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FOR IMMEDIATE RELEASE

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Leaf Tobacco Deliberative Council agrees to JT's proposal to reduce the total tobacco cultivation area in Japan

Japan Tobacco Inc. (JT) (TSE: 2914) stated today that the Leaf Tobacco Deliberative Council*, chaired by Yoshitsugu Minagawa, announced the council's decision to reduce the total tobacco cultivation area based on a survey of each Japanese leaf tobacco growers' willingness to cultivate for the 2022 leaf tobacco sales contract. This decision was based on the council's approval of a proposal submitted by JT earlier in the day.

In the Japanese-domestic tobacco business, the total demand has continued to decline in recent years due to structural factors such as the fall in the adult population and the aging of society, as well as tighter smoking-related regulations. In addition, there have been rapid changes in the market over the past few years, such as the expansion and intensifying competition of the heated tobacco and the value-segment cigarette categories. Our sales volume has likewise continued to decline following the decline of total demand, despite efforts to strengthen our top line through the growth of our heated tobacco category and to increase the share of cigarettes.

In light of these circumstances, JT has made the proposal to reduce the total tobacco cultivation area, with the aim to secure a balance of supply and demand over the mid and long term, and to rebuild a stable and sustainable structure to produce and procure domestic leaf tobacco. Specifically, JT will ask each Japanese leaf tobacco grower if they would like to cease tobacco cultivation.

In accordance with this decision, JT will summarize each grower's intent on next year's tobacco cultivation upon consultation and in cooperation with the growers' unions. Based on the survey results, JT will then submit its proposal on tobacco cultivation areas and leaf prices** for 2022 to the next Leaf Tobacco Deliberative Council scheduled for autumn.

JT will promptly notify of any future matters that require disclosure.

**The Leaf Tobacco Deliberative Council confers on important matters concerning the cultivation and purchase of domestically grown leaf tobacco in response to inquiries by JT representatives. The council consists of no more than 11 members, appointed by JT with the approval of the Minister of Finance from among representatives of domestic leaf tobacco growers and academic appointees.*

***JT is obliged to negotiate contracts with domestic leaf tobacco growers under the Tobacco Business Law to determine the total area used for tobacco cultivation and tobacco leaf prices based on type and quality. JT is also required to purchase the entire usable domestic tobacco produced under the purchase contracts. Contracts stipulate the area to be cultivated and the prices of leaf tobacco for the subsequent year, and in this regard JT respects the opinion of the Leaf Tobacco Deliberative Council.*

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Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With approximately 58,000 employees, it manufactures and sells some of the world's best-known brands including Winston, Camel, MEVIUS and LD. The JT Group is committed to investing in Reduced-Risk Products (RRP) and currently markets its heated tobacco products under its Ploom brand and various e-cigarette products under its Logic brand. The Group is also present in the pharmaceutical and processed food businesses. For more information, visit <https://www.jt.com/>.

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