



Business Plan 2021

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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

- FY2020 Overview
- Business Plan 2021
- Achieve sustainable profit growth for the JT Group
- Resource allocation policy



FY2020 Overview

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- **Performance exceeded our initial 2020 guidance, even amidst major changes in operating environment, including those caused by COVID-19**

(vs initial guidance)

- ✓ Consolidated AOP at constant currency: +5.5%
- ✓ Profit (attributable to owners of the parent company): +1.7%

- **Dividend per share: 154 yen** (estimated)

- **Steady progress toward organizational improvement**

- ✓ Focus on consumer-centric activities
- ✓ Make the most of resource across the JT Group
- ✓ Create agile ways of working



Business Plan 2021

Business Plan 2021 – Mid- to long-term target

Consolidated adjusted operating profit at constant FX growth rate

Mid to high single digit

Operating environment outlook 2021-2023

Uncertainties expected to increase due to COVID-19 in addition to changes in international political conditions, exchange rate fluctuations, etc.

- COVID-19 continues to affect the global economy, while economic recovery in all countries is forecast to be moderate
- Close monitoring of further changes in operating environment is essential despite limited direct impact is expected from COVID-19 on tobacco business in the mid-term

Tobacco Business

Combustibles : Cash-generation Source

- ✓ Industry volume to continue declining and downtrading to accelerate, notably in mature markets
- ✓ Opportunities of profit pool increase through pricing

RRP : Pillar of Future Business Growth

- ✓ Market size to continue to expand and competition to intensify

- ✓ Frequent tax increases and regulatory developments continue in both categories

Tobacco Business | Redefine investment prioritization categories and strengthen the operating model

Reinforce competitiveness and profitability to achieve sustainable growth

Prioritize management resource toward heated tobacco sticks (HTS) and combustibles

HTS

Combustibles

- ✓ HTS: resource allocation prioritized
- ✓ Combustibles: returns emphasized

E-vapor

Infused

Oral

- ✓ Positioned as exploratory categories and adopt more selective investment posture

Consolidate the existing tobacco businesses into one tobacco business

Strengthen competitiveness in the Japanese market

Infused: infused tobacco capsule

Tobacco Business | Strengthen the operating model

- **Consolidate the existing tobacco businesses into one tobacco business (from January 2022)**
 - ✓ Strengthen the competitiveness in the growing RRP category by leveraging global resources
 - ✓ Maximize the value offered to consumers through timely resource allocation based on prioritization from a global perspective
- **Strengthen competitiveness in the Japanese market (transition to a new organization in April 2022)**
 - ✓ Establish an organization structure to enhance consumer satisfaction
 - Reinforce sales through further focusing on face-to-face marketing in addition to digital marketing
 - Reform the sales organization structure to promote sales activities and better address the local needs of the consumers
 - ✓ Ensure competitiveness and adjust the operating model in line with Japan sales volumes

Strengthen further RRP portfolio and digital strategies

- **Launch new HTS device in Japan, in the early H2 21**
 - ✓ Evolve both device and sticks to significantly enrich vaping experience
 - ✓ Expand globally to Russia and other markets, starting with Japan, largest market for HTS
- **Increase consumer retention by enhancing digital communication**
 - ✓ Leverage CLUB JT and promote the use of external platforms
 - Enrich consumer database
 - Conduct effective marketing by utilizing our database
 - ✓ Develop various features to enhance consumer experience by incorporating IoT functionality

This image is of a product under development. It may differ from the actual product.

Pharmaceutical Business / Processed Food Business

Complement the JT Group's profit growth

Pharmaceutical Business

Focus R&D investments toward next-generation strategic products and maximize value of each product

- ✓ Focus on drug discovery capabilities
- ✓ Develop compound pipeline
- ✓ Enhance both in- and out-licensing activities

Processed Food Business

Ensure sustainable profit increase through top-line growth

- ✓ Build a more profitable product portfolio
- ✓ Optimize manufacturing capabilities
 - Increase further productivity in Tablemark Group

Revise shareholder return policy in line with 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 currency 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.

Business Investments and 2021 Shareholder Returns

- **Business investments towards a sustainable profit growth**
 - ✓ Consolidate the existing tobacco business operating models into one tobacco business to fully leverage company-wide resources
 - ✓ Strengthen investments in Combustibles to secure stable profit growth and in RRP mainly towards the launch of next generation products
 - ✓ Consider M&A as a potential option towards future growth
- **2021 Dividend per share rebased**
 - ✓ Execute business investments towards mid- to long-term profit growth in spite of the ongoing, highly uncertain operating environment, including the changes post-COVID-19
 - ✓ Dividend per share to be rebased to 130 JPY, following our 4S model-guided resource allocation policy
 - ✓ Going forward, strike a balance between profit and shareholder returns, by realizing the profit growth through business investments

Our core for sustainability

Sustainability initiatives that support long-term business growth are at the core of our management philosophy



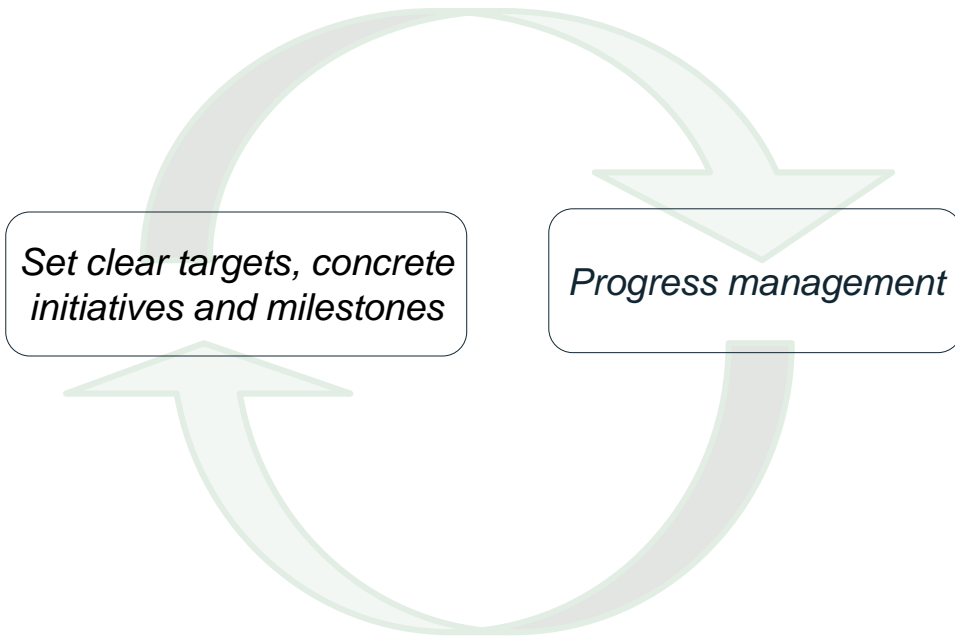
Sustainability Strategy - Set clear targets and initiatives

The JT Group's Three Absolute Requirements				
Respect for human rights		An improved social and environment impact		Good governance and business standards
Strategic Focus Areas				
Tobacco Business	Products and services	People	Supply chain	Regulatory Environment and illegal trade
Pharmaceutical Business	Products and services	People	Products safety and responsibility	
Processed Food Business	Products and services	People	Supply chain	

Contribution to the SDGs



Our core for sustainability –Key initiatives



- **Execute the JT Group Environment Plan 2030**
 - ✓ To contribute to realization of decarbonized society
Promote further utilization of renewable energy and reduction of greenhouse gas emissions
 - Increase the proportion of renewable electricity that we use to 25% by 2030, and to 100% by 2050
 - By 2030, reduce greenhouse gas emissions from our own operations by 32% (vs. 2015)
- **Secure safe and optimal work environment for tobacco leaf farmers**
 - ✓ Implement our ALP* program in all sourcing countries by 2025
- **Exceed consumers expectations with products and services (RRP)**
 - ✓ Diversify consumers' choices in the reduced-risk products category
- **Continue improving corporate governance, the foundation of all businesses**

*ALP stands for Agricultural Labor Practice



Closing Remarks

Closing Remarks

- JT Group is at an inflection point since its founding
 - Redefine investment prioritization categories and strengthen the tobacco business operating model
 - Revise shareholder return policy to ensure flexibility in business investment and strategy execution
 - Aim to enhance shareholder returns by realizing the Company's profit growth through business investments over the mid- to long-term
- Confident that value offered to each stakeholder can be maximized by sustainable profit growth through business investments, based on management principle of pursuing the 4S model
- Accelerate the evolution of the company by sincere engagement with consumers and continuous creation of products and services that exceed their expectations

