



JT Group 2020 Results & 2021 Forecast

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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 15 and 16.

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.



2020 Results

2020 Financial Results

(JPY BN)	FY2020	vs. PY
<u>Reported</u>		
Revenue	2,092.6	-3.8%
AOP	487.0	-5.6%
Operating Profit	469.1	-6.6%
Profit	310.3	-10.9%
FCF	503.9	+99.7

Note: Twelve-month financial results above include adjustments in hyperinflationary accounting for Iran and Sudan in accordance with IAS29

Adjusted Operating Profit (AOP) at constant FX: +5.5% vs. PY

- Led by growth in the International tobacco business

Revenue

- Decreased mainly due to lower revenue in the Japanese-domestic tobacco, Pharmaceutical and Processed food businesses
- Robust momentum in the International tobacco business was offset by negative FX impact
- COVID-19 negative impact on top-line: approx. JPY 61 BN

AOP (Reported)

- Decreased due to unfavorable currency movements and profit decline in the Japanese-domestic tobacco and Processed food businesses

Operating Profit and Profit

- (+) Proceeds from the sales of real estate, mainly the former JT head office building (JPY 41.3 BN)
- (+) Favorable comparison in the International tobacco business related to transformation restructuring costs in 2019
- (-) Unfavorable comparison in the Pharmaceutical business from the one-time compensation gain in 2019
- (-) Higher financing costs

FCF

- Stable cash-generation from operations despite the impact of COVID-19
- Cash inflow from sale of the former JT head office building

Japanese-domestic tobacco business: Volume Performance

(BnU)	Industry	JT volume	SoM/SoS
Total Tobacco*	155.0 (-4.2%)	72.7 (-7.8%)	46.9% (-1.8ppt)
RMC	114.9 (-8.2%)	68.7 (-9.0%)	59.8% (-0.5ppt)
RRP*	40.2 (+9.1%)	3.9 (+21.0%)	9.8% (+1.0ppt)
(RRP market size*)	approx. 26%	—	—

* JT estimate (shipment based)

Industry volume variance

- RMC: decreased due to impact from COVID-19, natural decline, price hikes, regulatory changes and increase in RRP consumer applications
 - COVID-19 impacts lasted through the year but diminished after the peak in April and May
- RRP: increased partly due to COVID-19 restrictions

JT Volume and Share Performance

- RMC: decreased due to lower industry volume and share decline from ongoing competition in the value segment
- RRP: both JT volume and SoS increased year-on-year
 - JT's Q4 category share was approx. 11% (off-take based)
 - ✓ Ploom S 2.0: Introduced in July
 - ✓ Ploom TECH + with: Introduced in November

October price hike:

- One-time demand surge estimated at 0.4 month volume equivalent
- Incremental demand impact more or less subsided within 2020
- No major change in consumer behavior, including down-trading

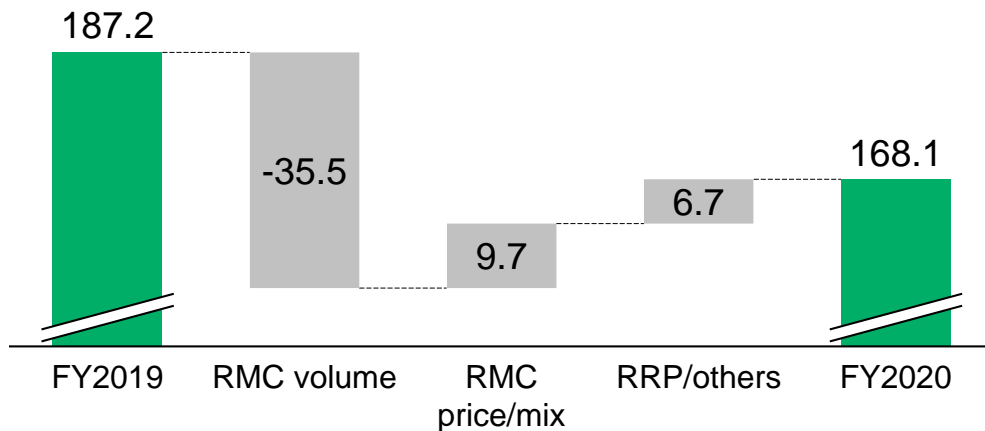
Japanese-domestic tobacco business: Financial Results

(JPY BN)	FY2020	vs. PY
Core revenue	515.7	-9.3%
AOP	168.1	-10.2%

Top-line Performance

- (+) Positive RMC price contribution
 - October 2020 price hike impact
- (-) Negative RMC volume variance
- (-) Lower RRP-related revenue
 - Increase in refill sales volume offset by decline in sales of devices and accessories
 - Tax hike absorption in October 2019

Roadmap of AOP variance (JPY BN)



COVID-19 negative impact on top-line: approx. JPY 30 BN

- More than half attributed to Duty-free and China businesses

AOP variance factors

- (+) Favorable comparison of an impairment loss of capsule-manufacturing machines for low-temperature heating products in 2019
- (+) Significant cost savings driven by lower indirect expenses due to protracted COVID-19 disruptions
- (+) Efficient cost management and focus on priority investments
- (-) Negative top-line performance
- (-) Enhanced investment, mainly in RRP and digital marketing

International tobacco business: Volume Performance and Financial Results

(BnU)	FY2020	vs. PY
Total shipment volume	435.7	-2.3%
GFB shipment volume	282.0	+1.8%

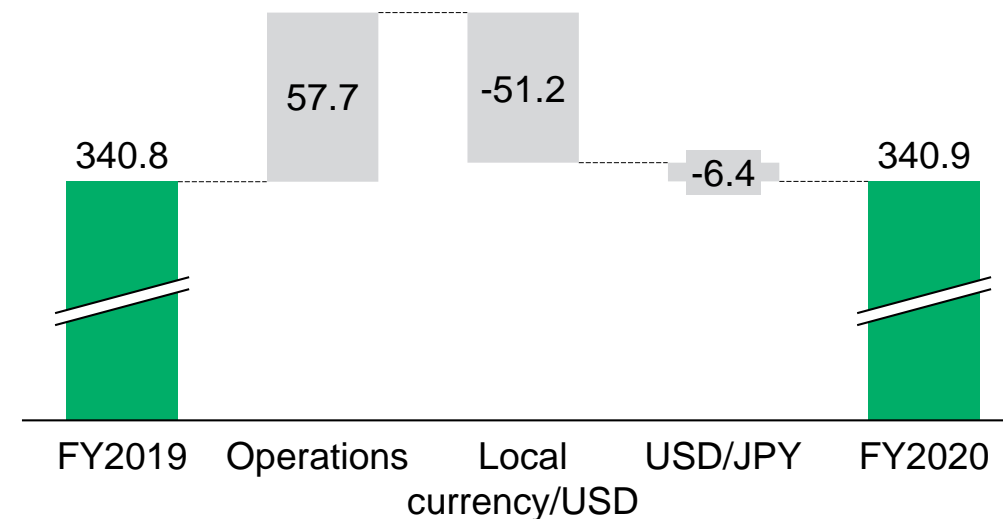
Financial	FY2020	vs. PY
Core revenue	1,250.8 JPY BN	-0.2%
at constant FX	12,300 USD MM	+7.0%
AOP	340.9 JPY BN	+0.0%
at constant FX	3,652 USD MM	+16.8%

Note: In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting and its adjustments to FY2020 results stated above, unless stated as constant currency basis. The FX impact in Roadmap includes the adjustments in hyperinflationary accounting in addition to the FX impact referred to in previous disclosure.

Core revenue and Adjusted Operating Profit (Reported)

- Flat vs. the previous year led by a strong price/mix variance and robust volume performance in high-margin markets despite negative foreign currency impacts
 - COVID-19 negative impact on top-line: approx. JPY 20 BN

Roadmap of AOP variance (JPY BN)



Pharmaceutical and Processed food businesses: Financial Results

Pharmaceutical Business

(JPY BN)	FY2020	vs. PY
Revenue	79.0	-10.8%
AOP	17.2	+7.6%

Processed food Business

(JPY BN)	FY2020	vs. PY
Revenue	149.3	-5.8%
AOP	-0.8	-

- Revenue decreased, mainly due to lower overseas royalty income
- AOP increased driven by lower R&D expenditures post-completion of clinical testing and profit growth at Torii Pharmaceutical, which together offset negative factors
- Revenue and AOP decreased as positive effects could not offset negative impacts from COVID-19
 - Lower demand in frozen and ambient foods, seasoning products for the food service industry as well as the bakery business
 - ✓ A recovery trend began in June but has not reached pre-COVID levels due to impact from the third viral wave in November
 - Demand for household products in the frozen and ambient-storage food business increased resulting in higher sales
 - ✓ Robust business since June after the state of emergency and voluntary stay-at-home order were lifted
- Impairment losses accounted in factories, stores and other assets of the bakery business considering the ongoing severe business environment and COVID-19 pandemic
- COVID-19 negative impact on top-line: approx. JPY 11 BN



2021 Forecast

2021 Consolidated Financial Forecast

2021 Outlook for COVID-19 impact

- Moderate recovery in worldwide economies
- Impact on demand for tobacco and processed food businesses likely to continue but lower than in 2020

(JPY BN)	FY2021	vs. PY
Reported		
Revenue	2,080.0	-0.6%
AOP	475.0	-2.5%
Operating profit	363.0	-22.6%
Profit	240.0	-22.6%
FCF	315.0	-188.9

Note: Financial forecast above include adjustments in hyperinflationary accounting for Iran and Sudan in accordance with IAS29

AOP at constant FX: +5.1% vs. PY

- Profit increase in the tobacco business is our growth driver

Revenue

- Increase in revenue in the Japanese-domestic tobacco and Processed food businesses to mostly offset unfavorable currencies in the International tobacco business and revenue decrease in the Pharmaceuticals business

AOP (Reported)

- Decrease due to negative foreign currency impacts in the International tobacco business and revenue decrease in the Pharmaceuticals business

Operating Profit and Profit

- (+) Lower financing costs
- (-) Lower proceeds from real-estate sales
- (-) Anticipated costs associated with the initiatives to strengthen competitiveness in the Japanese-domestic tobacco business (approx. JPY 37.0 BN)
 - Provision to fund the voluntary retirement program and retiree candidates
 - Impairment losses related to the closure of tobacco and filter factories in Japan
 - As a result of these initiatives along with the previously announced transformation at JTI, the total cost reduction benefit is realized in stages, and expected to be approx. JPY40BN in 2023, on an annual basis (compared to 2019), when most of these initiatives are projected to be completed.

FCF

- Decrease due to the loss of cash-inflow related to the sale of the former JT head office building in 2020 despite continuous stable cash generation from operations.

Japanese-domestic tobacco business: Volume Outlook and Financial Forecast

Outlook for COVID-19 impact on demand

- Despite lifting the state of emergency in June, impact likely to continue but lower than in 2020
- Duty-free sales expected to recover partially in H2 2021

	Industry	JT volume
Total Tobacco	a decrease in the lower 4% range	—
RMC	a decrease in the lower 8% range	a decrease in the upper 7% range
RRP	an increase of approx. 7%	over 4.5 BnU
(RRP market size)	upper 20%	—
(JPY BN)	FY2021	vs. PY
Core revenue	520.0	+0.8%
AOP	176.0	+4.7%

Industry volume variance

- RMC: decrease mainly due to price hikes, natural decline and RRP growth
- RRP: industry volume and market size continue to increase

JT volume and share performance

- RMC: aim for market share gains despite volume decrease due to industry contraction
- RRP: increase driven by RRP industry volume growth and SoS gains
 - new HTS* device launch at the beginning of H2 21

Core revenue variance factors

- (-) Negative RMC volume variance
- (+) Positive RMC price contribution from October 2020 price hike carry-over
 - October 2021 tax hike impact already factored in on certain preconditions
- (+) Increase in RRP-related revenue
 - Sales volume increase in both refills and devices
- (+) Duty-free sales expected to recover to a certain extent

AOP variance factors

- (+) Top-line performance
- (-) Enhanced marketing investment in RRP
- (-) Increase in indirect costs due to unfavorable comparison related to 2020 COVID-19-impacts

International tobacco business: Volume Outlook and Financial Forecast

Volume	FY2021		
Total shipment volume	a decrease in the mid 3% range		
GFB shipment volume	a decrease of approx. 1%		

Financial	FY2021		vs. PY
Core revenue	1,230.0	JPY BN	-1.7%
at constant currency	11,850	USD MM	+1.1%
AOP	332.0	JPY BN	-2.6%
at constant currency	3,450	USD MM	+8.4%

Note: Financial forecast above include adjustment for hyperinflationary accounting, except when at constant currency

Core revenue and AOP (Reported)

- Solid price-mix contribution and market share gains offset by unfavorable currency movements

Change in FX rate (vs. PY)

	FY2020	FY2021	Variance
USD/EUR	0.88	0.82	+7.0%
USD/GBP	0.78	0.74	+5.4%
USD/RUB	72.07	76.00	-5.2%
USD/TWD	29.47	29.00	+1.6%
USD/TRY	7.01	8.00	-12.4%
USD/JPY	106.76	103.00	-3.5%

Pharmaceutical and Processed food business: Financial Forecast

Pharmaceutical business

(JPY BN)	FY2021	vs. PY
Revenue	76.5	-3.1%
AOP	7.0	-59.2%

- Revenue to decrease mainly due to lower overseas royalty income, partially offset by an increase in revenue in our subsidiary, Torii Pharmaceutical, and non-recurring, one-time income from licensing of patented JT
- AOP to decline due to a revenue decrease and an increase in R&D expenditures alongside the expansion of development pipelines

Processed food business

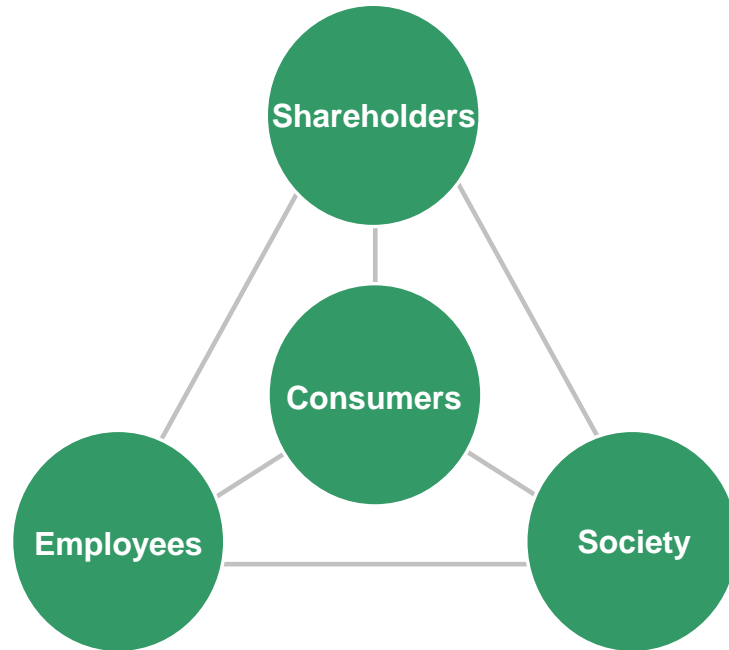
(JPY BN)	FY2021	vs. PY
Revenue	151.0	+1.1%
AOP	3.0	—

- Revenue to recover with a projected recovery of sales for the food-service and bakery businesses, which were negatively impacted by COVID-19 in 2020
- AOP expected to be JPY 3 BN due to the favorable comparison related to the impact of previous impairment losses in bakery business and top-line growth
- As a part of initiatives to optimize production capabilities in Tablemark Group since 2017, three factories to be closed in and after 2021, as well as functions of some factories to be changed

Outlook for COVID-19 impact on demand

- Food-service products: demand recovers slowly, though not to pre-COVID levels
- Household products: robust trend since H2 2020 continues

Closing remarks



FY2020 Results

- Despite the impact of the COVID-19, the results are strong, due mainly to efficient cost management in the correct priority order

FY2021 Outlook

- Our Japanese-domestic tobacco business will return to a profit growth. Our International tobacco business will maintain robust business momentum
- Meanwhile, many uncertainties remain in our business environment
- Profit will be down in FY2021 partly due to investment for future growth of the tobacco business as well as unfavorable comparison in sales of real estate

Shareholder Return:

- Dividend per share to be rebased
- Dividend per share (estimated)
 - 2020: JPY 154
 - 2021: JPY 130

<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)
Shipment volume: (International tobacco business)	Includes fine cut, cigars, pipe tobacco, snus, kretek and T-Vapor but excludes contract manufactured products, waterpipe tobacco and E-Vapor
Core revenue: (International tobacco business)	Includes revenue from waterpipe tobacco 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

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

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 cigarette. 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 in 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 RRP related revenue