



2021 Second-Quarter Results

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*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 Second-Quarter Results

2021 Second-Quarter Consolidated Results

(JPY BN)	Jan-Jun 2021	vs. PY
<u>Reported</u>		
Revenue	1,144.5	+11.1%
AOP	358.2	+24.5%
Operating profit	322.1	+27.8%
Profit	225.2	+30.5%

Adjusted Operating Profit (AOP) at constant FX: +26.9% vs. PY

- Robust performance driven by our international tobacco business
- On-going stronger industry volume due to travel restrictions

Revenue

- Increased driven by volume growth and price/mix contributions from the international tobacco business

AOP (On reported basis) and Operating profit

- Increase in profit driven by strong topline
- Limited FX headwinds

Profit

- 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-Jun 2021

	Industry	JT	SoM/SoS*
Total Tobacco**	73.6 (-3.3%)	33.0 (-8.2%)	44.9% (-2.4ppt)
RMC	51.9 (-8.9%)	30.9 (-9.5%)	59.5% (-0.4ppt)
RRP**	21.7 (+13.4%)	2.1 (+17.7%)	9.8% (+0.4ppt)
RRP market size**	29.5%	-	-

*Share of Market / Share of Segment

** JT estimate (shipment based)

Financials (JPY BN)

	Jan-Jun 2021	vs. PY
Core revenue	256.4	+3.0%
AOP	101.3	+23.8%

Industry Volume

- **RMC** : decreased due to higher RRP adoption, price hike as well as natural decline
- **RRP** : increased due to ongoing changes in consumer behavior impacted by COVID-19 and continuous new product launches supported by intensified sales promotion

JT sales volume and share performance

- **RMC** : declined due to lower industry volume as well as share decline from conversion to RRP and intense competition in the value segment as a result of down-trading
- **RRP** : steady SoS development with sales volume in line with the initial plan

Core revenue and AOP

(+) RMC price/mix

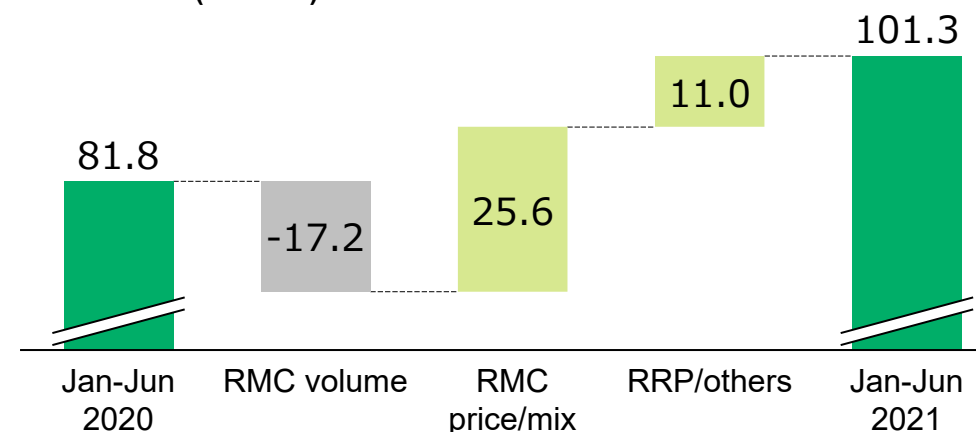
(+) Increase in RRP refill volume

(+) Lower marketing expenses driven by a higher skew to second half

(-) RMC sales volume

(-) Decrease in duty-free sales

AOP Variance factors (JPY BN)



Ploom X



- Our new HTS device Ploom X launched in Japan in July
 - Pre-launch sale at the CLUB JT online shop from July 26
 - Available soon at our Ploom Shop from August 3
 - Also available at convenience stores and select tobacco retail stores across Japan from August 17
- Offers rich taste with the “HEATFLOW®” , new heating technology
- Stylish appearance without any buttons on the surface of the device
- Reduced waiting time until optimal heating, extended usage duration and IoT
- Launched new refills designed to suit the new device
- Ready to launch in Russia later this year

International tobacco business: Volume Performance and Financial Results

Volume (BnU)

	Jan-Jun 2021	vs. PY
Total shipment volume	228.9	+8.0%
GFB shipment volume	153.5	+12.6%

Financials (JPY BN/USD MM)

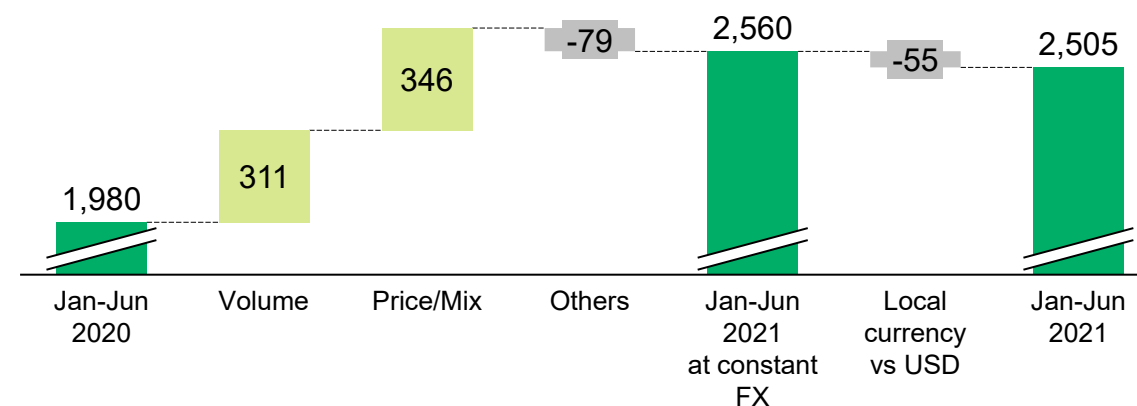
	Jan-Jun 2021		vs. PY
Core revenue	736.3	JPY BN	+17.6%
at constant FX	6,623	USD MM	+14.5%
AOP	270.2	JPY BN	+26.1%
at constant FX	2,560	USD MM	+29.2%

Topline Performance

- Stronger domestic industry volume mainly in high margin markets due to travel restrictions
- Solid momentum continued driven by share gains in our key markets
- Pricing gains, notably in the Philippines, Russia and the UK

AOP variance factors (USD MM)

- (+) Robust topline performance
- (-) Increased investments for RRP and digitalization
- (-) Currency headwinds, albeit lower than initially expected, mainly in IRR and RUB



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-Jun 2021	vs. PY
Revenue	37.1	-0.6%
AOP	3.6	-55.2%

Processed food Business

(JPY BN)	Jan-Jun 2021	vs. PY
Revenue	70.4	-1.9%
AOP	1.5	+316.9%

- **Revenue:** almost flat as lower overseas royalty income was offset by the revenue growth of our consolidated subsidiary, Torii Pharmaceutical
- **AOP:** declined due to recognition of losses associated with the termination of the development of a licensed compound and lower profit at Torii
- **Revenue:** A relative decline in demand for household products compared to temporary increased demand in 2020 due to restrictions on non-essential outings
 - COVID-19 impact
 - Household products: continued favorable performance compared to pre-COVID levels
 - Products for the food service industry: recovering trend vs 2020 but still below profit levels before COVID-19 pandemic
- **AOP:** increased due to lower SG&A expenses



Full-year forecast

Consolidated Revised Forecast

(JPY BN)	FY2021 Revised forecast	vs. Initial forecast	vs. PY
<u>Reported</u>			
Revenue	2,200.0	+120.0	+5.1%
AOP	517.0	+42.0	+6.2%
Operating profit	402.0	+39.0	-14.3%
Profit	272.0	+32.0	-12.3%
FCF	383.0	+68.0	-120.9 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.

Adjusted Operating Profit (AOP) at constant FX: revised upward to +2.0% vs the initial forecast and +7.2% growth YoY

- Contribution from the international tobacco business

Revenue

- The growth in international tobacco supported by upsides from revised FX assumptions exceeds the lower income of the Japanese domestic tobacco and the processed food businesses

AOP

- Lower negative FX impacts combined with stronger contribution from the international tobacco business
- As a result, AOP, which was initially expected to decrease, will increase

Operating profit and profit

- Improved from the initial forecast due to upward-revision of AOP

FCF

- Revised upward due to AOP growth and lower CAPEX

Revised FX assumptions

- Improvement in currency movements better than initially expected (both local currencies vs USD and USD vs JPY)
- Lower currency headwinds anticipated with the revised FX assumptions

Japanese-domestic tobacco business: Revised Forecast

Revised volume assumptions

		FY2021 initial forecast	FY2021 revised forecast
Industry Volume	Total*	a decrease of a lower 4% range	a decrease of an upper 3% range
	RMC	a decrease of a lower 8% range	a decrease of a lower 9% range
	RRP market size in tobacco industry*	upper 20% range	approx. 30%
JT shipment volume	JT RMC	a decrease of an upper 7% range	a decrease of a slightly less than 11%
	JT RRP	over 4.5 BnU stick equivalent	Unchanged

* JT estimate (shipment based)

Financials (JPY BN)

	FY2021 Revised forecast	vs. Initial forecast	vs. PY
Core revenue	510.0	-10.0	-1.1%
AOP	176.0	-	+4.7%

Volume assumptions

- **Total tobacco industry volume and RRP market size:** revised upward reflecting robust results in the first half
- **RMC industry volume:** revised downward considering RRP consumer applications beyond our initial expectation
- **JT RMC shipment volume:** revised downward consumer conversion to RRP and intense competition in the value segment caused by down-trading
- **JT RRP shipment volume:** remains unchanged

Core revenue

- Revised downward by 10.0 JPYBN considering revised RMC sales volume assumption and the slow recovery in duty-free business

AOP

- Remains unchanged
- Intensive investment for Ploom X and efficient cost management

Topics- Price amendment application and optimizing the acreage under cultivation of leaf tobacco: both incorporated into our forecast with certain assumptions

- **Price amendment**
 - Applied RMC price amendment today ahead of excise tax hike in October
 - Application regarding RRP and some brands still under consideration
- Optimize the total tobacco leaf cultivation acreage
 - Agreed to solicit leaf tobacco growers who wish to cease cultivation to achieve appropriate balance between supply and demand

International tobacco business: Revised Forecast

Revised volume assumptions

	FY2021 initial forecast	FY2021 revised forecast
Total shipment volume	a decrease in the mid 3% range	To be almost flat vs 2020
GFB shipment volume	a decrease of approx. 1%	an increase by approx.3%

Financials (JPY BN/USD MM)

	FY2021 Revised forecast		Vs. Initial forecast	vs. PY
Core revenue	1,360.0	JPY BN	+130.0	+8.7%
at constant FX	12,100	USD MM	+250	+3.2%
AOP	377.0	JPY BN	+45.0	+10.6%
at constant FX	3,550	USD MM	+100	+11.6%

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 mainly due to the robust results in the first half
- On the other hand, our shipment volume in the second half is expected to see a year-on-year decrease due to the expected deterioration in industry volume trends notably related to easing of travel restrictions

Core revenue and AOP

- **At constant FX:**
revised upward based on favorable updated volume outlook
- **On reported basis:**
revised upward reflecting FX tailwind at some local currencies and significant weaker JPY and stronger USD

Additional focus areas

- Ploom X: Ready to launch in Russia later this year
- Transformation: on track to deliver on our cost-saving targets

Pharmaceutical and Processed food businesses: Revised Forecasts

Pharmaceutical Business

(JPY BN)	FY2021 Revised forecast	vs. Initial forecast	vs. PY
Revenue	77.0	+0.5	-2.5%
AOP	7.0	-	-59.2%

- **Revenue:** revised upward due to overseas royalty income better than the initial forecast
- **AOP:** remains unchanged due to recognition of losses associated with the termination of the development of a licensed compound despite upside of the overseas royalty income

Processed food Business

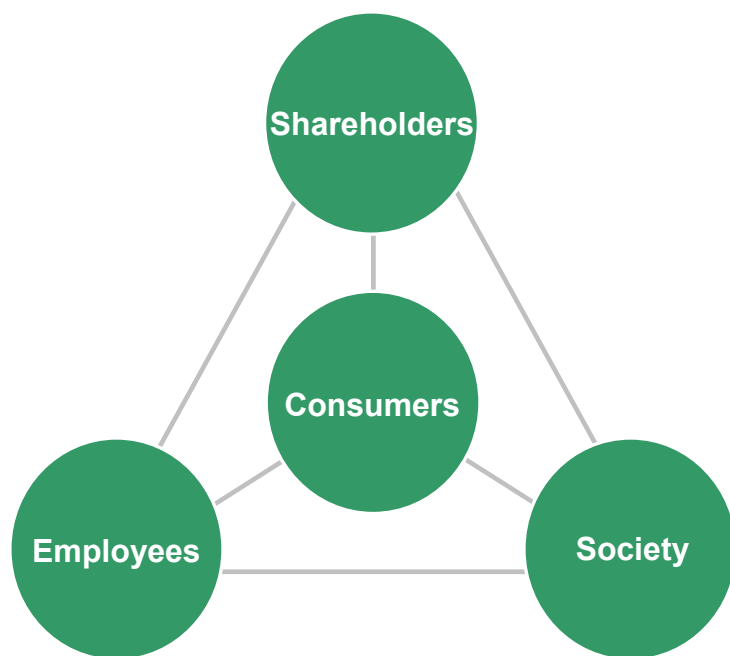
(JPY BN)	FY2021 Revised forecast	vs. Initial forecast	vs. PY
Revenue	150.0	-1.0	+0.4%
AOP	3.0	-	-

- **Revenue:** revised downward, continued to be impacted by the state of emergency as sales recovery expected to be slower than initially anticipated for the businesses of the food service products and the bakery business. The sales of household products in the frozen and ambient food business, on the other hand, are expected to grow
- **AOP:** remains unchanged and aiming to achieve initial target through improving product mix of frozen and ambient foods and taking cost-saving initiatives



Closing remarks

Closing remarks



- Revised 2021 full year guidance upward considering the robust performance in the first half
- Strengthening our presence in the HTS category with the introduction of Ploom X, starting with a focus on Japan and followed by other markets
- On track to combining the existing tobacco businesses into one tobacco business from 2022 and strengthening the Japanese domestic tobacco business:
 - Completed organizational design
- Proposed annual dividend per share remains unchanged: JPY 130
 - Interim dividend per share: JPY 65

<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