



# 2021 Nine-Month Results

Naohiro Minami  
*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 16 and 17.

# 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 Nine-Month Results

## 2021 Nine-Month Consolidated Results

(JPY BN)	Jan-Sep 2021	vs. PY
<b><u>Reported</u></b>		
Revenue	1,776.1	+10.9%
AOP	542.9	+23.0%
Operating profit	480.7	+23.2%
Profit	338.8	+31.3%

### Adjusted Operating Profit (AOP) at constant FX: +21.9% vs. PY

- Driven by the continued robust performance in both tobacco businesses

### Revenue

- Increase fueled by a favorable price/mix contribution and volume growth from the international tobacco business

### AOP (on reported basis) and Operating profit

- Increase in profit driven by the strong top-line performance
- FX tailwind for some local currencies, significant weaker JPY and stronger USD

### Profit

- Increase driven by improved financing costs

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 (BnU) Jan-Sep 2021

Figures in parentheses are year-on-year comparisons.

	Industry	JT	SoM/SoS*
Total Tobacco**	116.6 (-3.3%)	52.3 (-8.2%)	44.9% (-2.4ppt)
RMC	82.2 (-8.7%)	49.0 (-9.3%)	59.6% (-0.4ppt)
RRP**	34.4 (+12.6%)	3.4 (+12.5%)	9.8% (-0.0ppt)
RRP market size**	29.5%	-	-

\*Share of Market / Share of Segment

\*\* JT estimate (shipment based)

## Financials (JPY BN)

	Jan-Sep 2021	vs. PY
Core revenue	405.2	+2.6%
AOP	162.1	+16.6%

## Industry Volume

- **RMC** : decline due to increased RRP adoption, price hike in 2020 as well as natural attrition
- **RRP** : YoY growth reflecting the increased adoption. FY market size estimate remains unchanged at 2Q levels

## JT sales volume and share performance

- **RMC** : decline due to lower industry volume as well as reduced share from conversion to RRP and intense competition in the value segment
- **RRP** : steady growth of sales volume driven by Ploom X launch, despite reduced share due to lower one-time demand surge

## Core revenue and AOP

(+) RMC price/mix

(-) RMC sales volume

(-) Marketing investment towards national roll-out of Ploom X

## Focus on Price Amendment

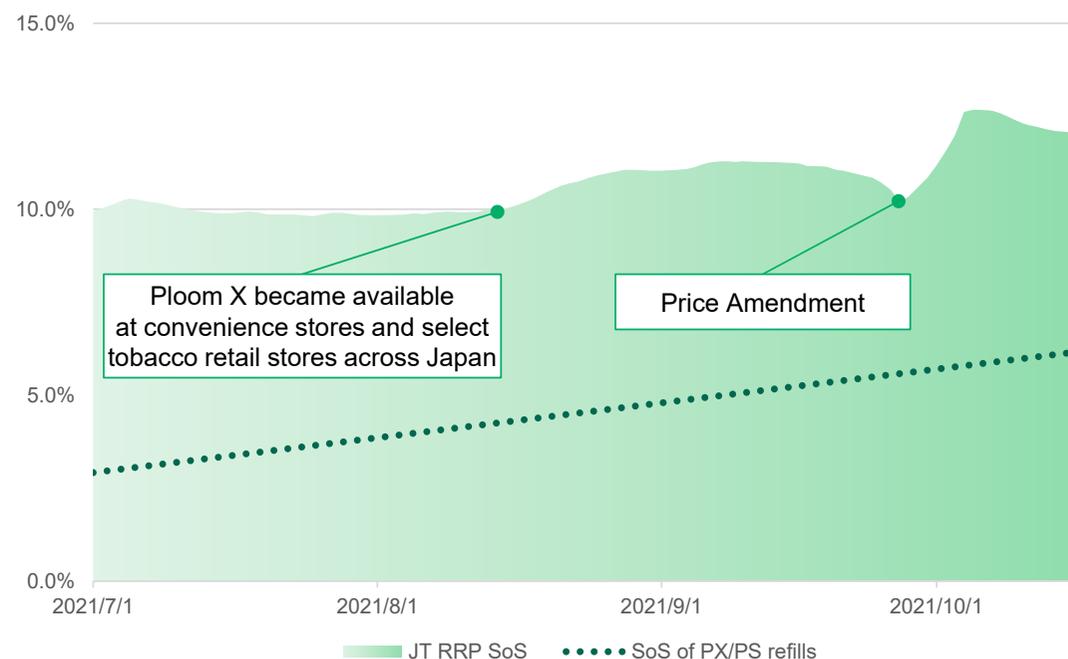
- One-time demand was estimated to be 0.4 month in volume equivalent
- Ahead of the price change, one time demand was larger for products most impacted by the price increase (notable effect on little cigars, less on RRP)
- RRP trend after price amendment: selected Ploom X refills gained SoM

# Ploom X's Performance

- Our new HTS device Ploom X was launched in Japan in July and rolled out nationwide in August
  - Stronger device sales performance
  - Market share trend
    - Since October, our share has been increasing mainly driven by Camel consumables
    - HTS: our RRP investment priority, growing steadily since the launch of Ploom X and accounts for approximately 50% of our total RRP portfolio
- Impacts of global semiconductor shortage
  - Difficult to secure components needed to further expand the market as planned
  - For the remainder of 2021, we will prioritize available supply of devices for the Japan market

## Reference: Share of Segment\* of JT RRP and Ploom X/Ploom S refills

\*JT estimate off-take base share on 7-day moving average  
SoS of Ploom X/Ploom S is only an approximative representation.



# International tobacco business: Volume Performance and Financial Results

## Volume (BnU)

	Jan-Sep 2021	vs. PY
Total shipment volume	348.9	+5.7%
GFB shipment volume	235.2	+10.3%

## Financials (JPY BN/USD MM)

	Jan-Sep 2021		vs. PY
Core revenue	1,126.9	JPY BN	+17.8%
at constant FX	9,944	USD MM	+11.7%
AOP	399.0	JPY BN	+26.7%
at constant FX	3,662	USD MM	+25.0%

## Shipment volume

- Resilient industry volume in several markets
- Solid momentum continued driven by share gains, notably in our key markets

## Core Revenue and AOP

- (+) Pricing gains, notably in the Philippines, Russia and the UK
- (+) Volume contribution, notably from Russia and the UK
- (+) Favorable currency movements

## Focus on trends in key markets

- **Russia**
  - Although industry volume is still resilient, as the impact of the excise tax increase materialized, industry volume contraction accelerated in 3Q21 vs. 1H21
  - Market share increased, mainly in combustibles driven by Camel
- **The UK**
  - Industry volume stronger than expected in 1H21. Trend gradually reversing from 3Q21 as travel restrictions eased
  - Continued market share gains in both cigarettes and fine cut

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)	Jan-Sep 2021	vs. PY
Revenue	56.8	-1.3%
AOP	6.6	-47.6%

- **Revenue:** lower overseas royalty income offset the revenue growth at our consolidated subsidiary, Torii Pharmaceutical
- **AOP:** declined due to lower revenue, increased R&D and SG&A expenses at Torii

## Processed food Business

(JPY BN)	Jan-Sep 2021	vs. PY
Revenue	106.7	-1.8%
AOP	2.4	+175.4%

- **Revenue:** Declined due to a relative decline in demand for household products
  - Products for the food service industry are still below levels pre-COVID-19 pandemic levels
- **AOP:** increased due to a one-time fire insurance claim and lower SG&A expenses



# Full-year forecast

# Consolidated Revised Forecast

(JPY BN)	FY2021 Revised forecast	vs. Previous Forecast	vs. PY
<b><u>Reported</u></b>			
Revenue	2,280.0	+80.0	+9.0%
AOP	588.0	+71.0	+20.8%
Operating profit	478.0	+76.0	+1.9%
Profit	330.0	+58.0	+6.4%
FCF	455.0	+72.0	-48.9 JPY BN

Note: The forecasts 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. Forecasts on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

**AOP at constant FX: revised significantly upward to +11.9% vs previous forecast and to +19.9% YoY, respectively**

## Revenue and AOP

- Revenue revised upward reflecting the updated forecasts of the international tobacco and pharmaceutical businesses
- AOP revised significantly upward due to lower negative impact of local currency rates and weaker yen against US dollar, in addition to favorable momentum in our business

## Operating profit and profit

- Both revised upward and now expected to increase reflecting the updated AOP forecast

## FCF

- Revised upward reflecting revised AOP and a decrease in CAPEX

# Japanese-domestic tobacco business: Revised Forecast

## Revised volume assumptions

		FY2021 Previous forecast	FY2021 Revised forecast
Industry Volume	Total*	a decrease of an upper 3% range	<b>a decrease of a middle 3% range</b>
	RMC	a decrease of a lower 9% range	<b>a decrease of an upper 8% range</b>
	RRP market size in tobacco industry*	approx. 30%	<b>(unchanged)</b>
JT shipment volume	JT RMC	a decrease of a slightly less than 11%	<b>a decrease of approx. 10%</b>
	JT RRP	over 4.5 BnU stick equivalent**	<b>(unchanged)</b>

\* JT estimate (shipment based) \*\*unchanged since the initial forecast

## Financials (JPY BN)

	FY2021 Revised forecast	vs. Previous forecast	vs. PY
Core revenue	510.0	-	-1.1%
AOP	176.0	-	+4.7%

## Volume assumptions

- **Total/RMC industry volume:** revised upward given robust performance through September
- **RRP market size:** remains unchanged
- **JT RMC shipment volume:** revised upward due to an update in RMC industry volume
- **JT RRP shipment volume:** remains unchanged

## Core revenue

- Remains unchanged vs. the previous forecast
  - Need to monitor the updates on competition after price revision in October 2021

## AOP

- Remains unchanged vs. the initial forecast
  - Aim to achieve the initial forecast while investing in Ploom X intensively

# International tobacco business: Revised Forecast

## Revised volume assumptions

	FY2021 Previous forecast	FY2021 Revised forecast
Total shipment volume	to be almost flat vs 2020	<b>an increase by approx. 4%</b>
GFB shipment volume	an increase by approx.3%	<b>an increase by approx.8%</b>

## Financials (JPY BN/USD MM)

	FY2021 Revised forecast		vs. Previous forecast	vs. PY
Core revenue	1,440.0	JPY BN	+80.0	+15.1%
at constant FX	12,850	USD MM	+750	+9.6%
AOP	442.0	JPY BN	+65.0	+29.7%
at constant FX	4,080	USD MM	+530	+28.2%

Note: The forecasts 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. Forecasts on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

## Volume assumptions

- Revised upward due to continued solid market share momentum, notably in our key markets, with a stronger than expected industry volume

## Core revenue and AOP

- At constant FX (USD):**  
revised upward reflecting an upward revision of the aforementioned volume assumptions
- On a reported basis (JPY):**  
revised upward reflecting a mitigated impact of local currency depreciation and tendency toward depreciation of the yen against US dollar

# Pharmaceutical and Processed food businesses: Revised Forecasts

## Pharmaceutical Business

(JPY BN)	FY2021 Revised forecast	vs. Previous forecast	vs. PY
Revenue	80.0	+3.0	+1.3%
AOP	10.0	+3.0	-41.7%

## Processed food Business

(JPY BN)	FY2021 Revised forecast	vs. Previous forecast	vs. PY
Revenue	147.0	-3.0	-1.6%
AOP	3.5	+0.5	-

- **Both revenue and AOP revised upward**
  - Overseas royalty income exceeding expectations
  - An increase in revenue at Torii Pharmaceutical
  - Deferred R&D expenses
- **Revenue:**

Revised downward to reflect a slower top-line recovery than expected in food service product and bakery businesses
- **AOP:**

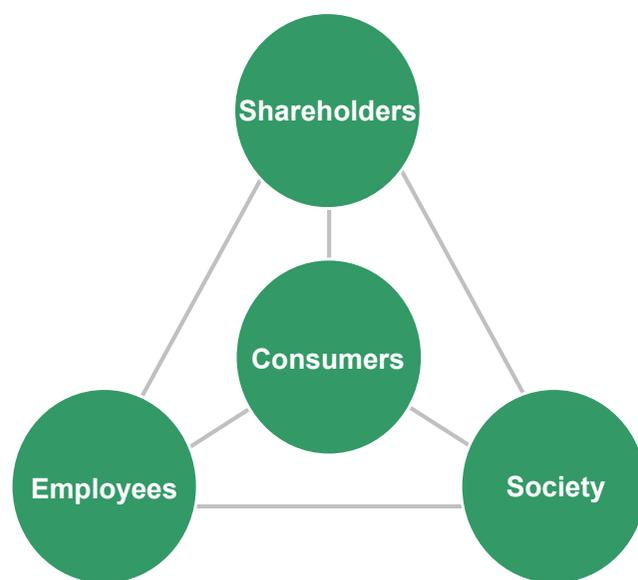
Revised upward reflecting a one-time fire insurance claim payment and efficient cost management



Closing remarks

# Closing remarks

---



- Revised forecast upward for 2021
- In the HTS category, focus on gaining market share in Japan with Ploom X
- To this end, available supply of devices will be prioritized towards Japan for the remainder of the year
- Uncertainties under consideration in the business planning for 2022 onward
  - Relaxation of travel restrictions and increase in travelers' traffic
  - The supply and demand situation of semiconductors
- Ready to combine the existing tobacco businesses into one global tobacco business from January 2022 and on track to strengthen the Japanese domestic tobacco business:
  - No significant changes in estimated costs of announced measures
- Shareholder returns
  - Annual dividend to be revised upward by JPY 10 to JPY 140

## <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
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, little cigars, RRP and others

RMC:  
(Japanese-domestic tobacco business)

Ready made cigarettes

RMC industry volume:  
(Japanese-domestic tobacco business)

Industry volume of ready-made-cigarette in Japan market by number of sticks based on the internal estimate. This includes little cigars but excludes RRP, etc.

RMC sales volume:  
(Japanese-domestic tobacco business)

JT's cigarette sales volume excluding the volume of domestic Duty-Free and the China businesses. This includes little cigars 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.

Little cigars:

Products rolled in tobacco-based paper with the similar format to cigarette 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 little cigars