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Company name (English):	JAPAN TOBACCO INC.
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A. Company Information

I. Overview of the Group

1. Trends in Principal Management Benchmarks

(1) Management Benchmarks (Consolidated)

Term	International Financial Reporting Standards				
	37th term	38th term	39th term	40th term	41st term
Accounting period	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022	From January 1, 2023 to December 31, 2023	From January 1, 2024 to December 31, 2024	From January 1, 2025 to December 31, 2025
Revenue (Millions of yen)	2,324,838	2,657,832	2,841,077	3,056,709	3,467,675
Profit before income taxes (Millions of yen)	472,390	593,450	621,601	224,333	739,786
Profit for the year (Millions of yen)	340,181	444,174	485,310	182,596	513,214
Profit attributable to owners of the parent company (Millions of yen)	338,490	442,716	482,288	179,240	510,175
Comprehensive income (loss) for the year (Millions of yen)	540,258	998,229	668,217	288,612	686,418
Total equity (Millions of yen)	2,886,081	3,616,761	3,912,491	3,848,727	4,115,389
Total assets (Millions of yen)	5,774,209	6,548,078	7,282,097	8,370,732	8,419,240
Equity attributable to owners of the parent company per share (Yen)	1,583.10	1,994.78	2,157.46	2,121.33	2,301.99
Basic earnings per share (Yen)	190.76	249.45	271.69	100.95	287.36
Diluted earnings per share (Yen)	190.68	249.36	271.63	100.94	287.33
Ratio of equity attributable to owners of the parent company to total assets (%)	48.65	54.07	52.60	45.00	48.54
Ratio of profit to equity attributable to owners of the parent company (%)	12.70	13.94	13.09	4.72	12.99
Price earnings ratio (PER) (Times)	12.17	10.67	13.42	40.42	19.63
Net cash flows from operating activities (Millions of yen)	598,909	483,799	566,317	630,011	514,056
Net cash flows from investing activities (Millions of yen)	(97,499)	(101,822)	(125,432)	(439,766)	(264,986)
Net cash flows from financing activities (Millions of yen)	(353,138)	(306,176)	(270,500)	(94,906)	(475,471)
Cash and cash equivalents at the end of the year (Millions of yen)	721,731	866,885	1,040,206	1,084,567	831,135
Number of employees [Separately, average number of temporary employees] (Person)	55,381 [6,942]	52,640 [6,726]	53,239 [8,193]	53,593 [5,704]	52,867 [5,407]

Notes: 1. The Group prepares the consolidated financial statements in accordance with International Financial Reporting Standards (hereinafter, "IFRS Accounting Standards").
2. The yen amounts are rounded to the nearest million.
3. Starting from the 41st term, the Group has classified the pharmaceutical business as discontinued operations, and presents reclassified figures for the 40th term here. Accordingly, revenue and profit before income taxes for the 40th term and 41st term are shown for continuing operations.

(2) Filing Company's Management Benchmarks (Non-consolidated)

Term	37th term	38th term	39th term	40th term	41st term
Accounting period	From January 1, 2021 to December 31, 2021	From January 1, 2022 to December 31, 2022	From January 1, 2023 to December 31, 2023	From January 1, 2024 to December 31, 2024	From January 1, 2025 to December 31, 2025
Net sales (Millions of yen)	592,220	542,181	537,261	530,247	566,521
Ordinary income (Millions of yen)	278,809	273,734	185,665	404,377	472,561
Net income (Millions of yen)	216,896	283,461	184,788	404,849	491,698
Share capital (Millions of yen)	100,000	100,000	100,000	100,000	100,000
Total number of shares issued (Thousands of shares)	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Net assets (Millions of yen)	1,344,696	1,368,643	1,179,577	1,214,895	1,338,384
Total assets (Millions of yen)	2,487,979	2,363,267	2,293,951	2,303,789	2,742,366
Net assets per share (Yen)	757.10	770.57	664.12	684.01	753.52
Cash dividends per share (Yen) [Interim dividends per share] (Yen)	140 [65]	188 [75]	194 [94]	194 [97]	234 [104]
Net income per share (Yen)	122.23	159.72	104.10	228.02	276.90
Diluted net income per share (Yen)	122.18	159.66	104.07	227.98	276.87
Equity ratio (%)	54.0	57.9	51.4	52.7	48.8
Return on equity (ROE) (%)	15.88	20.91	14.51	33.83	38.52
Price earnings ratio (PER) (Times)	19.00	16.66	35.02	17.89	20.37
Dividend payout ratio (%)	114.5	117.7	186.4	85.1	84.5
Number of employees [Separately, average number of temporary employees] (Person)	7,154 [1,174]	5,819 [461]	5,940 [257]	5,994 [291]	5,303 [276]
Total shareholder return (%) [Comparative indicator: Dividend-included TOPIX] (%)	117.2 [112.7]	142.2 [110.0]	198.2 [141.1]	228.2 [169.9]	313.5 [213.2]
Highest share price (Yen)	2,417.0	2,871.5	3,858.0	4,622.0	5,962.0
Lowest share price (Yen)	1,898.0	2,000.0	2,537.5	3,453.0	3,700.0

Notes: 1. The financial statements of the filing company are prepared in accordance with Japanese GAAP.
2. The yen amounts are rounded to the nearest million.
3. The yearly highest share price and the yearly lowest share price on and after April 4, 2022 were those recorded on the Tokyo Stock Exchange (Prime Market) while those before that date were those recorded on the Tokyo Stock Exchange (First Section).
4. Of the ¥234 cash dividends per share for the 41st term, the ¥130 year-end dividend is a matter to be resolved at the Ordinary General Meeting of Shareholders to be held on March 25, 2026.
5. In March 2025, a comprehensive settlement plan aimed at reaching a comprehensive settlement with creditors, including class action plaintiffs, in connection with litigation concerning smoking and health involving JTI-Macdonald Corp., our Canadian subsidiary, was approved by the Ontario Superior Court of Justice (hereinafter referred to as "the settlement of litigation in Canada"). Out of the above cash dividends per share, the ¥130 year-end dividend for the 41st term is calculated based on profit from continuing operations for the year (consolidated basis: ¥488.6 billion) after adjustments for the impact of the remeasurement of liabilities associated with the settlement of litigation in Canada, as well as adjustments excluding the impact of the one-time loss from the disposal of goodwill due to the liquidation of the Sudanese subsidiary.

2. History

(1) Background of the Company's Transition to Stock Company

Before it became a stock company, Japan Tobacco Inc. (hereinafter, "the Company") was formerly Japan Tobacco and Salt Public Corporation, or JTS. JTS was established on June 1, 1949 with the "Aim to bring soundness and efficiency to the operation of the national government monopolies." JTS, serving as the main body for conducting operations of the tobacco monopoly system and other government monopolies, contributed to establishing stable supply of tobacco and securing tobacco-derived financial revenues.

However, the growth in demand for cigarettes in Japan began to slow in the mid-1970s as the result of demographic trends and growing concern about health risks associated with smoking. This trend continued, such that growth in industry sales essentially stopped. In addition to the structural change, the Japanese domestic tobacco market was virtually opened to foreign tobacco suppliers, triggering competition between domestic and foreign tobacco products in Japan, and foreign countries stepped up pressure on Japan to take further market-opening measures, which were difficult to implement within the framework of the monopoly tobacco sales system. Amid such pressure as well as moves toward the reform of government-run public corporations, Ad Hoc Commission on Administrative Reform was established in March 1981 to conduct research on the public corporation system. In its third report (July 30, 1982), the commission proposed drastic reform of the monopoly system and the public corporation system.

In response to this proposal, the government conducted a comprehensive review of these systems and drafted bills to:

- Abolish the tobacco monopoly law in order to liberalize tobacco imports and establish a tobacco business law in order to make necessary adjustments related to the tobacco business.
- Abolish the JTS law, reorganize JTS as stock company so as to enable it to pursue rational corporate management as much as possible and establish the Act on Japan Tobacco Inc., which provides for a necessary minimum level of regulation in light of the corporation's need to compete with foreign tobacco companies on an equal footing in the domestic market following the liberalization of tobacco imports.

These bills were enacted on August 3, 1984 in the 101st session of the Diet and promulgated on August 10 of the same year.

(2) Status of the Company After Its Incorporation

The Company was incorporated on April 1, 1985, pursuant to the Act on Japan Tobacco Inc. (Act No. 69 of August 10, 1984; hereinafter, the "JT Act"), and all of the start-up capital was provided by the Japan Tobacco and Salt Public Corporation, or JTS. When incorporated, the Company succeeded all the rights and obligations of JTS.

The main changes since the incorporation of the Company are as follows:

Date	Details of change
April 1985	Japan Tobacco Inc. was incorporated.
April 1985	The Business Development Division was established to promote active development of new businesses. Subsequently until July 1990, in order to reinforce the promotion system for each business, this division was transformed into business departments such as pharmaceutical, food, etc.
March 1986	Fukuoka and Tosu Factories were closed and Kitakyushu Factory was built to modernize and streamline tobacco production. By June 1996, nine more tobacco factories were closed down to further streamline the tobacco production system.
October 1988	The communication name “JT” was introduced.
July 1991	The Head Office was relocated from 2-1, Toranomon 2-chome, Minato-ku, Tokyo, to 12-62, Higashi-Shinagawa 4-chome, Shinagawa-ku, Tokyo to make way for the construction of the new Head Office building (the former JT head office building)
September 1993	The Central Pharmaceutical Research Institute was established to reinforce the internal pharmaceutical research and development capabilities.
October 1994	The initial public offering of the Company shares held by the Japanese government. (394,276 shares) The Company shares were listed on the First Section of the Tokyo, Osaka and Nagoya Stock Exchanges.
November 1994	The Company shares were listed on the Kyoto, Hiroshima, Fukuoka, Niigata and Sapporo Stock Exchanges.
May 1995	The Head Office was relocated from 12-62, Higashi-Shinagawa 4-chome, Shinagawa-ku, Tokyo to 2-1, Toranomon 2-chome, Minato-ku, Tokyo
June 1996	The second public offering of the Company shares held by the Japanese government. (272,390 shares)
April 1997	In accordance with the abolition of the salt monopoly, the Company ended its salt monopoly business. The Tobacco Mutual Aid Pension scheme was united with the Employees’ Pension scheme.
April 1998	The Company signed an agreement with Unimat Corporation to form a business alliance in the soft drinks business and acquired a majority stake in the company.
December 1998	The Company acquired a majority stake in Torii Pharmaceutical Co., Ltd. through a tender offer.
May 1999	The Company acquired the non-US tobacco business of RJR Nabisco Inc.
July 1999	The Company acquired the food business of Asahi Kasei Corporation, including eight subsidiaries such as Asahi Foods Corporation.
October 1999	Through the business alliance with Torii Pharmaceutical Co., Ltd., research and development functions in the prescription drug business were concentrated in the Company while promotion functions were united within Torii Pharmaceutical Co., Ltd.
March 2003	In order to establish a basis for future profit growth in the Domestic Tobacco Business, Sendai, Nagoya and Hashimoto Factories were closed down.
March 2004	In order to establish a basis for future profit growth in the Domestic Tobacco Business, Hiroshima, Fuchu, Matsuyama and Naha Factories were closed down.
June 2004	The third public offering of the Company shares held by the Japanese government. (289,334 shares)
March 2005	In order to establish a basis for future profit growth in the Domestic Tobacco Business, Ueda, Hakodate, Takasaki, Takamatsu, Tokushima, Usuki, Kagoshima and Miyakonojo Factories were closed down.
April 2005	The Company ceased to produce, sell and use Marlboro brand cigarette exclusively in Japan upon the expiration of the exclusive license agreement.
April 2007	The Company acquired shares issued of Gallaher Group Plc of the United Kingdom.
January 2008	The Company acquired the shares of Katokichi Co., Ltd. through a tender offer.
March 2009	In order to restructure the Domestic Tobacco Business in ways to make it more competitive, Kanazawa Factory was closed down.
March 2010	In order to restructure the Domestic Tobacco Business in ways to make it more competitive, Morioka and Yonago Factories were closed down.
March 2011	In order to restructure the Domestic Tobacco Business in ways to make it more competitive, Odawara Factory was closed down.
March 2012	In order to restructure the Domestic Tobacco Business in ways to make it more competitive, Hofu Factory was closed down.
February 2013	The Mild Seven brand was renewed as “MEVIUS” in Japan.
March 2013	The fourth public offering of the Company shares held by the Japanese government. (253,261,800 shares)
March 2015	In order to further strengthen the competitiveness of Domestic Tobacco Business, Koriyama, Hamamatsu and Okayama Printing Factories were closed down.

Date	Details of change
July 2015	The Company transferred shares the Company held in Japan Beverage Holdings Inc., JT A-Star Co., Ltd. and others, and JT beverage brands “Roots” and “Momono Tennensui.” Subsequently, the Company withdrew from manufacture and sale of JT beverage products in September 2015 and the Beverage Business Division was closed down in December 2015.
January 2016	The Company acquired the non-U.S. tobacco business of Natural American Spirit from the Reynolds American Inc. group.
March 2016	In order to further strengthen the competitiveness of Domestic Tobacco Business, Hiratsuka Factory was closed down.
June 2018	The Company began selling the Reduced-Risk Product (RRP) “Ploom Tech” nationwide.
October 2020	The Head Office was relocated from 2-1, Toranomon 2-chome, Minato-ku, Tokyo to 1-1, Toranomon 4-chome, Minato-ku, Tokyo.
January 2022	In order to further strengthen the competitiveness and profitability of tobacco business, the two tobacco businesses, Domestic Tobacco Business and International Tobacco Business, were unified, and the tobacco business headquarter function was consolidated at the headquarters in Geneva.
March 2022	In order to further strengthen the competitiveness and profitability of tobacco business, Kyushu Factory was closed down.
October 2024	The Company acquired shares issued of Vector Group Ltd. of the United States.
May 2025	Entered into an agreement with Shionogi & Co., Ltd. regarding the transfer of the Company’s Pharmaceutical Business and the transfer of shares of Torii Pharmaceutical Co., Ltd. Subsequently, the Company transferred all its shareholdings in Torii Pharmaceutical Co., Ltd. in September 2025, and transferred the Pharmaceutical Business in December 2025.

Note: The stock split at a ratio of five to one was conducted as of April 1, 2006 and the stock split at a ratio of 200 to one was conducted as of July 1, 2012.

3. Business Description

The Group, consisting of the Company, its 225 consolidated subsidiaries and 20 companies accounted for by the equity method, is a global company operating the Tobacco Business and the Processed Food Business. The main business activities operated by the Group and the relationship of each subsidiary or affiliate to the Group's business activities are stated below.

The following two segments are the same as the segmentation of reportable segments in "V. Accounting, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 6. Operating Segments, (1) Outline of Reportable Segments."

Tobacco Business

The Tobacco Business consists of the manufacture and sale of tobacco products in various countries around the world, with JT International S.A. as the core company.

Major subsidiaries and affiliates

JT International S.A., LLC JTI Russia, Gallaher Ltd., JTI Polska Sp. z o. o., LLC Petro, JTI Tütün Ürünleri Sanayi A.Ş., TS Network Co., Ltd., Japan Filter Technology, Co., Ltd.

Others: 174 consolidated subsidiaries and
15 companies accounted for by the equity method

Processed Food Business

In the Processed Food Business, TableMark Co., Ltd. and certain other subsidiaries are engaged in manufacture and sale of frozen and ambient foods, and seasonings.

Major subsidiaries and affiliates

TableMark Co., Ltd.

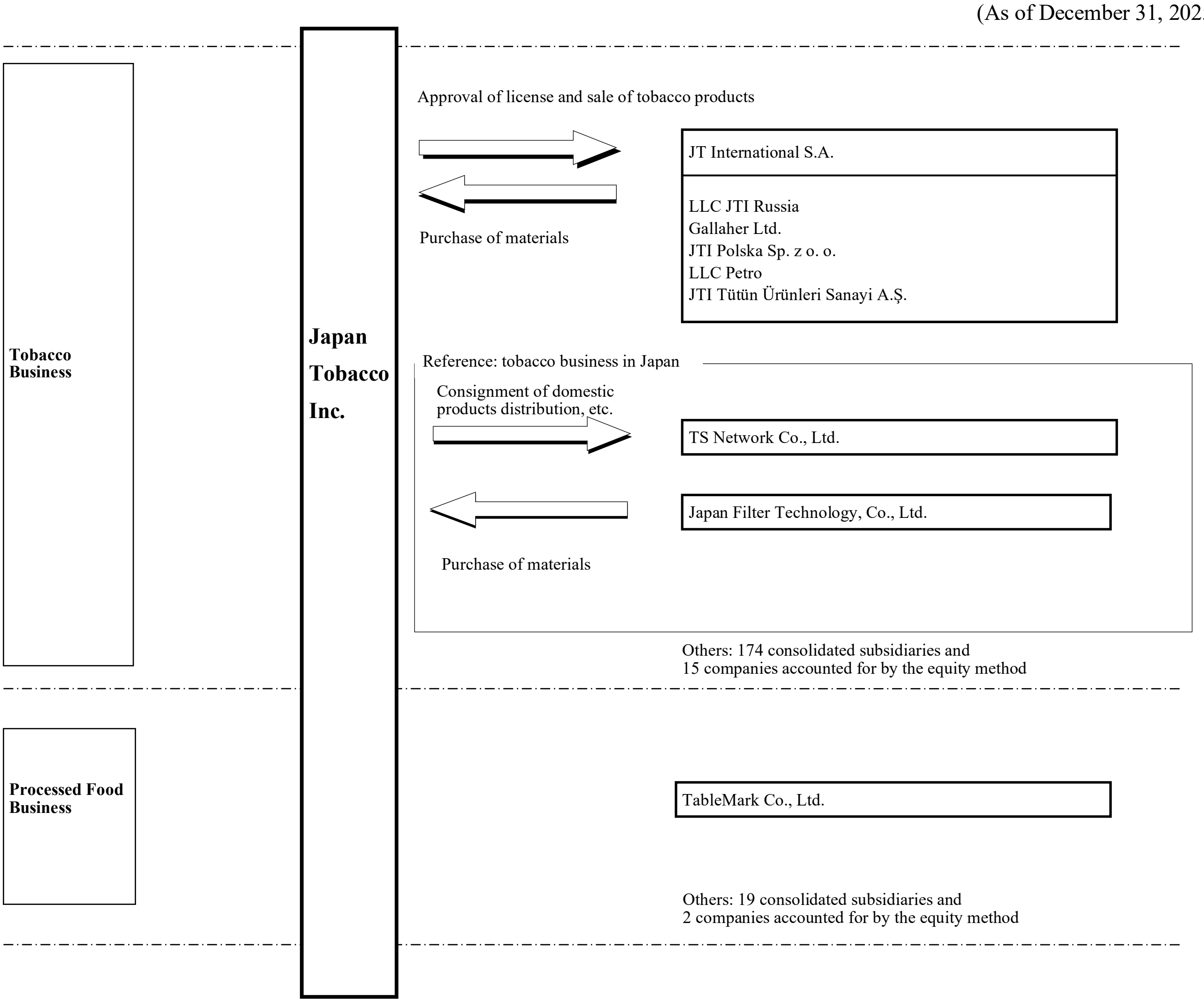
Others: 19 consolidated subsidiaries and
2 companies accounted for by the equity method

In addition to the reportable segments mentioned above, the Group runs businesses including business relating to the rent of real estate associated with the utilization of idle assets. There are 23 consolidated subsidiaries and 3 companies accounted for by equity method deemed as subsidiaries and affiliates not affiliated to any reportable segment.

With regard to the Pharmaceutical Business, the Company entered into an agreement in May 2025 with Shionogi & Co., Ltd. regarding the transfer of the Pharmaceutical Business and the transfer of shares of Torii Pharmaceutical Co., Ltd. Subsequently, the Company transferred all its shareholdings in Torii Pharmaceutical Co., Ltd. in September 2025, and transferred the Pharmaceutical Business in December 2025.

The following business activities diagram shows the matters described above.

(As of December 31, 2025)



* In addition to the reportable segments mentioned above, the Group runs businesses including business relating to the rent of real estate associated with the utilization of idle assets.
There are 23 consolidated subsidiaries and 3 companies accounted for by equity method deemed as subsidiaries and affiliates not affiliated to any reportable segment.

An overview of each of the fields of research and development, procurement, manufacturing and sales in each business is as follows.

Tobacco Business

The Group's tobacco business boasts a scale that ranks within the top 3 in the industry worldwide (excluding China National Tobacco Corporation), and sells products in over 130 markets. The Group's portfolio includes 2(Note 1) of the top 5 selling global brands of combustibles(Note 2).

Notes: 1. According to fiscal 2024 data.
2. Combustibles include all tobacco products excluding contract manufactured products and RRP*.
*Reduced-Risk Products (RRP) are products with potential to reduce the risks associated with smoking such as Heated Products and E-Vapor.

<Research and development>

The Group is committed to strengthening its R&D capabilities to ensure a long-term competitive advantage. The focus areas in the R&D activities are the development of new leaf tobacco varieties, improvement of tobacco leafs and their processing, enhancement of aroma and taste, upgrading manufacturing technology, and continuous progress on RRP-related technologies. The Group has been striving to add value to the products in these focus areas in a cost efficient manner. It has established a global research platform in Japan, which focuses on the fundamental research and product technology development. To best meet consumers' needs and preferences, the market teams are continuously engaged in the product development.

<Procurement of tobacco leaves>

The supply of tobacco leaves, raw materials used in manufacturing tobacco products is affected by a variety of factors, such as climate conditions, agricultural product prices, and energy costs. As a result of an increase in costs, the supply of tobacco leaves has been unstable, leading to the rise in tobacco leaf prices. Given these circumstances, the Group has been striving to secure a stable supply and ensure competitive leaf purchase prices. This will be achieved through further vertical integration and strengthening of the relationships with the leaf suppliers.

<Manufacturing>

The Group has a global manufacturing footprint in order to manufacture quality tobacco products that secure consumers' reliability trust. The Group operates 5 factories in Japan (3 tobacco manufacturing and 2 tobacco-related factories), and 34 factories in 27 other countries (including tobacco-related factories). In a limited number of cases, the Group also partners with competing manufacturers under contracts and/or license agreements to manufacture the Group's products.

<Marketing>

To enhance brand loyalty, the Group is conducting extensive and effective marketing activities in accordance to the various regulations and standards.

Globally, the marketing activities are focused on Global Flagship Brands (hereinafter, "GFB")(Note), while complementing the brand portfolio by promoting local brands as well. In RRP, the Group is also developing mainly the Ploom brand.

Note: GFB consists of four brands, which serve as flagships of the Group's brand portfolio - Winston, Camel, MEVIUS and LD.

- Retail prices

In setting a retail price for a product, the Group considers various factors, including positioning of the brand, perceived value of the product, retail prices of competing products, and the margin. In addition, there are regulations that influence the price-setting decisions. For example, some countries adopt a fixed retail price requirement, and forms of excise taxation on tobacco products (specific and/or ad valorem) differ among the countries. Retail price changes most often occur in case of tax increase. Globally, governments increase taxes to secure tax revenues and promote public health.

<Sales (distribution)>

To ensure that the products are delivered to consumers, the Group makes sure to use optimal distribution networks for each market complying with the restrictions and in accordance with established local business practices, and other factors. The distribution networks of the Group can be independent distribution networks or local agencies and distributors.

There are various sales channels for tobacco products; chain stores such as convenience stores, gas stations and supermarkets, small independent retailers, vending machines, and online stores. The contribution of each channel to the total industry sales varies from market to market. Accordingly, the Group develops different trade marketing initiatives for each market, depending on the focus channels as well as consumer trend and competitors' strategies.

Processed Food Business

The Group started its Processed Food Business in 1998. Since then, the Group has been expanding the business through organic growth as well as business investments in the form of M&As and strategic partnerships.

In 2008, the Group acquired Katokichi Co., Ltd., a major frozen food manufacturing company in Japan, through a tender offer. The Group's processed food business was transferred over to Katokichi Co., Ltd. as part of the integration. In 2010, Katokichi Co., Ltd. changed its corporate name to TableMark Co., Ltd. to pursue synergies and foster a sense of unity within the group.

At the end of the current fiscal year, this business is operated by TableMark Co., Ltd., Fuji Foods Corporation, and other Group companies. TableMark Co., Ltd., which operates mainly in Japan, handles the frozen and ambient foods, mainly frozen udon noodles, packaged cooked rice and frozen okonomiyaki (Japanese savory pancakes). Fuji Foods Corporation handles the seasonings business, which focuses on seasonings including yeast, kelp and bonito extracts, combination seasonings and processed seasonings for direct consumer consumption such as oyster sauce.

The Group's major products include "Katokichi-Sanuki-Udon" (frozen noodles), "Japanese Koshihikari rice" (packaged cooked rice), and the "Vertex" (yeast extract seasonings) in particular.

<Research and development>

The Group devotes its efforts to the development of innovative products that meet consumers' needs and preferences. In order to meet the diversifying needs of consumers, the Group works to develop value-added products using its original techniques.
Specifically, the Group has used its original techniques for fermentation, baking, and freezing to recreate and preserve the taste and texture of fresh bread, and developed frozen bread products which allow consumers to simply enjoy the taste of freshly baked bread at home. In addition, in the area of frozen noodles the Group developed a new production method, the "Tannen-jikomi" weaving and maturing process. This enabled the Group to realize udon noodle products with higher quality and higher added value.

<Procurement>

The first step to produce safe foods is to procure safe and high-quality raw materials. For the procurement, the Group reviews quality assurance certificates submitted by its suppliers. The Group also carries out monitoring inspections to check agrochemical residues as well as conducts regular inspections at processing factories to ensure compliance with the Group's internal standards, in addition to the Food Sanitation Act and other relevant laws.

Furthermore, the Group examines the safety of production sites for raw materials which are procured from overseas. Concerning agricultural farms, the Group checks not only soil and water, but also how products are cultivated and how agrochemicals are handled. Breeding farms and fish farms are also inspected.

<Manufacturing>

The Group operates 16 factories in Japan and 6 outside Japan. The Group outsources manufacturing of some processed foods to domestic and international contract manufacturers. Excluding one factory(Note) that began operations in fiscal 2020, all of the Group factories inside and outside Japan, as well as the factories of the Group's business partners, that produce frozen foods, have achieved ISO 22000 or FSSC 22000 certification. Under the ISO 22000 and FSSC 22000 standards, continuous improvements are made following effective rules to control sanitation and other key issues. These rules are set based on the HACCP concept and their effectiveness is tested using scientific evidence.

Note: This factory is currently progressing toward ISO 22000 and FSSC 22000 certifications.

<Marketing>

The Group analyzes the market from consumers' point of view and, by its technology, it has been striving to provide products with new values to expand the market and increase its place there. The Group has been striving for effective marketing in order to improve consumer awareness of its products.

<Sales and distribution>

The Group has been striving to enhance profitability through sales division structure optimization and its initiatives to increase its presence in supermarkets and convenience stores, by offering a wider range of products while also seeking better shelf space.

<Food safety>

To ensure that consumers can continue to enjoy the products safely, the Group has established Quality Control Centers in Tokyo and Qingdao (China), and it not only inspects and monitors the raw materials it uses from the product planning and development stages, but also makes inspections at factories at the time of production and before shipment, and carries out safety management throughout the product manufacturing process. The Group seeks assessment and advice on its initiatives from external food safety experts. The Group reflects the experts' knowledge and viewpoints in its business by actively incorporating them into food safety controls. Details of the food safety activities, including the discussions described in the above "Procurement" and "Manufacturing" sections, are disclosed on the website, etc.

4. Status of Subsidiaries and Affiliates

(As of December 31, 2025)

Name	Location	Capital (Millions of yen)	Principal business	Holding rate of voting rights (%)	Relationship				
					Interlocking of officers		Financial assistance	Business relationship	Facility leasing
					Officer of the Company	Employee of the Company			
(Consolidated subsidiaries) 225 companies									
JT International Holding B.V. *1	Netherlands	Thousands of USD 1,800,372	Tobacco	100.0	Yes	Yes	No	No	No
JT International S.A. *1	Switzerland	Thousands of CHF 923,723	Tobacco	100.0 (100.0)	No	No	No	Approval of license and sale of tobacco products	No
LLC JTI Russia *1, 2	Russia	Thousands of RUB 157,751	Tobacco	100.0 (100.0)	No	No	No	No	No
Gallaher Ltd. *1	U.K.	Thousands of GBP 50,374	Tobacco	100.0 (100.0)	No	No	No	No	No
JTI Polska Sp. z o. o.	Poland	Thousands of PLN 200,000	Tobacco	100.0 (100.0)	No	No	No	No	No
LLC Petro	Russia	Thousands of RUB 328,439	Tobacco	100.0 (100.0)	No	No	No	No	No
JTI Tütün Ürünleri Sanayi A.Ş.	Turkey	Thousands of TRY 148,825	Tobacco	100.0 (100.0)	No	No	No	No	No
TS Network Co., Ltd.	Taito-ku, Tokyo	460	Tobacco	85.3	No	Yes	No	Consignment of tobacco products distribution	Yes
Japan Filter Technology, Co., Ltd.	Sumida-ku, Tokyo	461	Tobacco	100.0	No	Yes	No	Purchase of filter for tobacco products	Yes
TableMark Co., Ltd. *1	Chuo-ku, Tokyo	22,500	Processed Food	100.0	No	Yes	Yes	No	Yes
Other 215 companies *1									
(Companies accounted for by the equity method) 20 companies									
TC Megapolis JSC	Russia	Thousands of RUB 77	Tobacco	23.0 (23.0)	No	No	No	No	No
Other 19 companies									

Notes: 1. Descriptions in the "Principal business" column are names of segments.

2. The figures in parentheses in the "Holding rate of voting rights" column are indirect holding rates included in the figures outside the parentheses.
3. "Interlocking of officers" includes interlocking of officers of associated companies and secondment of officers of the Company.
4. *1: These companies are classified as specified subsidiaries. Companies that fall under the category of specified subsidiaries included in "Other 215 companies" are as follows.

   JTI-Macdonald Corp., JTI Tütün Ürünleri Pazarlama A.Ş., JT Canada LLC Inc., JT International (Philippines) Inc., JTI Processadora de Tabaco do Brasil Ltda., Japan Tobacco International Manufacturing Co., Ltd., JT International Distribuidora de Cigarros Ltda., PT Karyadibya Mahardhika, JT International Asia Manufacturing Corp., JTI (UK) Management Ltd., Al Nakhla Tobacco Company S.A.E., Logic Technology Development LLC., JT International Bangladesh Limited, JT International (Thailand) Limited, JTI Maroc
5. *2: Revenue (excluding revenue between consolidated companies) accounts for more than 10% of the Group's consolidated revenue. Key operating results information for that company is as follows.

Name	Key operating results (Millions of yen)				
	Revenue	Profit before income taxes	Profit for the year	Total equity	Total assets
LLC JTI Russia	392,374	146,284	90,046	500,978	581,265

5. Status of Employees

(1) Consolidated Companies

(As of December 31, 2025)

Segment	Number of employees (Person)
Tobacco Business	47,900 [5,094]
Processed Food Business	3,906 [190]
Common company-wide services within the filing company	1,061 [123]
Total	52,867 [5,407]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during this fiscal year ended December 31, 2025 is given in parentheses separately.
2. The number of employees in the "Common company-wide services within the filing company" row is the number of those working for departments unclassifiable to specific segments, such as the administrative department.

(2) Filing Company (the Company)

(As of December 31, 2025)

Number of employees (Person)	Average age (Year old)	Average years of service (Year)	Average annual salary (Yen)
5,303 [276]	41.0	14.7	10,039,116

The numbers of employees by segment are as follows.

Segment	Number of employees (Person)
Tobacco Business	4,746 [267]
Processed Food Business	29 [0]
Common company-wide services within the filing company	528 [9]
Total	5,303 [276]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during this fiscal year ended December 31, 2025 is given in parentheses separately.
2. The number of employees in the "Common company-wide services within the filing company" row is the number of those working for departments unclassifiable to specific segments, such as the administrative department.
3. The number of employees includes contract employees (27), employees on leave (174) and employees transferred to the Company (68), but excludes employees transferred from the Company (588).
4. Average years of service include years of service at Japan Tobacco and Salt Public Corporation.
5. Average annual salary (including taxes) includes bonuses and surplus wages.
6. The number of employees decreased by 691 compared to the end of the previous fiscal year, mainly due to the transfer of the Pharmaceutical Business in December 2025.

(3) Status of Labor Union

In the Group, the labor-management relations are stable and there are no matters that should be reported.

(4) Metrics Related to Diversity

Metrics related to diversity in the fiscal year ended December 31, 2025 are as follows.

a. Disclosure pursuant to the Act on the Promotion of Women's Active Engagement in Professional Life and the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members.

Filing company

Ratio of female employees in managerial positions (%)	Ratio of male employees taking childcare leave, etc. (%)	Differences in wages between male and female employees (%)		
		All employees	Employees	Temporary employees
10.9	141.5	75.9	75.8	103.1

Consolidated subsidiaries

Name	Ratio of female employees in managerial positions (%)	Ratio of male employees taking childcare leave, etc. (%)	Differences in wages between male and female employees (%)		
			All employees	Employees	Temporary employees
TS Network Co., Ltd.	1.8	76.3	39.1	78.0	69.1
JT Logistics Co., Ltd.	4.8	100.0	77.1	78.4	85.9
Japan Filter Technology, Co., Ltd.	2.6	40.0	70.2	75.7	93.9
JT Plant Service Co., Ltd.	5.9	100.0	79.0	84.2	88.0
Fuji Flavor Co., Ltd.	7.4	100.0	73.0	73.6	52.5
TableMark Co., Ltd.	8.7	94.7	62.0	67.2	57.5
Fuji Foods Corporation	12.0	100.0	71.0	77.2	74.4
KS FROZEN FOODS CO., LTD.	18.8	50.0	64.5	84.0	75.9
NIHON SHOKUZAI KAKO CO.,LTD.	–	100.0	59.6	76.9	85.6
Foodlec Co., Ltd.	6.3	166.7	69.9	83.6	44.3
Sunburg Co., Ltd.	–	*	72.2	71.6	79.4
KatokichiSuisan Co. Ltd	9.1	*	64.4	80.1	84.6
IIPINGSYANG FOODS CORPORATION	–	100.0	81.4	84.5	84.3
KOYO-FOODS, LTD.	–	*	61.0	66.2	69.6
JT CREATIVE SERVICE CO.,LTD.	19.4	100.0	74.0	80.9	74.0
JT BusinessCom Inc.	14.7	100.0	76.9	88.9	105.5

Notes: 1. The number of employees includes those who are regular employees and those who are non-regular employees in full-time indefinite-term employment.
2. Temporary employees include part-timers and employees on limited-term contracts, and exclude dispatched workers.
3. All employees include employees and temporary employees.
4. For the ratio of female employees in managerial positions, transferred employees are counted as employees at the company to which they are transferred.
5. The ratio of male employees taking childcare leave, etc. is determined by calculating the acquisition rate of childcare leave, etc. and time off for childcare purposes under Article 71-6, item (ii) of the Ordinance for Enforcement of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Ordinance of the Ministry of Labor No. 25 of 1991), in accordance with provisions of the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991). Transferred employees are counted as employees at the company to which they are transferred. In some cases, employees whose spouses gave birth in the prior fiscal years may take childcare leave in the current fiscal year, thereby conceivably resulting in an acquisition rate exceeding 100%.
6. An asterisk (*) indicates no male employees eligible for childcare leave, etc.
7. A dash (-) indicates that there are no employees under the respective category.
8. Differences in wages between male and female employees indicate the proportion of women's wages to men's wages. It is attributable to differences in distribution of personnel by grade, not differences in wages for equivalent work. Transferred employees are counted as employees at the company to which they are transferred.

b. Consolidated Companies

	Ratio of female employees in managerial positions (%)	Ratio of male employees taking childcare leave, etc. (%)	Differences in wages between male and female employees (%)
The filing company and the consolidated subsidiaries	26.4	102.3	110.7

Notes: 1. Applies to consolidated companies as prescribed in Article 2, item (v) of the Regulation on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ministry of Finance Order No. 28 of 1976).

2. Calculated to include employees who are regular employees and those who are non-regular employees in full-time indefinite-term employment.

3. For the ratio of female employees in managerial positions, transferred employees are counted as employees at the company to which they are transferred.

4. The ratio of male employees taking childcare leave, etc. uses a calculation method that is different to that in the Act on Childcare Leave, Caregiver Leave, and Other Measures for the Welfare of Workers Caring for Children or Other Family Members (Act No. 76 of 1991). The ratios of persons taking childcare leave, etc., are calculated in accordance with the laws and regulations of the relevant country, or in accordance with childcare leave, etc. as defined by the company in question, with individuals seconded to other organizations being aggregated as employees of that organization. In some cases, employees whose spouses gave birth in the prior fiscal years may take childcare leave in the current fiscal year, thereby conceivably resulting in an acquisition rate exceeding 100%.

5. Differences in wages between male and female employees indicate the proportion of women’s wages to men’s wages. It is attributable to differences in distribution of personnel by grade, not differences in wages for equivalent work. Wages include base salary and incentives such as bonuses. Transferred employees are counted as employees at the company to which they are transferred.

II. Review of Operations

1. Management Policy, Business Environment, Issues to Be Addressed, Etc.

The following includes forward-looking statements determined, unless otherwise indicated, as of the filing date.

(1) Management Principle

The Group's management principle is based on the pursuit of the 4S model. The model requires the Group 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.

The Group intends to attain sustainable profit growth over the mid- to long-term through the pursuit of the 4S model. Since attaining sustainable profit growth requires the Group to continue to provide new value and satisfaction to consumers, the Group believes it is essential to steadily make business investments for future profit growth from mid- to long-term perspective.

The Group believes that the pursuit of the 4S model will lead to a consistent increase in corporate value in the mid- to long-term and therefore that it is the best approach to serve the interests of all stakeholders.

(2) JT Group Purpose

The Group operates in a business environment that has ever increasing levels of uncertainty and complexity due to discontinuous changes occurring on a wide range of scales, be it the nature, society or the individual. In response to this, the Group has formulated the JT Group Purpose to clarify the direction for being a sustained entity. Specifically, we identified the area in which we will be needed by the society for the future and in which we should provide value over the long term as "human enrichment" and defined "Fulfilling Moments, Enriching Life" as the JT Group Purpose based on the idea that we want to continue to be entrusted with and contribute to the area. Moreover, so that we can realize the JT Group Purpose, we have formulated our Business Purposes for each business in line with this. The Group aims to realize the JT Group Purpose by producing results and making achievements through the implementation of business strategies and the practice of the behavioral guidelines.

The area of "human enrichment" undergoes changes in various ways with the times and the people, and the Group strives to evolve constantly so that we can continue to be entrusted by society and make valuable contributions to the area in the future.

＜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.

<Business Purpose>

Tobacco Business: Creating fulfilling moments. Creating a better future.
Processed Food Business: Bringing Joy to Meals and Fun to the Table.

(3) Resources Allocation Policy

The Group's mid- to long-term resources allocation policy is to prioritize business investments for sustainable profit growth(Note) in the mid- to long-term, while striking a balance between profit growth through business investments and shareholder returns, based on the 4S model and the JT Group Purpose.

Of the Group's core businesses, the Group regards the tobacco business as the core business and profit growth engine, so it places top priority on business investments that will lead to the sustainable profit growth of the tobacco business. On the other hand, the Group will make necessary investments for the Processed Food Business to complement profit growth for the Group as a whole.

Note: Investment towards the growth of the tobacco business is our highest priority. Pursue growth of adjusted operating profit at constant FX through quality top-line growth through the continuous provision of new values and satisfaction to customers and society.

(4) Group-Wide Profit Targets and Policy on Shareholder Return

The Group has set group-wide profit targets and a mid- to long-term guidance on shareholder return in the "Business Plan 2026" in accordance with our management principle and the resources allocation policy.

Under the "Business Plan 2026," the Group positions the tobacco business as its "core business and profit growth engine" and expects a high single digit annual average growth rate in adjusted operating profit at constant FX during the period. The Group aims to achieve a mid to high single digit annual average growth rate over the medium and long term.

In terms of "prioritize business investments for sustainable profit growth in the mid- to long-term" and of "strike a balance between profit growth through business investments and shareholder returns" under the resources allocation policy based on the 4S model and the JT Group Purpose, our shareholder returns policy is set as follows:

- Aim to enhance shareholder returns by realizing the Company's mid- to long-term profit growth, while maintaining a solid financial base(Note 1)
- Target a dividend payout ratio of about 75%(Note 2), a competitive level(Note 3) in the capital markets
- Consider implementing a share buy-back program, mainly taking into account the Company's financial outlook of the respective year and mid-term capital needs.

Notes:
1. The Company will maintain a solid 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.
2. To be in the range of approximately ±5%.
3. Monitor the shareholder return trends of global Fast-Moving Consumer Goods (FMCG) companies which have a stakeholder model similar to our 4S model and have realized strong business growth.
4. Actual results, performance or achievements, or those of the industries in which we operate, may differ from any future results, performance or achievements expressed or implied by the forward-looking statements. For details of risks related to the Group, please refer to "II. Review of Operations 3. Business and Other Risks."

(5) Business Environment and Basic Strategies for Attaining Group-Wide Profit Targets

i. Business environment

The business environment in which the Group operates is characterized by an increasing degree of uncertainty, such as the impact from the emergence of geopolitical risks on the global economy, business continuity concerns in certain markets, hyperinflation, and trends in the macroeconomics of countries including foreign exchange risks and interest rate trends. Enhancing adaptability to such a changing environment is critical to achieve sustainable profit growth by overcoming the uncertain business environment and adequately executing business on a global scale. "Adaptability" refers to the ability to assume a wider range of contingencies than in the past, during the planning phase, and to quickly and flexibly respond to changes and events that surpass the assumptions so that the Group can deal with uncertainty over the future. The Group believes that how well and how quickly companies can overcome uncertainties will continue as the key to determine their competitiveness.

The Group formulates its business plan, a three-year plan that is renewed each year on a rolling basis in order to speed up responsiveness and strengthen competitiveness while keenly identifying challenges in our operating environment, which presents increasing uncertainties.

ii. Basic strategies

As basic strategies for attaining the targets, the Group will strive for "achieving quality top-line growth," "strengthening cost competitiveness," and "strengthening business foundations," implementing the strategies based on the concept of selection and focus.

Mainly, the Group places emphasis on "achieving quality top-line growth," concentrating resources in key brands and product categories, in order to increase value added to products and services, as described in the following explanations of basic strategies for each business.

Concerning "strengthening cost competitiveness," the Group aims at improving profitability and enhancing cash generation capability by optimizing business and corporate costs and establishing quick and efficient business operation systems, while leveraging the efforts of maintaining and enhancing quality. Additionally, the Group will reinforce its business continuity capabilities, while seeking to improve cost competitiveness.

When "strengthening business foundations," it is critical to accurately identify changes in the business environment and to keep ourselves ready to readjust in order to meet challenges without being constrained by precedents. The Group will make continuous improvement efforts from that perspective. In addition, the Group will maximize synergies by leveraging the global footprint as represented by the diversity of the Group's global workforce, which represents at least 100 nationalities, and by promoting collaboration on a global scale. As the Group strongly believes that the quality of human resources is the key to business activity and performance, it will strengthen human resource development.

(6) Business Environment and Basic Strategies by Segment

Tobacco Business

The tobacco business is the Group's core business and profit growth engine and aims for mid to high single digit annual average growth rate over the mid- to long-term in adjusted operating profit growth rate at constant FX.

i. Business environment

While, there are a variety of products available in the global tobacco market, they can be broadly divided into two categories: Combustibles and Reduced-Risk Products (RRP).

Combustibles include cigarettes, fine cut tobacco (FCT), pipe tobacco, cigars, and waterpipe. Cigarettes are products in which tobacco leaf is pre-rolled in paper, whereas FCT is a product that consumers hand-roll themselves using rolling papers. Approximately 5.3 trillion[Note 1] combustibles are consumed annually around the world, reaching global sales of approximately USD800 billion[Note 1]. China is by far the largest market, accounting for over 40% of global combustibles industry volume, followed by Indonesia, Russia, the U.S., Turkey and Egypt.

In general, the market dynamics of combustibles are distinctively different between mature and emerging markets. In mature markets, combustibles industry volume tends to decline and these movements can reflect various factors, such as limited economic growth, tax increases, tightening regulations and demographic changes among others. In addition, down-trading is prevalent in these markets, as limited growth of income inclines consumers to seek more value in comparatively affordable tobacco products. In emerging markets, on the other hand, combustibles industry volume is trending higher in some countries driven by population growth and economic development. In some regions, including the Middle East, against the backdrop of economic growth and stability in tobacco product prices, as well as a consumer shift towards prioritizing brand and image, we are seeing an emergent trend of trading up to products in the mid-to-high price range.

Although the global combustibles demand is declining on a volume basis, the market scale on a monetary basis continues to grow due to product unit price increases. We expect this trend to persist over the foreseeable future, and accordingly believe the profit-generating structure of the tobacco industry will remain solid.

Reduced-Risk Products (RRP) include Heated Products, Infused Tobacco, E-Vapor, Traditional Oral, and Modern Oral, with the product types prevalent in each country varying due to differences in consumer preferences.

Heated Products are products that are enjoyed by using a device to directly heat a stick containing nicotine. Among them, products that use tobacco leaf in the sticks (Heated Tobacco Sticks) in particular are continuously expanding their market size, centered on Japan and Europe, with further growth anticipated through innovation given a focus on development by respective market players. Infused Tobacco products enable users to enjoy tobacco vapor infused with the extracted taste and flavor by using a device that heats liquid to generate vapor, which then passes through a capsule containing tobacco granules.

In the market for E-Vapor, which instead of using tobacco leaf vaporize liquids containing nicotine so that the generated vapor can then be enjoyed by the user, the Group has a certain market size, notably in the U.S. and across Europe. Traditional Oral and Modern Oral products enable users to enjoy various tastes and flavors usually by inserting small pouches directly in the mouth between the lip and the gum. The market size particularly for Modern Oral has been expanding in recent years, notably in the U.S. and Europe. Traditional Oral products, including snus, contain tobacco leaf. Modern Oral products, including nicotine pouches, do not contain tobacco leaf.

Among RRP, products that use tobacco leaf are generally regulated and taxed as tobacco products, whereas E-Vapor, Modern Oral and other products that do not use tobacco leaf have been subject to regulations and taxation that differs from that of tobacco-containing products. Although circumstances vary by market, regulatory activity concerning these non-tobacco leaf products has intensified in recent years, with momentum toward increasingly stringent regulation observed particularly in Europe.

Although the RRP market is smaller than that of combustibles, we expect growth on both a volume and monetary basis. Going forward, while we believe that growth rates for each RRP product type will be influenced by factors such as product innovation, consumer preferences, and regulations and taxation related to RRP, we expect Heated Products in particular will serve as a growth driver within the RRP category.

(Note) 1. According to fiscal 2024 data. Cigarettes and fine cut tobacco

ii. Basic strategies

<Quality top-line growth>

- Improvement of profitability in combustibles and concentration of management resources on RRP, mainly focusing on Heated Products

As combustibles are expected to remain the largest category in the tobacco industry as a whole over the mid- to long-term in terms of volume and sales, their importance will be undiminished. As such, the Group will seek improvement of Return On Investment (ROI) in part through increased cost efficiency by enlisting continuous improvement efforts, while carrying out market investment and consistently implementing pricing initiatives looking toward top-line growth. Moreover, we aim to achieve sustainable growth by leveraging strong brand portfolio and taking share of the respective markets.

As we expect further expansion of RRP market, mainly Heated Products, we will continue to increase our presence in the market as the pillar of the future business growth. By investment with priority to Heated Products, we will establish the Ploom brand globally, and aim to expand its share in the category. Looking toward future profit growth opportunities, we will also continue to take a selective and flexible approach to product categories other than Heated Products.

In addition, we will strengthen our organizational capabilities to support these strategies.

- Maintaining and increasing shares in the key markets through brand equity enhancement

Over the past years, the Group’s tobacco business has grown its share in most of the key markets through superior brand equity.

In order to further grow market share, the Group will continue strengthening its brands, especially through consistent investments in the GFB. At the same time, the Group will also strengthen its local brands. These diverse local brands allow the Group to meet the unique preferences of the consumers and complement the brand portfolios in the diverse markets and regions where the Group is active. The Group will continue to focus the investments in innovation, as it is one of the most effective methods to enhance brand equity.

The Group’s innovation efforts will focus on strengthening five key elements which add value to its tobacco products: 1) tobacco blends, 2) flavors, 3) filters and other non-tobacco materials—these three are important elements to determine quality of taste—4) capability to process these innovations into products and 5) package design, which is critical to visual quality.

<Strengthening cost competitiveness>

The tobacco business will persistently pursue continuous cost efficiency improvement of the operations, in particular with respect to the global supply chain, with an emphasis on agility and efficiency without compromising quality. The Group will enhance its cost competitiveness by optimizing the global supply chain through various initiatives, including: further vertical integration in global leaf procurement; extended use of common non-tobacco materials; increased collaboration among suppliers; flexible procurement to benefit from attractive market prices; and improved inventory management for both tobacco and non-tobacco materials. Furthermore, enhanced productivity through realignment of manufacturing process and optimal level of capital expenditures will ensure conversion cost containment. Taking geopolitical risks into consideration, the Group is also determined to improve its business continuity capability by securing options for sourcing and geographically spreading critical functions. Specifically, the Group has been striving to ensure a framework of multiple supply sources, optimal manufacturing capacity allocation on a global basis and diversification of production capability for priority SKUs (Stock Keeping Units).

The Group will improve the margin through increased cost efficiency while maintaining quality, and enhance cash flow generation by optimizing working capital and capital expenditures.

<Strengthening business foundations>

Commencing from fiscal 2022, the Group unified the organization structure of the tobacco business and consolidated the tobacco business headquarter function at the headquarters in Geneva. Under the current organization structure, based on the idea of consumer centricity, the Group is committed to strengthening its global organizational power through maximizing utilization of global resources, speeding up the decision-making process, and effective and efficient business operation systems while at the same time, aiming to strengthen capabilities in the digital realm and in product development. By being able to swiftly allocate resources based on a system of prioritization from a global perspective, the Group will also strengthen the value provided to consumers.

Furthermore, the Group believes that human resource development is the key driver of sustainable profit growth in the tobacco business. The Group sells products in over 130 markets, and the global workforce of employees representing at least 100 nationalities works regardless of nationality, gender, and age. The Group maximizes synergies by leveraging this diversity and promoting collaboration on a global scale. As the Group believes that the quality of human resources is the key to business activity and performance, it will strengthen human resource development and enhance its ability to recruit, develop, and retain employees on a global basis.

The tobacco business remains committed to increasing its presence as a leading global tobacco manufacturer and further strengthening its role as the core business and profit growth engine of the Group, by steadily implementing the above business strategies.

Processed Food Business

The Group’s Processed Food Business aims to contribute to the earnings of the Group through mid- to long-term profit growth driven by high-quality expansion in the top line.

i. Business environment

In 2024, annual consumption of frozen food in Japan(Note) increased 1.5% to approximately 2.92 million tons from the previous fiscal year. Domestic market size on a consumption basis including imports(Note) grew 4.4% from the previous fiscal year to ¥1,301.7 billion.

We expect the Japanese processed food industry to continue to grow as lifestyles change including an increase of double-income households. This change leads to a growing consumer need for simpler and shorter cooking times. Frozen foods can help meet the diverse needs of consumers with its abundant variety and convenience in recreating freshly served taste.

The Company’s subsidiary, TableMark Co., Ltd., is competing against major players like Umios, Nichirei Foods, Ajinomoto Frozen Foods and Nissui as well as a multitude of mid- or small-scale producers, although the Group is starting to see segregation of competition within the industry according to the product categories these competitors respectively own. These competitors are not the only ones the Group needs to keep an eye out on. The Group believes it is necessary to monitor trends in sales channels amid the expansion of private brand products by various distribution companies; and the reorganization of wholesale entities. The Group also needs to be aware of the continuing risk of price fluctuations in raw materials due to global food shortages.

Note: Japan Frozen Food Association (2024 data)

ii. Basic strategies

<Quality top-line growth>

The Processed Food Business focuses primarily on frozen and ambient foods, including staple food products such as frozen udon noodles, packed cooked rice, and frozen okonomiyaki, as well as seasonings. In the area of product line-up, the Group plans to create products that offer good value for the price from consumers' perspective while using its unique technology. This will be achieved by improving the ability to identify consumers' needs, generate ideas based on the identified needs, and transform the generated ideas into products. Concerning marketing, the Group will develop effective and efficient advertising and promotional activities in line with this product strategy and reinforce the trade marketing capabilities. By adopting these measures, the Group aims to further expand its market share.

<Strengthening cost competitiveness>

In the Processed Food Business, the Group has a variety of cost containment programs, including strengthening the raw materials procurement capabilities, efficiently managing the distribution network, and improving the productivity of the Group factories. In addition, consistent group-wide efforts will be made to lower fixed costs, including more efficient use of sales activity expenditures, through better selection and focus of promotional activities. By these means, the Group will work to improve cost competitiveness.

<Strengthening business foundations>

- Food safety control

Looking ahead, the Group will continue to manage the businesses while taking all possible measures to ensure food safety control from the four perspectives of food safety, food defense, food quality, and food communication in order to deliver safe and high-quality food products to consumers.

Regarding food safety, the Group will seek to minimize risks by utilizing food safety management systems already introduced.

Regarding food defense, the Group will further promote the already implemented Food Defense Program in order to prevent purposeful attacks.

Regarding food quality, the Group will pursue "deliciousness," which should be the fundamental quality of foods. The Group will also seek to enhance product added value and consumer satisfaction through continued improvement in accordance with inquiries and information from consumers.

Regarding food communication, the Group will conscientiously listen to the voices of consumers and actively provide information so as to make the Group's activities more visible to the outside.

- Human resource development

Development of human resources that support the business activities is critically important. Competence development programs as well as appropriate career paths of the employees will be created and implemented in order to develop personnel with various skills including marketing expertise and product development knowhow.

In summary, under the 4S model and the JT Group Purpose, the Group will enhance its ability to adapt to changes, implement bold and expeditious reforms of mindset and behavior, and consistently execute its growth strategy. Through these initiatives, the Group will achieve sustainable profit growth and continuously increase corporate value in the mid- to long-term.

2. Concept and Initiatives for Sustainability

The following includes forward-looking statements determined, unless otherwise indicated, as of the filing date.

(1) Overview of Sustainability

The Group believes that contributing to the development of society through its business activities is essential for long-term growth of the Group, and that efforts to achieve sustainability in its business and society have long been considered fundamental to management. The Group has established a sustainability strategy underpinned by its materiality identified with respect to its business and wide range of stakeholders based on the 4S model, its management principle, and the JT Group Purpose. The Group will address social issues and achieve sustainable growth in its business by harnessing the driving force of the entire Group.

a. Governance

The Group recognizes that its actions to address challenges associated with sustainability constitute an important management issue. Accordingly, the Group deems that important sustainability strategies, including the revision and formulation of materiality, and the formulation of the Group's basic policies in areas such as the environment and human rights, are matters to be resolved by the Board of Directors. Moreover, matters associated with formulating and updating the JT Group Sustainability Targets, which serve as Group-wide targets for sustainability aligned with materiality, and the outcomes of the same, are to be reported to the Board of Directors. Submissions to the Board of Directors are made by the Chief Sustainability Officer.

While the frequency of reporting to the Board of Directors varies depending on factors such as the status of revisions to basic policies on materiality and sustainability, updates to and outcomes of the JT Group Sustainability Targets are reported annually. In fiscal 2025, an update of the JT Group Sustainability Targets and results for fiscal 2024 were reported to the Board of Directors in April 2025.

In addition, since 2020, the Sustainability Advisory Forum has been held regularly to discuss the Group's sustainability issues. With the Chief Sustainability Officer acting as Chairman, the forum is attended by heads of the Group's businesses and corporate divisions. In 2025, three forums were held, thereby serving as a platform for discussing and sharing information on such issues and topics as progress in and updates to the JT Group Sustainability Targets, progress in and toward various initiatives and targets pertaining to climate change, the response to the Corporate Sustainability Reporting Directive (CSRD) and Sustainability Standards Board of Japan (SSBJ), management of non-financial data, and stakeholder engagement. Furthermore, all matters discussed in the Sustainability Advisory Forum are reported after each meeting to the President and Members of the Board also serving as Executive Officers. Among such matters, important issues of sustainability (important matters requiring Board of Directors resolution or reporting) are reported to the Board of Directors, including non-executive Members of the Board.

Pursuant to the basic policies on materiality and other aspects of sustainability it has formulated, the Board of Directors confirms the progress of specific initiatives being implemented by management and provides various kinds of advice taking into account risks and opportunities. In addition, ESG assessment is incorporated into the performance evaluations for Members of the Board also serving as Executive Officers and certain other Executive Officers. This evaluation is deliberated by the Advisory Panel on Nomination and Compensation, which is composed entirely of Members of the Board who do not serve as Executive Officers, with more than half of its members being independent Outside Directors.

Audit & Supervisory Board Members attend Board of Directors meetings, where they speak on matters related to sustainability and perform audits appropriately from an objective viewpoint. Furthermore, the Sustainability Advisory Forum has been designated as one of the important internal meetings attended by Audit & Supervisory Board Members, who participate in meetings of the said Forum. When formulating audit plans, the Operational Review and Business Assurance Division conducts interviews with the Chief Sustainability Officer and Vice President of the Sustainability Management Division of JT, taking various sustainability-related issues into account.

For information on the skills of the Group's Members of the Board and Audit & Supervisory Board Members concerning "Sustainability / Environment and Society," please refer to the latest skills matrix (https://www.jt.com/about/officer/index.html).

b. Strategy

Based on the belief that as nature, society, 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, the Group, with its management principle of pursuing the 4S model, has formulated the JT Group Materiality for five challenges identified based on the JT Group Purpose and discussed at the Board of Directors. Based on the JT Group Materiality, the JT Group Sustainability Targets have been set in order to clarify the specific details of our initiatives. In realizing the JT Group Purpose, the Group is contributing to that sustainability through its commitment to working on the JT Group Materiality with specific initiatives based on the JT Group Sustainability Targets.

JT Group Purpose

Fulfilling Moments, Enriching Life

JT Group Materiality

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

Living with the Planet	Value Creation that Exceeds Consumer Expectations	Investing in Our People and Supporting Their Growth	Responsible Supply Chain Management	Good Governance
Preserve a harmonious relationship between our environment, people, and corporate organizations through initiatives to improve our impact on 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

JT Group Sustainability Targets

(For the JT Group Sustainability Targets, please refer to "d. Metrics and targets.")

For details including those on formulating process of the JT Group Materiality, please refer to the JT website below.

https://www.jt.com/sustainability/strategy/materiality_strategy_sdgs/index.html

For details on initiatives addressing the five issues of materiality, please refer to the following Integrated Report and the JT website.

Integrated Report 2025:

https://www.jt.com/investors/results/integrated_report/pdf/2025/integrated2025_E_all.pdf

JT website

・ "Living with the Planet," which includes details on action to address climate change

https://www.jt.com/sustainability/environment/index.html

・ "Value Creation that Exceeds Consumer Expectations"

https://www.jt.com/sustainability/diverse_consumer_needs/index.html

・ "Investing in Our People and Supporting Their Growth"

https://www.jt.com/sustainability/people/index.html

・ “Responsible Supply Chain Management,” which includes details on respecting human rights

https://www.jt.com/sustainability/supply_chain_stakeholder/index.html

・ “Good Governance”

https://www.jt.com/sustainability/governance_compliance/index.html

c. Risk management

We have introduced a consistent enterprise risk management (ERM) process across the entire Group. That enables us to help achieve sustainable growth in the medium to long term, enhance our corporate value and the mechanisms to ensure transparent, fair, timely, effective decision-making and roles and responsibilities allocation. ERM also includes sustainability-related risks. For details, please refer to “II. Review of Operations 3. Business and Other Risks.”

In addressing sustainability issues, the Group has identified various opportunities that contribute to long-term enhancement of corporate value. Through the formulation and promotion of the JT Group Sustainability Targets, we aim to convert our approach to material issues into opportunities and integrate them as a core component of our sustainable growth strategy. For example, to address climate change issues, we aim to achieve carbon neutrality of our operations by 2030, and net-zero GHG emissions across the entire value chain by 2050. Through the introduction of renewable energy and scenario analysis, we strive to reduce the risks associated with climate change and create new opportunities. Furthermore, based on the recognition that a diversified employee base is the source of our competitiveness, we believe that offering attractive and competitive remuneration levels and career development opportunities, as well as recruiting and nurturing talented individuals from around the world, will lead to enhanced corporate value. In addition, we aim to earn the trust of stakeholders and secure a competitive advantage by strengthening responsible supply chain management and initiatives for respecting human rights, and by conducting due diligence in line with international standards.

d. Metrics and targets

Based on the JT Group Materiality, the JT Group Sustainability Targets have been set as the specific targets and initiatives of the JT Group. The JT Group Sustainability Targets establish initiatives for addressing various sustainability issues of the Group based on the JT Group Materiality, and encompass sustainability initiative targets for all of our businesses.

For the progress of JT Group Sustainability Targets for fiscal 2024, please refer to the following.

・Fiscal 2024 results based on JT Group Sustainability Targets:

https://www.jt.com/sustainability/all_FY24_EN.pdf

For the progress of JT Group Sustainability Targets for fiscal 2025, please refer to the Integrated Report 2026 to be released around June 2026.

(2) Climate change

Climate change is the biggest environmental challenge facing society and our business. The effects of climate change, such as global warming and modified weather patterns, will have serious implications for our supply chain given that our products are mainly agriculture-based, but also for our own operations based in various locations around the world. The Group is committed to tackling this issue. In February 2022, the Group set a goal to achieve Net Zero for its entire value chain by 2050, and as a milestone, aims to be Carbon Neutral for its own operations by 2030. Our approach to addressing climate-related risks is aligned with the recommendations of the Task Force on Climate-related Financial Disclosures (TCFD).

For details, please refer to the Company’s Integrated Report (https://www.jt.com/investors/results/integrated_report/index.html).

a. Governance

In addition to creating a long-term roadmap for achieving Net Zero under the Chief Sustainability Officer, the JT Group has incorporated a three-year plan to reduce greenhouse gas emissions based on this roadmap into its Medium-term Business Plan, with annual reports being submitted to the Board of Directors. Targets for reducing greenhouse gas emissions toward achieving Net Zero have additionally been incorporated into the JT Group Sustainability Targets, progress toward which is discussed at the Sustainability Advisory Forum and reported annually to the Board of Directors.

b. Strategy

The Group is aiming to achieve Net Zero in line with the 1.5°C target and are examining various risk factors that may have significant financial and strategic implications for our business over short-term (0-5 years), medium-term (5-10 years), and long-term (10-30 years) timeframes. We utilized the IEA NZE2050 climate change scenarios by the International Energy Agency (IEA) for the assessment of transition risks, scenarios based on typical concentration pathways outlined by the Intergovernmental Panel on Climate Change (IPCC), such as Representative Concentration Pathways (RCP2.6 and RCP8.5) for physical risks. As a result of the scenario analysis, two main climate change risks, "carbon pricing (raising carbon taxes)" and "the impact on crop growth conditions," were identified. The Group strives to mitigate these risks by continuing to implement climate-related initiatives across its value chain and address areas for improvement. For the details of the scenario analysis, please refer to JT website (https://www.jt.com/sustainability/environment/operations/index.html).

<Scenario analysis results>

・Transition risk: carbon pricing (raising carbon taxes)

Impact	A carbon tax is imposed on raw or secondary materials, or services used in each phase of the agricultural value chain (e.g. agricultural chemicals, agricultural machinery, processing machinery, storage and distribution). Rising carbon taxes may increase procurement cost of tobacco leaf and other materials. It may also lead to additional company expenditure due to tax increases for the Group's direct operations. Based on multiple scenarios, calculation results indicate potential financial impact ranging from approximately ¥2.7 billion to ¥108.9 billion in real terms for the effects of raising carbon taxes attributable to rising temperatures. Financial impact is calculated by multiplying the GHG emissions forecast for 2050 in regions where carbon taxes may exist, by the carbon tax level in those locations. GHG emissions in 2050 are predicted based on the expected reduction in emissions of the Group and sales growth.
Counter measure	The Group manages this risk by reducing its energy consumption through capital investment and energy saving programs, as well as renewable energy programs (onsite generation of renewable energy, purchasing green energy). In addition to actively promoting decarbonization of vehicles used in business activities, the Group is also working with and supporting its respective suppliers in terms of understanding their climate change risks and appropriately implementing mitigation measures.

Physical risk: the impact on crop growth conditions

Impact	Changes in atmospheric carbon dioxide levels could affect crop growth. There is also a risk of shifts in the presence and prevalence of crop pests and diseases related to climate change. Other risk factors include water scarcity and higher-than-average temperatures and unusual precipitation patterns. All of these could impact the availability and quality of key natural resources for the Group, including tobacco leaf and other crops. Such issues could occur in one or more of our crop sourcing countries. Based on multiple scenarios, calculation results indicate a potential financial impact ranging from ¥3.5 billion to ¥34.8 billion for an increase in procurement cost of crops.
Counter measure	The Group manages this risk by shifting leaf growing regions based on the climate-related impacts it identified and implementing climate change adaptation measures (e.g. smart agriculture and breeding). The Group also introduces measures to improve yield in growing regions, and to mitigate increased costs and a potential decrease in procurement volumes. Thus far, the Group has attempted to establish a resilient supply chain. It also has built strong relationships with its suppliers while having a geographically diversified supply chain. As a result, the Group currently sources tobacco leaf efficiently and consistently from more than 30 countries.

・ Opportunity: Shifts in raw material production areas and methods resulting from changes in consumer lifestyles and rising temperatures

Impact	Demand is expected to increase for ethical products, as well as for processed and frozen foods, due to a growing need for simpler cooking associated with rising temperatures. Additionally, there is a possibility of greater price competitiveness for products using ingredients such as wheat, whose harvest yields may rise due to rising temperatures.
Counter measure	In response to these opportunities, the Group identifies consumer trends and develops products that meet such needs. The Group is also exploring options for promoting smart agriculture and plant breeding, as well as partnering with agricultural startups and other such enterprises.

c. Risk management

The Group formulates plans to address risks upon having evaluated climate change risks through its enterprise risk management (ERM) process. When formulating such plans, the Group takes into account risks specific to each country and region identified through its country-level climate change scenario analysis. The Group then establishes a clear order of priority for addressing such risks drawing on assessment of its overall business risk and assessment specific to respective countries and regions. In addressing climate change issues, we aim to achieve carbon neutrality of our operations by 2030 and net-zero GHG emissions across the entire value chain by 2050. We are working to reduce risks associated with climate change and create new opportunities through the introduction of renewable energy and scenario analysis. For further information on climate-related risks and opportunities, please also refer to “b. Strategy.”

d. Metrics and targets

The Group has set a goal to achieve Net Zero across the entire value chain by 2050 in order to fulfill its social responsibility with its sights set on mitigating climate change risks and constructing a decarbonized society. As a milestone in that regard, the Group aims to be Carbon Neutral for its businesses by 2030, with targets of reducing Scope 1 and 2 GHG emissions by 47% against a 2019 base year and reducing Scope 3, Category 1 GHG emissions by 28% against a 2019 base year. Additionally, the Group has set targets pertaining to introduction of renewable electricity as an initiative that contributes to reducing GHG emissions, and it has been working on the targets.

The Group has obtained SBT validation for its GHG emissions reduction target for 2030 and its Net Zero target for 2050. The Group’s latest GHG emissions are as follows.

(1,000 tons CO_{2e})

	Fiscal 2024
Scope 1	320
Scope 2	189
Total (Scope 1 + 2)	509
Scope 3, Category 1	4,749

For the Group’s targets and results of fiscal 2024, environmental data/external verification, and data calculation and consolidation methods, please refer to JT website.

・JT Group Sustainability Targets:

https://www.jt.com/sustainability/environment/index.html

・Environmental data/external verification, and data calculation and consolidation methods:

https://www.jt.com/sustainability/environment/data_verification/index.html

For fiscal 2025 environmental data, please check the Integrated Report 2026, to be released around June 2026.

(3) Human capital

To show us the way forward in a social and business environment defined by discontinuous change, the Group has formulated the JT Group Purpose of “Fulfilling Moments, Enriching Life” that will help assure the sustainability of our businesses and the society in which it operates. Not only does the JT Group Purpose depict realms in which the

Group is to provide value in the future of society, but it also serves as the driving force for carrying out various initiatives that include formulating and executing mid- to long-term strategies, developing new businesses, engaging in sustainability activities, and forming the corporate culture. Given that each and every employee of the Group serves as the starting point for all activities aimed at realizing the JT Group Purpose, the Group recognizes that their significance will continue to grow going forward. Underpinned by this awareness, the Group has defined human capital as follows, and strives to enhance the definitions, as it continues to enlist the basic concepts set forth in the JT Group Human Resources Management Philosophy.

a. Governance

As a responsible employer, listening to the voices of our employees is crucial, and the Group strives to achieve continuous improvement toward ensuring that it provides fulfilling workplace environments by communicating with them through multiple channels. Specifically, the Group conducts an Employee Engagement Survey (EES) encompassing all employees of the Group and also carry out a PULSE survey conducted at each office and factory, thereby enabling us to identify, assess, and promptly address challenges encountered by each organization from the Group level to the office and factory level.

Moreover, the Group considers that it is its responsibility to provide a safe work environment for all employees of the Group. To this end, the Group is working to raise safety awareness and implement various measures aimed at achieving zero workplace accidents, as described in the JT Group Health and Safety Policy. In addition, many workplaces of the JT Group do not limit themselves to only complying with laws and regulations, and are also moving forward to obtain certification under ISO 45001.

The Company furthermore promotes KENKO Investment for Health under the leadership of the President and accordingly works to ensure that every employee is able to achieve optimal physical and mental well-being. Such initiatives include assigning specialized occupational healthcare staff (physicians and public health nurses) to serve in 11 key locations across Japan and arranging health consultations on an individual basis.

The Employee Engagement Survey (EES) is administered by the Company's Human Resources Division, raising safety awareness and various other measures are implemented by each business division, and KENKO Investment for Health is carried out by each office and factory. Meanwhile, the Senior Vice President in charge of People & Culture serves as the person in charge and administrative supervisor of such initiatives. As a member of the Sustainability Advisory Forum, the Senior Vice President in charge of People & Culture participates in discussions on sustainability issues and leads discussions on human capital. The status of the Employee Engagement Survey (EES) and progress on raising safety awareness and various other measures are reported to the President and the Board of Directors at least once a year. Furthermore, issues related to the promotion of KENKO Investment for Health are reviewed at least once a year at meeting of the KENKO Investment for Health Promotion Committee, chaired by the Senior Vice President in charge of People & Culture.

Please note that the surveys conducted at each business site (pulse surveys), while not directly related to the Sustainability Advisory Forum, are administered by the heads of each organization at those locations. This approach enables more specific identification of and response to issues at the level of each business site.

b. Strategy

<Human capital at the Group>

The Group has been proceeding with efforts that involve enhancing personnel initiatives carried out in seeking to more clearly define and expand its human capital. The Group has defined human capital as "human resources" who support our corporate activities, "corporate culture" that shapes decision-making criteria and patterns of behavior with respect to our activities, and "ownership (individual independence)" embraced in a manner that produces a virtuous cycle between human resources and corporate culture.

<Human resource>

Given that the Group has long contended that "diversity of people is a source of our competitiveness," the Group is committed to recruiting human resources equipped with different backgrounds and values, such as age, gender, self-identification, sexual orientation, disability, ethnicity, religion and nationality, as well as experience and expertise. Furthermore, the Group strives to ensure that every member of its workforce driving the Group's corporate activities is able to maximize their abilities. Going forward, the Group will further focus on strategically recruiting and supporting growth of human resources. This includes human resources who promote expansion and optimization its existing businesses (tobacco business and processed food business), human resources who drive the development of new businesses catering to human enrichment amidst likely changes over time, and human resources who lead and manage the Group’s business.

Moreover, employees’ mental and physical safety and health is of utmost importance underpinned by “People come first” approach in serving as a company consistently preferred by diverse human resource. The Group strives to improve systems so that the career path and work-life balance desired by its employees in various stages in life, seeking to ensure vibrant work settings within the Group.

<Corporate culture>

Corporate culture (shared values embraced throughout the organization) is one that is vital when diverse human resource drives corporate activities together as a member of the Group. The Group believes that ensuring that these values take root within the organization, thereby shaping the Group’s decision-making criteria and patterns of behavior with respect to corporate activities, is crucial to sustainably create unique values that are characteristic of the Group.

The Group has cultivated a culture of sincerity and support for mutual growth based on a strong sense of ethics. While the Group continues to embrace this culture, it also strives to foster a corporate culture that is suitable for the times and distinctive to the Group by encouraging employees to take on challenges more than ever before and promoting internal and external collaboration in order to provide society with various forms of “human enrichment” in the time of uncertainty where diversification of values is progressing.

<Ownership (individual independence)>

The Group seeks to create values distinctive to the Group while maximizing the abilities of its diverse human resource. This calls for ensuring a virtuous cycle whereby its organizational values are transmitted in the form of decision-making criteria and patterns of behavior among its diverse human resource (interaction between human resources and corporate culture), while ensuring that each individual shapes the corporate culture of the Group. To such ends, the Group believes that the notion of taking ownership is important in terms of proactively implementing and promoting the core values and behavior (behavioral guidelines) of the Group after each individual understands and embraces the JT Group Purpose.

To make steady progress in enhancing human capital based on this definition of ownership, the Group aims to achieve a state where the three elements of human capital are fully harnessed and is incorporating this into specific business measures. As one such initiative, the Group formulated the JT Group Sustainability Targets and has established the following six priority themes related to human capital:

Priority theme (Target items)	Theme details
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. We cherish the diversity of people based on our view that various differences in the attributes and backgrounds of each employee constitute value that serves as a source of our competitiveness. 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.
Talent attraction	The Group runs multiple businesses globally, so its sustainable growth requires a sufficient talent pool for each location and business. For us to remain a company that is attractive to diverse people and retain enough excellent talent, we set attractive compensation levels for each location and business, and recruit candidates with a focus on value, in the way that best suits each business. We also hire and develop talent who will lead the Group as senior management and each business as a leader, who expand and optimize our businesses and who explore new areas where we can offer value to society.
Attractive working conditions	The JT Group notes the importance of creating environments that help employees make the most of their individual strengths and contribute to the optimum performance of the organization. We maintain systems that support each employee in choosing workstyles that suit them irrespective of constraints imposed by factors such as work locations and work hours, and their workstyle preferences. We accordingly work to create workplaces with a high level of psychological safety so that diverse human resources can feel safe and demonstrate their strengths and skills.
Health and safety	Underpinned by its recognition that it is essential for each employee to fully harness their abilities, the JT Group is developing workplace environments where everyone is able to work energetically and safely while maintaining their mental and physical health. To this end, the Group is working to raise safety awareness and implement various measures aimed at achieving zero workplace accidents, as described in the JT Group Health and Safety Policy. We also put effort into health-related support to help each employee promote their own health.
Development support	The JT Group believes that it is important to enhance human capital by enabling each employee to pursue the careers they aspire to through their activities within the Group. To this end, we actively support employees in autonomously thinking about and choosing their own careers, as well as taking action toward achieving their own career plans.
Internal and external collaboration	The JT Group actively creates opportunities fostering collaboration within the Group at the regional, functional and individual levels. The same goes for collaboration between the Group and other companies, community organizations and the like to put together various viewpoints and knowledge outside the Group's borders, so we can create new types of fulfilling moments.

c. Risk management

Whereas the Group engages in various initiatives in seeking to attract talented people with top priority assigned to a diverse workforce going forward, if the Group could not sufficiently fulfill such needs as retaining human resources due to the negative social image placed on tobacco business or other such circumstances, future business operations may become difficult, thus having a negative impact on the Group's business performance.

The Group strongly believes that the quality of human resources is the key to business activity and performance. Furthermore, as the Group has adopted the "Human Resources Management Philosophy" based on the belief that a diversified employee base is a major factor of its competitiveness, the Group seeks to attract talented people worldwide, and further strengthen development and retention.

Specifically, the Group sets attractive and competitive remuneration levels, which involves establishing benchmarks specific to each region and business. Moreover, the Group is enhancing its discussion process for ensuring an environment conducive to enabling individuals to form careers aligned with their aspirations and preferences. In addition to recruitment for career-track positions whereby career paths of employees are determined based on their experience across a wide range of fields, the Group also hires people for specific job categories beginning with the stage of initial corporate employment, and engages in career recruitment carried out on the basis of job assignments.

Furthermore, the Group works to support for the growth of human resources by providing growth opportunities to all employees of the Group, such as by carrying out training applicable to all employees, including executives, which provides them with the necessary skills for their individual careers. At the same time, the Group maintains and improves a motivating work environment, which includes the promotion of diversity, provides a fair nomination and compensation system and operates fairly, and establishes systems and a corporate culture that respects diversity.

For details of risk management, including those related to human capital, please refer to "II. Review of Operations 3. Business and Other Risks."

d. Metrics and targets

For each of the six priority themes related to human capital established as sustainability targets, the Group sets clear qualitative and quantitative targets as well as key metrics, and regularly monitors such progress and results.

The table below provides a list of the main metrics and targets for each theme, as well as the latest results.

Priority theme (Target items)	Targets	Results for fiscal 2025
Diversity, equity & inclusion promotion	We view differences in attributes such as gender and nationality, as well as differences in each individual's experiences, expertise, and values, as a source of our human capital competitiveness. Accordingly, we promote initiatives to enhance and leverage the diversity of our human capital and we aim to achieve a 30% ratio of women's representation in managerial positions within the JT Group by 2030(Note 1).	In our efforts to empower women, we made steady progress toward our 2030 target on women's representation in managerial positions, which reached 26.4% across the entire Group (24.9% in 2024). Since 2025, we have been engaging in various initiatives in addition to the introduction of women's representation in managerial positions as a metric (KPI) for executive remuneration. This has included creating opportunities for female employees to receive support for their growth from officers and organization heads, and expanding the number of participants in external training programs. Furthermore, we aim to achieve workplace environments where everyone can thrive, which involves continuously arranging various awareness-raising activities. In Japan, this includes developing internal systems to promote employment of people with disabilities and providing multilingual support to empower foreign talent. In 2025, we obtained the highest ranking of Gold in the PRIDE Index for the tenth consecutive year and received the Rainbow Certification for the first time as a result of our initiatives to support the LGBTQ+ community.
Talent attraction	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.	Overall, the Group has ensured a sufficient talent pool at each stage (approximately 500 participants in the early-stage training program, and approximately 200 candidates whose careers have been monitored/discussed by the senior management team and business leaders). In the tobacco business, we were certified as a Global Top Employer for 12 consecutive years through 2025.
Attractive working conditions	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.	As a Group-wide initiative, we have promoted the awareness and use of various systems such as Family Leave within the Company to support employees in balancing work and family life. The total ratio of employees who took parental leave(Note 2) has increased to 102% (98% in 2024), and the rate of male employees in particular has been steadily increasing (102% in 2025; 96% in 2024).

Priority theme (Target items)	Targets	Results for fiscal 2025
Health and safety	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. - Our tobacco business will decrease the injury rate(Note 3) to 0.1 by 2030 in line with its vision of Zero workplace injuries. - Our processed food business will aim for injury rates to or below 0.63 by 2030, with a view to achieving Zero workplace injuries.	There were decreases in the number of work-related fatalities across the entire JT Group, as well as the Lost-Time Injury Frequency Rate (LTIFR) and the Occupational Illness Frequency Rate (OIFR) among employees. Meanwhile, the work accident severity rate among employees was the sole metric that remained at the same level as the previous fiscal year. We stringently analyzed the circumstances surrounding occurrences of fatalities and other major workplace accidents and implemented measures to prevent recurrence. Looking ahead, we will carefully monitor the status of workplace accident occurrences in the Group, and continuously promote effective measures toward the achievement of zero workplace accidents. In the tobacco business, the injury rate per 200,000 working hours fell to 0.20 (0.24 in 2024), and in the Processed Food Business, it was 0.69 (0.85 in 2024).
Development support	We will create a system 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.	We have continued to use career discussions as an initiative for encouraging self-motivated career development. In the Tobacco Business, meanwhile, we have implemented various measures (e-learning, internal and external training, etc.) based on a common global framework, in addition to promoting continued use of the job posting program. Moreover, at JT, we conducted career roundtables (48 organizations with a total of 1,980 participants) and internal internship programs (37 participants).
Internal and external collaboration	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.	As an initiative to promote internal collaboration and provide opportunities for it, we have planned and held regular events at the JT head office for encouraging communication between employees across businesses, functions and organizations. In external collaboration, we promoted initiatives through cooperation with other companies and participation in business collaboration platforms in order to conceptualize “fulfilling moments” from diverse perspectives at D-LAB. In addition, as a result of actively providing and supporting opportunities to participate in volunteer activities, employees have engaged in 296,000 hours of volunteer activities during their working hours since 2015, which is 98% progress toward the 2030 target (260,000 hours in 2024).

Notes:
1. For the ratio of female employees in managerial positions, transferred employees are counted as employees at the company to which they are transferred.
2. The percentage of employees who took parental leave includes not only statutory leave, but also those who took parental leave further approved by the company in question, against the number of employees who have become a parent in fiscal 2025 via adoption, surrogacy or birth. If there are any employees who have taken parental leave for their child born in previous fiscal years, the rate of employees who took parental leave in this fiscal year may exceed 100%.
3. Injury rate per 200,000 working hours

3. Business and Other Risks

Listed below are major items that, among those relating to the review of operations and accounting revealed in the Annual Securities Report, are recognized by management as items that may significantly influence financial position, operating results and cash flows of consolidated companies. These items include items that may significantly affect the achievement of the Group's management targets and business strategy as well as items that may significantly influence investor decisions from the viewpoint of proactive information disclosure.

However, the risks described below do not constitute an exhaustive list of all the risks related to the Group, and risks not described below also exist. All of the risk factors may potentially have an effect on investment decisions.

The following includes forward-looking statements determined, unless otherwise indicated, as of the filing date.

The Company entered into an agreement in May 2025 with Shionogi & Co., Ltd. regarding the transfer of the Company's Pharmaceutical Business and the transfer of shares of Torii Pharmaceutical Co., Ltd. Subsequently, the Company transferred all its shareholdings in Torii Pharmaceutical Co., Ltd. in September 2025, and transferred the Pharmaceutical Business in December 2025.

<Risk Management System>

We have introduced a consistent enterprise risk management (ERM) process across the entire Group. That enables us to help achieve sustainable growth in the medium to long term, enhance our corporate value and the mechanisms to ensure transparent, fair, timely, effective decision-making and roles and responsibilities allocation. We identify risks that could have an impact on the Group, assess them in terms of their potential impact and likelihood in order to prioritize them, formulate mitigation plans, and monitor the plans' progress.

The President is in overall charge of ERM, which is promoted through discussions between Executive Vice Presidents and the Senior Vice Presidents in charge of ERM (Senior Vice Presidents in charge of Corporate Governance) who have been designated by the President. The heads of the Tobacco and Processed Food businesses also implement ERM, and report the details to the Senior Vice Presidents in charge of ERM. Involving the Senior Vice Presidents in charge of ERM who supervise the risk situation for businesses in discussions in this way enables the comprehensive selection of significant risks to the Group. Significant risks selected through discussions between the President, Executive Vice Presidents and Senior Vice Presidents in charge of ERM are addressed by plans formulated under the guidance of those designated by the President to be in charge (the heads of businesses and the Senior Vice Presidents in charge of Corporate Affairs), and monitored. The results are then reported to the President, Executive Vice Presidents and Senior Vice Presidents in charge of ERM. The status of this program of initiatives is reported to the Board of Directors at least once a year. By appropriately managing these risks, the Group adequately leverages opportunities for business growth in giving rise to strategic business expansion.

Matters that could constitute risk factors for the business of the JT Group include the following:

(1) Risks Relating to the Business, Profit Structure and Management Policy of the Group

a. Significance of tobacco revenue from the main market in consolidated revenue

The Group sells products in over 130 markets. Among these, tobacco revenue in the main markets, such as Japan, Russia, and the U.K., makes a significant contribution to the Group's revenue. Accordingly, the manifestation of various risks that exist in the environment for the tobacco business, such as a decrease in tobacco demand, tax increases, regulations and other factors (for details of risks relating to the tobacco business, see "(2) Risks Relating to the Group Businesses, Risks Relating to the Tobacco Business" below), or negative impacts in main markets arising from a relative increase in country risk caused by factors such as a change in the political environment, a change in economic conditions, a change in the social environment, a change in the legal system, or the occurrence of riots, terrorism or war, could result in a worsening of Group performance, including revenue from the Tobacco Business deteriorating.

The Group is working to maintain and grow tobacco revenue from its main markets by optimizing its product portfolio, reinforcing trade marketing capabilities and implementing measures for effective promotions. In addition, by further strengthening the business base not only in main markets but also globally, the Group will strive to secure various markets in which it is possible to sustainably generate profits without depending only on specific main markets.

b. Business expansion

The Group worked proactively to obtain external resources for the business expansion, such as the acquisition of the RJR Nabisco Inc.'s non-U.S. tobacco business (acquired in 1999 for approximately USD7.8 billion, or

¥944.0 billion as calculated by the exchange rate at the time of the acquisition; the same applies hereinafter), as well as the acquisition of Gallaher Group Plc (acquired in 2007 for approximately GBP 7.5 billion, or ¥1,720.0 billion), the acquisition of Katokichi Co., Ltd. (now TableMark Co., Ltd.) (acquired in 2008 for approximately ¥109.0 billion), the acquisition of the non-U.S. tobacco business of Natural American Spirit (acquired in 2016 for approximately USD5.0 billion, or ¥591.4 billion), and the acquisition of Vector Group Ltd. (acquired in 2024 for approximately USD2.4 billion, or ¥344.6 billion). In an effort to expand its business, the Group will consider acquisitions, capital movements, business tie-ups and cooperative arrangements with other companies and may execute when the Group judges such transactions would contribute to the future earnings of the Group. However, should such transactions not generate the expected outcome, or should a significant, unforeseen problem be discovered after the acquisition, same may negatively affect the Group's business performance. Examples that may have such an impact include a failure to carry out marketing, operational, personnel, technological or organizational integration due to geographical or cultural differences; a failure to maintain sustained demand for the products of a business subject to acquisition or tie-up, or manufacture and sell said products; a failure to continue the Group's present operations; a failure to retain personnel with superior capabilities at an acquired business or maintain the motivation of its employees; a failure to apply the Group's internal control system to an acquired business; a failure to build an effective brand and product portfolio; a failure to link sales and market strategies of different product lines; or a dispersal of management's attention from the Group's present operations.

Also, as a result of the acquisitions, the Group has recorded a substantial amount of goodwill and intangible assets in the consolidated statements of financial position, and the amounts of goodwill and intangible assets account for 34.7% (¥2,923.1 billion) and 4.7% (¥395.7 billion) of the consolidated total assets, respectively, as of the end of the current fiscal year. The Group believes that the abovementioned goodwill and intangible assets appropriately reflect the future profitability that will result from the unleashing of synergy effects of each business value and integration; however, if it is determined that this expected outcome does not materialize as a result of factors such as changes in the business environment or competitive forces, or if the discount rate applied becomes higher, the Group may incur an impairment loss that negatively impacts the Group's performance.

When carrying out acquisitions, capital movements, business tie-ups and cooperative arrangements with other companies to expand its business, the Group utilizes timely and appropriate external knowledge and evaluations, and makes decisions using the Board of Directors, etc. upon deliberations with related top management regarding the appropriateness of acquisition costs, contract conditions, etc. In addition, after acquisition, the Group incorporates the status of the acquired company's business operations into each business's Business Plan and regularly monitors such status, and takes actions, such as following up and understanding signs of impairment, to maximally realize synergy.

The Group views the role of the Processed Food Business in the Group as that of supplementing sustainable profit growth over the mid- to long-term, and believes that also in the future the business will make a stable and even larger profit contribution. However, although the Group plans to continue to invest in the business, this investment is not guaranteed to generate the returns that the Group anticipates.

c. Effects of foreign exchange and interest rate fluctuations

The Company reports its consolidated financial statements indicating all figures in yen; however, overseas Group companies report their financial statements in other currencies such as Russian ruble, euro, British pound, Taiwanese dollar, US dollar, and Swiss franc. Accordingly, the results, assets, and liabilities of overseas Group companies are converted into yen when the consolidated financial statements of the Company are prepared and indicated in yen therein. As a result, those figures are affected by fluctuations from the currency used by overseas Group companies in their accounts settlement against the yen. The Group's overseas businesses account for more than half of revenue and adjusted operating profit, and foreign exchange fluctuations may have a significant effect on the consolidated financial statements.

In addition, any liquidation, sale or significant drop in the value of a foreign Group company whose foreign currency denominated stock was acquired by the Company will result in the recording of an investment loss with respect to said company in the consolidated financial statements of the Company and this loss will be affected by the exchange rate fluctuation between the yen and the foreign currency that was used to acquire said stock.

Furthermore, most of the Group's international transactions are subject to the effects of foreign currency exchange rates. As an example of this risk, in the tobacco business, the Group uses foreign-grown leaf tobacco. While this leaf tobacco is procured to some degree in US dollars, the tobacco products that contain it are sold in the local currencies of various countries. Therefore, should the US dollar appreciated against these various local currencies, this may have a negative effect on profitability at the Group.

Furthermore, the Group holds financial assets, such as bank deposits and government bonds, and financial liabilities, such as bank loans and bonds. The fluctuation of interest rates pertaining to these assets and liabilities may affect the performance and financial position of the Group as these fluctuations affect the variance of interest income and interest expense and the price of financial assets and financial liabilities.

In addition, the Group's business performance and financial position may be affected in the event that the amount of plan assets, amount of retirement benefit obligations, etc. of the Group fluctuate due to the fluctuation of foreign exchange markets or interest rate levels.

The Group formulates and implements a foreign exchange hedge policy and an interest rate hedging policy, taking into consideration the current condition of the foreign exchange market and interest rates in a comprehensive manner, and the results are regularly reported by division with responsibility for financial matters to the President and the Board of Directors of the Company.

d. Natural disasters and other contingency situations

The Group has expanded its business in various countries and regions in the world, and in the tobacco business in particular, it is working to further strengthen and expand its global business base and to optimize manufacturing facilities in order to strengthen competitiveness. Recently, natural disasters such as earthquakes, eruptions, tsunamis, typhoons or floods, or infectious disease, have been intensifying in Japan and overseas. Future large-scale natural disasters or human-made disasters such as suspension of infrastructure, political instability, fires and bombings, spread of infectious diseases, or other such unforeseen emergencies, may negatively affect the Group's business performance. Such effects may be caused by product supply shortages or suspensions from damage to the supply chain and the distribution network; declines in demand; or employees suffering damage in a disaster.

The Group prepares against the occurrence of natural disasters and unforeseen circumstances, and carries out initiatives to increase employee's disaster prevention awareness, such as continuously gathering and sharing crisis management-related information during the quiet period in addition to the introduction of a safety confirmation system that confirms the safety of employees and their families, and disaster prevention training. Furthermore, in order to keep losses from damage to a minimum, in addition to ensuring an appropriate level of inventory, the Group insures key assets, such as buildings, machinery, equipment and inventory, with casualty insurance as necessary. In addition, in preparation for natural disasters or other contingency situations, the Group will review the Business Continuity Plan and revise it if necessary, and swiftly and flexibly respond so that it can carry out its Business Continuity Plan based on appropriate information gathering and the assessment of the situation.

e. Climate change

The Group has formulated the JT Group Sustainability Targets encompassing specific targets and initiatives linked to its materiality identified with respect to its business and wide range of stakeholders based on the 4S model, its management principle, and the JT Group Purpose.

Based on its recognition that climate change associated with global warming constitutes a key challenge that may affect business and society at large, the Group has set targets related to climate change under "Living with the Planet" in the Group Materiality. The Group also has identified risks and opportunities relating to climate change by conducting climate change scenario analysis based on recommendations of the Task Force on Climate-related Financial Disclosures (TCFD). According to this analysis, an increase of the carbon tax burden, etc. as transition risks and changes to the habitat of tobacco leaves due to the intensification of climate change, etc. as physical risks may negatively affect the Group's business performance.

To fulfill its social responsibility towards constructing decarbonized society, the Group aims to achieve net-zero GHG emissions across its entire value chain by 2050, and it has been making progress in carrying out initiatives that include reducing fossil fuel consumption, transitioning to non-fossil fuels, and making greater use of renewable electricity. The Group has also been engaging in initiatives to secure stable procurement of leaf tobacco by developing leaf tobacco varieties and improving cultivation systems taking into account factors such as changes in crop growth conditions. The Group will put in place a system in order to enable it to more accurately grasp, and create appropriate responses to the way that climate change affects its business, reflect it in the business strategy and further promote appropriate information disclosure.

f. Country risk

The Group has expanded its business in various countries and regions in the world. Geographical expansion increases exposure to country risks, such as a change in the political environment, a change in the economic conditions, a change in the social environment, a change in the legal system, or the occurrence of riots, terrorism or war. If materialized, these risks could negatively affect the Group's business performances due to blockage to supply chains or distribution networks, damage to assets or facilities, or difficulties in allocation of personnel or sales management.

Furthermore, the Group conducts business in countries that are subject to economic sanctions. Although the Group manages its business operations appropriately and lawfully in accordance with these various economic sanctions, if it is acknowledged that the Group has violated the sanctions, the Group would be at risk of being subject to large monetary penalties or other such consequences. Also, if there is a development such as a change in the details of the sanctions, this may negatively affect the Group's business performances by, for example, making the Group unable to continue operating in the countries subject to the sanctions. Even if the Group obeys the sanctions, simply operating in the countries subject to the sanctions may have a detrimental effect on the public image of the Group.

In the Russian market, the Group is fully committed to complying with all applicable sanctions, regulations, etc. while continuing business operations. In parallel, given the continued challenging and complex environment, we continue to evaluate various options, including the potential transfer of ownership of our Russian tobacco business. As this moment, the Company is unable to reasonably estimate the outlook and the impact on financial results.

The Group gathers and monitors information pertaining to country risk in each country and region in which it has expanded its business, and works for stable business operations while conducting scenario planning based on information it has collected. Furthermore, by strengthening and expanding its global business base and securing multiple markets that can continuously generate profits, the Group is working to minimize the negative effects on the Group's business performance in the event that country risks are realized in specific markets.

g. Changes in consumer preferences and behaviors

Uncertainties in the business environment in which the Group operates, such as the contraction of the global economy and a slowdown in economic growth, continue to increase. Within this, the Group recognizes that continuing to provide new value and satisfaction to consumers for continuous profit growth is important, and is working to enhance product and service added value based on changes in consumer preferences and behaviors. However, in the event that consumer preferences and behaviors change due to a deterioration of the economy, etc. and the Group is unable to appropriately respond, the Group's business performance could be negatively affected due to factors such as consumers in existing businesses leaving and the loss of opportunities for growth.

In order to continue to provide new value and satisfaction to consumers, the Group identifies consumer preferences by analyzing market trends and carrying out qualitative and quantitative consumer surveys, and works to realize high value-added products that conform to consumers' preferences such as by improving existing products and developing new products. For example, in the tobacco business, the Group has improved existing RRP products by increasing the convenience sought by consumers and developed new products, and has secured high-quality products, such as combustibles(Note), and set appropriate prices.

In the Processed Food Business, the Group is developing products that take health into consideration due to increasing health consciousness recently.

Note: Combustibles include all tobacco products excluding contract manufactured products and RRP

h. Competition with rival companies

The Group is a global company operating the Tobacco Business and the Processed Food Business. It rigorously competes with rival companies engaged in any of these businesses, and going forward, competition may further intensify.

In the tobacco business, the Group expanded its business by building on its self-sustaining growth and by acquiring the RJR Nabisco Inc.'s non-U.S. tobacco business and Gallaher Group Plc. As a result, its competitive relationships with global players operating tobacco business such as Phillip Morris International Inc. and British American Tobacco Plc. as well as strong firms operating in localized markets are observed.

In the Processed Food Business, the Group is starting to see segregation of competition within the industry according to the product categories these competitors respectively own. The Company's subsidiary, TableMark Co., Ltd., is competing against major players like Umios, Nichirei Foods, Ajinomoto Frozen Foods and Nissui as well as a multitude of mid- or small-scale producers.

Each business and market share fluctuates under multiple factors including competition, regulations, pricing strategies, changing consumer preferences and behaviors, heightened societal interest in health issues, brand strengths and economic conditions occurring in different markets not to mention short-term fluctuations caused by temporary factors such as the introduction of new products by the Group and other companies and the special promotional activities effected for them. A lower market share or decreased competitiveness due to these factors may negatively affect the Group's business performance.

In this competition with rival companies, the Group assumes that it will continue to provide new value and satisfaction to consumers in order to realize continuous profit growth. To that end, the Group provides products that match the changes in consumer preferences and behaviors, optimizes its product portfolio, reinforces the trade marketing capabilities and carries out effective promotional activities, and constantly considers and implements measures such as further increasing cost efficiency and securing multiple markets that can continuously generate profits.

i. Instability in raw material procurement and transport costs

The Group has a global manufacturing footprint, and procures various types of raw materials from Japan and various countries around the world. The status and costs of procurement are affected by factors such as weather and other natural phenomena, impacts on supply chains due to rising country risks, the balance between supply and demand, and exchange fluctuations. Furthermore, there is the risk that increases in transport costs will be further exacerbated going forward due to increasing personnel expenses in the logistics industry, which are caused by labor shortages, and rising crude oil prices. In the event that the Group is unable to stably secure the necessary amount of raw materials, or in the event that raw material procurement costs and costs to transport products rise, the Group's business performance may be negatively affected due to being unable to guarantee the stable supply of products and other factors.

In order to reduce the risks associated with these raw material procurement costs and transport costs becoming unstable, the Group prepares for unforeseen circumstances and secures multiple suppliers. Furthermore, the Group continuously monitors raw material prices, and efficiently uses raw materials, such as by reviewing product specifications as appropriate, upon confirming manufacturing processes and quality. Similarly, the Group continuously monitors crude oil prices and trends in the logistics industry, and reviews transport methods and streamlines them as appropriate. In addition, by reinforcing its relationship with suppliers, the Group increases its procurement abilities for key raw materials, and carries out the necessary response, such as working to improve the internal sourcing ratio for the procurement of tobacco leaves.

j. Supply chain risks

The Group has established a sustainability strategy underpinned by its materiality identified with respect to its business and wide range of stakeholders based on the 4S model, its management principle, and the JT Group Purpose. The Group has identified "responsible supply chain management" in the Group's materiality, underpinned by its awareness that appropriately maintaining and managing the supply chain is a significant matter for the continuation of its business activities. In various countries and regions in the world where the Group has expanded its business, in addition to collaborating with stakeholders, such as suppliers, it works on procurement activities that take the environment and society into consideration by implementing human rights due diligence and other measures. However, in the event that environmental or human rights issues occur or laws and regulations are violated in the supply chain, the Group's business performance could be negatively affected due to factors such as the impairment or decline of public trust in the Group.

Based on the JT Group Supplier Standards, the Group is working to establish a sustainable supply chain, such as by carrying out initiatives to introduce supplier screening in accordance with the evaluated ESG items and monitoring them regularly, and understanding potential risks related to compliance, human rights, the environment and occupational safety and health. In the tobacco business, we are working toward sustainable tobacco leaf procurement. This involves implementing the Group's Agricultural Labor Practices (ALP), which are based on the three pillars of preventing child labor, respecting workers' rights, and maintaining appropriate workplace health and safety as part of our tobacco leaf supply chain due diligence.

k. Litigation

Some of the Company's subsidiaries are defendant in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking or vaping, the marketing of tobacco products, or exposure to tobacco smoke. In addition, the Company and/or some of its subsidiaries are also a defendant in lawsuits other than the smoking/vaping and health-related cases.

The Group is unable to predict the outcome of currently pending or future lawsuits. A decision unfavorable to the Group and payment of substantial amount of monetary compensation could materially affect its business 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 Group, forcing it to bear litigation costs and materially affecting its business performance. Apart from smoking/vaping and health-related ones, the 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 profit liability. Such litigation cases may negatively affect the Group's business performance or manufacture, sale, and import and export of its products, should the outcome of any such claims prove unfavorable.

The Group has prepared a system in order to deeply cooperate internally and externally where the Group responds to litigation cases pertaining to the Group in a timely and appropriate manner by quickly understanding the information regarding the case, sharing information to management and relevant departments, coordinating with an outside lawyer if necessary and considering policies to deal with the situation going forward.

Regarding major litigation cases to which the Group is a party, please refer to "V. Accounting, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 40. Contingencies."

l. Difficulty in maintaining human resource competitiveness

Whereas the Group engages in various initiatives in seeking to attract talented people with top priority assigned to a diverse workforce going forward, if the Group could not sufficiently fulfill such needs as retaining human resources due to the negative social image placed on tobacco business or other such circumstances, future business operations may become difficult, thus having a negative impact on the Group's business performance.

The Group strongly believes that the quality of human resources is the key to business activity and performance. Furthermore, as the Group has adopted the "Human Resources Management Philosophy" based on the belief that a diversified employee base is a major factor of its competitiveness, the Group seeks to attract talented people worldwide, and further strengthen development and retention.

Specifically, the Group sets attractive and competitive remuneration levels, which involves establishing benchmarks specific to each region and business. Moreover, the Group is enhancing its discussion process for ensuring an environment conducive to enabling individuals to form careers aligned with their aspirations and preferences. In addition to recruitment for career-track positions whereby career paths of employees are determined based on their experience across a wide range of fields, the Group also hires people for specific job categories beginning with the stage of initial corporate employment, and engages in career recruitment carried out on the basis of job assignments.

Furthermore, the Group works to support for the growth of human resources by providing growth opportunities to all employees of the Group, such as by carrying out training applicable to all employees, including executives, which provides them with the necessary skills for their individual careers. At the same time, the Group maintains and improves a motivating work environment, which includes the promotion of diversity, provides a fair nomination and compensation system and operates fairly, and establishes systems and a corporate culture that respects diversity.

m. Infringement of intellectual property rights

In order to achieve "quality top-line growth," the Group utilizes various intellectual properties, enhances product and service added value and actively acquires the rights to these intellectual properties. Under such circumstances, if an outside party infringes the Group's intellectual property rights, the Group's technology and brands may not be sufficiently protected, which in turn could lead to negative effects on the Group's business strategies and financial position. Or, if it is acknowledged that the Group's products and services have infringed on the intellectual property rights of an outside party, the Group may risk having to pay compensation for damages, or becoming unable to provide the products and services, which could negatively affect the Group's business strategies and the financial position.

In order to avoid the risk of infringement of the Group's intellectual property rights by an outside party, the Group prepares measures to acquire the rights of intellectual properties and appropriately manage its intellectual property rights. Furthermore, in order to prevent the infringement of the intellectual property rights of an outside party before it occurs, the Group responds timely and appropriately, such as by investigating and monitoring the status of intellectual property rights.

n. Environmental regulations

The Group carries out research and development and production, the processes of which are subject to a wide variety of legal restraints in various countries and regions in the world related to environmental protection with respect to hazardous substances, waste and other effects. In the future, if environmental pollution or a similar problem occurs as a result of the Group's business activities, or if environmental regulations are introduced or existing ones are changed, the Group's business performance may be negatively affected due to factors such as being liable for damages for environmental pollution, the decline of corporate reputation, the incurring of additional expenses for capital expenditures, etc. to respond to regulations or restrictions on existing business activities.

In order to prevent environmental pollution, the Group continuously monitors the establishment and revision of environment-related laws and regulations, thoroughly observes environment-related laws and regulations, such as by making them well known to relevant departments, and appropriately responds as necessary. For example, the Group confirms the status of compliance with environment-related laws and regulations annually with internal audits in accordance with ISO 14001, primarily at manufacturing facilities. In addition, the Group establishes an even stronger environmental management system by being audited by an outside agency once every three years.

Furthermore, the Operational Review and Business Assurance Division of the Company and the auditing divisions of the Group companies in Japan perform environmental audits, and make evaluations from an objective viewpoint. The results of these audits are reported to management and shared with relevant departments, which leads to the improvement of the Group's overall environmental management system.

o. Information security

In the operation of business, the Group utilizes various types of information technology to efficiently perform business and operations. Attacks via illicit access and computer viruses are becoming more complex and ingenious as digital technology evolves, and in the event that damage to systems, or leaks of confidential information occur as a result of unforeseen circumstances, such as attacks via illicit access to the Group and suppliers, or disasters, the business performance of the Group may be negatively affected due to temporary suspension of information systems, the decline of public trust, the loss of competitive advantage and the incurring of expenses to appropriately respond to these events.

The Group has clarified its position on initiatives for information security, put in place a variety of rules in relation to information security in order to comprehensively and continuously promote information security measures, and works to appropriately monitor, manage, and protect information assets, such as the systems and data owned by the Group. Furthermore, the Group works to reinforce information security from the aspect of both hardware and software. In regard to hardware, the Group continuously carries out technological and operational inspections and improvements related to security for key systems including requests to suppliers. In regard to software, the Group works to educate employees on security, such as by carrying out information security e-learning that is applicable to all employees.

(2) Risks Relating to the Group Businesses

Risks relating to the Tobacco Business

a. Decreasing tobacco demand

Demand could also decrease depending on the economic conditions, other societal conditions, trends in regulations, price rises, tax increases and other factors, although the trends in demand will vary from region to region. Should demand decrease, sales volume may decrease, and this may negatively affect the Group's business performance.

The Group strives to provide products that can capture changes in consumer preferences and behaviors and optimize our product portfolio. While pursuing self-sustaining growth by adopting a balanced approach to investing in markets in which it already has a strong base, as well as in markets with high growth potential, the Group takes the view that searching for and exploiting growth opportunities through the acquisition of external resources is also a valuable strategic option, and it is working to secure positions in multiple markets capable of generating continuous profit, rather than in just one specific market. With regard to issues such as tax increases and strengthened smoking regulations, the Group is implementing measures such as gathering information on regulatory trends with greater speed and accuracy, actively cooperating in policymaking that leads to fair and balanced regulation by engaging in constructive dialogue with government-affiliated participants (including regulators) and other stakeholders, setting prices appropriately so as to minimize the impact of higher taxation, and pursuing further cost efficiency.

b. Taxes levied on tobacco

In countries around the world, governments are discussing increases in tobacco excise taxes to secure public finances and promote public health, and are actually raising taxes in some cases. Some countries are also implementing increases in taxes such as consumption tax or value-added tax (VAT) with the aim of improving public finances.

It is difficult to predict changes in the types of taxes or tax rates imposed on tobacco products in various countries, and if tax hikes are implemented at an unexpected timing, frequency or rate of increase, or in a region where tax hikes were not anticipated, the Group may be unable to react to such tax hikes promptly and appropriately.

Increases in tobacco taxes may, if accompanied by a hike in retail prices, push down demand, move consumers toward lower priced brands, or cause or increase illicit trade such as smuggling and counterfeiting. On the other hand, if there is no retail price hike, such tax increases may cause the earnings structure of the tobacco business to deteriorate. As such, either case may negatively affect the Group’s business performance.

The Group is implementing measures such as offering products that match the changing preferences and behaviors of consumers, optimizing its product portfolio, securing positions in multiple markets capable of generating continuous profit rather than in just one specific market, gathering information on trends pertaining to tax increases with greater speed and accuracy, engaging in constructive dialogue with governments and regulators, setting prices appropriately so as to minimize the impact of higher taxation, and pursuing further cost efficiency.

c. Regulations on tobacco products

- Situation overseas

The regulatory environment for tobacco is getting stricter year by year, in the wake of the Framework Convention on Tobacco Control (FCTC), which came into force in February 2005.

The purpose of the FCTC is to control continuously and substantively the proliferation of smoking. Its provisions include price and tax measures; non-price measures to reduce demand (including protection from passive smoking, testing and measuring the contents and emissions of tobacco products and their information disclosure, product packaging and labeling, regulations on tobacco advertising, promotion and sponsorship), and measures related to the reduction of tobacco supply (including prevention of illicit trade and prohibition of sale of tobacco products to minors). The Japanese government ratified the framework in June 2004.

All Parties to the FCTC are obligated to develop, implement, periodically update and review strategies, plans and programs for tobacco control. However, each party, has a right to determine the content, scope and specific implementation method of their own tobacco control. After coming into force, the Parties of FCTC continue their discussions through regularly holding the Conferences of the Parties (COP) in order to develop the protocols (for which additional ratification, acceptance, accession and other are required to the FCTC Parties) and guidelines in view of implementation of each FCTC provision.

Specific regulations are also undertaken in each country. For example, Russia, a main market of the Group, enacted the comprehensive tobacco control law in February 2013 and has gradually been implementing it since June 2013. The law includes a retail display ban; restrictions on sales of tobacco products in certain retail stores; a ban on advertising, sponsorship and promotions; the introduction of minimal pricing; a ban on smoking in public places; and anti-illicit trade measures.

In addition, the EU revised the EU Tobacco Product Directive (EU TPD) announced in July 2001 and it entered into force in May 2014. The revised Directive includes the tightening of packaging and labeling regulations; restrictions on the use of additives including menthol for cigarettes and Fine Cut; restrictions on tobacco product flavors; regulations related to E-Vapor; and anti-illicit trade measures. Each member state has introduced their national regulations based on the revised Directive. In November 2022, a decision was also made to apply restrictions on tobacco product flavors, etc., which had been applied to some tobacco products up until now, to Heated Products, and looking forward, for HTS new restrictions are expected to be introduced in each country.

Furthermore, the Australian government introduced plain packaging in December 2012, which prohibits displaying logos, brand images or promotional text on tobacco packages. The regulation only allows product names to be displayed in the prescribed color, font, font size and font color. Various countries including France, the U.K. have also introduced and legislated similar regulations, while other countries have been discussing or determining its implementation.

For example, there are signs of increasing regulations on E-Vapor, such as the introduction of regulations banning the sale of some flavored electronic cigarettes by the U.S. federal government.

Although it is difficult to accurately predict the content of future laws and regulations relating to sales activities, marketing, packaging and labeling, tobacco products and smoking, the Group expects various regulations, including those like the ones above, to spread across Japan and other countries.

- Situation in Japan

The Tobacco Business Act, related acts and statutes and voluntary standards set forth the regulations for the sale and promotion activities of tobacco products in Japan that include the indication of warning labels on tobacco product advertisements and packages that urge caution over the relationship between the consumption of tobacco products and health.

In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised including the wording of the cautions over the relationship between the consumption of tobacco products and health indicated on tobacco product packages and, starting July 2005, all tobacco products sold in Japan have been in conformity to the revised regulations. In addition, the Japanese Minister of Finance has indicated a “Guideline for Advertising of Tobacco Products” (hereinafter, “Advertising Guideline”) based on the Tobacco Business Act, Article 39 (warning labels) and Article 40 (recommendations, etc. relating to advertising). The Advertising Guideline was revised in March 2004 in accordance with the revision of the Ordinance for Enforcement of the Tobacco Business Act mentioned above (for details, see (3) c. (i), Notes 2 and 3 below).

The Tobacco Institute of Japan (TIOJ) has established voluntary standards regarding the advertising and sales promotion activities for tobacco products. We comply with these standards together with all other TIOJ members. In February 2016 under the Financial System Council tobacco business subcommittee meeting, a new labeling sub-committee was established, which performed a specialized investigation in relation to means of the Advertising Guideline. The labeling sub-committee reported the results of its investigation to the tobacco business subcommittee in June 2016, and as a result of further discussions conducted within the tobacco business subcommittee, “Review of Warning Labels Regulations / Advertising Regulations” was published on December 28, 2018. Based on the aforementioned review and a promulgation of a partial amendment of the Ordinance for Enforcement of the Tobacco Business Act; the Advertising Guideline; and Related Notices of the Tobacco Business Act on June 14, 2019, the Tobacco Institute of Japan revised the voluntary standards on the same day (for details of the amendment of the Ordinance for Enforcement of the Tobacco Business Act and the Advertising Guideline, see (3) c. (i), Notes 4 and 5 below). There are four criteria in this revision: the revision of standards for tobacco products; establishment of new rules for Heated Products; establishment of new rules for Heated Products devices; and establishment of new rules for business activity relating to tobacco and television advertising to advocate the improvement of smoking manners.

With regard to the caution on tobacco product packages, the revision required (a) caution statement changes on tobacco product packages by July 1, 2020 and (b) more restrictive advertisement measures for tobacco products. The changes in (a) included wording revision, which reflects the latest scientific knowledge, and increasing the area of the statements at least 50% on the surface. With regard to (b), the measures included more effective ways to prevent minors’ access to internet advertisements and new restrictions on the size and presentation methods for point-of-sale advertising.

The enactment of the Partial Amendment of the Health Promotion Act (Act No. 78 of July 25, 2018) (hereinafter, the “Act”) in July 2018 strengthened measures to prevent unwanted passive smoking at facilities used by numerous people. The Act classifies the facilities into three types in terms of measures to take: Facility Type 1 includes schools, hospitals and administrative agencies; Facility Type 2 includes restaurants, offices, factories and any other facilities that do not fall under Facility Type 1 or facilities whose main purpose is not for smoking; and other facilities that do not fall in Facility Type 1 or 2 whose main purpose is to provide a place for smoking (includes public smoking areas, bars that are mainly for smoking, and tobacco retailers where on-premise smoking is allowed). Facility Type 1 prohibits smoking within its site but allows designated outdoor smoking areas if they meet all of the requirements. Facility Type 2 prohibits indoor smoking but allows designated smoking rooms, etc. after meeting certain criteria. Additionally, a restaurant can allow indoor smoking once it meets certain requirements. Facilities whose main purpose is to provide a place for smoking allow smoking within their sites. In October 2025, a Special Committee on Preventive Measures Against Passive Smoking was established, following the passing of five years since the full enforcement of the Act in April 2020, which made further revisions possible. It is currently uncertain whether the Act will be amended following deliberations by this committee and others, but if further amendments are made, we recognize that there is a possibility of a certain degree of impact on the performance of the Group.

- Impact on the Group's business performance

Although it is impossible to predict the content of future laws, regulations and industry guidelines relating to sales activities, marketing, packaging and labeling, tobacco products and smoking, the Group expects regulations like the above and new regulations (including those of local governments) to diffuse in countries where the Group sells its tobacco products.

The Group's position is to support any regulation relating to tobacco that is appropriate and reasonable. Nevertheless, if regulations such as those mentioned above are tightened, or if the Group is unable to respond to this tightening of regulations in a timely and appropriate manner, subsequent declines in tobacco demand or market share, costs for compliance with new regulations or other factors may negatively affect the Group's business performance. In the tobacco business, the Group is implementing measures such as gathering information on regulatory trends with greater speed and accuracy, and engaging in constructive dialogue with governments, regulators, and various stakeholders.

d. Illicit trade such as smuggling and counterfeiting

One of the most serious issues in the tobacco industry is the increase of illicit trade, including smuggling and counterfeit product distribution. Motivations for illicit trade are believed to include the high profit margin of tobacco products and cross-border price gaps arising from different taxation systems and tax levels among countries. As historical evidence shows, illicit trade in a market tends to increase after a steep tax increase.

Illicitly traded products not only significantly damage the credibility of brands and the companies that own those brands, but also negatively affect governments' tax revenues. Therefore, the Group and other tobacco companies are working together with governments to eliminate illicit trade.

The Group is making efforts towards countermeasures, such as by concluding cooperation agreements to counter illicit trade with the governments and all its provinces and territories. Even so, growth in illicit trade such as smuggling and counterfeiting of tobacco products may negatively affect the Group's business performance because of consequences including damage to its brand equity or the need for substantial expenses for countermeasures and the like to eliminate illicit trade. In order to protect consumers and society, as well as the business and the reputation of the Group, the Group has formed an Anti-Illicit Trade team that works to prevent illicit trade. The Anti-Illicit Trade team works with the Group's various markets to prevent genuine products being diverted into illegal channels, and cooperates with law enforcement to remove illegal tobacco products from the marketplace. Making use of public-private partnerships, the team maintains proactive dialogues with governments and law enforcement authorities in various countries in relation to the threat posed by illicit trade, and has established programs around the world to educate law enforcement on how to recognize counterfeit products.

The Group also deploys and operates Track and Trace systems for tobacco products, enabling it to track and analyze the movement of products through the supply chain. Over the last ten years, many countries required the tracking and tracing of tobacco products, and the Group's approach, including advocating for the expansion of digital tracking and tracing to other countries, complies with these legislative requirements and has played an important role in its compliance policy for more than a decade.

Furthermore, in accordance with its rigorous compliance policy, the Group implements measures to prevent illicit trade, such as by dealing only with reputable business partners, and raising awareness among consumers of the negative impact of purchasing unregulated products.

Risks relating to the Processed Food Business

a. Food safety and quality

The mission of the Processed Food Business is to provide consumers with safe and high-quality food. The frozen and ambient foods business and the seasonings business that make up the two core operations are each responsible for food safety control functions, and take all possible measures to ensure food safety control during the operation of the business. However, in the event that problems related to food safety or quality occur that exceed those anticipated by the Group, in addition to a decline or impairment of public trust in the Group, costs related to product recalls and demands for compensatory damages may be incurred, which could negatively impact performance.

In addition to conducting continuous quality assurance activities aimed at providing safe and secure products from the four perspectives of food safety, food defense, food quality, and food communication, the Processed Food Business confirms their effectiveness through periodic audits. With the objective of constructing a management system platform to achieve the highest levels of food safety, the Company has drawn up policies, rules and guidelines related to food safety control for the Processed Food Business as a whole, and monitors the initiatives of each operating company in their operation. In addition, excluding one factory that began operations in fiscal 2020, all of the Group's factories inside and outside Japan, as well as the Group's business partners' factories that produce frozen foods, have achieved certification under the ISO 22000 or FSSC 22000 international standards for food safety management. The one remaining factory is currently in the process of obtaining certification for both ISO 22000 and FSSC 22000.

b. Food regulations

The Processed Food Business is subject to a variety of legal restrictions, such as the Food Safety Basic Act, the Food Sanitation Act, and the Food Labeling Act. The mission of the Processed Food Business is to provide consumers with safe and high-quality food, and the Group operates a thorough program of compliance to ensure conformity with all these legal restrictions. However, in the event that legal restrictions are introduced or changed, additional costs may be incurred to comply with these regulations, or existing business activities may be restricted, leading to a negative impact on the Group's business performance.

In addition to conducting advance preparations by continuously monitoring for regulatory introductions and amendments, gathering information as appropriate, and considering additional countermeasures, the Processed Food Business responds to circumstances as required.

(3) Other Factors Which May Materially Affect Investment Decisions

a. Relations with the Japanese government and the Minister of Finance

The JT Act obligates the government to continue to hold more than one-third of all the Company's shares issued. As of December 31, 2025, the government held 33.34% of all the Company's shares issued. As a consequence, the Japanese government is able to have a substantial influence on proposals for ordinary resolutions at the Company's General Meetings of Shareholders such as the election of Members of the Board. Furthermore, the Japanese government has the veto power for special resolutions for such actions as mergers, capital reductions or amendments to the Articles of Incorporation.

In addition, the Minister of Finance has the authority to supervise the Company under the JT Act and Tobacco Business Act. Under the JT Act, the scope of the Company's businesses includes the "manufacture, sale and importation of tobacco products and ancillary businesses, as well as businesses required for attaining the objective of the Company," and "business required for attaining the objective of the Company" are subject to the Minister of Finance's approval. Consequently, the Minister of Finance's approval is required in order for the Company to engage in new businesses outside the scope of currently approved businesses (for details, see c. (ii) below).

As mentioned above, in addition to the Japanese government's rights as a shareholder of the Company, the government has the authority to supervise the Company and other powers under the JT Act and Tobacco Business Act. Since it cannot be guaranteed that the interests of the government will always coincide with the interests of other shareholders, this may have a negative effect on the interests of other shareholders.

Under the "Act on Special Measures for Securing Financial Resources Necessary for Reconstruction from the Great East Japan Earthquake," which was promulgated on December 2, 2011, the government makes it a principle to secure revenue to fund reconstruction resources until the fiscal year ended March 31, 2023. To this end, it is required for an examination to be made of the feasibility of selling the Company's shares by reassessing the framework under which the government holds the shares, while taking into consideration the framework of the country's commitment to tobacco-related business based on the Tobacco Business Act and the like.

b. Purchasing of leaf tobacco

The Tobacco Business Act requires the Company to annually enter into purchase contracts with tobacco growers regarding the aggregate cultivation area for specific varieties of leaf tobacco and the prices for leaf tobacco by variety and grade. The Company must purchase all leaf tobacco produced pursuant to such contracts, except for any not suited for the manufacture of tobacco products. When the Company decides the aggregate cultivation area and the prices of leaf tobacco for its contracts with tobacco growers, it is required to respect the opinion of the Leaf Tobacco Council (hatabako shingi kai), which consists of members appointed by the Company with the approval of the Ministry of Finance from among the representatives of domestic leaf tobacco growers and academic appointees (for details, see c. (i) below). Much like many other agricultural products in Japan, production costs for domestically grown leaf tobacco is higher than those of foreign-grown leaf tobacco to the extent that the purchasing price for the former is approximately three times that of the latter. The obligation to purchase virtually all leaf tobacco produced in Japan may adversely impact the Group's relative competitiveness because other global tobacco companies use foreign-grown leaf tobacco only.

c. Legal matters relating to the business of filing company

(i) Tobacco Business Act (Act No. 68 of August 10, 1984)

	Description
1. Purpose	The object of this Act is, in consideration of the tax relating to tobacco products as a portion of the treasury revenue incidental to the abolishment of the tobacco monopoly system, to promote a sound development of the tobacco industry in our country by making necessary adjustments in the production and purchase of domestically produced leaf tobacco as raw material for tobacco products and in business activities etc. of manufacture and sale of the tobacco products, whereby it will contribute to ensuring treasury revenue and a sound development of the national economy. (Article 1)
2. Cultivation and purchase of domestically grown leaf tobacco for use as raw material	(1) When intending to purchase the domestically produced leaf tobacco, Japan Tobacco Inc. (hereinafter, "JT") shall enter into agreements in advance with those who intend to cultivate leaf tobacco for the purpose of selling it to JT regarding the cultivation area for each item of leaf tobacco and the prices for each item and each grade of the leaf tobacco. (Article 3) (2) JT shall purchase all leaf tobacco produced pursuant to such agreements, except those which are not suitable as raw materials for tobacco products. (Article 3) (3) In the case where JT intends to enter into an agreement, JT shall consult with the Leaf Tobacco Council that JT establishes, and respect its opinion concerning the total cultivation area and the prices of leaf tobacco. (Articles 4 and 7) (4) The Leaf Tobacco Council shall deliberate on the price of the leaf tobacco so that subsequent production of leaf tobacco is ensured, by taking into account the production costs, commodity prices and other economic conditions. (Article 4) (5) JT shall determine the regional breakdown of the aggregate cultivation area for the respective items of leaf tobacco seeking the opinion of the Japan Tobacco Growers Association (hereinafter, "JTGA") and, within the scope of such regional breakdown, enter into agreements with growers. (Article 5) (6) If a member grower of a tobacco growers association entrusts JTGA with entering into an agreement regarding fundamental matters of the agreements such as the price of leaf tobacco, JT shall establish said fundamental matters with JTGA and such agreement shall be deemed as a part of the agreements executed between JT and said grower. (Article 6)
3. Manufacture of tobacco products	(1) No tobacco products shall be manufactured by any party other than JT. (Article 8) (2) JT shall obtain the approval of the Minister of Finance on the maximum wholesale price for each item of tobacco products. (Article 9) (3) JT shall make efforts to ensure a smooth supply of tobacco products taking into account regional demand conditions for tobacco products. (Article 10)
4. Sale of tobacco products	(1) A party wanting to engage in the sale of tobacco products imported by themselves shall register with the Minister of Finance, who establishes necessary regulations relating to said registration and registered party (hereinafter, "Specified Distributor"). (Articles 11 to 19) (2) A party wanting to engage in the wholesaling of tobacco products shall, for the time being, register with the Minister of Finance, who establishes necessary regulations relating to said registration and registered party. (Articles 20 and 21) (3) A party wanting to engage in the retailing of tobacco products shall, for the time being, obtain the approval of the Minister of Finance, who establishes necessary regulations relating to said registration and registered party (hereinafter, "Retailer"). (Articles 22 to 32) (4) If JT and a Specified Distributor want to sell manufactured or imported tobacco products, the list price of each item, and any subsequent change thereof, shall be approved by the Minister of Finance for the time being. Necessary regulations are in place with respect to the approval: for example, the Minister of Finance shall grant approval unless it deems such price is unfair to consumers, etc. (Articles 33 to 35) (Note 1) (5) A Retailer is only permitted to sell tobacco products at list prices that have been approved by the Minister of Finance. (Article 36)

	Description
5. Other	(1) JT or a Specified Distributor shall indicate the wording as prescribed by Ordinance of the Ministry of Finance for warning consumers of the relationship between the consumption of tobacco products and health prior to the commencement of sale of the tobacco products that it manufactured or imported. (Article 39)(Notes 2, 4) (2) Advertisers of tobacco products shall give due consideration to the prevention of smoking by persons under 20 years of age, etc. and make efforts lest such advertisement should be made to an excessive extent. The Minister of Finance may implement necessary measures with respect to advertisers. (Article 40)(Notes 3, 5)

Notes: 1. The so-called list price system is maintained for the time being as a means to prevent confusion in the distribution order, a well-established constant that materialized after the list price system was adopted in 1904.

Tobacco is a luxury item different from the so-called public property and public services and, in a distribution market completely liberalized after the opening of import markets and other factors, the Company and Specified Distributors stipulate prices on application (POA) to the Minister of Finance based on their respective, independent management decisions.

Concerning the approval of list prices, the Company understands that a government delegate gave the following explanation of the gist of the process at the 1984 Diet deliberations on the proposed Tobacco Business Act:

Pertaining to tobacco product list prices, under the Tobacco Business Act, in the event an application is made for the approval of list prices, the Minister of Finance may exceptionally deny approval if it deems such list price unfair to consumers or unfairly low in comparison with wholesale prices of domestic products or import prices of imported products. In all other cases, the Minister approves list prices in line with the spirit of Tobacco Business Act.

2. In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised and the wording of warnings concerning tobacco consumption and health indicated on tobacco product packages was changed to specify risks related to eight items, four of which are diseases associated with direct smoking (lung cancer, heart attack, stroke and emphysema), while the other four are smoking by pregnant women, passive smoking, addiction to smoking and youth smoking. Each tobacco product package must indicate, on its main surfaces, a warning regarding at least one of the four items associated with direct smoking and at least one of the other four items. The Ordinance stipulates, among others, (1) that these warnings must be rotated throughout the year in ways to ensure that they receive equal exposure on each product item and each type of package and (2) that the display must occupy 30% or more of the main surfaces of the package. In addition, the Ordinance stipulates that when wording like “mild” and “light” are used on the package, they must be accompanied by a warning that clarifies that such words do not mean that the risk to their health is lower than other tobacco products so as to prevent consumers from misunderstanding the relationship between the consumption of tobacco products and health. The Company has been adhering to this rule since July 1, 2005.
3. In March 2004, the “Guideline for Advertising of Tobacco Products” was revised to stipulate that the outdoor advertising of tobacco products (posters, billboards, etc.) shall generally be prohibited. It also specifies matters concerning the presentation and content of the health warnings that accompany tobacco advertising.
4. In June 2019, the Ordinance for Enforcement of the Tobacco Business Act was revised and the wording of warnings concerning tobacco consumption and health indicated on tobacco product packages was changed. According to the revision of this Ordinance, new warnings were established for Heated Products. Also, the Ordinance stipulates that a tobacco product package must indicate, on its front main surface, warnings about the effects on others and, on its back main surface, warnings about the prevention of smoking by minors, (persons under 20 years of age) and the effects on the smoker. The display of these warnings must occupy 50% or more of each main surface of the package. In addition, the Ordinance stipulates that when wording like “mild” and “light” are used on the package, they must be accompanied by a warning on the front main surface of the package that clarifies that such words do not mean that the risk to their health is lower than other tobacco products. Because the display of nicotine and tar levels on tobacco product packages may mislead consumers into thinking that the displayed levels indicate a lower risk to their health, the Ordinance also stipulates that the package must indicate that the actual intake levels of nicotine and tar could vary from the displayed levels depending on the consumer’s smoking style. The display of these warnings is required for Heated Products and cigarettes with a certain volume (cigarette sales volume of 0.1 billion or more cigarette equivalent units from April 2018 to March 2019) shipped from April 1, 2020 and for other products shipped from July 1, 2020.
5. In June 2019, the “Guideline for Advertising of Tobacco Products” was revised to limit the locations where tobacco products can be advertised and, excluding distribution by mail, etc., where tobacco product samples, leaflets, brochures, pamphlets, etc. can be distributed to locations where tobacco products are sold, designated smoking areas and locations restricted to use by adults only. It also specifies matters concerning the presentation and content of the health warnings that accompany tobacco advertising and the matters concerning the devices used to heat Heated Products.

(ii) Act on Japan Tobacco Inc. (Act No. 69 of August 10, 1984)

	Description
1. Purpose	Japan Tobacco Inc. ("JT") is a stock company whose purpose is to engage in business related to the manufacture, sale, and importation of tobacco products in order to attain the objectives set forth in Article 1 of the Tobacco Business Act. (Article 1)
2. Stock	The Japanese government must continue to hold more than one-third of all Japan Tobacco Inc. ("JT") shares issued (excluding shares of a class for which it is provided that the voting rights may not be exercised for all the matters that are subject to resolution at the General Meeting of Shareholders; the same shall apply to the following items). (Article 2, paragraph 1) Whenever JT intends to solicit subscribers for an issuance of shares or subscription rights to shares of JT, or deliver shares (excluding own shares), subscription rights to shares (excluding subscription rights to treasury shares), or issuance of bonds with subscription rights to shares (excluding bonds with subscription rights to treasury shares) at the time of share exchange or delivery, the approval of the Minister of Finance is required. (Article 2, paragraph 2) The disposal of JT shares held by the government shall be effectuated within the maximum range stipulated by resolution of the Diet based on the budget of the corresponding year. (Article 3)
3. Scope of business	JT shall engage in the following businesses in order to attain the objectives stated in 1 above. (1) business of manufacture, sale and importation of tobacco products (2) business incidental or relating to the business in the preceding item (3) other business required for attaining the object of JT JT shall obtain authorization from the Minister of Finance before engaging in any business corresponding to (3) above. (Article 5)
4. Monitoring	(1) The appointment or dismissal of Members of the Board, Executive Officers (sikkoyaku at a company with committees), and Audit & Supervisory Board Members require authorization from the Minister of Finance. (Article 7) (2) Amendments to JT's articles of incorporation, appropriations of surplus (except disposal of losses), and any merger, corporate split, or dissolution of JT require authorization from the Minister of Finance. (Article 8) (3) JT shall formulate a business plan prior to each business year and obtain authorization from the Minister of Finance. Any change thereof also requires authorization from same. (Article 9) (4) Within three months after the closing of each business year, JT shall issue its balance sheet, statement of income, and business report to the Minister of Finance. (Article 10) (5) Transfers of manufacturing facilities or similar material assets require authorization from the Minister of Finance. (Article 11) (6) The Minister of Finance shall monitor JT in accordance with this Act as well as the Tobacco Business Act and may implement necessary measures in the execution of same. (Articles 12 and 13)

(iii) Acts relating to tobacco excise taxes (including tobacco special excise taxes)

	Description			
	National Tobacco Excise Tax	National Tobacco Special Excise Tax	Local Tobacco Excise Tax	
1. Tax item (Note 1)	Tobacco Excise Tax	Tobacco Special Excise Tax	Prefectural Tobacco Excise Tax (also applies to Tokyo)	Municipal Tobacco Excise Tax (also applies to special wards)
2. Taxpayers (Note 2)	Manufacturers of tobacco products or those who remove tobacco products from bonded areas		Manufacturers of tobacco products, Specified Distributors or wholesalers selling to Retailers	
3. Tax base (Note 3)	Number of cigarettes removed from the manufacturing site or bonded area (for tobacco products other than cigarettes, prescribed cigarette count conversion)		Number of cigarettes relating to sales to Retailers (for tobacco products other than cigarettes, prescribed cigarette count conversion)	
4. Tax rate (Notes 4, 5)	¥6,802 per 1,000 cigarettes	¥820 per 1,000 cigarettes	¥1,070 per 1,000 cigarettes	¥6,552 per 1,000 cigarettes
On and after April 1, 2027	¥7,302 per 1,000 cigarettes	¥820 per 1,000 cigarettes	¥1,070 per 1,000 cigarettes	¥6,552 per 1,000 cigarettes
On and after April 1, 2028	¥7,802 per 1,000 cigarettes	¥820 per 1,000 cigarettes	¥1,070 per 1,000 cigarettes	¥6,552 per 1,000 cigarettes
On and after April 1, 2029	¥8,302 per 1,000 cigarettes	¥820 per 1,000 cigarettes	¥1,070 per 1,000 cigarettes	¥6,552 per 1,000 cigarettes
5. Declaration and payment (Note 6)	Tobacco product manufacturers are to declare and pay taxes for each month's shipment by the end of the following month. Parties removing tobacco products from bonded areas are to declare and pay taxes by the time of extraction		For sales of tobacco products relating to sales locations of Retailers located within a given prefecture, a declaration and payment of taxes is to be made to that prefecture for each month's transfer by the end of the following month	For sales of tobacco products relating to sales locations of Retailers located within a given municipality, a declaration and payment of taxes is to be made to that municipality for each month's transfer by the end of the following month

Notes:
1. Article 3 of the Tobacco Excise Tax Act, Article 4 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Article 1, paragraph 2 and Articles 4 and 5 of the Local Tax Act
2. Article 4 of the Tobacco Excise Tax Act, Article 5 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Article 74-2, paragraph 1 and Article 465, paragraph 1 of the Local Tax Act
3. Article 10 of the Tobacco Excise Tax Act, Article 7 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-4 and 467 of the Local Tax Act
4. Article 11, paragraph 1 of the Tobacco Excise Tax Act, Article 8, paragraph 1 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-5 and 468 of the Local Tax Act
5. Regarding "4. Tax rate," further changes to the tax rate are scheduled on and after April 1, 2027, April 1, 2028, and April 1, 2029, following the 2025 Tax Reform.
6. Articles 17 to 20 of the Tobacco Excise Tax Act, Article 12 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-10 and 473 of the Local Tax Act
7. In the event the tax system relating to tobacco subject to high excise taxes is examined, on a general basis, as part of a revision of the tax system by the government each year and the tax system is revised, a decision is made upon the deliberation and resolution of the legislature subsequent to the determination of government policy through deliberation by the Tax System Council and other bodies. Relevant government policy is determined once cabinet approval of a bill is secured following the cabinet's approval of an outline of the tax reform proposal.

(iv) Taxation methods applied to tobacco products other than cigarettes

The tax base for the tobacco excise tax is held to be the number of cigarettes, but based on the fact that the number of tobacco products other than cigarettes is not understood, the following tobacco product categories are converted into the equivalent of single cigarettes, based on the respective category weights.

<table>
<tr><th colspan="2">Classification</th><th>Tax base</th><th>Conversion method</th></tr>
<tr><td colspan="2">Tobacco products for smoking</td><td></td><td></td></tr>
<tr><td rowspan="4"></td><td>Pipe tobacco</td><td rowspan="3">Number of cigarettes resulting from conversion by weight[Note]</td><td rowspan="2">Converted at the rate of 1 g per cigarette</td></tr>
<tr><td>Cigar tobacco</td></tr>
<tr><td>Flake tobacco</td><td>Converted at the rate of 2 g per cigarette</td></tr>
<tr><td>Heated Products</td><td colspan="2">Separate (refer to the figure below)</td></tr>
<tr><td colspan="2">Chewing tobacco products</td><td rowspan="2">Number of cigarettes resulting from conversion by weight</td><td rowspan="2">Converted at the rate of 2 g per cigarette</td></tr>
<tr><td colspan="2">Snuff products</td></tr>
</table>

Note: The tax base for little cigars (a cigar contains less than 1 g of tobacco per cigar) specifies that one little cigar be converted into the equivalent of one cigarette.

Additionally, regarding Heated Products, the 2025 Tax Reform has introduced a new conversion method, effective from October 1, 2026, for converting these tobacco products into the equivalent number of cigarettes as described below. With regard to the review of the form of excise taxation for such Heated Products, transitional measures were devised to allow staged implementation between April 1, 2026 and October 1, 2026.

In the tax category, Heated Products refer to manufactured tobacco products (excluding water pipes) that are designed to allow smoking by inhaling tobacco components without burning the tobacco or tobacco-containing substances, but by heating them (including heating through water or other items). Therefore, the tax category for Heated Products includes Infused Tobacco from the Group’s portfolio.

<table>
<tr><th colspan="2">Tax base of Heated Products</th><th></th><th>Conversion method</th></tr>
<tr><td rowspan="2">Conversion method before reform</td><td rowspan="2">Number of cigarettes resulting from conversion by weight and price</td><td>(A)</td><td>The prescribed weight of Heated Products[Note 1] of 0.4 g converts to 0.5 cigarettes</td></tr>
<tr><td>(B)</td><td>Based on the average retail price per cigarette[Note 2], the retail price of Heated Products (excluding the equivalent of consumption tax) is converted to 0.5 cigarettes.</td></tr>
<tr><td>Conversion method after reform</td><td>Number of cigarettes resulting from conversion by weight</td><td>(C)</td><td>For stick-type products, the prescribed weight of Heated Products[Note 1] of 0.35 g converts to 1 cigarette[Note 3].
For those other than stick-type, the prescribed weight of Heated Products[Note 1] of 0.2 g converts to 1 cigarette[Notes 4, 5].</td></tr>
</table>

Notes: 1. Weight does not include weight of filter and certain other goods

2. Calculated by dividing the total of the national and local tobacco excise tax per cigarette, and a figure equivalent to tobacco special excise tax, by 60%
3. For Heated Products with a weight of less than 0.35 g per stick, one stick converts to one cigarette.
4. For items with a weight of less than 4 g per unit, one unit of the respective Heated Products item converts to 20 cigarettes.
5. For smoking devices considered to be tobacco products, which are clearly intended to be used in conjunction with stick-type Heated Products, Note 4 does not apply.

<table>
<tr><th colspan="2"></th><th>Conversion volume during the transitional measures period (tax base)</th></tr>
<tr><td colspan="2">On and before March 31, 2026</td><td>{(A)+(B)} ×1.0</td></tr>
<tr><td rowspan="2">Revision</td><td>April 2026</td><td>{(A)+(B)} × 0.5 + (C) × 0.5</td></tr>
<tr><td>October 2026</td><td>(C) × 1.0</td></tr>
</table>

[Main movements relating to the tobacco tax system and the Company's responses]

Month/Year	Item	Description	The Company's response
May 1986	1986 Tax Reform	Tax increase equivalent to ¥900 per 1,000 cigarettes	Fixed price revised by amount equivalent to tax increase
April 1989	1989 Tax Reform	Following the introduction of the consumption tax, "tobacco consumption tax" changed to "tobacco excise tax" and taxation formula unified to a unit tax	Basically, fixed price revision unnecessary
April 1997	1997 Tax Reform	[Revision of Local Tax Act] Local Tobacco Excise Tax revenue transferred from the Prefectural Tobacco Excise Tax to the Municipal Tobacco Excise Tax	Fixed price revision unnecessary
		[Revision of Consumption Tax Act] Consumption tax rate revised from 3% to 5%	Prices raised by ¥10 per pack for some brands in an effort to revise fixed prices overall by the amount equivalent to the consumption tax rate revision
December 1998	1998 Tax Reform	Act Concerning Special Measures for Financing Debt Transferred to the General Accounts established and ¥820 per 1,000 cigarettes of Tobacco Special Excise Tax introduced	Basically, price per cigarette raised by ¥1
May 1999	1999 Tax Reform	[Revision of Special Taxation Measures Act and Local Tax Act] Tax revenue transferred from Tobacco Excise Tax to Prefectural Tobacco Excise Tax and Municipal Tobacco Excise Tax	Fixed price revision unnecessary
July 2003	2003 Tax Reform	Acts revising portions of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥820 per 1,000 cigarettes	Price per cigarette raised by approx. ¥1
July 2006	2006 Tax Reform	Acts revising portions of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥852 per 1,000 cigarettes	Amount equivalent to tax increase shifted to fixed price of all brands with some prices increased higher than said amount
October 2010	2010 Tax Reform	Acts revising portions of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥3,500 per 1,000 cigarettes	With exception of some brands, prices increased higher than the amount equivalent to tax increase
April 2014	2014 Tax Reform	[Revision of Consumption Tax Act] Consumption tax rate revised from 5% to 8%	With exception of some brands, prices raised by ¥10 or ¥20 per pack to revise fixed prices overall by the amount equivalent to the consumption tax rate revision
April 2016	2015 Tax Reform	Acts revising portions of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥1,000 per 1,000 cigarettes for former third-class products	For former third-class products, prices raised by ¥30 to ¥50 per pack
April 2017	2015 Tax Reform	Based on 2015 Tax Reform, tax increase by ¥1,000 per 1,000 cigarettes for former third-class products	For former third-class products, prices raised by ¥30 per pack
April 2018	2015 Tax Reform	Based on 2015 Tax Reform, tax increase by ¥1,500 per 1,000 cigarettes for former third-class products	For former third-class products, prices raised by ¥40 per pack

Month/Year	Item	Description	The Company's response
October 2018	2018 Tax Reform	Tax increase based on 2018 Tax Reform (Note 1)	With exception of some brands, prices increased higher than the amount equivalent to tax increase
October 2019	2015 Tax Reform	Based on 2015 Tax Reform, tax increase by ¥3,932 per 1,000 cigarettes for former third-class products	For former third-class products, prices raised by ¥90 per pack
	2018 Tax Reform	Tax increase based on 2018 Tax Reform (Note 1)	With exception of some brands, prices increased by a margin lower than the amount equivalent to tax increase
	2019 Tax Reform	[Revision of Consumption Tax Act] Consumption tax rate revised from 8% to 10%	Prices raised by ¥10 per pack for some brands in an effort to revise fixed prices overall by the amount equivalent to the consumption tax rate revision
October 2020	2018 Tax Reform	Tax increase based on 2018 Tax Reform (Note 1)	With exception of some brands, prices increased higher than the amount equivalent to tax increase
	2020 Tax Reform	Tax increase based on 2020 Tax Reform	With exception of some brands, prices increased higher than the amount equivalent to tax increase
October 2021	2018 Tax Reform	Tax increase based on 2018 Tax Reform (Note 1)	With exception of some brands, prices increased higher than the amount equivalent to tax increase
	2020 Tax Reform	Tax increase based on 2020 Tax Reform	With exception of some brands, prices increased higher than the amount equivalent to tax increase
October 2022	2018 Tax Reform	Tax increase based on 2018 Tax Reform (Note 1)	With exception of some brands, prices increased by a margin lower than the amount equivalent to tax increase

Notes:
1. The review of tobacco excise tax caused by the 2018 Tax Reform resulted in an increase in the national and local tobacco excise tax rate of ¥3,000 per 1,000 cigarettes, with the establishment of a new tax category for Heated Products, and a review of the form of excise taxation based on the characteristics of these products. These reviews, viewed from the perspective of mitigating radical change, etc., have been respectively devised as transitional measures, with the former implemented in three stages, in which each stage consists of a ¥1,000 increase per 1,000 cigarettes between October 2018 and October 2021 (with no increase in the rate of excise tax in October 2019), and with the latter implemented in five stages between October 2018 and October 2022.
2. In the 2025 Tax Reform, as a tax measure, including tobacco excise tax, to secure financial resources for strengthening defense capabilities, a review of the form of excise taxation for Heated Products was conducted, and a tax increase equivalent to ¥1,500 per 1,000 cigarettes was implemented. Viewed from the perspective of mitigating radical change, etc., the reviews have been devised as transitional measures, with the former being implemented in two stages from April to October 2026. The latter will be implemented in three stages, each consisting of a ¥500 increase per 1,000 cigarettes between April 2027 and April 2029.

4. Management Analysis of Financial Position, Operating Results and Cash Flows

Major notes concerning the operating results from the viewpoint of the management are as follows. The following includes forward-looking statements determined, unless otherwise indicated, as of the filing date.

(Non-GAAP financial measures)

The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS Accounting Standards, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group's target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group's performance.

Adjusted operating profit

Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, restructuring income and costs, and other items.

Furthermore, growth rate in adjusted operating profit (AOP) at constant FX is also presented as additional information. The Group has set its group-wide target for annual average growth rate in AOP at constant FX, at mid to high single digit over the mid- to long-term, and will continue to pursue this goal.

Constant FX

Adjusted operating profit at constant FX is a financial benchmark that excludes foreign exchange effects calculated and translated using the foreign exchange rates of the previous fiscal year from core revenue or from adjusted operating profit for the current fiscal year in the Tobacco Business. Adjusted operating profit results at constant FX excludes the increase in revenue or profit caused by inflation in some markets calculated using certain methods.

Core revenue

The sum of core revenue from the Tobacco Business, Processed Food Business and other.

Core revenue from tobacco business

Regarding tobacco business, core revenue is disclosed. Core revenue excludes revenue related to the distribution business and contract manufactured products, among others.

(Hyperinflationary accounting adjustments)

The Group applies accounting adjustments to the underlying financial statements of the subsidiaries in the hyperinflationary economy as required by IAS 29, "Financial Reporting in Hyperinflationary Economies."

(Continuing and discontinued operations)

The Group has classified the Pharmaceutical Business as discontinued operations starting in the fiscal year ended December 31, 2025. Therefore, the business results are presented with the amounts for continuing operations, and the previous fiscal year's results have been similarly restated. As a result, profits or losses from discontinued operations are presented separately from continuing businesses as "profit from discontinued operations (attributable to owners of the parent company)."

(RRP)

Reduced-Risk Products (RRP) are products with potential to reduce the risks associated with smoking such as Heated Products and E-Vapor.

Heated Products are products enjoyed by directly heating nicotine-containing sticks using a device. Conversely, E-Vapor does not use tobacco leaf, instead using electrical heating of a liquid inside a device or specialized cartridge to generate vapor for the user to enjoy.

Analyses and examinations concerning the operating results from the viewpoint of the management are as follows.

(1) Business Results

a. Consolidated results

(Billions of yen)

	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Change
Revenue	3,056.7	3,467.7	13.4%
Adjusted operating profit	742.6	902.2	21.5%
Operating profit(Note)	314.2	867.0	175.9%
Profit from continuing operations(Note) (attributable to owners of the parent company)	172.7	499.1	188.9%
Profit from discontinued operations (attributable to owners of the parent company)	6.5	11.1	70.8%
Profit (Profit attributable to owners of the parent company)	179.2	510.2	184.6%

Note: In the fiscal year ended December 31, 2024, we recorded a litigation provision of ¥375.6 billion as an operating expense in connection with the settlement of litigation in Canada. Excluding the impact of this item, the impact of the remeasurement of the related liabilities in the fiscal year ended December 31, 2025, and the one-time loss from the disposal of goodwill due to the liquidation of our Sudanese subsidiary recorded in the fiscal year ended December 31, 2025, operating profit and profit from continuing operations would have increased by 22.4% and 6.9%, respectively, compared to the previous fiscal year.

<Revenue>

Revenue increased by 13.4% from the previous fiscal year to ¥3,467.7 billion due to increases in the Tobacco Business and the Processed Food Business. Core revenue at constant FX increased by 13.9% from the previous year.

<Adjusted operating profit>

Adjusted operating profit at constant FX increased by 24.9% from the previous fiscal year, driven by profit growth in the Tobacco Business and Processed Food Business. Adjusted operating profit including foreign exchange effects increased by 21.5% from the previous year to ¥902.2 billion mainly due to unfavorable currency movements as a result of the depreciation of emerging market currencies against the Japanese yen.

<Operating profit>

Operating profit increased by 175.9% from the previous fiscal year to ¥867.0 billion, mainly due to the absence of provision for loss on litigation related to the settlement of litigation in Canada in the Tobacco Business, as well as an increase in adjusted operating profit.

<Profit attributable to owners of the parent company>

Profit attributable to owners of the parent company increased by 184.6% from the previous fiscal year to ¥510.2 billion, as the increase in operating profit outweighed the deterioration in financial income and costs and the increase in corporate income tax expenses.

b. Segment results

Tobacco Business

(Billions of cigarette equivalent units, Billions of yen)

Tobacco Business	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Change
Total volume	565.3	577.8	2.2%
Combustibles volume(Note 1)	554.4	563.8	1.7%
RRP volume(Note 2)	10.9	14.0	28.0%
Core revenue from tobacco business	2,778.6	3,184.4	14.6%
Adjusted operating profit	791.8	952.2	20.3%

<Total volume>(Note 3)(Note 4)

Total volume increased by 2.2% year on year, driven by the continued growth in market share within Combustibles, the acquisition effect of Vector Group Ltd. of the United States, and significant growth in RRP sales volume. Excluding the negative impact of distribution inventory adjustments, total volume increased by 2.6% year on year. Strong growth in EMA and solid sales volume in Asia more than offset the impact of declining total demand in multiple markets in Western Europe.

Combustibles volume increased by 1.7% year on year, driven by the growth in the GFB volume (up 2.8% from the previous fiscal year) led by Winston (up 4.9%) and Camel (up 4.3%). RRP volume grew by 28.0% year on year, driven by the growth in Ploom volume (up 38.6%) led by Japan.

Market share expanded in approximately 50 markets, including key markets of Italy, Romania, Spain, Taiwan, Turkey, the U.K., and the U.S.

The combined volume of combustibles, including manufacturing under contracts, and RRP manufactured in the fiscal year ended December 31, 2025 increased by 20.9 billion cigarette equivalent units, or 3.8%, from the previous fiscal year to 570.4 billion cigarette equivalent units.

<Core revenue from tobacco business and adjusted operating profit>

Core revenue increased by 14.6% year on year, due to favorable unit price difference / product mix effects observed across all clusters, as well as positive variance in volume, including the contribution from the acquisition of Vector Group Ltd. of the United States. Adjusted operating profit increased by 20.3% year on year, despite negative currency effects primarily caused by the strengthening of cost currencies and the weakening of currencies in some emerging markets, as the strong growth in revenue from sales of our tobacco products more than offset the increased investments in RRP and inflation-led cost increases. RRP-related revenue(Note 2) increased by 23.9% from the previous fiscal year to ¥122.5 billion, fueled by the contribution from Heated Products.

Core revenue from tobacco business at constant FX and adjusted operating profit at constant FX increased by 14.6% and 23.5%, respectively, from the previous fiscal year.

(Note 1) Combustibles include all tobacco products excluding contract manufactured products and RRP.

(Note 2) RRP volume does not include volume from devices and associated accessories, etc., while RRP-related revenue includes revenue from devices and associated accessories, etc.

(Note 3) Industry volume and market share were estimated by the Company.

(Note 4) The Tobacco Business segment has been divided into three clusters (Asia, Western Europe and EMA). Asia includes the entire Asian region, including Japan, Western Europe includes the Western European region, EMA includes Africa, the Middle East, Eastern Europe, Turkey, Americas, and all Global Travel Retail (duty-free markets). Asia includes Taiwan, Japan, the Philippines, etc., Western Europe includes Italy, the U.K., Spain, etc., and EMA includes Turkey, the U.S., Romania, Russia, etc. For details, please refer to “V. Accounting, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 6. Operating Segments, (2) Revenues and Performances of Reportable Segments.”

Processed Food Business

(Billions of yen)

Processed Food Business	Fiscal year ended December 31, 2024	Fiscal year ended December 31, 2025	Change
Revenue	157.2	159.5	1.5%
Adjusted operating profit	8.1	8.6	6.4%

<Revenue and adjusted operating profit>

Revenue increased 1.5% from the previous fiscal year due to the positive contribution from price revisions in the frozen and ambient foods business.

Adjusted operating profit increased by 6.4% from the previous fiscal year due to an increase in revenue that outweighed soaring costs of raw materials.

(2) Financial Position and Cash Flow Position

a. Financial position

Assets

Total assets as of December 31, 2025 increased by ¥48.5 billion from the end of the previous fiscal year to ¥8,419.2 billion. This was mainly due to increases in other current assets and inventories, despite a decrease in cash and cash equivalents.

Liabilities

Total liabilities as of December 31, 2025 decreased by ¥218.2 billion from the end of the previous fiscal year to ¥4,303.9 billion. This was mainly due to a decrease in provision resulting from a down payment as part of the settlement for the litigation in Canada.

Equity

Total equity as of December 31, 2025 increased by ¥266.7 billion from the end of the previous fiscal year to ¥4,115.4 billion. This was mainly due to an increase in exchange differences on translation of foreign operations, in addition to an increase in retained earnings as a result of the recording of profit attributable to owners of the parent company.

b. Cash flow position

Cash and cash equivalents at the end of the current fiscal year decreased by ¥253.4 billion from the end of the previous fiscal year to ¥831.1 billion. Cash and cash equivalents at the end of the previous fiscal year were ¥1,084.6 billion.

Net cash flows from operating activities

Net cash flows provided by operating activities during the current fiscal year were ¥514.1 billion, compared with ¥630.0 billion provided in the previous fiscal year. This was mainly due to the generation of a stable cash inflow from the Tobacco Business, despite a decrease in provision resulting from a down payment as part of the settlement of the litigation in Canada in addition to paying corporate income tax and other taxes.

Net cash flows from investing activities

Net cash flows used in investing activities during the current fiscal year were ¥265.0 billion, compared with ¥439.8 billion used in the previous fiscal year. This was mainly due to the purchase of property, plant and equipment.

Net cash flows from financing activities

Net cash flows used in financing activities during the current fiscal year were ¥475.5 billion, compared with ¥94.9 billion used in the previous fiscal year. This was mainly due to repayments of borrowings and the payment of cash dividends, despite proceeds from financing.

(3) Results of Production, Orders Received and Sales

The Group conducts production and sales of broad and various products in the Tobacco Business and Processed Food Business. Moreover, the types, formats, content volumes, and packages of their products are broad, and major products are not based on a made-to-order basis. For this reason, size of production and orders received are presented neither in the amount of money nor in volume by segment.

Therefore, results of "production, orders received and sales" are presented in connection with the operating results by segment in "(1) Business Results."

Regarding business partners which are the source for 10% or more of the Group's total revenue, the revenue from such partners and the percentage of total revenue are as follows.

Business partner	Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025	
	Amount (Billions of yen)	Percentage (%)	Amount (Billions of yen)	Percentage (%)
Megapolis Group	416.2	13.6	497.5	14.3

Note: The Group's Tobacco Business sells products to Megapolis Group, which runs logistics and wholesale businesses mainly in Russia.

(4) Material Accounting Policies

a. Adoption of IFRS Accounting Standards

Having acquired RJR Nabisco's non-U.S. tobacco business in 1999 and Gallaher Group Plc in 2007, the Group has been growing steadily as a global company and sells products in over 130 markets. In this context, the Group has decided to opt for an adoption of IFRS Accounting Standards from fiscal 2011 based on the Japanese authorities' permission for the listed companies conducting financial and business activities internationally to adopt IFRS Accounting Standards voluntarily from fiscal 2009. Upon the adoption of IFRS Accounting Standards, the Group aims to diversify the group's sources of financing through international markets and to improve quality of business management.

b. Significant accounting estimates and judgment on estimates

Preparation of consolidated financial statements of the Group requires the management to make estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclose contingencies as of the fiscal year end date. These estimates and assumptions are based on the best judgment of the management, considering past results and various factors deemed to be appropriate as of the fiscal year end date. Given their nature, actual results may differ from those estimates and assumptions.

The estimates and assumptions are continuously reviewed by the management. The effects of a change in the estimates and assumptions are recognized prospectively, including the period reviewed.

As for the estimates and assumptions that may have a material effect on the amounts recognized in the consolidated financial statements of the Group, please refer to "V. Accounting, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 4. Significant Accounting Estimates and Judgments."

(5) Target Management Benchmarks

The Group considers the most important issue to achieve sustainable profit growth over the mid- to long-term, based on the 4S model, its management principle, and the JT Group Purpose. In order to measure the performance of the businesses that form the foundation for sustainable profit growth, the Group considers it appropriate to exclude foreign exchange effects, temporary factors and special factors, and have set a group-wide profit target of mid to high single digit annual average growth rate over the mid- to long-term in adjusted operating profit at constant FX.

Adjusted operating profit at constant FX in the fiscal year ended December 31, 2025 increased by 24.9% from the previous fiscal year, exceeding the previous year's results despite the challenging business environment.

Analyses and examinations concerning the operating results for the fiscal year ended December 31, 2025 are included in "II. Review of Operations, 4. Management Analysis of Financial Position, Operating Results and Cash Flows, (1) Business Results."
For details of management policies aimed at achieving group-wide profit targets, please refer to "II. Review of Operations, 1. Management Policy, Business Environment, Issues to Be Addressed, Etc."

(6) Factors Causing Significant Effects on Operating Results, Etc.

Along with the expansion of the tobacco business overseas and its contribution to the results, foreign exchange fluctuation greatly impacts consolidated financial statements. Adjusted operating profit at constant FX in the fiscal year ended December 31, 2025 increased by 24.9% from the previous fiscal year, while the increase in adjusted operating profit including foreign exchange effects was at 21.5% due to unfavorable foreign exchange effects. Unfavorable foreign exchange effects are also expected to arise in the fiscal year ending December 31, 2026.

In order to mitigate foreign exchange risk, the Group is working to implement a natural hedging strategy by matching revenue currencies to payment currencies. The Group hedges some foreign exchange risks using derivatives or foreign currency-denominated interest-bearing debt, etc.

With regard to factors causing significant effects on the Group's operating results, etc. including the above, please refer to "II. Review of Operations 3. Business and Other Risks."

(7) Basic Policies of Financing Activities

The Group's basic policies of financing activities are as follows.

a. Group Cash Management Systems

To maximize the total group cash efficiency, the Group gives first priority to utilizing internal financing mainly by the Group Cash Management Systems (CMS), where legally permissible and economically viable.

b. External financing

Short-term working capital needs are normally financed through short-term borrowings from financial institutions or through commercial paper, or a combination of both; mid- to long-term financing is done through long-term borrowings from financial institutions, bond or equity, or a combination of those.

For secure and efficient financing, the Group continues to diversify its financing means as well as the financial institutions, and set up secure financing means, such as multiple committed facilities.

c. External investments

Investments with financial institutions should be transacted ensuring safety, liquidity and optimal yield. Speculative dealings in pursuit of profit margin are not allowed.

d. Financial risk management

The Group is exposed to financial risks such as credit risk, liquidity risk, foreign exchange risk, interest rate risk, and market price fluctuation risk. The Group manages such risks according to the risk management policies and procedures to avoid or mitigate such risks. The major financial risk management status is reported regularly to the President and the Board of Directors of the Company.

It is the Group's policy that derivatives are only used if it is intended to mitigate risks of transactions for actual business needs, and speculative and trading transactions are not allowed.

For more details on financial risk management, please refer to "V. Accounting, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 33. Financial Instruments, (2) Financial Risk Management to (8) Market Price Fluctuation Risk and (10) Lack of Exchangeability."

(8) Analysis of Capital Resources and Liquidity of Funds

a. Funding requirements

Funds are mainly allocated for capital expenditure, working capital and acquiring external capital resources as well as the repayment of borrowings, the payment of interest and dividends, the acquisition of treasury shares and the payment of income taxes.

Scheduled material capital expenditures and approaches to procuring funds are as presented in "III. Facilities, 3. Plans for New Installation and Retirement of Facilities."

b. Resources of funds

The necessary funds are mainly procured from net cash flows from operating activities, borrowings from financial institutions and bond and commercial paper issuances.

<Cash flows>

Please refer to "(2) Financial Position and Cash Flow Position, b. Cash flow position."

<Interest-bearing debt>

Amounts of interest-bearing debt of the Group to be repaid or redeemed as of December 31, 2025 are as follows.

(Billions of yen)

	Book value	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term borrowings	79.4	79.4	–	–	–	–	–
Long-term borrowings (current portion)	0.2	0.2	–	–	–	–	–
Long-term borrowings	120.7	–	20.2	0.2	0.1	0.1	100.7
Bonds	1,478.4	–	–	230.1	82.7	200.5	980.0
Total	1,678.7	79.6	20.2	230.3	82.8	200.6	1,080.6

Note: Lease liabilities are excluded.

(Long-term debt)

Bonds issued (including the current portion) as of December 31, 2024 and as of December 31, 2025 accounted for ¥928.1 billion and ¥1,478.4 billion, respectively, and long-term borrowings from financial institutions (including the current portion) accounted for ¥738.3 billion and ¥120.9 billion, respectively. Long-term lease liabilities totaled ¥43.0 billion as of December 31, 2024 and ¥52.2 billion as of December 31, 2025.

As of December 31, 2025, the long-term debt was rated A2 (stable) by Moody's Japan K.K., A+ (negative) by S&P Global Ratings Japan Inc., AA (stable) by Rating and Investment Information, Inc. (R&I), and AA+ (stable) by Japan Credit Rating Agency, Ltd. (JCR).

These ratings are affected by a number of factors such as developments in the major business markets, the quality of execution of the business strategies, and general economic trends that are beyond the Group's control. The ratings may be withdrawn or revised at any time. Each rating should be evaluated separately from other ratings. Under the JT Act, bonds issued by the Company are secured by statutory preferential rights to the property of the Company. These rights give bondholders precedence over unsecured creditors in seeking repayment, with the exception of national and local taxes and other statutory obligations.

(Short-term debt)

Short-term borrowings from financial institutions totaled ¥60.3 billion as of December 31, 2024 and ¥79.4 billion as of December 31, 2025. There was no commercial paper outstanding. Short-term lease liabilities totaled ¥20.6 billion as of December 31, 2024 and ¥22.3 billion as of December 31, 2025.

c. Liquidity

The Group has historically had, and expects to continue to have, significant cash flows from operating activities. The Group expects that cash generated from operating activities will continue to be stable and cover funds needed for regular business activities. As of December 31, 2025, the Group had ¥683.9 billion in committed lines of credit from major financial institutions both domestic and international, all of which was unused. In addition, the Group has a commercial paper program, uncommitted lines of credit, a domestic bond shelf registration, and a euro MTN program.

5. Material contracts, etc.

At its Board of Directors meeting held on May 7, 2025, the Company resolved to enter into a memorandum of agreement (hereinafter referred to as the "Absorption-type Split MOA") with Shionogi & Co., Ltd. (hereinafter, "Shionogi") regarding the transfer of its pharmaceutical business to Shionogi through a company simplified absorption-type split (hereinafter, the "Absorption-type Split"), and concluded the Absorption-type Split MOA. Furthermore, at its Board of Directors meeting held on September 25, 2025, the Company resolved to enter into an absorption-type split agreement (hereinafter referred to as the "Absorption-type Split Agreement") with Shionogi based on the Absorption-type Split MOA related to the Absorption-type Split, and concluded the Absorption-type Split Agreement. Subsequently, the Absorption-type Split was completed on December 1, 2025.

Furthermore, at the Board of Directors meeting held on May 7, 2025, the Company resolved to enter into an agreement with Shionogi in relation to the tender offer for ordinary shares of Torii Pharmaceutical Co., Ltd.

(hereinafter, “Torii”), the Company’s consolidated subsidiary, (hereinafter, “Torii Shares”) by Shionogi (“Tender Offer”), which includes the following terms and conditions: (i) not tender all of Torii Shares held by the Company, (ii) implement procedures to make the Company and Shionogi the only shareholders of Torii after the completion of the Tender Offer (including a consolidation of Torii Shares), and (iii) transfer all Torii Shares held by the Company through the acquisition of treasury shares conducted by Torii (hereinafter, the “Share Transfer”). Subsequently, the Share Transfer was completed on September 1, 2025.
To further develop the drug discovery capabilities that the Group has cultivated so far and deliver pharmaceuticals to more patients, the Company has determined that the best option is to conduct business under Shionogi that values both the Company’s pharmaceutical business and Torii as well as focuses on new drug discovery.
The transfer price through the Absorption-type Split and the Share Transfer is ¥42,811 million. For details, please refer to “V. Accounting, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 39. Business Transfer.”

6. Research and Development Activities

Research and development activities are mainly undertaken at the Company’s Tobacco Science Research Center.

Research and development expenses from continuing operations of the Group during the fiscal year ended December 31, 2025 amounts to ¥52.4 billion and the research objectives and research and development expenses by each segment are as follows. The above-mentioned research and development expenses include ¥17.6 billion relating to D-LAB, which was set up by the corporate divisions of the Company for the purpose of research and development, and to basic research not affiliated to any segment.

(1) Tobacco Business

The Group is committed to strengthening its R&D capabilities to ensure a long-term competitive advantage. The focus areas in the R&D activities are the development of new leaf tobacco varieties, improvement of tobacco leaves and their processing, enhancement of aroma and taste, upgrading manufacturing technology, and continuous progress on RRP-related technologies. The Group has been striving to add value to the products in these focus areas in a cost efficient manner. It has established a global research platform in Japan, which focuses on the fundamental research and product technology development. To best meet consumers’ needs and preferences, the market teams are continuously engaged in the product development. Research and development expenses for the Tobacco Business is ¥34.0 billion.

(2) Processed Food Business

Regarding R&D in the Processed Food Business, the Group devotes its efforts to the development of innovative products that meet consumers’ needs and preferences. Research and development expenses for the Processed Food Business is ¥0.8 billion.

III. Facilities

1. Outline of Capital Expenditures

In the fiscal year ended December 31, 2025, the Group made capital expenditures totaling ¥155.1 billion in its continuing operations.

For the tobacco business, the Group made business investments of ¥143.2 billion, for the purpose of RRP-related investments and renovation, maintenance and renewal of manufacturing equipment. In the processed food business, we invested ¥7.4 billion in improvement, maintenance and renewals of production capability.

* Capital expenditures include land; building and structures; machinery and vehicles; and other property, plant and equipment, as well as goodwill, right of trademark, software and other intangible assets, necessary for production improvements at factories and other facilities, strengthening competitiveness and executing business in a variety of fields, excluding assets acquired through business combinations.

* In September 2025 the Company transferred all shares of Torii Pharmaceutical Co., Ltd. it held, and in December 2025 the Company transferred its Pharmaceutical Business. As a result, the facilities of the headquarters and other business locations of Torii Pharmaceutical Co., Ltd., as well as the research and development facilities of the Pharmaceutical Business, were excluded from the Group's major facilities. The book values of these facilities at the time of exclusion were ¥2,760 million and ¥6,620 million, respectively.

2. Main Facilities

Main facilities of the Group (the Company and its consolidated subsidiaries) are as follows.

(1) Filing Company (the Company)

(As of December 31, 2025)

Office and factory name (Location)	Segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m^2)	Amount					
Kita-kanto Factory (Utsunomiya-shi, Tochigi)	Tobacco	Tobacco manufacturing facilities	150	2,062	6,137	18,110	588	26,897	306
Tokai Factory (Iwata-shi, Shizuoka) (Note 1)	Tobacco	Tobacco manufacturing facilities	223	2,309	6,215	8,732	464	17,720	254
Kansai Factory (Fushimi-ku, Kyoto-shi, Kyoto)	Tobacco	Tobacco manufacturing facilities	116	5,831	6,704	17,267	735	30,537	320
Tobacco Science Research Center (Aoba-ku, Yokohama-shi, Kanagawa) (Note 1)	Tobacco	Research and development facilities	34	644	1,707	6	3,177	5,534	98
Head Office (Minato-ku, Tokyo)	General administration	Other	–	–	12,817	52	1,343	14,212	2,478
Regional Sales Headquarters (47) (Each prefecture) (Note 2)	Tobacco (includes administration)	Other	39	875	2,539	942	464	4,820	1,745

(2) Domestic Subsidiaries

(As of December 31, 2025)

Office and factory name (Location)	Segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m^2)	Amount					
TS Network Co., Ltd. Head Office and other 24 distribution bases (Head Office: Taito-ku, Tokyo) (Note 2)	Tobacco	Distribution facilities	40	648	13,199	1,484	584	15,914	1,718
Japan Filter Technology, Co., Ltd. Head Office and other 2 factories (Head Office: Sumida-ku, Tokyo)	Tobacco	Material manufacturing facilities	100	583	3,845	4,001	287	8,717	433
TableMark Co., Ltd. Head Office and other 5 factories (Head Office: Chuo-ku, Tokyo)	Processed Food	Frozen food production facilities	171	4,266	10,117	7,828	288	22,498	1,322

(3) Foreign Subsidiaries

(As of December 31, 2025)

Office and factory name (Location)	Segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m^2)	Amount					
JTI Polska Sp. z o. o. (Poland)	Tobacco	Tobacco manufacturing facilities	531	383	16,950	64,857	1,047	83,237	2,767
LLC Petro (Russia) (Note 2)	Tobacco	Tobacco manufacturing facilities	194	157	6,344	10,459	3,400	20,360	1,042
JTI Tütün Ürünleri Sanayi A.Ş. (Turkey)	Tobacco	Tobacco manufacturing facilities	232	124	1,907	12,347	234	14,612	1,118

Notes: 1. Companies have land leased to entities other than the consolidated companies.
2. Companies have land leased from entities other than the consolidated companies.
3. Book values include right-of-use assets.

3. Plans for New Installation and Retirement of Facilities

(1) Outline of Capital Expenditures

Regarding the mid- to long-term resource allocation of the Group, it will place top priority on business investments that will lead to sustainable profit growth in the mid- to long-term based on the 4S model, its management principle, and the JT Group Purpose. Of the reportable segments, the Group positions the Tobacco Business as the core business and profit growth engine and places top priority on business investments that will lead to its sustainable profit growth. On the other hand, we will make necessary investments for the Processed Food Business to complement profit growth for the Group as a whole.

Based on this policy, the Group plans capital expenditures (facility construction and expansion) totaling ¥174.0 billion in the fiscal year ending December 31, 2026.

As the Company and its consolidated subsidiaries have wide-ranging plans for capital expenditure, figures are disclosed by segment.

The Group's actual capital expenditures may differ significantly from the planned figures mentioned above as a result of a number of factors including those presented in "II. Review of Operations, 3. Business and Other Risks."

Segment	Capital expenditure plan for the fiscal year ending December 31, 2026 (Billions of yen)	Main purpose of investment	Funding
Tobacco Business	156.0	Expenditures for RRP-related investments and also strengthening of production capabilities, and maintenance and renewal for manufacturing facilities	Internally generated funds
Processed Food Business	14.0	Expenditures for the expansion of production capacity, and improvements, maintenance and upgrading of productivity	Same as above

* Capital expenditures include land; building and structures; machinery and vehicles; and other property, plant and equipment, as well as goodwill, right of trademark, software and other intangible assets, necessary for production improvements at factories and other facilities, strengthening competitiveness and executing business in a variety of fields, excluding assets acquired through business combinations.

(2) Sales or Retirement of Important Facilities, etc.

There were no other plans for sales or retirement of important facilities except for the regular renewal of facilities as of December 31, 2025.

IV. Filing Company

1. Information on the Company's Shares

(1) Total Number of Shares Authorized

a. Total number of shares authorized

Class	Total number of shares authorized (Share)
Ordinary shares	8,000,000,000
Total	8,000,000,000

b. Number of shares issued

Class	Number of shares issued (Share; as of December 31, 2025)	Number of shares issued (Share; as of the date of filing: March 23, 2026)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Ordinary shares	2,000,000,000	2,000,000,000	Tokyo Stock Exchange Prime Market	(Note 2)
Total	2,000,000,000	2,000,000,000	–	–

Notes: 1. The provisions of Article 2 of the JT Act prescribe that the Japanese government must continue to hold more than one-third of all shares issued by the Company (excluding shares of a class for which it is provided that the voting rights may not be exercised for all the matters that are subject to resolution at the General Meeting of Shareholders).

2. The Company's standard class of shares with no rights limitations. Its share trading unit is 100 shares.

(2) Status of Subscription Rights to Shares

a. Stock options

Subscription rights to shares issued pursuant to the Companies Act are as follows. Also, the matters presented below reflect the situation as of the last day of the Company's fiscal year (December 31, 2025). Matters that have undergone change between the last day of the Company's fiscal year and the last day of the end of the month before the date of filing (February 28, 2026) are presented in parentheses [ ], while other matters have undergone no change since the last day of the Company's fiscal year.

Note that the stock option plan was abolished in fiscal 2020 (excluding the stock options already granted). The granted stock options could be exercised when the stock option holder loses all positions as Member of the Board, Audit & Supervisory Board Member or Executive Officer. The Company does not plan to change this exercise condition going forward.

- Stock options based on resolutions taken at meetings of the Board of Directors held between December 21, 2007 and September 16, 2011

Resolution date	December 21, 2007	September 19, 2008	September 28, 2009	September 17, 2010	September 16, 2011
Positions and number of persons granted	Members of the Board 11 persons Executive Officers (excluding persons serving as Member of the Board) 16 persons	Members of the Board 11 persons Executive Officers (excluding persons serving as Member of the Board) 14 persons	Members of the Board 9 persons Executive Officers (excluding persons serving as Member of the Board) 14 persons	Members of the Board 9 persons Executive Officers (excluding persons serving as Member of the Board) 14 persons	Members of the Board 8 persons Executive Officers (excluding persons serving as Member of the Board) 15 persons
Number of subscription rights to shares	16 units	18 units	40 units	42 units	9 units
Class of shares to be issued upon exercise of subscription rights to shares	Ordinary shares (the Company's standard class of shares with no rights limitations)	Same as left	Same as left	Same as left	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	3,200 shares (Notes 1, 6)	3,600 shares (Notes 1, 6)	8,000 shares (Notes 1, 6)	8,400 shares (Notes 1, 6)	1,800 shares (Notes 1, 6)
Paying due upon exercise of subscription rights to shares	¥1 per share	Same as left	Same as left	Same as left	Same as left
Exercise period of subscription rights to shares	From January 9, 2008 to January 8, 2038	From October 7, 2008 to October 6, 2038	From October 14, 2009 to October 13, 2039	From October 5, 2010 to October 4, 2040	From October 4, 2011 to October 3, 2041
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥581,269 per unit	¥285,904 per unit	¥197,517 per unit	¥198,386 per unit	¥277,947 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	(Note 2)	Same as left	Same as left	Same as left	Same as left
Conditions for exercising subscription rights to shares	(Note 3)	Same as left	Same as left	Same as left	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left	Same as left	Same as left	Same as left

Resolution date	December 21, 2007	September 19, 2008	September 28, 2009	September 17, 2010	September 16, 2011
Provisions for acquiring subscription rights to shares	(Note 4)	Same as left	Same as left	Same as left	Same as left
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 5)	Same as left	Same as left	Same as left	Same as left

Notes: 1. Number of shares to be issued upon exercise of subscription rights to shares

The class of shares to be issued upon exercise of subscription rights to shares shall be ordinary shares. The number of shares to be issued upon exercise of each subscription right to shares (hereinafter, "Number of Shares Granted") shall be one. However, in cases where the Company conducts stock split (including stock allotment without contribution; hereinafter, the same shall apply to description of stock split) or stock consolidation of ordinary shares of the Company after the date on which the Company allots subscription rights to shares (hereinafter, "Allotment Date"), the Number of Shares Granted shall be adjusted according to the following formula.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of stock split or stock consolidation}$$

Any fraction of less than one share that occurs as a result of the above adjustment shall be rounded down to two decimal places.

In the case of a stock split, the Number of Shares Granted after adjustment shall be applied on and after the date following the base date (if the base date is not specified, on and after the effective date), while in the case of stock consolidation, it shall be applied on and after the effective date. However, in cases where stock split is conducted subject to approval of the proposal to reduce surplus and increase capital or reserve fund at the General Meeting of Shareholders of the Company and where the base date for stock split is set on or before the date of conclusion of that General Meeting of Shareholders, the Number of Shares Granted after adjustment shall be applied retrospectively to the date following that base date, on and after the date following the date of conclusion of that General Meeting of Shareholders.

In addition, in cases where the adjustment of the Number of Shares Granted is proper, the Company shall conduct adjustments deemed necessary after the Allotment Date. When adjusting the Number of Shares Granted, the Company shall notify Subscription rights to shares Holders or make public notice of necessary information by the date before the date on which the Number of Shares Granted after adjustment is applied. However, in cases where the notice or public notice by the date before the date of the application is impracticable, the Company shall later do so as soon as possible.

2. Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares

a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17, paragraph 1 of the Regulation on Corporate Accounting. If the obtained figure has a fraction less than ¥1, the figure is rounded up to the nearest yen.

b. Capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be the amount obtained by subtracting the capital amount to be increased as specified in a. above from the maximum capital increase amount described in a. above.

3. Conditions for exercising subscription rights to shares

a. The person who is a holder of subscription rights to shares and is recorded in the registry of subscription rights to shares (hereinafter, "Subscription rights to shares Holder") may exercise his/her subscription rights to shares only if he/she forfeit his/her all position as Member of the Board (including sikkoyaku at a company with committees), Audit & Supervisory Board Member and Executive Officer of the Company

b. In cases where Subscription rights to shares Holders waive their subscription rights to shares, they cannot exercise those subscription rights to shares.

4. Provisions for acquiring subscription rights to shares

In cases where proposal a., b. or c. below is approved at the General Meeting of Shareholders of the Company (if a resolution by the General Meeting of Shareholders is not necessary, it is read as "in cases where the resolution of the Board of Directors or the decision by the representative Executive Officer (sikkoyaku at a company with committees) is made"), the Company may acquire subscription rights to shares on the date separately provided for by the Board of Directors. In this case, the Company shall, in exchange for acquiring each subscription right to shares, deliver money at the amount obtained by multiplying the value per share calculated according to the following formula by the Number of Shares Granted (if adjusted pursuant to Note 1 above, the Number of Shares Granted after adjustment) to the Subscription rights to shares Holders of respective such subscription rights to shares.

Value per share = Closing price for regular transactions of ordinary shares of the Company on the Tokyo Stock Exchange (if there is no closing price, the base price thereof on the following business day) on the date on which such proposal is approved at the General Meeting of Shareholders of the Company (if a resolution by the General Meeting of Shareholders is not necessary, it is read as "the resolution of the Board of Directors or the decision by the representative Executive Officer (sikkoyaku at a company with committees) is made") – ¥1

a. Proposal to ask approval of a contract of merger where the Company is not to be the surviving company

b. Proposal to ask approval of a contract or plan of company split where the Company would be the split company

c. Proposal to ask approval of a share exchange contract or share transfer plan where the Company becomes a wholly-owned subsidiary

5. Matters regarding delivery of subscription rights to shares accompanied by reorganization

   In cases where the Company merges (limited to cases where the Company is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where the Company becomes the split company in either case), or exchanges or transfers shares (limited to cases where the Company becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, "Reorganization"), the Company shall, in each case, deliver subscription rights to shares of the companies as listed in Article 236, paragraph 1, item (viii), sub-items (a) to (e) of the Companies Act (hereinafter, the "Company Subject to Reorganization") to the Subscription rights to shares Holders that have subscription rights to shares existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of share exchange when it is a share exchange, or the incorporation date of a wholly-owning parent company as a result of the share transfer when it is a share transfer (hereinafter, "Remaining Subscription rights to shares"). However, it is subject to a condition that the provision that the subscription rights to shares of the Company Subject to Reorganization shall be delivered pursuant to the provisions of the items below, is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, share exchange contract or share transfer plan.

   a. Number of subscription rights to shares to be delivered of the Company Subject to Reorganization

      Subscription rights to shares whose number is identical to the number of the Remaining Subscription rights to shares held by Subscription rights to shares Holder

   b. Class of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares

      Ordinary shares of the Company Subject to Reorganization

   c. Number of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares

      To be determined in the same manner as Note 1 above, taking into consideration terms and other conditions of the Reorganization.

   d. Value of property to be contributed when subscription rights to shares are exercised

      The value of the property to be contributed when each subscription right to shares to be delivered is exercised shall be the amount obtained by multiplying the paid-in amount after Reorganization as specified below by the number of shares of the Company Subject to Reorganization to be issued upon exercise of each subscription right to shares, which is decided pursuant to c. above. The paid-in amount after Reorganization shall be ¥1 per share of the shares of the Company Subject to Reorganization that would be delivered by exercising the delivered subscription rights to shares.

   e. Period during which subscription rights to shares can be exercised

      From the effective date of the Reorganization to the expiration date of the period during which such subscription rights to shares can be exercised as specified in "Exercise period of subscription rights to shares" mentioned above.

   f. Matters regarding capital and capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares

      To be determined in the same manner as "Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares" mentioned above.

   g. Restrictions on transferring of subscription rights to shares

      Transferring the subscription rights to shares is subject to approval of the Board of Directors of the Company Subject to Reorganization

   h. Provisions for acquiring subscription rights to shares

      To be determined in the same manner as "Provisions for acquiring subscription rights to shares" mentioned above.

   i. Other conditions for exercising subscription rights to shares

      To be determined in the same manner as "Conditions for exercising subscription rights to shares" mentioned above.

6. The Company conducted a share split at a ratio of 200 to one ordinary share with July 1, 2012 as effective date. As a consequence, the number of shares to be issued upon exercise of the subscription rights to shares issued before this share split has been adjusted from one share to 200 shares and is presented accordingly.

- Stock options based on resolutions taken at meetings of the Board of Directors held between September 21, 2012 and June 14, 2019

Resolution date	September 21, 2012	September 20, 2013	September 19, 2014	July 17, 2015	June 17, 2016
Positions and number of persons granted	Members of the Board (excluding Outside Directors) 7 persons Executive Officers (excluding persons serving as Member of the Board) 17 persons	Members of the Board (excluding Outside Directors) 7 persons Executive Officers (excluding persons serving as Member of the Board) 19 persons	Members of the Board (excluding Outside Directors) 6 persons Executive Officers (excluding persons serving as Member of the Board) 19 persons	Members of the Board (excluding Outside Directors) 6 persons Executive Officers (excluding persons serving as Member of the Board) 18 persons	Members of the Board (excluding Outside Directors) 5 persons Executive Officers (excluding persons serving as Member of the Board) 18 persons
Number of subscription rights to shares	26 units [22 units]	38 units	22 units	24 units	43 units
Class of shares to be issued upon exercise of subscription rights to shares	Ordinary shares (the Company's standard class of shares with no rights limitations)	Same as left	Same as left	Same as left	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	5,200 shares [4,400 shares] (Note 1)	7,600 shares (Note 1)	4,400 shares (Note 1)	4,800 shares (Note 1)	8,600 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share	Same as left	Same as left	Same as left	Same as left
Exercise period of subscription rights to shares	From October 10, 2012 to October 9, 2042	From October 8, 2013 to October 7, 2043	From October 7, 2014 to October 6, 2044	From August 4, 2015 to August 3, 2045	From July 5, 2016 to July 4, 2046
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥320,000 per unit	¥513,400 per unit	¥483,200 per unit	¥711,200 per unit	¥572,600 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	(Note 2)	Same as left	Same as left	Same as left	Same as left
Conditions for exercising subscription rights to shares	(Note 3)	Same as left	Same as left	Same as left	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left	Same as left	Same as left	Same as left
Provisions for acquiring subscription rights to shares	(Note 4)	Same as left	Same as left	Same as left	Same as left
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 5)	Same as left	Same as left	Same as left	Same as left

Resolution date	June 14, 2017	June 15, 2018	June 14, 2019
Positions and number of persons granted	Members of the Board (excluding Outside Directors) 5 persons Executive Officers (excluding persons serving as Member of the Board) 19 persons	Members of the Board (excluding Outside Directors) 5 persons Executive Officers (excluding persons serving as Member of the Board) 18 persons	Members of the Board (excluding Outside Directors) 6 persons Executive Officers (excluding persons serving as Member of the Board) 20 persons
Number of subscription rights to shares	86 units	223 units	367 units
Class of shares to be issued upon exercise of subscription rights to shares	Ordinary shares (the Company's standard class of shares with no rights limitations)	Same as left	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	17,200 shares (Note 1)	44,600 shares (Note 1)	73,400 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share	Same as left	Same as left
Exercise period of subscription rights to shares	From July 4, 2017 to July 3, 2047	From July 3, 2018 to July 2, 2048	From July 2, 2019 to July 1, 2049
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥482,200 per unit	¥300,000 per unit	¥188,000 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	(Note 2)	Same as left	Same as left
Conditions for exercising subscription rights to shares	(Note 3)	Same as left	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left	Same as left
Provisions for acquiring subscription rights to shares	(Note 4)	Same as left	Same as left
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 5)	Same as left	Same as left

Notes: 1. Number of shares to be issued upon exercise of subscription rights to shares

The class of shares to be issued upon exercise of subscription rights to shares shall be ordinary shares. The number of shares to be issued upon exercise of each subscription right to shares (hereinafter, "Number of Shares Granted") shall be 200. However, in cases where the Company conducts stock split (including stock allotment without contribution; hereinafter, the same shall apply to description of stock split) or stock consolidation of ordinary shares of the Company after the date on which the Company allots subscription rights to shares (hereinafter, "Allotment Date"), the Number of Shares Granted shall be adjusted according to the following formula.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of stock split or stock consolidation}$$

Any fraction of less than one share that occurs as a result of the above adjustment shall be rounded down to two decimal places. In the case of a stock split, the Number of Shares Granted after adjustment shall be applied on and after the date following the base date (if the base date is not specified, on and after the effective date), while in the case of stock consolidation, it shall be applied on and after the effective date. However, in cases where stock split is conducted subject to approval of the proposal to reduce surplus and increase capital or reserve fund at the General Meeting of Shareholders of the Company and where the base date for stock split is set on or before the date of conclusion of that General Meeting of Shareholders, the Number of Shares Granted after adjustment shall be applied retrospectively to the date following that base date, on and after the date following the date of conclusion of that General Meeting of Shareholders. In addition, in cases where the adjustment of the Number of Shares Granted is proper, the Company shall conduct adjustments deemed necessary after the Allotment Date. When adjusting the Number of Shares Granted, the Company shall notify Subscription rights to shares Holders or make public notice of necessary information by the date before the date on which the Number of Shares Granted after adjustment is applied. However, in cases where the notice or public notice by the date before the date of the application is impracticable, the Company shall later do so as soon as possible.

2. to 5. Same as (Notes) 2-5 for stock options based on resolutions of the Board of Directors taken between December 21, 2007 and September 16, 2011.

b. Details of rights plan

No items to report.

c. Other status of subscription rights to shares

No items to report.

(3) Exercise of Bond Certificates With Subscription Rights to Shares With Exercise Price Amendment Clause

No items to report.

(4) Trends in Total Number of Shares Issued and Share Capital

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in share capital (Millions of yen)	Balance of share capital (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
June 28, 2024 (Note)	–	2,000,000	–	100,000	(100,000)	636,400

Note: By resolution of the 39th Ordinary General Meeting of Shareholders held on March 22, 2024, capital reserve was reduced and the entire reduced amount was transferred to other capital surplus.

(5) Shareholder Composition

(As of December 31, 2025)

Category	Shareholder composition (100 shares in one share unit)								Shares less than one unit (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals	Total	
					Companies	Individuals			
Number of shareholders (Person)	2	174	61	4,361	663	2,022	904,841	912,124	167,473
Number of shares held (Unit)	6,668,882	2,901,736	845,457	306,172	2,681,515	4,576	6,559,030	19,967,368	3,263,200
Holding rate of shares (%)	33.40	14.53	4.23	1.53	13.43	0.02	32.85	100.00	–

Notes: 1. 2,241,995 share units of treasury shares are included in "Individuals."

2. The number of "Other corporations" includes 336 share units in the name of Japan Securities Depository Center, Inc.

(6) Status of Major Shareholders

(As of December 31, 2025)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (excluding treasury shares) (%)
Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	666,885,200	37.55
The Master Trust Bank of Japan, Ltd. (Trust Account)	Akasaka Intercity AIR, 8-1, Akasaka 1-chome, Minato-ku, Tokyo, Japan	185,067,100	10.42
Custody Bank of Japan, Ltd. (Trust Account)	8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	61,682,800	3.47
SMBC Nikko Securities Inc.	3-1, Marunouchi 3-chome, Chiyoda-ku, Tokyo, Japan	25,349,545	1.43
THE NOMURA TRUST AND BANKING CO., LTD. AS THE TRUSTEE OF REPURCHASE AGREEMENT MOTHER FUND (Standing proxy: Citibank, N.A., Tokyo Branch)	2-2-2 Otemachi, Chiyoda-ku, Tokyo, Japan (27-30, Shinjuku 6-chome, Shinjuku-ku, Tokyo, Japan)	23,081,600	1.30
STATE STREET BANK AND TRUST COMPANY 505001 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	One Congress Street, Suite 1, Boston, Massachusetts (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	22,464,277	1.27
JP MORGAN CHASE BANK 385781 (Standing proxy: Mizuho Bank, Ltd., Settlement Sales Department)	25 Bank Street, Canary Wharf, London, E14 5jp, United Kingdom (Shinagawa Intercity Tower A, 15-1, Konan 2-chome, Minato-ku, Tokyo, Japan)	16,019,033	0.90
Barclays Securities Japan Limited BNYM (Standing proxy: MUFG Bank, Ltd.)	10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan (Transaction Services Division, 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan)	15,000,000	0.84
JPMorgan Securities Japan Co., Ltd.	Tokyo Building, 7-3, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	14,991,295	0.84
JAPAN SECURITIES FINANCE CO., LTD.	2-10, Nihonbashi-kayabacho 1-chome, Chuo-ku, Tokyo, Japan	13,105,400	0.74
Total	–	1,043,646,250	58.77

Note: In addition to the above, the Company held 224,199,537 shares of ordinary shares as treasury shares.

(7) Status of Voting Rights

a. Number of shares issued

(As of December 31, 2025)

Classification	Number of shares (Share)	Number of voting rights	Details
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury shares)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury shares)	Ordinary shares 224,199,500	–	(Note 1)
Shares with full voting rights (Other)	Ordinary shares 1,772,537,300	17,725,373	(Notes 1, 2, 3)
Shares less than one unit	Ordinary shares 3,263,200	–	(Note 4)
Total number of shares issued	2,000,000,000	–	–
Total number of voting rights	–	17,725,373	(Notes 2, 3)

Notes: 1. The Company's standard class of shares with no rights limitations. The number of shares per share unit is 100 shares.

2. The number of "Shares with full voting rights (Other)" includes 33,600 shares in the name of Japan Securities Depository Center, Inc.
"Number of voting rights" includes 336 units of voting rights related to shares with full voting rights in its name.

3. The Company has adopted a restricted stock unit system whereby shares of the Company acquired by a share delivery trust are transferred to Executive Officers at certain subsidiaries of the Company, and the number of "Shares with full voting rights (Other)" includes 412,100 shares of the Company held by the trust.
"Number of voting rights" includes 4,121 units of voting rights related to the Company's shares held by the trust.

4. Includes 37 shares of treasury shares.

b. Treasury shares

(As of December 31, 2025)

Name of shareholder	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
JAPAN TOBACCO INC.	1-1, Toranomon 4-chome, Minato-ku, Tokyo, Japan	224,199,500	–	224,199,500	11.21
Total	–	224,199,500	–	224,199,500	11.21

Note: The Company has adopted a restricted stock unit system whereby shares of the Company acquired by a share delivery trust are transferred to Executive Officers at certain subsidiaries of the Company; however, the Company's shares held by the trust are not included in the numbers listed above.

(8) Details of share ownership system for officers and employees

a. Outline

The Company adopted a restricted stock unit system whereby shares of the Company acquired by a share delivery trust are transferred to Executive Officers at certain subsidiaries of the Company (hereinafter referred to as the "System"). This aims to strengthen the efforts to enhance the mid- to long-term company value and to further promote shared value with shareholders.
In the System, money contributed by certain subsidiaries of the Company is used as funds to acquire the Company's shares through the share delivery trust. Share units are granted annually based on the duties of eligible Executive Officers, and the rights are established three years after the grant. The Company's shares, corresponding to the number of share units and the equivalent amount of dividends during the vesting period, are distributed through the share delivery trust.

b. Total number of shares to be acquired by eligible persons (number of shares held by share delivery trust)

The number of shares held by the share delivery trust as of December 31, 2025 is 412,129 shares.

c. Range of those that can receive the beneficial rights and other rights of the System

Of the eligible Executive Officers of certain subsidiaries of the Company, persons who meet the beneficiary requirements

2. Acquisition of Treasury Shares

[Class of shares] Acquisition of ordinary shares falling under Article 155, item (vii) of the Companies Act

(1) Acquisition by Resolution of the General Meeting of Shareholders

No items to report.

(2) Acquisition by Resolution of the Board of Directors

No items to report.

(3) Items Not Based on Resolutions of the General Meeting of Shareholders or Board of Directors

Category	Number of shares (Share)	Total value (Millions of yen)
Treasury shares acquired during this fiscal year ended December 31, 2025	330	1
Treasury shares acquired during the period from January 1, 2026 to the filing date of this Annual Securities Report	12	0

Note: The figure for treasury shares acquired during the period from January 1, 2026 to the filing date of this Annual Securities Report does not include the number of shares from purchases of shares less than one share unit from March 1, 2026 until the filing date of this Annual Securities Report.

(4) Status of Disposal and Ownership of Acquired Treasury Shares

Category	Fiscal year ended December 31, 2025		From January 1, 2026 until the filing date of this Annual Securities Report	
	Number of shares (Share)	Total disposal value (Millions of yen)	Number of shares (Share)	Total disposal value (Millions of yen)
Acquired treasury shares offered for subscription	–	–	–	–
Acquired treasury shares that were cancelled	–	–	–	–
Acquired treasury shares transferred for merger, share exchange, share delivery and company split	–	–	–	–
Others				
(Disposal of treasury shares by restricted stock)	139,700	304	–	–
(Disposal of treasury shares by performance share unit)	30,344	66	–	–
(Exercise of subscription rights to shares)	39,800	87	800	2
(Sales resulting from requests for sale of shares less than one share unit)	50	0	67	0
Treasury shares held	224,199,537	–	224,198,682	–

Notes: 1. The number of disposed shares and total disposal value in the "From January 1, 2026 until the filing date of this Annual Securities Report" column does not include disposal of treasury shares by restricted stock and performance share unit, transfers by the exercise of subscription rights to shares, or sales of shares less than one share unit performed from March 1, 2026 until the filing date of this Annual Securities Report.

2. The number of treasury shares held in the "From January 1, 2026 until the filing date of this Annual Securities Report" column does not include disposal of treasury shares by restricted stock and performance share unit, transfers by the exercise of subscription rights to shares, or purchases and sales of shares less than one share unit performed from March 1, 2026 until the filing date of this Annual Securities Report.

3. The Company has adopted a restricted stock unit system whereby shares of the Company acquired by a share delivery trust are transferred to Executive Officers at certain subsidiaries of the Company. The numbers of treasury shares held in the fiscal year ended December 31, 2025 and the "From January 1, 2026 until the filing date of this Annual Securities Report" columns do not include the Company's shares held by the trust. For details, please refer to "V. Accounting, 1. Consolidated Financial Statements, (1) Consolidated Financial Statements, Notes to Consolidated Financial Statements, 32. Share-Based Payment, (3) Restricted Stock Units."

3. Dividend Policy

In terms of “prioritize business investments for sustainable profit growth in the mid- to long-term” and of “strike a balance between profit growth through business investments and shareholder returns” under the resources allocation policy based on the 4S model and the JT Group Purpose, our shareholder returns policy for the current fiscal year is set as follows:

- Aim to enhance shareholder returns by realizing the Company’s mid- to long-term profit growth, while maintaining a solid financial base(Note 1)
- Target a dividend payout ratio of about 75%(Note 2), a competitive level(Note 3) in the capital markets
- Consider implementing a share buy-back program, mainly taking into account the Company’s financial outlook of the respective fiscal year and mid-term capital needs.

Notes: 1. The Company will maintain a solid 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.
2. To be in the range of approximately ±5%.
3. Monitor the shareholder return trends of global Fast-Moving Consumer Goods (FMCG) companies which have a stakeholder model similar to our 4S model and have realized strong business growth.

It is also a basic policy of the Company to pay an interim dividend and year-end dividend, with the former determined by the Board of Directors and the latter by the General Meeting of Shareholders. The Company’s Articles of Incorporation stipulate that the Company may pay interim dividends to shareholders with the record date of June 30 each year upon a resolution by the Board of Directors.

Based on the strong business momentum centered on the tobacco business, the year-end dividend for the fiscal year ended December 31, 2025 is planned to be resolved to maintain the ¥130 per share dividend announced in the revised forecast, which is based on the consolidated performance for the nine months ended September 30, 2025. Therefore, the total annual dividend for the fiscal year ended December 31, 2025, including the interim dividend of ¥104, is scheduled to be ¥234(note 4) per share.

Also, internal reserves will be prepared not only for present and future business investments and to acquire external resources but also for the purchase of treasury shares and other objectives.

The dividend for the 41st term is as follows.

Resolution date	Total amount of dividends (Note 5) (Millions of yen)	Cash dividends per share (Yen)
The Board of Directors on July 31, 2025	184,683	104.00
Ordinary General Meeting of Shareholders held on March 25, 2026 (Planned)	230,854	130.00

Notes: 4. In March 2025, a comprehensive settlement plan aimed at reaching a comprehensive settlement with creditors, including class action plaintiffs, in connection with litigation concerning smoking and health involving JTI-Macdonald Corp., our Canadian subsidiary, was approved by the Ontario Superior Court of Justice (hereinafter referred to as “the settlement of litigation in Canada”). The year-end dividend for the current fiscal year is calculated based on profit from continuing operations (¥488.6 billion) after adjustments for the impact of the remeasurement of liabilities associated with the settlement of litigation in Canada, as well as adjustments excluding the impact of the one-time loss from the disposal of goodwill due to the liquidation of the Sudanese subsidiary.
5. The total amount of dividends from the above interim and year-end dividends includes dividends of ¥42 million and ¥54 million, respectively, for the Company’s shares held by the share delivery trust.

4. Status of Corporate Governance

(1) Outline of Corporate Governance

Whereas the following contains statements regarding the fiscal year ended December 31, 2025, the final day of that fiscal year, and the fiscal year ended December 31, 2024, the statements herein are current as of the filing date, unless otherwise indicated.

a. Basic concept on the corporate governance

The Company's belief is that corporate governance is the means for conducting transparent, fair, timely and effective decision-making for pursuing the Group's management principle, the 4S model. Specifically, the 4S model aims "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."

The Company has set out the "JT Corporate Governance Policy," and strives to make enhancements based on its belief that it will enable the Group to achieve mid- to long-term sustainable profit growth and increase company value, which will contribute to the development of the Group's stakeholders and eventually the economic society as a whole.

The Company will continue to strive to make enhancements of the Group's corporate governance as one of the key challenges for its management.

For the latest JT Corporate Governance Policy, please refer to the following JT website.

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

b. Outline of corporate governance structure and reason for adoption of the structure

As a company with an Audit & Supervisory Board, the Company has strengthened the supervisory function of management while maintaining its objectivity and neutrality by means of the Audit & Supervisory Board carrying out appropriate audits of the execution of duties by Members of the Board and Executive Officers from an independent and fair standpoint. Based on the audit system of the Audit & Supervisory Board, while facilitating the prompt execution of business through the delegation of authority by reducing the size of the Board of Directors and introducing an Executive Officer system, the Company has established the JT Group Compliance Committee, which is composed of the President, Executive Vice President(s) and external experts, and the Advisory Panel on Nomination and Compensation comprised entirely of Members of the Board who do not serve as Executive Officers, in which more than half of whose members being Independent Outside Directors, as voluntary structures and created an effective corporate governance system.

The Company continuously seeks to enhance corporate governance and to improve management transparency and objectivity through, for instance, the appointment of an additional Outside Director and Outside Audit & Supervisory Board Member on March 20, 2019, appointment of an additional Outside Director on March 23, 2022 and further appointment of an additional Outside Director on March 22, 2024.

The Company has selected the current structure because it recognizes that, through initiatives like these, the corporate governance structure functions effectively regarding business execution and supervision.

The Board of Directors meets once a month in principle and on more occasions as necessary, in order to make decisions with regard to the matters specified by laws and regulations and other important matters, to supervise implementation of business and to receive reports from the Members of the Board on the status of implementation of business. In addition, the Chairman of the Board has been positioned as a non-executive Director in order to concentrate on supervising management while also serving as the chairman of the Board of Directors. The Company appoints at least one-third of Independent Outside Directors with qualifications conducive to sustainable profit growth and enhancement of company value over the mid- to long-term from a viewpoint of strengthening the supervisory function and management transparency. The Board of Directors has set forth in the Board of Directors Regulations matters to be discussed at the Board of Directors meetings. In addition, from the viewpoint of realizing swift decision making and high-quality implementation of business, the Board of Directors has set forth a clear decision-making process based on internal rules on the allocation of responsibilities and authorities (hereinafter referred to as the "Responsibility and Authority Regulations") concerning essential business matters as well as delegates authority as necessary to Executive Officers based on JT Group management strategies, etc., under the Executive Officer system. In the fiscal year ended December 31, 2025, the Board of Directors convened 17 times, and all Members of the Board attended every meeting.

The specific contents considered by the Board of Directors during fiscal year ended December 31, 2025 are mainly as follows.

Matters for discussion	Specific contents considered
Matters resolved	Business plan, earnings forecasts, withdrawal from the pharmaceutical business in connection with the transfer of that business, increased capital investment in local subsidiaries, Criteria for Evaluating the Independence of Outside Executives, and revision of the JT Corporate Governance Policy, etc.
Matters reported	Earnings results, accounting results, donation results, sustainability strategy results, IR activity results, etc.

The Company has adopted the concept of skills necessary for the Board of Directors, and has developed and disclosed a skills matrix that lists the areas in which the knowledge and experience of each Director and Audit & Supervisory Board Member are expected to be particularly effective.

For the latest skills matrix, please refer to the following JT website.

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

The Advisory Panel on Nomination and Compensation was established as an optional advisory body to the Board of Directors and integrates the functions of the previous Meeting for Talent Development and Compensation Advisory Panel. Its specific roles include the development of executive candidates, including the creation of succession plans; 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 the deliberation on remuneration of Directors and Executive Officers. Its purpose is to render the Board's decision-making more objective and transparent and to upgrade the Board's supervisory functions by having the Board deliberate on executive appointment and remuneration in accordance with the results of the deliberation in the Panel. In order to ensure its independence and objectivity, the Panel is comprised entirely of Members of the Board who do not serve as Executive Officers, in which more than half of its members are independent Outside Directors. Chaired by an independent Outside Director, the Panel has seven members, and meets at least once a year. In the fiscal year ended December 31, 2025, the Advisory Panel on Nomination and Compensation convened four times, and all members of the Panel attended every meeting.

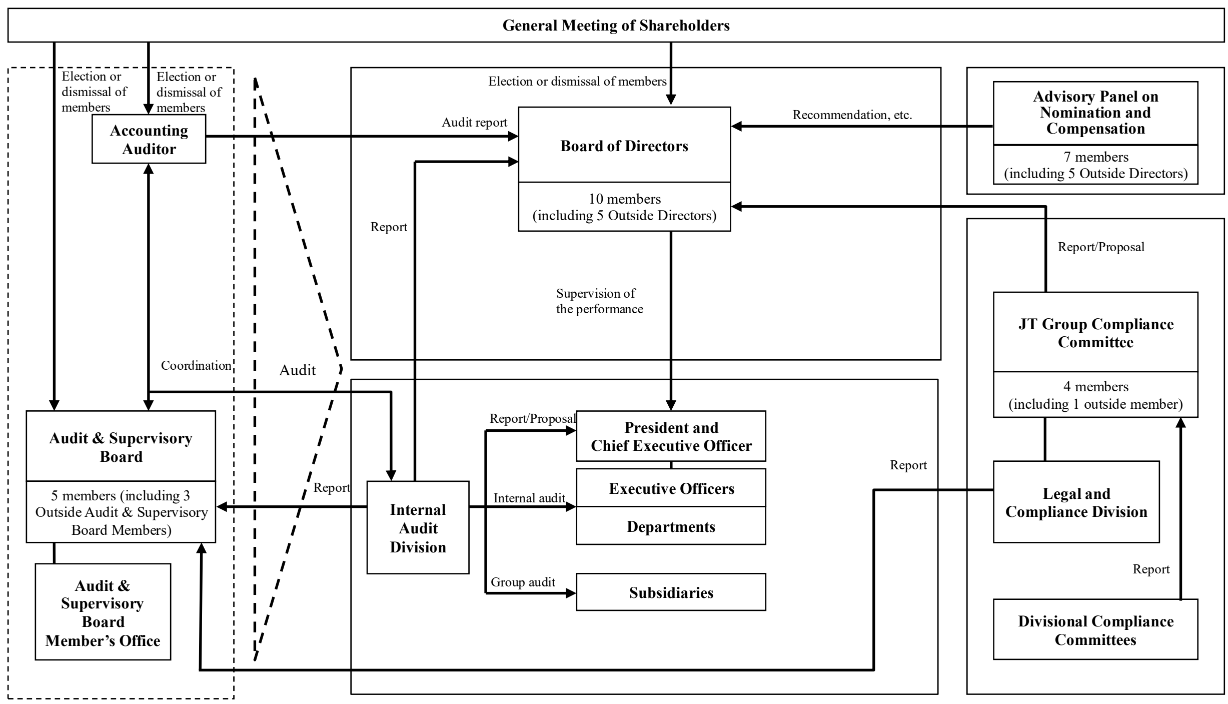
The JT Group Compliance Committee oversees and promotes compliance for the entire JT Group and serves as a deliberative body with accountability to the Board of Directors. The Committee comprises the President, Executive Vice President(s) and external experts, and is chaired by the President. Meanwhile, the Company appoints a Senior Vice President in charge of compliance who oversees the Legal and Compliance Division in an effort to establish and promote a group-wide, cross-sectional system and shed light on issues. In addition, the corporate and business divisions each have their own divisional compliance committees, which autonomously deliberate on compliance matters in their own divisions. The JT Group Compliance Committee receives reports from each of the divisional compliance committees, monitors and deliberates on the JT Group's overall initiatives, and reports adequately to the Board of Directors. In this way, the committee strives to strengthen the connection with the Board of Directors, and enhances and strengthens the JT Group's compliance from both the supervision and promotion aspects. The compliance promotion departments of the Company and its subsidiaries (meaning the Legal and Compliance Division within the Company, and corresponding departments within subsidiaries) inform Members of the Board and employees of the Company, as well as Directors, etc. and employees of subsidiaries (with Members of the Board, Directors, etc. and employees hereinafter collectively referred to as "directors and employees") regarding each department's compliance code of conduct through each department and each organization. Meanwhile, these compliance promotion departments also work to enhance the effectiveness of the compliance system by enlightening directors and employees about compliance through training and other programs, etc.

In the fiscal year ended December 31, 2025, the JT Group Compliance Committee convened twice, and all members of the Committee attended every meeting.

The Company has adopted the Audit & Supervisory Board system under which Audit & Supervisory Board Members of the Company (hereinafter "Audit & Supervisory Board Members," with the terms "Audit & Supervisory Board," "Audit & Supervisory Board Member's Office," and "Manager of the Audit & Supervisory Board Member's Office" also referring to those items within the Company) assertively exercise authority as an independent body with the mandate of shareholders, which includes attending and speaking at the Board of Directors meetings and other important meetings as well as actively inspecting business sites. In addition, they also perform audits appropriately from an objective viewpoint in accordance with the characteristics of the duties of the Outside Audit & Supervisory Board Members and the standing Audit & Supervisory Board Members. The Audit & Supervisory Board Members work to ensure sound and sustainable growth and maintain and enhance public trust in the Company by examining the performance of duties by Members of the Board and Executive Officers.

The Audit & Supervisory Board, which meets as necessary, is composed of members with substantial knowledge of management, law, finance, accounting and other aspects of business. Standing Audit & Supervisory Board Member Hideaki Kashiwakura has served as Controller, Vice President of the M&S Management Department of Tobacco Business Division, Deputy Chief Financial Officer of the Company and President, Chief Executive Officer of JT BusinessCom Inc., having extensive experience and wide-ranging knowledge in corporate management, business development, finance and accounting, as well as business operation in Japan and overseas. Standing Audit & Supervisory Board Member Tsutomu Hashimoto served as Vice President, Internal Audit Division, having extensive experience and wide-ranging knowledge in risk management and information securities through audit operation in Japan and overseas. In the fiscal year ended December 31, 2025, the Audit & Supervisory Board convened 14 times, and all of the Audit & Supervisory Board Members attended every meeting.

The status of the development of the Company's corporate governance system is represented as the following schematic depiction.



As of the filing date, the members of the Company's corporate governance system are as follows:

Name of body	Members
Board of Directors	Chairman: Mutsuo Iwai, Chairman of the Board Members: Shigeaki Okamoto, Masamichi Terabatake, Koji Shimayoshi, Kei Nakano, Yukiko Nagashima(*1), Masato Kitera(*1), Tetsuya Shoji(*1), Hiroko Yamashina(*1), Kenji Asakura(*1)
Audit & Supervisory Board	Chairman: Hideaki Kashiwakura, Standing Audit & Supervisory Board Member Members: Tsutomu Hashimoto, Shigeru Taniuchi(*2), Nobuo Inada(*3), Emiko Takeishi(*3)
Advisory Panel on Nomination and Compensation	Chairman: Tetsuya Shoji, Outside Director Members: Mutsuo Iwai, Shigeaki Okamoto, Yukiko Nagashima, Masato Kitera, Hiroko Yamashina, Kenji Asakura
JT Group Compliance Committee	Chairman: Takehiko Tsutsui, President and Chief Executive Officer Members: Koji Shimayoshi, Kei Nakano and 1 outside committee member

(*1) Outside Director
(*2) Standing Outside Audit & Supervisory Board Member
(*3) Outside Audit & Supervisory Board Member

Also, the Company will present the "Election of Ten (10) Members of the Board" as a proposal (matter to be resolved) for the Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2026. If this proposal is approved and adopted, the members of the corporate governance structure are scheduled to be as follows.

Name of body	Members
Board of Directors	Chairman: Shigeaki Okamoto, Chairman of the Board Members: Masamichi Terabatake, Takehiko Tsutsui, Koji Shimayoshi, Kei Nakano, Masato Kitera(*1), Tetsuya Shoji(*1), Hiroko Yamashina(*1), Kenji Asakura(*1), Yukiko Uchida(*1)
Audit & Supervisory Board	Chairman: Hideaki Kashiwakura, Standing Audit & Supervisory Board Member Members: Tsutomu Hashimoto, Shigeru Taniuchi(*2), Nobuo Inada(*3), Emiko Takeishi(*3)
Advisory Panel on Nomination and Compensation(*4)	Members: Shigeaki Okamoto, Masamichi Terabatake, Masato Kitera, Tetsuya Shoji, Hiroko Yamashina, Kenji Asakura, Yukiko Uchida
JT Group Compliance Committee	Chairman: Takehiko Tsutsui, Representative Director and President, Chief Executive Officer Members: Koji Shimayoshi, Kei Nakano and 1 outside committee member

(*1) Outside Director
(*2) Standing Outside Audit & Supervisory Board Member
(*3) Outside Audit & Supervisory Board Member
(*4) The Chairman will be elected at the Advisory Panel on Nomination and Compensation meeting scheduled on March 25, 2026 from among Outside Directors by the Panel members themselves.

c. Implementation status of internal control system, risk management system and systems necessary to ensure the properness of operations in subsidiaries

The Company has always endeavored to run an internal control system of the Company and the Group through initiatives in such areas as compliance, internal audits, and risk management. Moreover, the Company has created the systems required under the Companies Act and the Regulation for Enforcement of the Companies Act by implementing measures aimed at ensuring the effectiveness of audits by Audit & Supervisory Board Members. The Company will work to maintain and enhance the systems in each company while consecutively reviewing and revising the current system as necessary, and ensure appropriate implementation of business. For the foreign subsidiaries, the Company builds and operates the necessary system in conformity with the following provisions concerning subsidiaries, in principle, while complying with the laws and regulations in the country in which the subsidiary is incorporated.

- Systems to ensure that the performance of duties by directors and employees of the Company and its subsidiaries conforms to laws, regulations, and the Articles of Incorporation

Under the internal reporting system (whistle-blower system), the Company and each of its subsidiaries has a desk through which directors and employees may consult or report, in case they detect any conduct that may violate laws and regulations. Compliance promotion departments that receive a report or request for consultation investigate the details and take necessary action, while working to prevent recurrence of the issue. In addition, separate from the consultation and reporting desks that are handled by the Legal and Compliance Division, the Company has established consultation and reporting desks that are independent of business operations and are handled by Audit & Supervisory Board Members. An Audit & Supervisory Board Member who receives a consultation or a report investigates its content, and the Company carries out necessary measures and tries to prevent the recurrence. The Company will bring matters of particular importance involving the Group to the divisional compliance committees and the JT Group Compliance Committee, and will request deliberation or will report on the issue.

Under the system for excluding anti-social forces, the Company and its subsidiaries are resolved to fight against them, not to comply with an unreasonable demand and not to have any relations with them. Designating the Corporate Governance Division of the Company as the department assuming the responsibility for supervising efforts to exclude anti-social forces at the Group level, the Company cooperates with police, lawyers and other relevant organizations and parties to gather and share information in order to deal with such elements in an organized way. The Company also consistently makes enlightening activities to eliminate anti-social forces by making directors and employees of the Company and its subsidiaries informed about the rules not to have any relations with anti-social groups and organizations and by educating the directors and employees through providing relevant training as necessary.

In order to ensure the reliability of financial reporting of the Group, the Company is operating a relevant internal control system that it has established in accordance with the Financial Instruments and Exchange Act. By allocating a sufficient level of staff to the task of evaluating financial results and reporting them, the company is striving to maintain and improve the reliability of its financial reporting.

- Procedures and arrangements for storage and management of information on the performance of duties by the Members of the Board of the Company

The Company makes sure to properly store and manage the minutes of General Meetings of Shareholders and meetings of the Board of Directors in line with laws and regulations. The Company makes sure that the information on important matters relating to business execution and decision-making including the conclusion of corporate contracts is stored and managed by the relevant departments and divisions as specified by the Responsibility and Authority Regulations, and establishes rules on managing the processes of decision-making, procurement and accounting.

- System for reporting matters concerning the performance of duties by Directors, etc. of subsidiaries to the Company

  The Company makes subsidiaries to regularly report important information to the Company's departments and divisions that are in charge of the subsidiaries.

- Rules on management of risk of loss of the Company and its subsidiaries, and procedures/arrangements for other matters

  The Company has established internal policies, rules and manuals relating to the Group for the management of risk of loss relating to monetary and financial affairs, and ensures that relevant reports are made to the President and Chief Executive Officer and the Board of Directors on a quarterly basis via Chief Financial Officer. With regard to the risk of loss relating to other affairs, in accordance with authority delegated to each department and division as per the Responsibility and Authority Regulations, responsible departments and divisions take on a supervisory role creating all types of committees to conduct proper management.

  The Company has introduced a consistent enterprise risk management (ERM) process for the entire JT Group, with the heads of the Tobacco and Processed Food businesses being responsible for the implementation of ERM. The President is in overall charge of ERM, which is promoted through discussions between Executive Vice Presidents and the Senior Vice Presidents in charge of ERM who are designated by the President to supervise the risk situation for each business, enabling the comprehensive selection of significant risks to the Group. Significant risks selected through these discussions are addressed by plans formulated under the guidance of those designated by the President to be in charge (the heads of businesses and the Senior Vice Presidents in charge of Corporate Affairs), and monitored. The results are reported to the President, Executive Vice Presidents, and Senior Vice Presidents in charge of ERM, and the status of this program of initiatives is reported to the Board of Directors at least once a year. With regard to risk management system, please refer to "II. Review of Operations 3. Business and Other Risks."

  In cooperation with the internal audit functions of subsidiaries, the Internal Audit Division of the Company examines and evaluates the internal control systems, etc. of the Group companies in light of the level of importance and the risks involved, and from an objective standpoint that is independent of organizations responsible for business execution. It provides reports and counsel to the President and Chief Executive Officer and also reports to the Board of Directors.

  To prepare for possible emergencies, the Company has produced a manual for crisis management and disaster response. In the event of an emergency or a disaster, the Company is ready to establish an emergency project system, and make prompt and proper responses under the leadership of senior management and through close cooperation between the relevant departments and divisions and subsidiaries. Events to which a response has been made and the details of such events shall be reported to the Board of Directors in a timely and appropriate manner.

- System to ensure that Members of the Board of the Company and Directors, etc. of its subsidiaries can perform their duties efficiently

  The Board of Directors of the Company meets once a month in principle and on more occasions as necessary, in order to make decisions with regard to the matters specified by laws and regulations and other important matters and to supervise business execution. The Board of Directors of the Company receives reports from Members of the Board of the Company on the status of business execution at least once every three months. For important management issues, particularly management policy and basic plans regarding overall business operations of the Company, in addition to matters to be referred to the Board of Directors of the Company, a clear decision-making process is stipulated in the Responsibility and Authority Regulations to have a system that enables to realize swift decision-making and high-quality business execution. The Company has adopted the Executive Officer System, under which Executive Officers appointed by the Company's Board of Directors execute business properly by exercising the authority delegated to them in their respective areas, in accordance with JT Group management strategies decided by the Board. In order to manage business operations in ways that contribute to the business efficiency and flexibility of the Company, basic matters concerning the Company's organization, allocation of duties to officers and staff and the roles of individual divisions are specified by the relevant internal rules.

  The Company has been constructing an efficient system for business execution within the Group through the formulation, etc. of rules and policies that apply to the Group.

- Systems necessary to ensure the properness of operations in the Company and the Group

  The Group has set "Fulfilling Moments, Enriching Life" as JT Group Purpose, and there is a group-wide consensus on this purpose. The Company has specified the functions and rules common for the Group to effectuate group management that optimizes the operations of the entire Group as a whole. Moreover, the Company has been putting in place systems for compliance (including the internal reporting system), internal audits, financial affairs management, etc. in cooperation with its subsidiaries.

- Matters for employees assisting Audit & Supervisory Board Members in their duties in the event such employees were requested by Audit & Supervisory Board Members

  The Company has allocated sufficient staff to the Audit & Supervisory Board Member's Office (five persons as of December 31, 2025) as an organization supporting the Audit & Supervisory Board Members in performing their duties. In addition, the Company makes sure to review and reform the staffing structure as necessary based on consultations with the Audit & Supervisory Board.

- Matters relating to the independence of employees belonging to the Audit & Supervisory Board Member's Office from the Company's Members of the Board, and matters relating to the assurance of the effectiveness of instruction by Audit & Supervisory Board Members to those employees

  The evaluation of the Manager of the Audit & Supervisory Board Member's Office is made by the Audit & Supervisory Board and the evaluation of the other employees assigned to the Audit & Supervisory Board Member's Office is made by the Manager of the Audit & Supervisory Board Member's Office based on the advice of the Audit & Supervisory Board. The transfer and discipline of employees assigned to the Audit & Supervisory Board Member's Office is to be deliberated in advance with the Audit & Supervisory Board.

  The Company makes the employees belonging to the Audit & Supervisory Board Member's Office follow the direction and orders of Audit & Supervisory Board Members in assisting the duties of the latter, and not be assigned to other concurrent positions relating to the business execution of the Company.

- System for reporting by directors and employees of the Company and its subsidiaries or persons reported by directors and employees of its subsidiaries to the Audit & Supervisory Board and Audit & Supervisory Board Members

  When directors and employees of the Company and its subsidiaries detect any evidence of malfeasance in financial documents or serious breaches of laws and regulations or the Company's Articles of Incorporation, they are due to report them to the Audit & Supervisory Board, along with other relevant matters that could affect the Company's management. In addition, when directors and employees of the Company and its subsidiaries are asked by Audit & Supervisory Board Members to compile important documents for their perusal, to accept field audits and to submit reports, they are due to respond to the request in a prompt and appropriate manner.

  The Legal and Compliance Division makes reports regularly to Audit & Supervisory Board Members on the status of whistleblowing involving the Group, and makes non-regular reports as necessary.

- System to ensure that persons reporting to Audit & Supervisory Board Members are not subject to disadvantageous treatment due to having reported

  The Company thoroughly communicates within the Group that persons engaging in consultation or whistleblowing are not to be subject to any disadvantageous treatment for reason of those actions.

- Matters concerning policies for the prepayment of expenses involving the performance of duties by Audit & Supervisory Board Members, procedures for reimbursement, and the handling of other expenses or debts involving the performance of those duties

  When an Audit & Supervisory Board Member has made claim to the Company for the prepayment of expenses, etc. in accordance with Article 388 of the Companies Act, the Company will promptly handle the relevant expenses or debt, with the exception of cases in which the Company deems the claimed expenses or debt to be unnecessary to the performance of the duties of the Audit & Supervisory Board Member.

  The Company makes a budget covering audit-related expenses so as to secure effectiveness of audits by Audit & Supervisory Board Members. The Company also bears the portion of miscellaneous expenses for audits by Audit & Supervisory Board Members that are in excess of budget, with the exception of cases in which the Company deems the expenses to be unnecessary to the performance of duties.

- Other systems to ensure effective auditing by Audit & Supervisory Board Members

  Audit & Supervisory Board Members are allowed to attend not only meetings of the Board of Directors of the Company but also other important meetings of the Company. The Internal Audit Division and the Legal and Compliance Division maintain cooperation with Audit & Supervisory Board Members by exchanging information.

d. Other matters regarding corporate governance

- Evaluation of effectiveness of the Board of Directors

  With regard to the effectiveness of the Board of Directors, in addition to annual questionnaire-based self-evaluations by Members of the Board and Audit & Supervisory Board Members from the standpoint of such themes as business operation systems and supervisory functions of the Board of Directors, and dialogue with shareholders and investors, before compiling the results the Board of Directors Secretariat also conducts individual interviews if needed with the aim of supplementing the results of the evaluations. The results of the self-assessment are reviewed and analyzed at the Board of Directors, leading to further improvements in its effectiveness.

  The major items evaluated for fiscal 2025 were as follows. We designed questions for confirming improvements to the issues identified in fiscal 2024 and understanding expectations for establishing a medium- to long-term governance structure in addition to items that should be continually checked. Furthermore, starting this fiscal year, we newly added questions about individual evaluations for Outside Directors.

  We have entrusted external institutions with giving advice in preparing and analyzing the results of the questionnaire in order to ensure objectivity of evaluations and further improve the evaluation of effectiveness.

  Questionnaire items evaluated

  The major items evaluated were as follows. Questions are designed to confirm improvements to the issues identified in fiscal 2024 in addition to items that should be continually checked.

  1. Roles, Functions and Composition of the Board of Directors (5 questions)
  2. Business operation of the Board of Directors (3 questions)
  3. Cooperation with audit institutions and risk management (3 questions)
  4. Relationship with shareholders and investors (3 questions)
  5. Voluntary committee (2 questions)
  6. Measurement of the effectiveness related to the previous issues (5 questions)
  7. Other freeform questions
  8. Contribution of Outside Directors

  Initiatives for fiscal 2025

  In fiscal 2025, we took the following actions to address the issues identified in the effectiveness evaluation for fiscal 2024.

Main issues	Details of actions
• Continued further strengthening of the supervisory function of the Board of Directors • Continued strengthening of the effectiveness and efficiency of the Board of Directors	• Further enhancement of opportunities to report and share various management issues • Enhancement of opportunities for communication among officers through the holding of meetings for opinion exchange, etc. • Optimization of explanations of agenda items in order to secure time for deliberation

  Results of evaluation for fiscal 2025

  In the evaluation of effectiveness conducted for fiscal 2025, the items undergoing evaluation obtained good results on the whole as continuing from fiscal 2024, allowing the Company to confirm that the effectiveness of the Board of Directors is improving, and the Board of Directors is functioning effectively. In particular, they were highly evaluated for their understanding of stakeholders' perspectives, sharing the 4S model as a common value standard, and providing appropriate supervision of the risk management system.

In addition, we recognize that the efforts to address the issues identified in the evaluation of effectiveness for fiscal 2024 have been positively received, and ongoing efforts are anticipated. We will continue to engage in ongoing deliberations and strive for further advancement.

Main issues	Policy for initiatives going forward
• Continued further strengthening of the supervisory function of the Board of Directors • Continued strengthening of the effectiveness and efficiency of the Board of Directors	• Establishment of opportunities that emphasize discussions on governance and major management issues from a medium- to long-term perspective • Further enhancement of opportunities for communication among officers through the holding of meetings for opinion exchange, etc. • Continued improvement of the operation of the Board of Directors

The Company will continue to implement improvements required to further enhance effectiveness, including the above-mentioned activities.

- Succession planning

The Company places priority on fostering successive generations of executives who will manage its future operations in the Group, expanding its pool of executive candidates and improving quality thereof.

To develop a steady stream of highly skilled, highly qualified leaders capable of excelling in the global arena, the Company aims to upgrade its executive development program, succession plan and succession planning process with input from both external consultants and the Independent Outside Directors on the Advisory Panel on Nomination and Compensation. Senior management, having the President and Chief Executive Officer at the core, are deeply involved in selecting and developing executive candidates.

The Company expands its executive talent pool by selecting groups of human resources who have the potential for being future executive candidates by organizational rank through Group-wide recruitment and recommendations from management, particularly executive officers. The Company develops selected personnel mainly through diverse and challenging job assignments based on individualized development plans formulated with input from outsourced objective assessments and periodic discussions with management.

- Key points of the partial exemption of liability and liability limitation agreement

The Company's Articles of Incorporation stipulate that the Company may enter into an agreement with Members of the Board (excluding those who are Executive Directors, etc.) and Audit & Supervisory Board Members to limit the scope of their liabilities in advance to the extent permitted by the Companies Act and the Company may exempt Members of the Board and Audit & Supervisory Board Members from liabilities to the extent permitted by the same act. This provision is intended to enable Members of the Board and Audit & Supervisory Board Members to fulfill their expected role and make it easier to appoint the right persons from a broad choice both within and outside the company. As of the filing date, the Company has such liability limiting agreements with its Members of the Board (excluding those who are Executive Directors, etc.) and Audit & Supervisory Board Members.

- Liability agreement

The Company has entered into liability agreements with each of its Members of the Board and Audit & Supervisory Board Members as stipulated in Article 430-2, paragraph 1 of the Companies Act, whereby the Company shall compensate them for expenses incurred under item (i) of the same paragraph, and any losses incurred under item (ii) of the same paragraph, to the extent permitted by laws and regulations. However, to provide coverage for losses incurred under item (ii) of the same paragraph, measures have been put into place to ensure that the proper performance of duties of insureds is not impaired, by making such coverage premised upon a final judgment or the reaching of a judicial settlement (including cases where the Company recognizes there is a due process that is equivalent to this) and requiring a resolution by the Board of Directors of the matter after it has been deliberated by the Advisory Panel on Nomination and Compensation of the Company.

- Liability insurance agreement for executive officers, etc.

  The Company has entered into a liability insurance agreement for executive officers, etc. with an insurance company as stipulated in Article 430-3, paragraph 1 of the Companies Act, under which all Members of the Board, Audit & Supervisory Board Members, and Executive Officers are the insured. Under the terms of this insurance agreement, litigation expenses and compensation for damages arising from legal action against the insured by third parties, shareholders or companies shall be supplemented, and a premium for the insurance agreement is fully borne by the Company. Note that any damages, etc., incurred by the insured in association with his/her criminal act or violation of laws and regulations while he/she is aware of that are not subject to the coverage; as such, a measure is taken to ensure/maintain the appropriateness in the execution of duties by the insured.

- Number of Members of the Board

  The Company's Articles of Incorporation stipulate that the number of Members of the Board must be 15 or less.

- Nomination of Member of the Board Candidates, etc.

  With regard to candidates for Members of the Board, the JT Corporate Governance Policy stipulates that the proposed list of candidates created by the President and Chief Executive Officer shall be deliberated by the Advisory Panel on Nomination and Compensation, the content and results of which are reported to the Board of Directors, and that after appropriate opportunities to receive advice from Independent Outside Directors have been secured, a decision shall be made by resolution of the Board of Directors. The Company's Articles of Incorporation stipulate that Members of the Board must be appointed by a majority of the shareholder votes cast on an occasion where shareholders representing at least one-third of the total voting rights are present.

  In the JT Corporate Governance Policy, it is prescribed that Audit & Supervisory Board Member candidates shall be nominated by resolution of the Board of Directors as persons who are expected to perform their duties appropriately from a position independent of the Board of Directors. The resolution shall be made after securing opportunities for receiving appropriate advice from Independent Outside Directors by having the Advisory Panel on Nomination and Compensation deliberate on a candidate proposal formed by the President and Chief Executive Officer and report the content and results of its deliberations to the Board of Directors, and after receiving prior consent from the Audit & Supervisory Board. The Company's Articles of Incorporation stipulate that Audit & Supervisory Board Members must be appointed by a majority of the shareholder votes cast on an occasion where shareholders representing at least one-third of the total voting rights are present.

  With regard to the dismissal of Executive Directors and Members of the Board also serving as Executive Officers, the JT Corporate Governance Policy stipulates that in cases where such persons do not meet the required qualifications or have become unable to perform their duties, a decision shall be made by resolution of the Board of Directors after securing appropriate opportunities for receiving advice from Independent Outside Directors by having those Members of the Board who are not subject to dismissal request the Advisory Panel on Nomination and Compensation to deliberate on the proposal for dismissal, and then having the Panel report the content and results of its deliberations to the Board of Directors. In relation to resolutions pertaining to the dismissal of Members of the Board, there are no provisions in the Articles of Incorporation that differ from those of the Companies Act.

  Further, when bringing up the agenda item on the appointment of Member of the Board candidates at the shareholders' meeting, and when the Board of Directors has resolved to dismiss Executive Directors and Members of the Board also serving as Executive Officers, the Company shall disclose the reasons for the appointment of individual candidates and for the dismissal.

- Matters to be decided by the Board of Directors without referral to General Meeting of Shareholders

  Acquisition of treasury shares

  In order to enable flexible management that meets changes in business environment, the Company's Articles of Incorporation stipulate that the Company may acquire treasury shares through means such as market transaction upon a resolution by the Board of Directors under Article 165, paragraph 2 of the Companies Act.

Interim dividends

In order to enable profits to be returned to shareholders in a flexible manner, the Company's Articles of Incorporation stipulate that the Company may pay interim dividends to shareholders, upon a resolution by the Board of Directors under Article 454, paragraph 5 of the Companies Act.

- Requirements for special resolutions at General Meeting of Shareholders

  In order to facilitate the smooth conduct of General Meeting of Shareholders with an easier quorum requirement for special resolutions, the Company's Articles of Incorporation stipulate that a resolution as specified by Article 309, paragraph 2 of the Companies Act is valid if it is supported by at least two-thirds of the votes cast at a General Meeting of Shareholders attended by shareholders representing at least one-third of the Company's total voting rights (compared with the usual requirement of "at least half").

- Measures regarding transactions that involve possible conflict of interest between the Company and specified shareholders to avoid harming the interests of shareholders (excluding the shareholder who is a party to such a transaction)

  The Company requires resolution by the Board of Directors with respect to gaining approval for uncustomary transactions between the Company and its major shareholders.

(2) Status of Officers

a. Officers

i. Information about the Company's officers as of March 23, 2026 (the filing date of this Annual Securities Report) is as follows.

There are twelve male officers and three female officers (20.0% of the officers are women).

<table>
<tr><th>Title</th><th>Name</th><th>Date of birth</th><th colspan="2">Summary of career</th><th>Term of office</th><th>Number of shares held (Share)</th></tr>
<tr><td rowspan="22">Chairman of the Board</td><td rowspan="22">Mutsuo Iwai</td><td rowspan="22">October 29, 1960</td><td>April 1983</td><td>Joined the Company (Japan Tobacco and Salt Public Corporation)</td><td rowspan="22">1 year since March 2025</td><td rowspan="22">47,700</td></tr>
<tr><td>June 2003</td><td>Vice President, Corporate Planning Division</td></tr>
<tr><td>July 2004</td><td>Vice President, Corporate Strategy Division</td></tr>
<tr><td>June 2005</td><td>Senior Vice President and Vice President, Food Business Division, Food Business</td></tr>
<tr><td>June 2006</td><td>Member of the Board and Executive Vice President, President, Food Business</td></tr>
<tr><td>June 2008</td><td>Executive Vice President, Chief Strategy Officer</td></tr>
<tr><td>June 2010</td><td>Member of the Board and Senior Vice President, Chief Strategy Officer and Assistant to CEO in Food Business</td></tr>
<tr><td>June 2011</td><td>Member of the Board
Executive Vice President, JT International S.A.</td></tr>
<tr><td>June 2013</td><td>Senior Executive Vice President, Chief Strategy Officer</td></tr>
<tr><td>January 2016</td><td>Executive Vice President, President, Tobacco Business</td></tr>
<tr><td>March 2016</td><td>Representative Director and Executive Vice President</td></tr>
<tr><td>January 2020</td><td>Member of the Board</td></tr>
<tr><td>March 2020</td><td>Deputy Chairman of the Board</td></tr>
<tr><td>June 2020</td><td>Outside Director, Benesse Holdings, Inc.</td></tr>
<tr><td>June 2021</td><td>Outside Director, TDK Corporation (Current Position)</td></tr>
<tr><td>March 2022</td><td>Chairman of the Board, the Company (Current Position)</td></tr>
<tr><td>January 2023</td><td>Outside Director, &Capital Inc. (Current Position)</td></tr>
<tr><td>April 2024</td><td>Senior Vice Chairperson, Japan Association of Corporate Executives (Current Position)</td></tr>
<tr><td>December 2025</td><td>Member of the Board of Governors, Japan Broadcasting Corporation (Current Position)</td></tr>
<tr><td colspan="2">(Significant Concurrent Positions outside the Company)
Outside Director, TDK Corporation
Outside Director, &Capital Inc.</td></tr>
<tr><td colspan="2">Senior Vice Chairperson, Japan Association of Corporate Executives</td></tr>
<tr><td colspan="2">Member of the Board of Governors, Japan Broadcasting Corporation</td></tr>
</table>

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Deputy Chairman of the Board	Shigeaki Okamoto	February 20, 1961	April 1983 Entered Ministry of Finance July 2006 Director for the Budget Bureau, Planning and Administration Division of Budget Bureau, Ministry of Finance July 2009 Head of Secretariat Division, Minister's Secretariat, Ministry of Finance August 2012 Deputy Director-General of the Budget Bureau, Ministry of Finance July 2015 Deputy Vice Minister, Ministry of Finance July 2017 Director-General of the Budget Bureau, Ministry of Finance July 2018 Administrative Vice Minister, Ministry of Finance June 2021 Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. (Current Position) December 2021 Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office (Current Position) Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office (Current Position) March 2022 Deputy Chairman of the Board, the Company (Current Position) June 2022 Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office (Current Position) June 2025 Outside Director, Toyota Motor Corporation (Current Position) (Significant Concurrent Positions outside the Company) Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office Outside Director, Toyota Motor Corporation	1 year since March 2025	1,900

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Member of the Board	Masamichi Terabatake	November 26, 1965	April 1989 Joined the Company July 2005 Vice President, Secretary's Office July 2008 Vice President, Corporate Planning Division June 2011 Senior Vice President, Chief Strategy Officer and in charge of Food Business June 2012 Senior Vice President, Chief Strategy Officer June 2013 Member of the Board Executive Vice President, JT International S.A. January 2018 President and Chief Executive Officer, the Company March 2018 Representative Director and President, Chief Executive Officer January 2026 Member of the Board (Current Position)	1 year since March 2025	375,335
* Representative Director and Executive Vice President	Koji Shimayoshi	March 7, 1968	April 1993 Joined 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 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. January 2024 Executive Vice President, the Company March 2024 Representative Director and Executive Vice President (Current Position)	1 year since March 2025	76,800
* Representative Director and Executive Vice President	Kei Nakano	March 1, 1968	April 1991 Joined the Company April 2011 Vice President, M&S Strategy Department, Tobacco Business Division June 2014 President and Chief Executive Officer, TS Network Co., Ltd. January 2016 Senior Vice President, Communications, the Company October 2019 Senior Vice President, Corporate Strategy March 2020 Director, Japan Growth Investments Alliance, Inc. (Current Position) January 2022 Senior Vice President, Corporate Strategy, the Company January 2023 Executive Vice President March 2023 Representative Director and Executive Vice President (Current Position) (Significant Concurrent Positions outside the Company) Director, Japan Growth Investments Alliance, Inc.	1 year since March 2025	82,941

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Member of the Board	Yukiko Nagashima	April 4, 1961	April 1985 Joined Recruit Co., Ltd. (Current Recruit Holdings Co., Ltd.) April 2006 Corporate Executive Officer, Recruit Co., Ltd. January 2008 President and Representative Director, Recruit Staffing Co., Ltd. October 2012 Corporate Executive Officer, Recruit Holdings 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) March 2019 Outside Director, the Company (Current Position) June 2021 Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION June 2025 Outside Director (Audit & Supervisory Committee Member), SUMITOMO CORPORATION (Current Position) (Significant Concurrent Positions outside the Company) Standing Audit & Supervisory Board Member, Recruit Holdings Co., Ltd. Standing Audit & Supervisory Board Member, Recruit Co., Ltd. Outside Director (Audit & Supervisory Committee Member), SUMITOMO CORPORATION	1 year since March 2025	0
Member of the Board	Masato Kitera	October 10, 1952	April 1976 Joined the Ministry of Foreign Affairs January 2008 Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs July 2008 Director-General, International Cooperation Bureau, Ministry of Foreign Affairs January 2010 Deputy Minister, Ministry of Foreign Affairs September 2012 Assistant Chief Cabinet Secretary November 2012 Ambassador of Japan to the People's Republic of China April 2016 Ambassador of Japan to the Republic of France June 2016 Ambassador of Japan to the Republic of France, Andorra and Monaco April 2020 Advisor, the Company June 2020 Outside Director, Marubeni Corporation Outside Director, NIPPON STEEL CORPORATION March 2021 Outside Director, the Company (Current Position) July 2025 Corporate Advisor, Marubeni Corporation (Current Position) (Significant Concurrent Positions outside the Company) Corporate Advisor, Marubeni Corporation	1 year since March 2025	0

Title	Name	Date of birth	Summary of career		Term of office	Number of shares held (Share)
Member of the Board	Tetsuya Shoji	February 28, 1954	April 1977	Joined Nippon Telegraph and Telephone Public Corporation	1 year since March 2025	0
			June 2006	Senior Vice President, General Manager of the Personnel Department, Nippon Telegraph and Telephone West Corporation (Current NTT WEST, Inc.)		
			June 2009	Senior Vice President, Head of General Affairs, Nippon Telegraph and Telephone Corporation (Current NTT, Inc.)		
			June 2012	Senior Executive Vice President, Representative Member of the Board, NTT Communications Corporation (Current NTT DOCOMO BUSINESS, Inc.)		
			June 2015	President & CEO, Representative Member of the Board, NTT Communications Corporation		
			October 2018	Representative Member of the Board, NTT, Inc.		
			June 2020	Corporate Advisor, NTT Communications Corporation (Current NTT DOCOMO BUSINESS, Inc.) (Current Position)		
			December 2020	Outside Director, circlace Inc.		
			March 2021	Outside Director, Sapporo Holdings Limited (Current Position)		
			June 2021	Outside Director, Hitachi Zosen Corporation (Current Kanadevia Corporation) (Current Position)		
				Outside Director, Mitsubishi Logistics Corporation (Current Position)		
			March 2022	Outside Director, the Company (Current Position)		
			(Significant Concurrent Positions outside the Company) Corporate Advisor, NTT DOCOMO BUSINESS, Inc. Outside Director, Sapporo Holdings Limited Outside Director, Kanadevia Corporation Outside Director, Mitsubishi Logistics Corporation			
Member of the Board	Hiroko Yamashina	May 20, 1963	April 1986	Joined Orient Leasing Co., Ltd. (Current ORIX Corporation)	1 year since March 2025	0
			March 2007	Head of Office of Internal Controls, ORIX Corporation		
			May 2010	Executive Officer, ORIX Life Insurance Corporation		
			January 2013	Managing Executive Officer, ORIX Life Insurance Corporation		
			January 2014	Corporate Officer, ORIX Corporation		
			January 2016	Group Executive, ORIX Corporation		
				President, ORIX Credit Corporation (Current DOCOMO Finance, Inc.)		
			January 2021	Chairman, ORIX Credit Corporation (Current DOCOMO Finance, Inc.)		
			March 2023	Outside Audit & Supervisory Board Member, the Company		
			March 2024	Outside Director, the Company (Current Position)		
				Chairperson, ORIX Asset Management Corporation		
			January 2025	Advisor, ORIX Corporation (Current Position)		
			(Significant Concurrent Positions outside the Company) Advisor, ORIX Corporation			

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Member of the Board	Kenji Asakura	December 11, 1955	April 1978 Joined Nagase & Co., Ltd. April 2009 Executive Officer and General Manager of Automotive Solutions Dept., Nagase & Co., Ltd. June 2013 Director, Executive Officer, Nagase & Co., Ltd. April 2015 Representative Director, President and CEO, Nagase & Co., Ltd. April 2023 Representative Director, Chairman, Nagase & Co., Ltd. (Current Position) March 2024 Outside Director, the Company (Current Position) (Significant Concurrent Positions outside the Company) Representative Director, Chairman, Nagase & Co., Ltd.	1 year since March 2025	0
Standing Audit & Supervisory Board Member	Hideaki Kashiwakura	February 28, 1969	April 1991 Joined the Company July 2012 Controller October 2014 Vice President, M&S Management Department, Tobacco Business Division January 2017 Manager, Hokkaido branch, Tobacco Business Division January 2019 Deputy Chief Financial Officer (Assistant to CFO) January 2021 President, Chief Executive Officer, JT BusinessCom Inc. March 2023 Standing Audit & Supervisory Board Member (Current Position)	4 years since March 2023	12,128
	Standing Audit & Supervisory Board Member	May 31, 1967	April 1991 Joined the Company March 2019 Vice President, Internal Audit Division March 2023 Standing Audit & Supervisory Board Member (Current Position)	4 years since March 2023	1,584

Title	Name	Date of birth	Summary of career		Term of office	Number of shares held (Share)
Standing Audit & Supervisory Board Member	Shigeru Taniuchi	September 7, 1962	April 1986 July 2008 July 2009 July 2010 July 2011 July 2012 June 2013 July 2014 October 2015 July 2017 July 2018 August 2020 February 2021 November 2021 December 2021 June 2022 March 2023	Entered Ministry of Finance Director, Allowance Control and Mutual Assistance Insurance, Budget Bureau, Ministry of Finance Director, Agriculture, Forestry and Fisheries Section Budget Bureau, Ministry of Finance Director, Treasury, Financial Bureau, Ministry of Finance Director, National Property Policy Planning, Financial Bureau, Ministry of Finance Director-General, Policy-based Finance, Financial Bureau, Ministry of Finance Director of Co-ordination Division, Financial Bureau, Ministry of Finance Deputy Director-General of Minister's Secretariat, Social Welfare and War Victims' Relief Bureau, Ministry of Health, Labour and Welfare Deputy Director-General of Minister's Secretariat, Medical Insurance, Ministry of Health, Labour and Welfare Deputy Director-General of Minister's Secretariat, Elderly Health Care, Ministry of Health, Labour and Welfare Director, Social Welfare and War Victims' Relief Bureau, Ministry of Health, Labour and Welfare Director-General, Secretariat of Headquarters for Overcoming Population Decline and Vitalizing Local Economy in Japan, Cabinet Secretariat Director, Social Security Reform, Cabinet Secretariat Concurrently serving as Director of Loneliness and Isolation Office, Cabinet Secretariat Deputy Director-General, Secretariat of the Digital Garden City Initiative Panel, Cabinet Secretariat Concurrently serving as Head of Preparation Work Group for Bill of Establishing Children and Families' Agency, Cabinet Secretariat Concurrently serving as Head of preparation Work Group for Establishment of Children and Families' Agency, Cabinet Secretariat Standing Outside Audit & Supervisory Board Member, the Company (Current Position)	4 years since March 2023	0

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Audit & Supervisory Board Member	Nobuo Inada	August 14, 1956	April 1981 Appointed as Public Prosecutor October 2008 Deputy Vice-Minister of Justice, Ministry of Justice August 2011 Director-General, the 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 October 2020 Registered as Attorney at Law (Current Position) June 2021 Outside Director (Member of the Audit and Supervisory Committee), Nomura Securities Co., Ltd. (Current Position) March 2023 Outside Audit & Supervisory Board Member, the Company (Current Position) June 2024 Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION June 2025 Outside Director (Audit & Supervisory Committee Member), SUMITOMO CORPORATION (Current Position) (Significant Concurrent Positions outside the Company) Attorney at Law, Inada Law Firm Outside Director (Member of the Audit and Supervisory Committee), Nomura Securities Co., Ltd. Outside Director (Audit & Supervisory Committee Member), SUMITOMO CORPORATION	4 years since March 2023	0
Audit & Supervisory Board Member	Emiko Takeishi	February 16, 1960	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 & Supervisory Board Member, Tokio Marine & Nichido Fire Insurance Co., Ltd. (Current Position) June 2023 Outside Audit & Supervisory Board Member, KAJIMA CORPORATION (Current Position) March 2024 Outside Audit & Supervisory Board Member, the Company (Current Position) (Significant Concurrent Positions outside the Company) Professor, Faculty of Lifelong Learning and Career studies, Hosei University Outside Audit & Supervisory Board Member, Tokio Marine & Nichido Fire Insurance Co., Ltd. Outside Audit & Supervisory Board Member, KAJIMA CORPORATION	3 years since March 2024	0
Total					598,388

Notes: 1. Members of the Board Yukiko Nagashima, Masato Kitera, Tetsuya Shoji, Hiroko Yamashina and Kenji Asakura are Outside Directors.

2. Standing Audit & Supervisory Board Member Shigeru Taniuchi, Audit & Supervisory Board Members Nobuo Inada and Emiko Takeishi are Outside Audit & Supervisory Board Members.

3. Persons with the title marked with * concurrently serve as Executive Officer.

ii. The “Election of Ten (10) Members of the Board” will be presented as a proposal (matter to be resolved) for the Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2026. If this proposal is approved and adopted, the status of Members of the Board and other officers of the Company is scheduled to be as follows.

The details of matters to be resolved at the Board of Directors meeting scheduled to be held immediately after the Ordinary General Meeting of Shareholders (including titles, positions, etc.) are also included.

There are twelve male officers and three female officers (20.0% of the officers are women).

Title	Name	Date of birth	Summary of career		Term of office	Number of shares held (Share)
Chairman of the Board	Shigeaki Okamoto	February 20, 1961	April 1983	Entered Ministry of Finance	1 year since March 2026	1,900
			July 2006	Director for the Budget Bureau, Planning and Administration Division of Budget Bureau, Ministry of Finance		
			July 2009	Head of Secretariat Division, Minister’s Secretariat, Ministry of Finance		
			August 2012	Deputy Director-General of the Budget Bureau, Ministry of Finance		
			July 2015	Deputy Vice Minister, Ministry of Finance		
			July 2017	Director-General of the Budget Bureau, Ministry of Finance		
			July 2018	Administrative Vice Minister, Ministry of Finance		
			June 2021	Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. (Current Position)		
			December 2021	Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office (Current Position)		
				Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office (Current Position)		
			March 2022	Deputy Chairman of the Board, the Company		
			June 2022	Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office (Current Position)		
			June 2025	Outside Director, Toyota Motor Corporation (Current Position)		
			March 2026	Chairman of the Board, the Company (Current Position)		
			(Significant Concurrent Positions outside the Company) Outside Audit & Supervisory Board Member, Yomiuri Land Co., Ltd. Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Osaka Head Office Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Seibu Head Office Outside Audit & Supervisory Board Member, The Yomiuri Shimbun Tokyo Head Office Outside Director, Toyota Motor Corporation			

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Deputy Chairman of the Board	Masamichi Terabatake	November 26, 1965	April 1989 Joined the Company July 2005 Vice President, Secretary’s Office July 2008 Vice President, Corporate Planning Division June 2011 Senior Vice President, Chief Strategy Officer and in charge of Food Business June 2012 Senior Vice President, Chief Strategy Officer June 2013 Member of the Board Executive Vice President, JT International S.A. January 2018 President and Chief Executive Officer, the Company March 2018 Representative Director and President, Chief Executive Officer January 2026 Member of the Board March 2026 Deputy Chairman of the Board (Current Position)	1 year since March 2026	375,335
* Representative Director and President, Chief Executive Officer	Takehiko Tsutsui	January 23, 1975	April 1997 Joined the Company March 2012 Vice President, Corporate Planning Division June 2014 Senior Vice President, Deputy Chief Strategy Officer January 2016 Senior Vice President, Business Development January 2020 Senior Vice President, JT International S.A. March 2024 Executive Vice President, JT International S.A. January 2026 President and Chief Executive Officer, the Company March 2026 Representative Director and President, Chief Executive Officer (Current Position) (Significant Concurrent Positions outside the Company) Chairman of Supervisory Board, JT International Holding B.V.	1 year since March 2026	41,500
* Representative Director and Executive Vice President	Koji Shimayoshi	March 7, 1968	April 1993 Joined 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 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. January 2024 Executive Vice President, the Company March 2024 Representative Director and Executive Vice President (Current Position)	1 year since March 2026	76,800

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
* Representative Director and Executive Vice President	Kei Nakano	March 1, 1968	April 1991 Joined the Company April 2011 Vice President, M&S Strategy Department, Tobacco Business Division June 2014 President and Chief Executive Officer, TS Network Co., Ltd. January 2016 Senior Vice President, Communications, the Company October 2019 Senior Vice President, Corporate Strategy March 2020 Director, Japan Growth Investments Alliance, Inc. (Current Position) January 2022 Senior Vice President, Corporate Strategy, the Company January 2023 Executive Vice President March 2023 Representative Director and Executive Vice President (Current Position) (Significant Concurrent Positions outside the Company) Director, Japan Growth Investments Alliance, Inc.	1 year since March 2026	82,941
Member of the Board	Masato Kitera	October 10, 1952	April 1976 Joined the Ministry of Foreign Affairs January 2008 Director-General for Sub-Saharan African Affairs, Middle Eastern and African Affairs Bureau, and Secretary-General, TICAD IV, Ministry of Foreign Affairs July 2008 Director-General, International Cooperation Bureau, Ministry of Foreign Affairs January 2010 Deputy Minister, Ministry of Foreign Affairs September 2012 Assistant Chief Cabinet Secretary November 2012 Ambassador of Japan to the People's Republic of China April 2016 Ambassador of Japan to the Republic of France June 2016 Ambassador of Japan to the Republic of France, Andorra and Monaco April 2020 Advisor, the Company June 2020 Outside Director, Marubeni Corporation Outside Director, NIPPON STEEL CORPORATION March 2021 Outside Director, the Company (Current Position) July 2025 Corporate Advisor, Marubeni Corporation (Current Position) (Significant Concurrent Positions outside the Company) Corporate Advisor, Marubeni Corporation	1 year since March 2026	0

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Member of the Board	Tetsuya Shoji	February 28, 1954	April 1977 Joined Nippon Telegraph and Telephone Public Corporation June 2006 Senior Vice President, General Manager of the Personnel Department, Nippon Telegraph and Telephone West Corporation (Current NTT WEST, Inc.) June 2009 Senior Vice President, Head of General Affairs, Nippon Telegraph and Telephone Corporation (Current NTT, Inc.) June 2012 Senior Executive Vice President, Representative Member of the Board, NTT Communications Corporation (Current NTT DOCOMO BUSINESS, Inc.) June 2015 President & CEO, Representative Member of the Board, NTT Communications Corporation October 2018 Representative Member of the Board, NTT, Inc. June 2020 Corporate Advisor, NTT Communications Corporation (Current NTT DOCOMO BUSINESS, Inc.) (Current Position) December 2020 Outside Director, circlace Inc. March 2021 Outside Director, Sapporo Holdings Limited (Current Position) June 2021 Outside Director, Hitachi Zosen Corporation (Current Kanadevia Corporation) (Current Position) Outside Director, Mitsubishi Logistics Corporation (Current Position) March 2022 Outside Director, the Company (Current Position) (Significant Concurrent Positions outside the Company) Corporate Advisor, NTT DOCOMO BUSINESS, Inc. Outside Director, Sapporo Holdings Limited Outside Director, Kanadevia Corporation Outside Director, Mitsubishi Logistics Corporation	1 year since March 2026	0
Member of the Board	Hiroko Yamashina	May 20, 1963	April 1986 Joined Orient Leasing Co., Ltd. (Current ORIX Corporation) March 2007 Head of Office of Internal Controls, ORIX Corporation May 2010 Executive Officer, ORIX Life Insurance Corporation January 2013 Managing Executive Officer, ORIX Life Insurance Corporation January 2014 Corporate Officer, ORIX Corporation January 2016 Group Executive, ORIX Corporation President, ORIX Credit Corporation (Current DOCOMO Finance, Inc.) January 2021 Chairman, ORIX Credit Corporation (Current DOCOMO Finance, Inc.) March 2023 Outside Audit & Supervisory Board Member, the Company March 2024 Outside Director, the Company (Current Position) Chairperson, ORIX Asset Management Corporation January 2025 Advisor, ORIX Corporation (Current Position) (Significant Concurrent Positions outside the Company) Advisor, ORIX Corporation	1 year since March 2026	0

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Member of the Board	Kenji Asakura	December 11, 1955	April 1978 Joined Nagase & Co., Ltd. April 2009 Executive Officer and General Manager of Automotive Solutions Dept., Nagase & Co., Ltd. June 2013 Director, Executive Officer, Nagase & Co., Ltd. April 2015 Representative Director, President and CEO, Nagase & Co., Ltd. April 2023 Representative Director, Chairman, Nagase & Co., Ltd. (Current Position) March 2024 Outside Director, the Company (Current Position) (Significant Concurrent Positions outside the Company) Representative Director, Chairman, Nagase & Co., Ltd.	1 year since March 2026	0
Member of the Board	Yukiko Uchida	July 22, 1975	September 2003 Visiting Scholar, Institute for Social Research, University of Michigan September 2004 Visiting Scholar, Department of Psychology, Stanford University January 2008 Assistant Professor, Kokoro Research Center, Kyoto University April 2011 Associate Professor, Kokoro Research Center, Kyoto University April 2019 Professor, Kokoro Research Center, Kyoto University September 2019 Berggruen Fellow, Stanford University, Center for Advanced Study in the Behavioral Sciences April 2020 Vice Director, Kokoro Research Center, Kyoto University April 2022 Professor, Kyoto University Institute for the Future of Human Society (Current Position) April 2023 Director, Kyoto University Institute for the Future of Human Society (Current Position) March 2026 Outside Director, the Company (Current Position) (Significant Concurrent Positions outside the Company) Director and Professor, Kyoto University Institute for the Future of Human Society	1 year since March 2026	0
Standing Audit & Supervisory Board Member	Hideaki Kashiwakura	February 28, 1969	April 1991 Joined the Company July 2012 Controller October 2014 Vice President, M&S Management Department, Tobacco Business Division January 2017 Manager, Hokkaido branch, Tobacco Business Division January 2019 Deputy Chief Financial Officer (Assistant to CFO) January 2021 President, Chief Executive Officer, JT BusinessCom Inc. March 2023 Standing Audit & Supervisory Board Member (Current Position)	4 years since March 2023	12,128
Standing Audit & Supervisory Board Member	Tsutomu Hashimoto	May 31, 1967	April 1991 Joined the Company March 2019 Vice President, Internal Audit Division March 2023 Standing Audit & Supervisory Board Member (Current Position)	4 years since March 2023	1,584

Title	Name	Date of birth	Summary of career		Term of office	Number of shares held (Share)
Standing Audit & Supervisory Board Member	Shigeru Taniuchi	September 7, 1962	April 1986	Entered Ministry of Finance	4 years since March 2023	0
			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 Co-ordination Division, Financial Bureau, Ministry of Finance		
			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		
			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		
			March 2023	Standing Outside Audit & Supervisory Board Member, the Company (Current Position)		

Title	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Audit & Supervisory Board Member	Nobuo Inada	August 14, 1956	April 1981 Appointed as Public Prosecutor October 2008 Deputy Vice-Minister of Justice, Ministry of Justice August 2011 Director-General, the 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 October 2020 Registered as Attorney at Law (Current Position) June 2021 Outside Director (Member of the Audit and Supervisory Committee), Nomura Securities Co., Ltd. (Current Position) March 2023 Outside Audit & Supervisory Board Member, the Company (Current Position) June 2024 Outside Audit & Supervisory Board Member, SUMITOMO CORPORATION June 2025 Outside Director (Audit & Supervisory Committee Member), SUMITOMO CORPORATION (Current Position) (Significant Concurrent Positions outside the Company) Attorney at Law, Inada Law Firm Outside Director (Member of the Audit and Supervisory Committee), Nomura Securities Co., Ltd. Outside Director (Audit & Supervisory Committee Member), SUMITOMO CORPORATION	4 years since March 2023	0
Audit & Supervisory Board Member	Emiko Takeishi	February 16, 1960	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 & Supervisory Board Member, Tokio Marine & Nichido Fire Insurance Co., Ltd. (Current Position) June 2023 Outside Audit & Supervisory Board Member, KAJIMA CORPORATION (Current Position) March 2024 Outside Audit & Supervisory Board Member, the Company (Current Position) (Significant Concurrent Positions outside the Company) Professor, Faculty of Lifelong Learning and Career studies, Hosei University Outside Audit & Supervisory Board Member, Tokio Marine & Nichido Fire Insurance Co., Ltd. Outside Audit & Supervisory Board Member, KAJIMA CORPORATION	3 years since March 2024	0
Total					592,188

Notes: 1. Members of the Board Masato Kitera, Tetsuya Shoji, Hiroko Yamashina, Kenji Asakura and Yukiko Uchida are Outside Directors.

2. Standing Audit & Supervisory Board Member Shigeru Taniuchi, Audit & Supervisory Board Members Nobuo Inada and Emiko Takeishi are Outside Audit & Supervisory Board Members.

3. Persons with the title marked with * concurrently serve as Executive Officer.

4. The Company has introduced the Executive Officer System in June 2001 in order to realize prompt and proper decision-making and business execution. The following 17 persons were appointed effective March 23, 2026.

Title	Name	Post
President	Takehiko Tsutsui	Chief Executive Officer and President of Tobacco Business
Executive Vice President	Koji Shimayoshi	Corporate Governance, Compliance, Corporate Strategy, Sustainability, People & Culture, Information Technology, Legal, Operation Review & Business Assurance and Food Business
Executive Vice President	Kei Nakano	Finance, Corporate Communications, Business Development and D-LAB
Senior Vice President	Takashi Araki	Chief Executive Officer, Tobacco Business, Japan
Senior Vice President	Kenji Ogura	Corporate Governance
Senior Vice President	Suguru Fujiwara	Corporate Affairs & Communications, Tobacco Business, Japan
Senior Vice President	Nobuhiro Uezawa	Manufacturing, Tobacco Business, Japan
Senior Vice President	Adam Vilalta	Marketing, Tobacco Business, Japan
Senior Vice President	Kazuyuki Inui	Sales, Tobacco Business, Japan
Senior Vice President	Keisuke Nakagomi	Food Business
Senior Vice President	Osamu Hirose	General Counsel, Legal and Compliance
Senior Vice President	Hiroyuki Fukuda	Corporate Strategy and Business Development
Senior Vice President	Hisato Imokawa	Chief Sustainability Officer
Senior Vice President	Hiromasa Furukawa	Chief Financial Officer and Corporate Communications
Senior Vice President	Yoshiyuki Mishima	People & Culture
Senior Vice President	Hisashi Shimobayashi	Chief Technology & Information Security Officer
Senior Vice President	Yuki Otaki	D-LAB

b. Status of Outside Directors and Outside Audit & Supervisory Board Members

- Numbers of Outside Directors and Outside Audit & Supervisory Board Members as well as their human, capital, business or other relationships of interest

The Company has five Outside Directors and three Outside Audit & Supervisory Board Members.

Furthermore, even if the “Election of Ten (10) Members of the Board” proposal (matter to be resolved) for the Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2026 is approved and adopted, there will be no change in the number of members mentioned above.

Outside Director Ms. Yukiko Nagashima is standing Audit & Supervisory Board Member of Recruit Holdings Co., Ltd. and Recruit Co., Ltd. Although the Company has business relationships with Recruit Holdings Co., Ltd. and Recruit Co., Ltd., the value of the business was less than 0.1% of the consolidated revenue for Recruit Holdings Co., Ltd. in the fiscal year ended March 2025 and less than 0.1% of the Company’s consolidated revenue in the fiscal year ended December 31, 2025. Furthermore, Ms. Yukiko Nagashima is Outside Director (Audit & Supervisory Committee Member) of SUMITOMO CORPORATION. Although the Company has a business relationship with SUMITOMO CORPORATION, the value of the business was less than 0.1% of the consolidated revenue for SUMITOMO CORPORATION in the fiscal year ended March 2025 and less than 0.1% of the Company’s consolidated revenue in the fiscal year ended December 31, 2025. The Company has therefore concluded that there is no risk of a special relationship of interest arising.

Outside Director Mr. Masato Kitera is a Corporate Advisor of Marubeni Corporation. Although the Company has a business relationship with Marubeni Corporation, the value of the business was less than 0.1% of the consolidated revenue for Marubeni Corporation in the fiscal year ended March 2025 and less than 0.1% of the Company’s consolidated revenue in the fiscal year ended December 31, 2025. Furthermore, Mr. Masato Kitera received remuneration as a part-time advisor of the Company from April 30, 2020, but this agreement has expired due to his election at the Ordinary General Meeting of Shareholders held on March 24, 2021. This remuneration was paid to him as consideration for his advice on the management and business of the Company based on the experience and insight he possesses, and satisfies the independence criteria (not more than ¥10 million) prescribed by the Company. The Company has therefore concluded that there is no risk of a special relationship of interest arising.

Outside Director Mr. Tetsuya Shoji is Corporate Advisor of NTT DOCOMO BUSINESS, Inc. Although the Company has a business relationship with NTT DOCOMO BUSINESS, Inc., the value of the business was less than 0.1% of the consolidated operating revenue for NTT DOCOMO BUSINESS, Inc. in the fiscal year ended March 2025 and less than 0.1% of the Company's consolidated revenue in the fiscal year ended December 31, 2025. Furthermore, Mr. Tetsuya Shoji is an Outside Director of Mitsubishi Logistics Corporation. Although the Company has a business relationship with Mitsubishi Logistics Corporation, the value of the business was less than 0.1% of the consolidated operating revenue for Mitsubishi Logistics Corporation in the fiscal year ended March 2025 and less than 0.1% of the Company's consolidated revenue in the fiscal year ended December 31, 2025. The Company has therefore concluded that there is no risk of a special relationship of interest arising.

Outside Director Ms. Hiroko Yamashina is a Chair and Director of Mirai Leader's Link, a voluntary organization. Although the Company had a business relationship in 2024 with Mirai Leader's Link, the value of this business during 2024 was negligible, coming to less than ¥200,000 and less than 0.1% of the Company's consolidated revenue in fiscal 2024, despite being equivalent to 2.2% of the revenue of Mirai Leader's Link in fiscal 2024. In addition, she does not receive remuneration for serving as Chair and Director. Therefore, after receiving the approval of the Board of Directors of the Company, the Company has concluded that there is no risk of a special relationship of interest arising. Furthermore, the Company has not had a business relationship with Mirai Leader's Link since 2025.

Additionally, if the "Election of Ten (10) Members of the Board" proposal (matter to be resolved) for the Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2026 is approved and adopted, Ms. Yukiko Uchida, who is scheduled to be appointed as an Outside Director, is the Director and Professor at the Kyoto University Institute for the Future of Human Society. Although the Company has a business relationship with Kyoto University, the value of the business was less than 0.1% of the revenue for Kyoto University in the fiscal year ended March 2025 and less than 0.1% of the Company's consolidated revenue in the fiscal year ended December 31, 2025. In addition, while the Company makes donations to Kyoto University, the amount of donations in the fiscal year ended December 31, 2025 is less than 0.1% of Kyoto University's revenue in the fiscal year ended March 2025 and less than 0.1% of the Company's consolidated revenue in the fiscal year ended December 31, 2025. The Company has therefore concluded that there is no risk of a special relationship of interest arising.

Outside Audit & Supervisory Board Member Mr. Nobuo Inada is an Outside Director (Audit & Supervisory Committee Member) of Nomura Securities Co., Ltd. Nomura Securities Co., Ltd. holds shares of the Company, but this constitutes less than 0.05% of the total number of shares issued. Although the Company has a business relationship with Nomura Securities Co., Ltd., the value of the business was less than 0.1% of the consolidated revenue for Nomura Securities Co., Ltd. in the fiscal year ended March 2025 and less than 0.1% of the Company's consolidated revenue in the fiscal year ended December 31, 2025. Furthermore, Mr. Nobuo Inada is Outside Director (Audit & Supervisory Committee Member) of SUMITOMO CORPORATION. Although the Company has a business relationship with SUMITOMO CORPORATION, the value of the business was less than 0.1% of the consolidated revenue for SUMITOMO CORPORATION in the fiscal year ended March 2025 and less than 0.1% of the Company's consolidated revenue in the fiscal year ended December 31, 2025. The Company has therefore concluded that there is no risk of a special relationship of interest arising.

Outside Audit & Supervisory Board Member Ms. Emiko Takeishi is Outside Audit & Supervisory Board Member of Tokio Marine & Nichido Fire Insurance Co., Ltd. Although the Company has a business relationship with Tokio Marine & Nichido Fire Insurance Co., Ltd., the value of the business was less than 0.1% of the ordinary income for Tokio Marine & Nichido Fire Insurance Co., Ltd. in the fiscal year ended March 2025 and less than 0.1% of the Company's consolidated revenue in the fiscal year ended December 31, 2025. Furthermore, Ms. Emiko Takeishi is Outside Audit & Supervisory Board Member of KAJIMA CORPORATION. Although the Company has a business relationship with KAJIMA CORPORATION, the value of the business was less than 0.1% of the consolidated net sales for KAJIMA CORPORATION in the fiscal year ended March 2025 and less than 0.1% of the Company's consolidated revenue in the fiscal year ended December 31, 2025. The Company has therefore concluded that there is no risk of a special relationship of interest arising.

For the Outside Directors and Outside Audit & Supervisory Board Members other than those stated above, there are no human, capital, business or other relationships of interest that should be reported.

- Outside Directors appointed and functions and roles of Outside Directors in corporate governance of the filing company

  The Company has appointed Ms. Yukiko Nagashima, Mr. Masato Kitera, Mr. Tetsuya Shoji, Ms. Hiroko Yamashina and Mr. Kenji Asakura as Outside Directors. The Company anticipates that Ms. Nagashima will leverage her experience in corporate management and execution of business in a wide range of fields, such as emerging businesses and temporary staffing and objective point of view based on her experience as Audit & Supervisory Board Member, and also her high degree of knowledge cultivated through the perspectives of both management and auditing. Furthermore, the Company counts on Mr. Kitera to make use of his abundant international experience and insights concerning international affairs, gained through his long diplomatic career including his important positions as a government officer mostly in the Ministry of Foreign Affairs. In addition, the Company assumes that Mr. Shoji will utilize his considerable experiences in business execution and corporate management, having served as a president and representative director for a telecommunications company, and wide-ranging insights incorporate planning, human resources, global operations, and digitization promotion. Ms. Yamashina has considerable knowledge and broad and deep insights in corporate management and business operation, etc. by having served in important roles such as Corporate Officer of a general financial service provider and President of a subsidiary of the company. The Company counts on Mr. Asakura to make use of his outstanding experience and wide-ranging knowledge in global corporate management, business operation, and corporate cultural reform, etc. cultivated through serving in important roles such as Representative Director, President and CEO and Representative Director, Chairman of a trading company specializing in trading chemical products. Accordingly, as well as expecting that all their experiences will be reflected in the management of the Company through their active provision of proposals and advice to the Board of Directors, the Company believes that they will supervise implementation of business from a fair and independent standpoint.

  Additionally, if the “Election of Ten (10) Members of the Board” proposal (matter to be resolved) for the Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2026 is approved and adopted, Ms. Yukiko Uchida, who is scheduled to be appointed as an Outside Director, is expected to bring her extensive experience and deep insights in social psychology and cultural psychology, gained through her roles as a director of international academic organizations and a member of government advisory councils specializing in well-being research, to actively propose and advise in the Board of Directors, thereby reflecting them in the Company’s management. Furthermore, she is expected to perform supervisory functions over business execution from an independent and fair standpoint, and she is being appointed as an Outside Director.

- Outside Audit & Supervisory Board Members appointed and functions and roles of Outside Audit & Supervisory Board Members in corporate governance of the filing company

  Outside Audit & Supervisory Board Members are appointed in light of their significant experience in their respective backgrounds and broad perspective. The Company has appointed Mr. Shigeru Taniuchi, Mr. Nobuo Inada and Ms. Emiko Takeishi as Outside Audit & Supervisory Board Members. Mr. Taniuchi has extensive experience over many years of serving in a wide range of important positions in ministries and agencies, and through this has acquired extensive experience and deep knowledge of such fields as finance and legal affairs. Mr. Inada has extensive experience and broad and deep knowledge of legal affairs and compliance, etc. through his many years of serving in a wide range of important positions in the legal circles, ministries and agencies. Ms. Takeishi has served in important roles such as a university professor specialized in human resource management and women’s labor theory, etc., been a member of the Labour Policy Council of the Ministry of Health, Labour and Welfare, and outside auditors of business companies, and possesses wide-ranging experience and advanced and deep knowledge in personnel systems, labor policies, and corporate governance. The Company expects that their experiences, perspectives and knowledge will be reflected in their audit activity, and the Company believes that they will maintain objective and neutral oversight of the management of the Company by conducting audits from a fair and independent standpoint.

- Independence of Outside Directors and Outside Audit & Supervisory Board Members

  At the Board of Directors on July 15, 2025, the Company revised a Criteria for Evaluating the Independence of Outside Executives. According to the Criteria, Independent Directors/Audit & Supervisory Board Members must not fall under any of the following categories.

  1. An Executive (referring to an Executive prescribed in Article 2, paragraph (3), item (vi) of the Ordinance for Enforcement of the Companies Act, and including Executive Directors, Executive Officers, and employees; the same shall apply hereinafter) of JT or JT’s subsidiary (hereinafter the “JT Group”) *When designating an Outside Director

2. A party who served as an Executive of the JT Group within the past 10 years (or in the case of a person who served as a Director, Accounting Advisor, or Audit & Supervisory Board Member of the JT Group (excluding a person who has served as an Executive) within the past 10 years, the 10 years prior to their appointment to that position) *When designating an Outside Director
3. A party who served as a Director, Accounting Advisor, Executive Officer, or employee of the JT Group within the past 10 years (or in the case of a person who served as an Audit & Supervisory Board Member of the JT Group within the past 10 years, the 10 years prior to their appointment to that position) *When designating an Outside Audit & Supervisory Board Member
4. A party whose transaction amount with JT exceeded 2% of the counterparty's or JT's consolidated revenue in any of the past three fiscal years (excluding cases in which the transaction amount was not more than ¥100 million); if such party is a corporation or other organization, the Executive of said corporation or other organization
5. An Executive of any financial institution mentioned as a major lender in JT's Business Report in any of the past three fiscal years
6. A party who has provided JT with expert services or consulting services concerning legal affairs, financial affairs, tax affairs or other affairs (hereinafter "Relevant Services") in any of the past three fiscal years and has received monetary consideration in excess of ¥10 million. In the case of a corporation or other organization, a person who belongs to an organization that, in any of the past three fiscal years, has received monetary consideration from JT in an amount equivalent to 2% or more of the organization's annual gross revenue (provided, however, that even if the amount received was less than 2% of the organization's annual gross revenue, a person who was involved in one or more Relevant Services provided to JT for which the total compensation exceeded ¥10 million shall be included)
7. A party who currently belongs or has belonged to an auditing firm acting as JT's independent auditor in the past three years
8. A party who holds more than 10% of JT's issued stock or, if the shareholder is a corporation, its Executive or a person who has served as its Executive in the past three years
9. A spouse or a close relative (meaning a spouse or a relative within the second degree of kinship; the same shall apply in item 10 below) of an Executive of the JT Group, a person who was recently an Executive of the JT Group, a non-Executive Director of JT, or a person who falls under the criteria in 4 through 8 above (excluding those deemed immaterial) *When designating an Outside Director
10. A spouse or a close relative of an Executive, a non-Executive Director, or Accounting Advisor of the JT Group, a person who was recently in any of those positions, or a person who falls under the criteria in 4 through 8 above (excluding those deemed immaterial) *When designating an Outside Audit & Supervisory Board Member
11. An Executive of a company that accepts JT's Executive as an Outside Director or Outside Audit & Supervisory Board Member
12. A party who has received donations of more than ¥10 million from JT in any of the past three fiscal years. In the case of a corporation or other organization, an Executive of the organization that has received donations exceeding 2% of the annual gross revenue or consolidated revenue of the organization (excluding cases in which the donation amount was not more than ¥10 million)

Even in cases where any of the above items applies, in cases where a person is regarded as independent of JT substantially as a result of examination of that candidate's past career and current titles and the candidate satisfies the externality requirements set forth in the Companies Act, JT may appoint said candidate as an Independent Director/Auditor upon approval by the Board of Directors. In such cases, the grounds for the decision shall be disclosed publicly.

In light of the above set of criteria, the Company has designated Ms. Yukiko Nagashima, Mr. Masato Kitera, Mr. Tetsuya Shoji, Ms. Hiroko Yamashina and Mr. Kenji Asakura, who are Outside Directors, and Mr. Shigeru Taniuchi, Mr. Nobuo Inada and Ms. Emiko Takeishi, who are Outside Audit & Supervisory Board Members, as independent auditors and directors as defined by financial instruments exchanges.

Additionally, the "Election of Ten (10) Members of the Board" will be presented as a proposal (matter to be resolved) for the Ordinary General Meeting of Shareholders scheduled to be held on March 25, 2026. If this proposal is approved and adopted, the Outside Directors of the Company are scheduled to be Mr. Masato Kitera, Mr. Tetsuya Shoji, Ms. Hiroko Yamashina, Mr. Kenji Asakura, and Ms. Yukiko Uchida. In light of the above set of criteria, the Company plans to continue designating Mr. Masato Kitera, Mr. Tetsuya Shoji, Ms. Hiroko Yamashina and Mr. Kenji Asakura, who are Outside Directors, and Mr. Shigeru Taniuchi, Mr. Nobuo Inada and Ms. Emiko Takeishi, who are Outside Audit & Supervisory Board Members, as independent auditors and directors. The Company also intends to designate Outside Director Yukiko Uchida as an independent director as prescribed by the Tokyo Stock Exchange, Inc.

To ensure that supervisory tasks and audits are conducted appropriately, information is shared regarding supervision and audit results and other steps are taken to ensure cooperation among operations involving supervision or audits performed by Outside Directors or Outside Audit & Supervisory Board Members, and operations involving internal audits, audits by Audit & Supervisory Board Members and audits by the Independent Auditor. To ensure appropriate implementation of business, information is exchanged as necessary and other means of cooperation are implemented among operations involving supervision or audits performed by Outside Directors or Outside Audit & Supervisory Board Members, and the Company’s Internal Control Division.

(3) Implementation status of audits

a. Status of audits by Audit & Supervisory Board Members

i. Organization, members and procedures for audits by Audit & Supervisory Board

For the organization, members and procedures for audits by Audit & Supervisory Board, please refer to "(1) Outline of Corporate Governance, b. Outline of corporate governance structure and reason for adoption of the structure" and "(2) Status of Officers, b. Status of Outside Directors and Outside Audit & Supervisory Board Members, Outside Audit & Supervisory Board Members appointed and functions and roles of Outside Audit & Supervisory Board Members in corporate governance of the filing company."

ii. Status of Audit & Supervisory Board Members and Audit & Supervisory Board activities

During the fiscal year ended December 31, 2025, the Audit & Supervisory Board meeting was held a total of 14 times, with attendance at meetings for individual Audit & Supervisory Board Members after they assumed the office of Audit & Supervisory Board Member being as follows:

Classification	Name	Attendance at meetings of the Audit & Supervisory Board
Standing Audit & Supervisory Board Member	Hideaki Kashiwakura	14/14 (100%)
Standing Audit & Supervisory Board Member	Tsutomu Hashimoto	14/14 (100%)
Standing Outside Audit & Supervisory Board Member	Shigeru Taniuchi	14/14 (100%)
Outside Audit & Supervisory Board Member	Nobuo Inada	14/14 (100%)
Outside Audit & Supervisory Board Member	Emiko Takeishi	14/14 (100%)

The specific contents considered by the Audit & Supervisory Board included the auditing policies, legality of the business report and accompanying supplemental schedules, as well as the appropriateness of execution of duties by directors, the state of the rollout and operation of the internal control system, and the reasonableness of the methods used by the Independent Auditor, and of the results thus obtained.

Other activities conducted by Audit & Supervisory Board Members were the exchange of opinions with the Members of the Board, etc. of the Company, attendance at important meetings of the Board of Directors, the reading of documents for important resolutions, etc., surveys of operations and the status of assets at the Company and its subsidiaries, the exchange of opinions with Directors and Audit & Supervisory Board Members, etc. of subsidiaries, and checking progress reports and the reported results for audits implemented by the Independent Auditor.

b. Status of internal audit

The internal audit system is overseen by the Company's Internal Audit Division (25 employees as of December 31, 2025) as an entity that reports directly to the President and Chief Executive Officer. The internal audit system operates independently from the organizations responsible for business execution and uses an objective perspective to examine and evaluate systems for supervising and managing the overall operations and the status of business execution, in order to ensure proper business operations and improve management efficiency. The Internal Audit Division has the authority to observe all activities, inspect all records and question all personnel of the entire Group without restrictions in order to fulfill its responsibilities. Moreover, in coordination with the internal audit functions of all subsidiaries, the Internal Audit Division also undertakes the planning and performance of the Group's internal audit systems and policies, and supplements the internal audit functions of subsidiaries.

The Company's Vice President of the Internal Audit Division has an obligation to report the results of audits to the President and Chief Executive Officer, and reports to the Board of Directors every year.

c. Implementation status of accounting audits

The Company, in order to ensure the Independent Auditor's appropriate audit, secures sufficient time for audit enabling high-quality audit and provide the Independent Auditor with opportunities to contact Members of the Board and Executive Officers, as well as provide appropriate auditing environment enabling sufficient cooperation between the Independent Auditor and Audit & Supervisory Board Members, the internal auditing division and Outside Directors. Further, in the event that an Independent Auditor indicates a deficiency or problem or discovers misconduct, the Company shall appropriately take measures correspondingly.

While Audit & Supervisory Board Members, internal audit organizations including the Internal Audit Division, and the Independent Auditor conduct audits individually, they endeavor to enhance their cooperation in order to ensure appropriate audits, for example by sharing information on the results of their respective audits. Also, Audit & Supervisory Board Members, internal audit organizations including the Internal Audit Division, and the Independent Auditor cooperate with the Company's Internal Control Division to ensure appropriate implementation of business by exchanging information when necessary.

i. Name of auditing firm

Deloitte Touche Tohmatsu LLC

ii. Continuous audit period

41 years

iii. Certified public accountants

Koji Ishikawa, Takeshi Io, Akifumi Horie

iv. Assistants for the audit work

Certified public accountants: 23 persons, People who have passed the Certified Public Accountants Examination: 6 persons, Others: 41 persons

v. Policy and reasons for selecting the Independent Auditor

The Audit & Supervisory Board has established the "Standards for Evaluating and Selecting Independent Auditor." The evaluation and selection of Independent Auditor are conducted in accordance with said standards, and are based on a comprehensive judgment, considering the various factors such as independence from the Company, degree of expertise, adequate experience, size and overseas network which enables efficient implementation of accounting services corresponding to the Company's broad range of business, well established auditing system, fair and reasonable audit plans and expenses.

In the case that an Independent Auditor is adjudged to fall within any of the items listed in Article 340, paragraph 1 of the Companies Act, with the agreement of all of the Audit & Supervisory Board Members, the Audit & Supervisory Board shall dismiss the Independent Auditor. Additionally, apart from the above, should an incident occur casting serious doubt on the ability of the Independent Auditor to continue to perform its duties, the Audit & Supervisory Board shall decide the content of proposal and submit such proposal to the General Meeting of Shareholders that the Independent Auditor should be dismissed or should not be reappointed.

vi. Evaluation of the Independent Auditor by the Audit & Supervisory Board

The Audit & Supervisory Board of the Company conducts evaluations of the Independent Auditor. Evaluation items are established in relation to the independence and expertise of the Independent Auditor, as well as the appropriateness and reasonableness of their audit activities. The materials required to evaluate each item are obtained from the relevant departments within the Company and from the Independent Auditor, and through reports, in order to assess audit quality.

d. Audit fees

i. Audit fees paid to certified public accountants

(Millions of yen)

Classification	Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025	
	Fees for audit attestation services	Fees for non-audit services	Fees for audit attestation services	Fees for non-audit services
The Company	400	80	426	164
Consolidated subsidiaries	126	1	108	1
Total	526	81	534	165

Note: Fees paid to Deloitte Touche Tohmatsu LLC.

Details of non-audit services for the Company are as follows.

Fiscal year ended December 31, 2024

Non-audit services for which fees are paid by the Company to certified public accountants include advisory services relating to addressing sustainability disclosure and the issuance of the comfort letter in relation to the bond issuing, etc.

Fiscal year ended December 31, 2025

Non-audit services for which fees are paid by the Company to certified public accountants include advisory services relating to addressing sustainability disclosure, etc.

ii. Audit fees paid to certified public accountants and organizations that belong to the same network (excluding i.)

(Millions of yen)

Classification	Fiscal year ended December 31, 2024		Fiscal year ended December 31, 2025	
	Fees for audit attestation services	Fees for non-audit services	Fees for audit attestation services	Fees for non-audit services
The Company	–	197	–	156
Consolidated subsidiaries	1,368	1,530	1,548	1,886
Total	1,368	1,727	1,548	2,042

Note: Fees paid to member firms of Deloitte Touche Tohmatsu Limited.

Details of non-audit services for the Company are as follows.

Fiscal year ended December 31, 2024

Non-audit services for which fees are paid by the Company to Deloitte Touche Tohmatsu Limited member firms include consulting services.

Fiscal year ended December 31, 2025

Non-audit services for which fees are paid by the Company to Deloitte Touche Tohmatsu Limited member firms include advisory services related to new market research, entry strategies and other related matters, and advisory services relating to addressing sustainability disclosure.

In addition, details of non-audit services for consolidated subsidiaries are as follows.

Fiscal year ended December 31, 2024

Non-audit services for which fees are paid by consolidated subsidiaries of the Company to Deloitte Touche Tohmatsu Limited member firms include tax consulting.

Fiscal year ended December 31, 2025

Non-audit services for which fees are paid by consolidated subsidiaries of the Company to Deloitte Touche Tohmatsu Limited member firms include tax consulting.

iii. Other important fees for audit attestation services

No items to report.

iv. Policy for determining audit fees

The audit fee is determined through the necessary and sufficient negotiations with auditors based on the audit plan and audit fee estimates provided by them.

More specifically, the audit fee is determined based on the overall information by confirming that the focused audit areas under the audit plan and the scope of group-wide audit and review considering changes in consolidation status are appropriately reflected in the audit hours, and comparing the actual hours to planning in the prior audits.

Consent from the Audit & Supervisory Board is acquired before the determination of the audit fee to ensure the independence of auditors.

v. Reasons for approval of the Independent Auditor's remuneration by the Audit & Supervisory Board:

When the Company concluded an audit contract with Independent Auditor, the Audit & Supervisory Board Members obtained necessary materials and received reports from the Members of the Board, relevant internal departments, and the Independent Auditor, and performed verification to confirm that the amount of remuneration to be paid to the Independent Auditor, the persons in charge of the audits, and other details of the audit contract were appropriate.

Based upon this verification, the Audit & Supervisory Board checked and examined matters including the content of the Independent Auditor's accounting plan, the status of the performance of the auditing duties, and the basis for calculation of the remuneration estimate, and, as a result, determined that approval was fair and reasonable.

(4) Remuneration for Members of the Board and Audit & Supervisory Board Members

a. Policy concerning the remuneration amount for Members of the Board and Audit & Supervisory Board Members or the remuneration calculation method thereof

i. Executive remuneration policy and method for determining remuneration amount

The Board of Directors determines the policies on executive remuneration including the methodology on determination of each Members of the Board's remuneration. These policies are determined after being deliberated and reported by the Advisory Panel on Nomination and Compensation comprised entirely of the Members of the Board 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, the Company's basic concept on executive remuneration is as follows:

- Set the remuneration at an adequate level to retain personnel with superior capabilities.
- Link the remuneration to company performance so as to motivate executives to achieve their performance targets.
- Link the remuneration to company value in the mid- to long-term.
- Ensure transparency by implementing an objective and quantitative framework.

Determination of the amount of remuneration for each Member of the Board is benchmarked based on a survey of remuneration of directors conducted by third parties, based on the remuneration levels of major domestic manufacturers that are expanding overseas with the similar size and profits (benchmark companies). To be more specific, after benchmarking the level of base salary and the percentage of variable remuneration in executive bonuses and mid- and long-term incentives, we decide the amount of remuneration for Members of the Board based on the results of the review by the Advisory Panel on Nomination and Compensation, in line with the methods of calculation as set forth in the internal rules, and within the maximum remuneration approved by the General Meeting of Shareholders. At this point, judged suitable for overviewing the Company's management and consolidated performance to decide the amount of remuneration for Members of the Board by considering the evaluation of their execution of duties, the Representative Director and President is delegated to make such decisions. As to the remuneration for the fiscal year under review, based on the details of the review by the Advisory Panel on Nomination and Compensation, Masamichi Terabatake, who served as Representative Director and President (responsibility: Chief Executive Officer) for the fiscal year under review (currently Member of the Board), has decided the amount of remuneration for Members of the Board relating to base salary, the monetary remuneration claim toward the allotment of restricted stock, and the monetary remuneration claim toward the allotment of performance share units, by following the methods of calculation as set forth in the internal rules; and the Board of Directors judges that its details are in compliance with the determination policy. Additionally, as to the amount of remuneration for Members of the Board relating to executive bonuses for the fiscal year under review, if the "Election of Ten (10) Members of the Board" proposal (matter to be resolved) for the Ordinary General Meeting of Shareholders scheduled on March 25, 2026 is approved and adopted, based on the review by the Advisory Panel on Nomination and Compensation, Takehiko Tsutsui, who is scheduled to be appointed as Representative Director and President, will determine the amounts by following the methods of calculation as set forth in the internal rules.

The remuneration of 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 remuneration approved at the General Meeting of Shareholders.

ii. Executive Remuneration Structure

The executive remuneration is made of four components. In addition to the monthly "base salary," there is an "executive bonus," which reflects the Company's business performance in the relevant fiscal year, a "restricted stock remuneration" and "performance share units," which are linked to the mid- to long-term company value of the Company. The Restricted Stock Remuneration Plan and the Performance Share Unit Plan were introduced in 2020 in order to strengthen the efforts to enhance the mid- to long-term company value and to further promote shared value with shareholders.

The composition of remuneration by member category is as follows:

- Remuneration for the Members of the Board who also serve as Executive Officers

  For Members of the Board who also serve as Executive Officers (hereinafter referred to as "Eligible Directors"), remuneration consists of "base salary," "executive bonus," "restricted stock remuneration" and "performance share unit remuneration" as they are required to achieve results by executing their duties on a daily basis.

The composition ratio for each type of remuneration, assuming executive bonus and performance share unit are paid at the standard amount, is as follows.

<table>
<tr><th>Composition</th><th>Monetary Remuneration</th><th>Monetary Remuneration (Performance-Linked)</th><th>Stock Remuneration</th><th>Stock Remuneration (Performance-Linked)</th></tr>
<tr><td rowspan="2">Ratio (Note 1)</td><td rowspan="2">Base Salary
26-33%</td><td rowspan="2">Executive Bonus
26-30%</td><td>Restricted Stock Remuneration (Note 2)</td><td>Performance Share Unit (Note 2)</td></tr>
<tr><td colspan="2">37-49%</td></tr>
</table>

Notes: 1. The composition ratios vary depending on the duties of the Members of the Board. The ranges are indicated in the illustration.
2. The ratio of restricted stock remuneration and performance share units is about 3 to 1.
3. Under the 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 remuneration" 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.

- Remuneration for the Members of the Board who do not serve as Executive Officers (excluding Outside Directors)

For Members of the Board who do not serve as Executive Officers (excluding Outside Directors), remuneration is not linked to business performance but is composed of "base salary" alone, as they are required to make decisions on the JT Group management strategies aimed at enhancing corporate value and to fulfill supervisory functions including monitoring the implementation of mid- to long-term growth strategies, etc.

- Remuneration for the Outside Directors

Remuneration for the Outside Directors is composed of "base salary" alone and is not linked to business performance to ensure their independence. At the Board of Directors of the Company held on February 14, 2022, a resolution was adopted that from the Advisory Panel on Nomination and Compensation held on March 23, 2022, the Chairman shall be elected from among Independent Outside Directors by themselves, and that the Outside Director who serves as the Chairman shall receive the remuneration at a level of the amount corresponding to the duty of the Chairman, in addition to the remuneration Outside Directors receive.

- Remuneration for the Audit & Supervisory Board Members

Remuneration for the Audit & Supervisory Board Members is composed of "base salary" alone in light of their key responsibility to conduct audits.

(Composition of remuneration by member category)

<table>
<tr><th colspan="2"></th><th>Base salary</th><th>Executive bonus</th><th>Restricted stock remuneration</th><th>Performance share units</th></tr>
<tr><td rowspan="2">Members of the Board (excluding Outside Directors)</td><td>Executive Officer</td><td>Applicable</td><td>Applicable</td><td>Applicable</td><td>Applicable</td></tr>
<tr><td>Not an Executive Officer</td><td>Applicable</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Outside Directors</td><td>Applicable</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td></tr>
<tr><td colspan="2">Audit & Supervisory Board Members</td><td>Applicable</td><td>Not applicable</td><td>Not applicable</td><td>Not applicable</td></tr>
</table>

iii. Executive Remuneration Details

- Base salary

Executives will be remunerated with monthly base salary as per their responsibilities. Eligible Directors will be individually evaluated for achievement of their performance targets through execution of their duties that will lead to the Company's sustainable profit growth. Performance targets are set through interviews with the Company's President and Chief Executive Officer 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 certain range reflecting the individual performance evaluations. However, an individual performance evaluation will not be applicable for the Company's President and Chief Executive Officer.

- Executive bonus

  Executive bonuses for Eligible Directors will be paid as monetary remuneration reflecting the performance of a fiscal year. Core revenue at constant FX, adjusted operating profit (AOP) at constant FX, adjusted operating profit, profit results, and an RRP-related qualitative evaluation index(Note) will be the key performance indicators (KPI) for the calculation of executive bonuses, which will be used to measure the performance of the business itself, which is the foundation of sustainable profit growth, as well as the achievement rate of profit growth, from the viewpoint of providing shared value with the shareholders and 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 FX, 35% for AOP at constant FX, 25% for adjusted operating profit and 25% for profit. The ratio that performance, including the impact of foreign exchange (adjusted operating profit and profit), 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 qualitative evaluation index. In a case where a Member of the Board who is a recipient of executive bonus has carried out certain wrongful behavior, the officer involved will be required to refund a part of the executive bonus already paid.

  Note: Qualitative evaluation indicators pertaining to the implementation of strategies and level of achievement related to RRP (Reduced-Risk Products), which is a focus area.

  KPIs related to executive bonus that were used to evaluate Group performance in the fiscal year ended December 31, 2025, and actual results, were as follows.

KPIs for Group performance (consolidated) (Note)	Fiscal year ended December 31, 2025	
	Target	Result
Core revenue at constant FX	¥3,160.0 billion	¥3,347.8 billion
Adjusted operating profit at constant FX	¥825.0 billion	¥926.6 billion
Adjusted operating profit	¥746.0 billion	¥901.3 billion
Profit attributable to owners of the parent company	¥449.0 billion	¥487.7 billion

  Note: Due to the transfer of the pharmaceutical business and other factors, the consolidated performance indicators and actual results related to executive bonus are adjusted.

- Restricted Stock Remuneration Plan

  The Restricted Stock Remuneration Plan is designed to strengthen the shared value with shareholders and to enhance the corporate value over the mid- to long-term. Monetary remuneration claims are provided to Eligible Directors as remuneration associated with restricted stock in each fiscal year based on resolution of the Company's Board of Directors, and each Eligible Director receives allotment of ordinary shares of the Company by providing all the monetary remuneration claims by means of contribution in kind (the allotment is made by means of disposal of treasury shares). In disposal of ordinary shares of the Company due to this Plan, a restricted stock allotment agreement shall be concluded between the Company and each Eligible Director.

  The monetary compensation towards the purchase of the Company's restricted stock will be decided based on the closing price of the Company's share at the Tokyo Stock Exchange as of the business day immediately preceding the resolution by the Board of Directors. However, if the Company share does not trade at the Tokyo Stock Exchange on the day prior to the resolution of the Company's Board of Directors, the closing price of the immediately preceding trading day will be used. This price of share will be decided by the Company's Board of Directors within a scope that is not particularly advantageous to the Eligible Directors who will receive the restricted stock.

  In addition, the allocation of monetary remuneration claims to the Eligible Directors, assumes that such director accepts the compensation as contribution in kind and enters into the restricted stock allotment agreement.

  The specific details of the Plan are as follows. Any other matters regarding the Plan shall be determined by the Company's Board of Directors.

  (1) The total amount of monetary remuneration claims and number of shares

  The total amount of monetary remuneration claims for all Eligible Directors together shall not exceed ¥600 million per year or the total number of ordinary shares allotted by the Company shall not exceed

300,000 shares per year. If there is a stock split, stock consolidation, or any other event requiring adjustment to the total number of shares to be allocated after this Restricted Stock Remuneration Plan has been approved in the 35th Ordinary General Meeting of Shareholders (March 19, 2020), the relevant total number shall be adjusted accordingly within a reasonable range.

(2) Transfer restriction period and details

The restriction period will be 30 years (“Restriction Period”). During this period restrictions will be applied on the allotted shares (“Allotted Shares”), so that each Eligible Director is prohibited to transfer the Allotted Shares, pledge them, mortgage them, or use any arrangement to dispose them.

(3) Removal of transfer restrictions

In case any Eligible Director retires due to expiration of the term or resigns due to reasons deemed reasonable by the Company’s Board of Directors, from a position as Member of the Board or any other positions separately specified by the Company’s Board of Directors during the Restriction Period, the transfer restrictions will be removed on all the Allotted Shares. In case any Eligible Director loses any position as either Member of the Board, Audit & Supervisory Board Member or Executive Officer due to expiration of the term or reasons deemed reasonable by the Company’s Board of Directors on the payment date, the transfer restrictions effective as of the payment date will be removed on all the restricted stock.

(4) Revocation of Allotted Shares without any compensation

Allotted Shares will be revoked by the Company if an Eligible Director violates any laws and regulations or falls under any other event specified by the Company’s Board of Directors during the Restriction Period, the Company retains the right to acquire all or part of the Allotted Shares without any compensation.

(5) Handling in the case of reorganization

During the Restriction Period, if the Company becomes defunct due to merger or organization restructuring, the transfer restrictions for Allotted Shares will be removed following the resolution of the Company’s Board of Directors before the effective date of such reorganization.

- Performance Share Unit Plan

The Performance Share Unit Plan is a performance-linked stock compensation system that aims to strengthen the shared value with shareholders, to enhance the corporate value over the mid- to long-term and to commit to achieving business results over the mid-term. Members of the Board who also serve as Executive Officers are eligible to receive monetary remuneration claims and cash towards the acquisition of ordinary shares after the performance evaluation period (the “Performance Evaluation Period”)(Note), which is comprised of three fiscal years starting from the fiscal year subject to provision, in accordance with the rate of achievement of performance and other multi-year performance targets during the performance evaluation period. The Advisory Panel on Nomination and Compensation deliberates and decides on the achievement rate of such targets for performance and other items during the Performance Evaluation Period. The remuneration for the performance share units will be disbursed after the Performance Evaluation Period expires, in principle, as monetary remuneration claims and cash towards the acquisition of ordinary shares. Each of the Eligible Directors will receive the allocation of Company’s ordinary shares by paying all of the monetary remuneration claims in kind (the allotment is made by means of disposal of treasury shares).

The monetary compensation towards the purchase of the Company’s ordinary shares will be decided based on the closing price of the Company’s share at the Tokyo Stock Exchange as of the business day immediately preceding the resolution by the Board of Directors. However, if the Company share does not trade at the Tokyo Stock Exchange on the day prior to the resolution of the Company’s Board of Directors, the closing price of the immediately preceding trading day will be used. This price of share will be decided by the Company’s Board of Directors within a scope that is not particularly advantageous to the Eligible Directors who will receive the performance share units. In addition, since monetary remuneration claims and cash to deliver the Company’s ordinary shares are granted according to the above achievement rate of performance, the allocation of the monetary remuneration claims and cash to the Eligible Directors, the amount of the claims and cash to deliver the Company’s ordinary shares, and the number of shares delivered are not decided by the expiration of the Performance Evaluation Period.

Note: For 2022, Performance Evaluation Period is three fiscal years, from the fiscal year ended December 31, 2022, to the fiscal year ended December 31, 2024. For 2023, Performance Evaluation Period is three fiscal years, from the fiscal year ended December 31, 2023, to the fiscal year ended December 31, 2025. For 2024, Performance Evaluation Period is three fiscal years, from the fiscal year ended December 31, 2024, to the fiscal year ending December 31, 2026. For 2025, Performance

Evaluation Period is three fiscal years, from the fiscal year ended December 31, 2025, to the fiscal year ending December 31, 2027. From the fiscal 2026 forward, to the extent approved by the General Meeting of Shareholders, we will implement the performance-linked stock compensation plan, with respective years set as the year for offering with a new Performance Evaluation Period of three consecutive fiscal years starting thereof.

The specific details of the Plan are as follows. Any other matters regarding the Plan shall be determined by the Company's Board of Directors.

(1) The total amount of monetary remuneration claims and cash and number of shares

The total amount of monetary remuneration claims and cash for all Eligible Directors together shall not exceed the amount obtained by multiplying fixed number of base share units[Note 1] not exceeding 200,000 shares per fiscal year by share price at the time of delivery[Note 2], or the total number of ordinary shares allotted by the Company shall not exceed 100,000 shares. If there is a stock split, stock consolidation, or any other event requiring adjustment to the total number of shares to be allocated has been approved in the 35th Ordinary General Meeting of Shareholders (March 19, 2020), the relevant total number shall be adjusted accordingly within a reasonable range.

Notes: 1. Number of base share units (determined by the Board of Directors based on the duties, etc., of respective Eligible Directors) x ratio of provision (within a range of 0% to 200% based on the degree of achievement of targets)

2. The share price will be set as the closing price of the Company's ordinary shares at the Tokyo Stock Exchange as of the business day immediately preceding the resolution by the Board of Directors for the allotment of shares of the Company on the basis of the Plan after the Performance Evaluation Period expires. However, if the Company share does not trade at the Tokyo Stock Exchange on the day prior to the resolution of the Company's Board of Directors, the closing price of the immediately preceding trading day will be used. This price of share will be decided by the Company's Board of Directors within a scope that is not particularly advantageous to the Eligible Directors.

(2) Share allotment and cash calculation methodology

The Company determines performance indicators and others such as performance-linked figures for the Plan which are necessary to specifically calculate the number of shares to be distributed, reviewed by the Advisory Panel on Nomination and Compensation of the Company. For the Performance Evaluation Period that began from fiscal 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, and for the Performance Evaluation Periods that began from fiscal 2023, fiscal 2024 and fiscal 2025, the Company has decided to set the same KPI. In fiscal 2022, fiscal 2023 and fiscal 2024, the Company has adopted its progress on initiatives to realize net zero as an ESG-related index, specifically the target attainment rates to reduce Greenhouse Gas emissions. In fiscal 2025, in addition to its progress on initiatives to realize net zero as an ESG-related index, the Company will add a Diversity, equity & inclusion-related index within the JT Group Sustainability Targets. Specifically, the Company will include the achievement level of the JT Group's target for the percentage of women in management positions as an evaluation criterion. Additionally, for the performance indicators for the evaluation period starting in fiscal 2025, the Company introduced a RRP-related quantitative evaluation index[Note] on top of profit and the ESG-related index to further provide shared value with shareholders by contributing to the achievement of performance indicators over the medium term and enhance corporate value.

Note: A quantitative evaluation indicator pertaining to the level of target achievement for Heated Products volume in RRP, which is a focus area.

In the specific calculation, the number of shares of the Company to be distributed to each Eligible Director is calculated based on the formula in i) below (however, any fraction of less than one share shall be rounded down), and the amount of cash to be paid as funds for tax payment to each Eligible Director is calculated based on the formula in ii) below. In the case of retirement or new appointment or alike during the Performance Evaluation Period, the number of shares of the Company or the amount of cash to be delivered to the Eligible Director, or his/her heir, may be adjusted reasonably as stipulated by the Company's Board of Directors. If the number of the ordinary shares of the Company allotted to Eligible Directors calculated by the formula i) is greater than the maximum aggregate number of the ordinary shares of the Company to be allotted to Eligible Directors, it shall be deducted in a reasonable manner, such as a proportional distribution, as laid down by the Board of Directors of the Company, within the range not exceeding the maximum aggregate number.

i) Number of Company shares to be distributed to each Eligible Director

Number of base share units[Note 1] x ratio of provision[Note 2] x 50%

ii) Amount of monetary benefits to be paid to each Eligible Director

(Number of base share units(Note 1) x ratio of provision(Note 2) – number of ordinary shares of the Company calculated in i) above) x share price at the time of delivery(Note 3)

Notes: 1. The number is determined by the Company's Board of Directors in accordance with duties of each Eligible Director and other factors.

2. In the Performance Evaluation Periods that began from 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 Performance Evaluation Period that began from 2025, the performance-linked payout is set to be in the range of 0% to 180% based on the KPI (i.e., profit) achievement, with either -5%, 0% or +5% added/deducted to results depending on the target attainment rates to reduce Greenhouse Gas emissions of the ESG-related index, either -5%, 0% or +5% added/deducted to results depending on evaluations of the percentage of women in JT Group management positions, and either -10%, 0% or +10% added/deducted to results depending on evaluations of the RRP-related quantitative evaluation index.

3. The share price will be set as the closing price of the Company's ordinary shares at the Tokyo Stock Exchange as of the business day immediately preceding the resolution by the Board of Directors for the allotment of shares of the Company on the basis of the Plan after the Performance Evaluation Period expires. However, if the Company share does not trade at the Tokyo Stock Exchange on the day prior to the resolution of the Company's Board of Directors, the closing price of the immediately preceding trading day will be used. This price of share will be decided by the Company's Board of Directors within a scope that is not particularly advantageous to the Eligible Directors.

(3) Pre-requisites for distribution

The Company shall provide the monetary remuneration claims and cash to Eligible Directors, and Eligible Directors are required to purchase the Company's ordinary shares with all the monetary remuneration claims received as contribution in kind, after the Performance Evaluation Period expires and the following conditions for distribution of Company's ordinary shares are met.

i) Remaining in his/her term of office as Member of the Board, Executive Officer or any other positions separately specified by the Board of Directors during the fiscal year subject to provision

ii) Non-existence of certain illegal acts

iii) Other requirements considered necessary, which are stipulated by the Board of Directors

(4) Handling in the case of reorganization

During the Performance Evaluation Period, if the Company becomes defunct due to merger or organization restructuring, the Company's Board of Directors may, prior to the effective date of the said organizational restructuring, decide to pay towards performance share units in accordance with the duration from the commencement date of the Performance Evaluation Period to the date of approval for the said organizational restructuring. However, in lieu of the aforementioned allocation of the Company's ordinary shares, cash will be reasonably calculated by the Company's Board of Directors as the amount equivalent to the said ordinary shares, within the limit of the remuneration for the Performance Share Unit Plan.

A performance indicator and an actual result related to the Performance Share Unit Plan for the performance evaluation period that began in fiscal 2022 are as follows:

Evaluation indicators	From the fiscal year ended December 31, 2022 to the fiscal year ended December 31, 2024		
	Target		Result
Cumulative profit (attributable to owners of the parent company) for the three fiscal years from fiscal 2022 to fiscal 2024		¥1,124.0 billion	¥1,383.4 billion
Target attainment rates to reduce Greenhouse Gas emissions (in comparison with 2019)	Scope 1 and 2	47% reduction by 2030	31%
	Scope 3 (Category 1)	28% reduction by 2030	19%

Note: The impact of the acquisition of VGR and the effects of the judicial settlement with plaintiffs reached by the Canadian local subsidiary of the tobacco business in relation to litigation pertaining to smoking and health have been excluded from profit for the three fiscal years from the fiscal year ended December 31, 2022 to the fiscal year ended December 31, 2024.

iv. Overview of the Resolutions on Total Executive Remuneration at the Ordinary General Meeting of Shareholders

At the 35th Ordinary General Meeting of Shareholders (held on March 19, 2020), approval was obtained for an upper limit to remuneration, consisting of base salary and executive bonus for the Company's Members of the Board (10 persons as of the filing date), of ¥1.1 billion per year for all Members of the Board (including ¥80 million per year for Outside Directors), and at the 37th Ordinary General Meeting of Shareholders (held on March 23, 2022), following an increase of one in the number of Outside Directors, approval was obtained for an increase in the upper limit to remuneration of ¥100 million for all Outside Directors. At the 38th Ordinary General Meeting of Shareholders (held on March 24, 2023), approval was also obtained for the revision of the amount of base salary at a level of not exceeding ¥800 million per year for all Members of the Board (including ¥160 million per year for Outside Directors), and for the revision of the upper limit to the percentage to profit (profit attributable to owners of the parent company) of 0.3% for executive bonus.

In addition, at the 35th Ordinary General Meeting of Shareholders (held on March 19, 2020), approval was obtained for the adoption of the Restricted Stock Remuneration Plan and Performance Share Unit Plan for those Members of the Board who also serve as Executive Officers (3 persons if the "Election of Ten (10) Members of the Board" proposal (matter to be resolved) for the Ordinary General Meeting of Shareholders scheduled on March 25, 2026 is approved and adopted), after abolishing the previous stock option plan, and for upper limits of remuneration of ¥210 million per year for the Restricted Stock Remuneration Plan (equivalent to 115,200 shares), and ¥130 million per year (equivalent to 76,800 shares) for the Performance Share Unit Plan, respectively. At the 38th Ordinary General Meeting of Shareholders (held on March 24, 2023), approval was also obtained for upper limits of remuneration of ¥600 million per year for the Restricted Stock Remuneration Plan (equivalent to 300,000 shares), and the amount obtained by multiplying fixed number of base share units[Note 1] not exceeding 200,000 shares per fiscal year by share price at the time of delivery[Note 2] (equivalent to 100,000 shares) for the Performance Share Unit Plan.

Notes: 1. Number of base share units (determined by the Board of Directors based on the duties, etc., of respective Eligible Directors) x ratio of provision (within a range of 0% to 200% based on the degree of achievement of targets)

2. The share price will be set as the closing price of the Company's ordinary shares at the Tokyo Stock Exchange as of the business day immediately preceding the resolution by the Board of Directors for the allotment of shares of the Company on the basis of the Plan after the Performance Evaluation Period expires. However, if the Company share does not trade at the Tokyo Stock Exchange on the day prior to the resolution of the Company's Board of Directors, the closing price of the immediately preceding trading day will be used. This price of share will be decided by the Company's Board of Directors within a scope that is not particularly advantageous to the Eligible Directors.

		Remunerations
Base salary		Up to ¥800 million (of which, ¥160 million for Outside Directors)
Executive bonus		Up to 0.3% of profit (profit attributable to owners of the parent company)
Restricted stock remuneration	Total amount of monetary remuneration claims to Eligible Directors	Up to ¥600 million
	Number of shares distributed to Eligible Directors	Up to 300,000 shares
Performance share units	Total amount of monetary remuneration claims to Eligible Directors and cash for the purpose of paying taxes	Up to the amount obtained by multiplying fixed number of base share units (up to 200,000 shares) with share price at offering
	Number of shares distributed to Eligible Directors	Up to 100,000 shares

At the 34th Ordinary General Meeting of Shareholders (held on March 20, 2019), approval was obtained for an upper limit to remuneration for the Company's Audit & Supervisory Board Members (5 persons as of the filing date) of ¥240 million per year for all Audit & Supervisory Board Members.

v. Details of the activities of the Board of Directors and the Advisory Panel on Nomination and Compensation in relation to determining executive remuneration, etc.

Details of activities related to determining executive remuneration were as follows.

Name	Number of meetings	Details of activities
Advisory Panel on Nomination and Compensation	4	Discussion for the nomination of the proposed Members of the Board and their skills matrix; discussion for the selection of benchmark companies for the level of remuneration and other matters; confirmation regarding the level of remuneration; confirmation regarding the pool of executive candidates; and review of the key performance indicators (KPIs) for the executive bonuses and performance share units
Board of Directors	2	Decisions related to the payment of restricted stock remuneration and performance share units; appointment of the planned Director candidates and planned Audit & Supervisory Board Member candidates, and other matters

b. Total amount of remuneration and other payments, total amount of remuneration and other payments by type, and number of Members of the Board and Audit & Supervisory Board Members to be paid, by member category for the fiscal year ended December 31, 2025

Category	Total amount of remuneration and other payments (Millions of yen)	Total amount of remuneration and other payments by type (Millions of yen)				Number to be paid (Person)
		Base salary	Executive bonus	Restricted stock remuneration	Performance share units	
Members of the Board (excluding Outside Directors)	1,877	509	557	362	449	5
Audit & Supervisory Board Members (excluding Outside Audit & Supervisory Board Members)	90	90	–	–	–	2
Outside Directors and Outside Audit & Supervisory Board Members	203	203	–	–	–	8
Total	2,169	802	557	362	449	15

Notes:
1. For executive bonus, the amounts planned to be paid are shown.
2. For performance share units, the amount to be recorded as expenses for the fiscal year under review is listed.
3. Executive bonus and performance share units of the above fall under performance-linked remuneration and others.
4. Restricted stock remuneration and performance share units of the above fall under non-monetary remuneration and others.

c. Total amount of consolidated remuneration and other payments for individuals whose consolidated remuneration and other payments amount to ¥100 million or more for the fiscal year ended December 31, 2025

Name	Category	Company	Amount of consolidated remuneration and other payments by type (Millions of yen)				Total (Millions of yen)
			Base salary	Executive bonus	Restricted stock remuneration	Performance share units	
Masamichi Terabatake	Member of the Board	Filing company	176	310	230	291	1,007
Koji Shimayoshi	Representative Director	Filing company	83	129	75	79	366
Kei Nakano	Representative Director	Filing company	68	118	56	79	322

Note: Same as (Notes) 1-4 for the Notes to the above "b. Total amount of remuneration and other payments, total amount of remuneration and other payments by type, and number of Members of the Board and Audit & Supervisory Board Members to be paid, by member category for the fiscal year ended December 31, 2025."

(5) Share Ownership

a. Basic concept and criteria for investment stock category

The Company categorizes stocks that are held exclusively for the purpose of profiting through fluctuations in share prices or from the receipt of dividends as "investment stocks held purely for the purpose of financial investment," and all others as "investment stocks held for purposes other than financial investment" (strategic shareholdings).

b. Investment stocks held for purposes other than financial investment

i. Shareholding policy, methods used to verify the reasonableness of shareholdings, and details of verification by the Board of Directors, etc. in relation to the suitability of holding individual issues

The Company has drawn up a policy regarding strategic holdings of listed stocks as well as criteria for the exercise of voting rights, as follows, and operates them appropriately.

- The Company maintains strategic shareholdings only in cases where it has concluded that they will contribute to mid- to long-term sustainable profit growth and to increases in corporate value.
- Such shareholdings are subject to detailed investigations, such as whether the purpose of holding each issue is appropriate, and whether the benefits and risks associated with the shareholding are reasonable in the light of capital costs, and the suitability of holding is subject to verification by the Board of Directors every year.
- In cases where, as a result of this verification, a stock is recognized to be lacking the rationale for holding, the stock is sold as and when appropriate.
- The Company exercises its voting rights in relation to strategic shareholdings after coming to a comprehensive judgment regarding the purpose of the shareholding and whether the value of the stock held is impaired.

The stocks currently held by the Company are stocks strategically held for the purpose of maintaining and strengthening stable long-term transactional and cooperative relationships based on the needs of each business. They are not intended for short-term trading and the number of shares held is limited. Therefore, we believe the significance of the shareholding should be evaluated from the qualitative perspective of maintaining and strengthening transactional and cooperative relationships, rather than a strict quantitative perspective.

ii. Number of issues and balance sheet amount

(Fiscal year ended December 31, 2025)

	Number of issues (Issue)	Balance sheet amount (Millions of yen)
Unlisted stocks	36	1,101
Stocks other than unlisted stocks	5	13,518

(Issues for which the number of shares increased in the fiscal year ended December 31, 2025)

	Number of issues (Issue)	Total acquisition cost associated with the increase in the number of shares (Millions of yen)	Reason for increase in the number of shares
Unlisted stocks	–	–	–
Stocks other than unlisted stocks	–	–	–

(Issues for which the number of shares decreased in the fiscal year ended December 31, 2025)

	Number of issues (Issue)	Total sales proceeds associated with the decrease in the number of shares (Millions of yen)
Unlisted stocks	4	43
Stocks other than unlisted stocks	–	–

iii. Number of shares for each specified investment stock and stock deemed to be held, and information related to balance sheet amount, etc.

Specified investment stocks

Issue	Fiscal year ended December 31, 2025 Number of shares (Share) Balance sheet Amount (Millions of yen)	Fiscal year ended December 31, 2024 Number of shares (Share) Balance sheet Amount (Millions of yen)	Purpose of the shareholding, outline of business alliance, quantitative effects of the shareholding, and the reason for increase in number of shares	Shares of the Company held
Seven & i Holdings Co., Ltd.	2,556,000	2,556,000	The company is a key customer in the convenience store industry, which is the most important channel for the tobacco business in Japan, and therefore, shares are held for the purpose of building and maintaining a stable long-term transactional and cooperative relationship from the perspective of sales promotion activities related to new products. The specific cooperative relationship in terms of sales promotion activities refers to matters related to the display and promotion of tobacco products at this company’s stores. Regarding the holding effects, it is difficult to accurately measure the specific contribution to revenue and other factors due to its complex interaction with other transactional elements. Therefore, it is challenging to describe the quantitative holding effects from an objective and rational perspective. However, after appropriately examining the benefits and risks qualitatively, the suitability of holding has been verified by the Board of Directors.	None
	5,752	6,357		
DOUTOR-NICHIRES Holdings Co., Ltd.	1,320,000	1,320,000	Shares are held for the purpose of maintaining and strengthening a stable, long-term transactional and cooperative relationship, aimed at further expanding sponsored stores related to setting up smoking environments in Japan and utilizing them as bases for promotional activities, as well as fostering understanding and enhancing value in the smoking environment within the food and beverage/cafe industry. Regarding the holding effects, it is difficult to accurately measure the specific contribution to revenue and other factors due to its complex interaction with other transactional elements. Therefore, it is challenging to describe the quantitative holding effects from an objective and rational perspective. However, after appropriately examining the benefits and risks qualitatively, the suitability of holding has been verified by the Board of Directors.	None
	3,429	3,087		
Japan Airport Terminal Co., Ltd.	400,000	400,000	Dealings with the Company are ongoing, expressed in such ways as cooperating with the tobacco business in Japan in the area of setting up environments divided into smoking and non-smoking zones, and in selling tobacco products in duty-free stores in airports and in urban locations. Shares are held for the purpose of maintaining and strengthening the stable long-term transactional and cooperative relationship. Regarding the holding effects, it is difficult to accurately measure the specific contribution to revenue and other factors due to its complex interaction with other transactional elements. Therefore, it is challenging to describe the quantitative holding effects from an objective and rational perspective. However, after appropriately examining the benefits and risks qualitatively, the suitability of holding has been verified by the Board of Directors.	None
	1,754	2,000		
NIPPON EXPRESS HOLDINGS, INC.	519,120	173,040		Yes

Issue	Fiscal year ended December 31, 2025 Number of shares (Share) Balance sheet Amount (Millions of yen)	Fiscal year ended December 31, 2024 Number of shares (Share) Balance sheet Amount (Millions of yen)	Purpose of the shareholding, outline of business alliance, quantitative effects of the shareholding, and the reason for increase in number of shares	Shares of the Company held
	1,740	1,242	As a service provider that collaborates with the tobacco business in Japan in the area of distribution, dealings with the Company for the transportation of product are ongoing, and shares are held for the purpose of maintaining and strengthening the stable long-term transactional and cooperative relationship. Regarding the holding effects, it is difficult to accurately measure the specific contribution to revenue and other factors due to its complex interaction with other transactional elements. Therefore, it is challenging to describe the quantitative holding effects from an objective and rational perspective. However, after appropriately examining the benefits and risks qualitatively, the suitability of holding has been verified by the Board of Directors. A stock split at a ratio of three to one ordinary share was implemented during the fiscal year ended December 31, 2025, and figures for the fiscal year under review reflect the post-split number of shares.	
Daicel Corporation	602,000	602,000	As a service provider that collaborates with the tobacco business in Japan in the area of distribution, dealings with the Company for the transportation of product are ongoing, and shares are held for the purpose of maintaining and strengthening the stable long-term transactional and cooperative relationship. Regarding the holding effects, it is difficult to accurately measure the specific contribution to revenue and other factors due to its complex interaction with other transactional elements. Therefore, it is challenging to describe the quantitative holding effects from an objective and rational perspective. However, after appropriately examining the benefits and risks qualitatively, the suitability of holding has been verified by the Board of Directors.	None
	842	847		

Note: The approach used to verify each individual shareholding is as described in “b. Investment stocks held for purposes other than financial investment, i. Shareholding policy, methods used to verify the reasonableness of shareholdings, and details of verification by the Board of Directors, etc. in relation to the suitability of holding individual issues” above.

Stocks deemed to be held

No items to report for the fiscal years ended December 31, 2024 and 2025.

c. Investment stocks held purely for the purpose of financial investment

No items to report for the fiscal years ended December 31, 2024 and 2025.

V. Accounting

1. Preparation Policy of the Consolidated and Nonconsolidated Financial Statements

(1) The consolidated financial statements of Japan Tobacco Inc. (hereinafter referred to as the "Company") are prepared in accordance with International Financial Reporting Standards (hereinafter referred to as "IFRS Accounting Standards") pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as the Ordinance on CFS).

(2) The nonconsolidated financial statements of the Company are prepared based on the Ordinance on Terminology, Forms, and Preparation Methods of Financial Statements (Ordinance of the Ministry of Finance No. 59 of 1963; hereinafter referred to as the Ordinance on FS). The Company is categorized as a company allowed to file specified financial statements, and prepares the nonconsolidated financial statements in accordance with the provisions of Article 127 of the Ordinance on FS.

(3) Figures stated in the consolidated and nonconsolidated financial statements are rounded to the nearest million yen.

2. Audit Certification

In accordance with the provisions of Article 193-2 (1) of the Financial Instruments and Exchange Act, the consolidated financial statements and the nonconsolidated financial statements for the year ended December 31, 2025 were audited by Deloitte Touche Tohmatsu LLC.

3. Special Effort to Ensure the Appropriateness of Consolidated Financial Statements, and Development of a System for Fair Preparation of Consolidated Financial Statements, in accordance with IFRS Accounting Standards

The Company is making special effort to ensure the appropriateness of the consolidated financial statements and developing a system for the appropriate preparation of consolidated financial statements in accordance with IFRS Accounting Standards. The content thereof is as follows:

(1) In order to develop a system, which is capable of responding to changes of accounting standards adequately, we strive to accumulate expert knowledge by assigning employees with sufficient knowledge on IFRS Accounting Standards, and participating in organizations, such as the Financial Accounting Standards Foundation and attending their seminars.

(2) In order to prepare appropriate consolidated financial statements in accordance with IFRS Accounting Standards, we established the IFRS Group Accounting Guidelines, and we comply with them. The IFRS Group Accounting Guidelines are revised and updated as needed after obtaining press releases and standards issued by the International Accounting Standards Board, understanding the latest standards and examining their impact on our results.

1. Consolidated Financial Statements

(1) Consolidated Financial Statements

A. Consolidated Statement of Financial Position

As of December 31, 2024 and 2025

(Millions of yen)

	2024	**2025**
Assets		
Current assets		
Cash and cash equivalents (Note 7)	1,084,567	831,135
Trade and other receivables (Note 8)	568,982	640,681
Inventories (Note 9)	957,281	1,060,136
Other financial assets (Note 10)	120,211	195,816
Other current assets (Note 11)	826,766	977,640
Subtotal	3,557,807	3,705,408
Assets held for sale (Note 12)	19,765	5,689
Total current assets	3,577,572	3,711,097
Non-current assets		
Property, plant and equipment (Notes 13, 15)	907,700	979,800
Goodwill (Note 14)	2,914,254	2,923,096
Intangible assets (Note 14)	486,463	395,658
Investment property (Note 16)	3,716	3,068
Retirement benefit assets (Note 22)	89,573	29,946
Investments accounted for using the equity method	50,423	82,205
Other financial assets (Note 10)	151,940	131,600
Other non-current assets (Note 11)	5,500	4,240
Deferred tax assets (Note 17)	183,591	158,528
Total non-current assets	4,793,160	4,708,143
Total assets	8,370,732	8,419,240

(Millions of yen)

	2024	**2025**
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables (Note 18)	659,510	711,721
Bonds and borrowings (Note 19)	178,668	79,627
Income tax payables	24,621	36,546
Other financial liabilities (Note 19)	59,965	62,068
Provisions (Note 20)	195,918	32,783
Other current liabilities (Note 21)	1,029,925	1,004,331
Subtotal	2,148,607	1,927,076
Liabilities directly associated with assets held for sale	—	177
Total current liabilities	2,148,607	1,927,252
Non-current liabilities		
Bonds and borrowings (Note 19)	1,548,120	1,599,061
Other financial liabilities (Note 19)	49,210	205,628
Retirement benefit liabilities (Note 22)	277,236	253,225
Provisions (Note 20)	253,949	54,355
Other non-current liabilities (Note 21)	120,427	134,724
Deferred tax liabilities (Note 17)	124,455	129,606
Total non-current liabilities	2,373,398	2,376,599
Total liabilities	4,522,005	4,303,851
Equity		
Share capital (Note 23)	100,000	100,000
Capital surplus (Note 23)	736,697	737,064
Treasury shares (Note 23)	(488,579)	(489,744)
Other components of equity (Note 23)	381,599	526,058
Retained earnings	3,036,905	3,213,555
Equity attributable to owners of the parent company	3,766,623	4,086,933
Non-controlling interests	82,104	28,456
Total equity	3,848,727	4,115,389
Total liabilities and equity	8,370,732	8,419,240

B. Consolidated Statement of Income
Years Ended December 31, 2024 and 2025

(Millions of yen)

	2024	**2025**
Continuing operations		
Revenue (Notes 6, 25)	3,056,709	3,467,675
Cost of sales (Notes 14, 22)	(1,379,284)	(1,519,091)
Gross profit	1,677,425	1,948,585
Other operating income (Note 26)	31,136	83,284
Share of profit in investments accounted for using the equity method	12,885	13,332
Selling, general and administrative expenses (Notes 12, 13, 14, 16, 22, 27, 32)	(1,407,224)	(1,178,162)
Operating profit (Note 6)	314,223	867,038
Financial income (Notes 28, 33)	69,004	67,942
Financial costs (Notes 22, 28, 33)	(158,895)	(195,194)
Profit before income taxes	224,333	739,786
Income taxes (Note 17)	(50,406)	(238,711)
Profit for the period from continuing operations	173,927	501,075
Discontinued operations		
Profit for the period from discontinued operations (Note 38)	8,669	12,139
Profit for the period	182,596	513,214
Attributable to		
Owners of the parent company	179,240	510,175
Non-controlling interests	3,356	3,039
Profit for the period	182,596	513,214
Earnings per share		
Basic (Yen)		
Continuing operations (Note 30)	97.29	281.11
Discontinued operations (Note 30)	3.66	6.25
Total basic earnings per share for the interim period (Note 30)	100.95	287.36
Diluted (Yen)		
Continuing operations (Note 30)	97.28	281.08
Discontinued operations (Note 30)	3.66	6.25
Total diluted earnings per share for the interim period (Note 30)	100.94	287.33

Reconciliation from “Operating profit” to “Adjusted operating profit”

(Millions of yen)

	2024	**2025**
Continuing operations		
Operating profit	314,223	867,038
Amortization cost of acquired intangibles arising from business acquisitions	55,683	70,525
Adjustment items (income)	(15,621)	(68,115)
Adjustment items (costs)	388,345	32,759
Adjusted operating profit (Note 6)	742,629	902,207

C. Consolidated Statement of Comprehensive Income
Years Ended December 31, 2024 and 2025

(Millions of yen)

	2024	**2025**
Profit for the period	182,596	513,214
Other comprehensive income		
Items that will not be reclassified to profit or loss		
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income (Notes 29, 33)	2,339	937
Remeasurements of defined benefit plans (Notes 22, 29)	13,998	22,171
Total of items that will not be reclassified to profit or loss	16,337	23,109
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations (Notes 29, 33)	93,852	150,168
Net gain (loss) on derivatives designated as cash flow hedges (Notes 29, 33)	(4,201)	(78)
Hedge costs	29	5
Total of items that may be reclassified subsequently to profit or loss	89,680	150,095
Other comprehensive income (loss), net of taxes	106,017	173,204
Comprehensive income (loss) for the period	288,612	686,418
Attributable to		
Owners of the parent company	285,454	682,473
Non-controlling interests	3,159	3,945
Comprehensive income (loss) for the period	288,612	686,418

D. Consolidated Statement of Changes in Equity
Years Ended December 31, 2024 and 2025

(Millions of yen)

	Equity attributable to owners of the parent company						
				Other components of equity			
	Share capital	Capital surplus	Treasury shares	Subscription rights to shares	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Hedge costs
As of January 1, 2024	100,000	736,478	(489,194)	557	270,810	9,145	(17)
Profit for the period	–	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	93,999	(4,201)	29
Comprehensive income (loss) for the period	–	–	–	–	93,999	(4,201)	29
Acquisition of treasury shares (Note 23)	–	–	(2)	–	–	–	–
Disposal of treasury shares (Note 23)	–	220	617	(193)	–	–	–
Share-based payments (Note 32)	–	–	–	–	–	–	–
Dividends (Note 24)	–	–	–	–	–	–	–
Changes in the scope of consolidation	–	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	–
Other increase (decrease)	–	–	–	–	–	(918)	–
Total transactions with the owners	–	220	615	(193)	–	(918)	–
As of December 31, 2024	100,000	736,697	(488,579)	364	364,809	4,026	12
Profit for the period	–	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	149,286	(78)	5
Comprehensive income (loss) for the period	–	–	–	–	149,286	(78)	5
Acquisition of treasury shares (Note 23)	–	–	(1,622)	–	–	–	–
Disposal of treasury shares (Note 23)	–	367	457	(74)	–	–	–
Share-based payments (Note 32)	–	–	–	–	–	–	–
Dividends (Note 24)	–	–	–	–	–	–	–
Changes in the scope of consolidation	–	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	–
Other increase (decrease)	–	–	–	–	–	(3,233)	–
Total transactions with the owners	–	367	(1,165)	(74)	–	(3,233)	–
As of December 31, 2025	100,000	737,064	(489,744)	291	514,095	715	17

(Millions of yen)

	Equity attributable to owners of the parent company						
	Other components of equity						
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of January 1, 2024	10,054	－	290,550	3,192,323	3,830,156	82,336	3,912,491
Profit for the period	－	－	－	179,240	179,240	3,356	182,596
Other comprehensive income (loss)	2,333	14,054	106,214	－	106,214	(197)	106,017
Comprehensive income (loss) for the period	2,333	14,054	106,214	179,240	285,454	3,159	288,612
Acquisition of treasury shares (Note 23)	－	－	－	－	(2)	－	(2)
Disposal of treasury shares (Note 23)	－	－	(193)	(493)	151	－	151
Share-based payments (Note 32)	－	－	－	664	664	24	688
Dividends (Note 24)	－	－	－	(349,759)	(349,759)	(2,810)	(352,569)
Changes in the scope of consolidation	－	－	－	627	627	(66)	561
Changes in the ownership interest in a subsidiary without a loss of control	－	－	－	251	251	(539)	(287)
Transfer from other components of equity to retained earnings	1	(14,054)	(14,053)	14,053	－	－	－
Other increase (decrease)	－	－	(918)	－	(918)	－	(918)
Total transactions with the owners	1	(14,054)	(15,164)	(334,657)	(348,987)	(3,390)	(352,377)
As of December 31, 2024	12,388	－	381,599	3,036,905	3,766,623	82,104	3,848,727
Profit for the period	－	－	－	510,175	510,175	3,039	513,214
Other comprehensive income (loss)	938	22,147	172,298	－	172,298	906	173,204
Comprehensive income (loss) for the period	938	22,147	172,298	510,175	682,473	3,945	686,418
Acquisition of treasury shares (Note 23)	－	－	－	－	(1,622)	－	(1,622)
Disposal of treasury shares (Note 23)	－	－	(74)	(616)	134	－	134
Share-based payments (Note 32)	－	－	－	1,043	1,043	22	1,065
Dividends (Note 24)	－	－	－	(356,873)	(356,873)	(2,671)	(359,544)
Changes in the scope of consolidation	－	－	－	－	－	(56,129)	(56,129)
Changes in the ownership interest in a subsidiary without a loss of control	－	－	－	(1,561)	(1,561)	1,184	(377)
Transfer from other components of equity to retained earnings	(2,386)	(22,147)	(24,533)	24,533	－	－	－
Other increase (decrease)	－	－	(3,233)	(49)	(3,283)	－	(3,283)
Total transactions with the owners	(2,386)	(22,147)	(27,840)	(333,525)	(362,162)	(57,593)	(419,756)
As of December 31, 2025	10,940	－	526,058	3,213,555	4,086,933	28,456	4,115,389

E. Consolidated Statement of Cash Flows

Years Ended December 31, 2024 and 2025

(Millions of yen)

	2024	**2025**
Cash flows from operating activities		
Profit before income taxes	224,333	739,786
Profit (loss) before income taxes from discontinued operations (Note 38)	9,434	(4,962)
Depreciation and amortization	179,837	195,899
Losses (gains) on liquidation of subsidiary	—	27,128
Impairment losses	17,370	34,892
Interest and dividend income	(67,562)	(67,271)
Interest expense	42,485	76,157
Share of profit in investments accounted for using the equity method	(12,885)	(13,332)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(7,374)	(13,570)
(Gains) losses on sale of investments in subsidiaries	(1,722)	—
(Gains) losses on transfer of business (Note 38)	—	(4,725)
(Increase) decrease in trade and other receivables	45,770	(33,364)
(Increase) decrease in inventories	(96,566)	(121,938)
Increase (decrease) in trade and other payables	(46,221)	42,139
Increase (decrease) in retirement benefit liabilities	(7,175)	(12,335)
(Increase) decrease in retirement benefit assets	39	69,804
(Increase) decrease in prepaid tobacco excise taxes	13,802	(78,877)
Increase (decrease) in tobacco excise tax payables	4,973	(21,495)
Increase (decrease) in consumption tax payables	4,126	21,208
Increase (decrease) in provisions	381,670	(177,164)
Increase (decrease) in settlement liabilities on litigation in Canada	—	(49,645)
Other	75,259	66,554
Subtotal	759,591	674,889
Interest and dividends received	65,353	111,202
Interest paid	(33,980)	(64,041)
Income taxes paid	(160,953)	(207,993)
Net cash flows from operating activities	630,011	514,056
Cash flows from investing activities		
Purchase of securities	(65,514)	(12,585)
Proceeds from sale and redemption of securities	81,318	52,073
Purchase of property, plant and equipment	(127,769)	(143,204)
Proceeds from sale of investment property	9,753	18,604
Purchase of intangible assets	(22,598)	(19,182)
Payments into time deposits	(48,262)	(321,591)
Proceeds from withdrawal of time deposits	—	207,252
Payments for business combinations	(265,667)	—
Subsequent payments for past fiscal years' business combinations	—	(68,271)
Proceeds from transfer of business (Note 39)	—	42,811
Purchase of investments in associates	—	(24,752)
Proceeds from sale of investments in associates	414	2,272
Other	(1,441)	1,586
Net cash flows from investing activities	(439,766)	(264,986)

	2024	2025
		(Millions of yen)
Cash flows from financing activities		
Dividends paid to owners of the parent company (Note 24)	(349,645)	(356,853)
Dividends paid to non-controlling interests	(2,701)	(2,691)
Capital contribution from non-controlling interests	130	—
Increase (decrease) in short-term borrowings and commercial paper (Note 31)	(150,105)	20,365
Proceeds from long-term borrowings (Note 31)	581,380	99,437
Repayments of long-term borrowings (Note 31)	(236,538)	(666,626)
Proceeds from issuance of bonds (Notes 19, 31)	97,616	577,483
Redemption of bonds (Notes 19, 31)	(8,722)	(120,165)
Repayments of lease liabilities (Note 31)	(26,218)	(24,787)
Acquisition of treasury shares	(2)	(1,622)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(100)	(12)
Other	0	0
Net cash flows from financing activities	(94,906)	(475,471)
Net increase (decrease) in cash and cash equivalents	95,339	(226,400)
Cash and cash equivalents at the beginning of the period	1,040,206	1,084,567
Effect of exchange rate changes on cash and cash equivalents	(50,978)	(27,015)
Changes in cash and cash equivalents resulting from transfer to assets held for sale	—	(17)
Cash and cash equivalents at the end of the period (Note 7)	1,084,567	831,135

Notes to Consolidated Financial Statements
Years Ended December 31, 2024 and 2025

1. Reporting Entity

Japan Tobacco Inc. (hereinafter referred to as the "Company") is a joint stock corporation under the Companies Act of Japan, pursuant to the Japan Tobacco Inc. Act, with its principal places of business located in Japan since its incorporation. The addresses of the Company's registered head office and principal business offices are available on the Company's website (https://www.jt.com/).

The details of businesses and principal business activities of the Company and its subsidiaries (hereinafter referred to as the "Group") are stated in "6. Operating Segments."

The Group's consolidated financial statements for the year ended December 31, 2025 were approved on March 23, 2026 by Takehiko Tsutsui, President and Chief Executive Officer.

2. Basis of Preparation

(1) Compliance with IFRS Accounting Standards

The Group's consolidated financial statements, which satisfy the requirements concerning the "Specified Company applying Designated International Financial Reporting Standards" prescribed in Article 1-2 of the "Regulations for Consolidated Financial Statements," are prepared in accordance with IFRS Accounting Standards pursuant to the provision of Article 312 of the same regulations.

(2) Basis of Measurement

Except for the financial instruments, stated in "3. Material Accounting Policy Information," and the accounting adjustments, stated in "37. Hyperinflationary Accounting Adjustments," the Group's consolidated financial statements are prepared on the historical cost basis.

(3) Functional Currency and Presentation Currency

The Group's consolidated financial statements are presented in Japanese yen, which is the functional currency of the Company. The units are in millions of yen, and figures less than one million yen are rounded to the nearest million yen.

(4) Changes in Method of Presentation

For the year ended December 31, 2025, continuing operations and discontinued operations have been presented separately, as a result of the classification of the pharmaceutical business as discontinued operations. To reflect the changes in method of presentation, the consolidated statement of income and the consolidated statement of cash flows and relevant notes to the consolidated financial statements for the year ended December 31, 2024 have been accordingly changed.

For discontinued operations, please refer to "38. Discontinued Operations".

3. Material Accounting Policy Information

(1) Basis of Consolidation

The consolidated financial statements include financial statements of the Company and its subsidiaries, and interests in investments in associates and joint arrangements.

A. Subsidiaries

A subsidiary is an entity that is controlled by the Group and the Group has control over the entity if it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The acquisition date of a subsidiary is the date on which the Group obtains control of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which the Group loses control.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary.

All intergroup balances, transactions, income and expenses are eliminated on consolidation.

Comprehensive income for subsidiaries is attributed to owners of the parent company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

B. Associates

An associate is an entity over which the Group has significant influence. The Group has significant influence over the entity if it has the power to participate in the financial and operating policy decisions of the investee, but it does not have control or joint control over the investee. Investments in associates are accounted for using the equity method from the date on which the Group has the significant influence until the date on which it ceases to have the significant influence.

C. Joint Arrangements

A joint arrangement is a contractual arrangement in which two or more parties have joint control. Depending upon the rights and obligations of the parties to the arrangement, the Group classifies a joint arrangement into a joint operation whereby the Group has rights to the assets and obligations for the liabilities relating to the arrangement, and a joint venture whereby the Group has rights to the net assets of the arrangement only. The Group recognizes the assets, liabilities, revenues and expenses relating to its interest in a joint operation while a joint venture is accounted for using the equity method.

(2) Business Combination

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred, the liabilities assumed and the equity instruments issued by the Company in exchange for control over an acquiree. Any excess of the consideration of acquisition over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. If the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized as profit in the consolidated statement of income. If the amount of initial accounting for a business combination is not determined by the end of the reporting period in which the combination occurs, the provisional amounts for the items for which the accounting is incomplete are reported and are adjusted during the measurement period, which is one year from the acquisition date. Acquisition-related costs incurred are recognized as expenses when the costs are incurred except the costs to issue debt and equity securities. The additional acquisition of non-controlling interests after obtaining control is accounted for as a capital transaction. Any difference between the amount by which the non-controlling interests are adjusted and the fair value of the consideration paid or received is recognized directly in retained earnings and no goodwill is recognized with respect to such transaction.

(3) Foreign Currency Translation

Consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. Each company in the Group specifies its own functional currency and measures transactions based on it. Foreign currency transactions are translated into the functional currency at the rates of exchange prevailing at the dates of transactions or an approximation of the rate. Monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange prevailing at year end. Differences arising from the translation and settlement are recognized as profit or loss. However, exchange differences arising from the translation of financial instruments designated as hedging instruments for net investment in foreign operations (foreign subsidiaries), financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognized as other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at year end, while income and expenses of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the dates of transactions or an approximation of the rate. The resulting translation differences are recognized as other comprehensive income. However, the income and expenses of the Company's subsidiaries in the hyperinflationary economy are translated into Japanese yen at the rates of exchange prevailing at the fiscal year end date in accordance with the hyperinflationary accounting. In cases where foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations is recognized as profit or loss in the period of disposition.

(4) Financial Instruments

A. Financial Assets

(i) Initial Recognition and Measurement

Financial assets are classified into financial assets measured at fair value through profit or loss, fair value through other comprehensive income, and amortized cost. The Group determines the classification at initial recognition.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met. Otherwise, they are classified as financial assets measured at fair value.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For financial assets measured at fair value, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, except for equity instruments held for trading purposes that must be measured at fair value through profit or loss. Such designations are applied consistently.

All financial assets are measured at fair value plus transaction costs that are attributable to the financial assets, except for the case of being classified in the category of financial assets measured at fair value through profit or loss.

(ii) Subsequent Measurement

After initial recognition, financial assets are measured based on the following classifications:

(a) Financial Assets Measured at Amortized Cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Other Financial Assets

Financial assets other than those measured at amortized cost are measured at fair value.

Changes in the fair value of financial assets measured at fair value are recognized as profit or loss.

However, changes in the fair value of equity instruments designated as measured at fair value through other comprehensive income are recognized as other comprehensive income and the amount in other comprehensive income is transferred to retained earnings when equity instruments are derecognized or the decline in its fair value compared to its acquisition cost is significant. Dividends on the financial assets are recognized in profit or loss for the year.

(iii) Derecognition

Financial assets are derecognized when the rights to receive benefits from them expire or are transferred, or when substantially all the risks and rewards of the ownership are transferred.

B. Impairment of Financial Assets

With respect to financial assets measured at amortized cost, the Group recognizes the allowance for doubtful accounts for expected credit losses. The expected credit losses are calculated based on historical loss experience or future recoverable amounts.

The allowance for doubtful accounts for trade receivables is always recognized in an amount equal to the lifetime expected credit losses. In principle, with respect to financial assets except for trade receivables, the allowance for doubtful accounts is measured at an amount equal to the 12-month expected credit losses. However, the allowance for doubtful accounts is measured at an amount equal to the lifetime expected credit losses if a credit risk on the financial asset has increased significantly since initial recognition.

The Group assesses whether a credit risk on a financial asset has increased significantly based on a change of the default risk considering past due information, financial difficulties of obligors or downgrades of the internal credit rating.

The Group assesses a whole or part of the financial asset which is deemed extremely difficult to be collected as a default and recognizes it as a credit-impaired financial asset. If the Group reasonably determines that a whole or part of the financial asset is uncollectible, the carrying amounts of financial assets are written-off directly.

The expected credit losses on trade receivables which are not assessed as credit-impaired financial assets are measured collectively by an asset group consisting of a number of homogeneous counterparties.

The allowance for doubtful accounts for financial assets is recognized in profit or loss. If an event which causes a reduction in the allowance for doubtful accounts occurs, a reversal of the allowance for doubtful accounts is recognized in profit or loss.

C. Financial Liabilities

(i) Initial Recognition and Measurement

Financial liabilities are classified into financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. The Group determines the classification at initial recognition.

All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at cost after deducting transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent Measurement

After initial recognition, financial liabilities are measured based on the following classifications:

(a) Financial Liabilities Measured at Fair Value through Profit or Loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as measured at fair value through profit or loss at initial recognition.

(b) Financial Liabilities Measured at Amortized Cost

After initial recognition, financial liabilities measured at amortized cost are measured at amortized cost using the effective interest method. Amortization under the effective interest method and gains or losses on derecognition are recognized as profit or loss in the consolidated statement of income.

After initial recognition, financial guarantee contracts are measured at the higher of:

- The amount of the allowance for doubtful accounts calculated in accordance with “B. Impairment of Financial Assets” above, and
- The amount initially measured less cumulative revenue recognized in accordance with IFRS 15 “Revenue from Contracts with Customers.”

(iii) Derecognition

Financial liabilities are derecognized when the obligation is discharged, canceled or expired.

D. Offsetting of Financial Instruments

Financial assets and financial liabilities are offset and presented as a net amount in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis or to realize the asset and settle the liability simultaneously.

E. Derivatives and Hedge Accounting

The Group utilizes derivatives, including forward foreign exchange contracts and interest rate swap contracts, to hedge foreign exchange and interest rate risks. These derivatives are initially measured at fair value when the contract is entered into, and are subsequently remeasured at fair value. Changes in the fair value of derivatives are recognized as profit or loss in the consolidated statement of income. However, the gains or losses on the hedging instrument relating to the effective portion of cash flow hedges and hedges of net investment in foreign operations are recognized as other comprehensive income in the consolidated statement of comprehensive income.

At the inception of the hedge, the Group formally designates and documents the hedging relationship to which hedge accounting is applied and the objectives and strategies of risk management for undertaking the hedge. The documentation includes identification of the hedging instruments, the hedged items, the nature of the risks being hedged and how the hedging relationship's effectiveness is assessed. These hedges are assessed on an ongoing basis to determine whether the hedging relationship is effective prospectively, even though it is expected that there is an economic relationship between the hedged item and the hedging instrument, that the effect of credit risk does not dominate the value changes that result from that economic relationship, and that the hedge ratio of the hedging relationship is the same as that resulting from the quantity of the hedged item that the Group actually hedges and the quantity of the hedging instrument that the Group actually uses to hedge that quantity of the hedged item.

If a hedging relationship ceases to meet the hedge effectiveness requirement relating to the hedge ratio due to changes in an economic relationship between the hedged item and the hedging instrument but the risk management objective remains the same, the Group will adjust the hedge ratio so that it meets the qualifying criteria again. The Group discontinues hedge accounting for the portion that does not meet the requirement when the hedging relationship ceases to meet the qualifying criteria even after adjusting the hedge ratio. The Group performs highly effective hedging, and therefore generally expects that no significant ineffective portion should arise.

Hedges that meet the stringent requirements for hedge accounting are classified into the following categories and accounted for in accordance with IFRS 9 “Financial Instruments.”

(i) Fair Value Hedge

The gain or loss on the hedging instrument is recognized as profit or loss in the consolidated statement of income. However, changes in the fair value of the hedging instrument are recognized as other comprehensive income in the consolidated statement of comprehensive income if the hedging instrument hedges an equity instrument designated as at fair value through other comprehensive income. Regarding the hedging gain or loss on the hedged item, the carrying amount of the hedged item is adjusted and the change is recognized as profit or loss in the consolidated statement of income. However, changes in the fair value of an equity instrument which the Group elected to present in other comprehensive income are recognized as other comprehensive income.

(ii) Cash Flow Hedge

The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately as profit or loss in the consolidated statement of income. The time value of the foreign currency options is excluded from the designation of hedging instrument and recognized as hedge costs under other components of equity separately.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-financial assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments to the original carrying amount of non-financial assets or liabilities.

If the hedged future cash flows are no longer expected to occur, any related cumulative gain or loss that has been recognized in equity as other comprehensive income is reclassified to profit or loss. If the hedged future cash flows are still expected to occur, amounts that have been recognized in other comprehensive income are continued to be recognized in other comprehensive income until the future cash flows occur.

(iii) Hedge of Net Investment in Foreign Operations

Translation differences resulting from the hedge of net investment in foreign operations are accounted for similarly to a cash flow hedge. The effective portion of gains or losses on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized as profit or loss in the consolidated statement of income. At the time of the disposal of the foreign operations, any related cumulative gain or loss that has been recognized in equity as other comprehensive income is reclassified to profit or loss.

F. Fair Value of Financial Instruments

Fair value of financial instruments that are traded in active financial markets at year end refers to quoted prices or dealer quotations.

If there is no active market, the fair value of financial instruments is determined using appropriate valuation models.

(5) Cash and Cash Equivalents

Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value and due within three months from the date of acquisition.

(6) Inventories

The cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

Inventories are measured at the lower of cost or net realizable value, and the costs are determined by using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.

Leaf tobacco which is stored for more than 12 months before being used for production is included in current assets since it is held within the normal operating cycle.

(7) Property, Plant and Equipment

Property, plant and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

The acquisition cost includes any costs directly attributable to the acquisition of the asset and dismantlement, removal and restoration costs, as well as borrowing costs eligible for capitalization.

Except for assets that are not subject to depreciation such as land, assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items are as follows:

• Buildings and structures: 20 to 50 years

• Machinery and vehicles: 10 to 18 years

The estimated useful lives and depreciation method are reviewed at each year end and if there are any changes made to the estimated useful lives and depreciation method, such changes are applied prospectively as changes in estimate.

(8) Goodwill and Intangible Assets

A. Goodwill

Goodwill is stated at acquisition cost less accumulated impairment losses.

Goodwill is not amortized. It is allocated to cash-generating units that are identified according to types of businesses and tested for impairment annually or whenever there is any indication of impairment. Impairment losses on goodwill are recognized in the consolidated statement of income and no subsequent reversal is made.

B. Intangible Assets

Intangible assets are measured by using the cost model and are stated at cost less accumulated amortization and accumulated impairment losses.

Intangible assets acquired separately are measured at cost at the initial recognition, and the costs of intangible assets acquired through business combinations are recognized at fair value at the acquisition date. Expenditures on internally generated intangible assets are recognized as an expense in the period when incurred, except for development expenses that satisfy the capitalization criteria.

Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives and are tested for impairment whenever there is any indication of impairment. The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at each year end, and the effect of any changes in estimate would be accounted for on a prospective basis.

The estimated useful lives of major intangible assets with finite useful lives are as follows:

• Trademarks: 10 to 20 years

• Software: 5 years

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized, but they are tested for impairment individually or by cash-generating unit annually or whenever there is any indication of impairment.

(9) Leases

At the inception of a contract, the Group assesses whether the contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets.

If a contract is, or contains, a lease, except for short-term leases and leases of low-value assets, the Group recognizes right-of-use assets and lease liabilities on the consolidated statement of financial position at the commencement date. The Group recognizes the lease payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.

Right-of-use asset is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

An acquisition cost of a right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, and any initial direct costs. The right-of-use asset is depreciated using the straight-line method over its estimated useful life or lease term, whichever is shorter. The lease liability is initially measured at the present value of the lease payment that is not paid at the commencement date. The lease payments are apportioned between the financial cost and the reduction in the lease liability based on the effective interest method. The financial costs are recognized in the consolidated statement of income.

(10) Investment Property

Investment property is property held to earn rentals or for capital appreciation or both.

Investment property is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.

(11) Impairment of Non-financial Assets

The Group assesses each year whether there is any indication that an asset may be impaired. If any such indication exists, or in cases where the impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases that the recoverable amount cannot be estimated for each asset, it is estimated by the cash-generating unit to which the asset belongs. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less costs of disposal or its value in use. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, impairment losses are recognized and the carrying amount is reduced to the recoverable amount. In determining the value in use, estimated future cash flows are discounted to the present value, using pretax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs of disposal, the Group uses an appropriate valuation model supported by available fair value indicators.

The Group assesses whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased, such as any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases that the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment losses are reversed up to the lower of the estimated recoverable amount or the carrying amount (net of depreciation) that would have been determined if no impairment losses had been recognized in prior years.

(12) Assets Held for Sale and Discontinued Operations

A. Assets Held for Sale

An asset or asset group for which the value is expected to be recovered through a sales transaction rather than through continuing use is classified into an asset or disposal group held for sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and the Group management commits to the sale plan. In such cases, the asset is not depreciated or amortized and is measured at the lower of its carrying amount or its fair value less costs of disposal.

B. Discontinued Operations

The Group has classified a business segment that has been disposed of, or is classified as held for sale, into discontinued operations.

(13) Post-employment Benefits

The Group sponsors defined benefit plans and defined contribution plans as employee retirement benefit plans.

The Company is obligated to bear pension expenses for a mutual assistance association incurred with respect to services in or before June 1956 (prior to the enforcement of the Act on the Mutual Aid Association of Public Corporation Employees). Such obligations are calculated and included in liabilities related to retirement benefits.

For each plan, the Group calculates the present value of defined benefit obligations, related current service cost and past service cost using the projected unit credit method. For a discount rate, a discount period is determined based on the period until the expected date of benefit payment in each year, and the discount rate is determined by reference to market yields for the period corresponding to the discount period at the end of the year on high quality corporate bonds or government bonds. Liabilities or assets for defined benefit plans are calculated by the present value of the defined benefit obligation, deducting the fair value of any plan assets (including adjustments for the asset ceiling for defined benefit plans and minimum funding requirements, if necessary). Expected interest costs and interest income are recognized as financial costs.

Remeasurements of defined benefit plans are recognized in full as other comprehensive income in the period when they are incurred and transferred to retained earnings immediately. Past service costs are recognized as profit or loss in the period when incurred.

The cost for retirement benefits for defined contribution plans is recognized as an expense at the time of contribution.

(14) Share-based Payments

The Group has a share option plan, a restricted stock remuneration plan and a restricted stock unit as an equity-settled share-based payment plan. Share options are estimated at fair value at the grant date and are recognized as an expense over the vesting period in the consolidated statement of income after considering the number of share options that are expected to be eventually vested. The corresponding amount is recognized as an increase in equity in the consolidated statement of financial position. Restricted stock remuneration and Restricted stock unit are estimated at fair value at the grant date and are recognized as an expense from the grant date over the vesting period in the consolidated statement of income, and the corresponding amount is recognized as an increase in equity in the consolidated statement of financial position.

The Group has a performance share unit plan as a share-based payment plan with cash alternatives. Performance share units are accounted as a cash-settled share-based payment transaction if, and to the extent that, the entity has incurred a liability to settle in cash or other assets, or as an equity-settled share-based payment transaction if, and to the extent that, no such liability has been incurred. A portion as an equity-settled share-based payment transaction is estimated at fair value of granted shares of the Company and is recognized as an expense over the vesting period in the consolidated statement of income, and the corresponding amount is recognized as an increase in equity in the consolidated statement of financial position. As for a portion as a cash-settled share-based payment transaction, the services received and liability incurred are estimated at fair value of the liability and are recognized as an expense over the vesting period in the consolidated statement of income, and the corresponding amount is recognized as an increase in liability in the consolidated statement of financial position.

The fair value of the liability is remeasured at the end of reporting period and at the date of settlement with any changes in fair value recognized in profit or loss.

(15) Provisions

The Group has present obligations (legal or constructive) resulting from past events and recognizes provisions when it is probable that the obligations are required to be settled and the amount of the obligations can be estimated reliably. If the effect of the time value of money is material, the amount of provisions is measured at the present value of the expenditures expected to be required to settle the obligations. In calculating the present value, the Group uses the pretax discount rate reflecting current market assessments of the time value of money and the risks specific to the liability.

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets,” the Group recognizes a provision for restructuring when it has a detailed formal plan for the restructuring and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main scheme to those affected by it. Restructuring provisions include only the direct expenditures arising from the restructuring, which meet both of the following criteria:

- necessarily entailed by the restructuring;
- not associated with the ongoing activities of the entity.

(16) Revenue

A. Revenue from Contracts with Customers

Revenue is recognized based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group mainly engages in the sale of tobacco products and processed foods. The Group evaluates that the performance obligation is satisfied when the customer obtains control of the products upon delivery and recognizes revenue upon delivery of the products. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates and taxes, including consumption tax.

The tobacco excise taxes and other transactions in which the Group is involved as an agent are excluded from revenue. The amount after deducting the tobacco excise taxes and other transactions is presented as "Revenue" in the consolidated statement of income.

B. Interest Income

Interest income is recognized using the effective interest rate method.

C. Dividend Income

Dividend income is recognized when the shareholders' right to receive payment is established.

(17) Government Grants

Government grants are recognized at fair value when there is a reasonable assurance that the Group will comply with the conditions attached to them and receive the grants.

In the case that the government grants are related to expense items, they are recognized in profit or loss on a systematic basis over the period in which the related costs for which the grants are intended to compensate are recognized. With regard to government grants for assets, the amount of the grants is deducted from the acquisition cost of the assets.

(18) Borrowing Costs

With respect to assets that necessarily take a substantial period of time to get ready for their intended use or sale, the borrowing costs that are directly attributable to the acquisition, construction or production of the assets are capitalized as part of the acquisition cost of the assets. Other borrowing costs are recognized as an expense in the period when they are incurred.

(19) Income Taxes

Income taxes in the consolidated statement of income are presented as the total of current income taxes and deferred income taxes.

Current income taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. For the calculation of the tax amount, the Group uses the tax rates and tax laws that have been enacted or substantively enacted by the end of the year. The current income taxes are recognized in profit or loss, except for taxes arising from items that are recognized in other comprehensive income or directly in equity and taxes arising from business combinations.

Deferred income taxes are calculated based on the temporary differences between the tax base for assets and liabilities and the carrying amount at year end. Deferred tax assets are recognized for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. Deferred tax liabilities are recognized for taxable temporary differences.

The deferred tax assets or liabilities are not recognized for the following temporary differences:

• the initial recognition of goodwill
• the initial recognition of assets or liabilities in transactions that are not business combinations and at the time of transaction, affect neither accounting profit nor taxable profit or tax loss
• deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that it is probable that the timing of the reversal of the temporary difference in the foreseeable future and it is not probable that future taxable profits will be available against which they can be utilized
• taxable temporary differences arising from investments in subsidiaries and associates, and interests in joint ventures to the extent that the timing of the reversal of the temporary difference is controlled and that it is probable the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by year end.

Assets and liabilities are recognized as estimated amounts if uncertain tax position of income taxes arising from interpretation of tax laws and regulations is probable.

The Company and certain subsidiaries apply for the group tax sharing system.

(20) Treasury Shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized on the purchase, sale or cancellation of the treasury shares. Any difference between the carrying amount and the consideration paid is recognized in capital surplus.

(21) Earnings per Share

Basic earnings per share are calculated by dividing profit or loss attributable to ordinary shareholders of the parent company by the weighted-average number of ordinary shares outstanding during the year, adjusted by the number of treasury shares. Diluted earnings per share are calculated by adjusting the effects of dilutive potential ordinary shares.

(22) Dividends

Dividend distributions to the shareholders of the Company are recognized as liabilities in the period in which the Annual Shareholders' Meeting approves the distribution for year end and the Board of Directors approves the distribution for interim.

(23) Contingencies

A. Contingent Liabilities

The Group discloses contingent liabilities in the notes to consolidated financial statements if it has possible obligations at year end, whose existence cannot be confirmed at that date, or if the obligations do not meet the recognition criteria of a provision described in “20. Provisions.”

B. Contingent Assets

The Group discloses contingent assets in the notes to consolidated financial statements if an inflow of future economic benefits to the Group is probable, but not virtually certain at year end.

(24) Adjusted Financial Measures

The adjusted financial measures are calculated by adding certain adjustment items to the non-adjusted financial data or by deducting the items from the non-adjusted financial data.

The adjustment items are determined by management’s judgment, taking into consideration the nature and frequency of the income and costs such that they provide effective comparative information on the Group performance and that they reflect the way of managing our business appropriately. Adjusted financial measures are presented in the consolidated statement of income and “6. Operating Segments.”

The adjusted financial measures are not defined under IFRS Accounting Standards and are not comparable with equivalent indicators for other entities.

(Changes in Accounting Policies)

The Group has adopted the following new accounting standards, amended standards and new interpretations from the year ended December 31, 2025.

IFRS Accounting Standards		Description of new standards and amendments
IAS 21	The Effects of Changes in Foreign Exchange Rates	Providing requirements for accounting treatment and disclosure relating to currencies that lack exchangeability

The adoption of the above standards and interpretations does not have a material impact on the consolidated financial statements.

4. Significant Accounting Estimates and Judgments

Preparation of consolidated financial statements of the Group requires management estimates and assumptions in order to measure income, expenses, assets and liabilities, and disclose contingencies as of the year end. These estimates and assumptions are based on the best judgment of management in light of historical experience and various factors deemed to be reasonable as of the year end. Given their nature, actual results may differ from those estimates and assumptions.
The estimates and assumptions are continuously reviewed by management. The effects of a change in estimates and assumptions are recognized in the period of the change or the period of the change and future periods.
Among the above estimates and assumptions, the following are items that may have a material effect on the amounts recognized in the consolidated financial statements of the Group:

A. Impairment of Property, Plant and Equipment, Goodwill, Intangible Assets and Investment Properties

With regard to property, plant and equipment, goodwill, intangible assets and investment properties, if there is any indication that the recoverable amount has declined below the carrying amount, the Group performs an impairment test. Such indications include, but are not limited to, significant changes with adverse effect on the results of past or projected business performance, significant changes in the use of acquired assets or in overall business strategy, and significant deteriorations in industry or economic trends. With regard to goodwill, an impairment test is conducted at least once a year regardless of whether there are any indicators of impairment.
An impairment test is performed by comparing the carrying amount to the recoverable amount of the asset under assessment. If the recoverable amount is below the carrying amount, impairment losses are recognized. The recoverable amount is calculated based primarily on a discounted cash flow model. Certain assumptions must be made for the useful lives and future cash flows of the assets, the applicable discount rates as well as long-term growth rates. These assumptions are based on the best estimates and judgments made by management. However, there is a possibility that these assumptions will be affected by changes in uncertain future economic conditions, which may have a material impact on the consolidated financial statements in future periods.
The method for calculating the recoverable amount is described in “13. Property, Plant and Equipment,” “14. Goodwill and Intangible Assets” and “16. Investment Property.” With regard to goodwill, the sensitivity analysis is described in “14. Goodwill and Intangible Assets.”

B. Post-employment Benefits

The Group has various types of retirement benefit plans, including defined benefit plans. In addition, the mutual pension benefits plan of the Company is one of the public pension systems under the jurisdiction of the government of Japan and the Company is legally obligated to bear a part of the pension costs of the plan.
The present value of defined benefit obligations on each of these plans and the related service costs are calculated based on actuarial assumptions. These actuarial assumptions make use of estimates and judgments on a number of variables, including discount rates and inflation rate.
The Group obtains advice from external pension actuaries with respect to the appropriateness of their actuarial assumptions including the aforementioned variables.
The actuarial assumptions are determined based on the best estimates and judgments made by management. However, there is a possibility that these assumptions will be affected by changes in uncertain future economic conditions, or by the publication or amendment of related laws, which may have a material impact on the consolidated financial statements in future periods.
These actuarial assumptions and the related sensitivity analysis are described in “22. Employee Benefits.”

C. Provisions

The Group recognizes various provisions, including provisions for asset retirement obligations and restructuring, in the consolidated statement of financial position.

These provisions are recognized based on best estimates of the expenditure required to settle the obligations, taking into account the pertinent risks and uncertainties which exist at the year end for those obligations.

Expenditures required to settle the obligations are calculated by taking possible results into account comprehensively; however, they may be affected by the occurrence of unexpected events or changes in conditions which may have a material impact on the consolidated financial statements in future periods.

The nature and amount of recognized provisions are described in “20. Provisions.”

D. Settlement Liabilities on Litigation in Canada

The Company’s local subsidiary, JTI-Macdonald Corp. (hereinafter referred to as “JTI-Mac”), has agreed to pay settlement amounts in connection with a comprehensive settlement of lawsuits related to smoking and health against JTI-Mac and JT’s indemnitees. Payments commenced in 2025.

JTI-Mac was a party to ten health care cost recovery cases brought by the Canadian provinces and eight class actions where plaintiffs were seeking damages for harm allegedly caused by smoking of cigarettes. Following a decision of the Quebec Court of Appeal related to two class actions, JTI-Mac and its competitors and co-defendants, Rothmans, Benson & Hedges Inc. (hereinafter referred to as “RBH”) and Imperial Tobacco Canada Limited (hereinafter referred to as “ITC”, and collectively with JTI-Mac and RBH referred to as the “Tobacco Companies”), had been operating under the protection of the Companies’ Creditors Arrangement Act (“CCAA”) and participating in a Court-ordered mediation process with representatives of all claimant groups, including the Quebec class action plaintiffs.

Ultimately, CCAA Plans of Compromise and Arrangement (hereinafter referred to as the “Plans”), under which the Tobacco Companies would pay a total of CAD 32.5 billion (approximately ¥3.56 trillion) in aggregate to settle the litigation were approved by the Ontario Superior Court on March 6, 2025, and implemented on August 29, 2025. Under the terms of its Plan, JTI-Mac made its upfront contribution of CAD 1.7 billion (approximately ¥180 billion).

For the future annual payments under JTI-Mac’s Plan (hereinafter referred to as the “payable portion”) a certain percentage of JTI-Mac’s annual net income after tax (85% for years 1-5, 80% for years 6-10, 75% for years 11-15, and 70% from year 16 onwards) will be paid. These annual payments will continue until the total settlement amount (CAD 32.5 billion) is paid in aggregate by the Tobacco Companies, which the Company expects will take 30-40 years based on the Company's estimates of each company's future earnings under certain assumptions.

The payable portion recorded in liabilities is calculated based on the annual net income after tax for each year incorporating future trends in the market size of the tobacco business in Canada and JTI-Mac’s expected market share in the Canadian tobacco market. Additionally, the discount rate used in calculating the liability is a pre-tax discount rate of 6.13%, which reflects current market assessments of the time value of money and the risks specific to the liability.

Expenditures of the payable portion are recognized based on best estimates of the expenditures required to settle the obligations, taking into account the pertinent risks and uncertainties which exist at the year end for those obligations.

Expenditures required to settle the obligations are calculated by taking possible results into account rationally and comprehensively; however, they may be affected by the occurrence of unexpected events or changes in conditions which may have a material impact on the consolidated financial statements in future periods.

Detail on the amount of the payable portion is described in “19. Bonds and Borrowings (Including Other Financial Liabilities)”

E. Income Taxes

The Group operates business activities around the world, and it recognizes current tax liabilities and income taxes as the estimated amounts to be paid to the tax authorities based on the estimation in accordance with their laws and regulations.

Calculating current tax liabilities and income taxes requires estimates and judgment on various factors, including the interpretation of tax regulations by taxable entities and the tax authority in the jurisdiction or the experience of past tax audits.

Therefore, there may be differences between the amount recognized as tax liabilities and income taxes and the amount of actual tax liabilities and income taxes. These differences may have a material impact on the consolidated financial statements in future periods.

In addition, deferred tax assets are recognized to the extent that it is probable that taxable income will be available against which deductible temporary differences can be utilized.

In recognizing the deferred tax assets, when judging the possibility of the future taxable income, the Group reasonably estimates the timing and amount of future taxable income based on the business plan.
The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. Therefore, this may have a material impact on the consolidated financial statements in future periods.
The content and amount related to income taxes are described in “17. Income Taxes.”

F. Contingencies

With regard to contingencies, any items that may have a material impact on business in the future are disclosed in light of all the available evidence as of the year end and by taking into account the probability of these contingencies and their impact on financial reporting.
The content of contingencies is described in “40. Contingencies.”

G. Other information

For recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgments at present.

5. New Accounting Standards Not Yet Adopted by the Group

By the date of approval of the consolidated financial statements, new accounting standards, amended standards and new interpretations that have been issued, but have not been early adopted by the Group are as follows.

The implications from the adoption of IFRS 18 are currently under consideration. However, the Group has evaluated that the adoption of other standards and interpretations will not have material impact on our operating results and financial condition.

IFRS Accounting Standards		Mandatory adoption (From the year beginning)	To be adopted by the Group	Description of new standards and amendments
IFRS 18	Presentation and Disclosure in Financial Statements	January 1, 2027	Year ending December 2027	New standard that replaces existing IAS 1 to increase the comparability and the transparency in financial statements
IFRS 10 IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Not yet determined	Not yet determined	Amendments to accounting treatment for sale or contribution of assets between an investor and its associate or joint venture
IFRS 9 IFRS 7	Amendments to the Classification and Measurement of Financial Instruments	January 1, 2026	Year ending December 2026	Clarifying classification of the financial instruments with ESG-linked features Clarifying derecognition of a financial liability settled through electronic transfer
IFRS 9 IFRS 7	Amendments regarding the Contracts for Renewable Electricity	January 1, 2026	Year ending December 2026	Providing requirements for accounting treatment and disclosure relating to power purchase agreements

6. Operating Segments

(1) Outline of Reportable Segments

The reportable segments of the Group are determined based on the operating segments that are components of the Group for which separate financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The Group is mainly engaged in the manufacture and sale of tobacco products and processed foods. The reportable segments of the Group are composed of two segments: “Tobacco Business” and “Processed Food Business.”

The “Tobacco Business” consists of the manufacture and sale of tobacco products in domestic areas and overseas. The “Processed Food Business” consists of the manufacture and sale of frozen and ambient processed foods and seasonings.

The “Pharmaceutical Business” has been classified as discontinued operations in the current fiscal year.
The content is described in “38. Discontinued Operations.”

(2) Revenues and Performances of Reportable Segments

Revenues and performances of reportable segments from continuing operations are as follows. The Board of Directors assesses segment performance and determines resource allocation after reviewing revenues and adjusted operating profit. Since financial income, financial costs and income taxes are managed by the Group head office, these income and expense categories are excluded from segmental performance. Transactions within segments are primarily based upon prevailing market prices.

Year ended December 31, 2024

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Revenue						
External revenue	2,896,984	157,183	3,054,168	2,541	—	3,056,709
Intersegment revenue	1	28	29	2,052	(2,081)	—
Total revenue	2,896,986	157,211	3,054,197	4,593	(2,081)	3,056,709
Segment profit (loss)						
Adjusted operating profit (Note 1)	791,773	8,071	799,844	(57,214)	0	742,629
Other items						
Depreciation and amortization (Note 3)	162,129	7,312	169,441	5,452	—	174,893
Impairment losses on other than financial assets	16,549	12	16,561	810	—	17,370
Reversal of impairment losses on other than financial assets	825	—	825	—	—	825
Share of profit (loss) in investments accounted for using the equity method	12,793	26	12,819	66	—	12,885
Capital expenditures (Note 4)	134,963	6,116	141,080	2,610	—	143,690

¥2,778,610 million of the external revenue from the tobacco business is core revenue.

Breakdown of core revenue from tobacco business and adjusted operating profit by cluster is as follows.

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue (Note 5)	802,325	688,921	1,287,364	2,778,610
Adjusted operating profit	219,645	257,106	315,022	791,773

Asia: All over Asia including Japan

Western Europe: Western Europe region

EMA: Africa, Middle East, Eastern Europe, Turkey, Americas and all duty-free markets

Asia includes Taiwan, Japan, the Philippines, etc.

Western Europe includes Italy, the United Kingdom, Spain, etc.

EMA includes Turkey, Romania, Russia, etc.

Year ended December 31, 2025

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Revenue						
External revenue	3,305,407	159,513	3,464,920	2,756	―	3,467,675
Intersegment revenue	1	35	35	2,652	(2,687)	―
Total revenue	3,305,408	159,547	3,464,955	5,408	(2,687)	3,467,675
Segment profit (loss)						
Adjusted operating profit (Note 1)	952,161	8,589	960,750	(58,569)	27	902,207
Other items						
Depreciation and amortization (Note 3)	179,712	7,389	187,101	5,170	―	192,270
Impairment losses on other than financial assets	8,977	712	9,690	856	―	10,546
Reversal of impairment losses on other than financial assets	537	―	537	―	―	537
Share of profit (loss) in investments accounted for using the equity method	13,212	(8)	13,204	127	―	13,332
Capital expenditures (Note 4)	143,181	7,392	150,573	4,565	―	155,138

¥3,184,384 million of the external revenue from the tobacco business is core revenue.
Breakdown of core revenue from tobacco business and adjusted operating profit by cluster is as follows.

(Millions of yen)

	Clusters			
	Asia	Western Europe	EMA	Total
Core revenue (Note 5)	864,223	735,554	1,584,608	3,184,384
Adjusted operating profit	224,554	277,562	450,045	952,161

Asia: All over Asia including Japan
Western Europe: Western Europe region
EMA: Africa, Middle East, Eastern Europe, Turkey, Americas and all duty-free markets

Asia includes Taiwan, Japan, the Philippines, etc.
Western Europe includes Italy, the United Kingdom, Spain, etc.
EMA includes Turkey, Romania, Russia, etc.

Reconciliation from "Adjusted operating profit" to "Profit before income taxes"

Year ended December 31, 2024

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Adjusted operating profit (Note 1)	791,773	8,071	799,844	(57,214)	0	742,629
Amortization cost of acquired intangibles arising from business acquisitions	(55,683)	—	(55,683)	—	—	(55,683)
Adjustment items (income) (Note 6)	5,568	446	6,013	9,607	—	15,621
Adjustment items (costs) (Note 7)	(387,074)	(511)	(387,585)	(760)	—	(388,345)
Operating profit (loss)	354,584	8,005	362,589	(48,367)	0	314,223
Financial income						69,004
Financial costs						(158,895)
Profit before income taxes						224,333

Year ended December 31, 2025

(Millions of yen)

	Reportable Segments			Other (Note 2)	Elimination	Consolidated
	Tobacco	Processed Food	Total			
Adjusted operating profit (Note 1)	952,161	8,589	960,750	(58,569)	27	902,207
Amortization cost of acquired intangibles arising from business acquisitions	(70,525)	—	(70,525)	—	—	(70,525)
Adjustment items (income) (Note 6)	53,232	1,134	54,365	13,750	—	68,115
Adjustment items (costs) (Note 7)	(29,515)	(1,826)	(31,341)	(1,418)	—	(32,759)
Operating profit (loss)	905,353	7,896	913,249	(46,237)	27	867,038
Financial income						67,942
Financial costs						(195,194)
Profit before income taxes						739,786

(Note 1) For adjusted operating profit, amortization cost of acquired intangibles arising from business acquisitions, and adjustment items (income and costs) are excluded from operating profit (loss).

(Note 2) "Other" includes business activities relating to real estate rental associated with the utilization of idle properties and corporate expenditure relating to corporate communication and operation of the head office.

(Note 3) Depreciation of right-of-use assets included in "Depreciation and amortization" is as follows:

(Millions of yen)

	2024	**2025**
Tobacco	22,794	23,574
Processed Food	503	475
Other	3,174	2,930
Depreciation of right-of-use assets	26,471	26,979

(Note 4) The increase of right-of-use assets is excluded.

(Note 5) Core revenue from tobacco business does not include revenue related to the distribution business and contract manufacturing.

(Note 6) The breakdown of "Adjustment items (income)" is as follows:

(Millions of yen)

	2024	**2025**
Restructuring incomes	7,885	13,982
Gain on remeasurement of liability related to litigation in Canada	—	52,883
Other	7,736	1,250
Adjustment items (income)	15,621	68,115

Restructuring incomes for the years ended December 31, 2024 and 2025 mainly related to gains on sale of real estate. The breakdown of restructuring incomes is described in "26. Other Operating Income." Other (income) for the year ended December 31, 2024 mainly related to gains on deconsolidation of subsidiaries.

(Note 7) The breakdown of "Adjustment items (costs)" is as follows:

(Millions of yen)

	2024	**2025**
Restructuring costs	6,077	4,068
Loss on liquidation of subsidiary	—	27,128
Loss on litigation in Canada	375,636	—
Other	6,631	1,563
Adjustment items (costs)	388,345	32,759

Restructuring costs for the year ended December 31, 2024 were mainly related to rationalization in a market in the "Tobacco Business." Restructuring costs included in "Cost of sales" were ¥3 million for the year ended December 31, 2025. Restructuring costs included in "Selling, general and administrative expenses" were ¥6,077 million and ¥4,065 million for the years ended December 31, 2024 and 2025, respectively. The breakdown of restructuring costs is described in "27. Selling, General and Administrative Expenses." Other (costs) for the year ended December 31, 2024 were mainly related to impairment loss on trademark and transaction costs of the business combination in the "Tobacco Business."

(3) Geographic Information

The regional breakdown of non-current assets as of December 31 is as follows:

Non-current Assets

(Millions of yen)

	2024	**2025**
Japan	575,799	566,564
Overseas	3,736,334	3,739,299
Consolidated	4,312,132	4,305,864

(Note) Non-current assets, exclusive of financial instruments, deferred tax assets and retirement benefits assets, are segmented by the location of the assets.

The regional breakdown of external revenue from continuing operations for each year is as follows:

External Revenue from continuing operations

(Millions of yen)

	2024	**2025**
Japan	609,129	627,099
Overseas	2,447,580	2,840,577
Consolidated	3,056,709	3,467,675

(Note) Revenue is segmented by the sales destination.

(4) Major customers Information

The “Tobacco Business” of the Group sells products to the Megapolis Group that engages in distribution and wholesale business in Russia and other countries. The external revenues from the Megapolis Group were ¥416,186 million (13.6% of consolidated revenue) for the year ended December 31, 2024 and ¥497,488 million (14.3% of consolidated revenue) for the year ended December 31, 2025.

7. Cash and Cash Equivalents

The breakdown of “Cash and cash equivalents” as of December 31 is as follows:

(Millions of yen)

	2024	**2025**
Cash and deposits	913,681	795,411
Short-term investments	170,886	35,725
Total	1,084,567	831,135

Cash and cash equivalents are classified as financial assets measured at amortized cost.

The Group’s Iranian subsidiaries’ ability to remit funds outside of Iran is restricted mainly due to international sanctions imposed on Iran. “Cash and cash equivalents” include ¥123,169 million as of December 31, 2024 and ¥122,205 million as of December 31, 2025 held by the Group’s Iranian subsidiaries.

8. Trade and Other Receivables

The breakdown of “Trade and other receivables” as of December 31 is as follows:

(Millions of yen)

	2024	**2025**
Notes and accounts receivable	545,898	559,040
Financial assets measured at amortized cost	523,014	534,360
Financial assets measured at fair value through profit or loss	22,884	24,680
Other	30,893	93,093
Allowance for doubtful accounts	(7,810)	(11,451)
Total	568,982	640,681

Trade and other receivables are presented net of allowance for doubtful accounts in the consolidated statement of financial position.

Although trade and other receivables are classified as financial assets measured at amortized cost in principle, some trade receivables that achieved the Group's business model through the sale are classified as financial assets measured at fair value through profit or loss.

9. Inventories

The breakdown of “Inventories” as of December 31 is as follows:

(Millions of yen)

	2024	**2025**
Merchandise and finished goods	211,762	222,183
Leaf tobacco (Note)	599,921	674,615
Other	145,598	163,338
Total	957,281	1,060,136

(Note) Leaf tobacco includes those products that will be used after 12 months from the end of each year, but they are included in inventories since they are held within the normal operating cycle.

10. Other Financial Assets

(1) The breakdown of "Other financial assets" as of December 31 is as follows:

(Millions of yen)

	2024	2025
Derivative assets	18,900	13,758
Equity securities	42,492	35,188
Debt securities	76,551	10,459
Time deposits	46,568	181,105
Other	94,420	93,798
Allowance for doubtful accounts	(6,780)	(6,892)
Total	272,151	327,416
Current assets	120,211	195,816
Non-current assets	151,940	131,600
Total	272,151	327,416

Other financial assets are presented net of allowance for doubtful accounts in the consolidated statement of financial position.

Derivative assets are classified as financial assets measured at fair value through profit or loss excluding those to which hedge accounting is applied, equity securities are classified as financial assets measured at fair value through other comprehensive income, amounting to ¥36,630 million as of December 31, 2024 and ¥34,460 million as of December 31, 2025, and as financial assets measured at fair value through profit or loss, amounting to ¥5,862 million as of December 31, 2024, and ¥728 million as of December 31, 2025, and debt securities and time deposit are classified as financial assets measured at amortized cost.

(2) Names of major securities held as financial assets measured at fair value through other comprehensive income and their fair values as of December 31 are as follows:

(Millions of yen)

Company name	2024	2025
Seven & i Holdings Co., Ltd.	6,381	5,774
KATO SANGYO CO., LTD.	2,542	3,609
DOUTOR•NICHIRES Holdings Co., Ltd.	3,087	3,429
Japan Airport Terminal Co., Ltd.	2,000	1,754
NIPPON EXPRESS HOLDINGS, INC.	1,242	1,740
Daicel Corporation	1,195	1,189
AEON CO., LTD.	547	1,116
OHSHO FOOD SERVICE CORP.	458	482
Satoh & Co., Ltd.	333	417
OIE SANGYO CO., LTD.	218	262

Equity securities are held mainly for strengthening relationships with investees. Therefore, they are designated as financial assets measured at fair value through other comprehensive income.

In order to pursue the efficiency of assets held and to use them effectively, sales of financial assets measured at fair value through other comprehensive income have been carried out (derecognition).

The fair value at the time of sale and cumulative gain or loss that is recognized in equity through other comprehensive income for each year are as follows:

(Millions of yen)

	2024	**2025**
Fair value	2,824	5,434
Cumulative gain or loss recognized in equity as other comprehensive income (Note)	1	(2,386)

(Note) The figure represents the amount transferred to retained earnings.
The cumulative gain or loss recognized in equity as other comprehensive income is transferred to retained earnings when an equity instrument is sold or the decline in its fair value compared to its acquisition cost is significant.

11. Other Assets

The breakdown of “Other current assets” and “Other non-current assets” as of December 31 is as follows:

(Millions of yen)

	2024	**2025**
Prepaid tobacco excise taxes	597,589	723,291
Prepaid expenses	22,564	31,335
Consumption tax receivables	20,017	23,649
Other	192,096	203,605
Total	832,266	981,880
Current assets	826,766	977,640
Non-current assets	5,500	4,240
Total	832,266	981,880

12. Assets Held for Sale

The breakdown of “Assets Held for Sale” as of December 31 is as follows:

Breakdown of Major Assets

(Millions of yen)

	2024	**2025**
Assets held for sale		
Property, plant and equipment	5,037	5,541
Investment property	3,520	4
Other	11,208	144
Total	19,765	5,689

“Assets Held for Sale” are mainly idle properties which are currently actively marketed for sale.

"Other" in the table above for the year ended December 31, 2024, which mainly consists of investments accounted for using the equity method, is assets decided to be sold in non-core business operated by a subsidiary.

With regard to such assets and assets sold, impairment losses from continuing operations of ¥808 million were recognized in “Selling, general and administrative expenses” in the consolidated statement of income for the year ended December 31, 2025.

13. Property, Plant and Equipment

(1) Schedule of Property, Plant and Equipment

The schedules of the carrying amount, acquisition cost, and accumulated depreciation and accumulated impairment losses of "Property, plant and equipment" are as follows:

(Millions of yen)

Carrying Amount	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of January 1, 2024	398,479	323,761	41,209	58,050	821,499
Individual acquisition	32,802	55,446	16,668	53,845	158,762
Acquisition through business combination	4,170	11,040	656	665	16,531
Transfer to investment property	(210)	—	—	—	(210)
Transfer to assets held for sale	—	(2,315)	—	—	(2,315)
Depreciation	(38,545)	(56,942)	(14,086)	—	(109,573)
Impairment losses	(1,319)	(5,182)	(419)	(223)	(7,143)
Reversal of impairment losses	—	750	—	75	825
Sale or disposal	(2,319)	(2,082)	(610)	(6)	(5,017)
Exchange differences on translation of foreign operations	12,980	17,017	1,530	4,052	35,579
Other	4,542	35,730	2,368	(43,878)	(1,238)
As of December 31, 2024	410,581	377,224	47,316	72,579	907,700
Individual acquisition	46,993	57,109	15,916	62,828	182,847
Transfer to investment property	(443)	—	—	—	(443)
Transfer to assets held for sale	(8,773)	(1,130)	(1,930)	(1,435)	(13,268)
Depreciation	(36,661)	(60,386)	(14,246)	—	(111,293)
Impairment losses	(16,622)	(2,856)	(2,690)	(1,345)	(23,514)
Reversal of impairment losses	24	79	106	—	209
Sale or disposal	(2,101)	(2,191)	(454)	(115)	(4,861)
Exchange differences on translation of foreign operations	12,751	25,172	3,716	2,621	44,260
Other	9,746	33,847	4,871	(50,299)	(1,836)
As of December 31, 2025	415,494	426,868	52,605	84,834	979,800

(Millions of yen)

Acquisition Cost	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of January 1, 2024	776,746	1,040,905	173,636	58,050	2,049,337
As of December 31, 2024	823,087	1,137,391	184,385	72,579	2,217,443
As of December 31, 2025	802,895	1,244,878	185,578	85,149	2,318,501

(Millions of yen)

Accumulated Depreciation and Accumulated Impairment Losses	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Construction in progress	Total
As of January 1, 2024	378,266	717,144	132,427	—	1,227,838
As of December 31, 2024	412,507	760,167	137,070	—	1,309,743
As of December 31, 2025	387,402	818,010	132,973	315	1,338,701

(2) Impairment Losses

The grouping of property, plant and equipment for impairment test is the smallest cash-generating unit that independently generates cash inflows.

The Group recognized impairment losses from continuing operations of ¥7,143 million in the year ended December 31, 2024, and ¥8,382 million in the year ended December 31, 2025 in "Selling, general and administrative expenses" in the consolidated statement of income.

Impairment losses recognized in the year ended December 31, 2024 represent losses incurred to reduce the carrying amounts to the recoverable amounts for land, buildings, structures, machinery and vehicles, due to the decision to demolish individual items, etc.

The recoverable amounts of these assets are calculated mainly by the value in use.

Impairment losses recognized in the year ended December 31, 2025 represent losses incurred to reduce the carrying amounts to the recoverable amounts for land, buildings, structures, machinery and vehicles, due to the decision to demolish individual items and the decrease in profitability, etc.

The recoverable amounts of these assets are calculated mainly by the value in use.

14. Goodwill and Intangible Assets

(1) Schedule of Goodwill and Intangible Assets

The schedules of carrying amount, acquisition cost, and accumulated amortization and accumulated impairment losses of “Goodwill” and “Intangible assets” are as follows:

(Millions of yen)

Carrying Amount	Goodwill	Trademarks	Software	Other	Total
As of January 1, 2024	2,616,440	131,754	23,015	46,049	2,817,258
Individual acquisition	—	—	6,375	16,547	22,922
Acquisition through business combination	248,076	51,210	—	266,089	565,375
Amortization (Note)	—	(50,095)	(11,703)	(8,377)	(70,175)
Impairment losses	—	(2,940)	(5,812)	(63)	(8,814)
Sale or disposal	—	—	(270)	(184)	(454)
Exchange differences on translation of foreign operations	50,223	7,682	882	16,290	75,077
Other	(485)	—	14,845	(14,832)	(472)
As of December 31, 2024	2,914,254	137,611	27,333	321,519	3,400,717
Individual acquisition	—	—	8,369	10,683	19,052
Amortization (Note)	—	(53,361)	(11,274)	(19,883)	(84,518)
Transfer to assets held for sale	—	—	(553)	(13,199)	(13,752)
Impairment losses	—	—	(231)	(9,317)	(9,548)
Sale or disposal	—	(0)	(598)	(2)	(600)
Decrease resulting from liquidation of subsidiaries	(317,463)	(1)	(0)	(0)	(317,465)
Exchange differences on translation of foreign operations	325,195	203	739	(3,576)	322,562
Other	1,111	—	12,306	(11,110)	2,307
As of December 31, 2025	2,923,096	84,452	36,091	275,115	3,318,755

(Note) The amortization of intangible assets is included in “Cost of sales” and “Selling, general and administrative expenses” in the consolidated statement of income. The Amortization of intangible assets from discontinued operations is included in “Profit for the period from discontinued operations”.

(Millions of yen)

Acquisition Cost	Goodwill	Trademarks	Software	Other	Total
As of January 1, 2024	2,616,440	1,192,456	175,811	114,342	4,099,049
As of December 31, 2024	2,914,254	1,278,413	172,332	398,094	4,763,093
As of December 31, 2025	2,923,096	1,319,990	177,522	335,140	4,755,748

(Millions of yen)

Accumulated Amortization and Accumulated Impairment Losses	Goodwill	Trademarks	Software	Other	Total
As of January 1, 2024	—	1,060,703	152,796	68,292	1,281,790
As of December 31, 2024	—	1,140,802	145,000	76,575	1,362,377
As of December 31, 2025	—	1,235,537	141,431	60,025	1,436,993

(2) Material Goodwill and Intangible Assets

Goodwill and intangible assets recognized in the consolidated statement of financial position are mainly composed of goodwill, trademarks and other intangible assets in the "Tobacco Business." The carrying amounts of goodwill from the business as of December 31, 2024 and 2025 were ¥2,888,885 million and ¥2,897,728 million, respectively. The carrying amounts of trademarks from the business as of December 31, 2024 and 2025 were ¥137,610 million and ¥84,451 million, respectively. The carrying amounts of other intangible assets from the business as of December 31, 2024 and 2025 were ¥297,352 million and ¥270,289 million, respectively.

The majority of goodwill in the business was recognized as a result of the acquisitions of RJR Nabisco's non-U.S. tobacco operations in 1999, Gallaher in 2007, Natural American Spirit's in 2016 and Vector Group Ltd. in 2024.

The majority of other intangible assets was those related to contracts and licenses to operate tobacco businesses, which were recognized as a result of the acquisitions of Vector Group Ltd. in 2024.

The other intangible assets are amortized using the straight-line method and the remaining amortization period is mainly 19 years.

(3) Impairment Test for Goodwill

For the year ended December 31, 2025, the carrying amount of the majority of goodwill is allocated to the tobacco cash-generating unit of ¥2,897,728 million (¥2,888,885 million for the year ended December 31, 2024) and the processed food cash-generating unit of ¥25,368 million (¥25,368 million for the year ended December 31, 2024).

Details of the result of impairment tests are as follows:

A. Tobacco Cash-generating Unit

The recoverable amount is calculated by the value in use based on the three-year business plan that was prepared by reflecting past experiences and external information and that was approved by management. After the three-year business plan, the Group sets a growth rate from 4.7% in the fourth year (2024: 5.5%) to 3.8% in the ninth year (2024: 3.7%), and the same growth rate as the ninth year from the tenth year as a continued growth rate for inflation. The pre-tax discount rate is 11.2% (2024: 10.6%). The value in use sufficiently exceeds the carrying amount of the cash-generating unit. Therefore, even in cases where the discount rate and growth rate used in calculating the value in use fluctuate within reasonable ranges, the Group assumes that the value in use will not become less than the carrying amount.

B. Processed Food Cash-generating Unit

The recoverable amount is calculated by the value in use based on the three-year business plan that was prepared by reflecting past experiences and external information and that was approved by management. After the three-year business plan, the Group sets a growth rate from 2.2% in the fourth year (2024: 2.1%) to 2.0% in the ninth year (2024: 1.9%), and the same growth rate as the ninth year from the tenth year as a continued growth rate for inflation. The pre-tax discount rate is 5.6% (2024: 5.0%). The value in use sufficiently exceeds the carrying amount of the cash-generating unit. Therefore, even in cases where the discount rate and growth rate used in calculating the value in use fluctuate within reasonable ranges, the Group assumes that the value in use will not become less than the carrying amount.

(4) Impairment Losses

Goodwill is allocated to cash-generating units that are identified according to types of businesses. The grouping of intangible assets for impairment test is the smallest cash-generating unit that independently generates cash inflow.

The Group recognized impairment losses from continuing operations of ¥8,814 million for the year ended December 31, 2024, and ¥335 million for the year ended December 31, 2025 in “Selling, general and administrative expenses” in the consolidated statement of income.

Impairment losses recognized in the year ended December 31, 2024 represent the losses incurred to reduce the carrying amounts to the recoverable amounts of trademarks, software and other intangible assets since the recoverable amounts were lower than the carrying amounts.

The recoverable amounts of these assets are calculated mainly by the value in use.

Impairment losses recognized in the year ended December 31, 2025 represent the losses incurred to reduce the carrying amounts to the recoverable amounts of software and other intangible assets since the recoverable amounts were lower than the carrying amounts.

The recoverable amounts of these assets are calculated mainly by the value in use.

15. Lease Transactions

The Group leases buildings, factory sites, vehicles and other assets as a lessee. Some of the lease contracts have renewal options or escalation clauses. There are no restrictions on additional debt and further leasing imposed by the lease arrangements.

(1) Addition, Depreciation and Carrying Amount of Right-of-use Assets

The breakdown of addition, depreciation and carrying amount of right-of-use assets from continuing operations is as follows:

Year ended December 31, 2024

(Millions of yen)

	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Addition	20,776	9,391	26	30,192
Depreciation	19,293	7,146	32	26,471

As of December 31, 2024

(Millions of yen)

	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Carrying amount	51,224	15,338	126	66,687

Year ended December 31, 2025

(Millions of yen)

	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Addition	31,260	11,565	87	42,911
Depreciation	18,367	8,560	52	26,979

As of December 31, 2025

(Millions of yen)

	Land, buildings and structures	Machinery and vehicles	Tools, furniture and fixtures	Total
Carrying amount	56,704	17,323	124	74,151

(2) Expense Items Related to Lease

The breakdown of expense items related to lease is as follows:

(Millions of yen)

	2024	2025
Financial cost on lease liabilities (Note)	2,439	3,682
Expense relating to short-term lease or leases of low-value assets (Note)	7,175	6,683
Expense relating to variable lease payments (Note)	1,321	2,580
Total cash outflow for leases	28,680	28,627

(Note)The amounts recognized as expenses from continuing operations are stated.

16. Investment Property

(1) Schedule of Investment Property

The schedule of the carrying amount of "Investment property" for each year is as follows:

(Millions of yen)

	2024	**2025**
As of January 1	9,338	3,716
Transfer from property, plant and equipment	210	443
Transfer to assets held for sale	(4,974)	(412)
Transfer to property, plant and equipment	(3)	(700)
Depreciation	(89)	(88)
Impairment losses	(750)	(242)
Sale or disposal	(25)	(0)
Exchange differences on translation of foreign operations	9	352
As of December 31	3,716	3,068
Acquisition cost as of January 1	27,031	8,880
Accumulated depreciation and accumulated impairment losses as of January 1	17,693	5,164
Acquisition cost as of December 31	8,880	8,594
Accumulated depreciation and accumulated impairment losses as of December 31	5,164	5,525

(2) Fair Value

The fair value of investment property is determined based on a valuation conducted by an external real estate appraiser. The valuation is made in accordance with the appraisal standards of the country where the investment property is located and based on market evidence of transaction prices for similar assets.

The fair value hierarchy of investment property is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at the quoted price in the active market
Level 2: Fair value that is calculated using the observable price other than categorized in Level 1 directly or indirectly
Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data

The fair value of investment property based on the fair value hierarchy as of December 31 is as follows:

As of December 31, 2024

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Investment property	—	11,078	1,206	12,284

As of December 31, 2025

(Millions of yen)

	Level 1	Level 2	Level 3	Total
Investment property	—	11,832	785	12,617

(3) Impairment Losses

The grouping of investment properties for impairment test is based on the smallest cash-generating unit that independently generates cash inflows. Impairment tests for idle properties are carried out individually.

The Group recognized impairment losses from continuing operations of ¥750 million for the year ended December 31, 2024, and ¥242 million for the year ended December 31, 2025 in “Selling, general and administrative expenses” in the consolidated statement of income.

Impairment losses recognized for the year ended December 31, 2024 represent losses incurred to reduce the carrying amounts to the recoverable amounts for idle properties such as land and buildings, due to the decision to demolish individual items, etc. The recoverable amounts are calculated based on value in use, which are “zero” for buildings that were reduced due to the decision of demolition, and the recoverable amounts of other properties are calculated by the fair value less costs of disposal.

Impairment losses recognized for the year ended December 31, 2025 represent losses incurred to reduce the carrying amounts to the recoverable amounts for idle properties such as buildings, due to the decision to demolish individual items, etc. The recoverable amounts of these assets are calculated mainly by the value in use, which are estimated at “zero.”

17. Income Taxes

(1) Deferred Tax Assets and Deferred Tax Liabilities

The breakdown and schedule of "Deferred tax assets" and "Deferred tax liabilities" by major causes of their occurrence for each year are as follows:

Year ended December 31, 2024

(Millions of yen)

Deferred Tax Assets	As of January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note 1)	As of December 31, 2024
Fixed assets (Note 2)	77,894	(18,238)	—	1,006	60,662
Retirement benefits	61,491	676	(4,243)	1,515	59,439
Carryforward of unused tax losses	115,279	23,950	—	3,689	142,917
Other (Note 3)	128,624	118,862	9,560	14,012	271,057
Subtotal	383,288	125,249	5,317	20,221	534,076
Valuation allowance	(145,955)	(24,330)	3,034	(5,575)	(172,826)
Total	237,333	100,919	8,351	14,646	361,250

(Millions of yen)

Deferred Tax Liabilities	As of January 1, 2024	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note 1)	As of December 31, 2024
Fixed assets (Note 2)	(71,780)	12,795	—	(97,820)	(156,804)
Retirement benefits	(22,301)	5,255	(1,000)	(3,600)	(21,646)
Other	(94,459)	(22,656)	424	(6,971)	(123,662)
Total	(188,540)	(4,606)	(576)	(108,390)	(302,113)

Year ended December 31, 2025

(Millions of yen)

Deferred Tax Assets	As of January 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note 1)	As of December 31, 2025
Fixed assets (Note 2)	60,662	(13,218)	—	(1,021)	46,422
Retirement benefits	59,439	(4,919)	(4,681)	(13,602)	36,237
Carryforward of unused tax losses	142,917	38,889	—	(1,075)	180,731
Other (Note 3)	271,057	(50,249)	18,568	14,902	254,278
Subtotal	534,076	(29,498)	13,887	(796)	517,668
Valuation allowance	(172,826)	(16,882)	(13,736)	1,022	(202,423)
Total	361,250	(46,380)	150	225	315,246

(Millions of yen)

Deferred Tax Liabilities	As of January 1, 2025	Recognized in profit or loss	Recognized in other comprehensive income	Other (Note 1)	As of December 31, 2025
Fixed assets (Note 2)	(156,804)	12,225	—	(2,786)	(147,365)
Retirement benefits	(21,646)	14,482	(1,402)	6,757	(1,810)
Other	(123,662)	(12,731)	(154)	(601)	(137,148)
Total	(302,113)	13,976	(1,556)	3,370	(286,324)

(Note 1) “Other” includes exchange differences on translation of foreign operations and acquisition through business combinations.

(Note 2) “Fixed assets” include property, plant and equipment, goodwill, intangible assets and investment property.

(Note 3) “Other” for the years ended December 31, 2024 and 2025 includes a provision for loss on litigation in Canada and settlement liabilities on litigation in Canada, respectively.

The deferred tax assets are recognized for the amount considered to be recoverable on deductible temporary differences, carryforward of unused tax losses and tax credits by taking taxable temporary differences and future taxable profits plan into account. The carryforward of unused tax losses, for which the deferred tax assets are not recognized, was ¥118,040 million (including ¥50,463 million, for which the carryforward expires after five years) as of December 31, 2024, and ¥142,912 million (including ¥89,075 million, for which the carryforward expires after five years) as of December 31, 2025. Tax credits, for which the deferred tax assets are not recognized, were ¥11,236 million (including ¥7,081 million, for which the carryforward expires after five years) as of December 31, 2024, and ¥10,719 million (including ¥7,037 million, for which the carryforward expires after five years) as of December 31, 2025.

The total amount of temporary differences related to investments in subsidiaries, for which deferred tax liabilities were not recognized, was ¥506,712 million as of December 31,2024 and 2025.

(2) Income Taxes

The breakdown of “Income taxes” from continuing operations for each year is as follows:

(Millions of yen)

	2024	**2025**
Current income taxes	146,426	212,048
Deferred income taxes	(96,020)	26,663
Total income taxes	50,406	238,711

Deferred income taxes decreased by ¥6,004 million and increased by ¥250 million for the years ended December 31, 2024, and 2025, respectively, due to the effect of changes in tax rates in Japan and other countries.

(3) Reconciliation of the Effective Tax Rate

The breakdown of major items that caused differences between the effective statutory tax rate and the average actual tax rate from continuing operations for each year is as follows:

The Company is subject mainly to corporate tax, inhabitant tax and enterprise tax, and the effective statutory tax rate for each year calculated based on these taxes was 30.43%. Foreign subsidiaries are subject to income taxes at their locations.

(%)

	2024	**2025**
Effective statutory tax rate	30.43	30.43
Different tax rates applied to foreign subsidiaries	(13.66)	(11.50)
Non-deductible expenses	1.85	5.09
Non-taxable incomes	(1.57)	(1.51)
Changes in tax rates	(1.00)	0.03
Valuation allowance	3.66	2.04
Tax credits	(1.19)	(0.56)
Retained earnings	1.52	(0.34)
Withholding tax in foreign countries	3.45	5.63
Tax contingencies	0.46	1.56
Other	(1.46)	1.41
Average actual tax rate	22.47	32.27

(4) Impact of Application of Pillar Two Model Rules

The Group applies temporary exception regarding the requirements of IAS 12 on deferred tax related to the Pillar Two Model Rules. The Group does not recognize and disclose any deferred tax assets and liabilities related to the Pillar Two Model Rules.

Since the Income Inclusion Rule (IIR) under the Pillar Two Model Rules became applicable in Japan from the current fiscal year (2025), the Company, as the ultimate parent company under Japanese regulations, files returns and pays taxes under the IIR, and files related information returns, on behalf of all entities within the Group.

In the countries where a Qualified Domestic Minimum Top-up Tax (QDMTT) has been introduced, each entity within the Group will file and pay taxes, as well as submit related information returns, in accordance with the respective local regulations.

Regarding the Undertaxed Payment Rule (UTPR), no filings or tax payments are expected since the Company files tax returns and pays taxes for all subsidiaries under the Income Inclusion Rule (IIR).
Income taxes related to the Pillar Two Model Rules were ¥894 million for the year ended December 31, 2024, and ¥1,431 million for the year ended December 31, 2025.

18. Trade and Other Payables

The breakdown of “Trade and other payables” as of December 31 is as follows:

(Millions of yen)

	2024	**2025**
Accounts payable and other payables	259,974	282,194
Other	399,537	429,527
Total	659,510	711,721

Trade and other payables are classified as financial liabilities measured at amortized cost.

19. Bonds and Borrowings (Including Other Financial Liabilities)

(1) Breakdown of Financial Liabilities

The breakdown of “Bonds and borrowings” and “Other financial liabilities” as of December 31 is as follows:

(Millions of yen)

	2024	**2025**	Due
Derivative liabilities	45,103	35,792	－
Short-term borrowings	60,317	79,444	－
Current portion of long-term borrowings	2,935	184	－
Current portion of bonds (Note 2)	115,416	－	－
Long-term borrowings (Note 1)	735,400	120,699	2027 - 2055
Bonds (Note 2)	812,721	1,478,362	－
Lease liabilities	63,595	74,540	－
Settlement liabilities on litigation in Canada	－	156,511	－
Other	477	851	－
Total	1,835,964	1,946,383	
Current liabilities	238,633	141,695	
Non-current liabilities	1,597,331	1,804,688	
Total	1,835,964	1,946,383	

(Note 1) ¥99,980 million as of December 31, 2024 and ¥99,463 million as of December 31, 2025 of the long-term borrowings are subordinated loans due in 2055. The Company may, at its option, repay all or part of the principal early on any interest payment date on or after January 31, 2030.

(Note 2) The summary of the issuing conditions of the bonds is as follows:

Company	Name of bond	Date of issuance	As of December 31, 2024	(Millions of yen) As of December 31, 2025	(%) Interest rate	Collateral	Date of maturity
Japan Tobacco Inc.	11th domestic straight bond	July 15, 2015	25,000 (25,000)	—	0.599	Yes	July 15, 2025
Japan Tobacco Inc.	13th domestic straight bond	September 10, 2018	30,000	30,000	0.355	Yes	September 8, 2028
Japan Tobacco Inc.	14th domestic straight bond	September 10, 2018	10,000	10,000	0.758	Yes	September 10, 2038
Japan Tobacco Inc.	15th domestic straight bond	April 20, 2023	10,000	10,000	0.713	Yes	April 19, 2030
Japan Tobacco Inc.	16th domestic straight bond	April 20, 2023	30,000	30,000	0.920	Yes	April 20, 2033
Japan Tobacco Inc.	17th domestic straight bond	April 20, 2023	20,000	20,000	1.630	Yes	April 20, 2043
Japan Tobacco Inc.	18th domestic straight bond	April 10, 2025	—	49,922	1.293	Yes	April 10, 2030
Japan Tobacco Inc.	19th domestic straight bond	April 10, 2025	—	19,957	1.781	Yes	April 10, 2035
Japan Tobacco Inc.	Straight bond in USD	April 15, 2025	— [—]	124,234 [USD 800 mil.]	4.850	Yes	May 15, 2028
Japan Tobacco Inc.	Straight bond in USD	April 15, 2025	— [—]	139,584 [USD 900 mil.]	5.250	Yes	June 15, 2030
Japan Tobacco Inc.	Straight bond in USD	April 15, 2025	— [—]	123,737 [USD 800 mil.]	5.850	Yes	June 15, 2035
JT International Financial Services B.V.	Straight bond in USD (Note 6)	September 28, 2018	75,680 [USD 484 mil.]	74,927 [USD 484 mil.]	3.875	No	September 28, 2028
JT International Financial Services B.V.	Straight bond in EUR	September 28, 2018	90,416 (90,416) [EUR 550 mil.]	— [—]	1.125	No	September 28, 2025
JT International Financial Services B.V.	Straight bond in GBP	September 28, 2018	78,345 [GBP 400 mil.]	83,315 [GBP 400 mil.]	2.750	No	September 28, 2033
JT International Financial Services B.V.	Straight bond in EUR (Note 6)	November 26, 2019	73,748 [EUR 450 mil.]	82,399 [EUR 450 mil.]	1.000	No	November 26, 2029
JT International Financial Services B.V.	Subordinated bond in EUR (Note 7)	October 7, 2020	82,138 [EUR 500 mil.]	67,494 [EUR 368 mil.]	2.375	No	April 7, 2081 (Note 3)
JT International Financial Services B.V.	Subordinated bond in EUR	October 7, 2020	81,948 [EUR 500 mil.]	91,560 [EUR 500 mil.]	2.875	No	October 7, 2083 (Note 4)
JT International Financial Services B.V.	Straight bond in USD (Note 6)	September 14, 2021	84,295 [USD 562 mil.]	83,616 [USD 562 mil.]	2.250	No	September 14, 2031
JT International Financial Services B.V.	Straight bond in USD	September 14, 2021	62,634 [USD 400 mil.]	61,941 [USD 400 mil.]	3.300	No	September 14, 2051
JT International Financial Services B.V.	Straight bond in USD	October 24, 2022	77,487 [USD 500 mil.]	76,753 [USD 500 mil.]	6.875	No	October 24, 2032
JT International Financial Services B.V.	Straight bond in EUR	April 11, 2024	96,446 [EUR 600 mil.]	107,887 [EUR 600 mil.]	3.625	No	April 11, 2034
JT International Financial Services B.V.	Straight bond in EUR	April 17, 2025	— [—]	100,007 [EUR 550 mil.]	4.125	No	June 17, 2035
JT International Financial Services B.V.	Subordinated bond in EUR	September 4, 2025	— [—]	91,029 [EUR 500 mil.]	3.870	No	September 4, 2055 (Note 5)
		Total	928,136 (115,416)	1,478,362 (—)			

(Note 1) The figure in parentheses ( ) represents the amount of the current portion of the bond.

(Note 2) The figure in parentheses [ ] represents the amount of foreign currency-denominated bond.

(Note 3) The Issuer may redeem the Bond at its own discretion in the 3-month period ending on April 7, 2026 and on each interest payment date thereafter.

(Note 4) The Issuer may redeem the Bond at its own discretion in the 3-month period ending on January 7, 2029 and on each interest payment date thereafter.

(Note 5) The Issuer may redeem the Bond at its own discretion in the 3-month period ending on March 4, 2031 and on each interest payment date thereafter.
(Note 6) The Issuer purchased a portion of the bonds during the previous fiscal year.
(Note 7) The Issuer purchased a portion of the bonds during the current fiscal year.

Derivative liabilities are classified as financial liabilities measured at fair value through profit or loss excluding those to which hedge accounting is applied, and bonds and borrowings are classified as financial liabilities measured at amortized cost.
There are no financial covenants that have a significant impact on the bonds and borrowings of the Group.

(2) Assets Pledged as Collateral for Liabilities

A. Pursuant to the provisions of Article 6 of the Japan Tobacco Inc. Act, the Company's properties are pledged as general collateral for bonds issued by the Company. Bondholders are entitled to claim satisfaction in preference to unsecured creditors of the Company properties (with the exception of national and local taxes and certain other statutory obligations).

B. JTI-Mac has agreed to pay for a settlement under a comprehensive settlement of lawsuits related to smoking and health brought against multiple parties including JTI-Mac and JT's indemnitees. Assets of JTI-Mac and its subsidiary are pledged as collateral for the performance of obligations under the Plan, which is ¥56,725 million for the year ended December 31, 2025.

20. Provisions

The breakdown and schedule of "Provisions" for each year are as follows:

Year ended December 31, 2024

(Millions of yen)

	Asset retirement provisions	Restructuring provisions	Provisions for sales rebates	Provision for loss on litigation in Canada	Other provisions	Total
As of January 1, 2024	11,136	5,996	4,268	—	42,760	64,161
Provisions	339	5,963	3,915	375,636	31,369	417,222
Provisions for business combinations	—	—	—	—	4,838	4,838
Interest cost associated with passage of time	39	—	—	—	—	39
Provisions used	(55)	(10,721)	(4,448)	—	(3,462)	(18,685)
Provisions reversed	(11)	(398)	—	—	(17,770)	(18,179)
Exchange differences on translation of foreign operations	54	55	—	—	362	471
As of December 31, 2024	11,502	895	3,736	375,636	58,097	449,867
Current liabilities	230	533	3,736	170,214	21,205	195,918
Non-current liabilities	11,272	362	—	205,422	36,892	253,949
Total	11,502	895	3,736	375,636	58,097	449,867

Year ended December 31, 2025

(Millions of yen)

	Asset retirement provisions	Restructuring provisions	Provisions for sales rebates	Provision for loss on litigation in Canada	Other provisions	Total
As of January 1, 2025	11,502	895	3,736	375,636	58,097	449,867
Provisions	318	1,040	4,025	—	37,189	42,573
Interest cost associated with passage of time	1	—	—	8,363	—	8,364
Provisions used	(294)	(421)	(3,736)	(374,305)	(15,504)	(394,260)
Provisions reversed	(208)	(205)	—	—	(14,460)	(14,874)
Exchange differences on translation of foreign operations	48	(93)	—	(9,695)	5,208	(4,531)
As of December 31, 2025	11,367	1,216	4,025	—	70,530	87,139
Current liabilities	230	1,089	4,025	—	27,439	32,783
Non-current liabilities	11,137	127	—	—	43,091	54,355
Total	11,367	1,216	4,025	—	70,530	87,139

A. Asset Retirement Provisions

In order to settle the obligation of restoring and of removing hazardous substances from plant facilities and premises that the Group uses, the probable amount to be paid in the future is recognized based on past performances. These expenses are expected to be paid after one year or more; however, they may be affected by future business plans.

B. Restructuring Provisions

These provisions are mainly related to business integration and measures for the rationalization of the "Tobacco Business." The timing of the payment may be affected by future business plans.

C. Provisions for Sales Rebates

These provisions are for contracts which reward the customers with discounts when the sales volume or sales amount in a given period exceeds a specified volume or amount and correspond to "Refund liabilities" in IFRS 15 "Revenue from Contracts with Customers." They are expected to be paid within one year.

D. Provision for Loss on Litigation in Canada

In connection with lawsuits related to smoking and health against Tobacco Companies including JTI-Mac, following the approval by the Ontario Superior Court of a proposed Plan aimed at reaching a comprehensive settlement with all claimants, including class action plaintiffs, the Company recorded a provision for loss on litigation in Canada of ¥375,636 million in the previous fiscal year.

Subsequently, Tobacco Companies deposited a total of approximately ¥1,360,795 million as an upfront payment in accordance with the court-approved Plan. Of this amount, JTI-Mac contributed approximately ¥179,952 million. The Plan came into effect on August 29, 2025. Therefore, the Company utilized an amount equal to JTI-Mac's deposit payment from the provision for loss on litigation in Canada recorded in the previous fiscal year and reclassified the remaining balance to "Other financial liabilities" in the consolidated statement of financial position.

21. Other Liabilities

The breakdown of "Other current liabilities" and "Other non-current liabilities" as of December 31 is as follows:

(Millions of yen)

	2024	**2025**
Tobacco excise tax payables	466,836	484,672
Tobacco special excise tax payables	7,982	8,052
Tobacco local excise tax payables	178,253	174,436
Consumption tax payables	172,211	192,945
Bonus to employees	97,109	106,741
Employees' unused paid vacations liabilities	22,475	22,833
Other	205,488	149,376
Total	1,150,352	1,139,054
Current liabilities	1,029,925	1,004,331
Non-current liabilities	120,427	134,724
Total	1,150,352	1,139,054

22. Employee Benefits

(1) Post-employment Benefits

The Group sponsors funded or unfunded defined benefit plans and defined contribution plans as employee retirement benefit plans. The benefits of defined benefit plans are predetermined based on conditions, such as points employees have gained in compensation for each year of service, the payment rate, years of service, and average salaries in their final years of service before retirement.

The Company is obligated to bear pension costs for a mutual assistance association incurred with respect to services in or before June 1956 (prior to enforcement of the Act on the Mutual Aid Association of Public Corporation Employees). Such obligations are recognized as liabilities at their present value using the actuarial valuation method and are included in retirement benefit liabilities. Special termination benefits may be provided to employees on their early retirements under certain circumstances.

The funded defined benefit plans are administrated by the Group or the fund that is legally separated from the Group in accordance with statutory requirements. The Group, or the board of the pension fund and the trustee of the plan, are required by law to act in the best interests of the plan participants, and are responsible for managing the plan assets in accordance with the designated investment strategy.

The Group’s main defined benefit plans expose the Group to actuarial risks, such as investment risk, interest rate risk, inflation risk, and longevity risk.

(i) Investment risk

The present value of the defined benefit obligations is calculated using a discount rate set with reference to a yield on high quality corporate bonds or government bonds. If the return on the plan assets is below this yield, there is a possibility that the plan is underfunded.

(ii) Interest rate risk

A decrease in a yield on high quality corporate bonds or government bonds will increase the present value of the defined benefit obligations. However, this will be partially offset by an increase in the fair value of the debt instruments (plan assets).

(iii) Inflation risk

The level of benefit for certain defined benefit plans of the Group is linked to inflation. Accordingly, a rise in inflation will increase the present value of the defined benefit obligations.

(iv) Longevity risk

Some defined benefit plans of the Group provide a lifetime annuity, and the Group is obligated to provide pension benefits to the plan participants for the rest of their lives after their retirements. The present value of the defined benefit obligations is calculated by reference to the best estimate of the mortality of plan participants during or after employment. An increase in average life expectancy of the plan participants will increase the defined benefit obligations.

A pension buy-out was implemented for the U.K. pension plan of the Group in November 2025. In conjunction with this, an insurance company has accepted plan assets and obligations at the amount of defined benefit obligations of the plan plus fees, etc., and this insurance company will pay benefits to plan participants in the future.

A. Schedule of Defined Benefit Obligations

The schedule of the defined benefit obligations is as follows:

(Millions of yen)

	Japan (Note 3)	Overseas	Total
As of January 1, 2024 (Notes 1, 2)	139,597	569,376	708,974
Current service cost	7,759	11,515	19,274
Past service cost and settlement	—	384	384
Interest expense	2,429	19,402	21,831
Contributions by plan participants	—	3,626	3,626
Remeasurement gains and losses:			
Actuarial gains and losses arising from changes in demographic assumptions	(1,609)	(516)	(2,125)
Actuarial gains and losses arising from changes in financial assumptions	(1,649)	(11,664)	(13,313)
Actuarial gains and losses arising from experience adjustments	(7,457)	3,591	(3,866)
Benefits paid	(14,010)	(40,490)	(54,500)
Effect of business combination	—	10,877	10,877
Exchange differences on translation of foreign operations	—	35,606	35,606
Other	(309)	(0)	(309)
As of December 31, 2024 (Notes 1, 2)	124,752	601,708	726,460
Current service cost	7,692	12,126	19,818
Past service cost and settlement	—	87	87
Interest expense	2,241	19,060	21,301
Contributions by plan participants	—	3,977	3,977
Remeasurement gains and losses:			
Actuarial gains and losses arising from changes in demographic assumptions	299	1,431	1,730
Actuarial gains and losses arising from changes in financial assumptions	(6,407)	(27,379)	(33,786)
Actuarial gains and losses arising from experience adjustments	449	9,109	9,558
Benefits paid	(13,897)	(35,354)	(49,251)
Decrease due to transfer of business	(16,239)	—	(16,239)
Settlement of the defined benefit plan (Note 4)	—	(165,428)	(165,428)
Exchange differences on translation of foreign operations	—	42,559	42,559
Other	(18)	470	452
As of December 31, 2025 (Notes 1, 2)	98,872	462,365	561,237

(Note 1) The Group's weighted-average duration of the defined benefit obligations is 6.5 years for Japan and 11.7 years for overseas (2024 : 6.9 years for Japan and 11.7 years for overseas).

(Note 2) The Group's breakdown of the defined benefit obligation by plan participant is as follows:

(Millions of yen)

	As of December 31, 2024			**As of December 31, 2025**		
	Japan	Overseas	Total	Japan	Overseas	Total
Active members	98,999	255,731	354,730	78,931	281,995	360,926
Deferred members	2,070	43,498	45,568	1,165	11,708	12,873
Pensioners	23,683	302,479	326,162	18,776	168,662	187,438
Total	124,752	601,708	726,460	98,872	462,365	561,237

(Note 3) The schedule of mutual pension benefits obligations included in the category of Japan is as follows:

(Millions of yen)

	2024	**2025**
As of January 1	14,390	11,802
Interest expense	187	189
Remeasurement gains and losses	(700)	(613)
Benefits paid	(2,075)	(1,802)
As of December 31	11,802	9,576

(Note 4) This represents a decrease in defined benefit obligations due to the implementation of the pension buy-out transaction.

B. Schedule of Plan Assets

The schedule of the plan assets is as follows:

(Millions of yen)

	Japan	Overseas	Total
As of January 1, 2024	43,968	451,419	495,387
Interest income	736	15,680	16,416
Remeasurement gains and losses:			
Return on plan assets (excluding amounts included in interest income)	(495)	974	479
Contributions by the employer (Notes 1, 2)	743	7,943	8,686
Contributions by plan participants	—	3,626	3,626
Benefits paid	(3,515)	(27,787)	(31,302)
Effect of business combination	—	13,631	13,631
Exchange differences on translation of foreign operations	—	31,873	31,873
As of December 31, 2024	41,436	497,360	538,796
Interest income	718	16,309	17,027
Remeasurement gains and losses:			
Return on plan assets (excluding amounts included in interest income)	(386)	6,191	5,806
Contributions by the employer (Notes 1, 2)	453	13,258	13,711
Contributions by plan participants	—	3,977	3,977
Benefits paid	(3,077)	(25,681)	(28,758)
Decrease due to transfer of business	(6,674)	—	(6,674)
Settlement of the defined benefit plan (Note 3)	—	(237,298)	(237,298)
Effect of business combination	—	—	—
Exchange differences on translation of foreign operations	—	31,371	31,371
As of December 31, 2025	32,470	305,487	337,958

(Note 1) Pursuant to laws and regulations, the Group and the pension fund review the financial condition of the pension plan regularly and recalculate contributions for allocating future benefit and keeping the balance of the pension financing when the plan is underfunded.

(Note 2) The Group plans to pay contributions of ¥7,826 million in the year ending December 31, 2026.

(Note 3) This represents a decrease in plan assets due to the implementation of the pension buy-out transaction.

C. Reconciliation of Defined Benefit Obligations and Plan Assets

The reconciliation of the defined benefit obligations and plan assets to the net defined benefit liabilities (assets) recognized in the consolidated statement of financial position as of December 31 is as follows:

As of December 31, 2024

(Millions of yen)

	Japan	Overseas	Total
Present value of the funded defined benefit obligations	28,442	433,246	461,689
Fair value of the plan assets	(41,436)	(497,360)	(538,796)
Subtotal	(12,994)	(64,113)	(77,107)
Present value of the unfunded defined benefit obligations	96,310	168,461	264,771
Net defined benefit liabilities (assets) recognized in the consolidated statement of financial position	83,316	104,348	187,663
Retirement benefit liabilities	97,510	179,726	277,236
Retirement benefit assets	(14,194)	(75,378)	(89,573)
Net defined benefit liabilities (assets) recognized in the consolidated statement of financial position	83,316	104,348	187,663

As of December 31, 2025

(Millions of yen)

	Japan	Overseas	Total
Present value of the funded defined benefit obligations	18,871	292,021	310,892
Fair value of the plan assets	(32,470)	(305,487)	(337,958)
Subtotal	(13,599)	(13,467)	(27,066)
Present value of the unfunded defined benefit obligations	80,001	170,344	250,345
Net defined benefit liabilities (assets) recognized in the consolidated statement of financial position	66,401	156,877	223,279
Retirement benefit liabilities	81,069	172,156	253,225
Retirement benefit assets	(14,668)	(15,278)	(29,946)
Net defined benefit liabilities (assets) recognized in the consolidated statement of financial position	66,401	156,877	223,279

D. Major Breakdown of Plan Assets

The breakdown of plan assets by major category as of December 31 is as follows:

(Millions of yen)

Japan

	As of December 31, 2024			As of December 31, 2025		
	Market price in an active market		Total	Market price in an active market		Total
	Quoted	Unquoted		Quoted	Unquoted	
Cash and cash equivalents	8,642	—	8,642	9,015	—	9,015
Equity instruments	3,311	—	3,311	1,935	—	1,935
Japan	1,730	—	1,730	1,244	—	1,244
Overseas	1,580	—	1,580	691	—	691
Debt instruments	5,829	—	5,829	1,687	—	1,687
Japan	4,565	—	4,565	1,006	—	1,006
Overseas	1,264	—	1,264	681	—	681
General account of life insurance companies (Note 1)	—	21,492	21,492	—	18,969	18,969
Other	1,009	1,154	2,163	122	743	865
Total	18,791	22,645	41,436	12,758	19,713	32,470

(Millions of yen)

Overseas

	As of December 31, 2024			As of December 31, 2025		
	Market price in an active market		Total	Market price in an active market		Total
	Quoted	Unquoted		Quoted	Unquoted	
Cash and cash equivalents	75,865	—	75,865	10,096	—	10,096
Equity instruments	74,636	—	74,636	94,247	—	94,247
North America	27,484	—	27,484	43,035	—	43,035
Other	47,152	—	47,152	51,212	—	51,212
Debt instruments	100,107	7,653	107,760	112,435	—	112,435
North America	39,158	—	39,158	38,221	—	38,221
Other	60,948	7,653	68,601	74,213	—	74,213
Real estate	39,138	32	39,170	51,947	36	51,984
Other (Note 2)	16,241	183,688	199,929	27,261	9,464	36,726
Total	305,987	191,373	497,360	295,987	9,501	305,487

(Millions of yen)

	Total					
	As of December 31, 2024			As of December 31, 2025		
	Market price in an active market		Total	Market price in an active market		Total
	Quoted	Unquoted		Quoted	Unquoted	
Cash and cash equivalents	84,508	—	84,508	19,111	—	19,111
Equity instruments	77,947	—	77,947	96,182	—	96,182
Debt instruments	105,936	7,653	113,589	114,121	—	114,121
Real estate	39,138	32	39,170	51,947	36	51,984
General account of life insurance companies (Note 1)	—	21,492	21,492	—	18,969	18,969
Other (Note 2)	17,250	184,842	202,092	27,383	10,208	37,591
Total	324,777	214,019	538,796	308,744	29,213	337,958

(Note 1) A certain interest rate and principal for the general account of life insurance are guaranteed by life insurance companies.

(Note 2) Insurance agreement concluded in the U.K. pension buy in transactions included in “Other” amounted to ¥174,212 million for the year ended December 31, 2024, and, following the U.K pension buy-out transaction, the Company no longer held any such insurance contracts for the year ended December 31, 2025.

The investment strategy for the Group’s major plans is as follows:

(Japan)

The Company’s pension fund is managed in accordance with the internal policy for securing stable profits in the middle- and long-term in order to ensure the redemption of the plan liability. Concretely, the Company invests plan assets consistently with the composition ratio by setting a target rate of return and composition ratio of plan assets by asset category within the risk tolerance that is annually assessed. When reviewing the composition ratio, the Company considers introducing an asset investment which has a high correlation with the liability. When an unexpected situation occurs in the market environment, it is temporarily allowed to make a weighted adjustment to the risk assets, complying with the Company’s policy.

(Overseas)

The investment strategy for the foreign subsidiaries’ funded pension plans is decided properly by the trustee of the plan and the management of overseas subsidiaries according to local legislation. The Company’s objective for the foreign subsidiaries’ funded pension plans is to manage risks arising from its defined benefit obligation, and meanwhile to achieve a return on assets in excess of the movement in the value of the defined benefit obligation.

E. Matters Related to Actuarial Assumptions

The major items of actuarial assumptions as of December 31 are as follows:

As of December 31, 2024

(%)

	Japan	Overseas
Discount rate	2.0	3.4
Inflation rate	―	2.3

(years)

	Japan		Overseas	
	Males	Females	Males	Females
Average life expectancy at retirement (Note 1)				
Current pensioners	24.5 (Note 2)	29.7 (Note 2)	21.7 (Note 3)	24.0 (Note 3)
Future pensioners			22.9 (Note 4)	25.2 (Note 4)

As of December 31, 2025

(%)

	Japan	Overseas
Discount rate	2.9	3.1
Inflation rate	―	1.6

(years)

	Japan		Overseas	
	Males	Females	Males	Females
Average life expectancy at retirement (Note 1)				
Current pensioners	24.8 (Note 2)	30.1 (Note 2)	21.7 (Note 3)	24.0 (Note 3)
Future pensioners			23.2 (Note 4)	25.3 (Note 4)

(Note 1) The average life expectancies underlie the values of the defined benefit obligations on major plans. Assumptions regarding future mortality rate are based on published statistics and mortality tables.

(Note 2) Life expectancy for a pensioner currently aged 60. Regardless of the plan participant's current age, the Group performs actuarial calculations based on the assumption that life expectancy remains the same.

(Note 3) Life expectancy for a pensioner currently aged 65.

(Note 4) Life expectancy at the age of 65 for an active member currently aged 50.

(Note 5) The valuation of defined benefit obligations includes judgment on uncertain future events. The sensitivities of defined benefit obligations due to changes in major assumptions as of December 31 are as follows. Each of these sensitivities assumes that other variables remain fixed; however, in fact, they do not always change independently. Negative figures represent a decrease in pension plan obligations, while positive figures represent an increase.

As of December 31, 2024

(Millions of yen)

	Change in assumptions	Japan	Overseas
Discount rate	Increase by 0.5%	(3,951)	(33,149)
	Decrease by 0.5%	4,226	36,310
Inflation rate	Increase by 0.5%	—	20,508
	Decrease by 0.5%	—	(19,816)
Mortality rate	Extended 1 year	1,660	17,627
	Shortened 1 year	(1,585)	(17,513)

As of December 31, 2025

(Millions of yen)

	Change in assumptions	Japan	Overseas
Discount rate	Increase by 0.5%	(2,951)	(25,364)
	Decrease by 0.5%	3,168	27,902
Inflation rate	Increase by 0.5%	—	12,755
	Decrease by 0.5%	—	(11,910)
Mortality rate	Extended 1 year	1,140	10,200
	Shortened 1 year	(1,079)	(10,322)

F. Breakdown of Defined Benefit Cost

The breakdown of defined benefit cost for each year is as follows:

Year ended December 31, 2024

(Millions of yen)

	Japan	Overseas	Total
Current service cost	7,759	11,515	19,274
Past service cost and gains and losses on settlement	—	384	384
Interest expense (income)	1,693	3,722	5,416
Defined benefit cost through profit or loss	9,452	15,621	25,074
Actuarial gains and losses arising from changes in demographic assumptions	(1,609)	(516)	(2,125)
Actuarial gains and losses arising from changes in financial assumptions	(1,649)	(11,664)	(13,313)
Actuarial gains and losses arising from experience adjustments	(7,457)	3,591	(3,866)
Return on plan assets (excluding amounts included in interest income)	495	(974)	(479)
Defined benefit cost through other comprehensive income	(10,220)	(9,563)	(19,783)
Total of defined benefit cost	(768)	6,058	5,290

Year ended December 31, 2025

(Millions of yen)

	Japan	Overseas	Total
Current service cost	7,692	12,126	19,818
Past service cost and gains and losses on settlement	—	87	87
Interest expense (income)	1,523	2,751	4,274
Defined benefit cost through profit or loss	9,216	14,963	24,179
Actuarial gains and losses arising from changes in demographic assumptions	299	1,431	1,730
Actuarial gains and losses arising from changes in financial assumptions	(6,407)	(27,379)	(33,786)
Actuarial gains and losses arising from experience adjustments	449	9,109	9,558
Return on plan assets (excluding amounts included in interest income)	386	(6,191)	(5,806)
Defined benefit cost through other comprehensive income	(5,273)	(23,031)	(28,304)
Total of defined benefit cost	3,943	(8,067)	(4,124)

(Note 1) The net amount of interest expense and interest income is included in “Financial costs.” Other expenses are included in “Cost of sales” and “Selling, general and administrative expenses.” The defined benefit cost through profit or loss from discontinued operations is included in “Profit for the period from discontinued operations.”

(Note 2) Contributions to the defined contribution plans were ¥14,635 million for the year ended December 31, 2024 and ¥16,719 million for the year ended December 31, 2025 and were not included in the table above. The contributions to the defined contribution plans from discontinued operations is included in “Profit for the period from discontinued operations.”

(2) Other Employee Benefit Expenses

The employee benefit expenses other than post-employment benefits from continuing operations that are included in the consolidated statement of income for each year are as follows:

(Millions of yen)

	2024	**2025**
Remuneration and salary	330,938	365,401
Bonus to employees	128,591	139,472
Legal welfare expenses	59,211	68,513
Welfare expenses	54,579	62,576
Termination benefits	5,525	540

23. Equity and Other Equity Items

(1) Share Capital and Capital Surplus

A. Authorized Shares

The number of authorized shares as of December 31, 2024 and 2025 is 8,000,000 thousand ordinary shares.

B. Fully Paid Issued Shares

The schedule of the number of issued shares and share capital is as follows:

	(Thousands of shares)		(Millions of yen)
	Number of ordinary issued shares	Share capital	Capital surplus
As of January 1, 2024	2,000,000	100,000	736,478
Increase (decrease)	—	—	220
As of December 31, 2024	2,000,000	100,000	736,697
Increase (decrease)	—	—	367
As of December 31, 2025	2,000,000	100,000	737,064

(Note) The shares issued by the Company are non-par value ordinary shares that have no restriction on any content of rights.

(2) Treasury Shares

The schedule of the number of treasury shares and its amount as of each year end is as follows:

	(Thousands of shares)	(Millions of yen)
	Number of shares	Amount
As of January 1, 2024	224,692	489,194
Increase (decrease) (Note 2)	(283)	(615)
As of December 31, 2024	224,409	488,579
Increase (decrease) (Note 2)	203	1,165
As of December 31, 2025 (Note 3)	224,612	489,744

(Note 1) The Company adopts share option plans, restricted stock remuneration plans, restricted stock unit plans and performance share unit plans and utilizes treasury shares for delivery of shares due to their exercises. Based on restricted stock unit plan, the Company’s ordinary shares are purchased through the board benefit trust. Contract conditions and amounts are described in “32. Share-based Payments.”

(Note 2) Purchases of shares less than one unit are 0 thousand shares for the year ended December 31, 2024 and 0 thousand shares for the year ended December 31, 2025. Purchase of shares for restricted stock unit plan through the board benefit trust are 412 thousand shares for the year ended December 31, 2025. Sale of shares less than one unit are 0 thousand shares for the year ended December 31, 2024 and 0 thousand shares for the year ended December 31, 2025. The number of shares delivered upon exercise of share options are 121 thousand shares for the year ended December 31, 2024 and 40 thousand shares for the year ended December 31, 2025. The number of shares disposed for restricted stock remuneration are 125 thousand shares for the year ended December 31, 2024 and 140 thousand shares for the year ended December 31, 2025. The number of shares disposed for performance share unit remuneration are 38 thousand shares for the year ended December 31, 2024 and 30 thousand shares for the year ended December 31, 2025.

(Note 3) The balance of Treasury shares at the end of the fiscal year includes 412 thousand shares of the Company's ordinary shares held by the board benefit trust.

(3) Other Components of Equity

A. Subscription Rights to Shares

The Company adopts share option plans and issues subscription rights to shares based on the Companies Act of Japan. Contract conditions and amount are described in “32. Share-based Payments.”

B. Exchange Differences on Translation of Foreign Operations

Exchange differences on translation of foreign operations are composed of foreign currency translation difference that occurs when consolidating financial statements of foreign subsidiaries prepared in foreign currencies, and the effective portion of net gain (loss) on the hedging instruments designated as hedge of net investment.

C. Net Gain (Loss) on Derivatives Designated as Cash Flow Hedges

The Group uses derivatives for hedging to avoid the risk of fluctuation in future cash flows. This is the effective portion of changes in the fair value of hedging instruments designated as cash flow hedges.

D. Hedge Costs

Hedge costs are changes in fair value arising from the time value of foreign currency options separated from hedging instruments.

E. Net Gain (Loss) on Revaluation of Financial Assets Measured at Fair Value through Other Comprehensive Income

This is the valuation difference in the fair value of financial assets measured at fair value through other comprehensive income.

F. Remeasurements of Defined Benefit Plans

Remeasurements of defined benefit plans comprise actuarial gains and losses, the return on plan assets excluding amounts included in interest income, and any change in the effect of the asset ceiling excluding amounts included in interest income. In addition, actuarial gains and losses are the effects of differences between the actuarial assumptions at the beginning of the year and what has actually occurred, and the effects of changes in actuarial assumptions. Remeasurements are recognized as other comprehensive income when they occur and are transferred immediately from other components of equity to retained earnings.

24. Dividends

Dividends paid for each year are as follows:

Year ended December 31, 2024

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders' Meeting (March 22, 2024)	Ordinary shares	177,531	100	December 31, 2023	March 25, 2024
Board of Directors (August 2, 2024)	Ordinary shares	172,229	97	June 30, 2024	September 4, 2024

Year ended December 31, 2025

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders' Meeting (March 26, 2025)	Ordinary shares	172,232	97	December 31, 2024	March 27, 2025
Board of Directors (July 31, 2025)	Ordinary shares	184,683	104	June 30, 2025	September 1, 2025

The total amount of dividends declared at the Board of Directors meeting held on July 31, 2025 includes ¥42 million in dividends on the Company's ordinary shares held by the board benefit trust.

Dividends for which the effective date falls in the following year are as follows:

Year ended December 31, 2024

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders' Meeting (March 26, 2025)	Ordinary shares	172,232	97	December 31, 2024	March 27, 2025

The following proposals are planned to be submitted at the Annual Shareholders' Meeting to be held on March 25, 2026.

Year ended December 31, 2025

(Resolution)	Class of shares	Total dividends (Millions of yen)	Dividends per share (Yen)	Basis date	Effective date
Annual Shareholders' Meeting (March 25, 2026)	Ordinary shares	230,854	130	December 31, 2025	March 26, 2026

The total amount of dividends declared at the Annual Shareholders' Meeting held on March 25, 2026 includes ¥54 million in dividends on the Company's ordinary shares held by the board benefit trust.

25. Revenue

(1) Disaggregation of Revenue

The disaggregation of “Revenue” from continuing operations for each year is as follows. The amounts are presented after the elimination of intercompany transactions.

Year ended December 31, 2024

(Millions of yen)

	Reportable Segments		Other	Consolidated
	Tobacco (Note)	Processed Food		
Core revenue from tobacco business	2,778,610	—	—	2,778,610
Other	118,375	157,183	2,541	278,099
Total	2,896,984	157,183	2,541	3,056,709

Year ended December 31, 2025

(Millions of yen)

	Reportable Segments		Other	Consolidated
	Tobacco (Note)	Processed Food		
Core revenue from tobacco business	3,184,384	—	—	3,184,384
Other	121,023	159,513	2,756	283,291
Total	3,305,407	159,513	2,756	3,467,675

(Note) Revenues from RRP in core revenue from the “Tobacco Business” were ¥98,873 million and ¥122,511 million for the years ended December 31, 2024 and 2025, respectively. RRP represents Reduced-Risk Products with potential to reduce the health risks associated with smoking.

A. Tobacco Business

Tobacco business engages in the sale of tobacco products.

The Group evaluates that the performance obligation is satisfied when the customer obtains control of the products upon delivery and recognizes revenue upon delivery of the products. Revenue is measured at the consideration promised in the contract with customers, less discounts, rebates and taxes, including consumption tax. In addition, where the Group makes payments to the customer, except in the case when consideration payable to the customer is a payment for a distinct product or service from the customer, revenue is measured at the amount which is consideration promised with the customer, less consideration payable to the customer.

Considerations for transactions are received mainly within one year from the satisfaction of the performance obligations and include no significant financing components.

The tobacco excise taxes and other transactions in which the Group is involved as an agent are excluded from revenue. The inflow of economic benefits after deducting the tobacco excise taxes and other transactions is presented as “Revenue” in the consolidated statement of income.

B. Processed Food Business

Processed Food business engages in the sale of frozen and ambient processed foods and seasonings.

The Group evaluates that the performance obligation is satisfied when the customer obtains control of the products upon delivery and recognizes revenue upon delivery of the products. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates and taxes, including consumption tax. In addition, where the Group makes payments to the customer, except in the case when consideration payable to the customer is a payment for a distinct product or service from the customer, revenue is measured at the amount of consideration promised with the customer, less consideration payable to the customer.

Considerations for transactions are received mainly within one year from satisfying their performance obligations and include no significant financial component.

Transactions in which the Group is involved as an agent are excluded from revenue. The inflow of economic benefits after deducting these transactions is presented as “Revenue” in the consolidated statement of income.

(2) Transaction Price Allocated to the Remaining Performance Obligations

The Group uses the practical expedient and does not disclose information on the remaining performance obligations because it has no significant transactions with initial expected contractual terms exceeding one year. There are no significant amounts of considerations from contracts with customers that are not included in transaction prices.

26. Other Operating Income

The breakdown of "Other operating income" from continuing operations for each year is as follows:

(Millions of yen)

	2024	**2025**
Gain on sale of property, plant and equipment, intangible assets and investment property (Note)	8,852	15,769
Gain on remeasurement of liability related to litigation in Canada	-	52,883
Other (Note)	22,284	14,632
Total	31,136	83,284

(Note) The amount of restructuring incomes included in each account is as follows:

(Millions of yen)

	2024	**2025**
Gain on sale of property, plant and equipment, intangible assets and investment property	7,865	13,744
Other	20	239
Total	7,885	13,982

27. Selling, General and Administrative Expenses

The breakdown of "Selling, general and administrative expenses" from continuing operations for each year is as follows:

(Millions of yen)

	2024	**2025**
Advertising expenses	52,638	62,416
Promotion expenses	165,531	198,240
Commission (Note 2)	79,490	88,825
Employee benefit expenses (Note 2)	401,209	439,099
Research and development expenses (Note 1)	44,709	52,402
Depreciation and amortization	102,597	116,874
Impairment losses on other than financial assets (Note 2)	17,370	10,546
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property (Note 2)	2,221	3,331
Loss on liquidation of subsidiary	-	27,128
Loss on litigation in Canada	375,636	-
Other (Note 2)	165,822	179,298
Total	1,407,224	1,178,162

(Note 1) All research and development expenses are included in "Selling, general and administrative expenses."

(Note 2) The amount of restructuring costs included in each account is as follows:

(Millions of yen)

	2024	**2025**
Employee benefit expenses	5,529	551
Impairment losses on other than financial assets	768	1,566
Losses on sale and disposal of property, plant and equipment, intangible assets and investment property	218	858
Other	(437)	1,091
Total	6,077	4,065

28. Financial Income and Financial Costs

The breakdown of “Financial income” and “Financial costs” from continuing operations for each year is as follows:

(Millions of yen)

Financial Income	2024	**2025**
Dividend income		
Financial assets measured at fair value through other comprehensive income	2,392	845
Financial assets measured at fair value through profit or loss	96	0
Interest income		
Financial assets measured at amortized cost		
Deposits and bonds	64,586	66,091
Other	1,930	1,006
Total	69,004	67,942

(Millions of yen)

Financial Costs	2024	**2025**
Interest expenses		
Financial liabilities measured at amortized cost		
Bonds and borrowings (Note 2)	39,893	60,176
Other	2,587	15,995
Foreign exchange losses (Note 1)	81,783	97,520
Employee benefit expenses (Note 3)	5,410	4,293
Loss on net monetary position	18,435	6,453
Other	10,787	10,757
Total	158,895	195,194

(Note 1) Valuation gain (loss) of currency derivatives is included in foreign exchange losses.

(Note 2) Valuation gain (loss) of interest rate derivatives is included in interest expenses.

(Note 3) The employee benefit expenses are the net amount of interest cost and interest income related to employee benefits.

29. Other Comprehensive Income

Amount arising during the year, reclassification adjustments to profit or loss and tax effects for each component of "Other comprehensive income" for each year are as follows:

Year ended December 31, 2024

(Millions of yen)

	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss					
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	2,774	—	2,774	(435)	2,339
Remeasurements of defined benefit plans	19,783	—	19,783	(5,785)	13,998
Total of items that will not be reclassified to profit or loss	22,557	—	22,557	(6,220)	16,337
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	82,898	(2,687)	80,211	13,641	93,852
Net gain (loss) on derivatives designated as cash flow hedges	(3,558)	(1,226)	(4,785)	584	(4,201)
Hedge costs	34	—	34	(5)	29
Total of items that may be reclassified subsequently to profit or loss	79,374	(3,914)	75,460	14,220	89,680
Total	101,931	(3,914)	98,017	8,000	106,017

Year ended December 31, 2025

(Millions of yen)

	Amount arising	Reclassification adjustments	Before tax effects	Tax effects	Net of tax effects
Items that will not be reclassified to profit or loss					
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	1,839	—	1,839	(901)	937
Remeasurements of defined benefit plans	28,304	—	28,304	(6,132)	22,171
Total of items that will not be reclassified to profit or loss	30,142	—	30,142	(7,034)	23,109
Items that may be reclassified subsequently to profit or loss					
Exchange differences on translation of foreign operations	438,619	(292,895)	145,724	4,445	150,168
Net gain (loss) on derivatives designated as cash flow hedges	(3,501)	3,382	(120)	41	(78)
Hedge costs	8	—	8	(3)	5
Total of items that may be reclassified subsequently to profit or loss	435,126	(289,514)	145,612	4,483	150,095
Total	465,268	(289,514)	175,755	(2,551)	173,204

30. Earnings per Share

(1) Basis of Calculating Basic Earnings per Share

A. Profit Attributable to Ordinary Shareholders of the Parent Company

(Millions of yen)

	2024	**2025**
Profit for the period attributable to owners of the parent company	179,240	510,175
Profit not attributable to ordinary shareholders of the parent company	—	—
Profit for the period used for calculation of basic earnings per share	179,240	510,175
Profit for the period from discontinued operations attributable to ordinary shareholders of the parent company	6,495	11,094
Profit for the period from continuing operations used for calculation of basic earnings per share	172,745	499,081

B. Weighted-average Number of Ordinary Shares Outstanding During the Period

(Thousands of shares)

	2024	**2025**
Weighted-average number of shares during the period	1,775,509	1,775,404

(2) Basis of Calculating Diluted Earnings per Share

A. Profit Attributable to Diluted Ordinary Shareholders

(Millions of yen)

	2024	**2025**
Profit for the period used for calculation of basic earnings per share	179,240	510,175
Adjustment	—	—
Profit for the period used for calculation of diluted earnings per share	179,240	510,175
Profit for the period from discontinued operations attributable to ordinary shareholders of the parent company	6,495	11,094
Profit for the period from continuing operations used for calculation of diluted earnings per share	172,745	499,081

B. Weighted-average Number of Diluted Ordinary Shares Outstanding During the Period

(Thousands of shares)

	2024	**2025**
Weighted-average number of ordinary shares during the period	1,775,509	1,775,404
Increased number of ordinary shares under subscription rights to shares	264	193
Weighted-average number of diluted ordinary shares during the period	1,775,773	1,775,597

31. Reconciliation of Liabilities Arising from Financing Activities

Reconciliation of liabilities arising from financing activities for each year is as follows:

Year ended December 31, 2024

(Millions of yen)

	As of January 1, 2024	Cash flows	Non-cash changes			As of December 31, 2024
			Acquisition through business combinations	Foreign exchange movement	Other	
Short-term borrowings and commercial paper	208,968	(150,105)	―	1,454	―	60,317
Long-term borrowings (Note 1)	147,390	344,842	211,229	33,458	1,417	738,335
Bonds (Note 1)	785,901	88,894	―	52,773	568	928,136
Lease liabilities	59,591	(26,218)	1,641	1,555	27,027	63,595
Total	1,201,850	257,413	212,870	89,240	29,012	1,790,384

Year ended December 31, 2025

(Millions of yen)

	As of January 1, 2025	Cash flows	Non-cash changes			As of December 31, 2025
			Acquisition through business combinations	Foreign exchange movement	Other	
Short-term borrowings and commercial paper	60,317	20,365	―	(1,299)	60	79,444
Long-term borrowings (Note 1)	738,335	(567,190)	―	(51,436)	1,173	120,883
Bonds (Note 1)	928,136	457,318	―	91,164	1,744	1,478,362
Lease liabilities	63,595	(24,787)	(679)	3,595	32,816	74,540
Total	1,790,384	(114,294)	(679)	42,024	35,792	1,753,228

(Note 1) Current portion is included.

(Note 2) Of the bonds issued and redeemed for the year ended December 31, 2025, the portion corresponding to the modification is offset on the consolidated statement of cash flows.

32. Share-based Payments

(1) Share Option

The Company adopts share option plans. Share options are granted by the resolutions of the Board of Directors based on the approvals at the Annual Shareholders' Meeting.

The outline of the share option plan of the Company is as follows. Due to the introduction of the restricted stock remuneration plan and the performance share unit plan, share option plans are abolished except for share options already allotted and new share options will not be issued after 2020.

A. Share Option Contract Conditions of the Company

Positions of persons granted	:	Directors and Executive Officers
Settlement	:	Issuance of shares
Effective period of granted share option	:	30 years after the date of grant
Vesting conditions	:	None

Conditions related to the exercise of share options are as follows:

(i) The subscription rights to shares become exercisable when a holder of a subscription right to shares no longer holds a position as a director, an audit & supervisory board member or an executive officer. In the subscription rights to shares allocation contract with holders of such rights, it is provided for the rights that become exercisable from the date following the date on which they no longer hold their positions.

(ii) In the case where any holders of subscription rights to shares waive such rights, they cannot exercise them.

B. Changes in the Number of Share Options of the Company

(Shares)

	2024			**2025**		
	Directors	Executive Officers	Total	Directors	Executive Officers	Total
Balance as of January 1	211,800	139,600	351,400	164,200	66,400	230,600
Exercised	—	(120,800)	(120,800)	—	(39,800)	(39,800)
Transferred	(47,600)	47,600	—	—	—	—
Balance as of December 31	164,200	66,400	230,600	164,200	26,600	190,800
Exercisable balance as of December 31	—	13,200	13,200	—	9,400	9,400

(Note 1) The number of share options is presented as the number of underlying shares.

(Note 2) All share options are granted with an exercise price of ¥1 per share.

(Note 3) "Transferred" included in the "Changes in the Number of Share Options" represents the number of share options for persons granted whose management position changed during the period.

(Note 4) The weighted-average share prices of share options at the time of exercise during the period were ¥4,097 and ¥4,006 for the years ended December 31, 2024 and 2025, respectively.

(Note 5) The weighted-average remaining contract years of unexercised share options at the end of each period were 22.0 years and 21.1 years for the years ended December 31, 2024 and 2025, respectively.

(2) Restricted Stock Remuneration

The Company has the restricted stock remuneration plan, which delivers the Company's ordinary shares which are subject to a certain transfer restriction period, to Directors also serving as Executive Officers and Executive Officers of the Company (hereinafter referred to as “Eligible Directors and Executive Officers”). The plan aims to further strengthen the initiatives to enhance the corporate value over the mid to long-term and to further develop the shared value with shareholders.

The Company enters into the restricted stocks allotment agreement with the Eligible Directors and Executive Officers and the Company’s ordinary shares shall be delivered if the Eligible Directors and Executive Officers, who continue to serve for a stipulated period, pay all of the monetary compensation claims provided by the Company by the method of contribution in kind. The transfer restriction period is 30 years from the grant date. With regard to the allotted restricted stocks (hereinafter referred to as “Allotted Shares”) the restricted stock allotment agreement states that each Eligible Director and Executive Officer is prohibited to transfer Allotted Shares to a third party, pledge them, mortgage them, or use any arrangement to dispose them, and that the Company can acquire Allotted Shares without any compensation on certain conditions and so on. In case any Eligible Directors and Executive Officers who receive allotment retire due to expiration of the term or resign due to reasons deemed reasonable by the Company’s Board of Directors, from a position as Member of the Board or any other positions separately specified by the Company’s Board of Directors even during the transfer restriction period, the transfer restrictions shall be removed on all Allotted Shares held by him/her.

Details of Restricted Stock Remuneration

	2024		**2025**	
Grant date		April 19, 2024		June 27, 2025
Number of allotted shares	Directors:	70,200	Directors:	82,000
	Executive Officers:	54,300	Executive Officers:	57,700
Fair value at the grant date		¥3,958		¥4,410
Calculation methodology of fair value	Calculated based on the closing price of the Company's ordinary share at the Tokyo Stock Exchange as of the previous business day of the resolution of the share allotment by the Board of Directors		Calculated based on the closing price of the Company's ordinary share at the Tokyo Stock Exchange as of the previous business day of the resolution of the share allotment by the Board of Directors	

(3) Restricted Stock Unit

The Company has the restricted stock unit plan, which delivers the Company's ordinary shares which are obtained by the board benefit trust to Executive Officers of certain subsidiary. The plan aims to further strengthen the initiatives to enhance the corporate value over the mid to long-term and to further develop the shared value with shareholders as with the restricted stock remuneration.

In this plan, the board benefit trust which is funded and created by certain subsidiaries acquires the Company's ordinary shares from the market. The share units determined in accordance with duties of Eligible Executive Officers are granted every year. The Company's ordinary shares equivalent to the amount of granted share units and the dividends during the vesting period shall be delivered after three years have passed since grant dates. The Company's ordinary shares held by the board benefit trust are accounted for as treasury shares.

The fair value in the plan is estimated based on the market price of the Company's share, which is not revised in consideration of the estimated dividend.

Details of Restricted Stock Unit Plan

	2024	**2025**
Grant date	March 1, 2024	March 1, 2025
Number of allotted share units	159,259	236,117
Fair value at the grant date	¥3,879	¥3,811
Calculation methodology of fair value	Calculated based on the closing price of the Company's ordinary share at the Tokyo Stock Exchange on the grant date	Calculated based on the closing price of the Company's ordinary share at the Tokyo Stock Exchange on the grant date

(4) Performance Share Unit Remuneration

The Company has the performance share unit remuneration plan, which varies the number of allotted shares depending on the degree of the achievement of predetermined performance target, for Directors also serving as Executive Officers and Executive Officers of the Company (hereinafter referred to as “Eligible Directors and Executive Officers”). The plan aims to further strengthen the initiatives to enhance the corporate value over the mid to long-term and to further develop the shared value with shareholders as with the restricted stock remuneration and the restricted stock unit.

The Eligible Directors and Executive Officers shall be paid monetary compensation claims and monies for the delivery of the Company’s ordinary shares in accordance with the rate of achievement, etc. of numerical targets such as performance during the performance evaluation period as determined through deliberations by the Advisory Panel on Nomination and Compensation of the Company after the performance evaluation period of 3 consecutive fiscal years on the condition that they continue to serve as Directors, etc. of the Company for a stipulated period. They shall receive the delivery of the Company’s ordinary shares by paying all of such monetary compensation claims by the method of contribution in kind. The number of allotted shares and the amount of cash to be paid are calculated by multiplying basic number of share units determined in accordance with duties of each Eligible Director and Executive Officer by the payment ratio calculated based on the rate of achievement, etc. of numerical targets such as performance during the performance evaluation period in the range of 0% - 200%.

The fair value in the plan is estimated based on the market price of the Company’s share, which is not revised in consideration of the estimated dividend. The weighted average fair value at the reporting date for the year ended December 31, 2024 is ¥4,080 and for the year ended December 31, 2025 is ¥5,640.

Details of Performance Share Unit Remuneration

	2024	**2025**
Grant date	April 19, 2024	June 27, 2025
Number of allotted shares	Directors: 20,237 Executive Officers: 17,777	Directors: 18,244 Executive Officers: 12,100
Fair value at the grant date	¥3,958	¥4,410
Calculation methodology of fair value	Calculated based on the closing price of the Company's ordinary share at the Tokyo Stock Exchange as of the previous business day of the resolution of the share allotment by the Board of Directors	Calculated based on the closing price of the Company's ordinary share at the Tokyo Stock Exchange as of the previous business day of the resolution of the share allotment by the Board of Directors

(5) Share-based Payment Expenses

The costs included in “Selling, general and administrative expenses” in the consolidated statement of income from continuing operations are as follows.

(Millions of yen)

	2024	**2025**
Restricted stock remuneration (equity-settled)	435	559
Restricted stock unit (equity-settled)	172	455
Performance share unit remuneration (cash-settled)	172	704

(6) Liabilities Arising from Share-based Payment

The liabilities arising from Share-based Payment in the consolidated statement of financial position as of December 31 are as follows.

(Millions of yen)

	2024	**2025**
Carrying amounts of liability	846	905

33. Financial Instruments

(1) Capital Management

Based on the “4S model” and JT Group Purpose, our resource allocation policy is prioritizing business investments for sustainable profit growth in the mid to long term as well as striking a balance between profit growth through business investments and shareholder returns. On the other hand, the Group maintains a solid 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.

The Group manages net interest-bearing debt, where cash and cash equivalents are deducted from interest-bearing debt, and capital (the part attributable to the owners of the parent company). The amounts as of December 31 are as follows:

(Millions of yen)

	2024	**2025**
Interest-bearing debt (Note)	1,726,789	1,678,688
Cash and cash equivalents	(1,084,567)	(831,135)
Net interest-bearing debt	642,222	847,553
Capital (equity attributable to owners of the parent company)	3,766,623	4,086,933

(Note) Lease liabilities are excluded.

The specific rules for shares of the Company under the Japan Tobacco Inc. Act are as follows:

The Japanese government shall hold more than one-third of all of the shares issued by the Company (excluding the type of shares, for which it is stipulated that voting rights may not be exercised on any matters that can be resolved by the Annual Shareholders’ Meeting) (Article 2 (1)).

In cases where the Company intends to solicit persons to subscribe for shares to be issued or subscription rights to shares or where the Company intends to deliver shares (excluding treasury shares), subscription rights to shares (excluding its own subscription rights to shares) or bonds with subscription rights to shares (excluding its own bonds with subscription rights to shares) when exchanging with shares, the Company shall obtain the approval of the Minister of Finance (Article 2 (2)).

Disposal of shares owned by the Japanese government shall be within the limits on the number of shares decided by the Diet in the relevant annual budget (Article 3).

The Group monitors financial indicators in order to maintain a well-balanced capital structure that ensures an appropriate return on equity and a stable and flexible financial condition for future investment. We monitor credit ratings for financial stability and flexibility, and ROE (return on equity) for profitability, while focusing on changes in the domestic and overseas environments.

(2) Financial Risk Management

The Group is exposed to financial risks (credit risk, liquidity risk, foreign exchange risk, interest rate risk, and market price fluctuation risk) in the process of its management activities and it manages risks based on a specific policy in order to avoid or reduce said risks. The results of risk management are regularly reported by the Department having jurisdiction over financial operations to the president and the Board of Directors of the Company.

The Group policy limits derivatives to transactions for the purpose of mitigating risks from transactions based on actual demand. Therefore, the Group does not transact derivatives for speculation purposes or trading purposes.

(3) Credit Risk

Receivables, such as notes and accounts receivable, acquired from the operating activities of the Group are exposed to customer credit risk.

The Group holds mainly debt securities for surplus investment and equity securities of customers and suppliers to strengthen relationships with them; those securities are exposed to the issuer's credit risk.

In addition, through derivative transactions that the Group conducts in order to hedge foreign exchange fluctuation risks and interest rate fluctuation risks, the Group is exposed to the credit risk of the financial institutions which are counterparties to these transactions.

In principle, the Group sets credit lines or transaction conditions with respect to trade receivables for counterparties based on the Credit Management Guidelines in order to control the credit risk relating to counterparties. In addition, the receivable balances of counterparties with high credit risk are monitored. The Department having jurisdiction over financial operations of the Company regularly monitors the status of the occurrence and collection of bad debts and reports them to the president and the Board of Directors of the Company.

With regard to the investment of cash surpluses and derivatives, the Group invests in debt securities and other financial instruments with a certain credit rating and transacts with financial institutions with a high credit rating in principle in order to prevent credit risks from occurring and based on the Group Financial Operation Basic Policy. In addition, the Department having jurisdiction over financial operations of the Company regularly monitors the performance of these transactions and reports the results to the president and the Board of Directors of the Company.

The maximum exposure pertaining to credit risks for financial assets is the carrying amount after considering impairment in the consolidated financial statements.

There is no excessive concentration of the credit risks to certain counterparties.

The Group reviews collectability of trade receivables depending on the credit conditions of counterparties and recognizes allowance for doubtful accounts. The schedule of the allowance for doubtful accounts is as follows.

(Millions of yen)

	Trade receivables	Other financial assets			Total
		Measured at an amount equal to the 12-month expected credit losses	Measured at an amount equal to the full lifetime expected credit losses		
			Non-credit-impaired financial assets	Credit-impaired financial assets	
As of January 1, 2024	3,905	—	91	6,339	10,335
Addition	6,111	—	43	28	6,182
Decrease (intended use)	(324)	—	—	—	(324)
Decrease (reversal)	(2,335)	—	(36)	(81)	(2,452)
Other	453	—	—	396	849
As of December 31, 2024	7,810	—	98	6,682	14,590
Addition	5,043	—	—	—	5,043
Decrease (intended use)	(420)	—	(0)	(26)	(447)
Decrease (reversal)	(1,065)	—	(4)	—	(1,070)
Other	85	—	—	143	227
As of December 31, 2025	11,451	—	93	6,798	18,343

(Note) There is no significant change in the carrying amounts of financial assets which affects the change in the allowance for doubtful accounts.

(4) Liquidity Risk

The Group raises funds by borrowings, commercial paper and bonds; however, these liabilities are exposed to the liquidity risk that we would not be able to repay liabilities on the due date due to the deterioration of the financing environment.

In accordance with the Group Financial Operation Basic Policy, the Group establishes a finance plan based on the annual business plan and the Department having jurisdiction over financial operations of the Company regularly monitors and collects information on the balance of liquidity-in-hand and interest-bearing debt and reports it to the president and the Board of Directors of the Company. In order to manage liquidity risk, the Group keeps necessary credit facilities by having commitment lines with several financial institutions, and conducts securitization of receivables.

The financial liability balance (including derivative financial instruments) by maturity as of December 31 is as follows:

As of December 31, 2024

(Millions of yen)

	Carrying amount	Contractual cash flow	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	659,510	659,510	659,510	—	—	—	—	—
Short-term borrowings	60,317	60,317	60,317	—	—	—	—	—
Current portion of long-term borrowings	2,935	2,935	2,935	—	—	—	—	—
Long-term borrowings	735,400	736,561	—	615,188	20,265	243	124	100,741
Current portion of bonds	115,416	115,524	115,524	—	—	—	—	—
Bonds	812,721	823,796	—	—	—	106,084	74,109	643,603
Lease liabilities	63,595	78,684	23,178	14,997	9,626	6,360	3,513	21,011
Subtotal	2,449,894	2,477,328	861,465	630,185	29,891	112,687	77,745	765,356
Derivative financial liabilities								
Foreign exchange forward contract	44,887	44,887	39,093	5,794	—	—	—	—
Interest rate swap	216	216	216	—	—	—	—	—
Subtotal	45,103	45,103	39,309	5,794	—	—	—	—
Total	2,494,997	2,522,431	900,774	635,979	29,891	112,687	77,745	765,356

As of December 31, 2025

(Millions of yen)

	Carrying amount	Contractual cash flow	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Non-derivative financial liabilities								
Trade and other payables	711,721	711,721	711,721	—	—	—	—	—
Short-term borrowings	79,444	79,444	79,444	—	—	—	—	—
Current portion of long-term borrowings	184	184	184	—	—	—	—	—
Long-term borrowings	120,699	121,236	—	20,204	201	79	97	100,654
Current portion of bonds	—	—	—	—	—	—	—	—
Bonds	1,478,362	1,493,215	—	—	230,077	82,723	200,454	979,962
Lease liabilities	74,540	91,166	25,587	18,774	14,028	9,516	4,201	19,059
Settlement liabilities on litigation in Canada	156,511	424,907	4,551	8,759	7,783	7,354	31,712	364,748
Subtotal	2,621,460	2,921,872	821,486	47,737	252,090	99,671	236,464	1,464,423
Derivative financial liabilities								
Foreign exchange forward contract	35,792	35,792	35,111	682	—	—	—	—
Interest rate swap	—	—	—	—	—	—	—	—
Subtotal	35,792	35,792	35,111	682	—	—	—	—
Total	2,657,252	2,957,664	856,597	48,419	252,090	99,671	236,464	1,464,423

The total of commitment lines and withdrawal as of December 31 are as follows:

(Millions of yen)

	2024	**2025**
Total committed line of credit	601,301	683,898
Withdrawing	912	—
Unused balance	600,389	683,898

(5) Foreign Exchange Risk

The Group operates businesses globally and, therefore, is exposed to the following risks due to foreign exchange fluctuation:

(i) The risk where the profit or loss and cash flow in each functional currency of the Group is influenced by foreign exchange fluctuation as a result of external transactions and intergroup transactions, including the payment and receipt of dividends, in currencies that are different from each functional currency of the Group.

(ii) The risk that the equity of the Group is influenced by foreign exchange fluctuation when equity denominated in each functional currency of the Group is translated into Japanese yen and consolidated.

(iii) The risk that the profit or loss of the Group is influenced by foreign exchange fluctuation when profit or loss denominated in each functional currency of the Group is translated into Japanese yen and consolidated.

The Group hedges against risk (i) using derivatives or foreign currency-denominated interest-bearing debts for example, when future cash flow is projected or when receivables and payables are fixed, and some of them are designated as cash flow hedges. The Group hedges against risk (ii) using foreign currency-denominated interest-bearing debts for example, and part of these are designated as net investment hedges. The Group does not hedge against risk (iii) in principle.

In order to mitigate risks mentioned above resulting from the foreign exchange fluctuation, in accordance with the Group Financial Operation Basic Policy and under the supervision of the Treasury Committee of the Company, the Group establishes and implements a foreign currency hedge policy taking into consideration the impact on the Group's performance and the current conditions of the foreign exchange market in a comprehensive manner. The Department having jurisdiction over financial operations of the Company regularly reports the performances to the president and the Board of Directors of the Company.

Foreign Exchange Sensitivity Analysis

In cases where each currency other than the functional currency that denominates the financial instruments held by the Group as of each year end increases by 10% in value against the functional currency, the impact on profit before income taxes in the consolidated statement of income is as follows:

The impact from the translation of functional currency-denominated financial instruments, and assets, liabilities, income and expenses of foreign operations into Japanese yen is not included. Also, it is based on the assumption that currencies other than the currencies used for the calculation do not fluctuate.

(Millions of yen)

	2024	**2025**
Profit before income taxes	(6,899)	(6,349)

(6) Interest Rate Risk

Interest rate risk within the Group arises from interest-bearing debts after deducting cash equivalents. Borrowings and bonds with floating rates are exposed to interest rate fluctuation risk.

In order to reduce the interest rate fluctuation risk related to borrowings and bonds, in accordance with the Group Financial Operation Basic Policy and under the supervision of the Treasury Committee of the Company, the Group establishes and implements an interest rate hedging policy taking into consideration the impact on the Group's performance and the current condition of the interest rates in a comprehensive manner. The Department having jurisdiction over financial operations of the Company reports the performances to the president and the Board of Directors of the Company.

Interest Rate Sensitivity Analysis

In cases where the interest rate of financial instruments held by the Group as of each year end increases by 100bp, the impact on profit before income taxes in the consolidated statement of income is as follows:

The analysis is subject to financial instruments affected by interest rate fluctuation and based on the assumption that other factors, including the impacts of foreign exchange fluctuation, are constant.

(Millions of yen)

	2024	**2025**
Profit before income taxes	(2,170)	3,462

(7) Hedging Transactions

The Group’s policy for hedging transactions is stated in “3. Material Accounting Policy Information.”

A. Cash Flow Hedges

The details of hedging instruments designated as cash flow hedges are as follows:

As of December 31, 2024

	Contract amount		Over one year		Carrying amount (Note) (Millions of yen) Assets	Carrying amount (Note) (Millions of yen) Liabilities	Average rate, etc.	
Foreign exchange risk								
Foreign exchange forward contract								
JPY / USD	USD	103 mil.		―	―	1,122	¥	143.58
EUR / USD	USD	792 mil.		―	5,665	713	€	0.91
GBP / USD	USD	250 mil.		―	773	55	£	0.78
USD / CHF	CHF	386 mil.		―	125	2,990	$	1.17
USD / PLN	PLN	1,078 mil.		―	106	1,333	$	0.25
EUR / PLN	PLN	612 mil.		―	1	341	€	0.23
Interest rate risk								
Interest rate swap								
Variable rate receipt and fixed rate payment	JPY	50,000 mil.		50,000 mil.	77	216		1.04%
US Treasury lock	USD	225 mil.		―	91	―		4.37%

As of December 31, 2025

	Contract amount		Over one year		Carrying amount (Note) (Millions of yen) Assets	Carrying amount (Note) (Millions of yen) Liabilities	Average rate, etc.	
Foreign exchange risk								
Foreign exchange forward contract								
EUR / USD	USD	1,563 mil.	USD	2 mil.	136	4,655	€	0.86
GBP / USD	USD	478 mil.	USD	1 mil.	133	1,289	£	0.75
USD / CHF	CHF	687 mil.		―	2,541	273	$	1.26
USD / PLN	PLN	1,979 mil.		―	2,327	170	$	0.27
EUR / PLN	PLN	842 mil.		―	60	572	€	0.23
USD / BRL	BRL	889 mil.	BRL	1 mil.	1,489	20	$	0.86
Interest rate risk								
Interest rate swap								
Variable rate receipt and fixed rate payment	JPY	50,000 mil.		50,000 mil.	52	―		1.04%

(Note) Carrying amounts of derivatives are presented as “Other financial assets” or “Other financial liabilities” in the consolidated statement of financial position, and the portion with over one year maturity is classified as “Non-current assets” or “Non-current liabilities.”

The schedule of net gains (losses) on hedging instruments designated as cash flow hedges is as follows:

(Millions of yen)

	Effective portion of changes in the fair value of cash flow hedges		
	Foreign exchange risk	Interest rate risk (Note)	Total
As of January 1, 2024	4,039	5,106	9,145
Other comprehensive income			
Amount arising (Note)	(3,558)	–	(3,558)
Reclassification adjustments (Note)	(398)	(828)	(1,226)
Tax effects	577	7	584
Basis adjustments	(918)	–	(918)
As of December 31, 2024	(259)	4,285	4,026
Other comprehensive income			
Amount arising (Note)	(1,937)	(1,564)	(3,501)
Reclassification adjustments (Note)	3,997	(615)	3,382
Tax effects	(568)	610	41
Basis adjustments	(3,233)	–	(3,233)
As of December 31, 2025	(2,001)	2,716	715

(Note) Regarding interest rate risk, the change in value of the hedged item used as the basis for recognizing hedge ineffectiveness approximates the change in fair value of the hedging instrument, and the amount, which is reclassified when the hedged item affects profit or loss, is recognized in "Revenue," "Selling, general and administrative expenses," "Financial income" or "Financial costs" in the consolidated statement of income. The amount of hedge ineffectiveness is immaterial.

The effect of hedging instruments on consolidated statements of profit or loss and comprehensive income is as follows:

Year ended December 31, 2025

(Millions of yen)

	Gains or losses on hedges recognized in other comprehensive income	Hedge ineffectiveness recognized in profit or loss	Line item in the consolidated statement of income that includes hedge ineffectiveness recognized in profit or loss	Amount reclassified from cash flow hedge reserve to profit or loss	Line item in the consolidated statement of income that includes profit or loss due to reclassification adjustment
Foreign exchange risk	(1,937)	132	Financial income	3,997	Financial income

The changes in fair value of the hedging instrument and in value of the hedged item used as the basis for recognizing hedge ineffectiveness are as follows:

Year ended December 31, 2025

(Millions of yen)

	The change in fair value of the hedging instrument	The change in value of the hedged item
Foreign exchange risk	(1,804)	1,937

B. Hedge of Net Investment in Foreign Operations

The details of hedging instruments designated as hedge of net investment are mainly as follows:

As of December 31, 2024

	Contract amount		Over one year		Carrying amount (Note) (Millions of yen)		Average rate, etc.	
					Assets	Liabilities		
Bonds in EUR	EUR	1,414 mil.	EUR	1,238 mil.	—	329,031	$	1.14
Bonds in GBP	GBP	391 mil.	GBP	391 mil.	—	77,733	$	1.32
Foreign exchange forward contract								
JPY / USD	USD	2,380 mil.	USD	600 mil.	—	31,107	¥	140.51

As of December 31, 2025

	Contract amount		Over one year		Carrying amount (Note) (Millions of yen)		Average rate, etc.	
					Assets	Liabilities		
Bonds in EUR	EUR	2,980 mil.	EUR	2,932 mil.	—	538,754	$	1.15
Bonds in GBP	GBP	391 mil.	GBP	391 mil.	—	82,549	$	1.32
Foreign exchange forward contract								
JPY / USD	USD	2,246 mil.		—	27	19,967	¥	145.08
USD / RON	RON	650 mil.		—	6	396	$	0.22

(Note) Carrying amounts of bonds are presented as "Bonds and borrowings" in the consolidated statement of financial position, and the portion with over one year maturity is classified as "Non-current liabilities." Carrying amounts of derivatives are presented as "Other financial assets" or "Other financial liabilities" in the consolidated statement of financial position, and the portion with over one year maturity is classified as "Non-current assets" or "Non-current liabilities."

The schedule of net gains (losses) on hedging instrument designated as hedge of net investment in foreign operations is as follows:

(Millions of yen)

	2024	**2025**
As of January 1	(16,442)	(32,293)
Other comprehensive income		
Amount arising (Note 1)	(29,491)	(64,985)
Tax effects	13,641	4,445
As of December 31 (Note 2)	(32,293)	(92,833)

(Note 1) The change in value of the hedged item used as the basis for recognizing hedge ineffectiveness approximates the change in fair value of the hedging instrument.

(Note 2) Net loss arising from the hedging instruments for which hedge accounting is discontinued were ¥32,241 million as of December 31, 2024 and ¥56,867 million as of December 31, 2025, respectively, which are included in the exchange differences on translation of foreign operations.

(8) Market Price Fluctuation Risk

With respect to securities, the Group regularly assesses the fair value and financial conditions of the issuers, and each relevant department reviews the portfolio held by taking into account the relationship with counterparty entities as necessary.

(9) Fair Value of Financial Instruments

The fair value hierarchy of financial instruments is categorized from Level 1 to Level 3 as follows:

Level 1: Fair value measured at the quoted price in the active market
Level 2: Fair value that is calculated using the observable price other than categorized in Level 1 directly or indirectly
Level 3: Fair value that is calculated based on valuation techniques which include inputs that are not based on observable market data

A. Financial Instruments Measured at Amortized Cost

The carrying amount and fair value hierarchy of financial instruments measured at amortized cost as of December 31 are as follows:

As of December 31, 2024

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	738,335	—	738,281	—	738,281
Bonds (Note)	928,136	876,125	—	—	876,125

As of December 31, 2025

(Millions of yen)

	Carrying amount	Fair value			
		Level 1	Level 2	Level 3	Total
Long-term borrowings (Note)	120,883	—	117,812	—	117,812
Bonds	1,478,362	1,455,042	—	—	1,455,042
Settlement liabilities on litigation in Canada (Note)	156,511	—	—	154,897	154,897

(Note) Current portion is included.

With regard to short-term financial assets and short-term financial liabilities measured at amortized cost, their fair value approximates the carrying amount.

The fair value of long-term borrowings is calculated based on the present value which is obtained by discounting the total of the principal and interest by the interest rate assumed in a case where the same loan is newly made.

The fair value of settlement liabilities on litigation in Canada is calculated based on the present value which is obtained by discounting each amount of expected annual payment by the discount rate at the end of the fiscal year.

B. Financial Instruments Measured at Fair Value

The fair value hierarchy of financial instruments measured at fair value as of December 31 is as follows:

As of December 31, 2024

(Millions of yen)

	Level 1	Level 2	Level 3 (Note)	Total
Derivative assets	—	18,900	—	18,900
Equity securities	24,709	—	17,783	42,492
Notes and accounts receivable	—	22,884	—	22,884
Other	852	2,814	28,136	31,802
Total	25,561	44,598	45,920	116,078
Derivative liabilities	—	45,103	—	45,103
Total	—	45,103	—	45,103

As of December 31, 2025

(Millions of yen)

	Level 1	Level 2	Level 3 (Note)	Total
Derivative assets	—	13,758	—	13,758
Equity securities	20,742	—	14,446	35,188
Notes and accounts receivable	—	24,680	—	24,680
Other	—	—	13,695	13,695
Total	20,742	38,438	28,141	87,321
Derivative liabilities	—	35,792	—	35,792
Total	—	35,792	—	35,792

(Note) The schedule of financial instruments that are classified in Level 3 is as follows:

(Millions of yen)

	2024	**2025**
As of January 1	26,560	45,920
Total gain (loss)		
Profit or loss (Note 1)	(1,259)	(3,768)
Other comprehensive income (Note 2)	504	(1,217)
Purchases	6,977	8,036
Increase due to business combination	5,750	—
Sales	(2,902)	(3,825)
Other	10,289	(17,005)
As of December 31	45,920	28,141

(Note 1) Gains and losses included in profit or loss for the years ended December 31, 2024 and 2025 are related to financial assets measured at fair value through profit or loss as of the year end. These gains and losses are included in “Financial income” and “Financial costs.”

(Note 2) Gains and losses included in other comprehensive income for the years ended December 31, 2024 and 2025 are related to financial assets measured at fair value through other comprehensive income as of the year end. These gains and losses are included in “Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income.”

(10) Lack of exchangeability

The functional currency (Iranian Rial: IRR) used by the Group's subsidiaries in Iran lacks exchangeability due to restrictions on cross-border remittances and the acquisition of foreign currencies, which result from the foreign exchange allocation system of the Central Bank of Iran and international sanctions. Accordingly, the spot exchange rate at the end of the current fiscal year (8,082.36 JPY/IRR) is calculated by multiplying the 2nd hall Exporter’s Rate (EUR/IRR) published by the Central Bank of Iran by an externally published rate (JPY/EUR). Major transactions affected include the repatriation of funds received by Group companies from the Iranian subsidiaries, exposing the Group to the risk that IRR cannot be exchanged into other currencies in a timely manner or may be exchanged at an unfavorable rate (the carrying amount of the related cash and cash equivalents is disclosed in "7. Cash and cash equivalents").

34. Related Parties

Based on the Japan Tobacco Inc. Act, the Japanese government shall hold more than one-third of all of the shares issued by the Company (excluding the type of shares, for which it is stipulated that voting rights may not be exercised on any matters that can be resolved by Annual Shareholders' Meeting). As of December 31, 2025, the Japanese government held 33.34% of all outstanding shares of the Company.

(1) Related-party Transactions

Related-party transactions are conducted under the same conditions as regular business transactions.
The Group's revenue from TC Megapolis JSC, the local Russian distribution affiliate, was ¥369,568 million and ¥444,326 million for the years ended December 31, 2024 and 2025, respectively. The Group held trade receivables of ¥74,959 million and ¥90,734 million from TC Megapolis JSC as of December 31, 2024 and 2025, respectively.

(2) Remuneration for Directors and Audit and Supervisory Board Members

Remuneration for directors and audit and supervisory board members for each year is as follows:

(Millions of yen)

	2024	**2025**
Remuneration and bonuses	1,145	1,254
Share-based payments	385	811
Total	1,530	2,064

35. Subsidiaries, Associates and Others

(The composition of the Group)

The composition of the Group by reportable segment as of December 31 is as follows:

	2024		**2025**	
Reportable Segments	Number of subsidiaries	Number of entities accounted for using the equity method (Note 1)	Number of subsidiaries	Number of entities accounted for using the equity method (Note 1)
Tobacco	222	50	182	15
Processed Food	21	2	20	2
Other (Note 2)	25	1	23	3
Total	268	53	225	20

(Note 1) No associates or joint ventures are considered to be material to the Group.

(Note 2) As "Pharmaceuticals Business" has been classified as discontinued operations for the year ended December 31, 2025, subsidiaries classified in the discontinued operations are presented in "Other." The transfer of pharmaceutical subsidiaries was completed during the current fiscal year.

Regarding the restrictions on the ability to use the assets of the Group, please refer to "7. Cash and Cash Equivalents."

36. Commitments

(1) Commitments for the Acquisition of Assets

Commitments for the acquisition of assets as of December 31 are as follows:

(Millions of yen)

	2024	**2025**
Acquisition of property, plant and equipment	61,747	41,778
Acquisition of intangible assets	6,136	4,557
Total	67,883	46,335

(2) Procurement of Domestic Leaf Tobacco

With regard to the procurement of domestic leaf tobacco by the Company, based on the Tobacco Business Act, the Company enters into purchase contracts with domestic leaf tobacco growers every year, and the contracts determine the area under cultivation by type of tobacco and the prices by type and quality of tobacco leaf. Under the contracts, the Company is obligated to purchase all domestic leaf tobacco produced pursuant to such contracts, except for any domestic leaf tobacco not suited for the manufacture of tobacco products.

37. Hyperinflationary Accounting Adjustments

As required by IAS 29, the Group's consolidated financial statements include the financial statements of the subsidiaries in the hyperinflationary economy, restated in terms of the measuring unit current at the end of the reporting period.
For the restatement of the financial statements of the subsidiaries in Iran, Turkey and Myanmar, the Group applies the conversion coefficients derived from the Consumer Price Index of Iran published by the Statistical Center of Iran, from the Consumer Price Index of Turkey published by the Turkish Statistical Institute and from the Consumer Price Index of Myanmar published by the Central Bank of Myanmar. Major Consumer Price Indexes are described.

Consumer Price Index and corresponding conversion coefficients of Iran are presented below.

End of reporting period	Consumer Price Index	Conversion coefficient
31 December 2015	93	1,695
(omission)		
31 December 2021	379	417
31 December 2022	563	281
31 December 2023	789	201
31 December 2024	1,037	153
31 December 2025	1,583	100

Consumer Price Index and corresponding conversion coefficients of Turkey are presented below.

End of reporting period	Consumer Price Index	Conversion coefficient
31 December 2010	182	1,932
(omission)		
31 December 2021	687	512
31 December 2022	1,128	311
31 December 2023	1,859	189
31 December 2024	2,685	131
31 December 2025	3,514	100

Consumer Price Index and corresponding conversion coefficients of Myanmar are presented below.
The Group applies the Consumer Price Index and conversion coefficients as of December 31 2025 reasonably calculated based on the Consumer Price Index for March 2025, along with the consideration of the economic situation of Myanmar.

End of reporting period	Consumer Price Index	Conversion coefficient
31 December 2013	73	506
(omission)		
31 December 2021	126	295
31 December 2022	170	218
31 December 2023	216	172
31 December 2024	289	129
31 December 2025	372	100

Furthermore, as Ethiopia's economy is no longer classified as hyperinflationary economy, adjustments for hyperinflation to the financial statements of the relevant subsidiary have been discontinued. Additionally, following the deconsolidation of the Company's local subsidiary in Sudan, adjustments for hyperinflation to the financial statements of that subsidiary have been terminated.

The Company's subsidiaries in the hyperinflationary economy have restated their non-monetary items held at historical cost, such as property, plant and equipment, by applying the conversion coefficients at the acquisition date. Monetary items and non-monetary items held at current cost are not restated as they are considered to be expressed in terms of the measuring unit current at the end of the reporting period.
For the purpose of consolidation, the financial statements of the Company's subsidiaries in the hyperinflationary economy are translated using the spot exchange rates at the end of the reporting period.

38. Discontinued Operations

(1) General information of discontinued operations

The Group classifies continuing operations and discontinued operations based on operating segments. As a result, for a business not managed as an independent operating segment, it will not be classified as discontinued operations when sold or discontinued and its operating income (loss) and cash flows will be included in the operating income (loss) and cash flows of continuing operations.

The shares of Torii Pharmaceutical Co., Ltd., (Torii Pharmaceutical), a pharmaceutical subsidiary of the Group, held by the Company were transferred to Torii Pharmaceutical Co., Ltd. on September 1, 2025, and an absorption-type split contract regarding the transfer of the Company's pharmaceutical business to Shionogi & Co., Ltd. was concluded on September 25, 2025. Accordingly, the "Pharmaceutical Business" has been classified as discontinued operations in the current fiscal year and presented separately from continuing operations.

The transfer of pharmaceutical business was completed on December 1, 2025.

(2) Profit and loss of discontinued operations

(Millions of yen)

	Year ended December 31, 2024	Year ended December 31, 2025
Profit and loss of discontinued operations		
Revenue	93,050	75,699
Cost of sales	(28,178)	(17,650)
Gross profit	64,871	58,049
Other operating income (Note 1)	66	4,419
Selling, general and administrative expenses (Note 2)	(55,700)	(67,738)
Operating profit (loss)	9,238	(5,270)
Financial income	498	412
Financial costs	(303)	(103)
Profit before income taxes (loss)	9,434	(4,962)
Income taxes (Note 3)	(765)	17,101
Profit for the period from discontinued operations	8,669	12,139
Attributable to:		
Owners of the parent company	6,495	11,094
Non-controlling interests	2,173	1,045
Profit for the period from discontinued operations	8,669	12,139

(Note 1) Gains on transfer of pharmaceutical business of ¥4,725 million are included in the year ended December 31, 2025.

(Note 2) Impairment losses of ¥24,346 million are included in the year ended December 31, 2025.

(Note 3) Tax expense of ¥-26,371 million related to transfer of pharmaceutical business is included in the year ended December 31, 2025.

(3) Cash flows of discontinued operations

(Millions of yen)

	Year ended December 31, 2024	Year ended December 31, 2025
Cash flows of discontinued operations		
Cash flows from operating activities	9,731	10,993
Cash flows from investing activities (Note)	(10,624)	42,825
Cash flows from financing activities	(2,340)	(1,193)
Total	(3,233)	52,625

(Note) Proceeds from transfer of pharmaceutical business are included in the year ended December 31, 2025.

39. Transfer of business

On December 1, 2025, the Company's pharmaceutical business was transferred to Shionogi & Co., Ltd. In connection with this transfer, the shares of Torii Pharmaceutical Co., Ltd. and other subsidiary, held by the Group were also transferred. The consideration was received entirely in cash.

	(Millions of yen)
	Amount
Consideration received	79,297
Cash and cash equivalents in business transferred	(36,486)
Proceeds from transfer of business	42,811

The breakdown of assets and liabilities transferred is as follows:

	(Millions of yen)
	Book value
Current assets	104,892
Non-current assets	64,268
Total assets	169,160
Current liabilities	26,411
Non-current liabilities	11,691
Total liabilities	38,102

40. Contingencies

Contingent Liabilities

The Company and some of its subsidiaries are defendants in legal proceedings. Provisions are not accounted for in matters where it is not practicable to reasonably estimate the final outcomes.

The Company and some of its subsidiaries, who are defendants in such legal proceedings, believe that its defenses asserted in these proceedings are based on substantial evidence and implement the system for the response to action with the assistance of external lawyers.

(1) Smoking and Health Related Litigation

Some of the Company's subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking, the marketing of tobacco products, or exposure to tobacco smoke. As of December 31, 2025, there were a total of 142 smoking and health related cases pending including cases in which the Company's subsidiaries were named as defendants. All of the 18 cases in Canada have been forever discharged, released, enjoined and barred as a result of CCAA Plans of Compromise and Arrangement which were approved by the Ontario Superior Court on March 6, 2025 and implemented on August 29, 2025. Procedural steps for these claims to be formally dismissed with prejudice from each relevant court are currently progressing.

Of these, there were some lawsuits for which a provision for loss on litigation has been provided in connection with the acquisition of the U.S. tobacco company, Vector Group Ltd.

The major ongoing smoking and health related cases are as follows:

A. Individual Claims

There are 123 individual cases brought against the Company's subsidiaries in the United States of America.

B. Class Actions

There is one ongoing class action in the United States of America against the Company's subsidiary.

<u>The United States of America Louisiana Class Action (Young):</u>

This class action was brought against tobacco industry members, including Liggett Group LLC, in November 1997. Plaintiffs are seeking unspecified compensatory and punitive damages on behalf of class members who allegedly suffered health injuries from exposure to tobacco smoke. This case has been stayed since October 2004.

(2) Other Legal Proceedings

The Company and some of its subsidiaries are also engaged in other legal proceedings such as commercial and tax disputes.

41. Subsequent Events

No items to report.

(2) Others

A. Semi-annual Information for the Year ended December 31, 2025

(Millions of yen)

	January 1, 2025 to June 30, 2025	January 1, 2025 to December 31, 2025
Revenue	1,734,543	3,467,675
Profit before income taxes for the period (year)	437,821	739,786
Profit attributable to owners of the parent company for the period (year)	319,905	510,175
Basic earnings per share for the period (year) (yen)	180.19	287.36

(Note) From the nine months ended September 30, 2025, the "Pharmaceutical Business" has been classified as discontinued operations. Therefore, revenue, and profit before income taxes for the period (year), represent the amounts for continuing operations.

B. Significant Lawsuits

The significant lawsuits of the Group are as stated in "40. Contingencies" in the notes to consolidated financial statements.

2. Nonconsolidated Financial Statements

(1) Nonconsolidated Financial Statements

A. Nonconsolidated Balance Sheet

As of December 31, 2024 and 2025

(Millions of yen)

		2024		**2025**
Assets				
Current assets				
Cash and deposits		205,764		252,923
Securities		—		21,000
Accounts receivable-trade	*2	35,420	*2	39,953
Merchandise and finished goods		38,813		39,084
Semi-finished goods		76,050		44,220
Work in process		1,726		1,644
Raw materials and supplies		42,204		38,622
Advance payments-trade		1,641		2,626
Prepaid expenses		5,364		3,418
Short-term loans receivable from subsidiaries and affiliates		39,264		119,092
Other	*2	33,922	*2	31,224
Allowance for doubtful accounts		(31)		(31)
Total current assets		480,137		593,774
Noncurrent assets				
Property, plant and equipment				
Buildings		65,106		49,966
Structures		1,849		1,641
Machinery and equipment		28,822		37,322
Vehicles		961		1,277
Tools, furniture and fixtures		12,401		11,008
Land		43,669		37,449
Construction in progress		6,605		5,392
Total property, plant and equipment		159,412		144,054
Intangible assets				
Right of trademark		16,422		96
Software		16,481		14,699
Goodwill		35,771		—
Other		6,831		4,670
Total intangible assets		75,505		19,464
Investments and other assets				
Investment securities		21,707		22,521
Shares of subsidiaries and affiliates		1,508,834		1,652,493
Long-term loans receivable from subsidiaries and affiliates		5,488		269,132
Long-term prepaid expenses		9,714		6,794
Deferred tax assets		25,981		17,266
Other		17,102		16,933
Allowance for doubtful accounts		(90)		(64)
Total investments and other assets		1,588,735		1,985,074
Total noncurrent assets		1,823,652		2,148,593
Total assets		2,303,789		2,742,366

(Millions of yen)

		2024		**2025**
Liabilities				
Current liabilities				
Accounts payable-trade	*2	15,261	*2	17,001
Short-term borrowings	*2	100,000		—
Current portion of bonds	*1	25,000		—
Lease obligations		182		90
Accounts payable-other	*2	71,164	*2	82,268
National tobacco excise taxes payable		66,209		66,788
National tobacco special excise taxes payable		7,982		8,052
Local tobacco excise taxes payable		76,693		74,945
Income taxes payable		1,330		1,446
Accrued consumption taxes		26,994		25,705
Cash management system deposits received	*3	292,571	*3	275,181
Provision for bonuses		13,396		13,843
Other provisions		3,471		1,379
Other		53,561		58,338
Total current liabilities		753,816		625,035
Noncurrent liabilities				
Bonds payable	*1	100,000	*1	559,543
Long-term borrowings		120,000		120,000
Lease obligations		616		955
Provision for retirement benefits		98,521		86,089
Long-term income taxes payable		—		936
Other	*2	15,943		11,424
Total noncurrent liabilities		335,079		778,948
Total liabilities		1,088,895		1,403,983

(Millions of yen)

	2024	**2025**
Net assets		
Shareholders’ equity		
Capital stock	100,000	100,000
Capital surplus		
Legal capital surplus	636,400	636,400
Other capital surplus	100,297	100,664
Total capital surplus	736,697	737,064
Retained earnings		
Legal retained earnings	18,776	18,776
Other retained earnings		
Reserve for investment loss on developing new business	243	223
Reserve for reduction entry	31,382	22,486
Special account for reduction entry	877	822
Retained earnings brought forward	831,979	975,733
Total retained earnings	883,256	1,018,039
Treasury shares	(488,579)	(488,124)
Total shareholders’ equity	1,231,375	1,366,980
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,052	6,503
Deferred gains or losses on hedges	(23,896)	(35,389)
Total valuation and translation adjustments	(16,844)	(28,887)
Subscription rights to shares	364	291
Total net assets	1,214,895	1,338,384
Total liabilities and net assets	2,303,789	2,742,366

B. Nonconsolidated Statement of Income

Years Ended December 31, 2024 and 2025

(Millions of yen)

		2024		**2025**
Net sales	*5	530,247	*5	566,521
Cost of sales	*5	195,050	*5	216,731
Gross profit		335,197		349,790
Selling, general and administrative expenses	*1,*5	341,273	*1,*5	355,879
Operating loss		(6,076)		(6,090)
Non-operating income				
Interest income	*5	141	*5	10,626
Dividends income	*5	423,513	*5	483,530
Other	*5	10,280	*5	11,485
Total non-operating income		433,934		505,641
Non-operating expenses				
Interest expenses	*5	2,341	*5	3,659
Interest on bonds		1,013		16,080
Foreign exchange losses		18,370		2,976
Other	*5	1,758	*5	4,274
Total non-operating expenses		23,482		26,990
Ordinary income		404,377		472,561
Extraordinary income				
Gain on sales of noncurrent assets	*2,*5	7,898	*2,*5	13,748
Gain on sales of shares of subsidiaries		—	*5	28,761
Other		1,324	*5	1,526
Total extraordinary income		9,223		44,035
Extraordinary losses				
Loss on sales of noncurrent assets	*3,*5	196	*3,*5	21
Loss on retirement of noncurrent assets	*4,*5	1,455	*4,*5	2,351
Impairment loss		4,504		2,534
Loss on liquidation of business		—	*6	15,494
Other		1,894		693
Total extraordinary losses		8,048		21,093
Income before income taxes		405,552		495,504
Income taxes-current		2,309	*7	(1,993)
Income taxes-deferred		(1,606)		5,798
Total income taxes		703		3,805
Net income		404,849		491,698

C. Nonconsolidated Statement of Changes in Net Assets
Years Ended December 31, 2024 and 2025

(Millions of yen)

	Shareholders' equity									
		Capital surplus			Retained earnings					
						Other retained earnings				
	Capital stock	Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	Total retained earnings
As of January 1, 2024	100,000	736,400	78	736,478	18,776	326	32,922	914	775,229	828,167
Changes of items during the period										
Reversal of legal capital surplus		(100,000)	100,000	―						
Provision of reserve for investment loss on developing new business						243			(243)	―
Reversal of reserve for investment loss on developing new business						(326)			326	―
Provision of reserve for reduction entry							918		(918)	―
Reversal of reserve for reduction entry							(2,458)		2,458	―
Provision of special account for reduction entry								877	(877)	―
Reversal of special account for reduction entry								(914)	914	―
Dividends from surplus									(349,759)	(349,759)
Net income									404,849	404,849
Purchase of treasury shares										
Disposal of treasury shares			220	220						
Net changes of items other than shareholders' equity										
Total changes of items during the period	―	(100,000)	100,220	220	―	(83)	(1,540)	(38)	56,750	55,089
As of December 31, 2024	100,000	636,400	100,297	736,697	18,776	243	31,382	877	831,979	883,256

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments				
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments	Subscription rights to shares	Total net assets
As of January 1, 2024	(489,194)	1,175,451	6,545	(2,975)	3,569	557	1,179,577
Changes of items during the period							
Reversal of legal capital surplus		―					―
Provision of reserve for investment loss on developing new business		―					―
Reversal of reserve for investment loss on developing new business		―					―
Provision of reserve for reduction entry		―					―
Reversal of reserve for reduction entry		―					―
Provision of special account for reduction entry		―					―
Reversal of special account for reduction entry		―					―
Dividends from surplus		(349,759)					(349,759)
Net income		404,849					404,849
Purchase of treasury shares	(2)	(2)					(2)
Disposal of treasury shares	617	836					836
Net changes of items other than shareholders' equity			507	(20,921)	(20,414)	(193)	(20,607)
Total changes of items during the period	615	55,924	507	(20,921)	(20,414)	(193)	35,317
As of December 31, 2024	(488,579)	1,231,375	7,052	(23,896)	(16,844)	364	1,214,895

(Millions of yen)

	Shareholders' equity									
	Capital stock	Capital surplus			Retained earnings					Total retained earnings
						Other retained earnings				
		Legal capital surplus	Other capital surplus	Total capital surplus	Legal retained earnings	Reserve for investment loss on developing new business	Reserve for reduction entry	Special account for reduction entry	Retained earnings brought forward	
As of January 1, 2025	100,000	636,400	100,297	736,697	18,776	243	31,382	877	831,979	883,256
Changes of items during the period										
Reversal of legal capital surplus		—	—	—						
Provision of reserve for investment loss on developing new business						223			(223)	—
Reversal of reserve for investment loss on developing new business						(243)			243	—
Provision of reserve for reduction entry							—		—	—
Reversal of reserve for reduction entry							(8,896)		8,896	—
Provision of special account for reduction entry								822	(822)	—
Reversal of special account for reduction entry								(877)	877	—
Dividends from surplus									(356,915)	(356,915)
Net income									491,698	491,698
Purchase of treasury shares										
Disposal of treasury shares			367	367						
Net changes of items other than shareholders' equity										
Total changes of items during the period	—	—	367	367	—	(20)	(8,896)	(55)	143,754	134,783
As of December 31, 2025	100,000	636,400	100,664	737,064	18,776	223	22,486	822	975,733	1,018,039

(Millions of yen)

	Shareholders' equity		Valuation and translation adjustments			Subscription rights to shares	Total net assets
	Treasury shares	Total shareholders' equity	Valuation difference on available-for-sale securities	Deferred gains or losses on hedges	Total valuation and translation adjustments		
As of January 1, 2025	(488,579)	1,231,375	7,052	(23,896)	(16,844)	364	1,214,895
Changes of items during the period							
Reversal of legal capital surplus		—					—
Provision of reserve for investment loss on developing new business		—					—
Reversal of reserve for investment loss on developing new business		—					—
Provision of reserve for reduction entry		—					—
Reversal of reserve for reduction entry		—					—
Provision of special account for reduction entry		—					—
Reversal of special account for reduction entry		—					—
Dividends from surplus		(356,915)					(356,915)
Net income		491,698					491,698
Purchase of treasury shares	(1)	(1)					(1)
Disposal of treasury shares	457	824					824
Net changes of items other than shareholders' equity			(549)	(11,493)	(12,042)	(74)	(12,116)
Total changes of items during the period	456	135,605	(549)	(11,493)	(12,042)	(74)	123,489
As of December 31, 2025	(488,124)	1,366,980	6,503	(35,389)	(28,887)	291	1,338,384

Notes to Nonconsolidated Financial Statements
Years Ended December 31, 2024 and 2025

(Significant Accounting Policies)

1. Basis and Method of Valuation for Securities

(1) Shares of Subsidiaries and Affiliates:
Stated at cost determined by the moving-average method.

(2) Available-for-sale Securities:

A. Securities with a market price:
Stated at fair value based on market prices as of the closing date of the accounting period. (Valuation difference is stated as a component of net assets and the cost of securities sold is calculated by applying the moving-average method.)

B. Securities without a market price:
Stated at cost determined by the moving-average method.

2. Basis and Method of Valuation for Derivatives

Stated based on the fair value method.

3. Basis and Method of Valuation for Inventories

Stated at cost as determined by the average cost method.
(Balance sheet amounts are measured at the lower of cost or net selling value.)

4. Depreciation Methods for Depreciable Assets

(1) Property, Plant and Equipment (Excluding Lease Assets)
The declining-balance method is applied. However, the straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998 and for accompanying facilities and structures acquired on or after April 1, 2016.
The main useful lives are as follows:

Buildings (excluding accompanying facilities):	38 to 50 years
Machinery and equipment:	10 to 18 years

(2) Intangible Assets (Excluding Lease Assets)
The straight-line method is applied.
The main useful lives are as follows:

Right of trademark:	10 years
Software:	5 years
Goodwill:	10 years

(3) Lease Assets
For finance leases that do not transfer ownership of the leased property to the lessee, depreciation expense is mainly computed by the straight-line method over the lease period as the useful life assuming no residual value.

5. Policy on Translation of Assets and Liabilities Denominated in Foreign Currency into Japanese Yen

Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates prevailing as of the closing date of the accounting period with translation differences treated as gains or losses.

6. Policy on Accounting of Provisions

(1) Allowance for Doubtful Accounts

Provided for possible losses from bad debts at an amount based on the historical default rate for ordinary receivables and the individual recoverability of specific doubtful receivables from customers experiencing financial difficulties.

(2) Provision for Bonuses

Provided based on the estimated payable amount to provide for the payment of bonuses to employees and directors.

(3) Provision for Retirement Benefits

Provided in preparation for the payment of retirement benefits to employees based on the estimated retirement benefit obligations and fair value of plan assets as of the end of this fiscal year. In calculating retirement benefit obligations, the benefit formula basis is used as the method of attributing expected benefit to periods up to the end of this fiscal year.

Past service cost is amortized using the straight-line method over the average remaining years of service of the employees (10 years).

Actuarial gains and losses are amortized from the year following the year in which the gains or losses are recognized using the straight-line method over the average remaining years of service of the employees (10 years).

Also included in the provision for retirement benefits is the portion of public pension expenses for mutual assistance association during certain periods in or before June 1956 (prior to the enforcement of the Act on the Mutual Aid Association of Public Corporation Employees).

7. Policy on Accounting of Revenue and Expense

Revenue from contracts with customers

Revenue is recognized based on the following five-step approach.

Step 1: Identify the contract with a customer

Step 2: Identify the performance obligations in the contract

Step 3: Determine the transaction price

Step 4: Allocate the transaction price to the performance obligations in the contract

Step 5: Recognize revenue when the entity satisfies a performance obligation

The Company mainly engages in the sale of tobacco products. The Company evaluates that the performance obligation is satisfied when the customer obtains control of the products upon delivery and recognizes revenue upon delivery of the products. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates and taxes, including consumption tax.

The tobacco excise taxes are excluded from revenue. The amount after deducting the tobacco excise taxes and other transactions is presented as "Net sales" in the nonconsolidated statement of income.

8. Method of Hedge Accounting

Deferral hedge accounting is applied.

For interest rate and currency swaps, if they satisfy the requirements for treatment that incorporates swaps into underlying accounting items (accounting by applying foreign exchange rate stipulated in the contracts; exceptional treatment), they are accounted for by incorporating swaps into underlying accounting items.

9. Other Significant Accounting Policies

(1) Accounting Treatment relating to Retirement Benefits

With regard to unrecognized actuarial gains and losses and unrecognized past service cost relating to retirement benefits, different accounting treatments have been applied compared to those in the consolidated financial statements.

(2) Adoption of Group Tax Sharing System

The Company adopted the group tax sharing system.

(Changes in accounting policies)

1. Application of the Accounting Standard for Current Income Taxes, etc.

The Accounting Standard for Current Income Taxes (ASBJ Statement No.27 October 28, 2022), etc. has been applied from the beginning of the current fiscal year. Revisions concerning categories in which current income taxes should be recorded are subject to the transitional treatment set forth in the proviso of paragraph 20-3 of the Revised Accounting Standard 2022. There is no impact on the nonconsolidated financial statements.

2. Application of the Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules

The Accounting for and Disclosure of Current Taxes Related to the Global Minimum Tax Rules (ASBJ The Practical Solution No.46 March 22, 2024) has been applied from the beginning of the current fiscal year. As a result, Income taxes-current increased by ¥936 million, Net income decreased by the same amount, in the current fiscal year.

(Significant Accounting Estimates)

The following are the estimates and assumptions that have material impacts on the amounts recognized in the nonconsolidated financial statements.

In relation to the recent situation in Russia and Ukraine, there is no material impact on the accounting estimates and judgments at present.

Evaluation of shares of subsidiaries and affiliates

(1) Amounts recorded in the nonconsolidated financial statements for the current fiscal year

Shares of subsidiaries and affiliates ¥1,652,493 million (Previous fiscal year: ¥1,508,834 million)

(2) Information that helps understanding of the content of accounting estimates

Of the shares of subsidiaries and affiliates recorded in the balance sheet at the end of the current fiscal year, the shares of JT International Holding B.V., a subsidiary, amounted to ¥ 1,527,785 million (Previous fiscal year: ¥1,356,191 million).Whether or not to recognize impairment of the shares of that company is determined by comparing the carrying amount of those shares to the actual value calculated based on net assets of that company. In addition, the Company determines whether the actual value of those shares has declined significantly by referring to the result of the impairment test of goodwill allocated to the tobacco cash-generating unit in the consolidated financial statements in accordance with IFRS Accounting Standards. (For details of the impairment test, please refer to "14. Goodwill and Intangible Assets (3) Impairment Test for Goodwill" in "Consolidated Financial Statements".) The assumptions used in the impairment test are based on management's best estimates and judgment. However, they may be affected by the results of changes in uncertain future economic conditions, and if a revision is necessary, it may have a significant impact on the amounts recognized in the nonconsolidated financial statements in future periods.

(Accounting Standards Not Yet Adopted)

- “Accounting Standards for Lease” (ASBJ Statement No.34 September 13, 2024)
- “Implementation Guidance on Accounting Standards for Lease” (ASBJ Guidance No.33 September 13, 2024), etc.

(1) Overview

As part of its efforts to make Japanese accounting standards more internationally consistent, the Accounting Standards Board of Japan (ASBJ) has been studying the development of an accounting standard for leases that would require lessees to recognize assets and liabilities for all leases, based on international accounting standards and issued the accounting standards for lease, etc. that are based on the single accounting model of IFRS 16 as a basic policy, but are simple and convenient by adopting only the main provisions rather than all of the provisions of IFRS 16, and do not require any fundamental modifications even when the provisions of IFRS 16 are used for nonconsolidated financial statements. As for the accounting treatment for lessees, similar to IFRS 16, a single accounting model will be applied to the lessee’s method of allocating expenses for all leases, regardless of whether they are finance leases or operating leases, in which depreciation expenses related to the right-of-use assets and interest expenses related to the lease liabilities are recorded.

(2) Scheduled Date of Adoption

This accounting standard and its implementation guidance will be applied from the beginning of the fiscal year ending December 31, 2028.

(3) Effects of Adoption

The impact of the adoption on the nonconsolidated financial statements is currently under evaluation.

- “Practical Guidelines on Accounting for Financial Instruments” (ASBJ Revised Transferred Guidance No.9, March 11, 2025)

(1) Overview

The guidelines provide the revision of the accounting treatment for equity interests in venture capital funds held by listed companies, etc. to provide useful information to investors by valuing non-marketable shares incorporated in venture capital funds, etc. at fair value.

(2) Scheduled Date of Adoption

These practical guidelines will be applied from the beginning of the fiscal year ending December 31, 2027.

(3) Effects of Adoption

The impact of the adoption on the nonconsolidated financial statements is currently under evaluation.

(Notes to Nonconsolidated Balance Sheet)

*1. Pursuant to Article 6 of the Japan Tobacco Inc. Act, the Company's assets are pledged as general collateral for corporate bonds issued by the Company. Bondholders have the right to receive payment of their own claims for assets of the Company in preference to other general creditors (with the exception of national taxes, local taxes and other obligations of a public nature).

*2. Inter-company receivables and payables excluding those separately presented as of December 31 are as follows:

(Millions of yen)

	2024	**2025**
Short-term receivables	26,977	17,598
Short-term payables	160,736	69,618
Long-term payables	27	—

*3. "Cash management system deposits received" represents the fund entrusted in the cash management system of group companies.

4. Contingent obligations

Guarantees provided for bank loans, bonds and others of subsidiaries, affiliates, etc. as of December 31 are as follows

Bank loans and others

2024				2025			
	(Millions of yen)				(Millions of yen)		
JT International Holding B.V.	353,210	(USD	2,236 million) others	JT International Company Netherlands B.V.	91,019	(EUR	495 million)
JT International S.A.	281,963	(USD	1,718 million) others	JTI Ireland Ltd.	50,757	(EUR	235 million) others
JT International Company Netherlands B.V.	81,544	(EUR	495 million)	Gallaher Ltd.	49,337	(USD	316 million) others
Gallaher Ltd.	41,690	(USD	264 million) others	JT International Hellas A.E.B.E.	36,744	(EUR	200 million)
JT International Hellas A.E.B.E.	33,933	(EUR	206 million)	JT International spol. s r.o.	25,787	(CZK	3,405 million) others
JT International spol. s r.o.	22,193	(CZK	3,405 million) others	JT Canada LLC Inc.	20,575	(CAD	180 million)
JT International Germany GmbH	18,346	(EUR	108 million) others	JT International Luxembourg S.A.	19,291	(EUR	105 million)
JT Canada LLC Inc.	15,248	(CAD	139 million)	JT International Germany GmbH	18,448	(EUR	96 million) others
Tobaccoland Handels GmbH & Co KG	14,814	(EUR	90 million)	TOB GmbH & Co KG	16,535	(EUR	90 million)
JT International Luxembourg S.A.	12,345	(EUR	75 million)	JT International S.A.	13,726	(CHF (USD	43 million) 21 million) others
				JT International Italia S.r.l.	13,360	(USD	84 million) others
				JTI Investments GmbH	12,769	(EUR	70 million)
				PT Karyadibya Mahardhika	11,216	(IDR	1,197,977 million) others
				Greek Cooperative Cigarette Manufacturing Company S.A.	11,140	(EUR	61 million)

				JTI Hungary Dohanyertekesitö Zartkörüen Müködö Reszvenytarsasag	10,950	(HUF	23,000 million) others
				JTI Polska spółka z ograniczoną odpowiedzialnością	10,784	(PLN	210 million) others
				JT International Asia Manufacturing Corp.	10,715	(PHP	4,038 million)
Other (52 companies)	112,293			Other (36 companies)	77,216		
Total	987,578			Total	500,369		

(Note) Tobaccoland Handels GmbH & Co KG changed its name to TOB GmbH & Co KG on August 20, 2025.

Bonds

2024				**2025**			
	(Millions of yen)				(Millions of yen)		
JT International Financial Services B.V.	814,346	(EUR (USD (GBP	2,600 million) 1,945 million) 400 million)	JT International Financial Services B.V.	932,986	(EUR (USD (GBP	2,968 million) 1,945 million) 400 million)
Total	814,346			Total	932,986		

(Note) Guarantee obligations denominated in foreign currencies were translated into yen amounts using the exchange rate as of the closing date of the accounting period.

(Notes to Nonconsolidated Statement of Income)

*1. The main components of “Selling, general and administrative expenses” for each year are as follows:

(Millions of yen)

	2024	**2025**
Promotion expenses	23,386	24,698
Compensations, salaries and allowances	33,235	34,581
Bonuses	20,533	15,592
Employee benefit expenses	6,233	5,938
Commission	64,090	77,459
Depreciation and amortization	61,429	61,871
Research and development expenses	64,712	63,424
Selling expenses ratio	36%	36%
General and administrative expenses ratio	64%	64%

*2. The main component of “Gains on sales of noncurrent assets” for each year is as follows:

(Millions of yen)

	2024	**2025**
Land	7,865	13,730

*3. The main components of “Losses on sales of noncurrent assets” for each year are as follows:

(Millions of yen)

	2024	**2025**
Tools, furniture and fixtures	188	14

*4. The main components of “Losses on disposal of noncurrent assets” for each year are as follows:

(Millions of yen)

	2024	**2025**
Buildings	669	793
Machinery and equipment	321	614

*5. Amounts of transactions with subsidiaries and affiliates for each year are as follows:

(Millions of yen)

	2024	**2025**
Net sales	59,357	70,005
Purchase of goods	78,917	80,949
Selling, general and administrative expenses	84,596	98,959
Dividends income	423,188	483,138
Amount of non-operating transactions	22,658	99,820

*6. Loss on liquidation of business is related to transfer of Pharmaceutical Business, mainly impairment losses on noncurrent assets.

*7. The amount of income taxes imposed by the global minimum taxation, included in "Income taxes-current" , is ¥936 million in the current fiscal year.

(Securities)

Investments in Subsidiaries and Affiliates as of December 31 are as follows:

2024

(Millions of yen)

Type	Balance sheet amount	Fair value	Difference
Investments in subsidiaries	41,580	72,605	31,025
Total	41,580	72,605	31,025

2025

(Millions of yen)

Type	Balance sheet amount	Fair value	Difference
Investments in subsidiaries	—	—	—
Total	—	—	—

(Note) Balance sheet amount of investments in subsidiaries and affiliates with no market prices as of December 31 is as follows:

(Millions of yen)

Type	2024	**2025**
Investments in subsidiaries	1,467,140	1,652,123
Investments in affiliates	113	370

The above are not included in “Investments in subsidiaries and affiliates” because they do not have market prices.

(Tax Effect Accounting)

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause
As of December 31, 2024 and 2025

(Millions of yen)

	2024	**2025**
Deferred tax assets		
Provision for retirement benefits	24,545	22,144
Obligations pertaining to mutual assistance pension benefits	4,284	3,490
Investments in subsidiaries	6,202	6,569
Other	57,552	59,836
Subtotal	92,584	92,038
Less valuation allowance	(25,535)	(36,513)
Total	67,049	55,525
Deferred tax liabilities		
Reserve for reduction entry	(13,726)	(10,500)
Deferred gains or losses on hedges	(11,398)	(12,140)
Valuation difference on available-for-sale securities	(3,085)	(2,968)
Other	(12,858)	(12,652)
Total	(41,068)	(38,260)
Net deferred tax assets/liabilities	25,981	17,266

2. Reconciliation between the effective statutory tax rate and the actual effective tax rate after applying tax effect accounting, if there is a significant difference
As of December 31, 2024 and 2025

(%)

	2024	**2025**
Effective statutory tax rate	30.43	30.43
(Adjustments)		
Permanent difference arising from non-deductible items including entertainment expenses	0.19	0.13
Permanent difference arising from non-taxable items including dividends income	(30.21)	(32.13)
Tax credit of items including research and development expenses	(0.69)	(0.35)
Changes in valuation allowance	0.14	0.97
Global minimum tax	—	0.19
Other	0.32	1.52
Actual effective tax rate after applying tax effect accounting	0.17	0.77

3. Accounting for corporate tax and local corporate tax or tax effect accounting related to these taxes

Following the adoption of the group tax sharing system, the Company applied the "Practical Solution on the Accounting and Disclosure Under the Group Tax Sharing System" (ASBJ PITF No. 42, August 12, 2021) for the accounting treatment and disclosure of corporate tax and local corporate taxes or tax effect accounting related to these taxes.

4 Adjustments to deferred tax assets and deferred tax liabilities due to changes in income tax rate

The Act Partially Amending the Income Tax Act, etc. (Act No. 13 of 2025) was passed by the National Diet on March 31, 2025. As a result, the Defense Special Corporation Tax will be imposed starting from fiscal years beginning on or after April 1, 2026. Accordingly, deferred tax assets and liabilities related to temporary differences expected to be reversed in fiscal years beginning on or after January 1, 2027 are calculated using a revised statutory effective tax rate, which is changed from 30.43% to 31.34%. As a result of this tax rate change, deferred tax assets (net of deferred tax liabilities), income taxes - deferred, valuation difference on available-for-sale securities, and deferred gains or losses on hedges for the fiscal year ended December 31, 2025 decreased by ¥7 million, ¥432 million, ¥86 million, and ¥352 million, respectively.

(Business combinations)

Absorption-type Split

1. Overview of the business divestiture

(1) Name of the successor company

Shionogi & Co., Ltd.

(2) Details of the divested business

The Company's Pharmaceutical Business

(3) Major reason for the business divestiture

The Company has determined that, in order to enhance the drug discovery capabilities and benefits for patients, the best option is to transfer the Business to a dedicated pharmaceutical company that ensures to continue growing the Business mid to long term.

(4) Date of the business divestiture

December 1, 2025

(5) Outline of the transaction including the legal form

An absorption-type split in which the Company will be the splitting company and Shionogi will be the successor company.

2. Accounting overview

(1) Amount of gain or loss on transfer

Immaterial impact on the nonconsolidated financial statements.

(2) Carrying amounts of assets and liabilities pertaining to the transferred business and the breakdown thereof

Current assets	¥9,937 million
Noncurrent assets	¥10,295 million
Total assets	¥20,233 million
Current liabilities	¥6,082 million
Noncurrent liabilities	¥9,880 million
Total liabilities	¥15,961 million

(3) Accounting treatment

The accounting treatment of the transaction was based on the "Accounting Standard for Business Divestitures" (ASBJ Statement No. 7, September 13, 2013) and the "Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures" (ASBJ Guidance No. 10, January 16, 2019).

3. Estimated amount of profit and loss related to the divested business reported in the nonconsolidated statement of income for the current fiscal year ended December 31, 2025

Net sales	¥51.1 billion
Operating profit	¥12.5 billion

(Significant Subsequent Events)

No items to report.

D. Supplementary Statements

Detailed Schedule of Property, Plant and Equipment and Others

(Millions of yen)

	Type of assets	As of January 1, 2025	Increase in the year ended December 31, 2025	Decrease in the year ended December 31, 2025	Depreciation during the year ended December 31, 2025	As of December 31, 2025	Accumulated depreciation or accumulated amortization as of December 31, 2025
Property, plant and equipment	Buildings	65,106	3,806	14,318 (9,241)	4,628	49,966	148,509
	Structures	1,849	203	227 (10)	184	1,641	7,454
	Machinery and equipment	28,822	15,103	1,601 (1,061)	5,001	37,322	154,073
	Vehicles	961	827	156 (149)	355	1,277	1,344
	Tools, furniture and fixtures	12,401	6,159	2,044 (1,148)	5,507	11,008	40,540
	Land	43,669	4	6,224 (2,759)	—	37,449	—
	Construction in progress	6,605	3,894	5,107	—	5,392	—
	Total property, plant and equipment	159,412	29,996	29,678 (14,367)	15,676	144,054	351,921
Intangible assets	Right of trademark	16,422	—	0	16,327	96	—
	Software	16,481	4,531	779 (3)	5,535	14,699	—
	Goodwill	35,771	—	—	35,771	—	—
	Other	6,831	3,475	5,061 (2,673)	575	4,670	—
	Total intangible assets	75,505	8,006	5,840 (2,676)	58,207	19,464	—

(Note 1) The figures in parentheses in the "Decrease in the year ended December 31, 2025" column represent decreases due to impairment loss included in the figures above.

(Note 2) Other includes software in progress.

(Note 3) The major item of "Increase in the year ended December 31, 2025" and "Decrease in the year ended December 31, 2025" is as follows:

Buildings	Decrease	Transfer of the Company's Pharmaceutical Business	¥13,773 million

Detailed Schedule of Reserve Allowances

(Millions of yen)

Category	As of January 1, 2025	Increase in the year ended December 31, 2025	Decrease in the year ended December 31, 2025	As of December 31, 2025
Allowance for doubtful accounts	121	—	26	95
Provision for bonuses	13,396	13,843	13,396	13,843
Other provisions	3,471	1,379	3,471	1,379

(2) Major Assets and Liabilities

Note is omitted due to the fact that the relevant parts are prepared in the consolidated financial statements.

(3) Others

No items to report.

VI. Outline of Filing Company's Business Concerning Shares

Business year	From January 1 to December 31
Ordinary General Meeting of Shareholders	To be held in March
Record date	December 31
Record dates for dividends from surplus	June 30, December 31
Share unit	100 shares
Purchase/sale of shares less than one share unit:	
Office for handling business	(Special accounts) 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Mitsubishi UFJ Trust and Banking Corporation Stock Transfer Agency
Shareholder registry administrator	(Special accounts) 4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan Mitsubishi UFJ Trust and Banking Corporation
Forwarding office	—
Handling charge for purchase/sale	No charge
Method of public notice	Public notices will be disclosed by electronic public notice. However, if the Company is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper. Public notices will be posted on the Company's website: https://www.jt.com/
Special benefits for shareholders	None

Note: The Company abolished the Shareholder Benefit Program after the distribution of shareholder benefits products for 2023.

VII. Reference Information on Filing Company

1. Information on Filing Company's Parent Company

The Company does not have a parent company as described by the provisions of Article 24-7, paragraph 1 of the Financial Instruments and Exchange Act.

2. Other Reference Information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, the Company has filed the following documents.

(1) Annual Securities Report and Appendices, and Written Confirmation

Filed to Director-General of Kanto Local Finance Bureau on March 26, 2025

Business year: 40th term (from January 1, 2024 to December 31, 2024)

(2) Internal Control Report

Filed to Director-General of Kanto Local Finance Bureau on March 26, 2025

Business year: 40th term (from January 1, 2024 to December 31, 2024)

(3) Semi-annual Securities Reports and Written Confirmations

Filed to Director-General of Kanto Local Finance Bureau on July 31, 2025

First six months of the 41st term (from January 1, 2025 to June 30, 2025)

(4) Amendment Report of Semi-annual Securities Reports and Written Confirmations

Filed to Director-General of Kanto Local Finance Bureau on November 6, 2025

Amendment Report related to the Semi-annual Securities Report filed on July 31, 2025

(5) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on March 10, 2025

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, items (xii), (xiv), and (xix) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of Kanto Local Finance Bureau on March 25, 2025

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item (xii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of Kanto Local Finance Bureau on March 27, 2025

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item (ix)-2 of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of Kanto Local Finance Bureau on May 7, 2025

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item (vii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of Kanto Local Finance Bureau on June 4, 2025

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item (ii)-2 of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2025

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item (xii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of Kanto Local Finance Bureau on August 25, 2025

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item (xii) of the Cabinet Office Order on Disclosure of Corporate Affairs.

Filed to Director-General of Kanto Local Finance Bureau on January 5, 2026

Extraordinary Report based on Article 24-5, paragraph 4 of the Financial Instruments and Exchange Act and Article 19, paragraph 2, item (ix) of the Cabinet Office Order on Disclosure of Corporate Affairs.

(6) Amendment Reports of Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on September 25, 2025

Amendment Report of Extraordinary Report (absorption-type split) filed on May 7, 2025.

(7) Amendment to Shelf Registration Statements

Filed to Director-General of Kanto Local Finance Bureau on March 10, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on March 25, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on March 27, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on May 7, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on June 4, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on August 25, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on September 25, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on November 6, 2025

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

Filed to Director-General of Kanto Local Finance Bureau on January 5, 2026

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

(8) Shelf Registration Supplement and Appendices

Filed to Director-General of Kanto Local Finance Bureau on April 4, 2025

Shelf Registration Supplement pertaining to Shelf Registration Statement (bonds) filed on August 6, 2024.

(9) Securities Registration Statement and Appendices

Filed to Director-General of Kanto Local Finance Bureau on June 4, 2025

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 23, 2026

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Koji Ishikawa

Designated Engagement Partner,
Certified Public Accountant: Takeshi Io

Designated Engagement Partner,
Certified Public Accountant: Akifumi Horie

<Audit of Consolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements of Japan Tobacco Inc. and its consolidated subsidiaries (the "Group") included in the Accounting Section, namely, the consolidated statement of financial position as of December 31, 2025, and the consolidated statement of income, consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the fiscal year from January 1, 2025 to December 31, 2025, and notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the consolidated financial position of the Group as of December 31, 2025, and its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board ("IASB") pursuant to the provisions of Article 312 of the Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Measurement of financial liability arising from the settlement of litigation in Canada
Key Audit Matter Description
As described in Note 4 "Significant Accounting Estimates and Judgements" and Note 20 "Provisions" to the consolidated financial statements, in connection with lawsuits related to smoking and health against JTI Macdonald Corp., a Canadian subsidiary of Japan Tobacco Inc. (hereinafter referred to as "JTI-Mac") was a party to ten health care cost recovery cases brought by the Canadian provinces and eight class actions where plaintiffs were seeking damages for harm allegedly caused by smoking of cigarettes. Following a decision of the Quebec Court of Appeal related to two class actions, JTI-Mac and its competitors and co-defendants (hereinafter referred to as the "Tobacco Companies"), had been operating under the protection of the Companies' Creditors Arrangement Act ("CCAA") and participating in a court-ordered mediation process with representatives of all claimant groups, including the Quebec class action plaintiffs. Ultimately, CCAA Plans of Compromise and Arrangement, under which the Tobacco Companies would pay a total of CAD 32.5 billion (approximately ¥3.56 trillion) in aggregate to settle the litigation were approved by the Ontario Superior Court on March 6, 2025, and implemented on August 29, 2025. The Company recorded a provision for loss on litigation in Canada of ¥375,636 million in the previous fiscal year. In this fiscal year, JTI-Mac deposited approximately ¥179,952 million as an upfront payment. Therefore, the Company utilized an amount equal to JTI-Mac's deposit payment from the provision for loss on litigation in Canada recorded in the previous fiscal year and reclassified the remaining balance to "Other financial liabilities" on the consolidated statement of financial position as a financial instrument measured at amortized cost under IFRS 9 "Financial Instruments." As of the end of the current fiscal year, such liability amounted to ¥156,511 million, as disclosed in Note 19 "Bonds and borrowings (including other financial liabilities)." As described in Note 4 "Significant Accounting Estimates and Judgements" to the consolidated financial statements, the settlement amount that has been reclassified to "Other financial liabilities" is expected to be paid over a period of 30 to 40 years in aggregate until the total settlement amount has been fully paid by the Tobacco Companies, and is calculated as the aggregate of the annual payments determined by applying a certain percentage of JTI-Mac's annual net after-tax income for each year (85% for years 1–5, 80% for years 6–10, 75% for years 11–15, and 70% from year 16 onwards). The Company measures "Other financial liabilities" as the total of the present value of annual payments estimated using the certain percentage to JTI-Mac's annual net after-tax income for each year based on its future business plans. The discount rate used in calculating the liability is a pre-tax discount rate of 6.13%, which reflects the time value of money and the risks specific to the liability arising from the settlement of the Canadian litigation. JTI-Mac's business plan used in the estimation of the annual payments includes the following significant assumptions: 1) Expected market volume of the tobacco business in Canada (Sales volume of tobacco products) 2) Expected JTI-Mac's market share in the Canadian tobacco market Of the above significant assumptions, 1) is affected by the external factors such as future trends of population and regulation on tobacco products, hence it includes the unexpectable uncertainty. In addition, 2) requires subjective judgments made by management and uncertainty that is difficult to prove, for the effect of the sales strategies including the pricing per the product category. Considering the above, measurement of the liability includes the matters requiring subjective judgments made by management, uncertainty that is difficult to prove and expertise knowledge, respectively. The measurement of the liability requires complex and high-level audit judgement and considering the financial impact of the liability to the consolidated financial position and financial results, we have determined these matters regarding the liability to be a key audit matter.

How the Key Audit Matter Was Addressed in the Audit
We instructed the component auditor to perform the following audit procedures to address the key audit matter on calculating the financial liability arising from the settlement of litigation in Canada, then we reviewed and evaluated the sufficiency of the procedures performed by the component auditor. We also compared the CCAA Plan of Compromise and Arrangement approved by the Ontario Superior Court (hereinafter referred to as the "Plan") to confirm the consistency with the Company's understanding of calculation method of the annual payments: • Understanding of the Plan and evaluating the internal controls related to measurement of the liability including developing JTI-Mac's business plan; • Evaluating the reasonableness of the expected future market size of the tobacco business in Canada, which is one of the significant assumptions in the business plan, with testing the consistency with the market forecasts published by analysts and analyzing the historical sales results of JTI-Mac; • Evaluating the reasonableness of the expected JTI-Mac's future market share in the Canadian tobacco market, which is one of the significant assumptions in the business plan, with assessing the level of uncertainty and existence of management bias and comparing actual results of JTI-Mac's market share to management's historical forecasts; • Evaluating the sales strategies including the pricing per the product category, with confirming the consistency with business plan approved by JTI-Mac's Board of Directors and evaluating the feasibility of the pricing effect by comparing the historical result of the pricing; • Analyzing historical market share data, inspecting market forecasts published by analysts and confirming the consistency with JTI-Mac's sales strategy to assess the reasonableness of the assumption on the other two co-defendants' annual payments that are the basis to determine the period of future payments; and • Evaluating whether the risks specific to the liability were appropriately reflected to the calculation of the discount rate with the assistance of the valuation specialists in our network firm.

Evaluation of goodwill allocated to tobacco cash-generating unit
Key Audit Matter Description
As described in Note 14 "Goodwill and Intangible Assets" to the consolidated financial statements, the Group allocates goodwill generated by business combinations to the tobacco cash-generating unit and the processed food cash-generating unit. The Group has a goodwill balance of ¥2,897,728 million allocated to the tobacco cash-generating unit at the end of this fiscal year, which is mainly as results of the acquisitions of RJR Nabisco's non-U.S. tobacco operations in 1999, Gallaher Group Plc in 2007, Natural American Spirit's non-U.S. tobacco operations in 2016 and Vector Group Ltd. in the previous fiscal year. In accordance with International Accounting Standard 36 "Impairment of Assets," goodwill is required to be tested for impairment annually or whenever there is an indication that the asset may be impaired. The recoverable amount of the tobacco cash-generating unit is calculated by the value in use based on the three-year business plan that was prepared by reflecting past experiences and external information, and approved by management (hereinafter, "the three-year business plan"). After the three-year business plan, the Group sets a growth rate from 4.7% in the fourth year to 3.8% in the ninth year, and the same growth rate as the ninth year from the tenth year as a continued growth rate for inflation. As a result of the impairment test, the value in use sufficiently exceeds the carrying amount of the tobacco cash-generating unit, and management believes that the value in use will not fall below the carrying amount even if the growth rate used in calculating the value in use fluctuates within a reasonable range.

The balance of goodwill allocated to the tobacco cash-generating unit is material to the consolidated financial statements, and the three-year business plan used in the impairment test, and the underlying assumptions for the growth rates used to develop the plan for the fourth year and onwards are greatly affected by management's subjective judgments. In addition, in the tobacco business, the Group is placed in an environment with the tightening regulations on tobacco products, increased taxes levied on tobacco and fierce competition with rival companies. These external factors affect to the three-year business plan and the growth rates used in developing the plan for the fourth year and onwards. Since the three-year business plan and the growth rates used in developing the plan for the fourth year and onwards involve uncertainties and require management's judgment, we have determined the evaluation of the goodwill allocated to the tobacco cash-generating unit to be a key audit matter.
How the Key Audit Matter Was Addressed in the Audit
In response to this key audit matter, we performed the following procedures for the impairment test of goodwill allocated to the tobacco cash-generating unit: • In order to assess the reasonableness of the three-year business plan and the underlying assumptions for the growth rates developed by component management, we performed the following audit procedures: ✓ Instructing the component auditor to evaluate internal controls over the examination and approval process to ensure the three-year business plan is appropriately prepared; ✓ Considering the achievement of the past three-year business plan retrospectively by comparing the past three-year business plan with actual results for the corresponding period, as well as assessing the feasibility of the current three-year business plan considering the market conditions and performance of the major markets in which the tobacco cash-generating unit operates as of the end of this fiscal year; and ✓ Inquiring of management on the background and rationality of data used by management to determine the growth rates after the current three-year business plan, as well as testing the growth rates based on available external information, with the assistance of the valuation specialists in our network firm. • We discussed with management regarding the results of the impairment test of goodwill allocated to the tobacco cash-generating unit and assessed the appropriateness of management's conclusion on the impairment test.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the nonconsolidated financial statements and our auditor's reports thereon.

Our opinion on the consolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated financial statements in accordance with IFRS Accounting Standards as issued by the IASB, and for such internal control as management determines is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, management is responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with IFRS Accounting Standards as issued by the IASB.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the consolidated financial statements are in accordance with IFRS Accounting Standards as issued by the IASB, as well as the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Plan and perform the group audit to obtain sufficient appropriate audit evidence regarding the financial information of the entities or business units within the Group as a basis for forming an opinion on the group financial statements. We are responsible for the direction, supervision and review of the audit work performed for purposes of the group audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the consolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Audit of Internal Control>

Opinion

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Japan Tobacco Inc. as of December 31, 2025.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Japan Tobacco Inc. as of December 31, 2025, is effectively maintained, presents fairly, in all material respects, the results of the assessment of internal control over financial reporting in accordance with assessment standards for internal control over financial reporting generally accepted in Japan.

Basis for Opinion

We conducted our internal control audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Internal Control Audit section of our report. We are independent of the Group in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for Report on Internal Control

Management is responsible for designing and operating effective internal control over financial reporting and for the preparation and fair presentation of its report on internal control in accordance with assessment standards for internal control over financial reporting generally accepted in Japan. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing and verifying the design and operating effectiveness of internal control over financial reporting. There is a possibility that misstatements may not be completely prevented or detected by internal control over financial reporting.

Auditor's Responsibilities for the Internal Control Audit

Our objectives are to obtain reasonable assurance about whether management's report on internal control over financial reporting is free from material misstatement and to issue an auditor's report that includes our opinion.

As part of an audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Perform audit procedures to obtain audit evidence regarding the results of the assessment of internal control over financial reporting in management's report on internal control. The procedures selected depend on the auditor's judgment, including the significance of effects on reliability of financial reporting.

- Examine representations on the scope, procedures and results of the assessment of internal control over financial reporting made by management, as well as evaluating the overall presentation of management's report on internal control.

- Plan and perform the internal control audit to obtain sufficient appropriate audit evidence regarding the results of the assessment of internal control over financial reporting. We are responsible for the direction, supervision and review of the internal control audit. We remain solely responsible for our audit opinion.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the internal control audit, result of the internal control audit, including any identified material weakness which should be disclosed and the result of remediation.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

<Fee-Related Information>

Fees for audit and other services for the year ended December 31, 2025, which were charged by us and our network firms to Japan Tobacco Inc. and its subsidiaries are disclosed in (3) Implementation status of audits of 4. Status of Corporate Governance, which is included in IV. Filing Company of the Annual Securities Report.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Group which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

<u>Notes to the Readers of Independent Auditor's Report</u>

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.

(TRANSLATION)

INDEPENDENT AUDITOR'S REPORT

March 23, 2026

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC
Tokyo office

Designated Engagement Partner,
Certified Public Accountant: Koji Ishikawa

Designated Engagement Partner,
Certified Public Accountant: Takeshi Io

Designated Engagement Partner,
Certified Public Accountant: Akifumi Horie

<Audit of Nonconsolidated Financial Statements>

Opinion

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the nonconsolidated financial statements of Japan Tobacco Inc. (the "Company") included in the Financial Section, namely, the nonconsolidated balance sheet as of December 31, 2025, and the nonconsolidated statement of income and nonconsolidated statement of changes in net assets for the 41st fiscal year from January 1, 2025 to December 31, 2025, and notes to the nonconsolidated financial statements, including a summary of significant accounting policies, and the supplementary schedules.

In our opinion, the accompanying nonconsolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2025, and its financial performance for the year then ended in accordance with accounting principles generally accepted in Japan.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in Japan. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements section of our report. We are independent of the Company in accordance with the provisions of the Code of Professional Ethics in Japan, including the ethical requirements that are relevant to audits of the financial statements of public interest entities, and we have fulfilled our other ethical responsibilities as auditors. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matter

A key audit matter is a matter that, in our professional judgment, was of most significance in our audit of the nonconsolidated financial statements of the current period. The matter was addressed in the context of our audit of the nonconsolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on the matter.

Evaluation of Shares of Subsidiaries

Key Audit Matter Description

As described in "Significant accounting estimates" in notes to the nonconsolidated financial statements, on the Company's balance sheet as of the end of this fiscal year, Shares of subsidiaries and affiliates was ¥1,652,493 million (approximately 60.3% of Total assets), which includes the shares of JT International Holding B.V., one of the subsidiaries, of ¥1,527,785 million.

The tobacco business manufactures and sells tobacco products in various countries mainly through JT International S.A. The Company invests in JT International Holding B.V., which consolidates the financial results of the tobacco business, including JT International S.A.

The Company considers whether to recognize impairment of shares of JT International Holding B.V. by comparing the carrying amount of JT International Holding B.V. shares with the net assets value calculated using the net assets on the balance sheet of JT International Holding B.V. In addition, the Company determines whether the net assets value of JT International Holding B.V. shares has declined significantly referring to the results of the impairment test of goodwill allocated to the tobacco cash-generating unit.

The Company's consolidated financial statements are prepared in accordance with IFRS Accounting Standards as issued by the International Accounting Standards Board (IASB), and the Company conducts an impairment test on goodwill allocated to the tobacco cash-generating unit annually based on International Accounting Standard 36 "Impairment of Assets."

The recoverable amount of the tobacco cash-generating unit is calculated by the value in use based on the three-year business plan that was prepared by reflecting past experiences and external information, and approved by management (hereinafter, "the three-year business plan"). After the three-year business plan, the Company sets a growth rate from 4.7% in the fourth year to 3.8% in the ninth year, and the same growth rate as the ninth year from the tenth year as a continued growth rate for inflation. As a result of the consideration, the Company concluded that it was not necessary to recognize an impairment on JT International Holding B.V. shares.

The three-year business plan used in the evaluation of JT International Holding B.V. shares, and the underlying assumptions for growth rates used to develop the plan for the fourth year and onwards are greatly affected by management's subjective judgments. In addition, in the tobacco business, the Group is placed in an environment with the tightening regulations on tobacco products, increased taxes levied on tobacco and a fierce competition with rival companies. These external factors affect to the three-year business plan and the growth rates used in developing the plan for the fourth year and onwards.

Since the three-year business plan and the growth rates used in developing the plan for the fourth year and onwards involve uncertainties and require management's judgment, we have determined the evaluation of JT International Holding B.V. shares to be a key audit matter.

How the Key Audit Matter Was Addressed in the Audit

In response to this key audit matter, we obtained and inspected the results of Company's evaluation of JT International Holding B.V. shares.

In addition, we performed the following procedures in relation to the impairment test of goodwill allocated to the tobacco cash-generating unit:

- In order to assess the reasonableness of the three-year business plan and the underlying assumptions for the growth rates developed by component management, we performed the following audit procedures:

  - ✓ Instructing the component auditor to evaluate internal controls over the examination and approval process to ensure the three-year business plan is appropriately prepared;

- ✓ Considering the achievement of the past three-year business plan retrospectively by comparing the past three-year business plan with actual results for the corresponding period, as well as assessing the feasibility of the current three-year business plan considering the market conditions and performance of the major markets in which the tobacco cash-generating unit operates as of the end of this fiscal year; and

- ✓ Inquiring of management on the background and rationality of data used by management to determine the growth rates after the current three-year business plan, as well as testing the growth rates based on available external information, with the assistance of the valuation specialists in our network firm.

- We discussed with management regarding the results of the impairment test of goodwill allocated to the tobacco cash-generating unit and assessed the appropriateness of management's conclusion on the impairment test.

Other Information

Management is responsible for the other information. Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the other information. The other information comprises the information included in the Annual Securities Report, but does not include the consolidated financial statements, the nonconsolidated financial statements and our auditor's reports thereon.

Our opinion on the nonconsolidated financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the nonconsolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the nonconsolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Management and Audit & Supervisory Board Members and the Audit & Supervisory Board for the Nonconsolidated Financial Statements

Management is responsible for the preparation and fair presentation of the nonconsolidated financial statements in accordance with accounting principles generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of nonconsolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the nonconsolidated financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern in accordance with accounting principles generally accepted in Japan.

Audit & Supervisory Board members and the Audit & Supervisory Board are responsible for overseeing the Directors' execution of duties relating to the design and operating effectiveness of the controls over the Company's financial reporting process.

Auditor's Responsibilities for the Audit of the Nonconsolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the nonconsolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these nonconsolidated financial statements.

As part of an audit in accordance with auditing standards generally accepted in Japan, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the nonconsolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks. The procedures selected depend on the auditor's judgment. In addition, we obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion.

- Obtain, when performing risk assessment procedures, an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.

- Conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the nonconsolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

- Evaluate whether the overall presentation and disclosures of the nonconsolidated financial statements are in accordance with accounting principles generally accepted in Japan, as well as the overall presentation, structure and content of the nonconsolidated financial statements, including the disclosures, and whether the nonconsolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with Audit & Supervisory Board members and the Audit & Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide Audit & Supervisory Board members and the Audit & Supervisory Board with a statement that we have complied with relevant ethical requirements regarding independence, and communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, actions taken to eliminate threats or safeguards applied.

From the matters communicated with Audit & Supervisory Board members and the Audit & Supervisory Board, we determine those matters that were of most significance in the audit of the nonconsolidated financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

<Fee-Related Information>

Fee-related information is disclosed in independent auditor's report on the consolidated financial statements as of and for the year ended December 31, 2025.

Interest Required to Be Disclosed by the Certified Public Accountants Act of Japan

Our firm and its designated engagement partners do not have any interest in the Company which is required to be disclosed pursuant to the provisions of the Certified Public Accountants Act of Japan.

Notes to the Readers of Independent Auditor's Report

This is an English translation of the independent auditor's report as required by the Financial Instruments and Exchange Act of Japan for the conveniences of the reader.