



Business Plan 2022

Masamichi Terabatake
JT Group Chief Executive Officer

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

- FY2021 Overview
- Business Plan 2022
- Sustainable profit growth for the JT Group
- Resources allocation policy
- Sustainability



FY2021 Overview

FY2021 Overview

- **Performance significantly exceeded corresponding figures for 2020 and initial guidance driven by strong growth in the tobacco business**

- Record organic volume growth within the last 10 years in the international tobacco business

(vs. 2020)

- ✓ Consolidated AOP at constant FX: **+22.9%**
- ✓ Profit (attributable to owners of the parent company) : **+9.1%**

(vs. initial 2021 guidance)

- ✓ Consolidated AOP at constant FX: +16.9%
- ✓ Profit (attributable to owners of the parent company) : +41.0%

- **DPS: 140 JPY** (planned)

- **Continued initiatives conducive to future growth**

- ✓ Gained market shares in leading markets
- ✓ Marked growth in HTS¹, our top-priority category e.g., launch of Ploom X in Japan
- ✓ Completed preparations for the new operating model

¹ HTS stands for heated tobacco sticks

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



Business Plan 2022

Mid- to long-term target:
consolidated adjusted operating profit at constant FX growth rate of

Mid to high single digit

Outlook 2022-2024:
annual average growth of a mid single digit rate despite significant investments towards RRP

Operating environment outlook 2022-2024

Continue to aim for profit growth with focus on the tobacco business despite uncertainties such as changes in consumer behavior caused by the pandemic and risks of global economic stagnation due to emerging COVID variants

- Monitor changes in the business environment e.g., pandemic-driven governmental tax increases to secure financial resources, tighter/more complex regulations
- Consider uncertain geopolitical risks e.g., economic sanctions or political unrest in some markets

Operating environment outlook in the tobacco business

RRP

- ✓ Continued demand increase especially for HTS
- ✓ Intensified competition and regulatory developments in leading markets
- ✓ Uncertainty in device procurement due to global semiconductor shortage

Combustibles¹

- ✓ Continued downtrading and industry volume decrease in leading markets
- ✓ Profit pool likely to expand through pricing opportunities

Tobacco Business

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

- **Prioritize investment of management resources towards HTS and combustibles**
 - ✓ Combustibles to remain the largest category over the coming decade
 - ✓ In RRP, HTS to be highest potential for sustainable profit growth
- Strive to fulfill following goals by the end of 2027 (when the HTS segment is estimated to represent 15% - 20%¹ of the total tobacco industry):
 - ✓ **Drive segment share for HTS in the key HTS markets² to the mid-teens level**
 - ✓ **Reach break-even³ in the RRP category**
- Enhance investment in the HTS to win more support from consumers to:
 - ✓ Expand geographically (e.g., Russia and Europe)
 - ✓ Continue to improve products
 - ✓ Reinforce our strategic capabilities

1. On a basis of revenue, excluding revenue in China

2. Japan, Russia, UK, Italy

3. Global basis (assumes existing geographic footprint and the current expansion plan)



Initiatives and performance for Ploom X in Japan

- Expansion of refill lineup
 - ✓ 14 SKUs deployed according to consumers' preference on flavor
- Cultivation of brand loyalty
 - ✓ 250'000 adult consumers registered on Ploom X CLUB
- Surpassed device sales projections
 - ✓ Topped one million units as of Dec. 2021
- Increase of JT's total RRP share¹ to 11.8%

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

Ensure sustainable profit growth through quality top-line growth

- ✓ Allocate more management resources towards products of high added value and unit price
 - Implement consistent price revisions
 - Focus on high-value added products

Our resource allocation policy

The 4S model guides 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 of our highest priority. Pursue growth of Adjusted Operating Profit at constant FX through quality top-line growth.

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.

Our business and sustainability

Set sustainability initiatives supporting long-term business growth at the core of our management



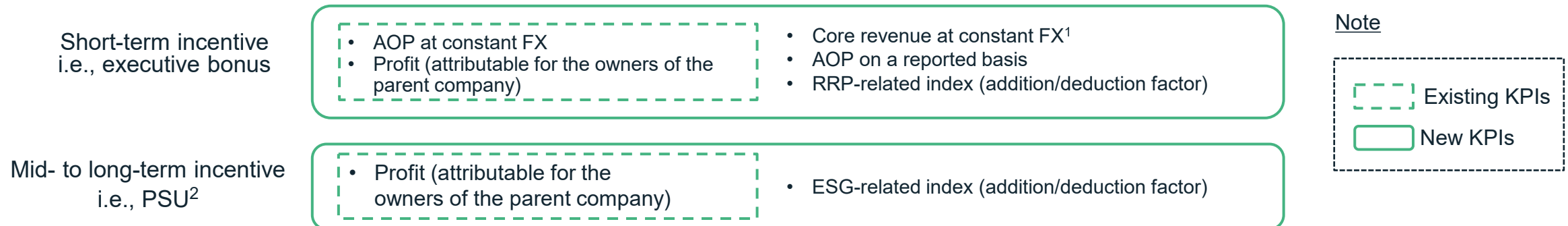
Contribution to SDGs through business activities

Progress in 2021

Governance	Environment	Society
<ul style="list-style-type: none"> Amend the term of Board of Directors Revise KPIs for executive remuneration Improve information disclosure e.g., integrated reports 	<ul style="list-style-type: none"> Stay on track for each target of JT Group environment plan 2030 Update targets for renewable energy use and greenhouse gas emissions reduction 	<ul style="list-style-type: none"> Set the Group target for representation of women in leadership <ul style="list-style-type: none"> ✓ To reach 25% by 2030 Publish the Group's first human rights report

Our enhancing corporate governance

- Enhance corporate governance through dialogue with our stakeholders, addressing societal expectations concerning corporate governance and assessment of Board’s effectiveness, etc.**
 - ✓ Dialogue with capital market
 - ✓ Addressing societal expectations
 - ✓ Assessment of Board of Directors’ effectiveness
 - 
 - ✓ Report to the management
 - ✓ Confirm and discuss among the Board
 - 
 - ✓ Amend the term of Board of Directors
 - ✓ Revise KPIs for executive remuneration
 - ✓ Improve information disclosure e.g., integrated reports
- KPIs for executive remuneration in 2022**
 - ✓ Incorporate KPIs conducive to mid- to long-term sustainable growth
 - ✓ Increase the weight of reported-basis KPIs to 50% for the executive bonus, short-term incentive



Our commitment to constructing decarbonized society

- **Update JT Group environment plan 2030 to fulfill our responsibility towards decarbonized society**
 - ✓ Be Carbon Neutral in the JT Group operations by 2030
 - ✓ Committed to achieve Net-Zero GHG emissions across the entire value chain by 2050

JT Group Environment Plan 2030

OUR CHOICE. OUR FUTURE.

Energy

Objective

JT Group will transition all of its energy use to zero carbon energy by 2050.

Targets

We will increase the proportion of renewable electricity that we use to 50% by 2030 and 100% by 2050.

¹Scope 1: Direct GHG emissions from corporate activities

²Scope 2: Indirect GHG emissions from consumption of purchased electricity, heat or steam

³Scope 3: Indirect GHG emissions other than Scope 1 and Scope 2

Emissions

Objective

JT Group will reduce its emissions and commits to be Carbon Neutral for its own operations by 2030 and achieve Net-Zero Greenhouse Gas emissions across its entire value chain by 2050.

Targets

- We commit to reduce absolute Scope 1¹ & 2² GHG emissions by 47% in line with a 1.5 degree reduction pathway by 2030 from a 2019 base year.
- We commit to reduce absolute Scope 3³ GHG emissions associated with purchased goods and services by 28% by 2030 from a 2019 base year.



Closing Remarks

Closing Remarks

- Summary
 - A start of our new business operating model
 - Allocate management resources based on the 4S model, and reinforce RRP investments especially towards HTS
 - Aim to enhance shareholder returns by realizing profit growth through mid- to long-term business investments
 - Achieve the JT Group's sustainable growth through contribution to the development of sustainable society
- The Tobacco Investor Conference is scheduled on May 19, 2022, to cover growth strategies in the tobacco business including initiatives to achieve mid- to long-term HTS targets
- Identifying initiatives conducive to future corporate value increase based on what JT Group means to society, and the values it can create
- 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