



# JT Group 2022 Six-month Results

*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 17.

# 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 Six-Month Results

# 2022 Six-Month Consolidated Results

| (JPY BN)               | 2022<br>Jan-Jun | vs. 2021 |
|------------------------|-----------------|----------|
| <b><u>Reported</u></b> |                 |          |
| Revenue                | <b>1,266.8</b>  | +10.7%   |
| AOP                    | <b>414.9</b>    | +15.8%   |
| Operating Profit       | <b>383.0</b>    | +18.9%   |
| Profit                 | <b>264.1</b>    | +17.3%   |

**Core revenue at constant FX: +3.7% vs. 2021**

**Adjusted operating profit (AOP) at constant FX: +8.0% vs. 2021**

- Driven by stronger pricing contributions in our tobacco business

**Revenue on a reported basis**

- Increased year-on-year due to top-line growth in all business segments and favorable FX impact from a weaker JPY

**AOP on a reported basis and Operating profit**

- Both increased driven by revenue growth and favorable FX impact from a weaker JPY

**Profit**

- Increased due to operating profit growth despite higher financing costs

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.

# Tobacco Business: Volume Performance

## Volume (BnU)

|                     | <b>2022<br/>Jan-Jun</b> | <b>vs. 2021</b> |
|---------------------|-------------------------|-----------------|
| Total volume        | <b>262.8</b>            | <b>-0.4%</b>    |
| Combustibles volume | <b>258.7</b>            | <b>-0.6%</b>    |
| RRP volume          | <b>4.0</b>              | <b>+14.5%</b>   |

## Total volume

(+) Volume growth in EMA, driven by strong momentum in Iran and Poland, as well as continued recovery in Global Travel Retail from easing travel restrictions

(-) Industry volume contraction mainly in France, the Philippines, Russia and the UK and continued combustibles industry size decline in Japan

## Combustibles

(+) On-going share gains across most key markets: Italy, the Philippines, Romania, Spain, Taiwan, Turkey

(±) Gradual unwind of COVID trends

(-) Out-of-stock due to sourcing changes related to exports from Russia and Ukraine

## RRP

(+) on-going HTS\* share gains in Japan stemming from the launch of Ploom X within an increasing segment

\*heated tobacco sticks

# Tobacco Business: Financial Results

## Financials (JPY BN)

|                | 2022<br>Jan-Jun | vs. 2021 |
|----------------|-----------------|----------|
| Core revenue   | 1,105.3         | +11.3%   |
| at constant FX | 1,028.1         | +3.6%    |
| AOP            | 425.1           | +14.1%   |
| at constant FX | 397.0           | +6.5%    |

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.

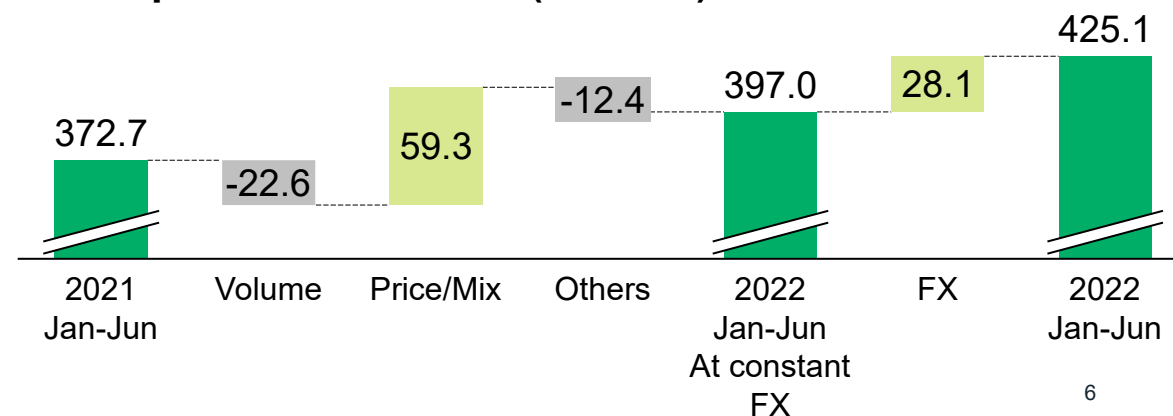
## Core revenue and AOP

- Core Revenue increased driven by a robust price/mix contribution in our key markets partially offset by a negative volume contribution in some high margin markets such as Japan and the UK
- AOP increased due to top-line growth, partially offset by year-on-year higher costs driven by increasing energy prices and inflation

## FX impacts

- Positive effects from a weaker JPY

## Roadmap of AOP variance (JPY BN)



# Tobacco Business: Key Takeaways by Cluster and Key Markets

## Asia

### Japan

- Volume declined in combustibles, partially offset by an increase in RRP
- Combustibles offering strengthened in the value segment with launches of “Camel Craft” and “MEVIUS E series”
- Pricing: plan to apply for price amendment in line with the October RRP excise tax hike

### The Philippines

- Share gains driven by Camel and Mighty
- Volume decreased due to lower industry volume following tax-led price increases

### Taiwan

- Winston and MEVIUS drove market share gains
- Volume increased despite the industry volume contraction

## WE

### Italy

- Market share gains driven by Winston
- Combustibles industry volume contraction in line with expectations

### Spain

- Market share gains fueled by Camel
- Industry size and total volume increased driven by easing COVID travel restrictions
- Positive price/mix contribution

### The UK

- Total volume declined due to an accelerated industry volume contraction from eased COVID travel restrictions and price hike
- Launches of new “Mayfair” and “Benson & Hedges” products in combustibles value segment

## EMA

### Romania

- Winston and Sobranie drove both total volume growth and market share gains
- Solid price/mix contribution

### Russia

- Total industry volume declined due to the combustibles industry volume contraction, partially offset by an increase in HTS
- Capturing the downtrading trend, the market share of Camel Compact continued to grow

### Turkey

- Total volume increased driven by Winston share gains and favorable inventory movements
- Pricing fueled by tax hike and inflation

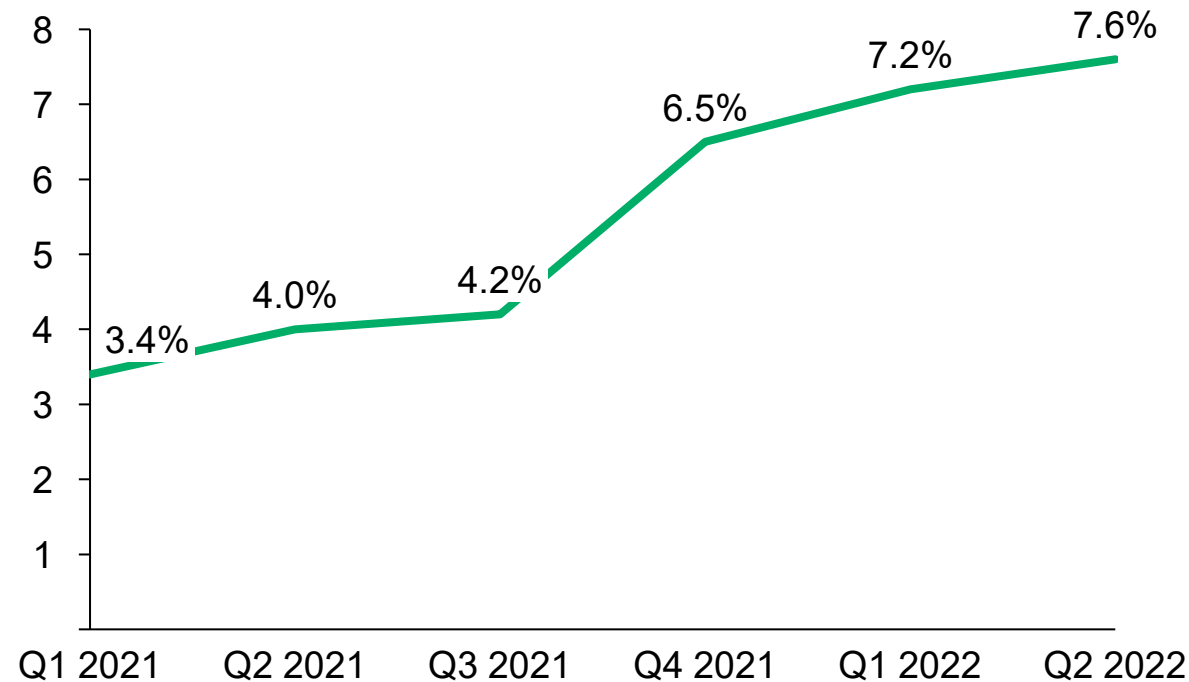
# Tobacco Business: Updates on Ploom X Progress in Japan Market

- Since the national launch of Ploom X in August 2021, our HTS market share has grown steadily achieving 7.6% within the HTS segment
- In the second half the year, we will be leveraging learnings from Japan for international Ploom X launches



This slide is intended only to explain operations of the JT Group, not to promote sales of tobacco or vaping products or encourage smoking or vaping among consumers.

Japan market: market share evolution in HTS segment\*



\*JT group estimate(shipment based)  
HTS SoS is calculated as follows: HTS volume/HTS industry volume



# Pharmaceutical and Processed Food Businesses: Financial Results

## Pharmaceutical Business

| (JPY BN) | 2022<br>Jan-Jun | vs. 2021 |
|----------|-----------------|----------|
| Revenue  | 39.3            | +6.1%    |
| AOP      | 4.9             | +36.8%   |

## Processed Food Business

| (JPY BN) | 2022<br>Jan-Jun | vs. 2021 |
|----------|-----------------|----------|
| Revenue  | 73.5            | +4.3%    |
| AOP      | 1.4             | -0.2%    |

- **Revenue** increased by 6.1% 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
- **AOP** increased year-on-year due to top-line growth at Torii Pharmaceutical
- **Revenue** increased due to the price increases and sales growth in the frozen and ambient foods segment
- **AOP** remained almost flat year-on-year: increase in raw materials and unfavorable FX impacts offset a favorable comparison from a one-time impairment loss related to a fire accident recognized last year



# Full-year Revised Forecast

# Update on the Russian Market and Impacts on the Revised Forecasts

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## Overview of Russian market

- Fully committed to complying with all applicable sanctions while continuing business operations
- Given the continued challenging and complex environment, continuing to evaluate various options for the Russian business including the potential transfer of ownership

## Financial impact and impact on revised forecasts

- Russian market accounts for approximately 9% of revenue and 17% of adjusted operating profit in the revised 2022 consolidated financials forecasts
- The risk of facing supply chain constraints related to the availability of raw materials exists
- Sensitivity guidance:
  - ✓ 1% deviation of JPY against RUB from the assumption rates will lead to approximately JPY 2.0 billion impact on full year 2022 adjusted operating profit revised forecast\*

\*FX sensitivity guidance except RUB is as follows: 1% depreciation from the assumption rates against JPY by GBP leads to approx.+1.0 billion yen / by TWD leads to approx. +1.0 billion yen / by PHP leads to approx. +1.0 billion yen / by EUR leads to approx. +1.0 billion yen / by CHF leads to approx. -0.5 billion yen on full year 2022 adjusted operating profit revised forecast

# Consolidated Revised Forecasts

| (JPY BN)               | FY2022<br>Revised<br>forecasts | vs.<br>Initial<br>forecasts | vs. 2021        |
|------------------------|--------------------------------|-----------------------------|-----------------|
| <b><u>Reported</u></b> |                                |                             |                 |
| Revenue                | <b>2,486.0</b>                 | +171.0                      | +6.9%           |
| AOP                    | <b>625.0</b>                   | +14.0                       | +2.4%           |
| Operating profit       | <b>549.0</b>                   | +15.0                       | +10.0%          |
| Profit                 | <b>362.0</b>                   | +6.0                        | +6.9%           |
| FCF                    | <b>388.0</b>                   | +46.0                       | -94.0<br>JPY BN |

Note: The forecasts for fiscal year 2022 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. The 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.

## Core revenue at constant FX:

**+0.9% vs. the initial forecast and +0.7% vs. 2021**

- Upward revision driven by stronger pricing contributions in the tobacco business

## Adjusted operating profit (AOP) at constant FX:

**-4.9% vs. the initial forecast and -1.1% vs. 2021**

- Downward revision due to higher cost related to increasing energy prices and inflation

## Revenue and AOP on a reported basis

- Upward revision to account for a weaker JPY

## Operating profit and profit

- Operating profit: upward revision due to increased AOP
- Profit: upward revision due to increased operating profit, despite higher financing costs and corporate income tax

## FCF

- Upward revision of 46.0 billion yen to account for an increased AOP and an improved working capital

# Tobacco Business: Revised Forecasts

## Volume

|              | <b>FY2022<br/>Revised forecast</b> | <b>Initial forecast</b>           |
|--------------|------------------------------------|-----------------------------------|
| Total volume | <b>unchanged</b>                   | a decrease of approx. 3% vs. 2021 |

## Financials

| (JPY BN)               | <b>FY2022<br/>Revised forecasts</b> | <b>vs.<br/>Initial forecasts</b> | <b>vs. 2021</b> |
|------------------------|-------------------------------------|----------------------------------|-----------------|
| <b><u>Reported</u></b> |                                     |                                  |                 |
| Revenue                | <b>2,148.0</b>                      | +162.0                           | +7.3%           |
| AOP                    | <b>655.0</b>                        | +15.0                            | +2.5%           |

Note: The forecasts for fiscal year 2022 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. The 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

- Initial forecast is unchanged
- First half momentum to be largely offset by an expected steeper decline in the second half of 2022
  - The continued easing of COVID-related travel restrictions
  - The negative impact following the Russia-Ukraine situation

## Financials on a constant FX basis

### **Core revenue: +0.9% vs. the initial forecast**

- Upward revision due to larger pricing effects in the first half of 2022

### **AOP: -4.5% vs. the initial forecast**

- Downward revision due to higher costs, related to increasing energy prices and inflation, combined with volume shortages following sourcing changes related to exports from Russia and Ukraine

## Financials on a reported basis

### **Core revenue and AOP:**

- Both revised upward to account for a weaker JPY

# Pharmaceutical and Processed food businesses: Financial Forecasts

## Pharmaceutical Business

| (JPY BN)     | FY2022<br>Revised<br>forecasts | vs.<br>Initial<br>forecasts | vs. 2021 |
|--------------|--------------------------------|-----------------------------|----------|
| Core revenue | <b>82.5</b>                    | +1.0                        | +2.6%    |
| AOP          | <b>10.0</b>                    | -                           | -9.9%    |

## Processed food Business

| (JPY BN)     | FY2022<br>Revised<br>forecasts | vs.<br>Initial<br>forecasts | vs. 2021 |
|--------------|--------------------------------|-----------------------------|----------|
| Core revenue | <b>154.0</b>                   | +1.0                        | +4.6%    |
| AOP          | <b>2.0</b>                     | -0.5                        | -49.4%   |

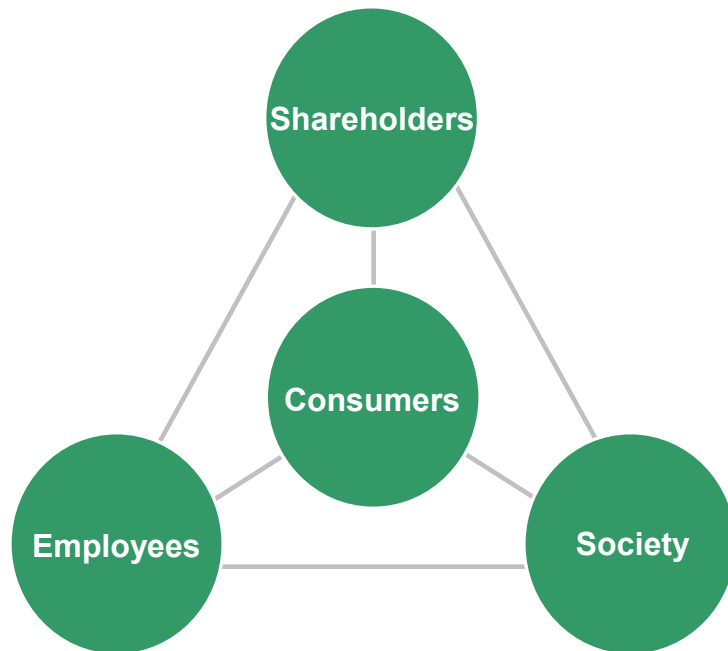
- **Revenue: +1.2% vs. the initial forecast**  
Upward revision due to an upswing in royalty income fueled by FX tailwinds and stronger revenue at Torii Pharmaceutical
- **AOP: unchanged from the initial forecast**  
unchanged at 10.0 billion yen, as top-line growth expected to be offset by increased R&D expenses
- **Revenue: +0.7% vs. the initial forecast**  
Upward revision due to additional price increases
- **AOP: -20.0% vs. the initial forecast**  
Downward revision of 0.5 billion yen due to increased costs including raw materials



# Closing Remarks

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## First half results

- Strong performance driven by robust pricing in the tobacco business

## 2022 Full-year revised forecasts

- Downward revision of AOP at constant FX driven by higher cost related to increasing energy prices and inflation
- Upward revision of AOP and profit on a reported basis reflecting weaker JPY trend

## Our Ploom X progress

- Steady growth in Japan market, reaching 7.6% of market share within the HTS segment
- In the second half the year, we will be leveraging learnings from Japan for international Ploom X launches

## Shareholder returns

- Proposed annual dividend per share JPY 150
- Interim dividend per share: JPY 75



# <Definitions>

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|  |   |
|--|---|
| Adjusted operating profit (AOP):                       | Adjusted operating profit = operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjusted items (income and costs)*<br>* Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others   |
| Consolidated adjusted operating profit 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 :<br>(Global Flagship Brands)                      | Global Flagship Brands: Winston, Camel, MEVIUS and LD (4 brands)  |

# <Definitions>

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|                      |  |
|----------------------|--|
| 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.             |