



Business Plan 2023

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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.

Agenda

- FY2022 Overview
- JT Group Purpose
- Business Plan 2023
 - ✓ Strategy
 - ✓ Business Management Policy
 - ✓ Sustainability
 - ✓ Resources allocation policy



FY2022 Overview

FY2022 Overview

Exceeded previous year results, with record highs from Revenue to Profit¹, driven by the tobacco business

- ✓ Significant upside vs. the initial plan resulting from continued share gains and pricing in combustibles²
- ✓ Continued growth momentum in HTS² with Ploom X more than doubling its share of segment in Japan

(vs. 2021)

- ✓ Consolidated AOP at constant FX: **+9.0%**
- ✓ Profit³ : **+30.8%**

(vs. initial 2022 guidance)

- ✓ Consolidated AOP at constant FX: **+4.8%**
- ✓ Profit³ : **+24.4%**

- **DPS: 188 JPY** (planned)
- 2022 marked the first year of the newly combined tobacco structure, which has successfully strengthened our business foundation and capabilities through various initiatives

¹ Revenue, AOP, Operating Profit on values for continuing operations and Profit attributable to owners of the parent company on values for continuing operations

² Combustibles include all tobacco products excluding contract manufactured products, waterpipe, heated tobacco products, oral and E-Vapor
HTS stands for heated tobacco sticks

³ Profit attributable to owners of the parent company



JT Group Purpose

JT Group Purpose

Fulfilling Moments, Enriching Life

We at JT Group have always been a part of moments that foster a more enriching life.

Regardless of the changing times, from advances in science and technology to diversifying values, we will continue to cherish a life that finds fulfillment in the moment.

The times we accept our true selves. The times we share the joy with loved ones, and the times we lift each other up. These strings of moments add to the beautiful days that make up a wonderful life. And we hope that these make a better society, a better world, and even a better future.

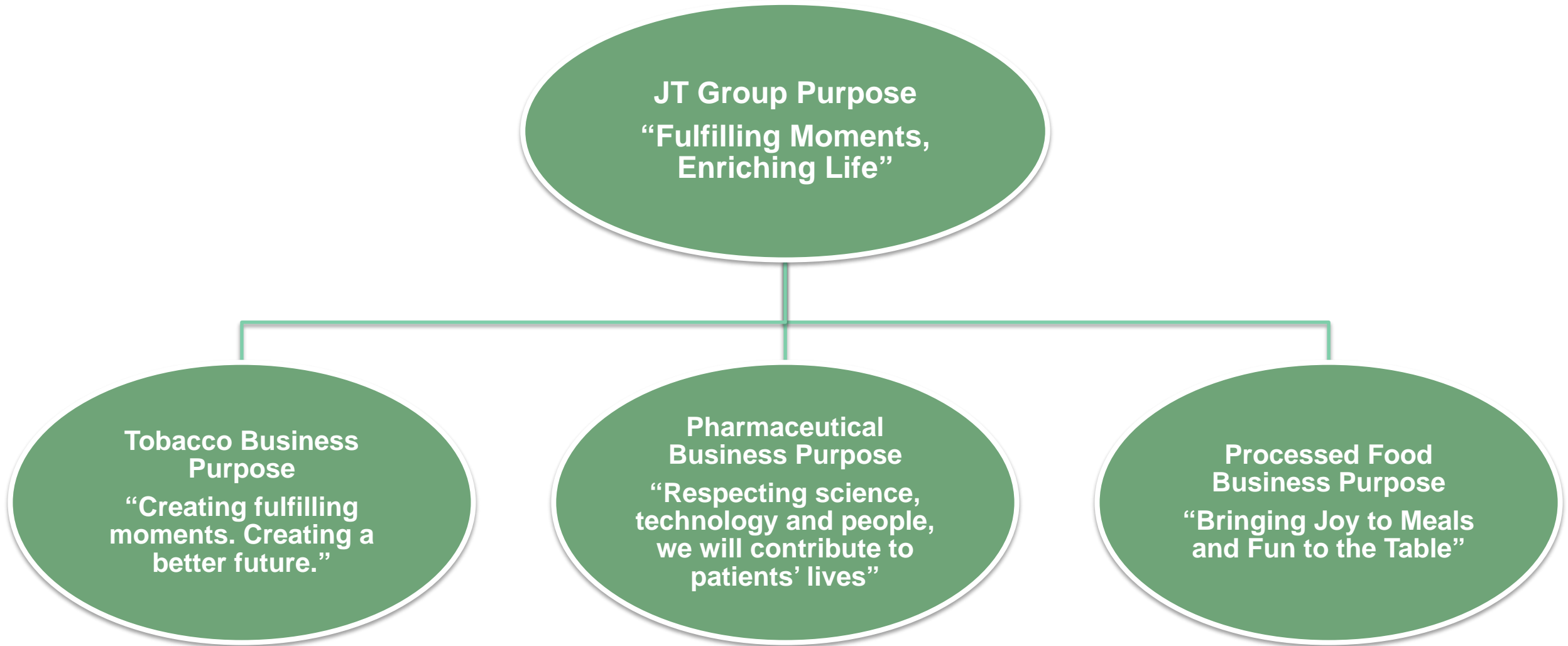
These were the times we shared over the years.

JT Group will take these fulfilling moments to the next level.

We will continue enriching lives through our businesses and endeavors with our growing customers and partners.

JT Group will do everything it can to make the world say that today is another good day.

JT Group Purpose



JT Group Purpose

**JT Group Purpose
“Fulfilling Moments,
Enriching Life”**

**Contribute to fostering “Fulfilling Moments” in society
and on a long-term horizon to grow the JT Group’s profit**

**Corporate R&D
Organization
D-LAB**

- Multifaceted research on the value of “Fulfilling moments”
- Exploring “seeds” for future business
- Creating “seeds” for future business



Business Plan 2023

Our strategy

- ✓ Mid- to long-term target remains unchanged with the tobacco business as JT Group's profit growth engine



* consolidated adjusted operating profit at constant FX growth rate

Our strategy

Improve return on investment in combustibles

- Drive revenue growth through sustained share gains and pricing opportunities
- Maintain a disciplined approach to investments

Invest in RRP & Prioritize HTS

- Over JPY 300Bn investment towards RRP during business plan 2023
- Strive to fulfill following goals
 - RRP Revenue more than double by 2025 compared to 2022
 - HTS Market share in the key HTS markets¹ to the mid-teens level by the end of 2028
 - Break-even² in RRP category by the end of 2028

Competitive cost base

- Over the past three years, various initiatives to strengthen our tobacco competitiveness have realized as expected (approx. JPY 40Bn in 2020-22).
- Targeting further improvements by 2024, including approx. JPY 20Bn within the supply chain efficiencies

Evolve global business capabilities

- Focus on building capabilities across consumer acquisition, digital and product innovation
- Optimize global resources, improve decision-making speed and build an efficient organizational structure
- Maximize the value offered to consumers through timely and prioritized resource allocation on a global basis

Tobacco Business: Combustibles

To be JT Group's core profit driver to enable mid- to long-term sustainable profit growth

Improve return on investment in combustibles

- ✓ Continue to gain market share
- ✓ Grow core revenue through pricing opportunities
- ✓ Implement initiatives to improve efficiencies



Opportunities and Risks : Combustibles

- Profit pool likely to expand through pricing opportunities
- Combustibles to remain the largest tobacco category, despite ongoing industry volume decrease in leading markets
- Downtrading expected to continue



Tobacco Business: RRP

To be JT Group's core profit driver to enable mid- to long-term sustainable profit growth



Prioritize HTS

- ✓ Increase investments to strengthen the Ploom brand and gain HTS segment share
- ✓ Accelerate the rollout of Ploom X
- ✓ Continue to improve products and Reinforce capabilities



Opportunities and Risks : RRP

- Continued demand increase, especially for HTS
- Device procurement concerns largely resolved for 2023 plan
- Intensifying competition and regulatory developments in leading markets

Tobacco Business: RRP



Accelerate Ploom X rollout, starting with UK & Italy

Deployment in **20+ markets** In the next two years

Significant marketing investment in HTS



Mid-term ambitions

- Mid-teens HTS segment share in key HTS markets¹
- Break-even² in the RRP category

¹ key HTS markets include Japan and Italy

² Break-even at brand contribution level representing gross profit less commercial expenditure and before allocation of overheads

Pharmaceutical Business / Processed Food Business

Complement JT Group's profit growth

Pharmaceutical Business

Focus R&D investments towards next-generation strategic products and maximize value of each product

- ✓ Reinforce drug discovery capabilities
- ✓ Maximize value for all products
- ✓ Reduce costs by optimizing mid- to long-term business foundation

Processed Food Business

Achieve profitable top-line growth in an environment of rising business costs

- ✓ Implement consistent price revisions and allocate more management resources towards high-value added products
- ✓ Accelerate efforts toward business growth from a long-term perspective

Sustainability

Set sustainability initiatives supporting long-term business growth

Progress in 2022

- ✓ Our 2030 emissions reduction target has been validated by SBTi, confirming it is in line with 1.5 degrees pathway
 - 2030 target: 47% reduction from our own operations compared to 2019 baseline

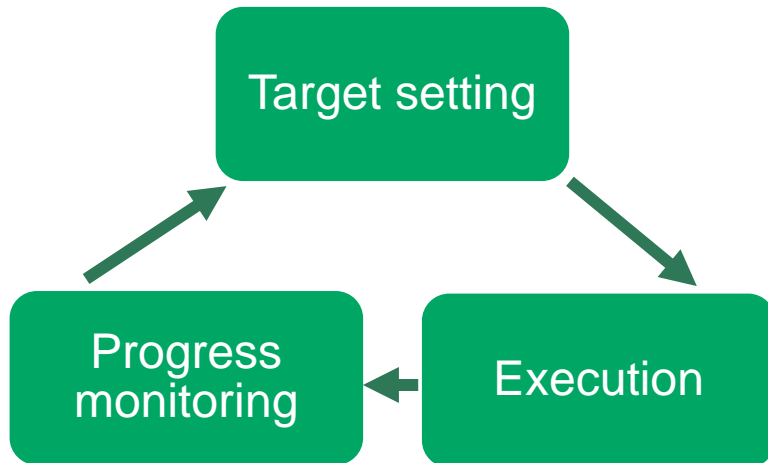
External recognitions

- ✓ Listed in DJSI Asia Pacific for the 9th consecutive year
- ✓ Selected as CDP Climate A list for the 4th consecutive year

Further strengthening of our framework and initiatives

- ✓ Aiming to realize JT Group Purpose, the work is in progress to update our materiality topics and value creation process
 - Some outcomes to be released in JT's Integrated Report 2022

Continuous updates under oversight of CEO and the Board of Directors



Member of
**Dow Jones
Sustainability Indices**
Powered by the S&P Global CSA



Our resource allocation policy

the 4S model and JT Group Purpose guide our resource allocation

- Prioritize business investments¹ for sustainable profit growth in the mid-to long-term
- Strike a balance between profit growth through business investments and shareholder returns

<Shareholder return policy>

- Aim to enhance shareholder returns by realizing the Company's mid-to long-term profit growth, while maintaining a strong financial base²
- Target a dividend payout ratio of about 75%³, a competitive level⁴ in the capital markets
- Consider implementing a share buy-back program, mainly taking into account the Company's financial outlook of the respective year and mid-term capital needs

¹ Investment towards the growth of the tobacco business is our highest priority. Pursue growth of Adjusted Operating Profit at constant FX through quality top-line growth through the continuous provision of new value and satisfaction to our customers and society.

² The Company will maintain a strong financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.

³ To be in the range of approximately $\pm 5\%$.

⁴ Monitor the shareholder return trends of Fast-Moving Consumer Goods companies which have a stakeholder model similar to our 4S model and have realized strong business growth.



Closing Remarks

Closing Remarks

- Summary
 - ✓ Investment focus, especially towards HTS to accelerate the Ploom X international rollout during the plan period
 - ✓ Improve return on investment in combustibles by growing revenue to drive sustainable profit growth through pricing opportunities
 - ✓ Aim to improve shareholder returns through continuous profit growth over the mid-to long-term
- Tobacco Investor Conference scheduled on May 8, 2023, to cover growth strategies in the tobacco business including initiatives to achieve mid- to long-term RRP ambitions
- JT Group Purpose articulates the value of “Fulfilling moments” through various corporate activities in a more progressive manner in line with the changing society. Evolve all business activities in each businesses toward the materialization of JT Group Purpose
- Strive to exceed the expectations of our valued consumers, shareholders, employees and the wider society through sustainable profit growth so that the JT Group can continue to play its role as a necessary member to society, needed by these four key stakeholder groups

