



# JT Group 2021 Results & 2022 Forecast

*Nobuya Kato*  
*JT Group Chief Financial Officer*

\*Please be reminded that the figures shown on these slides may differ from those shown in the financial statements as they are intended to facilitate the reader's understanding of individual businesses.

\*For details of each term, please refer to annotations on slide 14,15 and 16.

# FORWARD-LOOKING STATEMENTS

---

This presentation contains forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) increase in awareness of health concerns related to smoking;
- (2) regulatory developments; including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;
- (3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
- (4) our ability to further diversify our business beyond the traditional tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition, changing consumer preferences and behavior;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.



# 2021 Results

# 2021 Financial Results

(JPY BN)	FY2021	vs. 2020
<b><u>Reported</u></b>		
Revenue	2,324.8	+11.1%
AOP	610.4	+25.4%
Operating Profit	499.0	+6.4%
Profit	338.5	+9.1%
FCF	482.0	-21.9

## Adjusted operating profit (AOP) at constant FX: +22.9% vs.2020

- Driven by the continued robust performance in the tobacco business

## Revenue and AOP on a reported basis

- Increased double-digit fueled by a favorable price/mix contribution and volume growth in the international tobacco business

## Operating profit

- Increased despite one-time costs related to initiatives to strengthen competitiveness in the Japanese-domestic tobacco business and one-time compensation to Japanese leaf tobacco growers who decided to quit cultivation of tobacco

## Profit

- Increased despite higher corporate income tax

## FCF

- Stable cash generation through business operations
- Unfavorable comparison of the income from real-estate sales that we recorded last year

Note: The results for fiscal year 2021 on a reported basis shown above have been adjusted to include the impact of hyperinflationary accounting, which has been applied since Q3 2020, in accordance with the requirements stipulated in IAS 29. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

# Japanese-domestic tobacco business: Volume Performance and Financial Results

## Volume

Figures in parentheses are year-on-year comparisons.

(BnU)	Industry	JT volume	SoM/SoS**
Total Tobacco*	150.4 (-3.0%)	66.8 (-8.0%)	44.4% (-2.4ppt)
Combustibles	105.3 (-8.4%)	62.2 (-9.5%)	59.1% (-0.7ppt)
RRP*	45.1 (+12.3%)	4.6 (+17.2%)	10.3% (+0.4ppt)
RRP market size*	30.0%	-	-

\*JT estimate (shipment based) \*\*Share of Market/Share of Segment

## Financials

(JPY BN)	2021	vs. 2020
Core revenue	519.8	+0.8%
AOP	182.4	+8.6%

## Industry Volume

- **Combustibles:** decreased more moderately than expected
- **RRP:** increased in line with our projections

## JT sales volume and share performance

- **Combustibles :** decreased due to lower industry volume as well as share decline reflecting the shift to RRP and intensified competition in the value-segment
- **RRP:** exceeded sales target of over 4.5 billion sticks equivalent and Ploom X drove the category share growth after the tax hike in October 2021 although devices experienced semiconductor shortage

## Core revenue and AOP

- (+) Favorable combustible price/mix contribution from the tax hikes
- (+) Increase in RRP-related revenue
- (-) Decrease in combustible volume

## Related topics:

- Core revenue and AOP, both, increased year-on-year for the first time in 5 years
- One-time demand surge (equivalent to 0.4-month volume) before the tax hike in October 2021 neutralized within the year
- On-going monitoring the progress of downtrading although no big surprises observed
- Implemented the initiatives to strengthen competitiveness as planned

# International tobacco business: Volume Performance and Financial Results

## Volume

(BnU)	2021	vs. 2020
Total shipment volume	460.2	+5.6%
GFB shipment volume	311.7	+10.5%

## Financials

	2021		vs. 2020
Core revenue	1,482.1 JPY BN		+18.5%
at constant FX	12,969 USD MM		+10.6%
AOP	454.4 JPY BN		+33.3%
at constant FX	4,123 USD MM		+29.6%

## Core Revenue and AOP

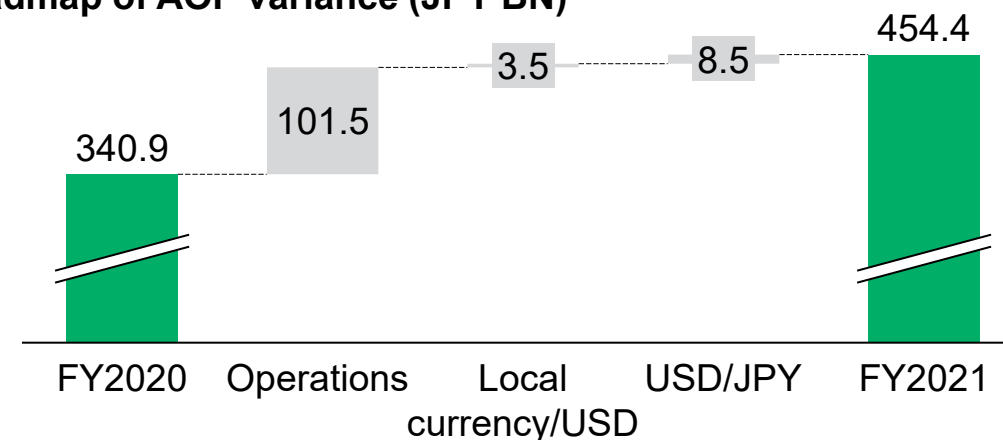
### Operations

Driven by robust price/mix gains mostly in major markets, and higher volume from strong share momentum across a resilient industry volume

### FX

Positive impact from exchange rates of local currencies to USD and USD to JPY

## Roadmap of AOP variance (JPY BN)



Note: The results for fiscal year 2021 on a reported basis shown above have been adjusted to include the impact of hyperinflationary accounting, which has been applied since Q3 2020, in accordance with the requirements stipulated in IAS 29. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets. The FX impact in the figure above includes the aforementioned adjustments in addition to the prevailing FX impacts.

# Pharmaceutical and Processed food businesses: Financial Results

## Pharmaceutical Business

(JPY BN)	2021	vs. 2020
Revenue	80.4	+1.8%
AOP	11.1	-35.4%

- **Revenue:** increased as the revenue growth at our consolidated subsidiary, Torii Pharmaceutical, exceeded lower overseas royalty income
- **AOP:** decreased due to increases in R&D expenditures and SG&A expenses at Torii

## Processed Food Business

(JPY BN)	2021	vs. 2020
Revenue	147.2	-1.4%
AOP	4.0	-

- **Revenue:** decreased due to a lower top-line in the frozen and ambient foods business
  - Relative decline in revenue of household products
  - Top-line in food-service products has not returned to pre-COVID levels
- **AOP:** increased due to lower SG&A expenses, reduced impairment losses in the bakery business compared to 2020



# 2022 Forecast



# 2022 Consolidated Financial Forecast

(JPY BN)	FY2022	Variance vs. 2021 (abs)	Variance vs. 2021 (%)
<b><u>Reported</u></b>			
Revenue	2,315.0	-9.8	-0.4%
AOP	611.0	+0.6	+0.1%
Operating profit	534.0	+35.0	+7.0%
Profit	356.0	+17.5	+5.2%
FCF	342.0	-140.0	-

Note: The forecasts for fiscal year 2022 on a reported basis shown above have been adjusted to include the impact of hyperinflationary accounting, which has been applied since Q3 2020, in accordance with the requirements stipulated in IAS 29.

**Core revenue at constant FX\*: -0.1% vs. 2021**

**AOP at constant FX: +4.0% vs. 2021**

## Revenue

- Revenue decrease in the tobacco business partially offset by revenue increase in pharmaceutical and processed food businesses

## AOP

- Profit increase in the tobacco business offset by decreases in the pharmaceutical and processed food businesses
- Projected to have negative FX impact

## Operating profit and profit

- Favorable comparison of one-time costs for initiatives to strengthen competitiveness in Japan and one-time compensation for Japanese leaf tobacco growers

## FCF

- Projected to decrease despite continued stable cash generation, mainly due to payments of one-time costs associated with initiatives to strengthen competitiveness in Japan, reduced operating capital and increased CAPEX

\*This is one of base KPIs for executive bonus.

# Tobacco business: Volume Outlook and Financial Forecast

## Volume

### FY2022

Total volume	a decrease of approx. 3% vs. 2021
--------------	--------------------------------------

## Financials

(JPY BN)	FY2022	vs. 2021
Core revenue	1,986.0	-0.8%
AOP	640.0	+0.1%

### Core revenue on a reported basis

(+) Continued price/mix contribution and market share gains as well as larger RRP volumes

(-) Decline in combustible volumes due to an unfavorable comparison to 2021 as the impact of the pandemic-led restrictions gradually fades away

### AOP on a reported basis

(+) Cost saving effects from the initiatives to strengthen competitiveness across the tobacco business

(-) an increase in investments towards HTS

(-) Unfavorable FX impact mainly due to weaker local currencies notably RUB, TRY

### Related topic: disclosure of the tobacco business from Q1 2022

- Based on new three clusters (Asia, Western Europe and EMA), we will disclose quarterly at consolidated and cluster level:
  - Sales volume
  - Core revenue and AOP

Note: The forecasts for fiscal year 2022 on a reported basis shown above have been adjusted to include the impact of hyperinflationary accounting, which has been applied since Q3 2020, in accordance with the requirements stipulated in IAS 29.

# Pharmaceutical and Processed food businesses: Financial forecasts

## Pharmaceutical Business

(JPY BN)	FY2022	vs. 2021
Revenue	81.5	+1.4%
AOP	10.0	-9.9%

## Processed Food Business

(JPY BN)	FY2022	vs. 2021
Revenue	153.0	+3.9%
AOP	2.5	-36.8%

- **Revenue:** projected to increase as revenue growth at Torii and one-time income from licensing of patented JT compound exceed lower overseas royalty income
- **AOP:** projected to decrease due to higher sales promotion costs at Torii
- **Revenue:** projected to increase due to top-line recovery in food-service products and bakery businesses, the price revision effect and sales growth in household products in the frozen and ambient foods business
- **AOP:** projected to decrease due to steep rise in raw material costs



Closing remarks

# Closing remarks

---

## 2021 Results

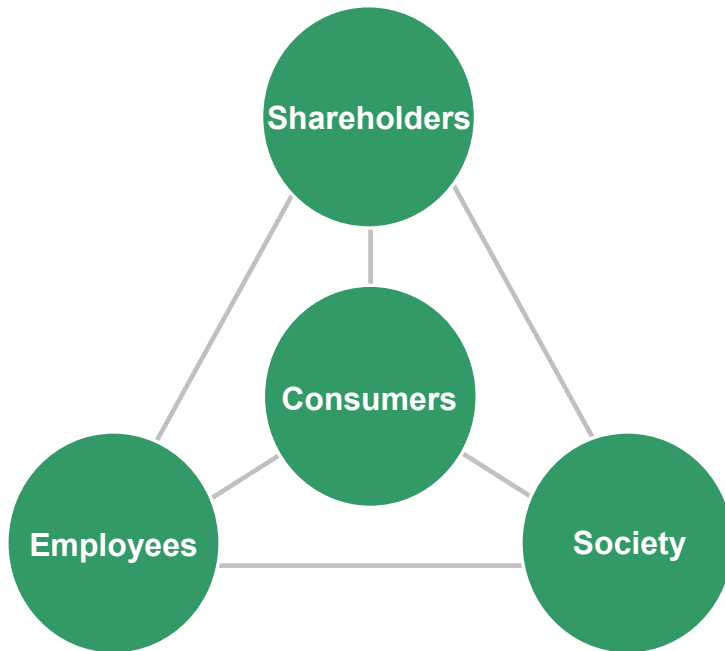
- Largely exceeded our initial guidance driven by growth in the tobacco business
- Launched Ploom X in Japan leading to steady share increase
- Carried out initiatives conducive to the future growth consistently

## 2022 Outlook

- Forecast AOP at constant FX and profit for the year to increase while several uncertainties prevail in our business environment

## Shareholder returns

- Planned annual DPS
  - 2021: JPY 140
  - 2022: JPY 150



# <Definitions>

---

Adjusted operating profit (AOP):	Adjusted operating profit = operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjusted items (income and costs)* * Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
Consolidated adjusted operating profit at constant FX:	For International tobacco business, the same foreign exchange rates between local currencies vs. USD and JPY vs. USD as same period in previous fiscal year are applied
Core revenue at constant FX	The sum of the revenues in the pharmaceutical business, processed food business, and others, as well as the core revenue in the tobacco business, which is computed using the same foreign exchange rates between local currencies vs USD as well as the exchange rates between JPY and USD as in the equivalent period in the previous fiscal year. Results at constant FX are provided additionally and are not an alternative to financial reporting under International Financial Reporting Standards (IFRS).
Profit:	Profit attributable to owners of the parent company
Reduced-Risk Products (RRP):	Products with potential to reduce the risks associated with smoking
GFB:	Global Flagship Brands: Winston, Camel, MEVIUS and LD (4 brands)
Total shipment volume: (International tobacco business)	Includes fine cut tobacco, cigars, pipe tobacco, snus, kretek and heated tobacco products but excludes contract manufactured products, waterpipe, and E-Vapor
Core revenue: (International tobacco business)	Includes revenue from waterpipe and RRP, but excludes revenues from distribution, contract manufacturing and other peripheral businesses
Core revenue / Adjusted operating profit at constant FX (International tobacco business)	The same foreign exchange rates between local currencies vs. USD as same period in previous fiscal year are applied

# <Definitions>

---

Total tobacco industry volume:  
(Japanese-domestic tobacco business)

Industry volume in Japan market by number of sticks based on the internal estimate. This includes cigarettes, cigarillos, RRP and others

Combustibles:  
(Japanese-domestic tobacco business)

Combustibles include all tobacco products excluding contract manufactured products, waterpipe, heated tobacco products, oral and E-Vapor

Combustible industry volume:  
(Japanese-domestic tobacco business)

Industry volume of combustibles in Japan market by number of sticks based on the internal estimate. This includes cigarillos but excludes RRP, etc.

Combustible sales volume:  
(Japanese-domestic tobacco business)

JT's combustible sales volume excluding the volume of domestic Duty-Free and the China businesses. This includes cigarillos but excludes RRP, etc.

RRP industry volume:  
(Japanese-domestic tobacco business)

Industry volume of RRP in the Japanese market by number of sticks based on the internal estimates. One pack of consumables is equivalent to 20 sticks of combustible cigarettes. This excludes RRP devices, RRP related accessories, etc

RRP sales volume:  
(Japanese-domestic tobacco business)

JT's RRP sales volume excluding the volume of domestic Duty-Free business. One pack of consumables is equivalent to 20 sticks of combustible cigarettes. This also excludes RRP devices, RRP related accessories, etc.

Cigarillos:  
(Japanese-domestic tobacco business)

Products rolled in tobacco-based paper with a similar format to ready-made cigarettes and classified as "cigars" under the Tobacco Business Act of Japan.

Core revenue:  
(Japanese-domestic tobacco business)

Excluding revenue from distribution of imported tobacco in the Japanese-domestic tobacco business, among others, but including revenue from domestic Duty-free and the China business, as well as the revenue from RRP and cigarillos

# <Definitions>

---

Total volume:  
(Tobacco business)

The volume of tobacco-based products which excludes contract manufactured products, waterpipe, RRP devices and related accessories.

Combustible volume:  
(Tobacco business)

The shipment volume of combustible products which excludes contract manufactured products, snus, waterpipe, heated tobacco products and E-Vapor.

RRP volume:  
(Tobacco business)

Reduced-Risk Products (RRP) volume in cigarette-stick equivalent. This also excludes RRP devices, RRP related accessories, etc.

Core revenue:  
(Tobacco business)

Core revenue includes all revenue excluding those from distribution, contract manufacturing and other peripheral businesses.