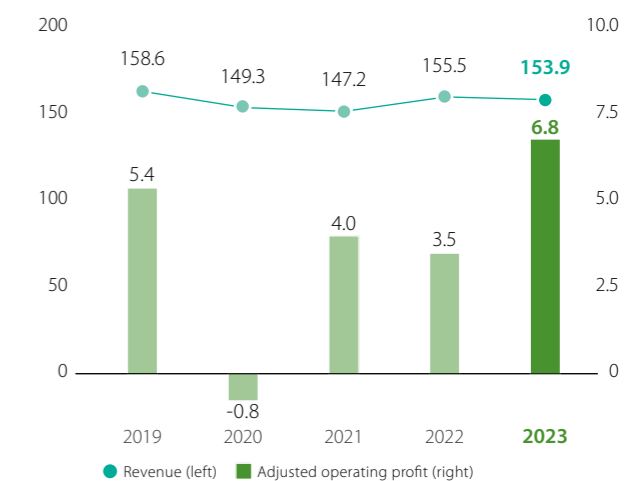
While our sales revenue has remained flat, the processed food category, which is our main business, has been showing a long-term growth trend. Adjusted operating profit has been stable at a certain level, except for fiscal 2020, which was affected by the COVID-19 pandemic. This is due to factors such as improved product mix and cost reductions stemming from the establishment of an optimal production system. However, in recent years, the rising labor and logistics costs due to labor shortages and impacts from international market prices and exchange rate fluctuations on raw material costs have been seen, and we believe it is necessary to continue to monitor the situation closely.

Net sales for fiscal 2023 were roughly flat year on year. While the chilled and ambient food businesses saw sales growth in foodservice products due to price revisions and the recovery of demand from the eating-out sector, this was offset by the decline in sales revenue from the bakery business transfer.

Adjusted operating profit grew by 95.2% year on year despite a steep rise in the costs of raw materials and

ingredients, owing to the positive effect of price revisions in frozen and ambient foods and sales growth for industry-use products following the recovery of restaurant-meal demand.

Revenue and adjusted operating profit (JPY BN)



**Business Purpose** Bringing Joy to Meals and Fun to the Table

**Business strategy**

The processed food business defines its role as complementing the JT Group's profit growth. To fulfill that role it has the following basic strategy.

- Further expand sales of core products that incorporate our proprietary technologies, and strengthen our capacity to develop high-value-added products to respond to changing consumer preferences.
- Implement price adjustments in response to the effects of rising costs for raw materials, ingredients and logistics, and continue efforts to improve productivity and reduce costs.
- Accelerate initiatives for business growth with a long-term view.

Our processed food business focuses on frozen and ambient foods such as frozen udon, packaged rice, and *okonomiyaki*, as well as seasonings such as yeast extract and oyster sauce.

**Sustainability strategy**

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

We promote sustainability initiatives based on the JT Group Materiality, which identifies key issues for contributing to the creation of sustainable nature and society, and the JT Group Sustainability Targets set based on the materiality.

Specifically, we contribute to food inclusion, meaning reducing any sense of restriction among people with any dietary need or preference, reducing the environmental impact of our products and production processes, and promoting food safety, a core value in our effort to achieve our business Purpose.

Including these initiatives, below are our priorities for the processed food business.

Materiality	Target items	Targets
	Food inclusion	We will be aware of the diversifying values and interests of our consumers. Most of all so that our consumers can enjoy delicious food, we will not only exclude certain raw materials, but also develop and provide high-value-added products, such as allergy-friendly products, products that do not use ingredients derived from animals, and products that are health-conscious and satisfy other preferences.
	Emissions reduction	We will promote energy-saving initiatives and introduce renewable energy to contribute to the Group's emissions reduction targets* and to improve our impact on the environment. *Scope 1 & 2: 47% reduction, Scope 3 Category 1: 28% reduction, both against a 2019 baseline year, by 2030
	Promoting the use of eco-friendly packaging materials	We will reduce packaging weight and utilize renewable plant-based resources to reduce the environmental impact of our products.
	Waste reduction and recycling	We will pursue waste reduction to contribute to a circular society and will aim to recycle 95% of all waste from our Japanese domestic sites (excluding waste heat recovery).
	Protecting water	We will pursue efficient water use and wastewater quality management to preserve water stewardship as a member of the local community.
	Diversity, equity & inclusion	We will promote organizational building for our diverse human resources to thrive and take active roles. In this context, we will work to empower women, with a view to contributing to the JT Group's target for women in leadership.
	Health and safety	We will aim for injury rates to be below 0.63 by 2030, with a view to achieving zero workplace injuries.
	Sustainable supply chain	Through the JT Group Supplier Code of Conduct and supplier questionnaires, we will work jointly with, share our values and communicate closely with suppliers to realize a sustainable supply chain.
	Safe, secure and high-quality products	We will promote food safety management in compliance with global food safety standards to develop the highest level of food safety. While working on enforcing food safety and quality assurance, we will also enhance the way we communicate with consumers to provide them with safe, secure and high-quality products.

For progress of our sustainability initiatives in the processed food business up to 2023, refer to [KPI progress](#).

**Specific initiatives**

Case study 1

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

- Materiality** Value creation that exceeds consumer expectations
- Target items** Contribute to food inclusion

Since its inception, we have been expanding its menu ranging from staple foods like rice and noodles to side dishes and desserts that add color to your table.

We will continue to listen to the voices of each and every consumer who leads a diverse dietary habit and strive to make meals "more enjoyable and more fun."

The processed food business stays close to diversifying consumer needs, values and interests, and develops and markets high-value-added foods. As part of this effort, TableMark Co., Ltd. offers through its online shop the BEYOND FREE line of foods, which boasts authentic flavors without using certain food items and ingredients.

**BEYOND FREE**



Case study 2

**Operating a solar energy system as part of an on-site PPA**

- Materiality** Living with the planet
- Target items** Reduce Greenhouse Gas (GHG) emissions

In February 2024, the Kanaya factory of Group firm Fuji Foods Corp. (Shimada City, Shizuoka Prefecture) started operating its solar energy system as part of an on-site Power Purchase Agreement (PPA). With this, the firm projects a reduction of GHG emissions from the factory of about 13% from pre-installation levels.

In the processed food business, we will contribute to the Group's greenhouse gas emissions reduction targets by promoting energy-saving activities and introducing renewable energy.



# GOVERNANCE

For the JT Group, governance involves establishing mechanisms to ensure transparent, fair, agile, and decisive decision-making, all in pursuit of the 4S model. Corporate governance is identified as one of the critical management challenges. Through its enhancement, we aim to contribute to the sustainable growth of profit and the continuous improvement of corporate value over the medium- and long-term, while contributing to the prosperity of our stakeholders, the economy and society at large. In this chapter, we not only present facts related to the JT Group's governance but also introduce efforts and challenges towards achieving "enhanced and evolving good governance" through discussions in a roundtable featuring the Chairperson of the Board and Outside Directors.

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Photo on the right: JT Group Board members



# Executive roundtable



**Hiroko Yamashina**  
Independent Outside  
Director

**Masato Kitera**  
Independent  
Outside Director

**Mutsuo Iwai**  
Chairperson of  
the Board

**Yukiko Nagashima**  
Independent Outside  
Director

**Tetsuya Shoji**  
Independent  
Outside Director

**Kenji Asakura**  
Independent  
Outside Director

## Two new Outside Directors, changes in the Board and roles of Outside Directors

**Iwai** The JT Corporate Governance Policy requires that Independent Outside Directors make up at least a third of the Board of Directors. What's important is not just maintaining this number, but rather energizing Board discussions by incorporating a range of opinions. In recent years, JT has been adding Outside Directors with more varied backgrounds and experience, and evolving more effective governance.

Because we just instituted the new system in March, I'd like to focus on what we can expect from it rather than specific changes already in play. Ms. Yamashina, I hope to see you bringing your rich experience in the financial industry to bear in providing a broad viewpoint and further enlivening the Board from the perspective of diversity. Mr. Asakura, I look forward to your input from deep experience in global



business to help JT address the many challenges we face with advancing globalization and geopolitical risks. I know you have actively undertaken initiatives to reform corporate culture in the past, and I hope that your firsthand experience with floor operations will help highlight issues within the JT culture.

**Yamashina** I've been observing JT management as an Outside Audit & Supervisory Board Member since last year. My background is 38 years in the financial sector. JT, by contrast, is a manufacturer operating globally in over 130 countries. Its approach to risk is different from that of the financial sector, and it recoups investment in different time frames. At first, it was full of surprises for me, but by studying its history, I've been gaining a deeper understanding of JT. I hope to contribute an objective standpoint to JT's direction, with my past experience and future trends in mind.

**Asakura** I took office only a month ago, so I'm still largely in the dark. My priority theme is to gain an understanding of the differences between JT's B-to-C businesses and the B-to-B business I'm from, and make best use of that understanding in helping oversee the management of JT. In the global aspects of my business, I see similarities with JT's global operations. I understand how hard you all are working to manage businesses as they build scale while maintaining overall governance across the Group. Through the Board, I hope to contribute in those areas.

**Nagashima** I'd like to add something to that mention of diversity. As a woman, I understand I participate in the Board of Directors as a visitor to JT's "home turf." In offering value to society through services and corporate activities, we think essentially of individuals, and the "diversity" concept comes up when we focus on their differences. I prefer to think that the ideal is a process in which we perform at our best without being conscious of our individual differences, making our realization of the good that comes from difference an afterthought. What should diversity be as a precondition for achieving our ideal? As we welcome two new members from different backgrounds, I feel it's time for a fresh discussion.



**Shoji** This year, we've moved from four Outside Directors to five. The rich experience in different fields of our two new members gives us a great new formation, I think. The Board is always ready for open, fair discussion on fulfilling our Purpose, including and making the most of the different experiences and decision criteria that each member brings to the table.

**Kitera** As Mr. Shoji said, the JT Board is upbeat, which I think is helping us conduct open, goal-oriented discussions.

From the standpoint of the international situation and the context of our businesses, I understand that the environment for Japan and Japanese companies is tougher than ever. JT is one of many Japanese firms facing the challenge of change without hesitation, working hard to adapt. I'd like to help achieve a distinctive JT way of sustainability, with the Purpose as our foundation.

## Management's consciousness of capital efficiency and dialogue with the capital markets

**Iwai** When Japanese companies consider scenarios for global success, capital efficiency, like price-book ratio, is gaining importance. Traditionally, corporations have placed primary importance on maintaining high domestic sales and share of the domestic market, because Japan is a country of high domestic demand. As the Japanese population declines and falling domestic demand is projected, it's more necessary for management to be conscious of capital efficiency. The capital market demands that corporate managers respond to this change.

In managing its businesses, JT has been conscious of return on equity. As emphasis shifts from combustibles to RRP (Reduced-Risk Products) in the tobacco business, investment in combustibles will be more priority-focused and disciplined to maximize return and build efficiency. Cash obtained from that investment will become source funding for secure investment in RRP, a next-generation product category. I'd like to see the Board clearly define a resource distribution policy like this and monitor progress on our journey to higher corporate value.

Lately, dialogue with investors is more important than ever, and on such occasions, we should not just passively listen to investors, but also remain watchful for any misunderstanding they may hold, and publicize and clearly explain our position as a corporation. They may disagree and assert that society works in a certain way, but we can understand each other better. The IR divisions and executive officers in charge compile what we discuss with investors and their opinions, and provide those reports to the Board every quarter for discussion. By maintaining a positive loop for self-improvement and evolution, I believe we can measure up to the expectations of the market and investors.

**Shoji** As Outside Directors, we also participate in corporate communication with the capital markets, mainly through investors, and we are considering enhancing and developing this practice further. On such occasions, we gain the same understanding of market expectations and requests as the other directors. The market assesses corporations like JT using a rating system and multiple objective

indices. To improve our standing, dialogues with capital market participants are good opportunities to exchange opinions and information, and we should continue doing them proactively.



**Nagashima** Last year, I talked with ESG-focused investors. It was very rewarding because I was able to learn from their relatively long views. They asked me two questions I'd like to share. First, how quickly do we Outside Directors, who are outside the management of regular business, receive negative information about the Company. JT shares information with us by email, even about relatively minor issues, in a timely manner. It's very important to get the bad news first, and I told the investors JT communications are ideal in terms of frequency and content.

The second question was whether the Board customarily accepts things as expected. I told them otherwise, because the JT Board makes a clear distinction between agenda items for in-depth discussion and those for information sharing only. This is because, based on the bad-news-first principle, information reaches us without waiting for Board meetings, and the priority on items for Board discussion is clear. This discussion with investors made me aware of how important it is for us outsiders to provide fact-based assurances that JT follows through on its Board policies.

### Sustainability at the JT Group

**Yamashina** At this historic turning point, corporations are facing the need to pursue social significance as well as economic value, and have to respond to the way social value changes over time.

Last year, I had an opportunity for direct contact with people working on the floor, as an Outside Audit & Supervisory Board Member. I found the managers on-site highly aware of the Purpose and sustainability, and while their subordinates did not always share the same level of understanding, they knew that reform was needed, and were working to slowly but steadily reinforce them. Watching them leading discussions about progress and challenges and carrying initiatives forward from a range of standpoints, I felt the energy on the floor, and powerful first steps have already been taken toward a promising future.

**Nagashima** Last year, I also had an opportunity for real floor experience. In Milan, Italy, visiting a manager in charge of RRP marketing strategy, I witnessed people and the organization drawing simultaneous growth opportunities from an exchange of knowledge. I heard that the manager I met was assigned to a new marketing job in the US the following month, and he planned to apply his success in Italy in a challenging experiment there. This is an example of training global personnel, and of those people contributing to the growth of the organization. The importance of people really came home to me.

**Iwai** A company's value grows only when its employees are active. I've been thinking people are the most important thing, and have been working to evolve the Company's human resources systems to reinforce corporate value. When diverse people agree with the Purpose and principles of the JT Group and contribute their share, the Company grows, paying the employees and supporting their personal growth in return. This kind of mutual relationship is necessary to success, I think.

The JT Group is reviewing its sustainability strategy, including ideas about human capital. Corporate growth and sustainability don't always go together. In our effort to continue working to make the planet and society more sustainable, however, I think our values are delivered through our diverse people, businesses and products, which helps the Company grow. In that sense, the sustainability targets we announced this year should be closely related to our daily business, along with environmental and social issues. That's why we've included items directly related to our businesses as much as possible. For instance, to reliably procure the tobacco leaf that's essential to our tobacco business over the long term, we set various targets for human rights, greenhouse gas emissions and biodiversity. We spent plenty of time on the process of setting these targets, discussing them repeatedly in Board meetings and on other occasions. The results, I think, show a perfect match between the JT Group's priorities and social needs.

**Asakura** Growth, in terms of both economic and social value, is an important theme for corporations in general. The subject causes robust discussion in JT Board meetings that I find I can hardly wait to participate in. I am very interested in understanding the awareness of sustainability among the floor personnel who are working hard to maintain our businesses, in terms of incorporating sustainability targets in their daily tasks. On the floor, debate can happen naturally, and that's a healthy thing; through continuing debate, the sustainability targets truly take root. I want to see that happen.

### The tobacco business as one team and initiatives to build corporate value

**Kitera** Our recent move to unify tobacco business operations into one team is a very ambitious initiative, and a reform necessary for the JT Group to achieve the top position in the global market. Now, the domestic and global tobacco markets are managed centrally by JTI in Geneva, and we Outside Directors visited in October 2023 to talk with the executives there. Two things impressed me most. First, extremely heated discussion following the analyses of the various markets—they were so hot I felt I might get burned just sitting there! That kind of passion is necessary, I think,

as we continue pushing to expand our share of the tobacco market by centimeters or even millimeters.

JT's research and development operation has also converged as one team. I'm told this is an initiative to unify our R&D functions worldwide for better efficiency and focus on its intended purposes. I have high hopes for this move, seeing the potential for new tobacco product forms offering greater pleasure that are different from HTP (heated tobacco products), where the market is growing.



**Yamashina** Last year, I had the pleasure of visiting a business site in Manila, in the Philippines, a major JT Group base in Asia. It has a sales office, plant and business center where people of various nationalities and experience work. I marveled at the perfectly balanced combination of global management and localization. I listened to young, energetic people who saw competition as the essence of business and were facing it with determination. As a single team, exchange of international personnel has begun, and we will start seeing something similar in Japan, promising the growth of an energetic, aggressive culture for global competition.

**Iwai** We've finished reviewing internal systems and structures to support the new one-team operations, but to build corporate value in the future, I think new approaches are necessary in our tobacco, pharmaceutical and processed food businesses, rather than just extending ongoing initiatives. In the tobacco business, we will put effort into development of a new generation of tobacco products in parallel with our development of HTP. In the pharmaceutical business, we need to explore new fields in addition to

enhancing existing business. The application of new technology, such as using AI in drug discovery, is a case in point. In the processed food business, we will develop products of high added value to meet social trends like aging and health consciousness and overcome the challenge of existing products becoming ordinary commodities and reducing profit potential. D-LAB is undertaking research and development for the Group on the theme of fulfilling moments, with future business in mind, and gathering information through venture investments and the like. It has already developed and commercialized several products, though on a small scale.

**Communication with individual shareholders**

**Kitera** I hear many enthusiastic comments from individual shareholders in the Ordinary General Meeting of Shareholders. As of December 31, 2023, 27.53% of JT shareholders are individuals, far above the average among Japanese firms. I imagine this has much to do with the JT policy of paying high dividends. JT values individual shareholders, and we communicate closely with them through newsletters and briefings. I feel that this sort of effort to reach out to them should continue for even better communications.

**Iwai** Increasing individual shareholders means greater diversity, so I will continue searching for the best ways to communicate with them. To return to shareholders, including individuals, we focus on high dividends backed by strong business results rather than shareholder perks and gifts to take home after meetings.

**Asakura** Speaking from personal experience, nothing is more important than good communication with shareholders in terms of dialogue with the capital markets. JT's high-dividend policy must be very attractive to shareholders, so we should continue to hold this policy. I think that maintaining open communication is also important with both individual and institutional investors, and we should continue pushing there as well.



**Toward stronger governance**

**Iwai** Based on the recent assessment of Board effectiveness and challenges identified in 2022, in 2023, we worked to further strengthen the governance functions of the Board as well as increase the efficiency of its management. To ensure there's enough time for discussion, we gather detailed reference materials covering the agenda items ahead of Board meetings, and provide explanatory answers to the questions we're asked. After that, the Board discusses any matters of concern expressed by the members, and makes its final decisions. As the Chair, I pay special attention to the balance between explanation and discussion.

**Shoji** We have been working to resolve the fiscal 2022 issues. For one-team operations, we've established a consistent mindset and shared passion. From the management standpoint, however, I feel that there is a gap in the information-sharing approaches of JT and JTI and we are still in the exploratory phase. The two use different measurement indices based on different perspectives, which is positive in a way, but I think there remains a lot of room for us to reach a unified policy on top-priority information management and sharing for realizing the Purpose.

**Kitera** The effectiveness of the Board boils down to how open we can be in discussions, and that's substantially influenced by the atmosphere and culture of the Company. For that, it's important for JT to maintain its vibrant, energetic atmosphere. I'm personally working to make that happen, believing that the current vibrant atmosphere leads to effective Board operations.

**Nagashima** Those who operate businesses are constantly facing various serious issues in a global environment, so they always need the latest information to take effective action. We Outside Directors oversee this, providing advice from our respective backgrounds. Our skill matrix is based on past experience, and I think we have to update ourselves along with the changing environment and evolutionary trends.

**Yamashina** In JT workplaces, I think diversity of thinking is needed as well as that of personal aspects. In other words, it's important that people of different backgrounds, experience and values bring their diverse ideas together to create new value, and provide society and our customers with new products and services while building corporate value. That's why diversity and its goals should always be on the Board's agenda. JT puts priority on the diversity of its decision-makers and ideas, and considering and training women for management is part of that effort. As the Company creates opportunities for us to talk with women employees, I want to make the most of them to help promote employee diversity in terms of both individual aspects and thinking.



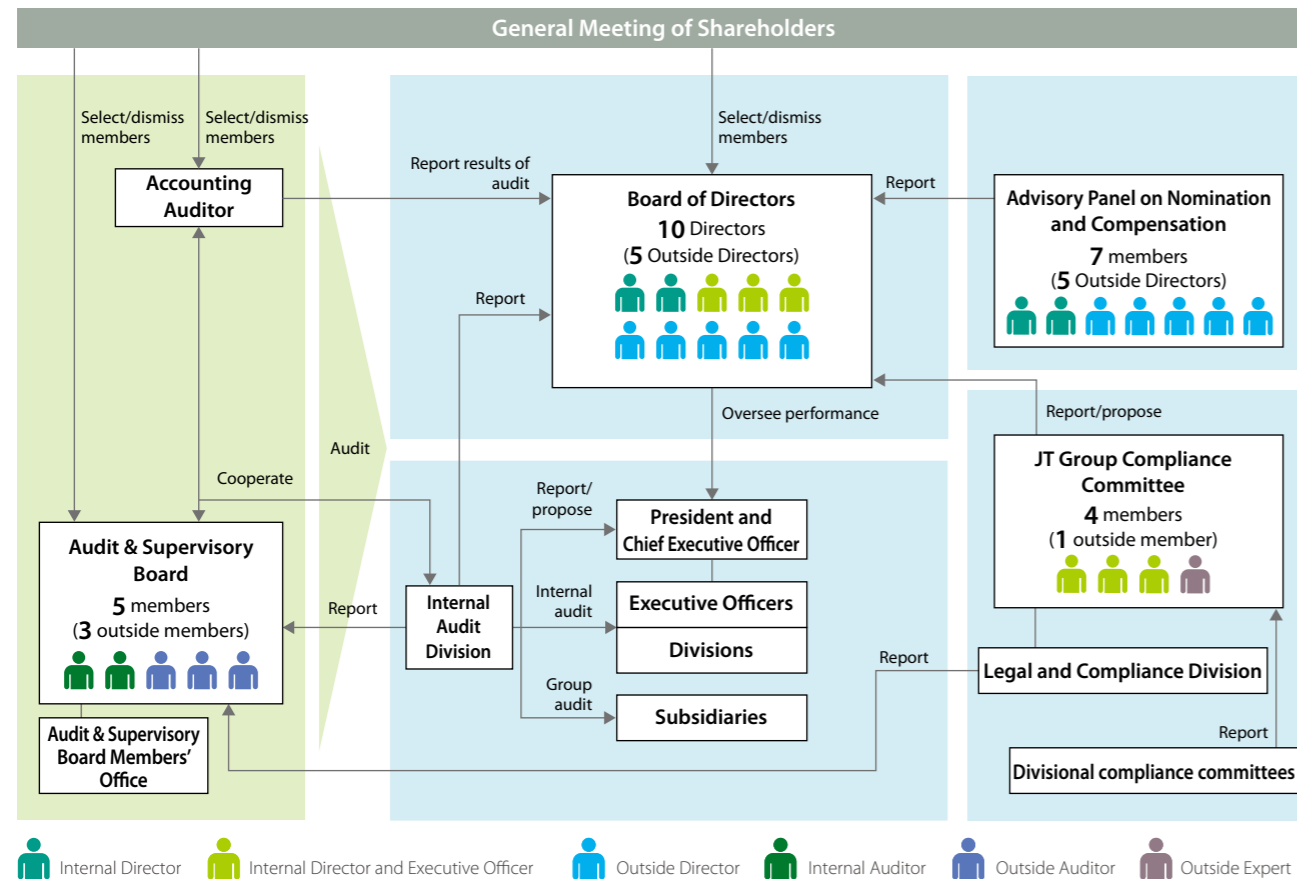
**Asakura** In talking with you all, I realize that the Purpose, sustainability targets and one-team operations are still new to the Company, requiring more effort to ensure that they penetrate throughout the organization. Now that the Purpose has been set, it should be truly owned by every employee. I think this leads to higher corporate value and would like to discuss it more, including how it can best be accomplished.

**Iwai** Thank you for your opinions from different viewpoints. I understand the importance of establishing the outcome of reform as standard practice. The capacity of the JT Group to offer social as well as financial value for the medium- and long-term depends on specific floor-level and individual initiatives. While executive officers take specific actions to embody the Purpose, it's important for Board members to have regular discussions to better understand the spread of the Purpose across the organization and better promote that effort. I appreciate your continued support.

(This roundtable talk was held in April 2024.)

## Corporate governance structure

### Our corporate governance system



### 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 the 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 fully comply with the principles of the Corporate Governance Code, which includes the principles of the Prime Market.

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

Please visit our [website](#) for more on the JT Corporate Governance Policy.

### Rationale behind 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 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 appointment of an additional Outside Director and Outside Audit & Supervisory Board Member in March 2019, appointment of an additional Outside Director in March 2022, and appointment of 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.

### Board of Directors (met 14 times with 100% attendance rate in fiscal 2023)

Our Board of Directors is responsible for setting JT Group management strategies, making decisions on important matters and overseeing all operations. The Board meets once monthly as a general rule, and meets promptly whenever necessary, in order to make a decision with regard to the important matters, including those specified by laws and regulations, and to supervise business execution. It also receives reports on the state of operational execution from the Directors. It includes at least one-third of Independent Outside Directors with qualifications conducive to sustainable profit growth and the increase of corporate value in the medium- and long-term in order to strengthen the

supervisory functions and make management transparent.

In March 2022, we amended the term of the Board of Directors to one year from the previous two-year term in order to build a management foundation to address the changes in the business environment in a timely manner and to strengthen our corporate governance by clearly defining the responsibilities of the Directors and enhancing trust with shareholders. The Board discussed important matters including the business plan and nomination of Executive Officers in 2023.

### Advisory Panel on Nomination and Compensation (met 5 times with 100% attendance rate in fiscal 2023)

The Advisory Panel on Nomination and Compensation's purpose is to render the Board's decision-making more objective and transparent, and to upgrade the Board's oversight functions by having the Board deliberate on executive appointment and remuneration in accordance with results of deliberation in the Panel. Its specific roles include supporting the growth, including succession plans, of executive candidates; deliberating on 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 deliberation on remuneration of Directors and Executive Officers. In order to ensure its independence and objectivity, the Panel is comprised entirely of Directors who do not serve

as Executive Officers, in which more than half of its members are Independent Outside Directors. The Panel determined to elect a member from the Independent Outside Directors as its Chairperson starting March 2022. Mr. Tetsuya Shoji was elected as the Chairperson for 2024. In 2023, the Panel met to decide on candidates for the Board of Directors and Audit & Supervisory Board nominations and to discuss a skills matrix; review remuneration levels; review executive candidates; hold discussions regarding strengthening cooperation with the Advisory Panel on Nomination and Compensation to contribute to enhancing the Board's supervisory functions; and to discuss key performance indicators (KPIs) for the executive bonus and performance share units.

### Audit & Supervisory Board (met 14 times with 100% attendance rate in fiscal 2023)

The Audit & Supervisory Board conducts operational and accounting audits as an independent body serving the interests of shareholders. It has five members, three of whom are outsiders, all of whom have experience in such fields as corporate management, law, finance, and accounting. The Audit & Supervisory Board Members proactively exercise their authority, including attending and speaking at Board of Directors

meetings and other important meetings as well as actively inspecting business sites. In addition, they also conduct audits appropriately from an objective viewpoint in accordance with the characteristics of the duties of the Independent Outside/ Standing Audit & Supervisory Board Members. In 2023, the Audit & Supervisory Board discussed issues including auditing policies and preparation of audit reports.

## Evaluation of 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 dialogues 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 2023, the questionnaire was administered as outlined below.

We take advice from external consultants in drafting the questionnaire and analyzing the results in order to ensure objectivity and further improve the evaluation process.

- Questionnaire drafting period: Sept.–Nov. 2023
- Period for evaluation: 2023 (Jan. 2023–Dec. 2023)

- Response period: Nov. 17, 2023–Dec. 1, 2023
- Participants: Total of 14 Directors and Audit & Supervisory Board Members
- Summary: Evaluation of each question (5 grades) and open-ended response entry
- Discussion by the Board of Directors: Feb. 19, 2024

Main evaluation items are as follows:  
(Note: In addition to items for ongoing confirmation, questions were designed to confirm improvements to issues identified in 2022 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)

In 2023, the following initiatives were conducted for issues identified in the effectiveness evaluation pertaining to 2022.

Key issues	Initiatives in detail
<ul style="list-style-type: none"> <li>• Further enhancement of the supervisory functions of the Board of Directors</li> <li>• More effective and efficient operations of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Further expansion of reporting and information sharing regarding various management issues, risk management status and status of deliberations by voluntary committees</li> <li>• Continued improvements in the Board of Directors operations, including enhancement of assembly hall facilities and smoother proceedings</li> </ul>

As in 2022, the Board effectiveness evaluation for 2023 yielded generally positive results across all evaluation items. It confirmed that the Board is functioning not only effectively but also increasingly so. There was little variation in evaluation for each question posed. In addition to a generally shared recognition and understanding of the strengths and weaknesses of the Directors and Audit & Supervisory

Board Members, the Board was especially highly rated for strengthening various initiatives on the operational front. Among others, these included establishment of agendas for the Board of Directors meetings and other opportunities for the exchange of opinions, as well as the Board's open and dynamic operation of proceedings.

For 2024 and beyond, the Board is pursuing initiatives focused on addressing the issues identified below, in order to continuously enhance the Board's effectiveness.

Continuing issues	The Company's initiatives going forward
<ul style="list-style-type: none"> <li>• Continued enhancement of effective and efficient operations of the Board of Directors</li> <li>• Continued enhancement of the supervisory functions of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>• Improvements in the Board of Directors operations, including smoother proceedings</li> <li>• Creation of more robust opportunities to share and discuss major management issues</li> <li>• Creation of more robust opportunities for communication among executives</li> </ul>

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

## Succession planning

We place priority on fostering successive generations of executives who will manage our future operations, expanding our pool of executive candidates and improving its quality.

To develop a steady stream of highly skilled, highly qualified leaders capable of excelling in the global arena, we select future executive candidates from each hierarchy through Group-wide open recruitment and nomination by top management. Our CEO, along with other senior management, are deeply involved in these selections.

Our CEO participates in meetings held to support the next-generation executives. In these meetings, participants discuss which candidates receive support to become the next-generation executives based on several factors. The first factor is based on close examination of whether they have an excellent mind of ownership, corresponding to a high sense of ethics, integrity and a broad perspective. The second factor is based on their qualifications in terms of their abilities to accomplish achievements through our Group's growth strategies as an executive or Executive Officer. Other factors include the consideration of objective, external evaluation and competitiveness in markets. We also formulate development programs, which provide a variety of challenging business experiences; review statuses of development based on the programs; and hold regular

discussions on identification of the medium- and long-term challenges the candidates are facing and the policies we provide to support their growth.

Especially for those who are regarded highly qualified as our Directors or Audit & Supervisory Board Members, we review their development status and deliberate to enhance a succession plan and its planning process with input from both external consultants and the Independent Outside Directors on our Advisory Panel on Nomination and Compensation.

As one example, our JT-Next Leaders Program, launched in 2013, aims to continuously cultivate young executives who will spearhead the JT Group globally.

It is open to employees in their 40s or younger who fulfill the conditions, including new recruits not yet officially onboarded. Applicants are screened objectively based on an integrated assessment with internal/external evaluation, such as human assessment, 360-degree surveys, and interviews with Executive Officers. We preferentially support the successful applicants' personal growth on a Group-wide basis over multiple years. Through such programs, we are expanding our talent pool from the bottom up age-wise as we continue to pursue reinforcement of our human resources.

## Our policy pertaining to listed subsidiary's governance

### Policies on the Group management

We aim for the Group's sustainable profit growth and increase of corporate value over the medium- and 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 internal reporting system), internal auditing, assurance of reliability of financial reporting and more with our subsidiaries and maintain these activities. We strive to give the best consideration to assure independence of listed subsidiaries and to protect the interests of minor shareholders.

### Purposes of having listed subsidiary

We have a publicly listed subsidiary, Torii Pharmaceutical Co., Ltd. (Torii), in light of the management benefits of owning a subsidiary, including capital market discipline,

and enhancement of engagement of human capital by utilizing stock remuneration. Another motivation is for Torii to acquire increased competitive advantage in its business through factors such as credibility building, securing excellent human capital and increasing motivation, all of which are important in the pharmaceutical business.

In December 1998, we welcomed Torii as a member of the Group after acquiring a majority of Torii's total number of shares issued, and it has worked to strengthen the Group's business base in the pharmaceutical business. Together with Torii, we built an integrated value chain to collaborate efficiently with each other. Specifically, we conduct R&D while Torii handles manufacturing, sales and promotional activities. In addition, both companies not only achieve efficiency through the division of functions, but also generate Group synergy in various aspects through mutual utilization of technology and knowledge, such as cooperation for joint development and effective medical representative (MR) activities, and through personnel exchanges.



Although the revenue of the Group's entire pharmaceutical business continues to increase, this is being achieved amid a continuing gradual decrease in overseas royalty income, and the Group owes such increase to the continuous growth in net sales of Torii. In the medium- to long-term business vision "VISION2030" that Torii announced in February 2022, Torii has set goals of achieving record-high net sales and achieving record-high operating profit by 2030. Accordingly, we can also expect Torii to further contribute to increasing profitability in the Group's pharmaceutical business in the future.

In addition, Torii maintains a collaborative relationship with us and seeks to increase its corporate value while engaging in business based on independent judgment as a listed company. For example, backed by a system in which we mainly bear the expenses and risks related to R&D, Torii effectively utilizes the synergy with us, such as by focusing on building a high-quality information provision and collection system, including the highest level of MR development in the industry, and strengthening its R&D pipeline by independently expanding its network of collaboration partners for introducing drugs. It also steadily strengthens its competitiveness in fields not dependent on us. In addition, Torii, with over 150 years of history in the pharmaceutical industry, which requires a high level of expertise, has independently acquired highly specialized human resources and knowledge, which are not always available within the Group alone, owing to its social credibility and recognition in that industry.

As for us, Torii's autonomous corporate management as a listed company contributes to credibility-building, securing excellent human capital and increasing motivation as mentioned above, and because this will lead to further strengthening of competitiveness and securing growth opportunities through Torii's independent business activities, we believe that it will not only enhance the corporate value of Torii, but will also contribute to sustainable profit growth and improvement in the corporate value of the entire Group over the medium- and long-term, which is our aim. We are confident that these benefits outweigh the costs associated

with Torii's listing, and recognize the significant importance of having Torii as a listed subsidiary.

**Measures to ensure effective governance at our listed subsidiary**

In regard to owning a listed subsidiary, we believe it is an indispensable prerequisite for the subsidiary to maintain independence in terms of management and to duly protect its minority shareholders' interests in order for not only the subsidiary, but also for us to grow in value. Therefore, we are striving to build an appropriate governance regime for Torii as a listed subsidiary. We have instituted the Group's Responsibility and Authority Regulations as an internal decision-making regulation. Torii has opted to adopt these regulations, thereby gaining autonomy in terms of decision-making authority. Such autonomy ensures its independence as a listed subsidiary.

We recognize that Torii's examination of the appointment of its directors is conducted through a process independent from us that is proper and transparent as a listed company, from the perspective of contributing to the improvement of corporate value and the interests of its shareholders. Additionally, Torii is upgrading its governance regime's effectiveness by transitioning to a majority-independent Board of Directors, which was approved at its ordinary general meeting of shareholders on March 26, 2020, and transitioning to a company with an audit and supervisory committee, which was approved at its ordinary general meeting of shareholders on March 27, 2024, thereby effectively utilizing Independent Outside Directors. When we exercise our rights with regard to the appointment and dismissal of Independent Outside Directors of Torii, we judge appropriately for each proposal whether the candidate is capable of offering appropriate advice to management from medium- and long-term perspectives while supervising management from wide-ranging viewpoints and further enhancing transparency and fairness of such management. We make this judgment based on identification with Torii's corporate vision and understanding of its business, while giving sufficient consideration to the interests of ordinary shareholders.

## Executive remuneration

### Executive remuneration policy

The Board determines the policies on executive remuneration including the methodology on determination of 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, in which more than half of whose members being Independent Outside Directors, in order to ensure independence and objectivity. Based on these policies, our basic concept on

executive remuneration is as follows:

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

### Executive remuneration setting process

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 of 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 annual bonuses and medium- and long-term incentives, the amount of remuneration for each Director is determined following various calculation methods stipulated in internal regulations, based on deliberations at the Advisory Panel on Nomination and Compensation, within the maximum amount approved at the Annual General Meeting. Currently, the Board considers that the Representative Director, CEO is 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 on each Director's execution of duties. Based on this concept, the Board delegates its determination to the Representative Director, CEO. The Representative

Director, CEO determines the amount of remuneration for each Director including base salary, executive bonus, monetary compensation claims for the allotment of restricted stock remuneration plan and of performance share units plan, based on various calculation methods stipulated in internal regulations, in accordance with deliberation at the Advisory Panel on Nomination and Compensation. The Board concludes the Representative Director, CEO's determination is aligned with the policies. In 2023, Masamichi Terabatake, the Representative Director, CEO, determined the amount of remuneration.

The 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 Annual General Meeting.

## Composition of executive remuneration

Executive remuneration is comprised of (1) a monthly “base salary,” (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 the corporate value in 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.

This composition reflects that their role is to achieve performance targets through day-to-day operational execution.

From 2023, as for the medium- and long-term incentives that consist of the restricted stock remuneration plan and performance share unit plan, we will increase the ratio of medium- and long-term incentives further in the executive remuneration composition, as stated above, seeking to further promote aggressive management from medium- and long-term perspectives. The illustration in the next page shows specific ratios.

Composition	Monetary remuneration	Monetary remuneration (Performance-linked)	Stock remuneration	Stock remuneration (Performance-linked)
Ratio*1	Base salary 29-34%	Executive bonus 28-29%	Restricted stock remuneration plan*2	Performance share unit plan*2
			38-43%	

\*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 performance share unit plan, 50% is paid as cash towards tax payment

\*4 The above illustration 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 of the base salary alone and excludes performance-linked remuneration, as they are responsible for determining Group-wide management strategies to enhance corporate value and for fulfilling their supervisory function: for example, monitoring the execution of medium- and long-term growth strategies.

### Outside Directors

Remuneration for Outside Directors is composed of the base salary alone and does not include performance-linked

compensation 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 the Audit & Supervisory Board Members is composed of the base salary alone in light of their key responsibility for conducting audits.

## Components of executive remuneration

### Base salary

Executives are remunerated with a monthly base salary as per 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 for the CEO.

### Executive bonus

The executive bonus for Directors who also serve as Executive Officers will be paid as monetary remuneration reflecting the performance of a fiscal year. Core revenue at constant currency, adjusted operating profit (AOP) at constant currency, adjusted operating profit on a reported basis, profit results, and an RRP (Reduced-Risk Products)-related index, which will be used to measure the performance of the business itself, will be the key performance indicators (KPIs) for the calculation of executive bonuses, from the viewpoint of providing shareholders with shared value of the performance of the business itself, which is the foundation of sustainable profit growth, as well as the achievement rate of profit growth, and the viewpoint of 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 the KPI achievement in the range of 0% to 190% and either -10%, 0% or +10% is added/deducted to results depending on evaluations of the RRP-related index. In a case where a Director who is a recipient of an executive bonus has carried out certain wrongful behavior, the Director involved will be required to refund a part of the executive bonus already paid.

### 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 shares 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 the term or resigns due to reasons deemed reasonable by the Board of Directors, from a position as Director or any other positions 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 cases where any eligible Directors, Audit & Supervisory Committee Members or Executive Officers have lost their position due to expiration of the term or other reasons deemed reasonable by the Board of Directors, the transfer restrictions are removed on all of the allotted shares that the eligible individual owns as of the date of payment.

In the event that we acknowledge wrongful behavior as determined by the Board or any other wrongful act by a Director who was allotted restricted stock remuneration plan during the restriction period, all or a part of the allotted shares are acquired by the Company without any compensation. Additionally, in cases where the Company is involved in mergers or other organizational realignments during the restricted period in which the Company is the absorbed entity, 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 the Directors who also serve as Executive Officers during the first year of the performance evaluation period, as performance-linked stock compensation. After a three-year performance evaluation period ends, 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 the allotment of the Company's common shares by payment of all of the monetary remuneration claims in kind (the allotment is made from the treasury shares).

We determine necessary indices to calculate the number of shares 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. Profit (attributable to the owners of the parent company) has been set as a PSU KPI for the evaluation periods starting in 2020 and 2021. For the evaluation period starting in 2022, the Company has decided to introduce an ESG-related index on top of profit, in order for the Company and shareholders to seek an agreement on a mutual perspective of evaluating and

being evaluated. The decision was made to enact this same change for the evaluation period starting in 2023 and 2024. Performance-linked payout is set to be in the range of 0% to 200% based on the KPI (i.e., profit) achievement in both 2020 and 2021. In 2022, 2023 and 2024, performance-linked payout is set to be in the range of 0% to 190% based on the KPI (i.e., profit) achievement and either -10%, 0% or +10% is added/deducted to results depending on evaluations of the ESG-related index.

In the event that we acknowledge wrongful behavior as determined by the Board or any other wrongful act by a Director during the performance evaluation period, the Director is disqualified from receiving all or a part of the cash and monetary claims that were planned to be paid.

KPIs for executive remuneration		
We have introduced indices such as one on a reported basis and non-financial to design a more multifaceted system for assessing our performance. We aim to evaluate our initiatives		conductive to medium- and long-term growth and further strengthen shared value with shareholders.
Executive bonus		
KPI	Purpose/Details	Ratio
Adjusted operating profit at constant currency	Assess performance of business itself which is the foundation of sustainable profit growth	35%
Profit	Introduced to share attainment rate of profit growth with shareholders	25%
Core revenue at constant currency	Assess growth rate of top-line. This KPI is introduced given significance of assessment of top-line growth to realize medium- and long-term sustainable profit growth	15%
Adjusted operating profit on a reported basis	Assess business performance including FX impact. This KPI is introduced to assess current performance from a multifaceted perspective considering the balance between the constant FX basis and reported basis	25%
RRP-related index	Assess qualitatively the implementation of strategies and attainment rate regarding RRP, our focus area	±10%
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 (evaluated) and shareholders (evaluator) to seek agreement on what is conducive to corporate value For 2023, indicator for evaluation will be based on efforts to realize Net-Zero, specifically, the degree of achievement of the Greenhouse Gas (GHG) emissions reduction target	±10%

### Total amount of remuneration in 2023

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)	1,364	473	417	273	202	7
Audit & Supervisory Board Members (excluding outside members)	82	82	—	—	—	4
Outside Directors	168	168	—	—	—	10
<b>Total</b>	<b>1,614</b>	<b>722</b>	<b>417</b>	<b>273</b>	<b>202</b>	<b>21</b>

- Notes: 1. The amount of PSU in the diagram is the amount booked as expenses for 2023  
 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 diagram above includes a Director who retired on March 24, 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 amount of remuneration in total is set as 240 million yen per annum.

	Amount of executive remuneration	Internal Directors		Outside Directors
		Executive Officers	Non-executive officers	
Base salary	Within 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	○	—	—
	Number of shares distributed	○	—	—
PSU	Total amount of monetary remuneration and cash for tax payment	○	—	—
	Number of shares distributed	○	—	—

\*1 Number of base share units (determined by the Board of Directors based on the duties, etc., of respective eligible Members of the Board) 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 of the Company within the range not particularly favorable to eligible Members of the Board





# Management structure






## Directors and Audit & Supervisory Board Members

10 Directors (including five Outside Directors)






(As of March 22, 2024)

The Directors marked with \* also serve as Group Executive Officers

 <p><b>Mutsuo Iwai</b> Chairperson of the Board Date of birth: October 29, 1960 Number of shares held: 43,200</p>	April 1983	Joined the Company (Previously, Japan Tobacco and Salt Public Corporation)	January 2016	Senior Vice President; and President, Tobacco Business
	June 2003	Vice President, Corporate Planning Division	March 2016	Representative Director and Executive Vice President; and President, Tobacco Business
	July 2004	Vice President, Corporate Strategy Division	January 2020	Member of the Board
	June 2005	Senior Vice President; and President, Food Business	March 2020	Deputy Chairperson of the Board
	June 2006	Member of the Board; Senior Vice President; and President, Food Business	June 2020	Outside Director, Benesse Holdings, Inc. (Current Position)
	June 2008	Senior Vice President; and Chief Strategy Officer	June 2021	Outside Director, TDK Corporation (Current Position)
	June 2010	Member of the Board; Senior Vice President; Chief Strategy Officer; and President, Food Business	March 2022	Chairperson of the Board (Current Position)
	June 2011	Member of the Board, Japan Tobacco Inc. Executive Vice President, JT International S.A.	January 2023	Outside Director, &Capital Inc. (Current Position)
	June 2013	Senior Vice President; and Chief Strategy Officer		<b>Significant Concurrent Positions Outside the Company</b> Outside Director, Benesse Holdings, Inc. Outside Director, TDK Corporation Outside Director, &Capital Inc.
	 <p><b>Shigeaki Okamoto</b> Deputy Chairperson of the Board Date of birth: February 20, 1961 Number of shares held: 700</p>	April 1983	Entered the Ministry of Finance (hereinafter the Ministry)	
July 2006		Director for the Budget Bureau, Planning and Administration Division of Budget Bureau, the Ministry	March 2022	Deputy Chairperson of the Board (Current Position)
July 2009		Head of Secretariat Division, Minister's Secretariat, the Ministry	June 2022	Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office (Current Position)
August 2012		Deputy Director-General of the Budget Bureau, the Ministry		<b>Significant Concurrent Positions Outside the Company</b> Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd.
July 2015		Deputy Vice Minister, the Ministry		Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office
July 2017		Director-General of the Budget Bureau, the Ministry		Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office
July 2018		Administrative Vice Minister, the Ministry (Retired from the office in July 2020)		Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office
June 2021		Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. (Current Position)		
December 2021		Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka		
 <p><b>Masamichi Terabatake*</b> Representative Director and President, Chief Executive Officer Date of birth: November 26, 1965 Number of shares held: 259,117</p>		April 1989	Joined the Company	
	July 2005	Vice President, Secretary's Office	January 2018	President and Chief Executive Officer
	July 2008	Vice President, Corporate Strategy Division	March 2018	Representative Director and President, Chief Executive Officer (Current Position)
	June 2011	Senior Vice President; Chief Strategy Officer; and President, Food Business		<b>Significant Concurrent Positions Outside the Company</b> Chairman of Supervisory Board, JT International Holding B.V.
	June 2012	Senior Vice President; and Chief Strategy Officer		
	June 2013	Member of the Board, Japan Tobacco Inc.		
 <p><b>Kei Nakano*</b> Representative Director and Executive Vice President Date of birth: March 1, 1968 Number of shares held: 49,878</p>	April 1991	Joined the Company	January 2022	Senior Vice President, Corporate Strategy of the Company
	April 2011	Vice President, M&S Strategy Department, Tobacco Business Development	January 2023	Representative Director and Executive Vice President, Finance, Corporate Communications, Business Development and D-LAB (Current Position)
	June 2014	President and Chief Executive Officer, TS Network Co., Ltd.		<b>Significant Concurrent Positions Outside the Company</b> Director, Japan Growth Investments Alliance, Inc.
	January 2016	Senior Vice President, Communications of the Company		
	October 2019	Senior Vice President, Corporate Strategy		
	March 2020	Director, Japan Growth Investments Alliance, Inc. (Current Position)		
 <p><b>Koji Shimayoshi*</b> Representative Director and Executive Vice President Date of birth: March 7, 1968 Number of shares held: 14,400</p>	April 1993	Joined the Company	January 2024	Executive Vice President, Corporate Governance, Compliance, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business of the Company
	July 2008	Vice President, Tobacco Business Planning Division, Tobacco Business		
	July 2012	Vice President, Human Resources Division		
	July 2014	Vice President, Human Resources Division and Human Resources Planning Division		
	October 2015	Senior Vice President, Chief Human Resources Officer	March 2024	Representative Director and Executive Vice President, Corporate Governance, Compliance, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business of the Company (Current Position)
	January 2017	Senior Vice President, Head of Tobacco Business Planning Division, Tobacco Business		
	October 2017	Senior Vice President, JT International S.A.		
	January 2018	Executive Vice President, JT International S.A.		

 <p><b>Yukiko Nagashima</b> Director (Independent Outside Director) Date of birth: April 4, 1961 Number of shares held: 0</p>	April 1985	Joined Recruit Co., Ltd. (Currently, Recruit Holdings Co., Ltd.)	March 2019	Outside Director of the Company (Current Position)
	April 2006	Corporate Executive Officer, Recruit Co., Ltd.	June 2021	Outside Audit & Supervisory Board Member, Sumitomo Corporation (Current Position)
	January 2008	President and Representative Director, Recruit Staffing Co., Ltd.		<b>Significant Concurrent Positions Outside the Company</b> Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd.
	October 2012	Corporate Executive Officer, Recruit Holdings Co., Ltd.		Standing Audit & Supervisory Board Member, Recruit Co., Ltd.
	June 2016	Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd. (Current Position)	April 2018	Standing Audit & Supervisory Board Member, Recruit Co., Ltd. (Current Position)
 <p><b>Masato Kitera</b> Director (Independent Outside Director) Date of birth: October 10, 1952 Number of shares held: 0</p>	April 1976	Entered the Ministry of Foreign Affairs (hereinafter the Ministry)	June 2016	Ambassador Extraordinary and Plenipotentiary of Japan to the French Republic, Principality of Andorra and Principality of Monaco (Retired from the position in December 2019)
	January 2008	Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, the Ministry	April 2020	Adviser of the Company
		Secretary General, Fourth Tokyo International Conference on African Development	June 2020	Outside Director, Marubeni Corporation (Current Position)
	July 2008	Director-General, International Cooperation Bureau, the Ministry		Outside Director, Nippon Steel Corporation (Current Position)
	January 2010	Deputy Vice-Minister, the Ministry	March 2021	Outside Director of the Company (Current Position)
	September 2012	Assistant Chief Cabinet Secretary		<b>Significant Concurrent Positions Outside the Company</b> Outside Director, Marubeni Corporation
	November 2012	Ambassador Extraordinary and Plenipotentiary of Japan to People's Republic of China		Outside Director, Nippon Steel Corporation
	April 2016	Ambassador Extraordinary and Plenipotentiary of Japan to the French Republic		
 <p><b>Tetsuya Shoji</b> Director (Independent Outside Director) Date of birth: February 28, 1954 Number of shares held: 0</p>	April 1977	Joined Nippon Telegraph and Telephone Public Corporation	December 2020	Outside Director, circlace Inc. (Current Position)
	June 2006	Senior Vice President and General Manager of the Personnel Department, Nippon Telegraph and Telephone West Corporation	March 2021	Outside Director, Sapporo Holdings Limited (Current Position)
	June 2009	Senior Vice President and Head of General Affairs, Nippon Telegraph and Telephone Corporation	June 2021	Outside Director, Hitachi Zosen Corporation (Current Position)
	June 2012	Senior Executive Vice President and Representative Member of the Board, NTT Communications Corporation	March 2022	Outside Director of the Company (Current Position)
	June 2015	President & CEO and Representative Member of the Board, NTT Communications Corporation		<b>Significant Concurrent Positions Outside the Company</b> Corporate Advisor, NTT Communications Corporation
	October 2018	Representative Member of the Board, NTT, Inc.		Outside Director, Sapporo Holdings Limited
	June 2020	Corporate Advisor, NTT Communications Corporation (Current Position)		Outside Director, Hitachi Zosen Corporation Outside Director, Mitsubishi Logistics Corporation
 <p><b>Hiroko Yamashina</b> Director (Independent Outside Director) Date of birth: May 20, 1963 Number of shares held: 0</p>	April 1986	Joined Orient Leasing Co., Ltd. (Currently, ORIX Corporation)	January 2021	Chairman, ORIX Credit Corporation (Current Position)
	March 2007	Head of Office of Internal Controls, ORIX Corporation	March 2023	Outside Audit & Supervisory Board Member of the Company
	May 2010	Executive Officer, ORIX Life Insurance Corporation	March 2024	Outside Director of the Company (Current Position)
	January 2013	Managing Executive Officer, ORIX Life Insurance Corporation		<b>Significant Concurrent Positions Outside the Company</b> Group Executive, ORIX Corporation
	January 2014	Corporate Officer, ORIX Corporation		Chairman, ORIX Credit Corporation
	January 2016	Group Executive, ORIX Corporation (Current Position) President, ORIX Credit Corporation		
 <p><b>Kenji Asakura</b> Director (Independent Outside Director) Date of birth: December 11, 1955 Number of shares held: 0</p>	April 1978	Joined Nagase & Co., Ltd.	April 2023	Representative Director and Chairman (Current Position)
	April 2009	Executive Officer and General Manager, Automotive Solutions Department	March 2024	Outside Director of the Company (Current Position)
	June 2013	Director and Executive Officer		<b>Significant Concurrent Positions Outside the Company</b> Representative Director and Chairman, Nagase & Co., Ltd.
	April 2015	Representative Director, President and CEO		

Five Audit & Supervisory Board Members (including three Outside Audit & Supervisory Board Members) (As of March 22, 2024)

	<p><b>Hideaki Kashiwakura</b> Standing Audit &amp; Supervisory Board Member</p> <p>Date of birth: February 28, 1969 Term of office: 4 years from March 2023 Number of shares held: 12,128</p>	<p>April 1991: Joined the Company July 2012: Controller October 2014: Vice President, M&amp;S Management Department, Tobacco Business Division January 2017: Manager, Hokkaido Branch, Tobacco Business Division January 2019: Deputy Chief Financial Officer (Assistant to CFO)</p>	<p>January 2021: President and Chief Executive Officer and JT BusinessCom Inc. March 2023: Standing Audit &amp; Supervisory Board Member of the Company (Current Position)</p>
	<p><b>Tsutomu Hashimoto</b> Standing Audit &amp; Supervisory Board Member</p> <p>Date of birth: May 31, 1967 Term of office: 4 years from March 2023 Number of shares held: 1,584</p>	<p>April 1991: Joined the Company March 2019: Vice President, Operational Review and Business Assurance</p>	<p>March 2023: Standing Audit &amp; Supervisory Board Member of the Company (Current Position)</p>
	<p><b>Shigeru Taniuchi</b> Standing Audit &amp; Supervisory Board Member (Independent Outside Audit &amp; Supervisory Board Member)</p> <p>Date of birth: September 7, 1962 Term of office: 4 years from March 2023 Number of shares held: 0</p>	<p>April 1986: Entered the Ministry of Finance July 2008: Director, Allowance Control and Mutual Assistance Insurance, Budget Bureau, Ministry of Finance July 2009: Director, Agriculture, Forestry and Fisheries Section, Budget Bureau, Ministry of Finance July 2010: Director, Treasury, Financial Bureau, Ministry of Finance July 2011: Director, National Property Policy Planning, Financial Bureau, Ministry of Finance July 2012: Director-General, Policy-Based Finance, Financial Bureau, Ministry of Finance June 2013: Director of Coordination Division, Financial Bureau, Ministry of Finance (Retired from the office in July 2014) July 2014: Deputy Director-General of Minister's Secretariat, Social Welfare and War Victims' Relief Bureau, Ministry of Health, Labour and Welfare October 2015: Deputy Director-General of Minister's Secretariat, Medical Insurance, Ministry of Health, Labour and Welfare July 2017: Deputy Director-General of Minister's Secretariat, Elderly Health Care, Ministry of Health, Labour and Welfare</p>	<p>July 2018: Director, Social Welfare and War Victims' Relief Bureau, Ministry of Health, Labour and Welfare August 2020: Director-General, Secretariat of Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan, Cabinet Secretariat Director, Social Security Reform, Cabinet Secretariat February 2021: Concurrently serving as Director of Loneliness and Isolation Office, Cabinet Secretariat November 2021: Deputy Director-General, Secretariat of the Digital Garden City Initiative Panel, Cabinet Secretariat December 2021: Concurrently serving as Head of Preparation Work Group for Bill of Establishing Children and Families' Agency, Cabinet Secretariat June 2022: Concurrently serving as Head of Preparation Work Group for Establishment of Children and Families' Agency, Cabinet Secretariat (Retired in June 2022) March 2023: Standing Outside Audit &amp; Supervisory Board Member of the Company (Current Position)</p>
	<p><b>Nobuo Inada</b> Audit &amp; Supervisory Board Member (Independent Outside Audit &amp; Supervisory Board Member)</p> <p>Date of birth: August 14, 1956 Term of office: 4 years from March 2023 Number of shares held: 0</p>	<p>April 1981: Appointed as Public Prosecutor October 2008: Deputy Vice-Minister of Justice, Ministry of Justice August 2011: Director-General, Criminal Affairs Bureau, Ministry of Justice January 2014: Vice-Minister of Justice, Ministry of Justice September 2016: Superintending Prosecutor, Sendai High Public Prosecutors Office September 2017: Superintending Prosecutor, Tokyo High Public Prosecutors Office July 2018: Prosecutor-General (Retired in July 2020)</p>	<p>October 2020: Registered as Attorney at Law (Current Position) June 2021: Outside Director, Audit &amp; Supervisory Board Member, Nomura Securities Co., Ltd. (Current Position) March 2023: Outside Audit &amp; Supervisory Board Member of the Company (Current Position)</p> <p><b>Significant Concurrent Positions Outside the Company</b> Attorney at Law, Inada Law Firm Outside Director, Audit &amp; Supervisory Board Member, Nomura Securities Co., Ltd.</p>
	<p><b>Emiko Takeishi</b> Audit &amp; Supervisory Board Member (Independent Outside Audit &amp; Supervisory Board Member)</p> <p>Date of birth: February 16, 1960 Term of office: 3 years from March 2024 Number of shares held: 0</p>	<p>April 1982: Joined the Ministry of Labour July 1992: Joined NLI Research Institute April 2003: Assistant Professor, Institute of Social Science, The University of Tokyo April 2004: Research Fellow, NLI Research Institute April 2006: Assistant Professor, Faculty of Lifelong Learning and Career Studies, Hosei University April 2007: Professor, Faculty of Lifelong Learning and Career Studies, Hosei University (Current Position) February 2015: Outside Corporate Auditor, Kewpie Corporation June 2015: Outside Audit &amp; Supervisory Board Member, Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. (Current Position)</p>	<p>June 2023: Outside Audit &amp; Supervisory Board Member, KAJIMA CORPORATION (Current Position) March 2024: Outside Audit &amp; Supervisory Board Member of the Company (Current Position)</p> <p><b>Significant Concurrent Positions Outside the Company</b> Professor, Faculty of Lifelong Learning and Career Studies, Hosei University Outside Audit &amp; Supervisory Board Member, Tokio Marine &amp; Nichido Fire Insurance Co., Ltd. Outside Audit &amp; Supervisory Board Member, KAJIMA CORPORATION</p>

Notes: 1. For reasons for appointment of the Directors and Audit & Supervisory Board Members, please refer to the Notice of Convocation of the 39th Ordinary General Meeting of Shareholders  
2. We have established a set of independence criteria. For details, please refer to the JT Corporate Governance Policy

Executive Officers

(As of January 1, 2024)

**President**  
**Masamichi Terabatake**  
Chief Executive Officer\*

**Executive Vice Presidents**

**Kei Nakano**  
Finance, Corporate Communications, Business Development and D-LAB

**Koji Shimayoshi**  
Corporate Governance, Compliance, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance, Pharmaceutical Business and Food Business

**Senior Vice Presidents**

**Junichi Fukuchi**  
Chief Executive Officer, Tobacco Business, Japan

**Daniel Torras**  
Performance & Integration, Tobacco Business, Japan

**Suguru Fujiwara**  
Corporate Affairs & Communications, Tobacco Business, Japan

**Nobuhiro Uezawa**  
Manufacturing, Tobacco Business, Japan

**Igor Dzaja**  
Marketing, Tobacco Business, Japan

**Kazuyuki Inui**  
Sales, Tobacco Business, Japan

**Muneaki Fujimoto**  
President, Pharmaceutical Business

**Makoto Kakutani**  
Head of Central Pharmaceutical Research Institute, Pharmaceutical Business

**Keisuke Nakagomi**  
Food Business

**Osamu Hirose**  
General Counsel

**Hiroyuki Fukuda**  
Corporate Strategy and Business Development

**Kenji Ogura**  
Corporate Governance and Compliance

**Hisato Imokawa**  
Chief Sustainability Officer

**Hiromasa Furukawa**  
Chief Financial Officer and Corporate Communications

**Yoshiyuki Mishima**  
People & Culture

**Hisashi Shimobayashi**  
Information Technology

**Yuki Otaki**  
D-LAB

\* Masamichi Terabatake concurrently serves as President of Tobacco Business

JTI CEO / Executive Vice Presidents

(As of April 1, 2024)

**Eddy Pirard**  
President & CEO

**Nobuya Kato**  
Executive Vice President and Deputy CEO

**Stefan Fitz**  
Executive Vice President, Chief Commercial Officer

**Rob Stanworth**  
Executive Vice President, Chief Consumer and Product Officer

**Takehiko Tsutsui**  
Executive Vice President, Reduced-Risk Products

**Vassilis Vovos**  
Executive Vice President, Chief Financial Officer

Note: JTI Executive Committee members including the members above can be found on the [JTI website](#)

## 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

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	●	●		●	●	●	●	●	●
Kei Nakano	Representative Director	●		●	●		●			●
Koji Shimayoshi	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 Outside Audit & Supervisory Board Member			●	●		●	●	●	
Nobuo Inada	Outside Audit & Supervisory Board Member			●	●		●	●	●	
Emiko Takeishi	Outside Audit & Supervisory Board Member				●		●	●	●	

## Risk management

The JT Group identifies and closely monitors risks that could affect its operations and implements measures to both prevent them from materializing and minimize their impacts if they were to materialize. We have established an integrated system for identifying and managing all identified risks.

We appropriately manage these risks to properly seize opportunities and strategically develop our business in order to realize sustainable profit growth over the medium- and long-term. Our risk management process comprises the following four steps.

① Identify risks	An executive appointed by the CEO to be in charge of risk management (currently the Executive Officer in charge of corporate governance and compliance) identifies all risks that could affect the JT Group.
② Assess risks	Executive Officers assess risks in their respective organizational units probability of materializing and the magnitude of its impact if it were to materialize. They identify material risks that should be prioritized with attention and report them to the executive in charge of risk management. Based on such reports, the executive in charge of risk management identifies Group-level material risks with the potential to inflict major losses in terms of attainment of the Group's management targets and business strategies and reports said risks to the CEO.
③ Formulate plans to address risks	Executive Officers oversee formulation of plans to address the JT Group's material risks and submit them to the executive in charge of risk management and the CEO.
④ Monitor progress of plans	Executive Officers regularly report to the executive in charge of risk management and the CEO on the progress of the plans to address the Group's material risks.

We have prepared crisis management and disaster response manuals in preparation for emergencies. When a crisis or natural disaster occurs, we set up an emergency project task force. We have made advance arrangements to enable concerned organizational units and subsidiaries to swiftly take appropriate action in close coordination with each other

under the direction of senior executives. Such incidents and pertinent information about them are reported to the Board of Directors in a timely and appropriate manner.

▶ Please see [Risk factors \(P. 128\)](#) for more on risks facing the JT Group.

## Compliance

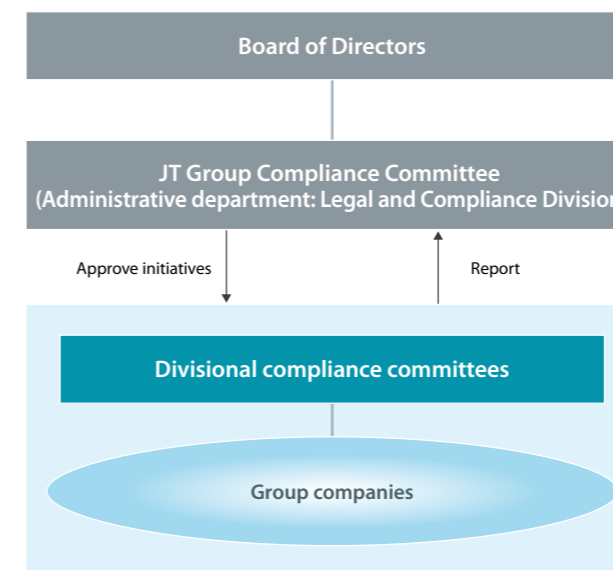
We enforce strict compliance. We have instituted a Code of Conduct that mandates that all Directors and employees act in compliance with applicable laws, government regulations, our Articles of Incorporation and societal norms pursuant to regulations established by the Board of Directors. To achieve the compliance management that we aim for, we have established the JT Group Compliance Committee whose members are the CEO, Executive Vice Presidents and an outside expert.

From 2024, the JT Group Compliance Committee will become a deliberative body responsible for the executive management and promotion of compliance for the entire JT Group, and will report on this work to the Board of Directors. In terms of changes to structure, the Committee will be

comprised of the CEO, Executive Vice Presidents and an outside expert, with the CEO serving as committee chair. We appoint an Executive Officer in charge of compliance who oversees the Legal and Compliance Division and strive to establish/promote a crossover system on a Group-wide basis as well as to grasp the issues. 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 2023, under the previous compliance system, the JT Group Compliance Committee met three times to discuss initiatives to further promote compliance. Its conclusions have been reflected in the Compliance Action Plan for 2024.

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 (Directors, employees and others of the Company and 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/enhance compliance programs, address priority compliance issues, conduct trainings and seminars, operate the internal reporting system and implement Compliance Promotion Month.

## Compliance surveys

We annually conduct a Group-wide questionnaire survey to check the status of compliance practices in our Japanese operations. In 2023, 96.7% of employees completed the survey. The survey's findings are reported to Directors and employees, and are used by concerned organizational units to reassess their respective compliance plans and formulate and implement measures to improve compliance.

## 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, JT has set up another hotline apart from the one staffed by its Legal and Compliance Division. The second hotline is independent from organizational units involved in operational execution and staffed by Audit & 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. JT 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.

## Quality control

We are committed to maintaining the public's trust in our products. To do so, we have implemented quality assurance systems across all of our businesses.

### Tobacco business

For tobacco products, we are building a globally uniform quality assurance model and making necessary changes based on this model with the aim of providing high-quality products.

Our quality assurance activities fundamentally aim to improve quality and rectify deficiencies by providing feedback to concerned organizational units about quality issues identified based on quality information from markets and related research. For example, when our RRP (Reduced-Risk Products) devices are in the development stage, we confirm that they not only comply with applicable laws and regulations but also that they meet industry safety standards for electric products by having them evaluated as needed by external specialists.

Additionally, in conjunction with measures to strengthen the tobacco business's operating model, we established Quality Assurance in January 2022 as a new organization independent from the tobacco business's markets and other

global operational functions. Quality Assurance endeavors to provide high-quality products by assuming accountability for quality assurance activities across the entire value chain from R&D through procurement, manufacturing, marketing, distribution and sales based on fair decisions from the consumer's\* standpoint.

### Pharmaceutical business

In our pharmaceutical business, we are strictly committed to safety and quality control in compliance with regulations such as the Pharmaceutical and Medical Device Act and ministerial ordinances that govern pharmaceutical quality and safety.

### Processed food business

In our processed food business, we place utmost priority on food safety management across the entire value chain from sourcing ingredients to delivering products to consumers. We do so under our four-pronged framework, consisting of the following viewpoints: Food Safety, Food Defense, Food Quality and Food Communication.

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

## 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 2022, 88% 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 employees' awareness of information security.

## Internal auditing

Our Internal Audit Division conducts internal audits from an objective standpoint independent from 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, and may freely and regularly confer with the CEO and our subsidiaries' senior-most executives about internal audit findings, internal controls' status and risk assessments.

Our subsidiaries may set up their own internal auditing organizations at their own discretion. Those that have done so include major subsidiaries JTI, TS Network, Torii Pharmaceutical 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 internal audits' efficiency and effectiveness, 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.

### Internal controls over JT International

The tobacco business is operated by JTI, a subsidiary of holding company JT International Holding B.V. With appointees from JT occupying a majority of seats on the latter's Board of Directors, JT sets the tobacco business's overall strategy. Major decision-making authority and procedures between JT and JTI are prescribed in internal regulations, most notably our Responsibility and Authority Regulations. From an operational agility standpoint, JT has delegated a certain degree of authority to JTI while retaining approval authority over JTI's budgets and midterm plans, as well as proposed investments that exceed a certain materiality threshold. Through such arrangements, JT endeavors to exercise governance over JTI. JTI has its own internal regulations on delegation of responsibilities and authority called the JTI Operating Guidelines. JTI delegates authority to its market subunits, plants and executive offi-

cers within the scope of authority delegated to it by JT.

Additionally, JT's Audit & Supervisory Board Members and Operational Review and Business Assurance Division are authorized to audit JTI. JT's Audit & Supervisory Board Members audit JTI as warranted. While JTI's internal audits are conducted by its own internal auditing staff, JT's Internal Audit Division audits joint JT-JTI operations in coordination with JTI's internal auditing staff. The results of audits by JTI's internal auditing staff are reported to the Board of Directors of JT International Holding B.V.

Through these arrangements, JT is building an appropriate governance regime.

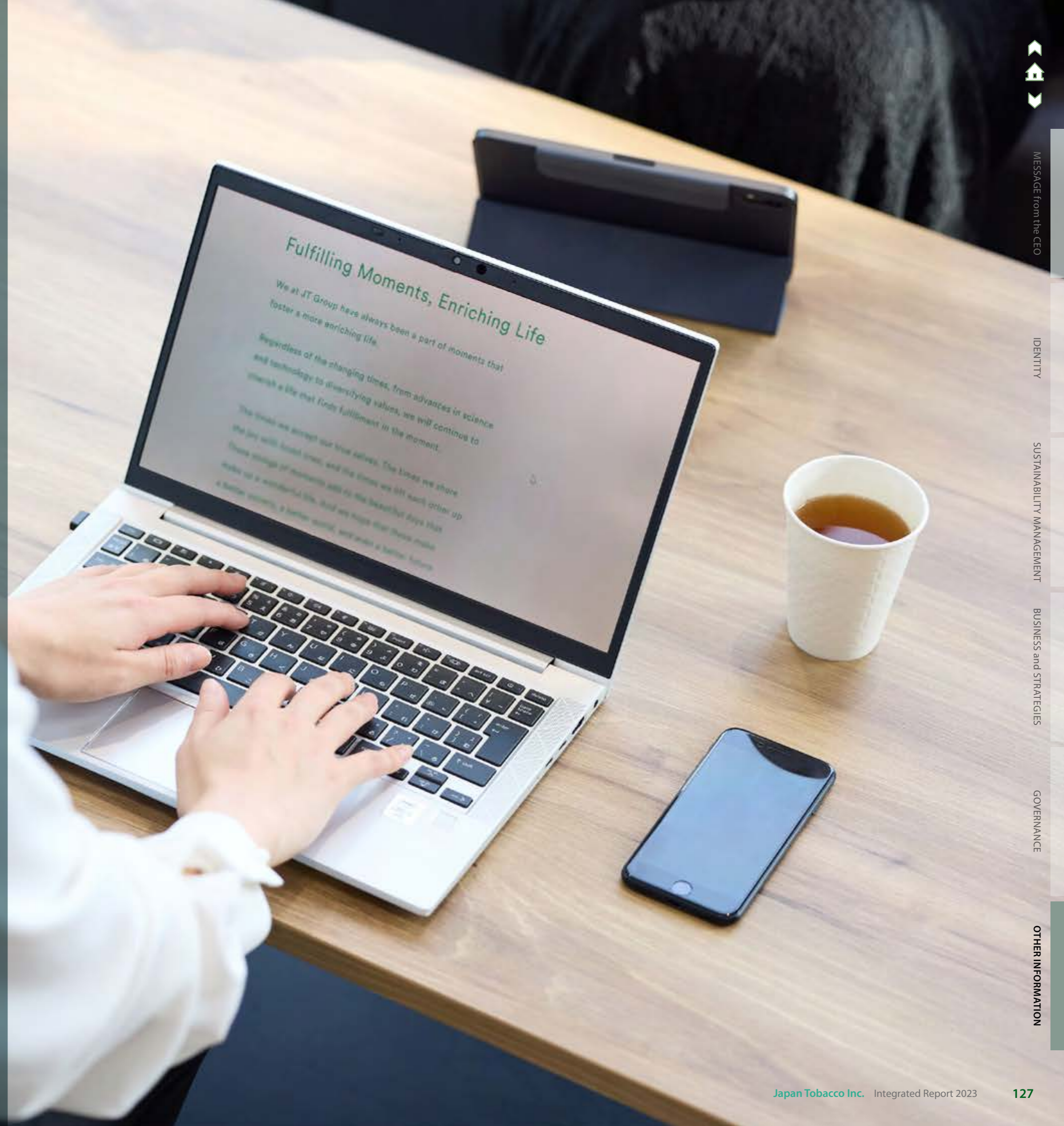


# OTHER INFORMATION

In this chapter, we present an overview of the current status of the JT Group, covering both quantitative financial performance trends and qualitative environmental assessments such as risk factors, and external evaluations.

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Photo on the right taken at a JT office



# Risk factors

The JT Group is a leading global tobacco company, selling products in more than 130 markets. It also operates pharmaceutical and processed food businesses. Our operations are subject to various risks stemming from their attributes, changes in business environments, and other factors.

We identify and closely monitor risks that could affect our operations and implement measures to prevent them from materializing and mitigate their impacts in the event that they come to pass.

We have established an integrated system for identifying and managing all identified risks. We promote a four-step risk management process: (1) identify risks, (2) assess them, (3) formulate plans to address them and (4) monitor the plans' progress.

The risks enumerated below are not all-inclusive. Other risks exist that could affect our operations and/or financial results.

This following discussion of risk factors should be read together with "FORWARD-LOOKING STATEMENTS" on P. 149.

Risk factors	Risk description	Potential impact(s)	Main measures to address risk
<b>1 Large or repeated tax increases</b>	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.	<ul style="list-style-type: none"> <li>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</li> <li>Optimize product portfolio for adaptability to changes in consumers* preferences and behavior</li> <li>Strengthen and expand global operational platform and increase number of consistently profitable markets to avoid overdependence on profits from a few markets</li> <li>Further improve cost efficiency to ensure adequate profitability</li> <li>Set prices appropriately to minimize tax increase impact in affected markets</li> </ul>
<b>2 Growth in illicit trade</b>	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.	<ul style="list-style-type: none"> <li>Take action to eradicate illicit trade in cooperation with governments, regulatory authorities and law enforcement agencies</li> <li>Operate a track-and-trace system for tobacco products and analyze the movement of products through the supply chain</li> <li>Do business only with reputable parties in accord with stringent compliance policies</li> <li>Educate consumers* on negative consequences of purchasing illegitimate products</li> </ul> <p>▶ For more details on activities to eradicate illicit trade, please see <a href="#">Tackling illegal trade</a> for more details.</p>
<b>3 Tightening of tobacco regulations</b>	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.	<ul style="list-style-type: none"> <li>Expediently collect accurate information to learn of regulatory developments</li> <li>Pursue constructive dialogue with governments and regulatory authorities to encourage reasonable, unbiased regulation that fulfills its intended objective</li> </ul> <p>▶ Please see <a href="#">Regulation and key laws (P. 132)</a> for more details.</p>
<b>4 Competition</b>	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 Gallaher Group Plc. 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.	<ul style="list-style-type: none"> <li>Optimize product portfolio by offering products that meet consumer* needs and changing preferences/behavior, and by achieving strong brand positioning in every price segment</li> <li>Strengthen sales capabilities and conduct effective sales promotions</li> <li>Further improve cost efficiency to ensure profitability</li> <li>Strengthen and expand global operational platform and increase number of consistently profitable markets to avoid overdependence on profits from a few markets</li> </ul>
<b>5 Country risk</b>	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 2023.	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.	<ul style="list-style-type: none"> <li>Collect and monitor information related to country risk in markets in which we operate to maintain stable operations</li> <li>Strengthen and expand global operational platform and increase number of consistently profitable markets to avoid overdependence on profits from a few markets</li> </ul>

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

Risk factors	Risk description	Potential impact(s)	Main measures to address risk
<b>6 Currency risk</b>	<p>Our operations' global scope exposes us to currency risk.</p> <p>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. Additionally, in our international tobacco business, JT International Holding B.V. consolidates its foreign subsidiaries' financial statements into financial statements presented in US dollars. Its financial statement data are affected by changes in exchange rates between the US dollar and other local currencies used by those foreign subsidiaries. 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.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>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</li> </ul>
<b>7 Unfavorable litigation developments</b>	<p>Some of JT's subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking or vaping, the marketing of tobacco or E-Vapor products or exposure to tobacco smoke. There are lawsuits involving smoking/vaping 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.</p> <p>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.</p>	<p>To date, the JT Group has never lost a case or paid any settlement award in connection with smoking/vaping and health-related litigation. However, the 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.</p> <p>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.</p> <p>Apart from smoking/vaping and health-related ones, 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.</p>	<ul style="list-style-type: none"> <li>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</li> <li>Coordinate with experienced external counsel if necessary and respond to litigation cases pertaining to the JT Group in a timely and appropriate manner</li> </ul> <p>▶ Please see <a href="#">Litigation (P. 135)</a> for more details.</p>
<b>8 Natural disasters and other contingency situations</b>	<p>Our financial results could be adversely affected by earthquakes, tsunamis, typhoons, floods, other natural disasters and pandemic consequences, potentially including employee casualties, supply shortages due to damage to suppliers' facilities, disruptions in transportation, distribution services and/or sales channels, power outages, water service interruptions, and reduced demand for our products.</p> <p>To minimize natural disasters' impact on our operations, we have adopted a Business Continuity Plan, the scope of which includes global supply chain optimization.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>Routinely gather and relay information related to crisis management on ongoing basis</li> <li>Insure key assets with casualty insurance as appropriate</li> <li>Periodically review business continuity plans and revise them as warranted</li> <li>Conduct initiatives such as disaster preparedness drills and foster disaster preparedness mindset among employees</li> </ul>
<b>9 Climate change</b>	<p>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.</p> <p>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.</p>	<p>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.</p>	<ul style="list-style-type: none"> <li>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</li> <li>Strive to reduce Greenhouse Gas (GHG) emissions to Net-Zero across our value chain to mitigate climate change's impacts</li> <li>Implement the measures in Section 8 above to address risks posed by natural disasters and other contingencies, which may be exacerbated by climate change</li> </ul> <p>▶ Please see <a href="#">Improving our environmental impact (P. 44)</a> for more details.</p>

# Regulation 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 second-hand 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. In accordance with the Tobacco Institute of Japan (TIOJ)'s voluntary standards, 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 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 RRP (Reduced-Risk Products), 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 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 HTP (heated tobacco products). 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](https://www.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.

## 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<sup>\*1</sup>). 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<sup>\*2</sup>, which took effect 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.

<sup>\*1</sup> Defined as classes of shares with no right to vote on any resolutions at general meetings of shareholders

<sup>\*2</sup> The Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake

## Litigation

Some of JT’s subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking or vaping, the marketing of tobacco or E-Vapor products or exposure to tobacco smoke. There are lawsuits involving smoking/vaping 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.

There are 10 ongoing health care cost recovery cases in Canada pending 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 are 8 pending class actions in Canada where plaintiffs are seeking damages for harm allegedly caused by smoking of cigarettes. Damages claimed in some of these cases reach sums in the multi-billion-dollar range. We will continue to take all appropriate actions to defend such claims vigorously and believe there are a number of valid defenses.

On March 8, 2019, JTI-Mac filed for protection from its creditors under Canada’s Companies’ Creditors Arrangement Act (CCAA). The Ontario Superior Court granted the CCAA application on the same date and extended the protection in favor of JTI-Mac. All the Canadian matters against JTI-Mac referred to herein have been stayed by the court order. JTI-Mac carries on business in the ordinary course under the CCAA.

In recent decades, numerous, large-scale smoking and health-related cases have been brought against tobacco product manufacturers in the U.S. and some of the cases initially resulted in verdicts with massive damage awards. We are not defendants in any of these lawsuits, nor are we subject to any indemnity claims with respect to them. The JT Group’s U.S. tobacco business does not include the domestic U.S. counterparts of the non-U.S. business that the JT Group acquired from RJR Nabisco Inc. in 1999, or the non-U.S. Natural American Spirits business that it acquired from the Reynolds American Inc. group in 2016.

There is ongoing litigation in the U.S. alleging health effects associated with E-Vapor use and harm caused to consumers by misleading representations and advertising for which plaintiffs are seeking damages and/or demanding health warnings against E-Vapor manufacturers in the U.S. One such case has been brought against a number of E-Vapor manufacturers including JT subsidiaries. This case has been stayed by a court order. We believe that the JT subsidiaries have valid grounds to defend this case and intend to do so vigorously.

Even now, the scale of the JT Group’s U.S. tobacco business historically has been quite small and, even now, its market share remains relatively small. Hence, we believe that litigation in the U.S. will not materially affect its businesses in the foreseeable future.

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

To date, the JT Group has never lost a case or paid any settlement award in connection with smoking/vaping and health-related litigation. However, the 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, regardless of the results of these lawsuits, critical media coverage may reduce social tolerance of smoking, strengthen public regulations 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 ones, the JT Group also may become the 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.

# Financial information

## Long-term consolidated financial data

		Fiscal year-end changed									(Millions of yen)
	Mar. 2014	Dec. 2014 <sup>*1, *2</sup>	Dec. 2015 <sup>*2</sup>	Dec. 2016	Dec. 2017	Dec. 2018	Dec. 2019	Dec. 2020	Dec. 2021	Dec. 2022	Dec. 2023
Revenue	2,399,841	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
Cost of sales	(979,975)	(822,538)	(920,056)	(872,433)	(843,558)	(933,034)	(942,299)	(898,001)	(956,861)	(1,090,989)	(1,225,974)
SG&A expenses	(828,942)	(752,559)	(789,346)	(754,115)	(786,911)	(770,407)	(831,707)	(784,472)	(888,574)	(941,538)	(981,052)
Operating profit	648,260	499,880	565,229	593,329	561,101	564,984	502,355	469,054	499,021	653,575	672,410
Profit attributable to owners of the parent company	427,987	362,919	485,691	421,695	392,409	385,677	348,190	310,253	338,490	442,716	482,288
Adjusted operating profit	641,777	588,684	626,657	586,777	585,300	595,463	515,927	486,952	610,434	727,779	728,002
Capital expenditures	156,158	112,448	129,751	112,998	140,905	159,808	131,434	112,883	100,882	101,044	125,361
Depreciation & amortization	132,921	113,989	133,123	140,794	145,407	158,671	183,852	179,654	187,057	199,651	179,652
R&D expenses	57,103	44,008	57,796	58,193	60,600	65,377	64,079	60,847	65,016	70,808	75,098
<b>Current assets</b>	<b>1,489,713</b>	<b>1,696,874</b>	<b>1,798,217</b>	<b>1,605,990</b>	<b>1,707,767</b>	<b>1,809,406</b>	<b>1,925,673</b>	<b>2,003,919</b>	<b>2,321,289</b>	<b>2,723,591</b>	<b>3,259,561</b>
PPE& PP&E intangible assets (excl. goodwill)	1,165,088	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	1,028,482
Goodwill	1,584,432	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
Other non-current assets	377,533	347,417	316,388	431,592	397,725	381,660	381,130	345,178	328,960	356,026	377,615
<b>Total assets</b>	<b>4,616,766</b>	<b>4,704,706</b>	<b>4,558,235</b>	<b>4,744,374</b>	<b>5,221,484</b>	<b>5,461,400</b>	<b>5,553,071</b>	<b>5,381,382</b>	<b>5,774,209</b>	<b>6,548,078</b>	<b>7,282,097</b>
<b>Current liabilities</b>	<b>1,255,834</b>	<b>1,360,098</b>	<b>1,265,920</b>	<b>1,356,574</b>	<b>1,478,623</b>	<b>1,430,185</b>	<b>1,501,757</b>	<b>1,323,793</b>	<b>1,500,326</b>	<b>1,562,664</b>	<b>1,927,276</b>
Non-current liabilities	764,842	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
<b>Total liabilities</b>	<b>2,020,675</b>	<b>2,082,204</b>	<b>2,036,710</b>	<b>2,216,333</b>	<b>2,379,456</b>	<b>2,760,955</b>	<b>2,809,459</b>	<b>2,781,888</b>	<b>2,888,128</b>	<b>2,931,317</b>	<b>3,369,605</b>
Equity attributable to owners of the parent company	2,505,610	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
Non-controlling interests	90,481	85,665	69,929	71,950	80,340	69,851	80,916	76,660	76,823	76,326	82,336
<b>Total equity</b>	<b>2,596,091</b>	<b>2,622,503</b>	<b>2,521,524</b>	<b>2,528,041</b>	<b>2,842,027</b>	<b>2,700,445</b>	<b>2,743,611</b>	<b>2,599,495</b>	<b>2,886,081</b>	<b>3,616,761</b>	<b>3,912,491</b>
<b>Per share data</b>											
Dividends (yen)	96	100	118	130	140	150	154	154	140	188	194
EPS (yen)	235.48	199.67	270.54	235.47	219.10	215.31	195.97	174.88	190.76	249.45	271.69
Diluted EPS (yen)	235.35	199.56	270.37	235.33	218.97	215.20	195.87	174.80	190.68	249.36	271.63
Equity (yen)	1,378.57	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
<b>Cash flow data</b>											
Net cash flows from operating activities	396,496	543,696	468,432	376,549	419,212	461,389	540,410	519,833	598,909	483,799	567,014
Net cash flows from investing activities	(163,473)	(49,110)	(63,271)	(687,509)	(352,632)	(383,307)	(123,571)	5,354	(97,499)	(101,822)	(126,129)
Net cash flows from financing activities	(145,189)	(388,859)	(254,852)	91,318	(77,032)	(62,360)	(333,832)	(297,404)	(353,138)	(306,176)	(270,500)
Cash & cash equivalents at FY-end	253,219	385,820	526,765	294,157	285,486	282,063	357,158	538,844	721,731	866,885	1,040,206
<b>Financial metrics</b>											
ROE (%)	19.9	14.4	19.5	17.2	15.0	14.3	13.2	12.0	12.7	13.9	13.1
ROA (%)	15.0	10.8	14.8	12.4	10.8	10.0	8.4	7.7	8.5	9.6	9.0
Debt equity ratio (times)	0.15	0.09	0.10	0.23	0.27	0.38	0.37	0.38	0.33	0.27	0.30
Dividend payout ratio (%)	40.8	50.1	53.2 <sup>*3</sup>	55.2	63.9	69.7	78.6	88.1	73.4	75.4	71.4
Ratio of equity attributable to owners of the parent company to total assets (%)	54.27	53.92	53.78	51.77	52.89	48.17	47.95	46.88	48.65	54.07	52.60
Liquidity	259,261	389,473	528,967	297,024	291,819	308,651	375,823	548,303	730,183	880,378	1,080,930
Interest-bearing debt	375,881	228,214	255,291	555,257	755,804	987,588	974,502	958,881	918,622	958,311	1,142,259

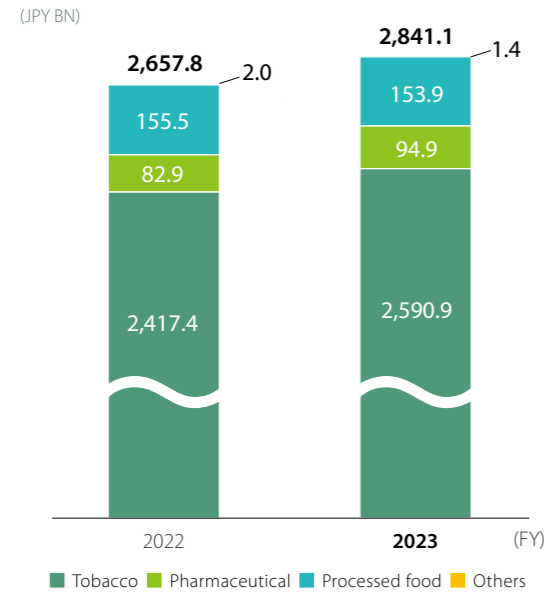
\*1 FY2014 was nine months long (Jan.-Sep. 2014) because of a change in fiscal year-end from March to December

\*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

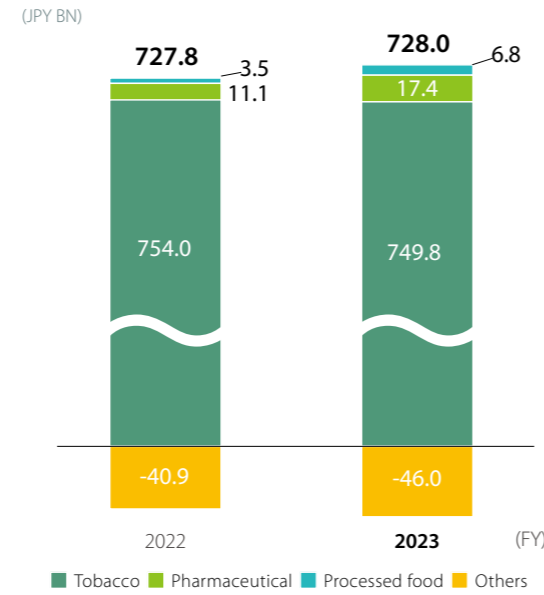
\*3 In 2015, the beverage business was classed as a discontinued operation, due to the Company transferring its shares and other securities in its beverage vending machine operator subsidiary, as well as terminating the manufacturing and sale of beverages. The consolidated dividend payout ratio, including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

Financial data for each business

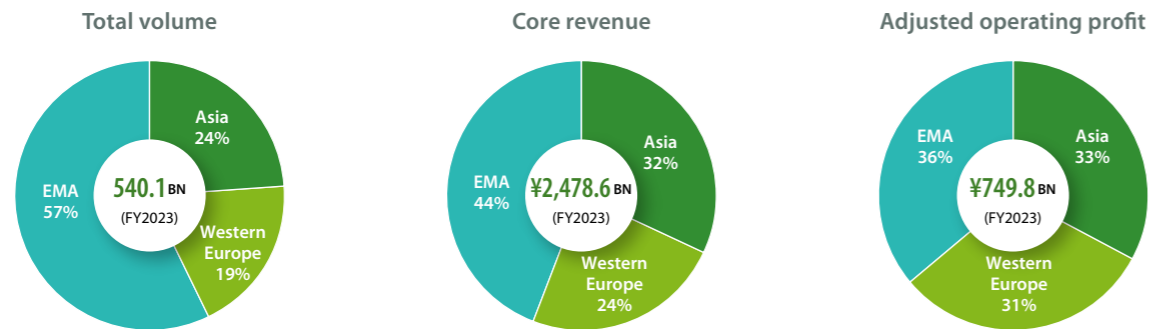
Revenue by business segment



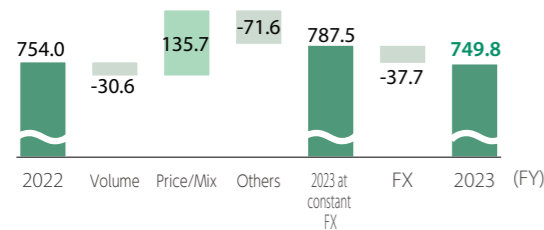
Consolidated adjusted operating profit by business segment



Tobacco business FY2023 financial data overview



Revenue by business segment (JPY BN)



Note: The results for fiscal year 2022 and fiscal year 2023 on a reported basis have been adjusted to include the impact of hyperinflationary accounting in accordance with the requirements stipulated in IAS 29. The results for fiscal year 2022 and fiscal year 2023 on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets

- Volume (-)**
  - Total volume growth was more than offset by an unfavorable market mix
- Price/Mix (+)**
  - Pricing contribution in multiple markets, including the Philippines, Russia and the UK, partially offset by lower product mix due to downtrading in key markets
- Others (-)**
  - Higher input costs within the supply chain
  - Investments towards both combustibles and HTS (heated tobacco sticks)
- FX (-)**
  - Unfavorable foreign exchange impact on AOP, mainly due to the depreciation of several local currencies from emerging markets

Tobacco business: Breakdown of core revenue by cluster

	Asia	Western Europe	EMA	Total
2022	804.9	538.8	971.5	2,315.2
Volume	+2.4	-40.9	+41.3	+2.8
Price/Mix	-18.9	+54.6	+108.6	+144.3
2023@PY	788.3	552.5	1,121.5	2,462.4
FX	+8.6	+50.7	-43.1	+16.3
2023	796.9	603.3	1,078.5	2,478.6

Tobacco business: Breakdown of adjusted operating profit by cluster

	Asia	Western Europe	EMA	Total
2022	267.5	219.3	267.1	754.0
Volume	-12.0	-37.6	+19.0	-30.6
Price/Mix	-16.9	+51.0	+101.6	+135.7
Others	+10.9	-14.2	-68.3	-71.6
2023@PY	249.5	218.5	319.4	787.5
FX	-3.7	+12.9	-47.0	-37.7
2023	245.8	231.4	272.5	749.8

Tobacco business: Key Market and Volume & Share evolution\*

	Total volume (BNU)	YoY	Total SoM	YoY
Japan	63.7	+1.3%	42.8%	+0.3ppt
The Philippines	24.1	-4.7%	42.4%	+3.9ppt
Taiwan	14.0	-3.4%	50.3%	+1.4ppt
Italy	18.7	+1.6%	23.2%	+0.2ppt
Spain	14.4	-5.0%	27.9%	-0.1ppt
The U.K.	15.2	-18.7%	43.7%	-0.9ppt
Romania	7.6	+4.6%	27.4%	-0.1ppt
Russia	77.3	+0.7%	37.4%	+0.8ppt
Turkey	36.4	+12.8%	26.9%	-0.9ppt

\* Total SoM is computed based on combustibles and heated tobacco products industry size for Japan, Italy, Spain, the U.K., Romania, and Russia  
Rest of the key markets are computed based on combustibles

# JT Group Sustainability Targets



Materiality	Target items	Targets
Living with the Planet	<b>Biodiversity impact assessment</b> New	Each of the JT Group businesses will perform assessments to evaluate its impact and dependency on ecosystem, including biodiversity aspects. Impact assessments of our tobacco business will be performed by 2024, and our pharmaceutical and processed food business by 2025.
	<b>Emissions reduction</b>	The JT Group will reduce its emissions and commits to be Carbon Neutral for its own operations by 2030 and achieve Net-Zero Greenhouse Gas emissions across its entire value chain by 2050. <ul style="list-style-type: none"> <li>By 2030, we commit to reduce absolute Scope 1 and 2 GHG emissions by 47% in line with a 1.5°C reduction pathway against a 2019 base year</li> <li>By 2030, we commit to reduce absolute Scope 3 GHG emissions associated with purchased goods and services by 28% against a 2019 base year</li> <li>Our tobacco business will be Carbon Neutral for its own operations by 2030 and will achieve Net-Zero greenhouse gas emissions across its entire value chain by 2050. In support of this, the tobacco business will reduce emissions from its own operations by 47% and emissions associated with leaf and non-tobacco materials by 28%, against a 2019 base year</li> <li>Our processed food business will promote energy-saving initiatives and introduce renewable energy to contribute to the Group's emissions reduction targets and to improve impact on environment</li> </ul>
	<b>Renewable energy</b> Revised	By 2050, the JT Group will transition all of our energy use to zero carbon energy by 2050. <ul style="list-style-type: none"> <li>We will increase the proportion of renewable electricity that we use to 50% by 2030 and 100% by 2050. In our tobacco business, 50% by 2025 and 100% by 2040</li> </ul>
	<b>Protecting water</b> Revised	The JT Group will engage in responsible water management and will pursue the following: <ul style="list-style-type: none"> <li>We will monitor the Group's use of water in areas with water scarcity. Our tobacco business will reduce water withdrawal in its own operations by 33% by 2030 against a 2019 base year. Our processed food business will pursue efficient water use and wastewater quality management to preserve water stewardship as a member of the local community</li> <li>We will monitor water recycling at the Group's production facilities</li> <li>We will prevent water pollution based on the Group's standards, which should be equal to or stricter than local legal requirements</li> <li>Our tobacco business will have 100% of its eligible production facilities certified against the Alliance for Water Stewardship standard by 2030</li> </ul>
	<b>Enhancing biodiversity – No deforestation, no conversion</b> Revised	With a view to enhancing biodiversity, the JT Group will contribute further to preserving forestry by pursuing the following in our tobacco business supply chain: <ul style="list-style-type: none"> <li>Replace all wood from natural forests used in the tobacco curing process of its directly contracted leaf growers with renewable fuel sources by 2030</li> <li>No deforestation of natural forests in the operations and supply chains for tobacco leaf, paper and pulp-based materials by 2025 and in our entire supply chain by 2030</li> <li>No conversion of natural ecosystem in the tobacco business' own operations and supply chains for tobacco, paper and pulp-based materials in high conservation value areas by 2025 and all natural lands by 2030</li> <li>Zero net deforestation of managed natural forests in the entire tobacco business supply chain by 2030</li> </ul>

Materiality	Target items	Targets
Investing in our People and Supporting their Growth	<b>Waste reduction</b> Revised	The JT Group will further reduce the environmental impacts of waste associated with its processes and products. <ul style="list-style-type: none"> <li>Zero factory waste to landfill by 2030 in our tobacco business</li> <li>Our tobacco business will engage trade and consumers on responsible disposal of devices through take-back schemes for Ploom, and through anti-littering campaigns for consumables</li> <li>Our processed food business will pursue waste reduction to contribute to a circular society and will aim to recycle 95% of all waste from its Japanese offices (excluding waste heat recovery)</li> </ul>
	<b>Designing for circularity – packaging, product and device</b> Revised	The JT Group will reduce our packaging (including plastic) and ensure that the remaining is 88% reusable or recyclable by 2025, rising to 100% by 2030. <ul style="list-style-type: none"> <li>Our tobacco business will reduce packaging and achieve 85% recyclability by 2025, rising to 100% by 2030</li> <li>In total, recycled content will account for 20% of our tobacco business packaging by 2025. The tobacco business will seek to further increase the use of recycled materials in its packaging</li> <li>In our tobacco business, plastic in our packaging mix is only 7% by weight. The tobacco business will aim to further reduce the use of virgin plastic in its packaging. We are also working to develop more sustainable filter alternatives</li> <li>Our tobacco business will take a phased approach in embedding learnings in its circular device development globally, by achieving battery removability &amp; replaceability for 100% of its RRP* devices shipped to the EU by 2027</li> <li>Our processed food business will reduce packaging weight and utilize renewable plant-based resources to reduce environmental impact of its products</li> </ul>
	<b>Sustainable agriculture</b> New	Our tobacco business will complete the elimination of Criterion 1 Highly Hazardous Pesticides (HHPs) from its direct tobacco leaf supply chain in 2024 and eliminate the use of all HHPs by 2040. 100% of our directly-contracted growers will have adopted Good Agricultural Practices (GAP) Protocol of our tobacco business by 2030.
	<b>Reduced-Risk Products</b> Revised	Our tobacco business will make its RRP* available in an increasing number of countries worldwide.
Value Creation that Exceeds Consumer Expectations	<b>Transparency in Reduced Risk Science</b> New	In our tobacco business, we will ensure that reduced risk claims are substantiated and that we are transparent about the risks of our products.
	<b>Youth Access Prevention (YAP)</b> New	In our tobacco business, we will continue deliver training on YAP to our marketing and sales force. We will also continue to work with our trading partners to ensure compliance with its YAP pillars.
	<b>Creating first-in-class drugs</b>	In our pharmaceutical business, we will continue our efforts and investments in research and development activities for innovative drugs in specific therapeutic areas.
	<b>Food inclusion</b> Revised	In our processed food business, we will be aware of the diversifying values and interests of our consumers. Most of all so that our consumers can enjoy delicious food, we will not only exclude certain raw materials, but also develop and provide high-value-added products, such as allergy-friendly products, products that do not use ingredients derived from animals, or products that are health-conscious and satisfy other preferences.

\* RRP(Reduced-Risk Products): Products with the potential to reduce the risks associated with smoking



# JT Group Sustainability Targets



Materiality	Target items	Targets
Investing in our People and Supporting their Growth	<b>Diversity, equity &amp; inclusion</b>	Diversity in gender, nationality, individual experiences, expertise and values forms the foundation of a company's success and contributes to real sustainable growth. We will promote initiatives to enhance diversity and promote inclusion. Furthermore, as part of our efforts to empower women, our Group target for women's representation in managerial positions is to reach 30% by 2030. <ul style="list-style-type: none"> <li>• Target for our tobacco business is to reach and maintain at least 1/3 of managerial positions filled by women</li> <li>• Our processed food business will promote organizational building for our diverse human resources to thrive and take active roles. In this context, the processed food business will work to empower women, with a view to contributing to the JT Group's goal for women in leadership</li> </ul>
	<b>Talent attraction</b> New	We will work to retain and attract our people from each location or business to build a continuous pipeline of talents to lead and manage our business. Our tobacco business will aim at achieving yearly Global Top Employer certification.
	<b>Attractive working conditions</b> New	While working at the JT Group, our employees will go through various stages in life. We will strive to improve our system so that the career path and work-life balance desired by each person is realized. We will also encourage and monitor rates for parental leave, so that we can provide support to our employees in balancing work and family life.
	<b>Health and safety</b> Revised	We will prioritize the health and safety of our employees by proactively monitoring physical and mental health with the goal of achieving zero workplace injuries. <ul style="list-style-type: none"> <li>• Our tobacco business will decrease the injury rate to 0.1 by 2030 in line with its vision of Zero workplace injuries</li> <li>• Our processed food business will aim for injury rates to or below 0.63 by 2030, with a view to achieving Zero workplace injuries</li> </ul>
	<b>Development support</b> New	We will create an ecosystem in which each JT Group employee can consider their own careers and make career choices. We will also provide learning opportunities tailored for each employee to proactively support their growth and the growth of our organization.
	<b>Internal and external collaboration</b>	To promote collaborations within the Group across regions and functions, we will provide opportunities for collaborations while also proactively engage in collaborating with external parties to contribute to the development of inclusive and sustainable communities. Between 2015 and 2030, our employees will contribute 300,000 volunteering hours.
Responsible Supply Chain Management	<b>Supplier screening and supply chain due diligence</b> Revised	The JT Group will screen all key suppliers against ESG criteria. Our tobacco business will screen 100% of its key suppliers against environmental, social and governance criteria by 2023. The tobacco business will also implement Agricultural Labor Practices (ALP) program in all leaf-sourcing countries by 2025. Furthermore, by 2025, our tobacco business will proactively manage ESG risks with all its critical suppliers, to ensure a sustainable business continuity. By 2028, all tobacco supplying entities will achieve a Supply Chain Due Diligence maturity score >90%, verified by an independent third party. By 2025, we will complete supply chain due diligence of all key suppliers for our pharmaceutical business and processed food business and will also perform regular due diligence thereafter. Through the JT Group Supplier Code of Conduct and supplier questionnaires, our processed food business will work jointly with, share its values and communicate closely with its suppliers to realize a sustainable supply chain.

Materiality	Target items	Targets
Responsible Supply Chain Management	<b>Grower living income</b> New	In our tobacco business, the ambition is for all our leaf growers to achieve a living income. By 2025, we will implement our Living Income Calculator in 100% of our direct tobacco leaf supply chain origins.
	<b>Human rights in grower communities</b> Revised	By 2025, our tobacco business will monitor 100% of farms in its direct tobacco leaf supply chain origins on human rights including child labor, and annually disclose related KPIs, prevention and remediation actions.
	<b>Grievance mechanisms</b> New	By 2027, our tobacco business will provide access to remedy via safe, accessible and effective grievance mechanisms for 100% of growers and farm workers in its direct tobacco leaf supply chain origins.
Living with the Planet	<b>Community investment</b>	Between 2015 and 2030 we will invest US\$600 million to help make communities inclusive and resilient, with our employees contributing 300,000 volunteering hours.
Good Governance	<b>Internal control</b>	Our tobacco business will always protect its ability to participate in public policy debate with the aim to achieve balanced regulation that meets societal concern and support business growth. The tobacco business will also engage in dialogue with law enforcement agencies, with the goal to exchange intelligence regarding illegal tobacco products, in order to support the reduction of these products. In our pharmaceutical business, to develop talent and foster employees' ethical awareness and sense of responsibility towards saving patients, we will continue to learn more about patients' needs by engaging in dialogue with medical experts through our internal educational activity "For the Patients Project". We will also conduct, among others, regular training programs for our medical representatives to provide medical professionals with latest, appropriate information on pharmaceutical products. Our processed food business will promote food safety management in compliance with global food safety standards to develop the highest level of food safety. While working on enforcing food safety and quality assurance, the processed food business will also enhance the way it communicates with consumers to provide them with safe, secure and high-quality products.

# Glossary of terms

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

Financials	
<b>Adjusted operating profit</b>	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
<b>Adjusted operating profit at constant currency</b>	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.
<b>Clusters</b>	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 GTR (Global Travel Retail)
<b>Core revenue at constant currency</b>	The sum of revenues in the pharmaceutical business, processed food business, and others, as well as the core revenue in the tobacco business, which is computed using the same foreign exchange rates as in the equivalent period in the previous fiscal year. Results at constant currency are provided additionally and are not an alternative to finance reporting under IFRS.
<b>FCF (free cash flow)</b>	The sum of cash flows from operating activities and investing activities, excluding the following items: • <b>From operating CF:</b> Depreciation from lease transactions, interest received, dividends received, interest paid and income taxes related to these items excluding lease transactions, and other items • <b>From investing CF:</b> 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
<b>IFRS (International Financial Reporting Standards)</b>	The JT Group adopted IFRS from the fiscal year ended March 31, 2012.
<b>Profit</b>	Profit attributable to owners of the parent company
<b>Revenue</b>	Revenue excluding tobacco excise taxes and revenue from agent transactions • <b>Core revenue:</b> Core revenue includes all revenue excluding those from distribution, contract manufacturing and other peripheral businesses.
<b>RRP-related revenue (Tobacco business)</b>	RRP (Reduced-Risk Products)-related revenue, as a part of core revenue, represents all sales of RRP, principally consumables, devices and related accessories.
<b>Total volume (Tobacco business)</b>	The volume of tobacco-based products which excludes contract-manufactured products, waterpipe, RRP devices and related accessories.

Products	
<b>Combustibles</b>	Combustibles include all tobacco products excluding contract-manufactured products, waterpipe, heated tobacco products, oral and E-Vapor.
<b>FCT (fine cut tobacco)</b>	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.
<b>GFB (Global Flagship Brands)</b>	Winston, Camel, MEVIUS, LD
<b>RRP (Reduced-Risk Products)</b>	Products with the potential to reduce the risks associated with smoking. • <b>E-Vapor:</b> Products which consumers use by heating electronically a nicotine-based liquid that contains no tobacco leaf. • <b>HTP (heated tobacco products):</b> Products that contain tobacco leaf and create a tobacco-enriched vapor by heating electronically the tobacco, either directly or indirectly, without any combustion. • <b>HTS (heated tobacco sticks):</b> High-temperature heated tobacco products. • <b>Infused (infused tobacco capsules):</b> Low-temperature heated tobacco products. • <b>Oral:</b> 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	
<b>ALP</b>	Agricultural Labor Practices
<b>CDP</b>	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.
<b>DJSI (Dow Jones Sustainability Indices)</b>	The DJSI was created jointly by S&P Dow Jones Indices and SAM. It is a globally recognized environmental, social and governance (ESG) stock index and sustainability benchmark that tracks stock performance of the world's leading companies in terms of governance and economic, environmental and social dimensions.
<b>GHG emissions</b>	Greenhouse Gas emissions • <b>Scope 1 emissions:</b> Direct GHG emissions from corporate activities, such as burning of fossil fuels at factories. • <b>Scope 2 emissions:</b> Indirect GHG emissions from consumption of purchased electricity, heat or steam. • <b>Scope 3 emissions:</b> Other indirect emissions, including from manufacture of products bought from other companies.
<b>SBTi (Science Based Targets initiative)</b>	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.
<b>SDGs</b>	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.
<b>TCFD (Task Force on Climate-related Financial Disclosures)</b>	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	
<b>Consumers (Tobacco business)</b>	Adult consumers. Minimum legal age for smoking varies in accordance with the legislation in each country.
<b>BnU</b>	Billion units
<b>JPY BN</b>	Billion Japanese yen
<b>USD MM</b>	Million US dollars

# Awards and recognitions

## Dow Jones Sustainability Indices (DJSI)

We are a member of the DJSI Asia Pacific Index for the 10th consecutive year.

[JT Group press release](#), December 2023



## S&P / JPX Carbon Efficient Index

We have been selected as a member of the S&P/JPX Carbon Efficient Index since its launch in 2018.



## FTSE Blossom Japan Indices

We have been selected as a member of the FTSE Blossom Japan Index every year since its launch in 2017 by GPIF. We have also been selected as a member of the FTSE Blossom Japan Sector Relative Index since its launch in April 2022.



## Morningstar Japan ex-REIT Gender Diversity Tilt Index

We were selected as a member of the Morningstar Japan ex-REIT Gender Diversity Tilt Index (one of the gender diversity indices of GPIF) in 2023 for the second consecutive year.



## CDP

We continued achieving a place on CDPs "A List" for climate change and water security.

We were also recognized as a global leader for engaging our supply chain in addressing climate change for the fifth consecutive year.

[JT Group press release](#), February 2024



## Science Based Targets

Our Greenhouse Gas (GHG) emissions reduction targets for 2030 have been validated by the Science Based Targets initiative (SBTi). The target for emissions reduction from our own operations is in line with a 1.5°C global warming scenario. In June 2024, we submitted a commitment letter towards achieving Net-Zero emissions.

June 2024



## Top Employer

JTI was certified as a Global Top Employer for the 10th consecutive year.

[JTI News & Views](#), January 2024



## EY's Global Equality Standard (GES) certificate

In 2021, JTI became one of the first multinational companies to receive EY's new Global Equality Standard. This is one of the only global certificates that assesses companies on equal opportunities and equal pay in the workplace.

[JTI News & Views](#), November 2021



## Swiss LGBTI Label

In 2020, JTI was awarded the "Swiss LGBTI Label," a certification for companies and organizations with an open and inclusive structure.

[JTI News & Views](#), September 2020



## White 500

Including in 2024, JTI has been recognized as a Certified Health and Productivity Management Outstanding Organization ("White 500") for its excellent health-conscious management by the Ministry of Economy, Trade and Industry (METI) and the Nippon Kenko Kaigi since the launch of this recognition in 2017.

March 2024



## Platinum Kurumin Certification

JTI has long been certified as a childcare-supporting company by the Japanese Ministry of Health, Labour and Welfare.

March 2024



## PRIDE Index

In the PRIDE Index, which recognizes the most LGBTQ+-friendly companies, our Japanese operations (JT) achieved Gold status, the highest ranking, in 2023 for the eighth consecutive year.

November 2023



## Sports Yell Company

JT was recognized by the Japan Sports Agency as a "Sports Yell Company 2024" for its active efforts to promote sports and improve the health of its employees for the second consecutive year.

January 2024



## Japan HR Challenge Awards

In 2024, JT received Innovation Award at Japan HR Challenge Awards, which recognizes companies actively implementing new outstanding initiatives in the field of HR. This award was given in recognition of JT's excellent efforts in fostering an inclusive culture that respects diversity and supports employees from various backgrounds.

June 2024



# Shareholder information

As of December 31, 2023

## Common stock

Authorized: 8,000,000,000  
 Issued: 2,000,000,000  
 (Treasury shares: 224,692,028)  
 Number of shareholders: 835,441

## Share registrar

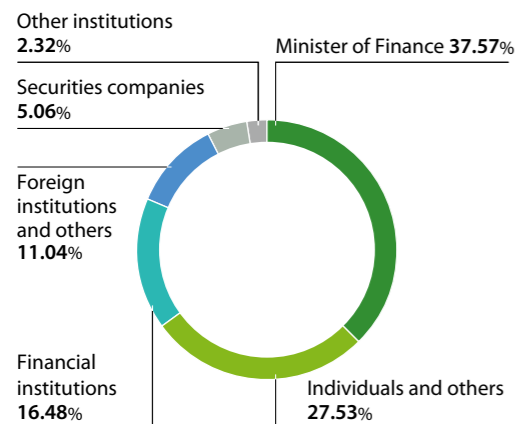
Mitsubishi UFJ Trust and Banking Corporation  
 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo

## Listing

Tokyo Stock Exchange: Prime Market

## Composition of shareholders

(excluding treasury shares)



## Principal shareholders

Name	Shares held
Minister of Finance	666,925,200
The Master Trust Bank of Japan, Ltd. (Trust Account)	174,583,700
Custody Bank of Japan, Ltd. (Trust Account)	61,906,618
SMBC Nikko Securities Inc.	32,423,221
STATE STREET BANK WEST CLIENT – TREATY 505234	25,094,341
JAPAN SECURITIES FINANCE CO., LTD.	17,169,700
Barclays Securities Japan Limited BNYM	16,188,600
JP MORGAN CHASE BANK 385781	13,722,976
JT Group Employee Shareholding Association	11,878,075
Mizuho Securities Co., Ltd.	9,361,248

## Total shareholder return

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
JT	105.8%	144.7%	129.4%	127.1%	100.4%	99.5%	94.1%	105.2%	121.5%	157.8%
TOPIX	118.2%	132.5%	132.9%	162.4%	136.5%	161.2%	173.1%	195.2%	190.4%	244.2%
TOPIX: Foods	121.1%	155.6%	152.4%	180.8%	155.1%	155.7%	154.0%	160.6%	172.2%	213.7%

Note: Baselines for all percentages are a share price and actual performance as of the end of March 31, 2014. TOPIX and TOPIX: Foods are calculated based on figures including dividends. Taking account of a change in fiscal year-end from March to December in 2014, the figures from 2014 onwards are calculated based on a share price and actual performance as of December 31

Contact information	
<b>Japan Tobacco Inc.</b> 1-1, Toranomom 4-chome, Minato-ku, Tokyo 105-6927, Japan TEL: +81-3-6636-2914 URL: <a href="https://www.jt.com/">https://www.jt.com/</a>	<b>JT International S.A.</b> 8, rue Kazem Radjavi 1202 Geneva, Switzerland TEL: +41-22-703-07-77 URL: <a href="https://www.jti.com/">https://www.jti.com/</a>

## Government offerings of JT shares

### First Offering

Method	Offering by bids	Offering by non-bids
Offer price (Pricing date)	Bid price: From 1,362,000 yen to 2,110,000 yen Weighted average price: 1,438,000 yen (August 29, 1994)	1,438,000 yen (August 31, 1994)
Number of shares offered	229,920 shares	164,356 shares
Offer term	From August 15 to 18, 1994	From September 2 to 8, 1994

Note:  
 Listing date: October 27, 1994  
 Tokyo Stock Exchange: First Section

### Second, Third and Fourth Offerings

Method	Second Offering	Third Offering	Fourth Offering
Offer price (Pricing date)	815,000 yen (June 17, 1996)	843,000 yen (June 7, 2004)	2,949 yen (March 11, 2013)
Number of shares offered	Japan: 237,390 shares International: 35,000 shares (Total: 272,390 shares)	Japan: 198,334 shares International: 91,000 shares (Total: 289,334 shares)	Japan: 145,625,500 shares International: 107,636,300 shares (Total: 253,261,800 shares)
Offer term	From June 18 to 19, 1996	From June 8 to 10, 2004	From March 12 to 13, 2013

Editorial policy	Published
<b>Period covered</b> In principle, this report covers the period from January 1, 2023 to December 31, 2023, but also includes some information related to activities before and after this period.	June 2024
<b>Scope of report</b> Japan Tobacco Inc. and consolidated subsidiaries	<b>Referenced guidelines</b> 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 document 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:
<ol style="list-style-type: none"> <li>(1) increase in awareness of health concerns related to smoking;</li> <li>(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;</li> <li>(3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;</li> <li>(4) our ability to further diversify our business beyond the tobacco industry;</li> <li>(5) our ability to successfully expand internationally and make investments outside Japan;</li> <li>(6) competition, changing consumer preferences and behavior;</li> <li>(7) our ability to manage impacts derived from business diversification or business expansion;</li> <li>(8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;</li> <li>(9) fluctuations in foreign exchange rates and the costs of raw materials; and</li> <li>(10) catastrophes, including natural disasters.</li> </ol>