



Tobacco Business  
2022 Results & 2023 Outlook

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# FORWARD-LOOKING STATEMENTS

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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.

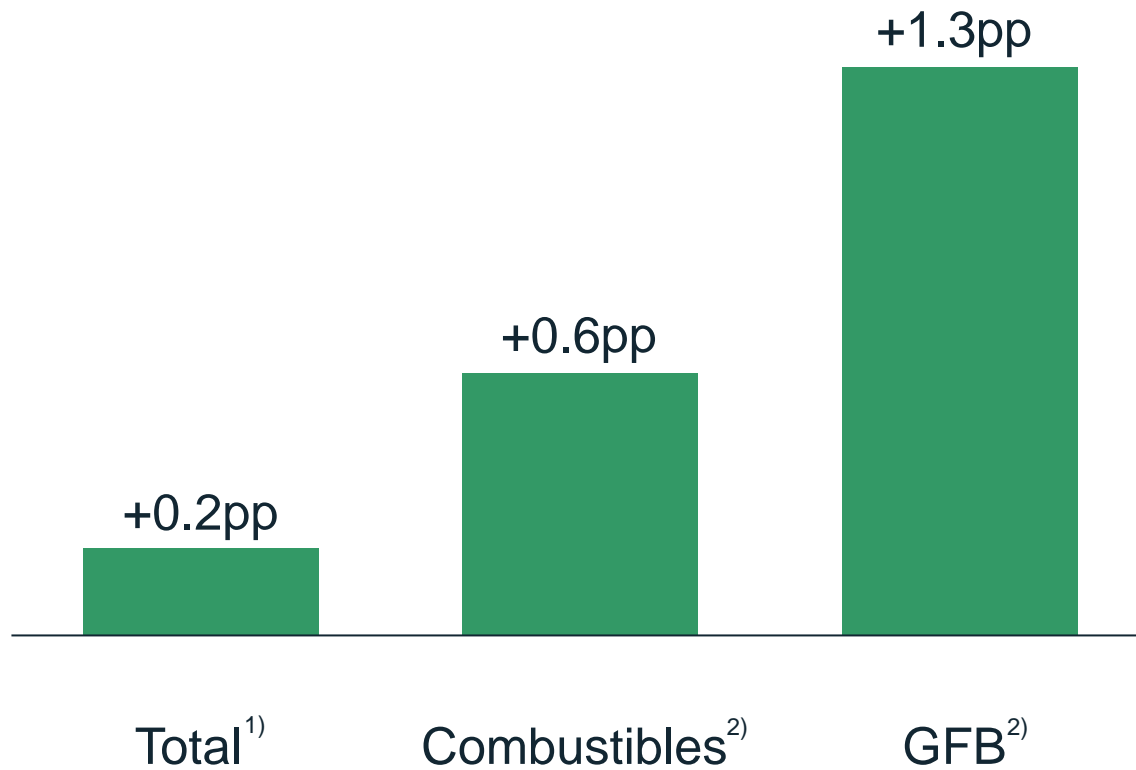
# 2022 | Outstanding results across all metrics

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- Tobacco business strengthened its role as JT group's profit growth engine
  - Volume was broadly stable, driven by continued market share gains and double-digit RRP volume growth
  - Robust pricing despite challenging macroeconomic environment
  - Solid core revenue and AOP growth, leading to AOP margin improvement, further boosted by FX
- Key success factors include:
  - Unified One Tobacco structure further enhancing the business momentum
  - Strong brands in combustibles, execution excellence and agility
  - Ploom X growth in Japan, driven by a significantly improved consumer experience, sustained investments and enhanced capabilities
  - Investment strategy focused on optimizing resources and returns

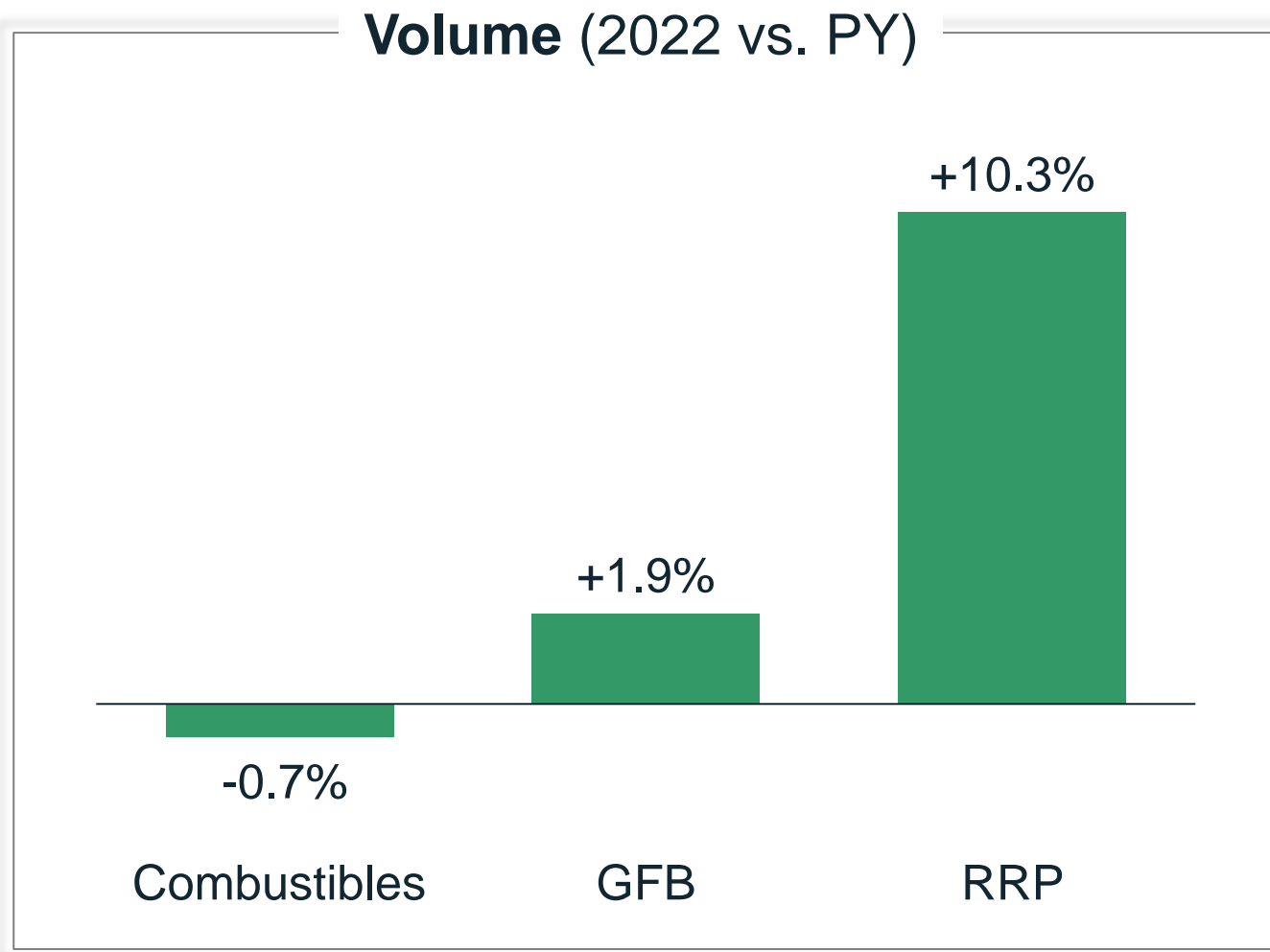
# Excellence in operations and brand building fueled share gains

## SoM in Top-30 (2022 vs. PY)



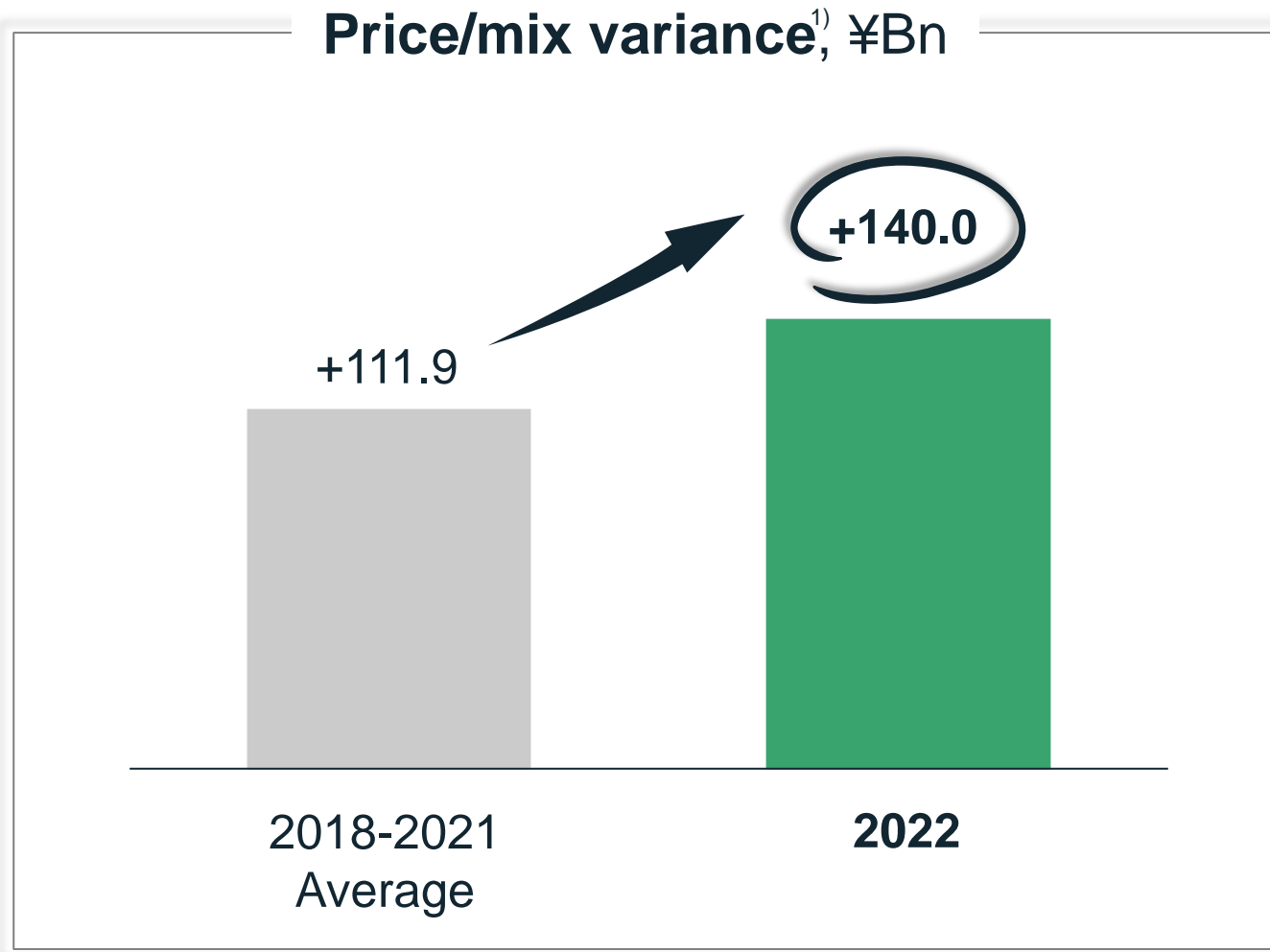
- Total market share gains fueled by combustibles globally and HTS in Japan
- Importantly, in combustibles:
  - 2/3 of our top-30 markets grew share
  - Share increased in both RMC and FCT
- GFB market share reached record high:
  - Strong gains by Winston and Camel
  - Momentum supported by new launches

# Resilient volume supported by GFB in combustibles



- Stable combustibles volume as market share gains offset combustibles industry volume decline estimated at c. 1.5%<sup>1)</sup>
- GFB volume grew once again to 69% of total volume:
  - Winston and Camel volume increased double-digit in 30+ markets
  - LD and MEVIUS grew in 10+ markets
- RRP volume grew double-digit, fueled by Ploom X in Japan:
  - SoS gains in a growing segment
  - Improving retention rate

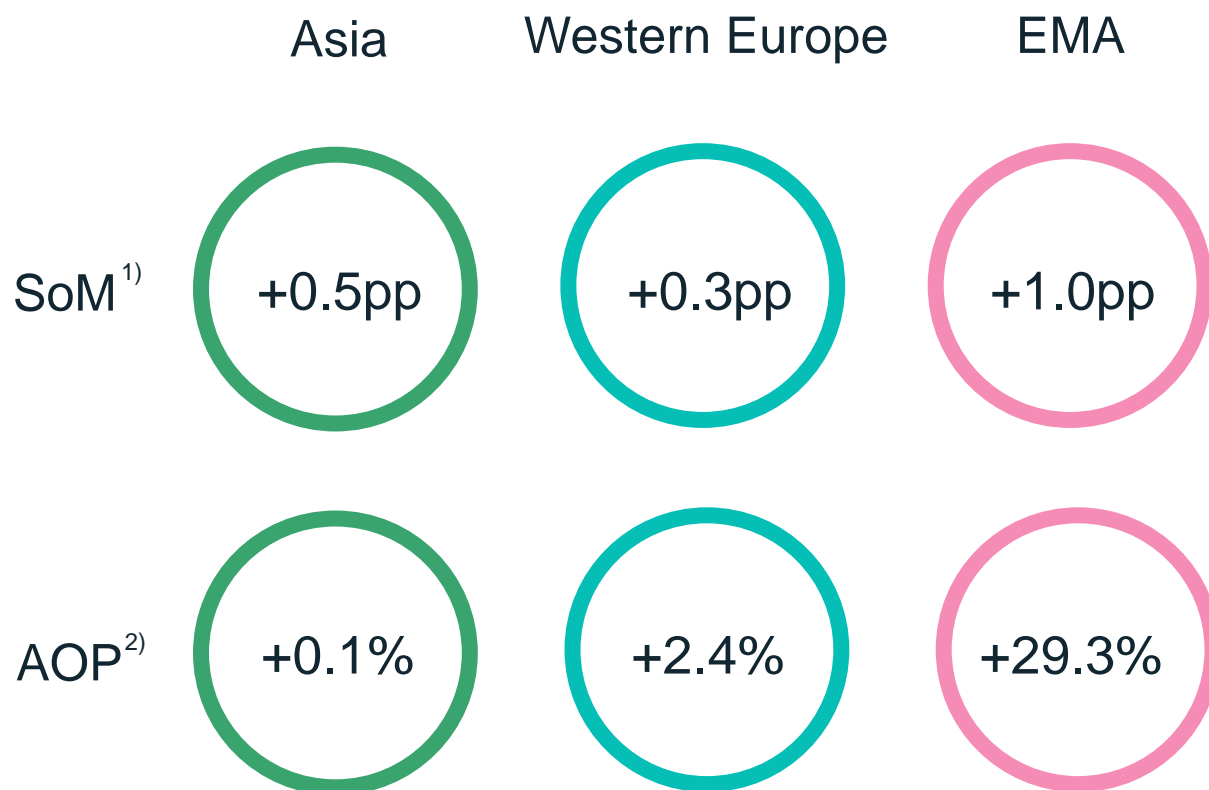
# Strong price/mix in a challenging environment



- Sustainable combustibles pricing model delivered a record year and compensated unexpected cost increases
- All clusters contributed a positive price/mix, with main drivers being:
  - Russia, Turkey, Romania & Poland in EMA
  - The UK and Germany in Western Europe
  - Japan and the Philippines in Asia
- Mix contribution to core revenue reflects unwinding of COVID impact and ongoing downtrading

# All clusters contributed to growth

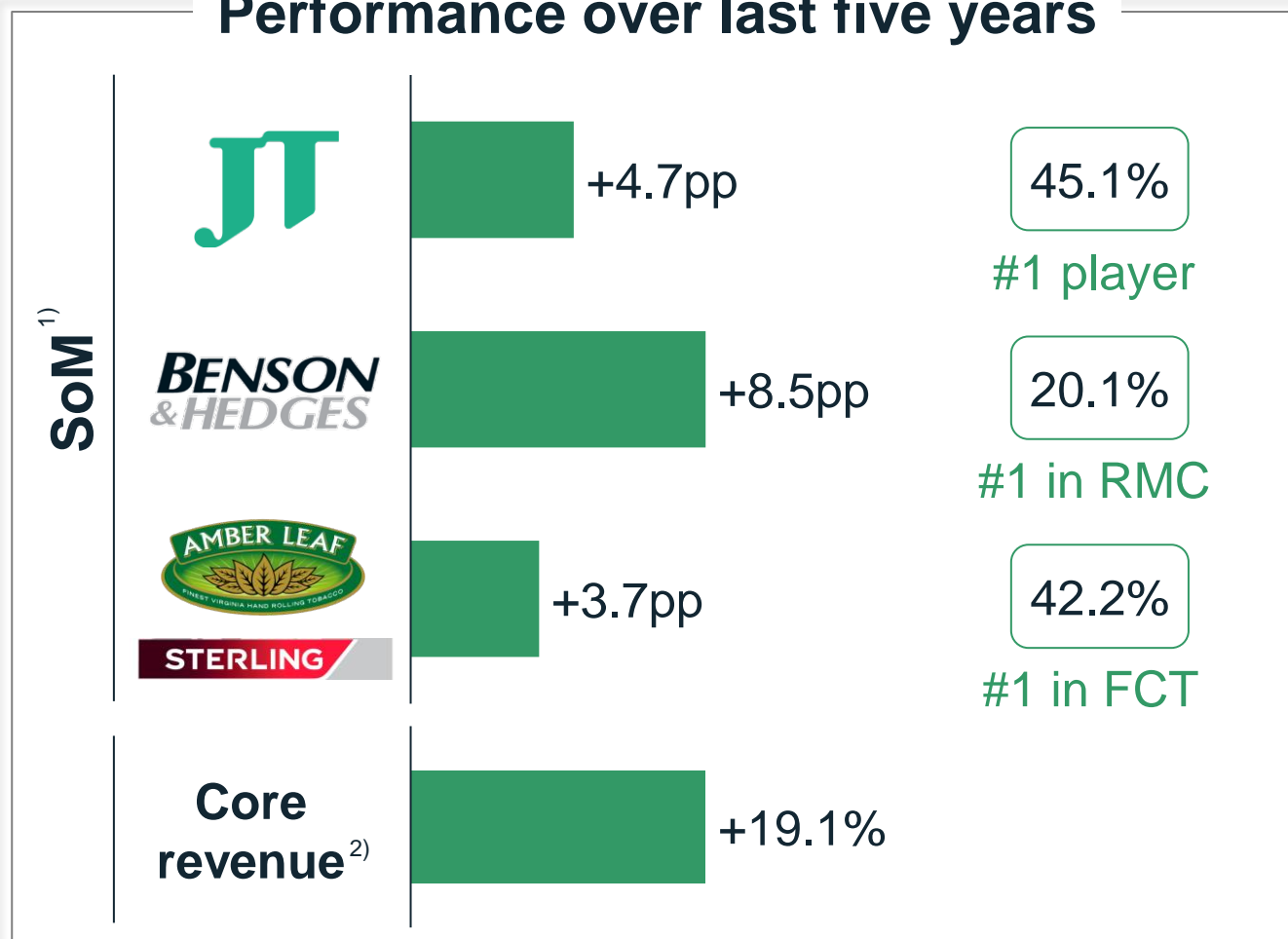
## Performance (2022 vs. PY)



- Asia strengthened and broadened the base of markets contributing to growth
  - Share momentum driven by GFB
- Western Europe grew despite unwinding of COVID-19 trends:
  - Share gains and strong price/mix
  - Contribution to top & bottom-line growth
- EMA strongly contributed to core revenue and AOP growth

# UK | Undisputed market leadership

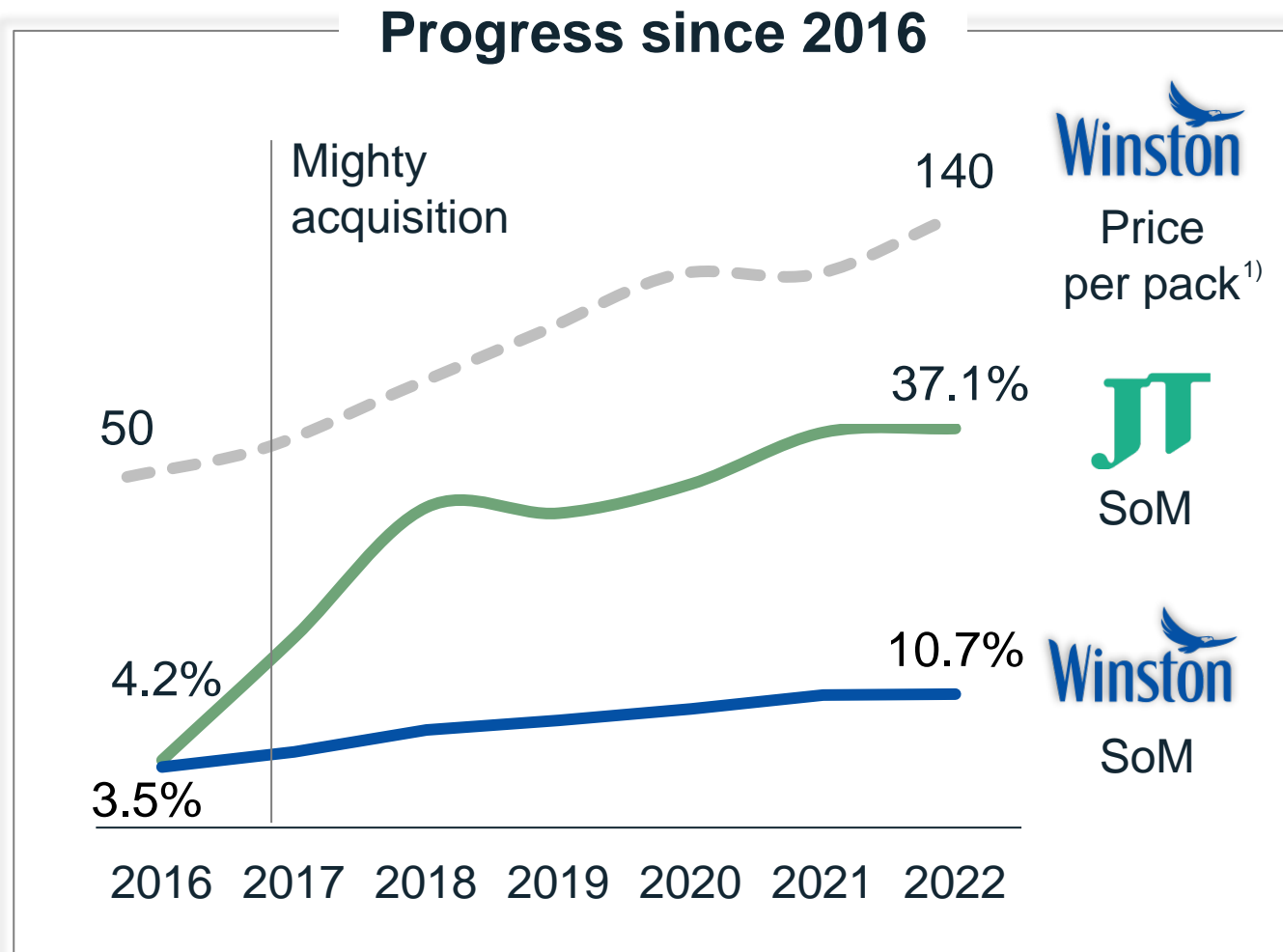
## Performance over last five years



- Significant growth over the last 5-years
- Consolidated #1 position in RMC and FCT
- Grew core revenue and profit with solid pricing
- In 2022, unwind of COVID impact resulted in volume returning to historical levels
- Robust market share trends fueled by a strong portfolio and trade engagement

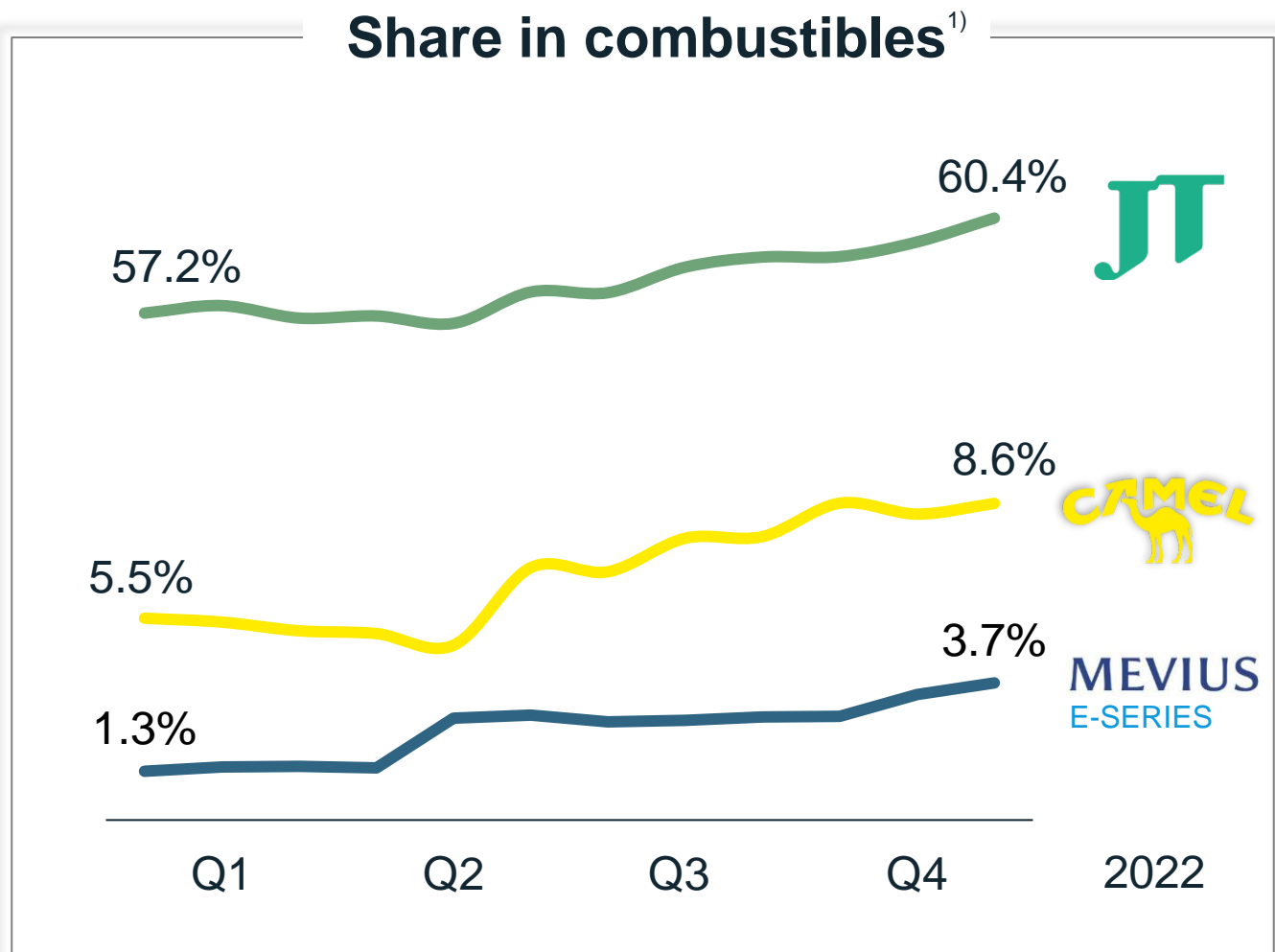


# Philippines | An impressive growth story



- Robust organic market share growth post Mighty acquisition
  - Total share reached 37%, up from 7%
  - Winston's share, the #3 brand, more than doubled
- Execution excellence in a complex market
  - Tripled number of points of sales
  - Well articulated portfolio addressing all price segments
- Tax calendar allowed for core revenue and profit growth

# Japan | Strengthened leadership in combustibles...



- Combustibles industry volume remained under pressure following consecutive price increases
- Well laddered portfolio recovering share in combustibles to protect profit pool
- Camel now #1 brand in value
  - Successful roll-out of Camel Craft in June
  - Exiting the year as #2 cigarettes brand
- MEVIUS strengthening #1 position
  - E-Series expansion in mid-price segment
  - Additional SKUs launches in the pipeline

# Japan | ...and accelerating progress in HTS



- Encouraging performance for Ploom X since launch in 2021
- Ploom experience enhanced by new device and consumables
- Share within the HTS segment reached 8.2% in Japan, fueled by:
  - Introduction of new flavored SKUs
  - Competitive device offerings
- Stronger capabilities continue to drive user acquisition and retention

# Ploom X expansion to accelerate in 2023



Ploom X launches

- UK in 2022
- 10+ in 2023
- 10+ in 2024

- Ploom X already available across Japan and London
  - Over 1.2 million Ploom users
- Accelerated expansion plan for Ploom X
  - Emphasis on established HTS markets
  - 2023 launch plans skewed to second half
- Significant investment committed to HTS
  - Focus on enhancing capabilities

# Business Plan 2023 for the Tobacco Business

## 2023 Focus Area

### **Accelerated RRP investments in HTS**

- Drive additional share gains in Japan
- Ploom X rollout in 10+ markets

### **Continued focus on growth and returns in combustibles**

- Build on share momentum and GFB equity
- Fuel core revenue growth

## 3-year Business Plan 2023

### **Volume forecast stable**

- Continued market share gains expected to partly offset industry size decline in combustibles
- Double digit RRP volume growth fueled by HTS

### **Revenue expected to grow mid single digit**

- Combustible pricing to remain key driver of growth
- Increased RRP revenue contribution to top-line

### **AOP to increase low single digit**

- Higher RRP investments, building the foundation for future profit growth