



Tokyo, February 7, 2019

## **2018 Earnings Report**

### **Highlights**

- **2018 results from January 1 to December 31:** Adjusted operating profit at constant FX increased 8.9% year on year or 1.7% on a reported basis.
  - Strong performance in the international tobacco business more than offset headwinds in the Japanese domestic tobacco business.
- **2019 Consolidated Forecast:** Adjusted operating profit at constant FX is expected to increase by 2.4% or decrease 8.3% on a reported basis.
  - Total tobacco business will deliver mid to high single-digit profit growth on a currency neutral basis, following the turnaround of the Japanese domestic tobacco business.

### **Key business segment information:**

- **International tobacco business**
  - Excluding currency movements and the impact of the one-time loss in the previous year, adjusted operating profit grew 14.3% driven mainly by pricing gains, notably in Russia and the UK.
  - Total shipment volume grew significantly led by last year's acquisitions in Bangladesh and Russia, and the three other markets where we completed acquisitions in 2017.
  - Robust organic volume performance driven by increased GFB shipments and market share gains in established markets.
- **Japanese domestic tobacco business**
  - Adjusted operating profit declined 10.0% due to cigarette industry volume contraction.
  - The cigarette industry volume declined but less than expected. Total market share including Reduced-Risk Products\* has been recovering. The strengthened business foundation will lead to profit growth in 2019.
  - Ploom TECH+ and Ploom S launched in January 2019 and will be available nationwide in July and September, respectively.

### **Dividends:**

- The Company plans to pay an annual dividend per share of JPY 150, and for 2019, the Company plans to offer an annual dividend of JPY 154.
- The Company announced a share buyback program which is up to JPY 50 billion or 23 million shares. (From February 8 to April 22, 2019)

### **Masamichi Terabatake, President and Chief Executive Officer of the JT Group, commented:**

*"In 2018 the Group increased adjusted operating profit at constant FX by 8.9% in a challenging business environment. We were also able to strengthen our business foundation for sustainable profit growth from 2019 onwards.*

*"In the international tobacco business, market share gains and strong pricing in key markets yielded outstanding performance which was supported by the positive impact of acquisitions. In the Japanese domestic tobacco business, we completed the nationwide expansion of Ploom TECH and solidified our leading position in cigarettes by increasing our market share.*

*"Our 2019 Business Plan reaffirms our strategic direction. Our goal is to deliver mid to high single-digit annual average profit growth in the mid-to long-term. To achieve this, we will deliver sustainable earnings growth in the total tobacco business, by offering a wide portfolio of conventional products and RRP's to meet diverse consumer needs."*

### **Conference Call**

A conference call with members of the investor community will be held at 2:30 pm, Tokyo Time, on February 8, 2019. For detailed information on the consolidated financial results, please visit the Company's website. (<https://www.jt.com/investors/>).

\* Products with potential to reduce the risks associated with smoking

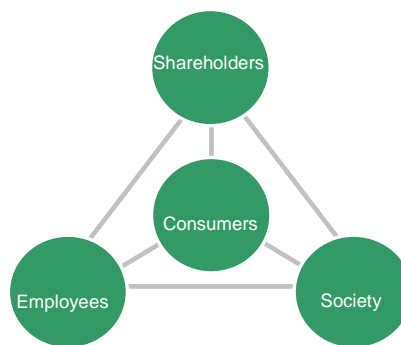
## Management Principle

### ● Basic Management Principle

Under the 4S model, the JT Group strives to fulfill its responsibilities to its valued consumers, shareholders, employees and wider society by carefully considering the respective interests of each and exceeding their expectations wherever possible. The 4S model has allowed the JT Group to achieve sustainable profit growth in the past years and this model will continue to increase the Group's value in the mid- to long-term.

The Group will continue to prioritize business investments for sustainable profit growth in the mid- to long-term, and will continue to strike a balance between profit growth through business investments and shareholder returns.

(4S Model)



- **Mid- to Long-Term Target:** Achieve mid to high single-digit annual average growth rate in adjusted operating profit at constant currency.
- **Shareholder Return Policy:** Aim to enhance shareholder returns considering the Group's mid- to long-term profit growth trend, while maintaining a solid balance sheet\*.
  - Deliver consistent dividend per share growth
  - Consider implementing a share buy-back program, taking into account the Group's mid-term operating environment and financial outlook
  - Continue to closely monitor shareholder returns of global FMCG companies\*\*

\* As a financial policy, we maintain a solid balance sheet. This provides the capacity to withstand any adversity arising out of a volatile environment, such as an economic crisis. It also allows for sufficient flexibility to capture attractive investment opportunities.

\*\*We monitor global FMCG companies which have a stakeholder model similar to our 4S model, and have delivered strong business growth.

## FY2018 Q4 Financial Results

### Consolidated Results

(billions of JPY)	2017 Q4	2018 Q4	Variance	FY 2017	FY 2018	Variance
Revenue*	546.8	540.1	-1.2%	2,139.7	2,216.0	+3.6%
Adjusted operating profit	99.2	84.5	-14.9%	585.3	595.5	+1.7%
Operating profit	91.4	87.9	-3.9%	561.1	565.0	+0.7%
Profit attributable to owners of the parent	58.7	53.0	-9.7%	392.4	385.7	-1.7%
Adjusted operating profit at constant FX	99.2	106.5	+7.3%	585.3	637.2	+8.9%

### 2018 Q4

- **Revenue**

Revenue decreased 1.2% to JPY 540.1 billion due to the negative currency impact caused by weaker emerging market currencies and a cigarette sales volume decrease resulting from a decline in demand following the tax-led retail price revision in the Japanese domestic tobacco business. This decrease came despite pricing benefits and volume contribution led by acquisitions in the international tobacco business, as well as increased RRP related revenue in the Japanese domestic tobacco business.

- **Adjusted Operating Profit**

Adjusted operating profit at constant FX increased 7.3% to JPY 106.5 billion driven by growth in the international tobacco business, despite a decrease in the Japanese domestic tobacco business. On a reported basis, adjusted operating profit decreased 14.9% to JPY 84.5 billion, reflecting the unfavorable currency movements.

- **Operating Profit**

Despite gains from the sale of real estate-related assets, operating profit decreased 3.9% to JPY 87.9 billion due to an increase in trademark amortization related to acquisitions, as well as a decrease in adjusted operating profit.

- **Profit Attributable to Owners of the Parent**

Profit attributable to owners of the parent declined 9.7% to JPY 53.0 billion due to a decrease in operating profit.

### FY 2018

- **Revenue**

Revenue grew 3.6% to JPY 2,216.0 billion driven by pricing benefits and volume contribution led by acquisitions in the international tobacco business, as well as increased RRP contribution combined with a positive cigarette price/mix in the Japanese domestic tobacco business. An increase in royalty revenue in the pharmaceutical business also added to revenue growth. These benefits were partially offset by the negative currency impact caused by weaker emerging market currencies and the contraction of the cigarette sales volume in the Japanese domestic tobacco business.

- **Adjusted Operating Profit**

Adjusted operating profit at constant FX increased 8.9% to JPY 637.2 billion driven by growth in

the international tobacco and pharmaceutical businesses and a favorable comparison associated with a non-recurring loss in the previous year related to a key UK distributor going into administration, despite a decrease in the Japanese domestic tobacco and processed food businesses.

On a reported basis, adjusted operating profit increased 1.7% to JPY 595.5 billion, reflecting the unfavorable currency movements. Excluding the impact of the one-time loss in the previous year, adjusted operating profit declined 1.9%, or increased 4.9% at constant currency.

- **Operating Profit**

Operating profit increased 0.7% to JPY 565.0 billion driven by growth in adjusted operating profit and increase in the sale of real estate-related assets. This was despite an increase in trademark amortization related to acquisitions.

- **Profit Attributable to Owners of the Parent**

Despite an increase in operating profit, profit attributable to owners of the parent declined 1.7% to JPY 385.7 billion primarily due to an increase in financial expenses.

\* From FY2018, in accordance with the application of IFRS 15, certain items formerly treated as selling, general and administrative expenses are accounted for as reductions of revenue. As a result, compared to the application of the former accounting standard, "Revenue" and "Selling, general and administrative expenses" decreased by JPY 10,944 million and JPY 70,905 million respectively, and "Cost of sales" increased by JPY 59,962 million on the condensed consolidated statement of income for the twelve months ended December 31, 2018. These changes have no effect on adjusted operating profit.

## Results by Business Segment

### International Tobacco Business

(billions of Units, billions of JPY)	2017 Q4	2018 Q4	Variance	FY 2017	FY 2018	Variance
<b>Total shipment volume</b>	100.5	107.5	+6.9%	398.5	427.6	+7.3%
<b>GFB shipment volume</b>	62.9	65.1	+3.5%	260.4	266.4	+2.3%
<b>Core revenue</b>	294.1	297.6	+1.2%	1,177.0	1,250.7	+6.3%
<b>Adjusted operating profit</b>	44.2	47.7	+7.8%	351.3	384.5	+9.5%
<b>Reference (millions of USD)</b>						
<b>Core revenue</b>	2,603	2,635	+1.2% (+12.9%)*	10,498	11,330	+7.9% (+12.2%)*
<b>Adjusted operating profit</b>	391	422	+7.9% (+57.6%)*	3,138	3,493	+11.3% (+21.3%)*
<b>Adjusted operating profit excluding 2017 one-time loss</b>	570	422	-26.0% (+8.1%)*	3,332	3,493	+4.8% (+14.3%)*

\*at constant FX

#### 2018 Q4

##### • Volume and Market share

Total shipment volume grew 6.9% driven by acquisitions in Bangladesh, Ethiopia, Greece, Indonesia and Russia. Excluding acquisitions and inventory adjustments, total shipment volume declined 0.6%. Quarterly volume increases and market share gains, notably in Germany, Iran, Italy, Poland, Spain, Taiwan, the USA and several emerging markets did not offset the impact of industry volume contraction, notably in France and Russia. GFB shipment volume increased 3.5%, driven by Winston (+1.1%), Camel (+7.9%) and LD (+7.7%).

##### • Core revenue and Adjusted operating profit

Core revenue increased 1.2% driven by a volume contribution and a favorable price/mix. Adjusted operating profit grew 7.8% including investments to strengthen the business. Excluding the impact of the one-time loss in the previous year associated with a key UK distributor going into administration, adjusted operating profit declined 26.0%. Both core revenue and adjusted operating profit were impacted by weaker currencies.

On a USD basis, core revenue grew 1.2%, or 12.9% at constant currency, driven by a price/mix variance of USD 231 million, notably in Canada, Indonesia, Iran, the Philippines, Romania, Russia, Sudan, Turkey, the UK and Ukraine. A positive volume contribution of USD 106 million supported the revenue growth, further offsetting unfavorable currency movements of USD 305 million. Excluding currency movements and the impact of the one-time loss in the previous year, adjusted operating profit increased 8.1%, driven by a favorable price/mix variance of USD 208 million and volume benefits of USD 66 million.

#### FY 2018

##### • Volume and Market share<sup>1</sup>

Total shipment volume grew 7.3% driven by acquisitions in Bangladesh, Ethiopia, Greece, Indonesia, the Philippines and Russia. Excluding acquisitions, total shipment volume declined 1.1%. Volume increases and market share gains in the Czech Republic, Germany, Hungary, Iran,

Italy, Luxembourg, the Netherlands, Poland, Spain, Sweden, Switzerland, the USA and several emerging markets did not offset the impact of industry volume contraction, notably in France, Russia and Taiwan. GFB shipment volume increased 2.3%, driven by Winston (+3.9%), Camel (+2.8%) and LD (+2.2%).

Total market share grew in the key markets of France, Italy, Russia, Spain, Taiwan and the UK.

- **Core revenue and Adjusted operating profit**

Core revenue increased 6.3% driven by acquisitions and a robust price/mix. Adjusted operating profit grew 9.5% including investments to strengthen the business in the markets where we made acquisitions. Excluding the impact of the one-time loss in the previous year, adjusted operating profit increased 3.0%. Both core revenue and adjusted operating profit were impacted by the negative currency movements.

On a USD basis, core revenue grew 7.9%, or 12.2% on a currency neutral basis, driven by a price/mix variance of USD 963 million, notably in Canada, Iran, the Philippines, Romania, Russia, Sudan, Taiwan and Ukraine. This positive price/mix combined with a volume contribution of USD 319 million offset unfavorable currency movements of USD 450 million.

Excluding currency movements and the impact of the one-time loss in the previous year, adjusted operating profit increased 14.3%, mainly driven by a favorable price/mix variance of USD 906 million. In North and Central Europe, adjusted operating profit grew 48.5% driven by volume contribution and pricing gains, or 11.6% when excluding the impact of the one-time loss in the previous year. CIS+ and Rest-of-the-World adjusted operating profit increased 26.8% and 23.4%, respectively, driven by pricing and the contribution from acquisitions. In South and West Europe, adjusted operating profit declined 12.1% due to competition-led tax absorption in France.

## International Tobacco Business (Quarterly) Performance review by Cluster

### South and West Europe

(billions of Units, millions of USD)	2017 Q4	2018 Q4	Variance
<b>Total shipment volume</b>	13.8	14.4	+4.1%
<b>GFB shipment volume</b>	11.1	11.6	+5.0%
<b>Core revenue</b>	436	437	+0.3% (+3.1%)*

\*at constant FX

- **Volume and market share<sup>1</sup>**

Total and GFB shipment volumes increased 4.1% and 5.0%, respectively, driven by Italy, Spain, the acquisition in Greece and favorable inventory adjustments. Excluding inventory movements and acquisitions, total shipment volume increased 1.5%. Market share increased in France, Italy and Spain, with significant gains in the quarter, as well as in Belgium, Greece, Luxembourg, the Netherlands and Switzerland.

- **Core revenue**

Core revenue increased 0.3% driven by a favorable volume contribution of USD 18 million,

offsetting a negative price/mix variance of USD 4 million and unfavorable currency movements of USD 12 million. Excluding currency movements, core revenue grew 3.1%.

- **By market**

**In France**, total shipment volume increased 0.4%, driven by market share gains and favorable inventory movements. Excluding inventory adjustments, total shipment volume declined 3.0%, outperforming industry volume contraction. GFB shipment volume increased 3.2%, driven by Camel, while fine cut shipment volume declined 2.3%. Revenue at constant currency declined as it was impacted by negative price/mix. Market share increased 1.2ppt to 23.2%, driven by Winston and Camel, with an acceleration of the quarterly market share (+1.7ppt) versus previous year.

**In Italy**, total shipment volume grew 7.7% driven by market share gains and favorable inventory movements. Excluding inventory adjustments, total shipment volume increased 5.5%. GFB and fine cut shipment volumes grew 6.9% and 3.3%, respectively. This volume and positive price/mix drove constant currency revenue growth. Market share gained 0.7ppt to 23.9%, driven by Winston and Benson & Hedges, with an acceleration of the quarterly market share (+1.2ppt) versus previous year.

**In Spain**, total and GFB shipment volumes increased 11.1% and 13.5%, respectively, driven by market share gains and favorable inventory adjustments. Excluding inventory movements, total shipment volume grew 7.2%. Fine cut shipment volume declined 1.0%. Volume growth combined with a positive price/mix resulted in a constant currency revenue increase. Market share grew 0.8ppt to 24.8%, led by Winston and Camel, with an acceleration of the quarterly market share (+1.2ppt) versus previous year.

## North and Central Europe

(billions of Units, millions of USD)	2017 Q4	2018 Q4	Variance
<b>Total shipment volume</b>	12.7	13.0	+2.6%
<b>GFB shipment volume</b>	5.3	6.1	+15.2%
<b>Core revenue</b>	496	500	+0.9% (+4.5%)*

\*at constant FX

- **Volume and market share<sup>1</sup>**

Total and GFB shipment volumes increased 2.6% and 15.2%, respectively, mainly driven by the Czech Republic, Germany and Poland. Market share grew in Germany, Poland and the UK, as well as in Austria, the Czech Republic, and Hungary.

- **Core revenue**

Core revenue grew 0.9% mainly driven by a favorable price/mix variance of USD 21 million, notably in the UK, offsetting unfavorable currency movements of USD 18 million. Excluding currency movements, core revenue increased 4.5%.

- **By market**

**In Germany**, total, GFB and fine cut shipment volumes increased 8.6%, 19.7% and 17.1%, respectively, led by Winston. This positive volume combined with price/mix gains drove a core revenue increase at constant currency. Market share grew 0.4ppt to 7.9% driven by Winston, with an acceleration of the quarterly market share (+0.7ppt) versus previous year.

**In the UK**, although fine cut shipment volume grew 3.6%, total shipment volume decreased 2.2% due to industry volume contraction. Revenue at constant currency grew driven by positive price/mix. Market share increased 0.8ppt to 41.3% driven by B&H Blue and Sterling fine cut, with an acceleration of the quarterly market share (+1.4ppt) versus previous year.

## CIS+

(billions of Units, millions of USD)	2017 Q4	2018 Q4	Variance
<b>Total shipment volume</b>	32.9	34.5	+4.7%
<b>GFB shipment volume</b>	24.2	22.9	-5.4%
<b>Core revenue</b>	685	657	-4.0% (+5.5%)*

\*at constant FX

- **Volume and market share<sup>1</sup>**

Total shipment volume increased 4.7% driven by the acquisition of Donskoy Tabak in Russia. Excluding the acquisition and unfavorable inventory movements, total shipment volume declined 6.7% mainly due to industry volume contraction in Russia and Ukraine. GFB shipment volume declined 5.4% while market share grew in Kazakhstan, Romania and Russia.

- **Core revenue**

Core revenue decreased 4.0% due to unfavorable currency movements of USD 65 million, offsetting a favorable price/mix variance of USD 53 million. Excluding the currency movements, core revenue increased 5.5%.

- **By market**

**In Romania**, total and GFB shipment volumes grew 1.6% and 0.7%, respectively, driven by market share gains. Revenue growth at constant currency was driven by positive volume and price/mix. Market share reached 27.9%, an increase of 1.2ppt, driven by Winston, Camel and Sobranie.

**In Russia**, driven by the acquisition, total shipment volume increased 5.2% with quarterly share of market reaching 38.8%. Full year share of market grew 2.6ppt to 35.6%, driven by the acquisition and GFB market share gaining 1.1ppt to 24.8%. Share of value increased 2.7ppt to 37.0%.

On an organic basis, total and GFB shipment volume declined 12.9% and 10.2% respectively, due to quarterly industry volume contraction<sup>2</sup> estimated at 7.6%. The quarterly market share declined 1.2ppt to 32.3%. In spite of a positive price/mix variance, revenue at constant currency slightly decreased due to the negative volume contribution resulting from market share losses versus the same quarter in the previous year.



## Rest-of-the-World

(billions of Units, millions of USD)	2017 Q4	2018 Q4	Variance
<b>Total shipment volume</b>	41.1	45.6	+11.0%
<b>GFB shipment volume</b>	22.3	24.5	+9.7%
<b>Core revenue</b>	986	1,040	+5.5% (+26.8%)*

\*at constant FX

- **Volume and market share<sup>1</sup>**

Total shipment volume grew by 11.0% driven by acquisitions in Bangladesh, Ethiopia and Indonesia and favorable inventory movements. Excluding acquisitions and inventory adjustments, total shipment volume increased 2.5% driven notably by Iran, Jordan, Saudi Arabia, Taiwan and Turkey. GFB shipment volume was up 9.7% driven by Winston, Camel and LD. Market share increased in several markets, including Brazil, Canada, Iran, Jordan, Morocco, South Korea, Sudan, Taiwan and the USA.

- **Core revenue**

Core revenue increased 5.5%, driven by a favorable price/mix variance of USD 161 million and a positive volume contribution of USD 103 million, offsetting unfavorable currency movements of USD 210 million. Excluding the currency movements, core revenue increased 26.8%.

- **By market**

**In Iran**, total and GFB shipment volumes increased 7.5% and 8.1%, respectively, driven by continued growth of Winston. Excluding favorable inventory adjustments, total shipment volume grew 3.4%. Revenue at constant currency increased supported by positive volume and price/mix. Market share gains continued and reached 56.2%, up 4.1ppt.

**In Taiwan**, in spite of unfavorable inventory movements, total and GFB shipment volumes increased 16.4% and 13.3%, respectively, driven by market share gains. Excluding unfavorable inventory movements, total shipment volume grew 26.5%. The positive volume resulted in constant currency revenue growth. Market share increased 0.8ppt to 42.5% driven by Winston and LD.

**In Turkey**, total shipment volume grew 7.9%, or 4.0% when excluding favorable inventory movements, supported by a positive industry volume trend. GFB shipment volume was up 9.9% mainly driven by Winston. Revenue at constant currency increased, with price/mix gains enhancing volume benefits. Market share declined 1.1ppt to 27.7% due to Camel and LD.

<sup>1</sup> Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut (excluding snus) at the end of December 2018. Hungary is on a 12-month rolling average at the end of November 2018. 12-month share of market growth for 2018 markets is calculated against a 12-month share of market at the end of December 2017.

<sup>2</sup> Source: JTI estimates based on October-December 2018 data versus the same period last year.

## Japanese Domestic Tobacco Business

(billions of units, billions of JPY)	2017 Q4	2018 Q4	Variance	FY 2017	FY 2018	Variance
<b>Cigarette industry volume</b>	36.2	29.0	-19.9%	151.4	132.7	-12.4%
<b>Cigarette sales volume</b>	22.6	17.8	-21.1%	92.9	82.0	-11.7%
<b>Core revenue</b>	147.5	138.0	-6.5%	590.6	582.4	-1.4%
<b>Adjusted operating profit</b>	54.3	36.2	-33.4%	232.3	209.0	-10.0%

### 2018 Q4

- **Cigarette sales volume**

Cigarette industry volume decreased 19.9% due to a decrease in demand following the tax-led retail price revision, the expansion of the RRP category along with an underlying natural decline trend. This resulted in JT's cigarette sales volume decreasing 21.1%. As MEVIUS, which owns the largest market share, was temporarily affected by a stronger volume decrease than competitors after the tax-led retail price revision, JT's cigarette market share decreased 0.9ppt to 61.5% versus the fourth quarter in the previous year. However the cigarette market share in December reached 62.1% as it gradually recovered since October.

- **Reduced-Risk Products (RRP) performance**

JT estimates the overall RRP market size in Japan in the quarter was approximately 22%\* of total tobacco industry volume, increasing slightly from the third quarter. In the quarter, JT RRP sales volume reached 0.9 billion cigarette equivalent units. Based on sales volume, our share in the quarter within the RRP category was estimated at approximately 10% in convenience stores.

\*shipment basis

- **Core revenue and Adjusted operating profit**

Core revenue decreased 6.5% mainly due to a negative cigarette volume contribution of JPY 28.2 billion despite a positive cigarette price/mix variance of JPY 7.3 billion\* and a JPY 11.4 billion increase in RRP related revenue and other factors, resulting in RRP revenue reaching JPY 18.5 billion. Adjusted operating profit declined 33.4% due to a negative cigarette volume contribution of JPY 24.3 billion and an increase of sales promotion expenses despite a favorable cigarette price/mix variance of JPY 7.3 billion.

\*Including the impact of IFRS 15 application since FY2018

### FY 2018

- **Cigarette sales volume**

Cigarette industry volume decreased 12.4% mainly impacted by the expansion of the RRP category and the underlying natural decline trend. As a result, JT's cigarette sales volume decreased 11.7%. JT continued to gain cigarette market share, increasing 0.5ppt to 61.8% led by the solid performance of core brands.

- **Reduced-Risk Products (RRP) performance**

JT estimates the overall RRP market size in Japan was approximately 21%\* of total tobacco industry volume. JT RRP sales volume reached 2.8 billion cigarette equivalent units.

\*shipment basis

- **Core revenue and Adjusted operating profit**

Core revenue decreased 1.4% due to an unfavorable cigarette volume contribution of JPY 64.9 billion while being partially offset by a positive cigarette price/mix variance of JPY 5.3 billion\* and

a JPY 51.3 billion increase in RRP and other factors related revenue, resulting in RRP revenue reaching JPY 64.6 billion. Adjusted operating profit declined 10.0% due to the negative cigarette volume contribution of JPY 54.4 billion and increase of sales promotion expenses, partially offset by an increase in RRP related profit, and a favorable cigarette price/mix variance of JPY 5.3 billion.

\*Including the impact of IFRS 15 application since FY2018

## Pharmaceutical Business

(billions of JPY)	2017 Q4	2018 Q4	Variance	FY 2017	FY 2018	Variance
<b>Revenue</b>	30.5	32.2	+5.7%	104.7	114.0	+8.9%
<b>Adjusted operating profit</b>	8.3	9.2	+10.7%	24.1	28.4	+18.0%

### 2018 Q4 and FY 2018

- **Revenue and Adjusted operating profit**

Revenue in 2018 Q4 and year-to-date increased 5.7% and 8.9%, respectively, driven by higher royalty revenues from increased sales of original JT compounds and milestone revenue. Despite increased R&D investment, adjusted operating profit grew 10.7% in the quarter and 18.0% throughout the year, driven by the revenue growth.

## Processed Food Business

(billions of JPY)	2017 Q4	2018 Q4	Variance	FY 2017	FY 2018	Variance
<b>Revenue</b>	45.8	44.2	-3.5%	163.1	161.4	-1.1%
<b>Adjusted operating profit</b>	2.4	2.1	-15.9%	5.4	4.1	-23.6%

### 2018 Q4 and FY 2018

- **Revenue and Adjusted operating profit**

Revenue in 2018 Q4 and year-to-date decreased 3.5% and 1.1%, respectively, as the positive performance of staple food and seasoning products could not offset the lower sales of other products. Adjusted operating profit declined 15.9% in the quarter and 23.6% in year-to-date, mainly due to higher raw material costs.

## **FY2019 Forecasts**

(billions of JPY)	<b>2018 Result</b>	<b>2019 Forecast</b>	<b>Variance vs. 2018 Result</b>
<b>Revenue</b>	2,216.0	2,200.0	-0.7%
<b>Adjusted operating profit</b>	595.5	546.0	-8.3%
<b>Operating profit</b>	565.0	540.0	-4.4%
<b>Profit attributable to owners of the parent</b>	385.7	370.0	-4.1%
<b>Adjusted operating profit at constant FX</b>	595.5	610.0	+2.4%

- **Revenue**  
In spite of incremental volume contribution and pricing in the international tobacco business and an increase of RRP sales volume in the Japanese domestic tobacco business, the revenue forecast is expected to decrease by 0.7% versus the previous year due to the sales decline in pharmaceutical business and the negative impact of FX movements.
- **Adjusted Operating Profit**  
The forecast for adjusted operating profit at constant FX is expected to increase 2.4% as a result of the revenue increase in both the international tobacco business and the Japanese domestic tobacco business, despite a decrease in the pharmaceutical business. On a reported basis, the profit is expected to decrease 8.3% from the previous year due to the negative impact of FX movements.
- **Operating Profit and Profit Attributable to Owners of the Parent**  
Operating profit is expected to decline 4.4% due to a decrease in adjusted operating profit, an unfavourable comparison associated with the previous year's the sale of real estate-related assets and an increase in trademark amortization related to acquisitions, partially offset by the one-time compensation related to the termination of the exclusive rights of six Anti-HIV Drugs in Japan in the Pharmaceutical Business. The profit attributable to owners of the parent is expected to decrease 4.1% due to the decline in operating profit.

## Forecasts by Business Segment

### International Tobacco Business

( billions of JPY)	2018 Result	2019 Forecast	Variance vs. 2018 Result
<b>Core revenue</b>	1,250.7	1,240.0	-0.9%
<b>Adjusted operating profit</b>	384.5	356.0	-7.4%
<b><u>Reference (millions of USD)</u></b>			
<b>Core revenue</b>	11,330	11,300	-0.3% (+5.5%)*
<b>Adjusted operating profit</b>	3,493	3,240	-7.3% (+8.8%)*

\*at constant FX

- Volume**  
 Total shipment volume is expected to increase c. 3.5%, driven by the contribution from acquisitions. Excluding acquisitions, total shipment volume is forecast to outperform the industry trend by declining approximately 2.0%. GFB shipment volume is expected to increase c. 1.0%, primarily led by market share gains.
- Core revenue and Adjusted operating profit**  
 Despite the aforementioned volume and incremental pricing, the forecast for core revenue and adjusted operating profit on a reported basis are expected to decrease 0.9% and 7.4%, respectively, due to negative currency movements.

On a USD basis at constant currency, core revenue and adjusted operating profit are forecast to grow 5.5% and 8.8%, respectively, driven by continued volume growth and solid price/mix momentum. On a reported basis, core revenue and adjusted operating profit are expected to decline 0.3% and 7.3%, respectively, due to unfavorable foreign exchange movements across all major currencies.

## Japanese Domestic Tobacco Business

(billions of JPY)	2018 Result	2019 Forecast	Variance vs. 2018 Result
<b>Core revenue</b>	582.4	620.0	+6.5%
<b>Adjusted operating profit</b>	209.0	215.0	+2.9%

- **Volume**

Our 2019 forecast is estimated based on the following assumptions.

The total industry volume, cigarette industry volume and JT cigarette sales volume are assumed to decline c. 5.0%, over 7.0% and over 7.5%, respectively.

The RRP market share of total industry volume continue to grow gradually, and assumed to be 22.0% to 23.0%\*, as well as an increase of RRP industry volume by over 3.0% versus the previous year. 2019 RRP sales volume is assumed to reach c.5 billion sticks equivalent sales units.

\*shipment basis

- **Core revenue and adjusted operating profit**

As a result of the increased RRP sales volume and positive cigarette price/mix, the forecast for core revenue is expected to increase 6.5% to JPY 620.0 billion, despite a decrease in cigarette sales volume. RRP related revenue is estimated to represent between 15.0% to 20.0% of the core revenue. Adjusted operating profit is forecast to grow 2.9% to JPY 215.0 billion.

## Pharmaceutical Business

(billions of JPY)	2018 Result	2019 Forecast	Variance vs. 2018 Result
<b>Revenue</b>	114.0	81.0	-28.9%
<b>Adjusted operating profit</b>	28.4	5.0	-82.4%

- **Revenue and Adjusted operating profit**

The forecast for revenue is expected to decrease 28.9% led by the termination of the exclusive rights of six Anti-HIV Drugs in Japan and a decline of HIV-related royalty revenues following the sales decline of original JT compounds. Adjusted operating profit forecast is expected to decrease 82.4% or JPY 23.4 billion to JPY 5.0 billion versus the previous year due to the core revenue decrease.

## Processed Food Business

(billions of JPY)	2018 Result	2019 Forecast	Variance vs. 2018 Result
<b>Revenue</b>	161.4	162.0	+0.4%
<b>Adjusted operating profit</b>	4.1	5.0	+21.3%

- **Revenue and Adjusted operating profit**

The revenue is forecast to increase 0.4% versus the prior year, due to increasing sales of staple products. Adjusted operating profit is expected to grow by 21.3% or JPY 0.9 billion to JPY 5.0 billion, led by the improvement of profitability through productivity enhancements in spite of higher raw material costs.

# Data Sheets



## Results for 2018 Fourth Quarter (YTD)

### 1. Summary of Consolidated results

(Unit: JPY billion)

	2017 Q4	2018 Q4	Variance (abs)	Variance (%)
Revenue	2,139.7	2,216.0	+76.3	+3.6%
Operating profit	561.1	565.0	+3.9	+0.7%
Adjusted operating profit	585.3	595.5	+10.2	+1.7%
Profit before income tax	538.5	531.5	-7.0	-1.3%
Profit	396.7	387.4	-9.3	-2.3%
Profit (attributable to owners of the parent company)	392.4	385.7	-6.7	-1.7%
Interim dividend (JPY)	140.00	150.00	+10.00	+7.1%
Basic EPS*(JPY)	219.10	215.31	-3.80	-1.7%
ROE*	15.0%	14.3%	-0.7%pt	

\*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2017 Q4	2018 Q4	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	585.3	637.2	+51.9	+8.9%

### 2. Results by business segment

(Unit: JPY billion)

	2017 Q4	2018 Q4	Variance (abs)	Variance (%)
Revenue	2,139.7	2,216.0	+76.3	+3.6%
Japanese domestic tobacco	626.8	621.4	-5.3	-0.9%
Core revenue	590.6	582.4	-8.2	-1.4%
International tobacco	1,237.6	1,312.3	+74.8	+6.0%
Core revenue	1,177.0	1,250.7	+73.8	+6.3%
Pharmaceutical	104.7	114.0	+9.3	+8.9%
Processed food	163.1	161.4	-1.8	-1.1%
Others	7.5	6.8	-0.7	-8.7%
Consolidated: operating profit	561.1	565.0	+3.9	+0.7%
Japanese domestic tobacco	215.8	192.5	-23.4	-10.8%
International tobacco	325.6	339.5	+13.9	+4.3%
Pharmaceutical	24.1	26.3	+2.2	+9.1%
Processed food	5.4	2.9	-2.5	-45.7%
Others/Elimination	-9.8	3.8	+13.6	-
Adjustments, total	-24.2	-30.5	-6.3	-
Japanese domestic tobacco	-16.4	-16.5	-0.1	-
International tobacco	-25.7	-45.0	-19.3	-
Pharmaceutical	-	-2.1	-2.1	-
Processed food	-0.0	-1.2	-1.2	-
Others/Elimination	18.0	34.4	+16.4	+91.4%
Consolidated: adjusted operating profit	585.3	595.5	+10.2	+1.7%
Japanese domestic tobacco	232.3	209.0	-23.3	-10.0%
International tobacco	351.3	384.5	+33.2	+9.5%
Pharmaceutical	24.1	28.4	+4.3	+18.0%
Processed food	5.4	4.1	-1.3	-23.6%
Others/Elimination	-27.8	-30.6	-2.8	-

[Reference] International tobacco business

(Unit: USD million)

	2017 Q4	2018 Q4	Variance (abs)	Variance (%)
Core revenue	10,498	11,330	+832	+7.9%
Core revenue at constant FX	10,498	11,780	+1,282	+12.2%
Adjusted operating profit	3,138	3,493	+355	+11.3%
Adjusted operating profit at constant FX	3,138	3,808	+670	+21.3%

## Results for 2018 Fourth Quarter (YTD)

### 3. Adjusted operating profit (and total adjustments) by business segment

(Unit: JPY billion)

	2017 Q4	2018 Q4	Variance (abs)	Variance (%)
Consolidated: operating profit	561.1	565.0	+3.9	+0.7%
Adjustments, total	24.2	30.5	+6.3	
Amortization of acquired intangibles	50.4	61.8	+11.4	
Adjustments (income)	-37.6	-40.4	-2.9	
Adjustments (costs)	11.4	9.2	-2.2	
Consolidated: adjusted operating profit	585.3	595.5	+10.2	+1.7%
Japanese domestic tobacco: operating profit	215.8	192.5	-23.4	-10.8%
Adjustments, total	16.4	16.5	+0.1	
Amortization of acquired intangibles	16.2	16.2	-	
Adjustments (income)	-0.0	-0.0	-0.0	
Adjustments (costs)	0.2	0.3	+0.1	
Japanese domestic tobacco: adjusted operating profit	232.3	209.0	-23.3	-10.0%
International tobacco: operating profit	325.6	339.5	+13.9	+4.3%
Adjustments, total	25.7	45.0	+19.3	
Amortization of acquired intangibles	34.2	45.5	+11.4	
Adjustments (income)	-16.7	-1.7	+15.0	
Adjustments (costs)	8.3	1.2	-7.1	
International tobacco: adjusted operating profit	351.3	384.5	+33.2	+9.5%
Pharmaceutical: operating profit	24.1	26.3	+2.2	+9.1%
Adjustments, total	-	2.1	+2.1	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-	-	-	
Adjustments (costs)	-	2.1	+2.1	
Pharmaceutical: adjusted operating profit	24.1	28.4	+4.3	+18.0%
Processed food: operating profit	5.4	2.9	-2.5	-45.7%
Adjustments, total	0.0	1.2	+1.2	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-	-0.0	-0.0	
Adjustments (costs)	0.0	1.2	+1.2	
Processed food: adjusted operating profit	5.4	4.1	-1.3	-23.6%
Others / Elimination: operating profit	-9.8	3.8	+13.6	-
Adjustments, total	-18.0	-34.4	-16.4	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-20.8	-38.7	-17.9	
Adjustments (costs)	2.9	+4.3	+1.4	
Others / Elimination: adjusted operating profit	-27.8	-30.6	-2.8	-

### 4. Depreciation and amortization

(Unit: JPY billion)

	2017 Q4	2018 Q4	Variance (abs)
Consolidated	145.4	158.7	+13.3
Japanese domestic tobacco	56.0	55.0	-1.0
International tobacco	76.1	89.9	+13.8
Pharmaceutical	5.1	5.1	-0.0
Processed food	6.1	6.7	+0.6
Others/Elimination	2.1	2.0	-0.1

## Results for 2018 Fourth Quarter (YTD)

### 5. Consolidated financial position

(Unit: JPY billion)

	2017 Dec. end	2018 Dec. end	Variance (abs)
Total assets	5,221.5	5,461.4	+239.9
Total equity	2,842.0	2,700.4	-141.6
Equity attributable to owners of the parent	2,761.7	2,630.6	-131.1
BPS (attributable to owners of the parent) (JPY)	1,541.94	1,468.44	-73.51

### 6. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2017 Dec. end	2018 Dec. end	Variance (abs)
Liquidity	291.8	308.7	+16.8
Interest-bearing debt	755.8	987.6	+231.8

\*1: Cash and deposits + marketable securities + securities purchased under repurchase agreements

\*2: Short-term bank loans + CP + bonds + long-term borrowings + lease obligations

### 7. Consolidated cash flow

(Unit: JPY billion)

	2017 Q4	2018 Q4	Variance (abs)
Cash flows from operating activities	419.2	461.4	+42.2
Cash flows from investing activities	-352.6	-383.3	-30.7
Cash flows from financing activities	-77.0	-62.4	+14.7
Cash and cash equivalents, beginning of the year	294.2	285.5	-8.7
Foreign currency translation adj. on cash & cash equivalents	1.8	-19.1	-20.9
Cash and cash equivalents, end of the year	285.5	282.1	-3.4
FCF	72.6	105.6	+33.0

FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;

- From operating CF: interest received, dividends received, interest paid and income taxes related to these items
- From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits,

### 8. Capital expenditures

(Unit: JPY billion)

	2017 Q4	2018 Q4	Variance (abs)
Consolidated	140.9	159.8	+18.9
Japanese domestic tobacco	51.5	55.4	+3.9
International tobacco	68.4	75.7	+7.3
Pharmaceutical	6.2	11.3	+5.1
Processed food	10.4	12.7	+2.3
Others/Elimination	4.3	4.6	+0.3

### 9. FX actual (Reference information)

	2017 Q4	2018 Q4	Variance (abs)	Variance (%)
USD/JPY	112.16	110.44	-1.72	-1.5%
USD/RUB	58.35	62.68	+4.33	-6.9%
USD/GBP	0.78	0.75	-0.03	+3.7%
USD/EUR	0.89	0.85	-0.04	+4.8%
USD/CHF	0.98	0.98	-0.01	+0.7%
USD/TWD	30.44	30.14	-0.30	+1.0%
USD/TRY	3.64	4.82	+1.18	-24.5%
USD/IRR	38,811	61,649	+22,838	-37.0%

#### ● Pharmaceutical business

	2017 Q4	2018 Q4	Variance (abs)	Variance (%)
R&D expenses	32.6	37.1	+4.5	+13.9%

## Results for 2018 Fourth Quarter (YTD)

### 10. Consolidated statement of income (continuing operations)

(Unit: JPY billion)

	2017 Q4	2018 Q4	Variance (abs)	Variance (%)
Revenue	2,139.7	2,216.0	+76.3	+3.6%
Cost of sales	843.6	933.0	+89.5	+10.6%
Gross profit	1,296.1	1,282.9	-13.2	-1.0%
Other operating income	45.7	48.5	+2.8	+6.1%
Share of profit in investments accounted for using the equity method	6.2	3.9	-2.3	-36.5%
SG & A	786.9	770.4	-16.5	-2.1%
Advertising expenses	24.4	29.1	+4.7	+19.2%
Promotion expenses	112.2	106.2	-6.0	-5.4%
Shipping and warehousing expenses	26.9	1.2	-25.8	-95.6%
Commission	54.5	52.7	-1.7	-3.1%
Employee benefit expenses	254.0	269.0	+14.9	+5.9%
R&D expenses	60.6	65.4	+4.8	+7.9%
Depreciation and amortization	81.3	87.9	+6.6	+8.2%
Other	172.9	158.9	-14.0	-8.1%
Operating profit	561.1	565.0	+3.9	+0.7%
Amortization of acquired intangibles	50.4	61.8	+11.4	+22.5%
Adjustments (income)	-37.6	-40.4	-2.9	-
Adjustments (costs)	11.4	9.2	-2.2	-19.4%
Adjusted operating profit	585.3	595.5	+10.2	+1.7%
Financial income	4.8	5.8	+1.0	+20.4%
Dividend income	1.8	2.1	+0.2	+13.3%
Interest income	2.6	3.7	+1.1	+44.0%
Foreign exchange gain	-	-	-	-
Other	0.4	0.0	-0.4	-99.5%
Financial costs	27.3	39.3	+11.9	+43.5%
Interest expenses	11.6	16.3	+4.7	+40.8%
Employee benefit expenses	3.6	2.9	-0.7	-19.2%
Foreign exchange loss	11.3	16.0	+4.7	+41.9%
Other	0.9	4.0	+3.1	+355.9%
Profit before income taxes	538.5	531.5	-7.0	-1.3%
Income taxes	141.8	144.1	+2.3	+1.6%
Profit for the period	396.7	387.4	-9.3	-2.3%
Attributable to owners of the parent	392.4	385.7	-6.7	-1.7%
Attributable to non-controlling interests	4.3	1.8	-2.6	-59.6%

## Results for 2018 Fourth Quarter (YTD)

### 11. Consolidated financial position (continuing & discontinued operations combined)

(Unit: JPY billion)

	2017 Dec. end	2018 Dec. end	Variance (abs)		2017 Dec. end	2018 Dec. end	Variance (abs)
<b>Current assets</b>	1,707.8	1,809.4	+101.6	<b>Current liabilities</b>	1,478.6	1,430.2	-48.4
Cash and cash equivalents	285.5	282.1	-3.4	Trade and other payables	395.7	380.5	-15.2
Trade and other receivables	431.2	456.6	+25.4	Bonds and borrowings <sup>*4</sup>	398.2	250.5	-147.7
Inventories	613.0	649.2	+36.3	Income tax payables	46.5	72.4	+26.0
Other financial assets <sup>*1</sup>	14.0	35.6	+21.6	Other financial liabilities <sup>*4</sup>	6.9	4.5	-2.4
Other current assets	361.7	385.9	+24.2	Provisions	13.0	6.1	-6.9
Non-current assets held-for-sale	2.4	0.0	-2.4	Other current liabilities <sup>*5</sup>	618.3	716.2	+97.9
<b>Non-current assets</b>	3,513.7	3,652.0	+138.3	Liabilities directly associated with non-current assets held-for-sale	-	-	-
Property, plant & equipment	745.6	758.8	+13.2	<b>Non-current liabilities</b>	900.8	1,330.8	+429.9
Goodwill <sup>*2</sup>	1,891.2	2,008.4	+117.2	Bonds and borrowings <sup>*4</sup>	347.0	727.3	+380.4
Intangible assets <sup>*3</sup>	479.2	503.1	+23.9	Other financial liabilities <sup>*4</sup>	11.0	10.1	-0.9
Investment property	16.7	17.6	+0.9	Retirement benefit liabilities	330.8	321.8	-8.9
Retirement benefit assets	51.4	57.1	+5.8	Provisions	4.0	3.8	-0.2
Investments accounted for using the equity method	81.3	66.8	-14.4	Other non-current liabilities <sup>*5</sup>	120.8	179.3	+58.5
Other financial assets <sup>*1</sup>	115.0	115.0	+0.1	Deferred tax liabilities	87.3	88.5	+1.2
Deferred tax assets	133.4	125.1	-8.3	<b>Total liabilities</b>	2,379.5	2,761.0	+381.5
<b>Total assets</b>	5,221.5	5,461.4	+239.9	<b>Equity</b>	2,842.0	2,700.4	-141.6
				Share capital	100.0	100.0	-
				Capital surplus	736.4	736.4	-
				Treasury shares	-443.6	-442.8	+0.8
				Other components of equity	-167.3	-423.4	-256.0
				Retained earnings	2,536.3	2,660.4	+124.1
				Non-controlling interests	80.3	69.9	-10.5
				<b>Total liabilities and equity</b>	5,221.5	5,461.4	+239.9

\*1: Other financial assets (current & non-current combined)

	2017 Dec. end	2018 Dec. end	Variance (abs)
<b>Other financial assets</b>	129.0	150.7	+21.7
Derivative assets	6.0	8.7	+2.7
Equity securities	77.6	64.5	-13.1
Debt securities	11.4	26.8	+15.5
Time deposits	1.0	1.0	+0
Other	39.6	55.8	+16.2
Allowance for doubtful accounts	-6.6	-6.1	+0.5

\*2: Goodwill ~ Cash-generating unit

	2017 Dec. end	2018 Dec. end	Variance (abs)
Japanese domestic tobacco	265.9	265.9	-
International tobacco	1,600.0	1,717.2	+117.2
Processed food	25.4	25.4	-

\*3: Intangible assets ~ Trademarks

	2017 Dec. end	2018 Dec. end	Variance (abs)
Japanese domestic tobacco	131.8	115.3	-16.5
International tobacco	269.5	306.0	+36.5

\*4: Bonds and borrowings and other financial liabilities

(current & non-current combined)

	2017 Dec. end	2018 Dec. end	Variance (abs)
<b>Total financial liabilities</b>	763.1	992.3	+229.3
Derivative liabilities	5.4	3.2	-2.2
Short-term borrowings	274.2	166.0	-108.2
Commercial paper	66.8	72.0	+5.2
Current portion of long-term borrowings	0.7	12.4	+11.8
Current portion of bonds	56.5	-	-56.5
Long-term borrowings	71.2	116.9	+45.7
Bonds	275.8	610.4	+334.7
Other	12.5	11.4	-1.1

\*5: Other liabilities (current & non-current combined)

	2017 Dec. end	2018 Dec. end	Variance (abs)
<b>Total other liabilities</b>	739.1	895.5	+156.4
Tobacco excise tax payables	265.3	297.7	+32.4
Tobacco special excise tax payables	12.0	10.6	-1.4
Tobacco local excise tax payables	167.4	163.7	-3.7
Consumption tax payables	103.5	95.8	-7.7
Bonus to employees	31.4	39.0	+7.6
Employee's unused paid vacations liabilities	18.7	19.1	+0.4
Other	140.7	269.6	+128.9

## FY2019 Forecasts (as of February 7, 2019)

### 1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2018 Results	FY2019 Forecasts	Variance (abs)	Variance (%)
Revenue	2,216.0	2,200.0	-16.0	-0.7%
Operating profit	565.0	540.0	-25.0	-4.4%
Adjusted operating profit	595.5	546.0	-49.5	-8.3%
Profit (attributable to owners of the parent company)	385.7	370.0	-15.7	-4.1%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2018 Results	FY2019 Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	595.5	610.0	+14.5	+2.4%

### 2. EPS, DPS, ROE

(Unit: JPY)

	FY2018 Results	FY2019 Forecasts	Variance (abs)	Variance (%)
Basic EPS	215.31	206.54	-8.77	-4.1%
DPS	150.00	154.00	+4.00	+2.7%
ROE (attributable to owners of the parent company)	14.3%	13.5%	-0.8%pt	

### 3. Forecasts by business segment

(Unit: JPY billion)

	FY2018 Results	FY2019 Forecasts	Variance (abs)	Variance (%)
Revenue	2,216.0	2,200.0	-16.0	-0.7%
Japanese domestic tobacco	621.4	650.0	+28.6	+4.6%
Core revenue	582.4	620.0	+37.6	+6.5%
International tobacco	1,312.3	1,300.0	-12.3	-0.9%
Core revenue	1,250.7	1,240.0	-10.7	-0.9%
Pharmaceutical	114.0	81.0	-33.0	-28.9%
Processed food	161.4	162.0	+0.6	+0.4%
Others	6.8	6.0	-0.8	-12.0%
Consolidated: operating profit	565.0	540.0	-25.0	-4.4%
Japanese domestic tobacco	192.5	199.0	+6.5	+3.4%
International tobacco	339.5	305.0	-34.5	-10.2%
Pharmaceutical	26.3	61.0	+34.7	+132.0%
Processed food	2.9	4.5	+1.6	+54.1%
Others/Elimination	3.8	-32.0	-35.8	-
Adjusted operating profit	595.5	546.0	-49.5	-8.3%
Japanese domestic tobacco	209.0	215.0	+6.0	+2.9%
International tobacco	384.5	356.0	-28.5	-7.4%
Pharmaceutical	28.4	5.0	-23.4	-82.4%
Processed food	4.1	5.0	+0.9	+21.3%
Others/Elimination	-30.6	-35.0	-4.4	-

[Reference] International tobacco business

(Unit: USD million)

	FY2018 Results	FY2019 Forecasts	Variance (abs)	Variance (%)
Core revenue	11,330	11,300	-30	-0.3%
Core revenue at constant FX	11,330	11,950	+620	+5.5%
Adjusted operating profit	3,493	3,240	-253	-7.3%
Adjusted operating profit at constant FX	3,493	3,800	+307	+8.8%

## FY2019 Forecasts (as of February 7, 2019)

### 4. Free cash flow

(Unit: JPY billion)

	FY2018 Results	FY2019 Forecasts	Variance (abs)
FCF	105.6	360.0	+254.4

### 5. Capital expenditures

(Unit: JPY billion)

	FY2018 Results	FY2019 Forecasts	Variance (abs)
Consolidated	159.8	156.0	-3.8
Japanese domestic tobacco	55.4	57.0	+1.6
International tobacco	75.7	80.0	+4.3
Pharmaceutical	11.3	5.0	-6.3
Processed food	12.7	8.0	-4.7
Others/Elimination	4.6	6.0	+1.4

### 6. Assumptions of 2019 Forecast

#### 2019 Japanese domestic tobacco business

- Industry volume (JT estimate) : a decline of c.5% (vs. 2018 : 167.0 BnU)
- Cigarette industry volume : a decline of over 7% (vs. 2018 : 132.7 BnU)
  - JT cigarette sales volume : a decrease of over 7.5% (vs. 2018 : 82.0 BnU)
- Reduced-Risk Products market share in tobacco industry (JT estimate) : 22%-23% (2018 : c.21%)
  - JT RRP sales volume : c.5.0 BnU stick equivalent

#### 2019 International tobacco business

- Total shipment volume : an increase of c.3.5% (vs. 2018 : 427.6 BnU)
- GFB shipment volume : an increase of c.1% (vs. 2018 : 266.4 BnU)

#### <FX assumptions>

	FY2018 Results	FY2019 Forecasts	Variance (abs)	Variance (%)
USD/JPY	110.44	110.00	-0.44	-0.4%
USD/RUB	62.68	67.40	+4.72	-7.0%
USD/GBP	0.75	0.79	+0.04	-5.1%
USD/EUR	0.85	0.88	+0.03	-3.7%
USD/CHF	0.98	0.99	+0.01	-1.2%
USD/TWD	30.14	31.00	+0.86	-2.8%
USD/TRY	4.82	5.50	+0.68	-12.3%
USD/IRR	61,649	85,000	+23,351	-27.5%

Operational FX exposure in Iran is to EUR only. EUR/IRR is converted to USD/IRR in the above table by using cross rates.

#### <FX sensitivity>

FX Sensitivity Guidance for FX impact on 2019 adjusted operating profit of US\$ 3,240 MM based on the assumptions:

#### USD vs. Local currency

1% deviation from the revised assumption rates against US\$ by all the currencies in the same direction (excluding JPY) leads to nearly US\$ 50MM impacting on US\$ based adjusted operating profit

Approx. US\$ 50MM composed of: RUB 30%, GBP 15%, TWD 10%+, EUR 10%-, IRR 5%+, TRY 5%, CHF -10%

#### US\$ vs. JPY

\$/JPY move of 1 yen from the assumption leads to approx. JPY 3.2 billion impact on JPY-based adjusted operating profit

## Tobacco Business Data

### International Tobacco Business

#### 1. Summary (YTD)

	2017 Q4	2018 Q4	Variance	Variance (%)	
<b>Total shipment volume</b>	398.5	427.6	+29.1	+7.3%	BNU
<b>GFB shipment volume</b>	260.4	266.4	+6.0	+2.3%	BNU
<b>Core Revenue</b>	1,177.0	1,250.7	+73.8	+6.3%	JPY BN
<b>Adjusted operating profit</b>	351.3	384.5	+33.2	+9.5%	JPY BN

#### [USD Reference information]

<b>Core Revenue</b>	10,498	11,330	+832	+7.9%	\$MM
<b>Adjusted operating profit</b>	3,138	3,493	+355	+11.3%	\$MM
<b>at constant FX basis</b>					
<b>Core Revenue</b>	10,498	11,780	+1,282	+12.2%	\$MM
<b>Adjusted operating profit</b>	3,138	3,808	+670	+21.3%	\$MM

#### • Contribution by cluster (vs. PY)

(BNU/\$MM)

Reported								
2018Q4	Total Shipment Volume	GFB Shipment Volume			Core Revenue	Adjusted Operating Profit		
<b>SWE</b>	63.8	-0.6%	51.6	+0.2%	2,021	+3.3%	652	-5.4%
<b>NCE</b>	53.2	+2.7%	24.1	+11.2%	2,111	+8.3%	913	+55.8%
<b>CIS+</b>	134.0	+0.7%	94.6	-2.3%	2,824	+8.3%	1,105	+15.2%
<b>RoW</b>	176.6	+18.1%	96.0	+6.3%	4,373	+9.8%	824	-8.8%
<b>Total</b>	427.6	+7.3%	266.4	+2.3%	11,330	+7.9%	3,493	+11.3%
<b>at constant FX</b>								
			2018Q4	Core Revenue		Adjusted Operating Profit		
			<b>SWE</b>	1,935	-1.1%	606	-12.1%	
			<b>NCE</b>	2,037	+4.5%	871	+48.5%	
			<b>CIS+</b>	2,967	+13.8%	1,216	+26.8%	
			<b>RoW</b>	4,840	+21.5%	1,116	+23.4%	
			<b>Total</b>	11,780	+12.2%	3,808	+21.3%	

#### 2. Total shipment volume by cluster / markets (vs. PY)

2018	Q1	Q2	Q3	Q4	YTD
<b>SWE</b>	<b>+0.7%</b>	<b>-5.1%</b>	<b>-0.8%</b>	<b>+4.1%</b>	<b>-0.6%</b>
France	-5.2%	-10.9%	+1.3%	+0.4%	-4.0%
Italy	+4.5%	-8.0%	-0.2%	+7.7%	+0.4%
Spain	+11.8%	-2.5%	-5.8%	+11.1%	+2.8%
<b>NCE</b>	<b>-1.8%</b>	<b>+4.8%</b>	<b>+4.8%</b>	<b>+2.6%</b>	<b>+2.7%</b>
Germany	-6.7%	+8.1%	+9.2%	+8.6%	+4.9%
UK	-1.4%	-2.5%	+0.7%	-2.2%	-1.3%
<b>CIS+</b>	<b>-3.3%</b>	<b>-4.7%</b>	<b>+5.6%</b>	<b>+4.7%</b>	<b>+0.7%</b>
Romania	+1.0%	-2.8%	-0.4%	+1.6%	-0.2%
Russia*	-4.4%	-7.3%	+11.0%	-14.3%	-9.0%
<b>RoW</b>	<b>+22.7%</b>	<b>+21.3%</b>	<b>+18.8%</b>	<b>+11.0%</b>	<b>+18.1%</b>
Iran	+8.6%	+2.4%	+3.9%	+7.5%	+5.6%
Taiwan	-18.7%	-22.3%	-4.2%	+16.4%	-9.2%
Turkey	+5.4%	+3.9%	+8.0%	+7.9%	+6.4%
<b>Total</b>	<b>+7.3%</b>	<b>+5.6%</b>	<b>+9.3%</b>	<b>+6.9%</b>	<b>+7.3%</b>

\* Including Donskoy Tabak as of August 2018

#### 3. GFB shipment volume by brand (vs. PY)

(BNU)

2018	Q1	Q2	Q3	Q4	YTD
<b>Winston</b>	<b>34.9</b>	<b>38.8</b>	<b>39.7</b>	<b>36.4</b>	<b>149.9</b>
	+5.3%	+4.2%	+4.8%	+1.1%	+3.9%
<b>Camel</b>	<b>13.1</b>	<b>13.7</b>	<b>14.4</b>	<b>13.1</b>	<b>54.2</b>
	+3.7%	-0.4%	+0.9%	+7.9%	+2.8%
<b>MEVIUS</b>	<b>3.7</b>	<b>4.1</b>	<b>4.2</b>	<b>3.8</b>	<b>15.7</b>
	-17.3%	-18.9%	-8.0%	-0.1%	-11.7%
<b>LD</b>	<b>10.3</b>	<b>12.1</b>	<b>12.3</b>	<b>11.9</b>	<b>46.6</b>
	+3.8%	-0.5%	-1.3%	+7.7%	+2.2%



## Tobacco Business Data

### International Tobacco Business

#### 4. GFB shipment volume by cluster / markets (vs. PY)

2018	Q1	Q2	Q3	Q4	YTD
<b>SWE</b>	<b>+1.8%</b>	<b>-4.1%</b>	<b>-0.9%</b>	<b>+5.0%</b>	<b>+0.2%</b>
France	-4.4%	-8.1%	+4.1%	+3.2%	-1.7%
Italy	+2.5%	-8.2%	-2.8%	+6.9%	-1.1%
Spain	+16.4%	-3.1%	-6.0%	+13.5%	+4.1%
<b>NCE</b>	<b>+0.5%</b>	<b>+14.8%</b>	<b>+13.8%</b>	<b>+15.2%</b>	<b>+11.2%</b>
Germany	-7.8%	+13.4%	+17.7%	+19.7%	+10.6%
UK	-24.0%	-33.8%	-9.9%	-19.9%	-23.0%
<b>CIS+</b>	<b>+2.0%</b>	<b>-0.2%</b>	<b>-4.9%</b>	<b>-5.4%</b>	<b>-2.3%</b>
Romania	+4.4%	-0.4%	+0.3%	+0.7%	+1.1%
Russia	+4.1%	-0.1%	-5.5%	-10.2%	-3.3%
<b>RoW</b>	<b>+5.4%</b>	<b>+1.4%</b>	<b>+8.9%</b>	<b>+9.7%</b>	<b>+6.3%</b>
Iran	+15.6%	+7.6%	+8.0%	+8.1%	+9.9%
Taiwan	-21.8%	-24.3%	-4.8%	+13.3%	-11.4%
Turkey	+8.4%	+5.1%	+10.0%	+9.9%	+8.4%
<b>Total</b>	<b>+3.1%</b>	<b>+0.8%</b>	<b>+2.1%</b>	<b>+3.5%</b>	<b>+2.3%</b>

#### 5. Share of market by key markets

	12 months moving average			3 months average				
	2017 Dec	2018 Dec	Change	2017 Q4	2018 Q1	2018 Q2	2018 Q3	2018 Q4
France	22.0%	23.2%	+1.2%pt	21.9%	22.6%	23.3%	23.5%	23.6%
Italy	23.1%	23.9%	+0.7%pt	23.0%	23.5%	23.8%	23.9%	24.2%
Russia*	32.9%	35.6%	+2.6%pt	33.5%	33.2%	32.8%	37.2%	38.8%
Spain	24.0%	24.8%	+0.8%pt	24.0%	24.5%	24.8%	24.9%	25.2%
Taiwan	41.7%	42.5%	+0.8%pt	40.2%	41.6%	41.9%	42.6%	43.5%
Turkey	28.8%	27.7%	-1.1%pt	28.2%	27.8%	27.5%	27.8%	27.7%
UK	40.5%	41.3%	+0.8%pt	40.6%	41.1%	40.9%	41.4%	42.0%

Source: IRI, Nielsen, Logista and Internal estimate / Reflect the changes in historical data from the sources.

\* Including Donskoy Tabak as of August 2018 for both 12 months moving average and 3 months average

#### 6. Core Revenue at constant FX by cluster (vs. PY)

(\$MM)

2018	Q1	Q2	Q3	Q4	YTD
<b>SWE</b>	<b>455</b>	<b>502</b>	<b>528</b>	<b>450</b>	<b>1,935</b>
	-1.0%	-5.5%	-0.3%	+3.1%	-1.1%
<b>NCE</b>	<b>431</b>	<b>525</b>	<b>563</b>	<b>518</b>	<b>2,037</b>
	-8.4%	+9.6%	+11.8%	+4.5%	+4.5%
<b>CIS+</b>	<b>607</b>	<b>778</b>	<b>860</b>	<b>722</b>	<b>2,967</b>
	+9.7%	+17.5%	+21.5%	+5.5%	+13.8%
<b>RoW</b>	<b>1,118</b>	<b>1,182</b>	<b>1,291</b>	<b>1,250</b>	<b>4,840</b>
	+18.2%	+13.7%	+27.5%	+26.8%	+21.5%
<b>Total</b>	<b>2,611</b>	<b>2,987</b>	<b>3,242</b>	<b>2,940</b>	<b>11,780</b>
	+7.5%	+10.1%	+17.7%	+12.9%	+12.2%

## Tobacco Business Data

### International Tobacco Business

#### 7. Breakdown of Core Revenue

• USD basis						(\$MM)
	Q1	Q2	Q3	Q4	YTD	
2017	2,429	2,712	2,754	2,603	10,498	
Volume	+72	-20	+161	+106	+319	
Price/Mix	+109	+295	+328	+231	+963	
2018 at constant	2,611	2,987	3,242	2,940	11,780	
FX	+113	-6	-253	-305	-450	
2018	2,724	2,981	2,990	2,635	11,330	

• Yen basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2017	276.0	301.3	305.6	294.1	1,177.0	
Operations	+20.6	+30.5	+54.2	+38.1	+143.5	
Local currencies vs. USD	+12.9	-0.6	-28.0	-34.4	-50.2	
JPY vs. USD	-14.7	-5.9	+1.3	-0.2	-19.5	
2018	294.8	325.2	333.1	297.6	1,250.7	

#### 8. Breakdown of Adjusted Operating Profit

• USD basis						(\$MM)
	Q1	Q2	Q3	Q4	YTD	
2017	810	929	1,009	391	3,138	
Volume	-7	-86	+59	+66	+32	
Price/Mix	+102	+286	+310	+208	+906	
Others	-31	-34	-154	-49	-268	
2018 at constant	874	1,094	1,223	617	3,808	
FX	+16	-13	-123	-194	-314	
2018	890	1,082	1,100	422	3,493	

• Yen basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2017	92.0	103.2	112.0	44.2	351.3	
Operations	+7.3	+18.4	+23.8	+25.5	+75.0	
Local currencies vs. USD	+1.8	-1.4	-13.7	-22.0	-35.2	
JPY vs. USD	-4.8	-2.2	+0.5	-0.0	-6.5	
2018	96.3	118.0	122.6	47.7	384.5	

#### 9. FX actual vs. PY

	<u>2018Q1</u>	<u>2018Q2</u>	<u>2018Q3</u>	<u>2018Q4</u>	<u>2018 YTD</u>
<b>\$/RUB</b>	<b>56.88</b>	<b>61.80</b>	<b>65.56</b>	<b>66.48</b>	<b>62.68</b>
	+3.4%	-7.5%	-10.0%	-12.1%	-6.9%
<b>\$/GBP</b>	<b>0.72</b>	<b>0.73</b>	<b>0.77</b>	<b>0.78</b>	<b>0.75</b>
	+12.3%	+6.5%	-0.3%	-3.1%	+3.7%
<b>\$/EUR</b>	<b>0.81</b>	<b>0.84</b>	<b>0.86</b>	<b>0.88</b>	<b>0.85</b>
	+15.4%	+8.6%	-0.9%	-3.1%	+4.8%
<b>\$/CHF</b>	<b>0.95</b>	<b>0.98</b>	<b>0.98</b>	<b>1.00</b>	<b>0.98</b>
	+5.9%	+0.1%	-2.2%	-0.9%	+0.7%
<b>\$/TWD</b>	<b>29.30</b>	<b>29.76</b>	<b>30.65</b>	<b>30.85</b>	<b>30.14</b>
	+6.2%	+1.7%	-1.3%	-2.4%	+1.0%
<b>\$/TRY</b>	<b>3.81</b>	<b>4.36</b>	<b>5.62</b>	<b>5.51</b>	<b>4.82</b>
	-3.1%	-17.9%	-37.6%	-31.0%	-24.5%
<b>\$/IRR</b>	<b>46,583</b>	<b>43,365</b>	<b>71,653</b>	<b>84,996</b>	<b>61,649</b>
	-17.8%	-13.4%	-46.4%	-51.8%	-37.0%
<b>\$/JPY</b>	<b>108.22</b>	<b>109.10</b>	<b>111.43</b>	<b>112.91</b>	<b>110.44</b>
	-4.7%	-1.8%	+0.4%	-0.1%	-1.5%

JPY vs USD change rates: (Local currency exchange rates of current period / Local currency exchange rates of same period in previous year) -1  
 Local currency vs USD change rates: (Local currency exchange rates of same period in previous year / Local currency exchange rates of current period) -1  
 Operational FX exposure in Iran is to EUR only. EUR/IRR is converted to USD/IRR in the above table by using cross rates.

## Tobacco Business Data

### 10. Key markets

#### Italy

• Industry volume evolution		(BNU)	
	2017 YTD	2018 YTD	Var.
<b>Total industry</b>	75.3	73.8	-2.0%
RMC	69.3	67.5	-2.7%
Fine-cut	5.9	6.3	+6.2%

#### • Share evolution

	2017 YTD	2018 YTD	Var.	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>JTI SoM</b>	23.1%	23.9%	+0.7%pt	23.5%	23.8%	23.9%	24.2%
GFB SoM	18.7%	19.0%	+0.2%pt	18.8%	19.0%	19.0%	19.1%
Winston SoM	8.2%	8.5%	+0.3%pt	8.3%	8.5%	8.6%	8.8%
Camel SoM	10.5%	10.4%	-0.1%pt	10.6%	10.5%	10.4%	10.3%
Benson & Hedges SoM	3.1%	3.6%	+0.5%pt	3.4%	3.5%	3.7%	3.8%
<b>JTI SoV</b>	23.1%	23.6%	+0.5%pt	23.4%	23.6%	23.6%	23.8%

#### France

• Industry volume evolution		(BNU)	
	2017 YTD	2018 YTD	Var.
<b>Total industry</b>	57.4	52.0	-9.5%
RMC	44.4	40.2	-9.3%
Fine-cut	13.0	11.7	-9.9%

#### • Share evolution

	2017 YTD	2018 YTD	Var.	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>JTI SoM</b>	22.0%	23.2%	+1.2%pt	22.6%	23.3%	23.5%	23.6%
GFB SoM	17.2%	18.6%	+1.4%pt	17.9%	18.6%	18.9%	19.1%
Winston SoM	9.3%	10.2%	+0.9%pt	9.8%	10.3%	10.3%	10.4%
Camel SoM	7.9%	8.4%	+0.5%pt	8.0%	8.3%	8.6%	8.7%
Benson & Hedges SoM	1.8%	1.8%	+0.0%pt	1.8%	1.8%	1.8%	1.8%
Fleur de Pays SoM	2.6%	2.5%	-0.1%pt	2.6%	2.5%	2.4%	2.4%
<b>JTI SoV</b>	20.0%	21.3%	+1.3%pt	20.6%	21.3%	21.5%	21.5%

#### Spain

• Industry volume evolution		(BNU)	
	2017 YTD	2018 YTD	Var.
<b>Total industry</b>	53.3	53.2	-0.0%
RMC	44.4	44.3	-0.3%
Fine-cut	8.9	9.0	+1.2%

#### • Share evolution

	2017 YTD	2018 YTD	Var.	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>JTI SoM</b>	24.0%	24.8%	+0.8%pt	24.5%	24.8%	24.9%	25.2%
GFB SoM	21.0%	21.9%	+0.9%pt	22.0%	21.4%	21.7%	22.5%
Winston SoM	13.1%	13.4%	+0.3%pt	13.7%	13.1%	13.0%	13.7%
Camel SoM	7.9%	8.5%	+0.6%pt	8.4%	8.3%	8.7%	8.7%
<b>JTI SoV</b>	23.8%	24.4%	+0.7%pt	24.1%	24.3%	24.5%	24.8%

## Tobacco Business Data

### UK

#### • Industry volume evolution (BNU)

	2017 YTD	2018 YTD	Var.
<b>Total industry</b>	44.4	43.4	-2.2%
RMC	28.4	26.8	-5.5%
Fine-cut	16.0	16.6	+3.7%

#### • Share evolution

	2017 YTD	2018 YTD	Var.	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>JTI SoM</b>	40.5%	41.3%	+0.8%pt	41.1%	40.9%	41.4%	42.0%
GFB SoM	0.2%	0.2%	-0.0%pt	0.2%	0.2%	0.2%	0.2%
Amber Leaf SoM	12.1%	12.2%	+0.1%pt	12.1%	12.4%	12.0%	12.3%
Sterling SoM	9.0%	9.7%	+0.7%pt	9.3%	9.5%	9.8%	10.2%
Benson & Hedges SoM	7.5%	8.7%	+1.2%pt	8.5%	8.3%	8.9%	9.0%
Silk Cut SoM	1.9%	1.6%	-0.3%pt	1.8%	1.6%	1.6%	1.6%
Mayfair SoM	4.0%	3.0%	-1.0%pt	3.3%	3.0%	2.9%	2.7%
<b>JTI SoV</b>	41.4%	41.9%	+0.6%pt	41.6%	41.7%	42.0%	42.4%

### Russia

#### • Industry volume evolution (BNU)

	2017 YTD	2018 YTD	Var.
<b>RMC industry</b>	257.7	236.5	-8.1%

#### • Share evolution

	2017 YTD	2018 YTD	Var.	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>JTI SoM</b>	32.9%	35.6%	+2.6%pt	33.2%	32.8%	37.2%	38.8%
GFB SoM	23.7%	24.8%	+1.1%pt	24.8%	24.8%	25.0%	24.5%
Winston SoM	16.1%	16.3%	+0.2%pt	16.3%	16.4%	16.5%	16.0%
LD SoM	6.8%	7.7%	+0.9%pt	7.8%	7.6%	7.7%	7.7%
Peter 1 SoM	3.0%	2.9%	-0.1%pt	3.0%	2.9%	2.9%	2.9%
<b>JTI SoV</b>	34.3%	37.0%	+2.7%pt	35.0%	34.7%	38.3%	39.4%

\* Including Donskoy Tabak as of August 2018

### Turkey

#### • Industry volume evolution (BNU)

	2017 YTD	2018 YTD	Var.
<b>RMC industry</b>	97.3	108.7	+11.7%

#### • Share evolution

	2017 YTD	2018 YTD	Var.	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>JTI SoM</b>	28.8%	27.7%	-1.1%pt	27.8%	27.5%	27.8%	27.7%
GFB SoM	24.1%	23.6%	-0.5%pt	23.5%	23.4%	23.7%	23.7%
Camel SoM	10.4%	9.8%	-0.6%pt	10.0%	9.8%	9.6%	9.8%
Winston SoM	11.2%	11.5%	+0.3%pt	11.0%	11.4%	11.8%	11.7%
LD SoM	2.6%	2.3%	-0.2%pt	2.4%	2.3%	2.3%	2.3%
Monte Carlo SoM	4.6%	4.1%	-0.5%pt	4.3%	4.1%	4.1%	4.0%
<b>JTI SoV</b>	27.8%	26.6%	-1.1%pt	26.8%	26.6%	26.7%	26.4%

### Taiwan

#### • Industry volume evolution (BNU)

	2017 YTD	2018 YTD	Var.
<b>RMC industry</b>	33.5	28.4	-15.3%

#### • Share evolution

	2017 YTD	2018 YTD	Var.	Q1 2018	Q2 2018	Q3 2018	Q4 2018
<b>JTI SoM</b>	41.7%	42.5%	+0.8%pt	41.6%	41.9%	42.6%	43.5%
GFB SoM	35.6%	35.7%	+0.1%pt	35.2%	35.2%	35.9%	36.6%
Mevius SoM	21.3%	18.4%	-2.9%pt	19.1%	18.5%	18.1%	18.0%
Winston SoM	11.7%	12.7%	+1.0%pt	12.5%	12.5%	12.9%	13.0%
Mi-Ne SoM	3.6%	3.3%	-0.3%pt	3.4%	3.3%	3.2%	3.2%
<b>JTI SoV</b>	47.5%	46.9%	-0.6%pt	46.4%	46.4%	47.0%	47.8%

# Tobacco Business Data

## Japanese Domestic Tobacco Business

### 1. Summary (YTD)

	2017 Q4	2018 Q4	Variance	Variance (%)	
<b>Cigarette industry volume</b>	151.4	132.7	-18.8	-12.4%	BNU
<b>Cigarette sales volume</b>	92.9	82.0	-10.9	-11.7%	BNU

Excludes volumes of duty-free in Japan, China business (4.0BNU in 2017Q4 and 4.0BNU in 2018Q4, respectively) and RRP sales volume

	2017 Q4	2018 Q4	Variance	Variance (%)	
<b>Core revenue</b>	590.6	582.4	-8.2	-1.4%	JPY BN
<b>Adjusted operating profit</b>	232.3	209.0	-23.3	-10.0%	JPY BN

From FY2018, in accordance with the application of IFRS 15, certain items formerly treated as selling, general and administrative expenses are accounted for as reductions of revenue. There is no impact on adjusted operating profit.

### 2. Cigarette sales volume

	(BNU)				
	Q1	Q2	Q3	Q4	YTD
2017	23.0	23.8	23.5	22.6	92.9
2018	19.5	20.8	23.8	17.8	82.0
vs. PY	-15.0%	-12.6%	+1.3%	-21.1%	-11.7%

### 3. Revenue per thousand cigarettes

	(JPY)				
	Q1	Q2	Q3	Q4	YTD
2017	5,931	5,987	5,922	5,944	5,946
2018	5,895	5,938	5,911	6,355	6,010

Revenue per thousand cigarettes = (retail price sales-retailer margins-consumption tax-excise taxes)/sales volumex1,000  
From FY2018, figures include the effects of IFRS15 application

### 4. Results of Reduced-Risk Products

	(BNU / JPY BN)				
2018	Q1	Q2	Q3	Q4	YTD
<b>RRP sales volume</b>	0.3	0.5	1.0	0.9	2.8
<b>RRP related revenue</b>	8.3	12.9	24.9	18.5	64.6

### 5. Breakdown of financial results

	(JPY BN)				
	Q1	Q2	Q3	Q4	YTD
<b>Core revenue</b>					
2017	143.9	150.5	148.7	147.5	590.6
Volume	-20.7	-17.7	+1.7	-28.2	-64.9
Price/Mix*	-0.7	-1.0	-0.3	+7.3	+5.3
RRP/Others	+6.8	+11.1	+22.0	+11.4	+51.3
2018	129.3	142.9	172.2	138.0	582.4
<b>Adjusted OP</b>					
2017	57.2	62.8	58.0	54.3	232.3
Volume	-17.0	-14.6	+1.4	-24.3	-54.4
Price/Mix*	-0.7	-1.0	-0.3	+7.3	+5.3
RRP/Others	+9.4	+7.4	+10.1	-1.1	+25.8
2018	48.9	54.6	69.3	36.2	209.0

\*From FY2018, figures include the effects of IFRS15 application

### 6. Market share in cigarettes category

	(% )				
	Q1	Q2	Q3	Q4	YTD
<b>JT Total</b>					
2017	61.0	61.0	61.1	62.4	61.3
2018	61.4	61.6	62.5	61.5	61.8
<b>MEVIUS</b>					
2017	30.5	31.6	31.3	32.1	31.4
2018	31.0	31.9	32.3	30.1	31.4
<b>Winston</b>					
2017	8.1	8.1	8.1	8.1	8.1
2018	8.0	8.0	7.9	8.3	8.0
<b>Seven Stars</b>					
2017	7.5	7.6	7.6	7.8	7.6
2018	7.8	7.9	8.2	7.6	7.9
<b>Natural American Spirit</b>					
2017	1.8	1.8	1.8	2.0	1.8
2018	2.0	2.0	2.0	1.8	2.0

## Pharmaceutical Business

### Clinical Development as of February 7, 2019

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Note
JTZ-951 (enarodustat)	Anemia associated with chronic kidney disease /Oral	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis- stimulating hormone, via inhibition of HIF-PHD.	Phase3 (Japan) Phase1 (Overseas)	In-house Co-development with Torii
JTE-052 (delgocitinib)	Autoimmune/allergic diseases /Oral, Topical *Atopic dermatitis/Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	NDA filed (Japan)	In-house *Co-development with Torii
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase2 (Overseas)	In-house
JTT-251	Type 2 diabetes mellitus /Oral	PDHK inhibitor	Decreases blood glucose by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase1 (Overseas)	In-house
JTE-451	Autoimmune/allergic diseases /Oral	ROR $\gamma$ antagonist	Suppresses overactive immune response via inhibition of ROR $\gamma$ related to Th 17 activation.	Phase2 (Overseas)	In-house
JTT-662	Type 2 diabetes mellitus /Oral	SGLT1 inhibitor	Suppresses postprandial hyperglycemia and normalizes blood glucose level via inhibition of SGLT1.	Phase1 (Overseas)	In-house
JTT-751 (ferric citrate)	Iron-deficiency anemia/Oral	Oral iron replacement	Corrects iron-deficiency anemia by using absorbed iron for synthesis of hemoglobin.	Phase3 (Japan)	In-license (Keryx Biopharmaceuticals) Co-development with Torii Additional indication

Clinical trial phase presented above is based on the first dose.

<Licensed compounds>

Compound (JT's code)	Licensee	Mechanism		Note
trametinib	Novartis	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK pathway.	
Anti-ICOS monoclonal antibody	MedImmune	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.	
delgocitinib	LEO Pharma ROHTO Pharmaceutical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	
enarodustat	JW Pharmaceutical	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis- stimulating hormone, via inhibition of HIF-PHD.	

Updates since the previous announcement on October 31, 2018:

<In-house development>

- JTE-052:filed NDA for atopic dermatitis (aged over 16) in Japan.(January 31, 2019)
- JTE-451:advanced to Phase 2 in Overseas

## Definitions

Terms	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
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
Reduced-Risk Products (RRP)	Products with potential to reduce the risks associated with smoking
GFB (Global Flagship Brands)	4 Brands (Winston, Camel, MEVIUS and LD)
Total Shipment volume: (International tobacco business)	Including fine cut, cigars, pipe tobacco, snus and kretek, but excluding contract manufactured products, waterpipe tobacco and RRP.
Core Revenue (International Tobacco Business)	Revenue including waterpipe tobacco and RRP, but excluding revenue 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
Industry Volume (Japanese Domestic Tobacco Business)	Industry volume of tobacco products in Japan market (including RRP, etc.)
Cigarette Industry Volume (Japanese Domestic Tobacco Business)	Industry volume of Ready Made Cigarettes(RMC) in Japan market (excluding RRP, etc.)
Cigarette Sales Volume (Japanese Domestic Tobacco Business)	Not including sales volume from domestic duty free, the China business and RRP.
RRP Sales Volume (Japanese Domestic Tobacco Business)	1 pack corresponds to 20 cigarettes (excluding RRP devices, RRP related accessories, etc.)
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.
RRP Related Revenue (Japanese Domestic Tobacco Business)	RRP related revenue, as a part of core revenue, represents the sale of RRP including principally the device and the related accessories.
Liquidity	Cash and deposits + marketable securities + securities purchased under repurchase agreements
Interest-bearing debt	Short-term bank loans + CP + bonds + long-term borrowings + lease obligations
FCF	FCF is sum of cash flows from operating activities and investing activities, but excludes the following items; - From operating CF: interest received, dividends received, interest paid and income taxes related to these items - From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes

Additional definitions are provided at <https://www.jt.com/media/glossary/index.html>

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*Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With close to 60,000 employees, it manufactures and sells some of the world's best-known brands including Winston, Camel, MEVIUS and LD. The JT Group is committed to investing in Reduced-Risk Products (RRP) and currently markets Ploom TECH, its tobacco vapor product, and various e-cigarette products under the Logic brand. The Group is also present in the pharmaceutical and processed food businesses. For more information, visit <https://www.jt.com/>.*

## FORWARD-LOOKING STATEMENTS

This document 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 and changing consumer preferences;
- (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.

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