

# Corporate Governance

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This section introduces the basic approach, framework, and overview of operations for corporate governance as the foundation supporting the JT Group's growth.

## Corporate governance structure

### Basic policy

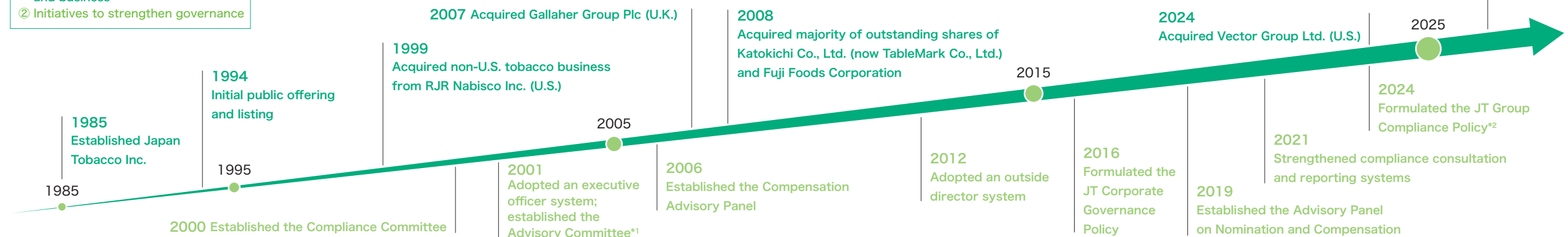
The JT Group believes that corporate governance is a framework for transparent, fair, timely and decisive decision-making in pursuit of the 4S model, our management principle. Pursuing the 4S model means striving to fulfill our responsibilities to our valued consumers, shareholders, employees and wider society, carefully considering the respective interests of these key stakeholder groups, and exceeding their expectations wherever we can. We have established the JT Corporate Governance Policy in recognition that improvement in corporate governance is conducive to sustainable profit growth and corporate value over the medium- to long-term, and benefits our stakeholders and, in turn, helps to move the economy and society forward. We will endeavor to continuously enhance our corporate governance as a key management priority.

### Rationale behind the current governance regime

We are strengthening objective and impartial management oversight functions by positioning an independent and fair Audit & Supervisory Board that appropriately oversees the duties of Executive Officers and Members of the Board (hereinafter Directors). We have also streamlined our Board of Directors and expedited operational execution by delegating authority to Executive Officers, while establishing, on a voluntary basis, the JT Group Compliance Committee and the Advisory Panel on Nomination and Compensation. The former comprises the President and Chief Executive Officer (hereinafter CEO), Executive Vice Presidents and an outside expert; the latter consists entirely of Directors who do not serve as Executive Officers, and more than half the members are Independent Outside Directors. We have built an effective corporate governance regime. Through such measures, we have adopted our current corporate governance regime as we believe it functions effectively with respect to operational execution and oversight.

### ● Evolution of the governance structure

- ① Major changes in management and business
- ② Initiatives to strengthen governance



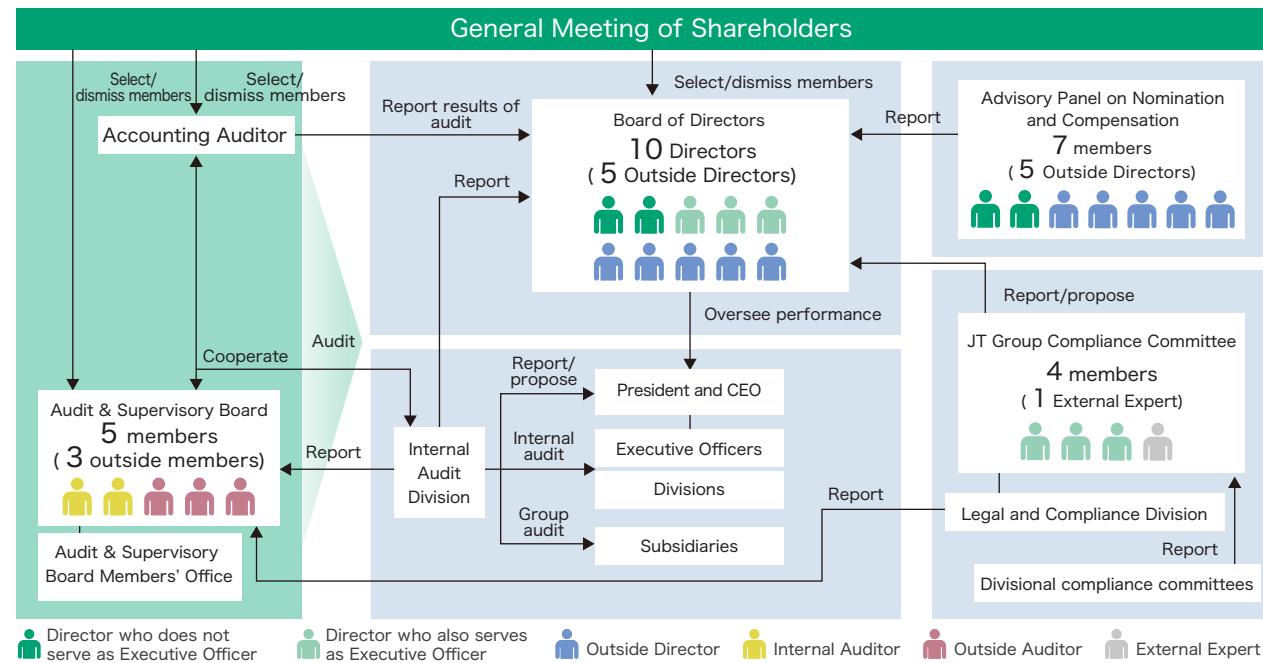
\*<sup>1</sup> The committee was abolished at the end of June 2014 following the introduction of the outside director system in June 2012.

\*<sup>2</sup> In conjunction with the restructuring of the Group compliance system, the Group's Code of Conduct was reorganized, and a policy summarizing the values and ethics of the JT Group, shared globally, was formulated.

## Corporate Governance

An overview of the corporate governance structure of the Company is shown below.

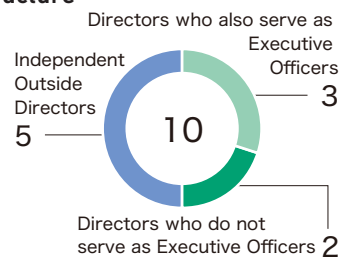
### Corporate governance structure (As of March 25, 2026)



### Board of Directors

The Board of Directors is the body responsible for determining JT Group management strategies and key issues, and for overseeing all business activities. Board of Directors meetings take place once a month in principle and additionally as needed in a timely manner, in order to make decisions on important matters, including those specified by laws and regulations, to supervise business execution, primarily through reports on the status of business execution.

#### Structure



**Chairman:** Shigeaki Okamoto (Chairman of the Board) **Number of meetings:** 17 in FY2025

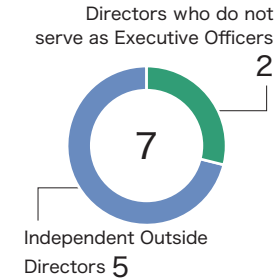
#### Key matters discussed (FY2025):

- Important matters such as formulation of management plans, appointment of Executive Officers, and withdrawal from the pharmaceutical business through its transfer
- Progress on financial results, financial matters, and sustainability strategies
- Matters related to Group compliance, risk management, and internal control
- Matters related to the evaluation of the effectiveness of the Board of Directors and the Advisory Panel on Nomination and Compensation

### Advisory Panel on Nomination and Compensation

The Advisory Panel on Nomination and Compensation deliberates on matters including the selection of candidates for Directors and Audit & Supervisory Board Members and reports its recommendations to the Board of Directors. Based on these recommendations, the Board of Directors deliberates on executive appointments and remuneration, thereby further enhancing the objectivity and transparency of its decision-making and strengthening its oversight functions.

#### Structure



**Chairman:** Tetsuya Shoji (Independent Outside Director)

**Number of meetings:** 4 in FY2025

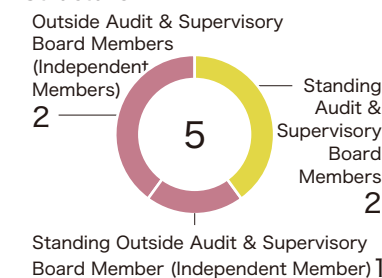
#### Key matters discussed (FY2025):

- Selection of candidates for the Board of Directors and discussions on the skills matrix
- Discussions regarding the selection of peer companies for benchmarking remuneration levels, etc.
- Confirmation of remuneration levels
- Review of executive candidate pool
- Discussions regarding key performance indicators for executive bonuses and performance share units

### Audit & Supervisory Board

The Audit & Supervisory Board consists of five Audit & Supervisory Board Members with extensive experience in management, law, finance, accounting and other fields. The Audit & Supervisory Board conducts operational and accounting audits and actively exercises its authority as an independent body entrusted by shareholders, including attending and speaking at Board of Directors and other important meetings, as well as actively inspecting business sites. In addition, it conducts audits appropriately from an objective viewpoint in accordance with the respective roles of the Outside/Standing Audit & Supervisory Board Members.

#### Structure



**Chairman:** Hideaki Kashiwakura (Standing Audit & Supervisory Board Member)

**Number of meetings:** 14 in FY2025

#### Key matters discussed (FY2025):

- Discussion and preparation of audit policies
- Discussion and preparation of Audit & Supervisory Board audit reports

## Corporate Governance

### Evaluation of the effectiveness of the Board of Directors

The Company evaluates the effectiveness of the Board of Directors annually through a self-assessment questionnaire completed by all Directors and Audit & Supervisory Board Members, covering areas such as the Board's operational structure, oversight functions, and dialogue with shareholders and investors. The results are compiled, and the Board of Directors reviews and analyzes these results while addressing the issues identified.

#### Evaluation of effectiveness in FY2025

##### Evaluation items for the FY2025 questionnaire

The evaluation was conducted for a total of 15 Directors and Audit & Supervisory Board Members, covering the period from January to December 2025. In addition to items that should be continuously monitored, the questionnaire was designed to confirm improvements in issues identified in the fiscal 2024 evaluation. In addition, we designed questions to capture expectations regarding the establishment of a medium- to long-term governance structure and, from 2025, introduced new questions related to the individual evaluation of Outside Directors.

Evaluation items	1. Role, function and composition of the Board of Directors (5 questions)	5. Voluntary committees (2 questions)
	2. Operation of the Board of Directors (3 questions)	6. Assessment of progress on issues identified in the previous evaluation (5 questions)
	3. Collaboration with auditing organizations and risk management (3 questions)	7. Open-ended questions
	4. Relationships with shareholders and investors (3 questions)	8. Contributions of Outside Directors

Note: To ensure objectivity in the evaluation and further improve the effectiveness evaluation process, we engaged an external organization to provide advice on the design of the questionnaire and the analysis of the results.

##### Evaluation results in FY2025 and future initiatives

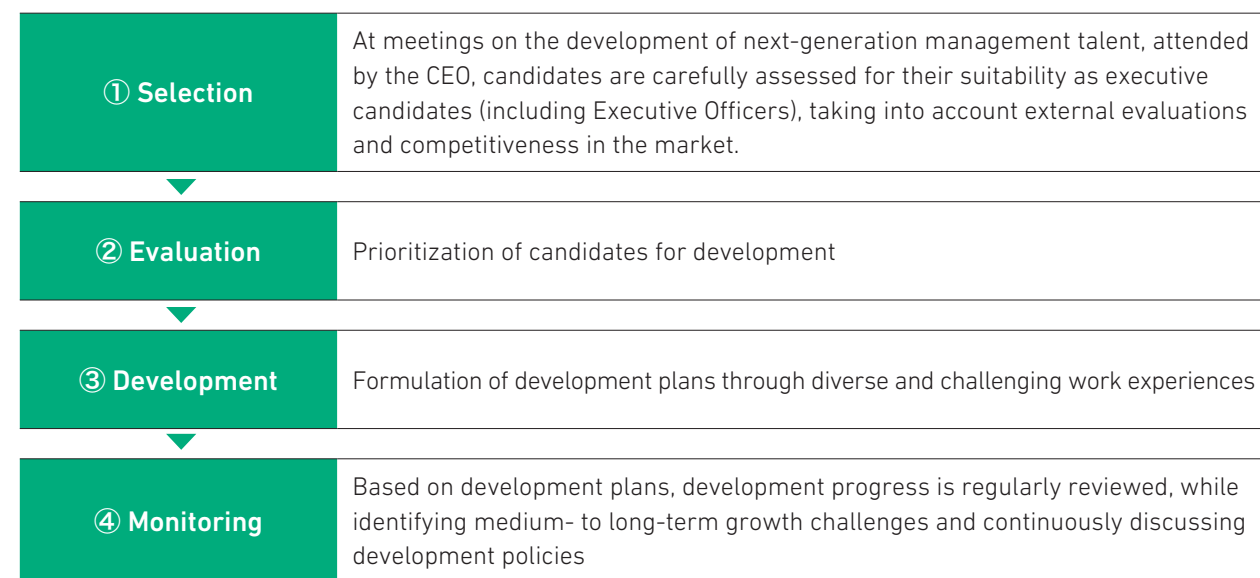
As in fiscal 2024, the Board effectiveness evaluation for fiscal 2025 yielded generally positive results across all evaluation items, confirming that the Board's effectiveness continues to improve and that it is operating effectively. In addition, the initiatives undertaken to address issues identified in the fiscal 2024 effectiveness evaluation were positively assessed, and continued efforts in these areas are expected. The Board will continue its deliberations and pursue further enhancement to improve its effectiveness on an ongoing basis.

Key issues	Initiatives going forward
<ul style="list-style-type: none"> <li>Continued strengthening of the supervisory functions of the Board of Directors</li> <li>Continued enhancement of effective and efficient operations of the Board of Directors</li> </ul>	<ul style="list-style-type: none"> <li>Further enhancing opportunities to focus on discussions of medium- to long-term governance and key management issues</li> <li>Further enhancing communication among Directors, including through opinion exchange meetings</li> <li>Continuous improvement of the operation of the Board of Directors</li> </ul>

### Development of next-generation management talent and succession planning

The Company recognizes that the continuous development of next-generation management talent to lead the future of the Group, as well as the qualitative and quantitative expansion of the candidate pool, is one of its key management priorities.

#### Talent development and evaluation process



#### Specific initiative: JT-Next Leaders Program (NLP)

The Company implements NLP with the aim of continuously developing young top management talent to lead the Group's operations both in Japan and overseas.

Launched in fiscal 2013, the program targets employees aged 40 or younger who meet the eligibility criteria. Candidates are selected through an objective process that combines multiple assessments, including interviews conducted by executives and external interviewers. Those selected receive prioritized development support over several years to foster their growth.

Through these initiatives, the Company is strengthening its management talent pool from a younger generation and enhancing the competitiveness of its talent.

## Corporate Governance

### Executive remuneration

#### Executive remuneration policy

The Board of Directors establishes policies on executive remuneration, including the method for determining individual remuneration for Directors. To ensure independence and objectivity, these policies are determined by the Board based on deliberations and recommendations by the Advisory Panel on Nomination and Compensation, which is composed entirely of Directors who do not serve as Executive Officers, with a majority being Independent Outside Directors.

Based on these policies, the Company's basic approach to executive remuneration is as follows:

- Set remuneration at a level appropriate to attract and retain highly capable personnel
- Implement a performance-linked remuneration system that incentivizes the achievement of business results
- Align remuneration with the Company's medium- to long-term corporate value
- Ensure transparency through objective and quantitative frameworks

#### Composition of executive remuneration

Executive remuneration consists of (1) a monthly "base salary" and (2) an "executive bonus" linked to the Company's business performance for a fiscal year, as well as (3) "restricted stock remuneration" and (4) "performance share units," both of which are linked to corporate value over the medium- to long-term.

The Company introduced restricted stock remuneration and performance share units in 2020 to strengthen initiatives that contribute to increasing corporate value over the medium- to long-term and to further align interests with shareholders.

The composition and components of executive remuneration are as follows.

		Base salary	Executive bonus	Restricted stock remuneration/ Performance share units
Internal Directors	Directors who also serve as Executive Officers	○	○	○
	Directors who do not serve as Executive Officers	○	-	-
Outside Directors		○	-	-
Audit & Supervisory Board Members		○	-	-

#### Internal directors who also serve as Executive Officers

For Directors who also serve as Executive Officers, remuneration consists of "base salary," "executive bonus," "restricted stock remuneration," and "performance share units," as they are expected to achieve performance targets through day-to-day business execution.

Monthly remuneration	Short-term incentive remuneration	Medium- to long-term incentive remuneration
Monetary remuneration		Equity remuneration
<ul style="list-style-type: none"> <li>• Base salary 26 ~ 33%</li> </ul>	<ul style="list-style-type: none"> <li>• Executive bonus (performance-linked) 26 ~ 30%</li> </ul>	<ul style="list-style-type: none"> <li>• Restricted stock remuneration</li> <li>• Performance share units (PSU, performance-linked) 37 ~ 49%</li> </ul>

Notes: \*1 The composition ratios vary depending on the duties of Directors, with ranges indicated in the table.

\*2 The ratio of restricted stock remuneration to performance share unit plan is approximately 3:1.

\*3 Under the performance share unit scheme, 50% is paid in cash to cover tax obligations.

\*4 The above table shows the composition ratios of remuneration assuming that the executive bonus and performance share units are paid at standard levels. These ratios may fluctuate depending on the Company's performance, share price, and remuneration levels of benchmark companies.

#### Internal Directors who do not serve as Executive Officers

Internal Directors and non-executive officers receive remuneration that consists solely of base salary and excludes performance-linked remuneration, as they are responsible for determining overall management strategies to enhance corporate value and for fulfilling oversight functions, including monitoring the execution of medium- to long-term growth strategies.

#### Outside Directors

Remuneration for Outside Directors consists solely of base salary and does not include performance-linked remuneration to ensure their independence. In addition, an Outside Director who serves as Chair of the Advisory Panel on Nomination and Compensation receives remuneration at a level that includes an additional amount reflecting the responsibilities of the Chair, on top of the standard remuneration level for Outside Directors.

#### Audit & Supervisory Board Members

Remuneration for Audit & Supervisory Board Members consists solely of base salary, in view of their primary responsibility for conducting compliance audits.

## Corporate Governance

### Components of executive remuneration

#### Base salary

Paid monthly at a level determined in accordance with roles and responsibilities

#### Executive bonus

Monetary remuneration reflecting performance for a single fiscal year

KPI for executive bonus	Purpose/Details	Ratio
<b>Core revenue at constant currency</b>	Assess the top-line growth rate. Introduced given the significance of assessing top-line growth to realize medium- to long-term sustainable profit growth	15%
<b>Adjusted operating profit at constant currency</b>	Assess the performance of business itself, which is the foundation of sustainable profit growth	35%
<b>Adjusted operating profit at constant currency</b>	Assess business performance including the FX impact. Introduced to assess current performance from a multifaceted perspective considering the balance between the constant FX basis and reported basis	25%
<b>Profit</b>	Introduced to promote the alignment of interests with shareholders by reflecting the achievement of profit growth in executive compensation.	25%
<b>RRP-related qualitative evaluation index</b>	Assess qualitatively the implementation of strategies and attainment rate regarding RRP, our focus area	±10%

#### Restricted stock remuneration

- A share-based remuneration system designed to further align interests with shareholders and enhance medium- to long-term corporate value
- Based on a resolution of the Board of Directors, monetary claims are granted each fiscal year as remuneration relating to restricted stock

#### Performance share units (PSU)

- A performance-linked share-based remuneration system designed to further align interests with shareholders, enhance medium- to long-term corporate value, and strengthen commitment to achieving medium-term performance targets
- After the three-year performance evaluation period commencing from the applicable fiscal year, monetary claims and cash are granted as remuneration for the delivery of the Company's common stock, based on the degree of achievement of performance targets during the evaluation period

KPI for PSU	Purpose/Details	Ratio
<b>Profit</b>	Introduced to promote the alignment of interests with shareholders by reflecting the achievement of profit growth in executive compensation.	100%
<b>ESG indicators</b>	Introduced to further enhance alignment with investors on evaluation perspectives. In addition to indicators related to efforts to achieve Net-Zero, the ESG-related index for fiscal 2025 will include those efforts to promote DE&I, which are part of the JT Group Sustainability Targets. Specifically, the indices are ① the achievement level of the greenhouse gas emissions reduction target and ② the achievement of a target ratio of female management positions	①±5% ②±5%
<b>RRP-related quantitative evaluation index</b>	Assesses quantitatively the degree of achievement of sales volume targets for Heated Products in RRP, a focus area	±10%

For details on executive remuneration, please visit the [Corporate Governance](#).