



JT Group 2022 Results & 2023 Forecasts

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.

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.



2022 Full-year Results

2022 Consolidated Results:

Achieved record highs across all indicators from revenue to profit*

(JPY BN)	FY2022	vs. 2021
<u>Reported</u>		
Revenue	2,657.8	+14.3%
AOP	727.8	+19.2%
Operating profit	653.6	+31.0%
Profit	442.7	+30.8%
FCF	382.9	-99.1

Note: The results for fiscal year 2021 and fiscal year 2022 on a reported basis have been adjusted to include the impact of hyperinflationary accounting in accordance with the requirements stipulated in IAS 29. The results for fiscal year 2021 and fiscal year 2022 on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

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

Core revenue at constant FX: +4.8% vs. 2021

Adjusted operating profit (AOP) at constant FX: +9.0% vs. 2021

- Driven by pricing contributions in the tobacco business

Revenue and AOP on a reported basis

- Increased fueled by strong business momentum in the tobacco business and favorable FX impact due to historically weak JPY

Operating profit

- Increased due to AOP growth and favorable comparison of the expenses vs. the one recorded last year

Profit

- Increased as operating profit growth outweighed higher financing costs

FCF

- Decreased due to increased working capital, higher corporate income tax and payments of one-time costs associated with initiatives to strengthen competitiveness in Japan, despite AOP growth

Tobacco Business: Volume Performance and Financial Results

Volume

(BnU)	FY2022	vs. 2021
Total volume	527.3	-0.5%
Combustibles volume	519.4	-0.7%
RRP volume	7.9	+10.3%

Financials

(JPY BN)	FY2022	vs. 2021
Core revenue	2,315.2	+15.6%
at constant FX	2,098.1	+4.8%
AOP	754.0	+18.0%
at constant FX	691.9	+8.2%

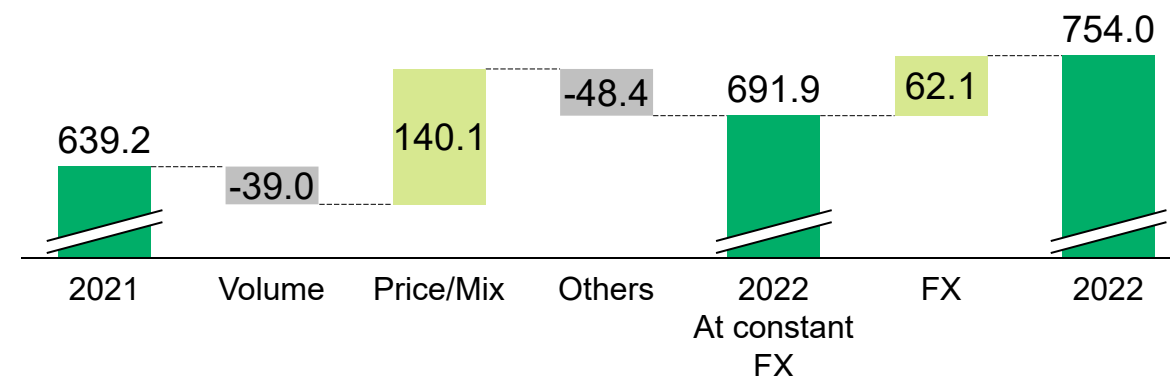
Core revenue and AOP

- Core revenue increased due to strong pricing benefits
- AOP increased driven by pricing benefits, partially offset by higher input costs within the supply chain associated with inflation

FX impacts

- Positive FX impact fueled by weaker JPY

Roadmap of AOP variance (JPY BN)



Note: The results for fiscal year 2021 and fiscal year 2022 on a reported basis have been adjusted to include the impact of hyperinflationary accounting in accordance with the requirements stipulated in IAS 29. The results for fiscal year 2021 and fiscal year 2022 on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

Pharmaceutical and Processed Food Businesses: Financial Results

Pharmaceutical Business

(JPY BN)	FY2022	vs. 2021
Revenue	82.9	+3.1%
AOP	11.1	+0.5%

- **Revenue** increased year-on-year driven by sales growth at our consolidated subsidiary, Torii Pharmaceutical, from CORECTIM® Ointment in the area of skin diseases, CEDARCURE® Japanese Cedar Pollen Sublingual Tablets and MITICURE® House Dust Mite Sublingual Tablets in the area of allergens, despite lower one-time income from licensing of patented JT compound and overseas royalties
- **AOP** was broadly stable year-on-year due to the revenue growth despite higher R&D expenses at Torii Pharmaceutical

Processed Food Business

(JPY BN)	FY2022	vs. 2021
Revenue	155.5	+5.6%
AOP	3.5	-11.3%

- **Revenue** increased year-on-year due to price increases in the frozen and ambient foods segment
- **AOP** decreased year-on-year as top-line growth was offset by: soaring raw material costs, unfavorable FX impacts as well as unfavorable comparison of one-time income from an insurance claim recorded last year



2023 Forecasts

Update on the Russian Market

Business overview of Russian market

- While we continue to manufacture and distribute our products, the operating environment remains very challenging
- Under these circumstances, the JT Group continues to take necessary decisions to address the changing situation in accordance with the Group's management principle, which is to pursue the 4S model, as well as in compliance with applicable regulations and international sanctions

Financial impact and FX sensitivity guidance

- Russian market accounted for approximately 11% of revenue and approximately 22% of AOP in the 2022 consolidated financial results, and is expected to account for approximately 11% of revenue and approximately 25% of AOP within the 2023 consolidated financial forecasts
- FX sensitivity guidance:
 - 1% deviation against the assumed JPY/RUB rate will lead to more than JPY 2.0 billion impact on full year 2023 AOP forecast*

*FX sensitivity guidance except RUB is as follows: 1% depreciation from the assumption rates against JPY by GBP leads to approx. JPY +1.0 billion / by TWD leads to approx. JPY +1.0 billion / by PHP leads to approx. JPY +1.0 billion / by EUR leads to less than JPY +1.0 billion / by CHF leads to approx. JPY -0.5 billion on full year 2023 adjusted operating profit forecast

2023 Consolidated Financial Forecasts

Core revenue at constant FX: +2.0% vs. 2022

AOP at constant FX: +0.0% vs. 2022

- Pricing benefits in the tobacco business offset by higher input costs within the supply chain and accelerated investments in HTS*

*heated tobacco sticks

Revenue on a reported basis

- Expected to decline due to unfavorable FX impacts from a stronger JPY in the tobacco business, despite the revenue growth in the pharmaceutical business

AOP on a reported basis

- Expected to decline due to unfavorable FX impacts from a stronger JPY in the tobacco business, (approx. JPY 60.0 billion) despite the profit growth in the pharmaceutical and processed food businesses

Operating profit

- Expected to decline due to lower AOP despite lower trademark amortization

Profit

- Expected to remain broadly stable vs. 2022, as decreased operating profit will be partially offset by improved financing costs

FCF

- Expected to increase +JPY 19.1 billion due to a favorable comparison to 2022 from the absence of payments related to initiatives to strengthen our competitiveness in Japan and lower corporate income tax, despite lower AOP and an increase in capital expenditures

(JPY BN)	FY2023	vs. 2022 (abs)	vs. 2022 (%)
<u>Reported</u>			
Revenue	2,629.0	-28.8	-1.1%
AOP	667.0	-60.8	-8.4%
Operating profit	612.0	-41.6	-6.4%
Profit	440.0	-2.7	-0.6%
FCF	402.0	+19.1	-

Note: The forecasts for fiscal year 2023 on a reported basis shown above have been adjusted to include the impact of hyperinflationary accounting in accordance with the requirements stipulated in IAS 29.

Tobacco Business: Volume Outlook and Financial Forecasts

Volume

	FY2023
Total volume	A decrease of -1.5 to -2.0% vs. 2022

Financials

(JPY BN)	FY2023	vs. 2022
<u>Reported</u>		
Core revenue	2,293.0	-1.0%
AOP	696.0	-7.7%

Note: The forecasts for fiscal year 2023 on a reported basis shown above have been adjusted to include the impact of hyperinflationary accounting in accordance with the requirements stipulated in IAS 29.

Volume assumption

- (+) Continues solid share momentum, combustibles volume growth in emerging markets and GTR, as well as RRP volume growth
- (-) Industry volume contraction in Japan, the Philippines, Russia and the UK

Financials on a constant FX basis

Core revenue: +2.2% vs. 2022

- (+) Sustain pricing benefits
- (-) Industry volume contraction and ongoing downtrading

AOP: +0.4% vs. 2022

- (+) Top-line growth
- (-) Higher input costs within the supply chain and accelerated investments in HTS

Financials on a reported basis

Core revenue and AOP:

- (-) Negative impact due to a stronger JPY

Pharmaceutical and Processed Food Businesses : Financial Forecasts

Pharmaceutical Business

(JPY BN)	FY2023	vs. 2022
Revenue	89.5	+8.0%
AOP	13.5	+21.1%

Processed Food Business

(JPY BN)	FY2023	vs. 2022
Revenue	147.5	-5.2%
AOP	4.0	+14.0%

- **Revenue:** Increase driven by the one-time income from the licensing of patented JT compounds and revenue growth at Torii Pharmaceutical, more than offsetting lower overseas royalty income
- **AOP:** Increase due to top-line, despite higher R&D expenses
- **Revenue:** Decrease as the unfavorable impact associated with the share transfer agreement of former bakery business is expected to exceed the top-line growth supported by price increases
- **AOP:** Increase due to price increase contributions implemented in 2022 and those planned for 2023 offsetting higher raw material and utility costs



Closing Remarks

Closing Remarks

2022 Results

- Delivered strong profit growth supported by pricing benefits and combustibles share gains overcoming the challenging operating environment
- Achieved record highs across all indicators from revenue to profit* supported by business momentum and favorable FX

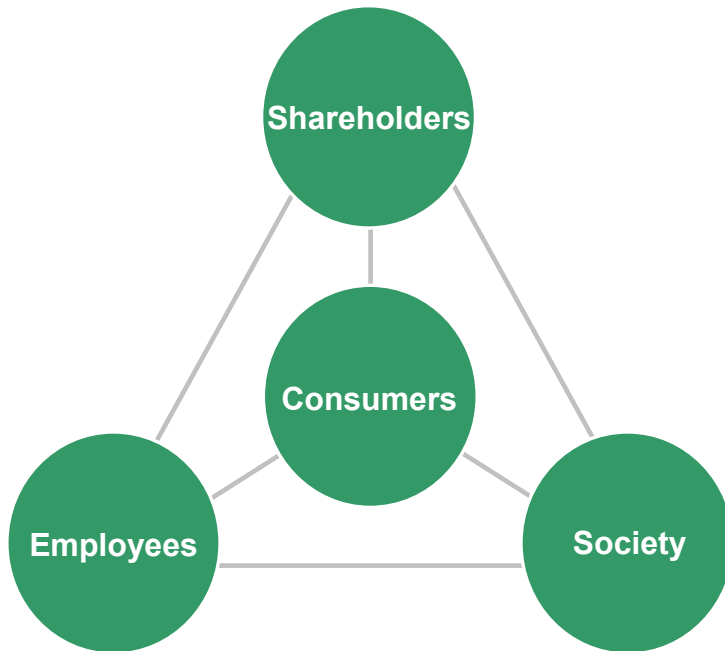
2023 Forecasts

- Significant investments towards HTS planned during 2023 to establish the foundations for the JT Group's future earnings growth
- Expect to secure AOP at constant FX at the same level as 2022 through pricing and cost efficiencies

Shareholder returns

- Planned annual DPS
 - 2022: JPY 188
 - 2023: JPY 188

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



<Definitions>

Adjusted operating profit (AOP):	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
~at constant FX:	Constant FX is computed using the same foreign exchange rates as in the equivalent period in the previous fiscal year for the tobacco business. Results at constant FX are provided additionally and are not an alternative to financial reporting under International Financial Reporting Standards (IFRS).
Core revenue at constant FX	The sum of 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 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 the potential to reduce the risks associated with smoking. In JT's portfolio, these products include heated tobacco sticks (HTS), infused-tobacco capsules (Infused), E-Vapor and Oral.
Heated tobacco sticks (HTS) :	High temperature heated tobacco products. One stick is equivalent to a stick of cigarettes.
Combustibles :	Combustibles include all tobacco products excluding contract manufactured products, waterpipe, heated tobacco products, oral and E-Vapor.
GFB : (Global Flagship Brands)	Global Flagship Brands: Winston, Camel, MEVIUS and LD (4 brands)

<Definitions>

Total volume:	The volume of tobacco-based products which excludes contract-manufactured products, waterpipe, RRP devices and related accessories.
Combustibles volume:	The shipment volume of combustibles which excludes contract-manufactured products, snus, waterpipe, heated tobacco products and E-Vapor.
RRP volume:	Reduced-Risk Products (RRP) volume in cigarette-stick equivalent. This also excludes RRP devices, RRP related accessories, etc.
Core revenue:	Core revenue includes all revenue excluding those from distribution, contract manufacturing and other peripheral businesses.