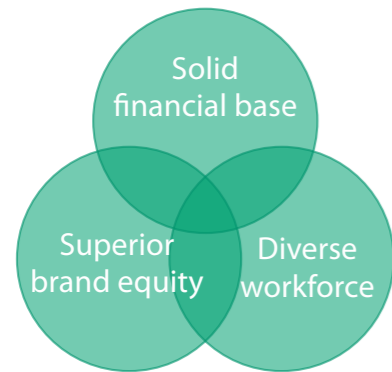


# Our value chains

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

Three strengths driving our global growth



Tobacco business



- 8 R&D centers covering scientific research, technology & product development
- Consumer-driven R&D focusing on what matters most to consumers\*<sup>1</sup>
- 1,962 IP filings, 90+ innovation partnerships with third-party players
- Leaf supply diversified across vertically integrated operations and third parties
- Reliability of leaf supply regardless of weather or market fluctuations
- Full compliance with regulations; assurance of leaf integrity and origin
- 38 factories across our footprint, out of which six produce RRP (Reduced-Risk Products)
- State-of-the-art equipment and manufacturing processes
- Industry-leading quality standards for all our products
- Strong brand equity, notably Winston, Camel, MEVIUS & LD
- Consumers\*<sup>1</sup> at center of our offerings: We provide freedom of choice and superior quality
- Full compliance with local regulation in all countries where we operate
- Sales in 130+ markets
- Tailored RTC\*<sup>2</sup> on market-by-market basis
- Motivated salesforce with strong ties with trade

Pharmaceutical business



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

Processed food business



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

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

\*<sup>2</sup> Route to consumer

\*<sup>3</sup> Fuji Keizai Co., Ltd., Foodstuff Marketing Handbook 2023: Vol. 2, 3, 2021 results

# Our value chains

Each of the JT Group's business is also working to further exploit its strength in the value chain, in order to increase the value it can provide to our consumers.

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

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