

## Message from the Executive Vice President



**Kiyohide Hirowatari**  
Representative Director and Executive  
Vice President

*“The significance of designating ‘Fulfilling Moments, Enriching Life’ as the JT Group Purpose is in continuously communicating to the world the reason for our existence through our work to realize it.”*

### Ideas behind the JT Group Purpose

Today’s complex interaction of macro and micro factors amid unrelenting change in our society and economy is so far beyond imagining that it might seem presumptuous to assume that one can read ahead. Change is happening across the board, with exponential advancement of science and technology, new kinds of pandemics, the rising scale of natural disasters, terrorism, international conflict, superpower moves to defend national security, rising protectionism, inflation worldwide and marked fluctuations in exchange rates. We know this will probably have both direct and indirect influence on our lives and senses of value, as well as the businesses and status of the JT Group.

The Group has been building profits with the tobacco business as its core, assisted by the pharmaceutical and processed food businesses. Repeated trial and error and the courage to rise to any challenge with a forward-looking view have made this possible, which is also proof that our stakeholders appreciate the resulting value we offer. Will this remain practical in this age of continuous, dramatic change? If we were to continue doing things as we always

have, with familiar markets, consumers and competitors, maintaining traditions of industry practice, “common sense,” rules and customs, I fear it would be hard even just to cope with the scale of the global changes we face.

For the Group to be sustainable in this highly unpredictable and complex society, we have to show anew the direction in which we should be moving. In other words, circumstances dictated that we define the ideal society we envision, clarify those parts of life that society can entrust to the Group with the greatest confidence in our value, and show how we can contribute. The new JT Group Purpose is the result of our self-examination along these lines. As our CEO Masamichi Terabatake says in his message, we decided we can offer our greatest value by “staying close to people in fulfilling moments through our products and services, and creating such moments together.” To realize our Purpose, we continue to embrace evolutionary challenges by deepening our commitment to go beyond established ideas in our operations and initiatives.

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### Creating the JT Group Purpose

The short-term goals of the Group and the ideals we're working to achieve over the long haul may seem contiguous, but they're difficult to directly connect in a given time frame. Bridging this gap was the highest hurdle we faced in designating the Group Purpose, because we had to connect two perspectives—one of forecasting to improve the Group's value to our stakeholders and society through initiatives based on an awareness of the current social and business environment, and the other of backcasting from our imagined futures. The issues we identified in backcasting and the initiatives to resolve them are not exactly the same as those the Group has to address in achieving its nearer-term goals. While we are committed to contributing to the sustainable development of society through our business operations as we build corporate value, we must also produce positive nearer-term results, specifically in the achievement of the performance projections we disclose for the public and capital markets and the goals we set out in our medium-term business plans, necessary to securing the funds for realizing our ideals.

In this context the task of designating our Purpose may put pressure on each business division to choose whether to prioritize initiatives to achieve short-term goals, or to accelerate initiatives to embody our ideals over the long term. To avoid this we put a lot of time into discussion, with particular emphasis on two points—confirming that "JT's ideal future form is an extension of what we have achieved in our past and present initiatives," and stressing that "current initiatives are not the only ways to become what JT hopes to be" given the diversifying range of values among people at large.

Despite the hurdles ahead, our discussions have brought positive results, not least our Business Purposes. As I mentioned, in designating and publicizing the JT Group Purpose there has been concern about employees perceiving a gap

between long-term ideals and short-term challenges. On the individual level, that boils down to what each of us can do to realize the JT Group Purpose. Our Business Purposes are a way of answering this question, outlining a path for each employee and each business division in understanding specifically what kinds of actions to undertake.

#### Creating the JT Group Purpose process



### Significance of designating the JT Group Purpose

In formulating the Group Purpose we put special thought into two factors: the future we envision for society and the values the Group cherishes.

#### The future we envision

First, working from leading trends we considered what could happen going forward, particularly in terms of changes in daily life and our sense of value. With the continuing advancement of science and technology we can presume a high probability of trending toward greater convenience and rationality, in other words a more optimal society. But as living creatures, humans don't make decisions based entirely on any measure of optimization. That understanding brought us to a hypothesis: the pursuit of an optimal state can place new limits on life, causing stress, and in reaction people may begin to see greater value in the meaning and significance of inconvenience and irrationality, raising the possibility of backlash. This kind of emotional reaction, to a different degree for each person, will diversify endlessly and remain in play because of what it means to each person.

We believe that what may seem irrational or wasteful can lead to an awareness of fulfilling moments. By staying with those moments, we believe, experiences of emotional fulfillment build up, influence one another and enrich the lives of the people in society as a whole, the world and the future. We also think that the value the Group offers in that context helps create a society and future of enrichment for all, regardless of individual challenges, so that more people can feel, "I had another good day today."

#### Cherished values of the JT Group

Offering that value has been integral to JT Group operations for decades. The long-term business plan the Company instituted in 1968, as Japan Tobacco and Salt Public Corporation, includes the phrase, "We enrich people's lives by offering fulfilling and delightful moments." Since then, we have undergone privatization, diversification and internationalization, and we now operate tobacco, pharmaceutical and processed food businesses. All through these years, we have asked ourselves what constitutes fulfilling moments. The ability to enjoy such moments will grow even more important to society going forward.

The kinds of moments people feel are fulfilling will vary with changing times and the social background of each individual, as diverse as the number of people in the world and continually changing. The fulfilling moments that people will need in the future may be well served by the products and services the Group is currently offering, or by completely different products. For the Group to continue leading this field with the trust and full confidence of society, we will have to continue evolving. We see this as a commitment that we must meet in order to fulfill the Purpose of "Enriching Life."

We realize that achieving the Purpose will take a long time, and not all we do in that regard will be clearly visible. To that end we must respond to change, and any preset course may require adjustment. What's important in an uncertain environment, I believe, is the will of the Group to become its ideal self and help create the ideal society we envision. That will help us find meaning in our daily tasks and greater value in the results. Through continuing initiatives to realize our Purpose, "Fulfilling Moments, Enriching Life," we will steadfastly communicate to the world the reason for our Group's existence. This is the significance of designating the JT Group Purpose.



## Message from the Executive Vice President

### Realizing the JT Group Purpose

To manifest the Group Purpose we have reorganized our value creation processes with the basic understanding that people's lives and corporate activities are sustainable only where the natural environment and society are sustainable. Those conditions help us stay close to the moments in which each person feels fulfilled, and for that purpose we offer a variety of products and services, taking advantage of the capital the Group has been building up for years as well as its natural and social capital. In doing this we commit to collaborating with our stakeholders and encouraging everyone to collaborate with one another, so the fulfilling moments of individuals can interact, coalesce, and help build a society in which everyone feels fulfilled. The diagram

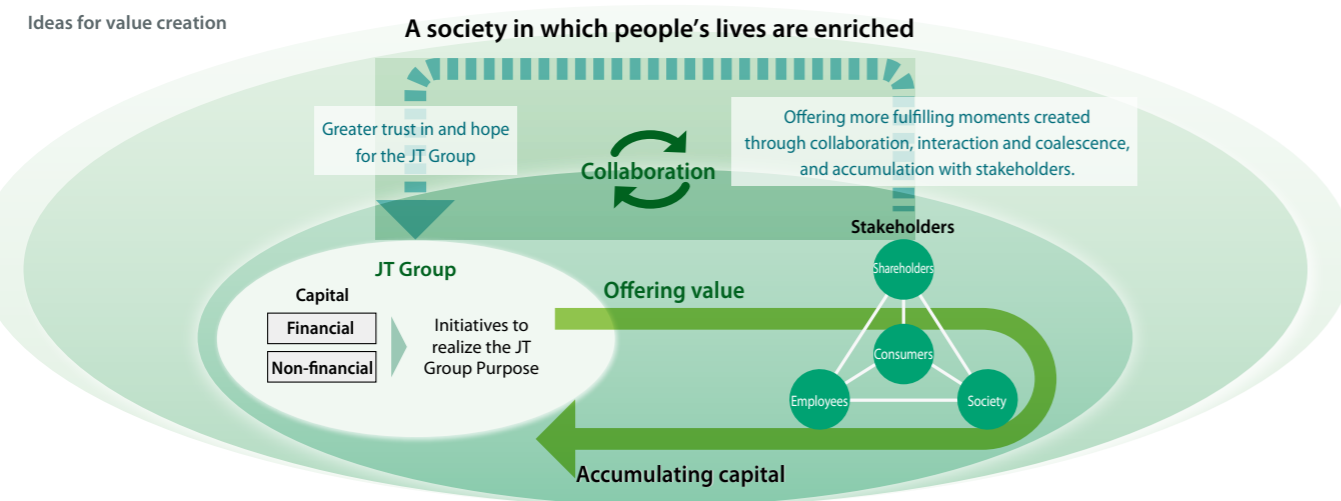
shown below, titled "Ideas for value creation," is a visual representation of the stories I've been telling.

For the Group to be a trusted actor in creating the kind of life-enriched society we envision, every member of the Group must consider the values behind our Purpose, discover the meaning of their responsibilities from that standpoint, step up effort to evolve, and win the trust of our stakeholders. Everything the Group does begins with our fellow employees, so it's essential that the understanding of the Purpose reaches us all. I and our management team are currently putting extra effort into building that understanding. Specifically, in addition to internal communications to

inform employees, we on the management team regularly hold town hall meetings and visit offices and plants to share directly, in our own words, our ideas, hopes and feelings about the Purpose. It's important to understand "fulfilling moments," but that concept is personal and can manifest in many ways depending on time and place. In conversations with employees we make it a rule to emphasize that there is no fixed path for achieving the Purpose, and how we think, act, and evolve are important. Our approach has been generally accepted positively by employees who've participated in those meetings. We are encouraged in hearing them say that the Purpose "agrees with the values I cherish,"

or "now I have a road map." At the same time we're aware of comments like, "Applying the Purpose to specific tasks or actions is hard." So we'll continue to put effort into detailed communications using specific examples and case studies.

Our journey to manifesting the JT Group Purpose has only just begun, and discussion continues internally on specific ideas for achieving that with its deeper meaning in mind. In that effort we hope to make the Purpose as clear as a high-definition image. To realize the ideal society we envision and help create, the entire Group is embracing the challenge of constant evolution.



### Dialogue session with employees



Masamichi Terabatake  
Representative Director and President,  
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Kiyohide Hirowatari  
Representative Director and Executive Vice  
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Kei Nakano  
Representative Director and Executive Vice  
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