



**JT Group**

# **2023 Nine-Month 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 18.

# 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.

# **2023 Nine-Month Results**

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# 2023 Nine-Month Consolidated Results:

## CR and AOP grew both at constant FX and reported basis



(JPY BN)	2023 Jan-Sep	vs. 2022
At constant FX		
Core revenue	<b>2,049.2</b>	+5.9%
AOP	<b>675.5</b>	+5.9%
Reported		
Revenue	<b>2,157.0</b>	+7.4%
AOP	<b>664.4</b>	+4.2%
Operating profit	<b>631.8</b>	+9.1%
Profit	<b>442.0</b>	+9.5%

### Revenue and AOP\*

- Solid pricing contribution in the tobacco business more than offset the impact of higher input costs within the supply chain and higher investments towards HTS\*\*
- Continued AOP growth in the pharmaceutical and processed food businesses
- Unfavorable foreign exchange impact on AOP

### Operating profit

- Increase driven by AOP growth as well as gains on sales of real estate and reduced amortization of trademark rights in the adjusted items

### Profit

- Increase driven by operating profit growth

*Note: The results for fiscal year 2022 and fiscal year 2023 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 2022 and fiscal year 2023 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: Strong first half momentum continued



(BnU)	2023 Jan-Sep	vs. 2022
Total volume	<b>410.6</b>	+2.1%
Combustibles	<b>404.2</b>	+2.1%
RRP	<b>6.5</b>	+8.2%

## Combustibles

### Solid volume growth fueled by continued market share gains

- Strong volume growth in the EMA cluster
  - Higher industry volume in Turkey
  - Continued recovery in Global Travel Retail
  - Strong momentum in several emerging markets
- Share gains in most key markets, including in Japan within the growing value price segment
- Growth-limiting factors:
  - Industry volume contraction mainly in the Philippines and the UK
  - On-going business disruption in Sudan

## RRP

### Incremental HTS volume driven by share gains in Japan & new market launches

- Continued HTS segment share gains in Japan
- Additional volume from Ploom X launches in several European markets

# Tobacco Business Financial Results & Drivers:

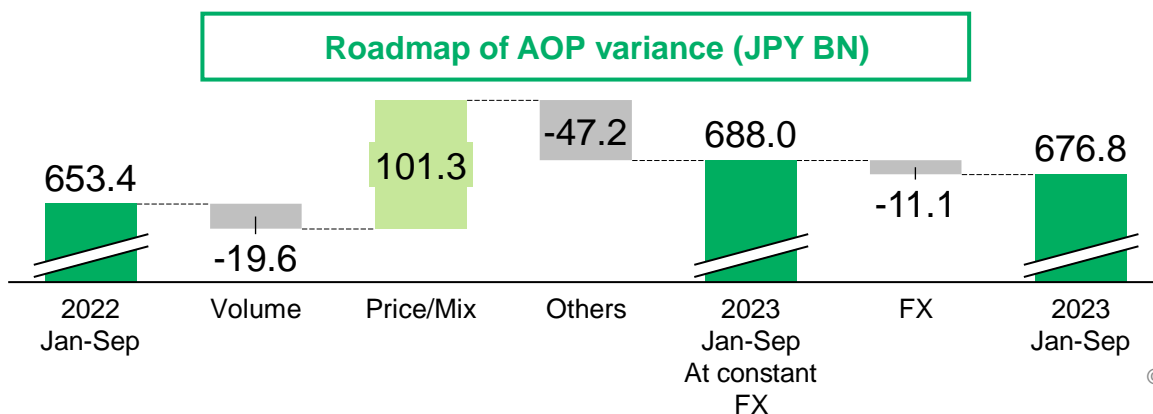
## Solid profit growth driven by strong pricing contribution



(JPY BN)	2023 Jan-Sep	vs. 2022
Core revenue	<b>1,891.3</b>	+7.4%
at constant FX	<b>1,866.7</b>	+6.0%
AOP	<b>676.8</b>	+3.6%
at constant FX	<b>688.0</b>	+5.3%

Note: The results for fiscal year 2022 and fiscal year 2023 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 2022 and fiscal year 2023 on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

### Roadmap of AOP variance (JPY BN)



### Volume

- Unfavorable market mix despite total volume growth

### Price/Mix

- Pricing benefits in multiple markets, including the Philippines, Russia and the UK, partially offset by lower product mix due to downtrading, mainly in Japan and the Philippines

### Others

- Higher input costs within the supply chain
- Investments towards combustibles and RRP

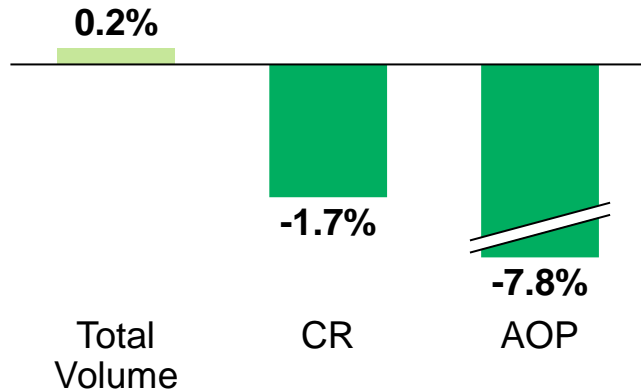
### FX

- Appreciation of JPY against several local currencies

# Tobacco Business: Overview of the Clusters Performance



## ASIA



### AOP performance

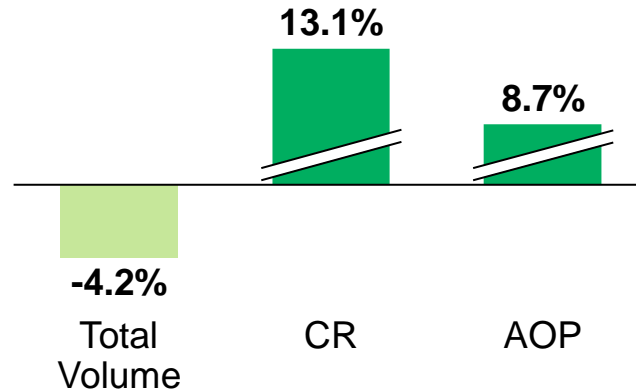
#### Growth drivers

- Market share gains, notably in the key markets of JPN, PHI and TWN
- Robust pricing contribution in PHI

#### Growth-limiting factors

- Lower industry volume in PHI and TWN
- Lower product mix in PHI and JPN, investment towards HTS in JPN
- JPY depreciation impacting the procurement of raw materials

## WESTERN EUROPE



### AOP performance

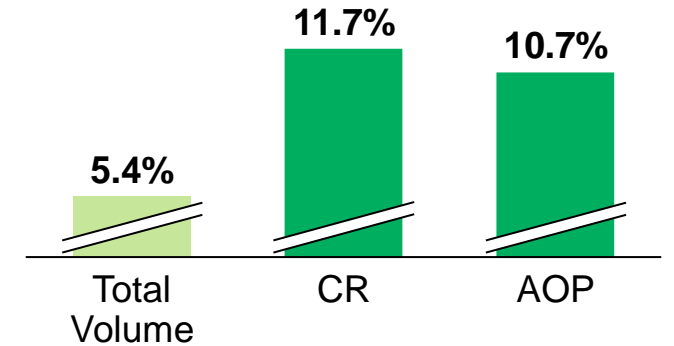
#### Growth drivers

- Market share gains in most markets, including ITA
- Solid pricing contribution from DEU, FRA, ESP and GBR
- JPY depreciation vs. EUR & GBP

#### Growth-limiting factors

- Lower industry volume in GBR
- Higher investments for Ploom X expansion

## EMA



### AOP performance

#### Growth drivers

- Market share gains in most markets and GTR volume recovery
- Pricing contribution from CAN, POL, ROU, RUS and TUR

#### Growth-limiting factors


- Higher input costs in the supply chain
- JPY appreciation vs. RUB

# Tobacco Business: Key Markets Takeaway



## ASIA

### Japan

	Industry size	Total volume	SoM
	+0.7%	+2.3%	+0.6ppt

#### Industry dynamics YTD


- Total industry volume was almost flat, as the RRP growth offset a decline in combustibles
- Continued downtrading in combustibles and intense competition in HTS

#### YTD performance

- Total volume outperformed the industry, driven by a higher total market share (42.9%, +0.6ppt year-on-year)
- Successful investments behind Ploom X driving continued RRP share gains (13.0%, +1.0ppt year-on-year)
- Market share grew in combustibles, led by Camel Craft and MEVIUS-E series

## WESTERN EUROPE

### The UK

	Industry size	Total volume	SoM
	-16.4%	-19.2%	-0.9ppt

#### Industry dynamics YTD

- Total industry volume decreased, due to several tax hikes since the second half of 2021, easing of travel restrictions and lower purchasing power due to inflation
- Accelerated downtrading due to intense competition in the value cigarette segment and fine cut category

#### YTD performance

- Robust pricing contribution more than offset the volume decline
- Leading positions not impacted, despite lower market share

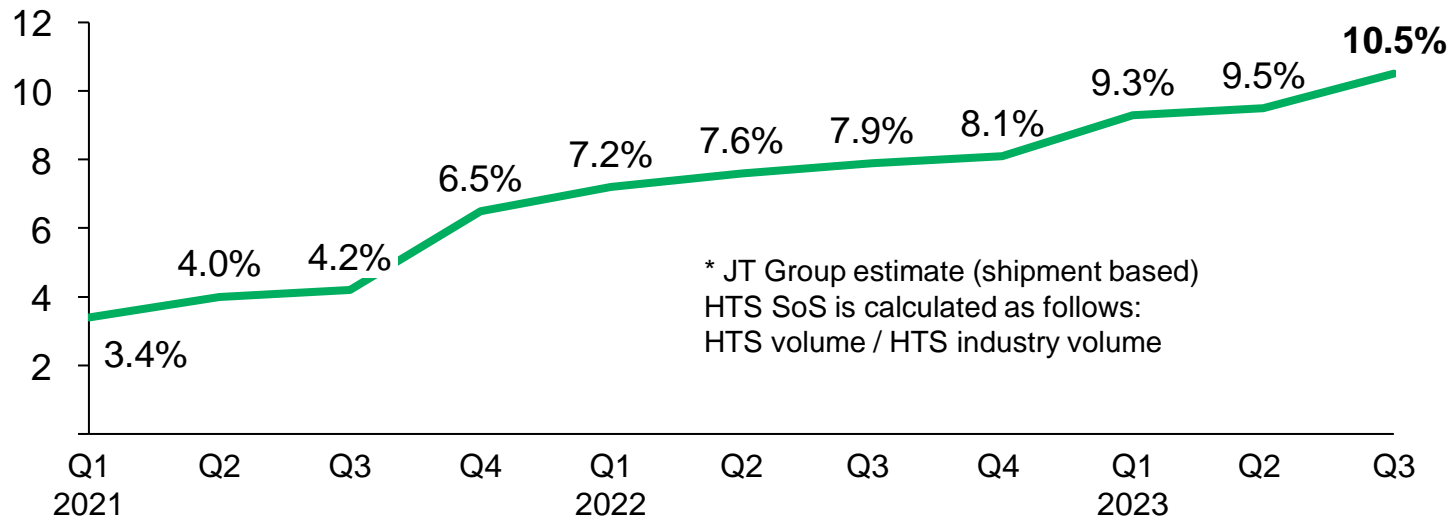


# Tobacco Business: Ploom X Japan Overview



- Ploom X continued to gain share of segment despite intense competition
- New “Ploom X ADVANCED” to further attract and retain users

Japan market: quarterly market share evolution within HTS segment\*



\* JT Group estimate (shipment based)  
HTS SoS is calculated as follows:  
 $\text{HTS volume} / \text{HTS industry volume}$








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.

# Tobacco Business: Ploom X Global Overview



- Assuming Ploom X availability in 28 markets by the end of 2024
  - Geo-expansion plan for 2023 is on track

		HTS industry composition*	Launch schedule
Poland		10.3%	Warsaw / mid-September
Hungary		20.2%	Budapest / mid-September
Romania		8.9%	Bucharest / early October
Greece		19.6%	Athens / late October
Kazakhstan		13.2%	Almaty / early November

## Ploom X geo-expansion

Before 2023	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Nov
 Japan	 Italy	 Czech R.	 Switzerland	 Romania
 UK	 Portugal		 Poland	 Greece
	 Lithuania		 Hungary	 Kazakhstan

\*All HTS industry composition data on this slide except for Romania refer to eight months of 2023. HTS composition data for Romania is for nine months of 2023.

# Pharmaceutical and Processed Food Businesses: Financial Results



## Pharmaceutical Business

(JPY BN)	2023 Jan-Sep	vs. 2022 variance
Revenue	<b>69.8</b>	+10.1
AOP	<b>13.1</b>	+5.9

## Processed Food Business

(JPY BN)	2023 Jan-Sep	vs. 2022 variance
Revenue	<b>111.5</b>	-1.3
AOP	<b>4.6</b>	+2.8

### Revenue

- increased driven by one-time income from the licensing of patented JT compounds as well as sales growth in the area of skin diseases and allergens at Torii Pharmaceutical

### AOP

- increased as the revenue growth more than offset higher R&D expenses

**(Reference) Clinical development updates:** JT has filed a New Drug Application for JTE-061 (generic name: tapinarof) cream, a therapeutic aryl hydrocarbon receptor agonist, for separate indications in atopic dermatitis and plaque psoriasis on 15th September 2023.

### Revenue

- almost flat following price increases as well as top-line growth of food-service products, due to a recovery in demand for food services in the frozen and ambient foods segment, offsetting revenue losses from former bakery business

### AOP

- increased as benefits from price increases offset negative impacts stemming from soaring raw material costs. Recovery of sales in the food-service products also contributed

# Full-year Revised Forecast

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# 2023 Consolidated Revised Forecasts



(JPY BN)	FY2023 Revised forecasts	vs. Previous forecasts	vs. 2022
At constant FX			
Core revenue	<b>2,700.0</b>	+63.0	+5.6%
AOP	<b>764.0</b>	+34.0	+5.0%
Reported			
Revenue	<b>2,844.0</b>	+85.0	+7.0%
AOP	<b>721.0</b>	+38.0	-0.9%
Operating profit	<b>678.0</b>	+45.0	+3.7%
Profit	<b>464.0</b>	+7.0	+4.8%
FCF	<b>503.0</b>	+25.0	+120.1 JPY BN

*Note: The forecasts for fiscal year 2023 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.*

## Revenue and AOP

**Revised upward vs. previous forecasts both on a constant FX and reported basis**

- Revised upward reflecting strong year-to-date performance in the tobacco business
- FX impact remains unchanged from previous guidance and is expected to be approximately JPY 40.0 BN on AOP

## Operating profit and Profit

**Revised upward vs. previous forecasts**

- Operating profit: revised upward due to AOP growth as well as gains on sales of real estate
- Profit: revised upward due to operating profit growth despite increased financing costs and higher corporate tax burden

## FCF

**+JPY 25.0 BN vs. previous forecasts**

- Upward revision mainly due to the increased AOP, partially offset by negative working capital

# Tobacco Business: Revised Forecasts



## Volume

	FY2023 Revised forecast	Previous forecast
Total volume	<b>An increase of approx. 1.5% vs. 2022</b>	A decrease of approx. 1.0% vs. 2022

## Financials

(JPY BN)	FY2023 Revised forecasts	vs. Previous forecasts	vs. 2022
	Reported		
Core revenue	<b>2,490.0</b>	+90.0	+7.5%
AOP	<b>747.0</b>	+37.0	-0.9%

*Note: The forecasts for fiscal year 2023 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 assumption

**Revised upward to approx. +1.5%**

- Reflecting robust industry volume in several markets, notably in Turkey, solid market share momentum and the accelerated recovery in Global Travel Retail

### Financials on a constant FX basis

**Core revenue: +JPY 63.0 BN vs. previous forecast (+5.9% vs. 2022)**

**AOP: +JPY 33.0 BN vs. previous forecast (+4.8% vs. 2022)**

- Reflecting a strong pricing contribution and an upward revision of volume
- AOP reflects incremental business investments towards Ploom X geo-expansion, which partially offset the revenue growth

### Financials on a reported basis

**Both Core revenue and AOP revised upward**

- Reflecting JPY depreciation against most of the currencies

# Pharmaceutical and Processed Food Businesses: Revised Forecasts



## Pharmaceutical Business

(JPY BN)	FY2023 Revised forecasts	vs. Previous forecasts	vs. 2022 variance
Revenue	<b>94.0</b>	+2.0	+11.1
AOP	<b>15.5</b>	+2.0	+4.4

### Revenue

**+JPY 2.0 BN vs. previous forecast**

- Increase driven by upward revenue assumption at Torii Pharmaceutical and an upswing in overseas royalty income due to JPY depreciation

### AOP

**+JPY 2.0 BN vs. previous forecast**

- Increase driven by upward revenue assumption

## Processed Food Business

(JPY BN)	FY2023 Revised forecasts	vs. Previous forecasts	vs. 2022 variance
Revenue	<b>153.0</b>	-2.0	-2.5
AOP	<b>6.0</b>	+0.5	+2.5

### Revenue

**- JPY 2.0 BN vs. previous forecast**

- Factoring lower sales of products for home use

### AOP

**+JPY 0.5 BN vs. previous forecast**

- Increase due to the revised outlook on impact of utility and other costs

# Closing Remarks

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## 2023 actuals and forecasts

- Strong set of results driven by all business segments and notably a solid pricing contribution in the tobacco business
- Confident in achieving the revised forecasts for the fiscal year 2023

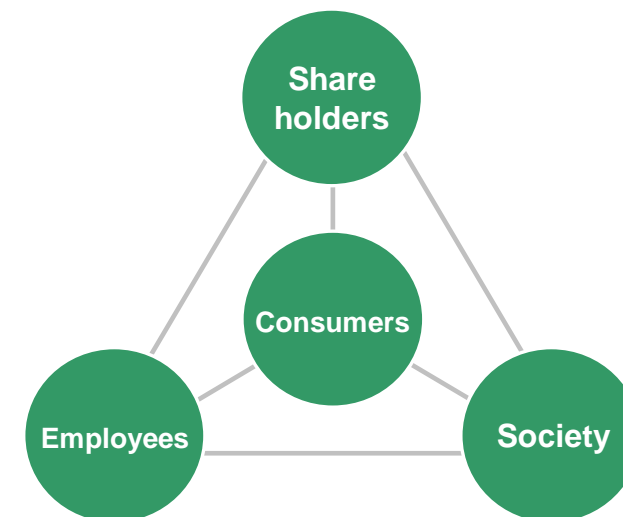
## Towards 2024

- Continued investments to drive the Ploom X geo-expansion. Still assuming Ploom X availability in 28 markets by the end of 2024.
- Significant input cost increase in 2023 driven by inflation. Year-on-year input cost increase is expected to be moderate in 2024, but remain a headwind.

## Shareholder returns

- Proposed annual dividend per share remains unchanged: JPY 188

Fulfilling Moments,  
Enriching Life



# <Definitions>



Adjusted operating profit(AOP) : 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

~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 :  
(Global Flagship Brands) Global Flagship Brands: Winston, Camel, MEVIUS and LD (4 brands)

# <Definitions>



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.