

Japan Tobacco Group¹

Parent Entity Jurisdiction	HQ	Ownership	Rank	Final Score
Japan	Japan	Publicly Traded	6 (of 15)	2.41 (of 5)

Operating Environment

- Japan Tobacco Group (JT) operates in all four Index Regions, and in 34 of the 36 Index Countries.² Its top five countries by Volume Sales are Japan, Russia, Turkey, the UK and Italy.
- JT operates across HMICs (24 Index Countries) and LMICs (10 Index Countries).
- JT's product portfolio³ consists of cigarettes, fine cut tobacco, cigarillos, shisha, heated tobacco, e-liquids, pipe tobacco, closed system vaping products, cigars, snus, and non-tobacco nicotine pouches.

Publicly Stated Position on Tobacco Harm Reduction

- *"Smoking is a cause of serious disease including lung cancer, coronary heart disease, emphysema and chronic bronchitis. JTI supports efforts to advise smokers accordingly. Everyone should be appropriately informed about the health risks of smoking. Reduced-Risk Products: We believe products that do not involve combustion and do not produce tobacco smoke are products with the potential to reduce the risks associated with smoking. We are committed to developing and bringing to market Reduced-Risk Products that meet consumer expectations."* (JT corporate website, "Our Six Core Principles")⁴

Change Since 2020 Index

- JT's Strategy and Management category score increased as JT announced in 2021 that for the first time the board's bonus would partly (10% of the total) depend on RRP performance.⁵

¹ Japan Tobacco Group is publicly traded but the Government of Japan owns 33.3% of the company.

² In its 2021 Annual Report, JT reports that it operates "over 70 markets", Japan Tobacco Group. (2022). *2021 Annual Report*, Accessed August 22, 2022, from www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG_integrated_report2021.pdf

³ Listed high to low in order of company's global volume sales in 2021.

⁴ Japan Tobacco Group. (2022). *Corporate Website*, Accessed August 2022, from <https://www.jti.com/about-us/our-business/our-six-core-principles>

⁵ Japan Tobacco Group. (2022). *Integrated Report 2021*, Accessed August 22, 2022, from https://www.jti.com/sites/default/files/global-files/documents/jti-annual-reports/JTG_integrated_report2021.pdf

- JT's Product Sales and Product Offer category scores declined following the company's decision to withdraw its closed system vaping product (Logic) from Ukraine in January 2021, citing a "lack of demand".⁶
- JT's Product Sales category score was also negatively impacted by the company's increasing (CAGR 2019-2021: +0.8%) HRP Volume Sales.

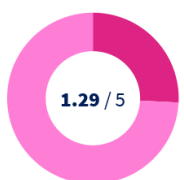
Key Performance Indicators

Strategy & Management (Category Score: 4.96/5 - Category⁷ Rank 2/15)



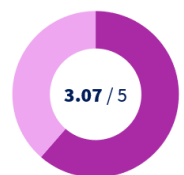
- JT publicly acknowledges its role in, and has made a formal commitment to reducing, tobacco-related death and disease as part of its "Six Core Principles."⁸
- JT has an objective related to tobacco harm reduction, and the objective is time-bound and measurable (setting objectives for RRP market share in "key" countries by 2027).⁹

Product Sales (Category Score: 1.29/5 - Category Rank 7/15)



- JT has the fourth-highest Volume Sales of HRPs (2021: 545.6 billion stick equivalents).¹⁰
- With 1.8% of its total volumes coming from RRPs, JT has the seventh-highest score for Ratio of Volume Sales (RRPs versus HRPs).

Capital Allocation & Expenditure (Category Score: 3.07/5 - Category Rank 6/15)



- At 77%, JT's allocation of R&D Expenditure on RRPs (versus its total R&D expenditure) is the fifth highest of the Index Companies.
- At 25%, JT's allocation of Capital Expenditure (RRPs versus HRPs) ranks it in sixth place.

⁶ Novosti Novostey. (2020). *JTI Ukraine stops selling Logic Compact e-cigarettes in Ukraine*, Published December 26, 2020. Accessed August 21, 2022, from <https://novosti-novostey.tv/ukraina/jti-ykraina-prekrashaet-prodajy-e-sigaret-logic-compact-v-ukraine/>

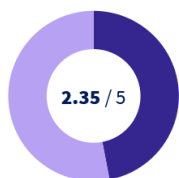
⁷ Each category is made up of multiple indicators. Certain indicator-level ranks are also listed in the text below.

⁸ Japan Tobacco Group. (2021). *Corporate Website, Our Six Core Principles*, Accessed August 21, 2022, from www.jti.com/about-us/our-business/our-six-core-principles

⁹ Japan Tobacco Group. (2021). *Corporate Website, JT GROUP 2021 FINANCIAL RESULTS & 2022 FORECAST*, Accessed August 21, 2022, from www.jti.com/jt-group-2021-financial-results-2022-forecast

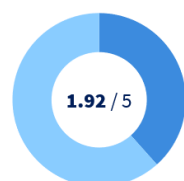
¹⁰ Negative indicator, i.e. a higher number indicates lower performance.

Product Offer (Category Score: 2.35/5 - Category Rank 7/15)



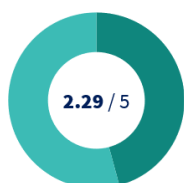
- JT offers HRPs (cigarettes, fine cut tobacco, cigarillos, shisha, pipe tobacco, cigars) in 34 Index Countries, and RRP (heated tobacco, e-liquids, closed system vaping products, snus, non-tobacco nicotine pouches) in 14 Index Countries.
- In terms of product categories, JT has six HRPs, compared to five RRP, in its portfolio.

Marketing Policy & Compliance (Category Score: 1.92/5 - Category Rank 7/15)



- JT's Youth Access Prevention Policy ("Minors Should Not Smoke and Should Not Have Access to Tobacco Products" principle) is outlined in its Code of Conduct and in its Six Core Principles, which are published on JT's corporate website.¹¹
- JT does not disclose numbers or details of any reported violations of its Youth Access Prevention Policy.

Lobbying & Advocacy (Category Score: 2.29/5 - Category Rank 5/15)



- JT discloses its policy positions related to tobacco harm reduction on a specific section of its corporate website ("Our Views on Regulation").¹²
- JT does not disclose specific lobbying activities and memberships in all jurisdictions in which it operates.

¹¹ Japan Tobacco Group. (2021). *Corporate Website, Our Six Core Principles*, Accessed August 22, 2022, from www.jti.com/about-us/our-business/our-six-core-principles

¹² Japan Tobacco Group. (2021). *Corporate Website, Our Views on Regulation*, Accessed August 22, 2022, from <https://www.jti.com/about-us/our-business/our-views-on-regulation>

Key Figures: Japan Tobacco Group



Headquarters:
Japan



Rank: 6/15 =
2020 Index restated rank: **6/15**



Ownership:
Publicly Traded



Final Score: 2.41/5 ▼
2020 Index restated score: **2.58/5**

Value sales: HRPs & RRP



Capital Allocation and Expenditure*: HRPs & RRP



*Capital Allocation and Expenditure includes Marketing, M&A, R&D and Capital Expenditure

Source: Tobacco Transformation Index 2022 and Index 2020, <https://tobaccotransformationindex.org/> Euromonitor International