



Tokyo, February 6, 2020

## **2019 Earnings Report**

### **Highlights (vs. 2018)**

- Revenue decreased 1.8% to JPY 2,175.6 billion.
- Adjusted operating profit at constant FX increased 0.9% to JPY 600.8 billion.
- On a reported basis, adjusted operating profit decreased 13.4% to JPY 515.9 billion.
- Operating profit decreased 11.1% to JPY 502.4 billion.
- Profit attributable to owners of the parent company decreased 9.7% to JPY 348.2 billion.
- Free cash flow was JPY 404.2 billion.
- The Company plans to pay an annual dividend per share of JPY 154.

### **FY2020 Forecasts (vs. 2019):**

- Revenue to increase 0.2% to JPY 2,180.0 billion.
- Adjusted operating profit at constant FX expected to be stable at JPY 516.0 billion.
- On a reported basis, adjusted operating profit is forecast to decline 2.5% to JPY 503.0 billion.
- Operating profit is forecast to decrease 6.2% to JPY 471.0 billion.
- Profit attributable to owners of the parent company is expected at JPY 305.0 billion, a 12.4% decline.
- The Company plans to offer an annual dividend of JPY 154.

Please refer to P.18 'Data Sheets' for more financial figures.

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

"Our consolidated adjusted operating profit at constant FX grew year-on-year, driven by growth in the tobacco business which exceeded the decline in the pharmaceutical business. We also secured our free cash flow delivery despite a profit decline due to unfavorable currency movements.

"To pursue sustainable profit growth, the JT Group's Business Plan 2020 incorporates the lessons learned through our business operations. The tobacco business remains the core and the key driver of our profit growth. As the head of the tobacco business, I remain committed to its mid- to long-term sustainable profit growth and will encourage consumer centric and entrepreneurial mindset, while optimizing resource allocation, further enhancing collaboration across tobacco businesses and pursuing the total tobacco growth."

### **Investors' Meeting**

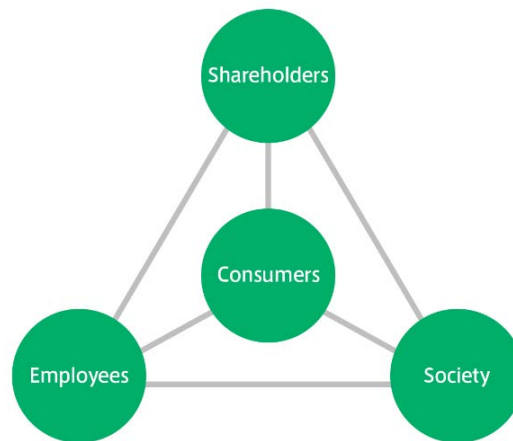
An investors' meeting with members of the investor community will be held at 4:00 pm, Tokyo Time, on February 7, 2020. For detailed information on the consolidated financial results, please visit the Company's website. (<https://www.jt.com/investors/>).

## Business Plan 2020

### ● **Basic Management Principle: The “4S Model”**

Under the 4S model, we strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can. The 4S model has allowed us to achieve sustainable profit growth in the past years and this model will continue to increase our value in the mid- to long-term.

(The 4S Model)



### ● **Resource Allocation Policy**

#### ➤ **The “4S Model” guides our resource allocation**

- Prioritize business investments<sup>1</sup> for sustainable profit growth in the mid- to long-term
- Strike a balance between profit growth through business investments and shareholder returns

#### ➤ **Shareholder Return Policy:** Aim to enhance shareholder returns considering the Company's mid- to long-term profit growth trend, while maintaining a strong financial base<sup>2</sup>

- Work toward stable and consistent growth in dividend per share<sup>3</sup>
- Consider implementing a share buy-back program, taking into account the Company's mid-term operating environment and financial outlook
- Continue to closely monitor shareholder returns of global FMCG<sup>4</sup> companies

### ● **Mid- to Long-Term Target:** Achieve mid to high single digit annual average growth rate in adjusted operating profit at constant currency.

- Tobacco business: Our core business and the Group's profit growth driver
- Pharmaceutical & Processed Food Businesses: complement the Group's profit growth

#### Notes:

- <sup>1</sup> Pursue quality top-line growth while continuing to offer new value and exceed consumer expectations. Investment towards the growth of tobacco business is of our highest priority.
- <sup>2</sup> As its financial policy, the Company will maintain a strong financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.
- <sup>3</sup> Mid- to long-term term growth rate of Adjusted Operated Profit at constant FX remains to be the primary indicator, while we continue to monitor the Profit level
- <sup>4</sup> A Fast-Moving Consumer Goods (daily consumer goods) company which has a stakeholder model similar to our “4S” model, and has realized strong business growth.

## FY2019 Financial Results

### Consolidated Results

(billions of JPY)	2018 Q4	2019 Q4	Variance	2018	2019	Variance
Revenue	540.1	<b>541.9</b>	+0.3%	2,216.0	<b>2,175.6</b>	-1.8%
Adjusted operating profit	84.5	<b>64.4</b>	-23.8%	595.5	<b>515.9</b>	-13.4%
Operating profit	87.9	<b>61.8</b>	-29.7%	565.0	<b>502.4</b>	-11.1%
Profit attributable to owners of the parent	53.0	<b>32.0</b>	-39.5%	385.7	<b>348.2</b>	-9.7%
Adjusted operating profit at constant FX	84.5	<b>74.5</b>	-11.8%	595.5	<b>600.8</b>	+0.9%

### October to December 2019

- **Revenue**

Revenue increased 0.3% year-on-year to JPY 541.9 billion due to increasing revenue in the international tobacco business offsetting declining revenues in the Japanese domestic tobacco, pharmaceutical and processed food businesses.

- **Adjusted Operating Profit**

At constant currency, adjusted operating profit decreased 11.8% due to the Japanese domestic tobacco and pharmaceutical businesses in spite of growth in the international tobacco and processed food businesses. In the Japanese domestic tobacco business, an impairment of capsule manufacturing machines for low-temperature heating products resulted in adjusted operating profit declining substantially. On a reported basis, adjusted operating profit decreased 23.8 % year-on-year to JPY 64.4 billion, mainly due to the negative impact of foreign currencies in the international tobacco business.

- **Operating Profit**

Operating profit decreased 29.7% year-on-year to 61.8 billion due to the decline in adjusted operating profit and a decline in proceeds from sales of real estate assets.

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

Profit attributable to owners of the parent decreased 39.5% year-on-year to JPY 32.0 billion due to the decline in operating profit as well as higher financing costs led by foreign exchange losses.

### Full Year 2019

- **Revenue**

Revenue decreased 1.8% year-on-year to JPY 2,175.6 billion due to a revenue decline mainly in the Japanese domestic tobacco business, pharmaceutical and processed food businesses. In the international tobacco business, the solid performance driven by price/mix contribution was offset by currency headwinds.

- **Adjusted operating profit**

At constant currency, adjusted operating profit increased 0.9% driven by growth in the international tobacco and processed food businesses, partially offset by the Japanese domestic tobacco and pharmaceutical businesses.

On a reported basis, adjusted operating profit decreased 13.4% year-on-year to JPY 515.9 billion, mainly due to unfavorable currency movements in the international tobacco business.

- **Operating Profit**

Operating profit decreased 11.1% year-on-year to JPY 502.4 billion due to a decrease in adjusted operating profit, a decline in proceeds from sales of real estate assets, a higher trademark amortization, and recognition of restructuring costs related to the transformation in the international tobacco business. This was in spite of one-time compensation gains related to the termination of the anti-HIV drugs license agreements in the pharmaceutical business.

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

Profit attributable to owners of the parent decreased 9.7% year-on-year to JPY 348.2 billion, due to the decline in operating profit and increase in financing costs. This was partially offset by favorable contributions from one-time factors leading to a lower effective tax rate.

## Results by Business Segment

### International Tobacco Business

(billions of units, billions of JPY)	2018 Q4	2019 Q4	Variance	2018	2019	Variance
<b>Total shipment volume</b>	107.5	<b>107.1</b>	-0.3%	427.6	<b>445.8</b>	+4.3%
<b>GFB shipment volume</b>	65.1	<b>66.8</b>	+2.5%	266.4	<b>277.0</b>	+4.0%
<b>Core revenue</b>	297.6	<b>311.5</b>	+4.7%	1,250.7	<b>1,253.0</b>	+0.2%
<b>Adjusted operating profit</b>	47.7	<b>44.3</b>	-7.1%	384.5	<b>340.8</b>	-11.4%
<b>Reference (millions of USD)</b>						
<b>Core revenue</b>	2,635	<b>2,864</b>	+8.7% (+10.3%)*	11,330	<b>11,496</b>	+1.5% (+9.3%)*
<b>Adjusted operating profit</b>	422	<b>407</b>	-3.5% (+14.1%)*	3,493	<b>3,126</b>	-10.5% (+10.7%)*

\*at constant FX

### October to December 2019

- Volume and Market share**

Total shipment volume declined 0.3% due to industry volume contraction. Excluding acquisitions and favorable inventory movements, total shipment volume decreased 1.9%. Quarterly market share gains continued across many geographies, most notably in Cambodia, Canada, Czech Republic, Iran, Kazakhstan, Malaysia, Poland, Taiwan and the UK. GFB shipment volume increased 2.5%, or 1.6 billion cigarette equivalent units, led by the solid performance of Winston (+3.9%), Camel (+1.8%) and Mevius (+3.3%).

- Core revenue and Adjusted operating profit**

Core revenue increased 4.7% driven by a robust price/mix, partially offset by unfavorable currency movements. Adjusted operating profit declined 7.1% due to unfavorable currency movements.

On a USD basis, a favorable price/mix variance of USD 280 million, notably from Iran, the Philippines, Poland, Romania and Russia, drove a core revenue increase of 8.7%, despite a negative volume contribution of USD 7 million. Excluding unfavorable currency movements of USD 44 million, core revenue grew 10.3%. Currency-neutral adjusted operating profit grew 14.1% driven by a solid price/mix of USD 243 million offsetting a negative volume contribution of USD 52 million and continued investments in recently acquired businesses and in RRP. Due to unfavorable currency movements, adjusted operating profit decreased 3.5%.

### Full Year 2019

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

Total shipment volume grew 4.3% driven by acquisitions in Bangladesh, Greece and Russia. Excluding acquisitions, total shipment volume declined 0.8%, outperforming industry volume contraction. Market share gains continued across many geographies, most notably in Cambodia, Canada, Czech Republic, Iran, Jordan, Kazakhstan, Malaysia, Morocco, Poland, Sudan, Taiwan and the UK. GFB shipment volume increased 4.0%, or 10.6 billion cigarette equivalent units, with strong performance across all four brands.

- **RRP**

The rollout of Logic Compact expanded beyond the initial target of 13 markets, reaching 25 countries by year end. Globally, at the end of 2019, Logic is available in 26 geographies, notably in the key E-vapor markets of Canada, France, Germany, Italy, Russia, the UK and the USA, where PMTA submissions are under substantive review by the FDA.

- **Core revenue and Adjusted operating profit**

Core revenue increased 0.2% driven by solid price/mix and positive volume contribution from acquisitions, mostly offset by unfavorable currency movements. Adjusted operating profit declined 11.4% due to unfavorable currency movements.

On a USD basis, core revenue at constant currency grew 9.3%, driven by a favorable price/mix variance of USD 875 million, notably from Canada, France, Germany, Iran, the Philippines, Romania, Russia, Turkey, Ukraine and the UK, and a positive volume contribution of USD 174 million. When including unfavorable currency movements of USD 884 million, core revenue increased 1.5%.

Currency-neutral adjusted operating profit grew 10.7% driven by a favorable price/mix variance of USD 802 million from all clusters, and a positive volume contribution of USD 20 million. In South & West Europe, North & Central Europe and Rest-of-the-World, currency-neutral adjusted operating profit increased 9.5%, 0.2% and 40.1%, respectively, driven by positive volume contribution and solid price/mix in each cluster. In CIS+, currency-neutral adjusted operating profit declined 1.9%, due to unfavorable volume, mainly from industry contraction, and investments offsetting a solid price/mix.

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

### South and West Europe

(billions of Units, millions of USD)	2018 Q4	2019 Q4	Variance
<b>Total shipment volume</b>	14.4	14.0	-2.5%
<b>GFB shipment volume</b>	11.6	11.4	-2.2%
<b>Core revenue</b>	437	415	-5.0% (-2.2%)*

\*at constant FX

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

Total and GFB shipment volumes decreased 2.5% and 2.2%, respectively, due to unfavorable inventory movements. Excluding inventory movements, total shipment volume grew 0.8%. Market share increased in Belgium, France, Greece, Italy, Luxemburg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue declined 5.0%, due to a negative volume contribution of USD 6 million, mainly from France and Spain, and an unfavorable price/mix variance of USD 4 million. Excluding unfavorable currency movements of USD 12 million, core revenue declined 2.2%.

- **By market**

**In France**, total, GFB and fine cut shipment volumes declined 7.8%, 6.8% and 1.7%, respectively, due to industry volume contraction. Currency-neutral core revenue grew, driven by favorable price/mix. Year-on-year market share increased 1.3ppt to 24.5%, driven by Winston and Camel.

**In Italy**, total and GFB shipment volumes decreased 1.7% and 0.9%, respectively, due to unfavorable inventory movements. Excluding inventory movements, total shipment volume grew 0.5%, outperforming the industry volume contraction through market share gains. Fine cut shipment volume increased 8.4%, driven by Winston. Currency-neutral core revenue declined due to unfavorable volume and price/mix contributions. Year-on-year market share increased 0.6ppt to 24.5%, led by Winston and Benson & Hedges.

**In Spain**, total and GFB shipment volumes declined 10.1% and 13.6%, respectively, due to unfavorable inventory movements. Excluding inventory movements, total shipment volume increased 4.0%, outperforming industry volume increase through market share gains. Fine cut shipment volume increased 24.7%, mainly driven by Winston and Camel. Currency-neutral core revenue decreased due to unfavorable volume and price/mix contributions. Year-on-year market share increased 0.8ppt to 25.6%, led by Winston and Camel.

## North and Central Europe

(billions of Units, millions of USD)	2018 Q4	2019 Q4	Variance
<b>Total shipment volume</b>	13.0	<b>13.9</b>	+6.8%
<b>GFB shipment volume</b>	6.1	<b>7.2</b>	+18.1%
<b>Core revenue</b>	500	<b>542</b>	+8.3% (+10.3%)*

\*at constant FX

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

Total and GFB shipment volumes increased 6.8% and 18.1%, respectively, notably driven by Czech Republic, Germany, Hungary and Poland. Market share grew in Czech Republic, Germany, Hungary, Poland and the UK.

- **Core revenue**

Core revenue grew 8.3% driven by a favorable price/mix variance of USD 21 million, notably in Germany, Hungary, Ireland, Poland and the UK, and a positive USD 30 million volume contribution, mainly from Germany, Poland and the UK. Excluding unfavorable currency movements of USD 10 million, core revenue increased 10.3%.

- **By market**

**In Germany**, total, GFB and fine cut shipment volumes increased 3.5%, 19.7% and 5.7%, respectively, driven by solid market share gains outpacing the industry volume decline. Currency-neutral core revenue grew driven by positive volume and price/mix contributions. Year-on-year market share grew 0.5ppt to 8.4% driven by Winston.

**In the UK**, total and fine cut shipment volumes increased 2.2% and 10.4%, respectively, driven by market share gains outpacing the industry volume contraction. Currency-neutral core revenue increased, fueled by positive volume and price/mix contributions. Year-on-year market share was up 2.2ppt to 43.6%, driven by Benson & Hedges in cigarettes and Sterling in fine cut.

## CIS+

(billions of Units, millions of USD)	2018 Q4	2019 Q4	Variance
<b>Total shipment volume</b>	34.5	<b>32.4</b>	-6.1%
<b>GFB shipment volume</b>	22.9	<b>21.3</b>	-6.9%
<b>Core revenue</b>	657	<b>745</b>	+13.3% (+10.0%)*

\*at constant FX

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

Total and GFB shipment volumes decreased 6.1% and 6.9%, respectively, due to industry volume contraction, despite favorable inventory adjustments. Excluding inventory movements, total shipment volume declined 8.7%. Market share grew in Kazakhstan, Romania and Serbia.

- **Core revenue**

Core revenue increased 13.3% driven by a favorable price/mix variance of USD 150 million across most markets, offsetting a negative volume contribution of USD 84 million, mainly from Russia. Excluding favorable currency movements of USD 22 million, core revenue increased 10.0%.

- **By market**

**In Romania**, total and GFB shipment volumes increased 2.5% and 0.2%, respectively, driven by market share gains outperforming the industry volume decline. Positive volume and price/mix contributions drove an increase in currency-neutral core revenue. Year-on-year market share reached 28.1%, an increase of 0.8ppt driven by Winston and Sobranie.

**In Russia**, total and GFB shipment volumes were down 6.3% and 8.8%, respectively, due to cigarette industry volume contraction, estimated<sup>2</sup> at 8.2%, and market share losses, partially offset by favorable inventory adjustments. Excluding inventory movements, total shipment volume declined 10.4%. Currency-neutral core revenue increased driven by positive price/mix offsetting the negative volume contribution. Despite GFBs growing market share 0.3ppt to 25.1% led by LD, year-on-year market share decreased to 39.0% due to downtrading.

## Rest-of-the-World

(billions of Units, millions of USD)	2018 Q4	2019 Q4	Variance
<b>Total shipment volume</b>	45.6	<b>46.8</b>	+2.8%
<b>GFB shipment volume</b>	24.5	<b>26.9</b>	+9.6%
<b>Core revenue</b>	1,040	<b>1,161</b>	+11.6% (+15.9%)*

\*at constant FX

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

Total shipment volume increased 2.8% bolstered by the acquisition in Bangladesh as well as favorable inventory movements. Excluding the acquisition and inventory movements, total shipment volume decreased 0.1%, outperforming the industry volume contraction trend in the cluster. GFB shipment volume was up 9.6% driven by all four brands, most notably Winston and



Mevius. Market share increased across many markets, notably in Algeria, Brazil, Cambodia, Canada, Iran, Jordan, Malaysia, Morocco, Saudi Arabia, Singapore, South Korea, Sudan, Taiwan, Turkey and the USA.

- **Core revenue**

Core revenue increased 11.6%, driven by a favorable price/mix variance of USD 113 million, mainly from the Philippines, and a positive volume contribution of USD 52 million, mainly from Bangladesh and Iran. Excluding unfavorable currency movements of USD 44 million, core revenue increased 15.9%.

- **By market**

**In Iran**, total and GFB shipment volumes increased 20.0% and 31.6%, respectively, driven by continued market share gains. Excluding unfavorable inventory movements, total shipment volume grew 20.3%. Currency-neutral core revenue increased fueled by solid volume and price/mix contributions. Year-on-year market share was up 3.4ppt, reaching 59.6%.

**In Taiwan**, total and GFB shipment volumes increased 6.2% and 5.7%, respectively, driven by market share gains and favorable inventory adjustments. Excluding inventory movements, total shipment volume was up 3.4%. Currency-neutral core revenue declined due to unfavorable price/mix contributions. Year-on-year market share increased a strong 2.8ppt to 45.2%, mainly driven by Winston and LD.

**In Turkey**, total and GFB shipment volumes declined 23.0% and 20.3%, respectively, due to a significant industry volume contraction following the price increase and unfavorable inventory adjustments. Excluding inventory movements, total shipment volume decreased 19.8%. Currency-neutral core revenue declined due to a negative volume contribution, partially offset by a solid price/mix. Market share increased 0.6ppt to 28.3%, mainly led by Winston.

<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 2019. Hungary and Spain are on a 12-month rolling average at the end of November 2019. 12-month share of market growth for 2019 markets is calculated against a 12-month share of market at the end of respective period in 2018.

<sup>2</sup> Source: JTI estimates based on October-December 2019 cigarette data versus the same period last year.

## Japanese Domestic Tobacco Business

(billions of units, billions of JPY)	2018 Q4	2019 Q4	Variance	2018	2019	Variance
<b>Cigarette industry volume<sup>3</sup></b>	29.2	<b>30.5</b>	+4.3%	133.6	<b>125.1</b>	-6.3%
<b>Cigarette sales volume</b>	17.8	<b>18.1</b>	+1.6%	82.0	<b>75.5</b>	-7.9%
<b>Core revenue</b>	138.0	<b>133.1</b>	-3.6%	582.4	<b>568.9</b>	-2.3%
<b>Adjusted operating profit</b>	36.2	<b>21.8</b>	-39.8%	209.0	<b>187.2</b>	-10.4%

### October to December 2019

- **Cigarette sales volume**

Cigarette industry volume<sup>3</sup> increased 4.3% driven by a favorable price increase comparison versus previous year, offsetting the natural decline trend and the RRP category growth. The favorable comparison this quarter is attributed to significantly lower consumption tax led price increase compared to the excise tax led price increase last year.

JT's cigarette sales volume increased 1.6% following the industry volume increase largely offsetting the cigarette market share<sup>3</sup> losses by 1.6ppt to 59.3%. Share losses resulted from the removal of the preferential tax scheme for former third grade tobacco products in October 2019 and increased downtrading.

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

Overall RRP market size<sup>3</sup> in Japan is estimated at c. 23% (shipment basis) of the tobacco industry volume. JT RRP sales volume was 0.9 billion stick equivalent units, which is comparable to that of the same period last year. Our RRP category share is estimated at approximately 11% on an offtake basis.

- **Core revenue and Adjusted operating profit**

Despite a positive volume contribution of JPY 1.8 billion, core revenue declined 3.6% due to a decrease in RRP related revenue as well as unfavorable cigarette price/mix variance of JPY 0.9 billion. RRP related revenue was down by JPY 5.8 billion year-on-year to JPY 12.7 billion due to unfavorable price and mix contribution of RRP consumables as well as lower revenue from Ploom TECH devices.

Adjusted operating profit decreased 39.8% following an impairment of capsule manufacturing machines for low-temperature heating products and unfavorable cigarette price/mix contribution of JPY 0.9 billion more than offsetting favorable cigarette volume contribution of JPY 1.4 billion.

### Full Year 2019

- **Cigarette sales volume**

Cigarette industry volume<sup>3</sup> decreased 6.3% year-on-year to 125.1 billion units due to a natural decline trend, RRP category expansion and the impact of price revisions in 2018 and 2019 led by tax increases.

JT's cigarette sales volume decreased 7.9% year-on-year to 75.5 billion units due to the cigarette industry volume decline as well as our market share<sup>3</sup> losses by 1.0ppt to 60.4%. Despite growth of Camel and little cigar SKUs, market share declined due to intense competition in the value segment.

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

Overall RRP market size<sup>3</sup> in Japan is estimated at c.23% (shipment basis) of the tobacco industry volume. JT RRP sales volume increased by 0.5 billion to 3.3 billion cigarette equivalent units. JT's market share in the RRP category is estimated at approximately 9% on an offtake basis.

- **Core revenue and Adjusted operating profit**

Despite a positive cigarette price/mix variance of JPY 27.2 billion, core revenue declined 2.3% due to unfavorable cigarette volume contribution of JPY 38.2 billion as well as a decrease in RRP related revenue. RRP related revenue was down by JPY 3.7 billion year-on-year to JPY 60.9 billion. Adjusted operating profit decreased 10.4% mainly due to unfavorable cigarette sales volume contribution of JPY 31.6 billion and an impairment of capsule manufacturing machines for low-temperature heating products, which more than offset the positive cigarette price/mix variance of JPY 27.2 billion.

<sup>3</sup> Source: JT estimates. Cigarette industry volume and cigarette share of market include little cigars which are classified as cigars as per the Tobacco Business Act in Japan as well as conventional cigarettes.

## Pharmaceutical Business

(billions of JPY)	2018 Q4	2019 Q4	Variance	2018	2019	Variance
<b>Revenue</b>	32.2	<b>25.2</b>	-21.8%	114.0	<b>88.5</b>	-22.3%
<b>Adjusted operating profit</b>	9.2	<b>8.1</b>	-11.3%	28.4	<b>15.9</b>	-43.9%

### October to December 2019

- **Revenue and Adjusted operating profit**

Revenue declined by 21.8%, mainly due to the termination of license agreements for six anti-HIV drugs in Japan as well as lower overseas royalty income in spite of the one-time upfront fee generated from the execution of the license agreement for HIF-PH inhibitor.

Adjusted operating profit decreased 11.3% as the revenue decline more than offset the cost savings realized from the organizational reform initiatives in our subsidiary Torii Pharmaceutical, announced in the first quarter of 2019.

### Full Year 2019

- **Revenue and Adjusted operating profit**

Revenue declined by 22.3%, mainly due to the termination of license agreements for six anti-HIV drugs in Japan as well as lower overseas royalty income.

Adjusted operating profit decreased 43.9% due to the revenue decline.

## Processed Food Business

(billions of JPY)	2018 Q4	2019 Q4	Variance	2018	2019	Variance
<b>Revenue</b>	44.2	<b>43.8</b>	-0.9%	161.4	<b>158.6</b>	-1.7%
<b>Adjusted operating profit</b>	2.1	<b>2.5</b>	+23.5%	4.1	<b>5.4</b>	+31.8%

### October to December 2019

- **Revenue and Adjusted operating profit**

Processed food business continued to implement measures to improve profitability. The solid performance of the main staple food category was offset by the decline in sales of products with lower profitability, resulting in revenue declining by 0.9%.

Adjusted operating profit increased by JPY 0.5 billion mainly driven by the positive contribution from price revisions, the improvements in product mix as well as cost reduction initiatives, which were partially offset by lower revenue and increases in raw material and distribution costs.

### Full Year 2019

- **Revenue and Adjusted operating profit**

Revenue decreased 1.7% and adjusted operating profit increased by JPY 1.3 billion for the reasons mentioned above.

## FY2020 Forecasts

(billions of JPY)	2019 Result	2020 Forecast	Variance
<b>Revenue</b>	2,175.6	<b>2,180.0</b>	+0.2%
<b>Adjusted operating profit</b>	515.9	<b>503.0</b>	-2.5%
<b>Operating profit</b>	502.4	<b>471.0</b>	-6.2%
<b>Profit attributable to owners of the parent</b>	348.2	<b>305.0</b>	-12.4%
<b>Adjusted operating profit at constant FX</b>	515.9	<b>516.0</b>	+0.0%

- **Revenue**

Revenue is estimated to increase 0.2% year-on-year to JPY 2,180.0 billion as an increase in the international tobacco and processed food businesses offsets a decrease in Japanese domestic tobacco and pharmaceutical businesses.

- **Adjusted operating profit**

On currency neutral basis, adjusted operating profit is expected to be JPY 516.0 billion, in line with previous year, as a solid business momentum in the international tobacco business offsets decreases in the Japanese domestic tobacco, pharmaceutical and processed food businesses. Adjusted operating profit on a reported basis is anticipated to decline 2.5% year-on-year to JPY 503.0 billion as the revenue increase in the international tobacco business is offset by the decline in other businesses.

- **Operating Profit and Profit attributable to owners of the parent**

Operating profit is assumed to decrease 6.2% year-on-year to JPY 471.0 billion mainly due to an unfavorable comparison to the previous year with one-time compensation gains in the pharmaceutical business as well as a decrease in adjusted operating profit driven by currency headwinds, partially offset by a favorable comparison in the international tobacco business related to restructuring costs in the previous year and anticipated proceeds from the sale of the current JT headquarter building, which is expected to realize within this year.

Profit attributable to owners of the parent is forecast to decline 12.4% year-on-year to JPY 305.0 billion driven by a decrease in operating profit and an unfavorable comparison due to a temporary lower effective tax rate in the previous year related to the one-time favorable factors.

## Forecasts by Business Segment

### International Tobacco Business

(billions of JPY)	2019 Results	2020 Forecast	Variance
<b>Core revenue</b>	1,253.0	<b>1,300.0</b>	+3.7%
<b>Adjusted operating profit</b>	340.8	<b>361.0</b>	+5.9%
<b><u>Reference (millions of USD)</u></b>			
<b>Core revenue</b>	11,496	<b>12,000</b>	+4.4% (+5.3%)*
<b>Adjusted operating profit</b>	3,126	<b>3,350</b>	+7.2% (+10.0%)*

\*at constant FX

- Volume**  
 Total shipment volume is expected to decline circa 3%, due to industry volume contraction, while GFB shipment volume is forecast to increase by circa 1% driven by continued market share gains.
- Core revenue and Adjusted operating profit**  
 Core revenue and adjusted operating profit are expected to increase 3.7% and 5.9% year-on-year, respectively, driven by a solid business momentum, partially offset by unfavorable currency movements.

On a USD basis, constant currency core revenue and adjusted operating profit are forecast to grow 5.3% and 10.0%, respectively, driven by robust price/mix and continued market share gains. On a reported basis, core revenue and adjusted operating profit are expected to increase 4.4% and 7.2%, respectively, driven by solid currency-neutral performance, partially offset by unfavorable currency movements.

## Japanese Domestic Tobacco Business

(billions of JPY)	2019 Results	2020 Forecast	Variance
<b>Core revenue</b>	568.9	<b>540.0</b>	-5.1%
<b>Adjusted operating profit</b>	187.2	<b>170.0</b>	-9.2%

- **Volume**

Total tobacco market in Japan<sup>4</sup> is assumed to decline c.3.5% year-on-year driven by the natural decline trend, tax led price revisions and regulatory changes in April. In addition to this, cigarette industry volume<sup>4</sup> decline assumption is over 5% due to RRP expansion. JT estimates the RRP market size<sup>4</sup> will expand to c.25% of the 2020 full year total tobacco market.

Our cigarette sales volume is expected to decline c.6% mainly due to lower cigarette industry volume year-on-year. Our RRP sales volume is assumed to increase to over 3.5 billion units.

- **Core revenue and Adjusted operating profit**

Core revenue is forecast to decrease 5.1% year-on-year to JPY 540.0 billion driven by unfavorable cigarette volume contribution and RRP price/mix, as well as sales decline in RRP devices and accessories, in spite of favorable cigarette price/mix and volume contribution from RRP.

Adjusted operating profit is also expected to decrease 9.2% year-on-year to JPY 170.0 billion due to lower core revenue and incremental investment in sales promotion and R&D for RRP.

<sup>4</sup> Source: JT estimates. Total tobacco and cigarette industry volume include little cigars which are classified as cigars as per the Tobacco Business Act in Japan as well as conventional cigarettes.

## Pharmaceutical business

(billions of JPY)	2019 Results	2020 Forecast	Variance
<b>Revenue</b>	88.5	<b>76.0</b>	-14.2%
<b>Adjusted operating profit</b>	15.9	<b>10.0</b>	-37.3%

- **Revenue and Adjusted operating profit**

Revenue is assumed to decrease 14.2% year-on-year to JPY 76.0 billion, mainly due to lower overseas royalty income as well as Japan's National Health Insurance price revisions impacting our subsidiary, Torii Pharmaceutical.

Adjusted operating profit is also expected to decline 37.3% year-on-year to JPY 10.0 billion, mainly due to the revenue decline, partly offset by lower costs related to the completion of clinical studies associated with the New Drug Application in Japan for HIF-PH inhibitor.

## Processed Food Business

(billions of JPY)	2019 Results	2020 Forecast	Variance
<b>Revenue</b>	158.6	<b>160.0</b>	+0.9%
<b>Adjusted operating profit</b>	5.4	<b>5.0</b>	-8.0%

- **Revenue and Adjusted operating profit**

Revenue is assumed to increase 0.9% year-on-year to JPY 160.0 billion driven by focused product categories.

Adjusted operating profit is forecast to decline 8.0% year-on-year to JPY 5.0 billion as the increase in revenue is more than offset by adverse distribution costs and manufacturing optimization expenses. These manufacturing optimization expenses are related to initiatives which were initiated in 2017 to enhance competitiveness and these expenses are skewed in this year.



# Data Sheets

## Results for FY2019

### 1. Summary of Consolidated results

(Unit: JPY billion)

	FY2018	FY2019	Variance (abs)	Variance (%)
Revenue	2,216.0	2,175.6	-40.3	-1.8%
Operating profit	565.0	502.4	-62.6	-11.1%
Adjusted operating profit	595.5	515.9	-79.5	-13.4%
Profit before income tax	531.5	465.2	-66.3	-12.5%
Profit	387.4	361.6	-25.8	-6.7%
Profit (attributable to owners of the parent company)	385.7	348.2	-37.5	-9.7%
Annual dividend (JPY)	150.00	154.00	+4.00	+2.7%
Basic EPS*(JPY)	215.31	195.97	-19.34	-9.0%
ROE*	14.3%	13.2%	-1.1%pt	

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

[Reference] Consolidated results

(Unit: JPY billion)

	FY2018	FY2019	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	595.5	600.8	+5.3	+0.9%

### 2. Results by business segment

(Unit: JPY billion)

	FY2018	FY2019	Variance (abs)	Variance (%)
Revenue	2,216.0	2,175.6	-40.3	-1.8%
Japanese domestic tobacco	621.4	611.5	-9.9	-1.6%
Core revenue	582.4	568.9	-13.5	-2.3%
International tobacco	1,312.3	1,310.9	-1.5	-0.1%
Core revenue	1,250.7	1,253.0	+2.3	+0.2%
Pharmaceutical	114.0	88.5	-25.5	-22.3%
Processed food	161.4	158.6	-2.8	-1.7%
Others	6.8	6.1	-0.7	-9.9%
Consolidated: operating profit	565.0	502.4	-62.6	-11.1%
Japanese domestic tobacco	192.5	171.0	-21.5	-11.2%
International tobacco	339.5	274.0	-65.5	-19.3%
Pharmaceutical	26.3	72.7	+46.4	+176.5%
Processed food	2.9	5.5	+2.6	+89.4%
Others/Elimination	3.8	-20.8	-24.6	-
Adjustments, total	-30.5	-13.6	+16.9	-
Japanese domestic tobacco	-16.5	-16.2	+0.3	-
International tobacco	-45.0	-66.7	-21.7	-
Pharmaceutical	-2.1	56.8	+58.9	-
Processed food	-1.2	0.1	+1.3	-
Others/Elimination	34.4	12.5	-21.9	-63.5%
Consolidated: adjusted operating profit	595.5	515.9	-79.5	-13.4%
Japanese domestic tobacco	209.0	187.2	-21.8	-10.4%
International tobacco	384.5	340.8	-43.8	-11.4%
Pharmaceutical	28.4	15.9	-12.5	-43.9%
Processed food	4.1	5.4	+1.3	+31.8%
Others/Elimination	-30.6	-33.4	-2.8	-

[Reference] International tobacco business

(Unit: USD million)

	FY2018	FY2019	Variance (abs)	Variance (%)
Core revenue	11,330	11,496	+165	+1.5%
Core revenue at constant FX	11,330	12,379	+1,049	+9.3%
Adjusted operating profit	3,493	3,126	-367	-10.5%
Adjusted operating profit at constant FX	3,493	3,866	+372	+10.7%

## Results for FY2019

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

(Unit: JPY billion)

	FY2018	FY2019	Variance (abs)	Variance (%)
Consolidated: operating profit	565.0	502.4	-62.6	-11.1%
Adjustments, total	30.5	13.6	-16.9	
Amortization of acquired intangibles	61.8	69.6	+7.9	
Adjustments (income)	-40.4	-84.5	-44.0	
Adjustments (costs)	9.2	28.4	+19.3	
Consolidated: adjusted operating profit	595.5	515.9	-79.5	-13.4%
Japanese domestic tobacco: operating profit	192.5	171.0	-21.5	-11.2%
Adjustments, total	16.5	16.2	-0.3	
Amortization of acquired intangibles	16.2	16.2	-	
Adjustments (income)	0	0	-0.0	
Adjustments (costs)	0.3	-	-0.3	
Japanese domestic tobacco: adjusted operating profit	209.0	187.2	-21.8	-10.4%
International tobacco: operating profit	339.5	274.0	-65.5	-19.3%
Adjustments, total	45.0	66.7	+21.7	
Amortization of acquired intangibles	45.5	53.4	+7.9	
Adjustments (income)	-1.7	-8.8	-7.1	
Adjustments (costs)	1.2	22.1	+20.9	
International tobacco: adjusted operating profit	384.5	340.8	-43.8	-11.4%
Pharmaceutical: operating profit	26.3	72.7	+46.4	+176.5%
Adjustments, total	2.1	-56.8	-58.9	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-	-61.0	-61.0	
Adjustments (costs)	2.1	4.3	+2.1	
Pharmaceutical: adjusted operating profit	28.4	15.9	-12.5	-43.9%
Processed food: operating profit	2.9	5.5	+2.6	+89.4%
Adjustments, total	1.2	-0.1	-1.3	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	0	-0.5	-0.4	
Adjustments (costs)	1.2	0.4	-0.9	
Processed food: adjusted operating profit	4.1	5.4	+1.3	+31.8%
Others / Elimination: operating profit	3.8	-20.8	-24.6	-
Adjustments, total	-34.4	-12.5	+21.9	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-38.7	-14.2	+24.5	
Adjustments (costs)	4.3	1.6	-2.6	
Others / Elimination: adjusted operating profit	-30.6	-33.4	-2.8	-

### 4. Depreciation and amortization

(Unit: JPY billion)

	FY2018	FY2019*	Variance (abs)
Consolidated	158.7	168.1	+9.4
Japanese domestic tobacco	55.0	55.6	+0.6
International tobacco	89.9	98.1	+8.2
Pharmaceutical	5.1	5.5	+0.4
Processed food	6.7	6.8	+0.1
Others/Elimination	2.0	2.1	+0.1

\*excluding depreciation related to lease transactions

### 5. Consolidated financial position

(Unit: JPY billion)

	2018 Dec. end	2019 Dec. end	Variance (abs)
Total assets	5,461.4	5,553.1	+91.7
Total equity	2,700.4	2,743.6	+43.2
Equity attributable to owners of the parent	2,630.6	2,662.7	+32.1
BPS (attributable to owners of the parent) (JPY)	1,468.44	1,501.12	+32.68

## Results for FY2019

### 6. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2018 Dec. end	2019 Dec. end	Variance (abs)
Liquidity	308.7	375.8	+67.2
Interest-bearing debt	987.6	974.5	-13.1

### 7. Consolidated cash flow

(Unit: JPY billion)

	FY2018	FY2019	Variance (abs)
Cash flows from operating activities	461.4	540.4	+79.0
Cash flows from investing activities	-383.3	-123.6	+259.7
Cash flows from financing activities	-62.4	-333.8	-271.5
Cash and cash equivalents, beginning of the year	285.5	282.1	-3.4
Foreign currency translation adj. on cash & cash equivalents	-19.1	-7.9	+11.2
Cash and cash equivalents, end of the year	282.1	357.2	+75.1
FCF	105.6	404.2	+298.6

### 8. Capital expenditures

(Unit: JPY billion)

	FY2018	FY2019	Variance (abs)
Consolidated	159.8	131.4	-28.4
Japanese domestic tobacco	55.4	34.8	-20.7
International tobacco	75.7	78.3	+2.6
Pharmaceutical	11.3	7.0	-4.4
Processed food	12.7	6.1	-6.6
Others/Elimination	4.6	5.2	+0.7

### 9. FX actual (Reference information)

	FY2018	FY2019	Variance (abs)	Variance (%)
USD/JPY	110.44	109.03	-1.41	-1.3%
USD/RUB	62.68	64.74	+2.06	-3.2%
USD/GBP	0.75	0.78	+0.03	-4.4%
USD/EUR	0.85	0.89	+0.05	-5.2%
USD/CHF	0.98	0.99	+0.02	-1.6%
USD/TWD	30.14	30.90	+0.76	-2.5%
USD/TRY	4.82	5.67	+0.84	-14.9%
USD/IRR	61,649	104,046	+42,397	-40.7%

EUR/IRR is converted to USD/IRR in table by using cross rate

### 10. Pharmaceutical business

	FY2018	FY2019	Variance (abs)	Variance (%)
R&D expenses	37.1	33.2	-3.9	-10.5%

## Results for FY2019

### 11. Consolidated statement of income

(Unit: JPY billion)

	FY2018	FY2019	Variance (abs)	Variance (%)
Revenue	2,216.0	2,175.6	-40.3	-1.8%
Cost of sales	933.0	942.3	+9.3	+1.0%
Gross profit	1,282.9	1,233.3	-49.6	-3.9%
Other operating income	48.5	95.7	+47.2	+97.2%
Share of profit in investments accounted for using the equity method	3.9	5.0	+1.1	+27.5%
SG & A	770.4	831.7	+61.3	+8.0%
Advertising expenses	29.1	33.5	+4.4	+15.0%
Promotion expenses	106.2	102.1	-4.1	-3.9%
Shipping and warehousing expenses	1.2	1.1	-0.1	-7.9%
Commission	52.7	55.5	+2.7	+5.2%
Employee benefit expenses	269.0	309.6	+40.7	+15.1%
R&D expenses	65.4	64.1	-1.3	-2.0%
Depreciation and amortization	87.9	106.1	+18.2	+20.7%
Other	158.9	159.8	+0.9	+0.6%
Operating profit	565.0	502.4	-62.6	-11.1%
Amortization of acquired intangibles	61.8	69.6	+7.9	+12.7%
Adjustments (income)	-40.4	-84.5	-44.0	-
Adjustments (costs)	9.2	28.4	+19.3	+210.4%
Adjusted operating profit	595.5	515.9	-79.5	-13.4%
Financial income	5.8	8.4	+2.6	+46.0%
Dividend income	2.1	1.9	-0.1	-6.2%
Interest income	3.7	6.0	+2.3	+62.8%
Foreign exchange gain	-	-	-	-
Other	-	0.5	+0.5	+20,907.7%
Financial costs	39.3	45.5	+6.3	+16.0%
Interest expenses	16.3	27.6	+11.2	+68.6%
Employee benefit expenses	2.9	2.8	-0.1	-4.4%
Foreign exchange loss	16.0	13.3	-2.7	-16.8%
Other	4.0	1.9	-2.1	-53.1%
Profit before income taxes	531.5	465.2	-66.3	-12.5%
Income taxes	144.1	103.6	-40.4	-28.1%
Profit for the period	387.4	361.6	-25.8	-6.7%
Attributable to owners of the parent	385.7	348.2	-37.5	-9.7%
Attributable to non-controlling interests	1.8	13.4	+11.7	+665.5%

## Results for FY2019

### 12. Consolidated financial position

(Unit: JPY billion)

	2018 Dec. end	2019 Dec. end	Variance (abs)
<b>Current assets</b>	<b>1,809.4</b>	<b>1,925.7</b>	<b>+116.3</b>
Cash and cash equivalents	282.1	357.2	+75.1
Trade and other receivables	456.6	458.5	+1.9
Inventories	649.2	677.6	+28.3
Other financial assets <sup>*1</sup>	35.6	21.9	-13.7
Other current assets	385.9	410.4	+24.6
Non-current assets held-for-sale	0	0	0
<b>Non-current assets</b>	<b>3,652.0</b>	<b>3,627.4</b>	<b>-24.6</b>
Property, plant & equipment	758.8	803.2	+44.4
Goodwill <sup>*2</sup>	2,008.4	2,002.6	-5.8
Intangible assets <sup>*3</sup>	503.1	440.4	-62.6
Investment property	17.6	16.6	-1.0
Retirement benefit assets	57.1	67.4	+10.2
Investments accounted for using the equity method	66.8	52.9	-13.9
Other financial assets <sup>*1</sup>	115.0	109.6	-5.5
Deferred tax assets	125.1	134.7	+9.6
<b>Total assets</b>	<b>5,461.4</b>	<b>5,553.1</b>	<b>+91.7</b>

	2018 Dec. end	2019 Dec. end	Variance (abs)
<b>Current liabilities</b>	<b>1,430.2</b>	<b>1,501.8</b>	<b>+71.6</b>
Trade and other payables	380.5	408.6	+28.1
Bonds and borrowings <sup>*4</sup>	250.5	284.1	+33.7
Income tax payables	72.4	69.5	-2.9
Other financial liabilities <sup>*4</sup>	4.5	21.9	+17.4
Provisions	6.1	16.6	+10.5
Other current liabilities <sup>*5</sup>	716.2	701.0	-15.1
Liabilities directly associated with non-current assets held-for-sale	-	-	-
<b>Non-current liabilities</b>	<b>1,330.8</b>	<b>1,307.7</b>	<b>-23.1</b>
Bonds and borrowings <sup>*4</sup>	727.3	690.4	-36.9
Other financial liabilities <sup>*4</sup>	10.1	41.1	+31.0
Retirement benefit liabilities	321.8	320.6	-1.2
Provisions	3.8	19.5	+15.7
Other non-current liabilities <sup>*5</sup>	179.3	155.8	-23.5
Deferred tax liabilities	88.5	80.4	-8.1
<b>Total liabilities</b>	<b>2,761.0</b>	<b>2,809.5</b>	<b>+48.5</b>
<b>Equity</b>	<b>2,700.4</b>	<b>2,743.6</b>	<b>+43.2</b>
Share capital	100.0	100.0	-
Capital surplus	736.4	736.4	-
Treasury shares	-442.8	-492.5	-49.6
Other components of equity	-423.4	-431.7	-8.4
Retained earnings	2,660.4	2,750.5	+90.1
Non-controlling interests	69.9	80.9	+11.1
<b>Total liabilities and equity</b>	<b>5,461.4</b>	<b>5,553.1</b>	<b>+91.7</b>

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

Other financial assets	2018 Dec. end	2019 Dec. end	Variance (abs)
Derivative assets	8.7	2.6	-6.1
Equity securities	64.7	32.7	-32.0
Debt securities	26.8	18.6	-8.2
Time deposits	1.0	0.8	-0.2
Other	55.7	82.8	+27.1
Allowance for doubtful accounts	-6.1	-5.9	+0.2

\*2: Goodwill ~ Cash-generating unit

Goodwill ~ Cash-generating unit	2018 Dec. end	2019 Dec. end	Variance (abs)
Japanese domestic tobacco	265.9	265.9	-
International tobacco	1,717.2	1,711.3	-5.8
Processed food	25.4	25.4	-

\*3: Intangible assets ~ Trademarks

Intangible assets ~ Trademarks	2018 Dec. end	2019 Dec. end	Variance (abs)
Japanese domestic tobacco	115.3	98.7	-16.6
International tobacco	306.0	262.0	-44.0

\*4: Bonds and borrowings and other financial liabilities

(current & non-current combined)

Bonds and borrowings and other financial liabilities	2018 Dec. end	2019 Dec. end	Variance (abs)
Total financial liabilities	992.3	1,037.4	+45.1
Derivative liabilities	3.2	7.7	+4.6
Short-term borrowings	166.0	192.6	+26.6
Commercial paper	72.0	-	-72.0
Current portion of long-term borrowings	12.4	11.6	-0.9
Current portion of bonds	-	80.0	+80.0
Long-term borrowings	116.9	103.7	-13.1
Bonds	610.4	586.6	-23.8
Other	11.4	55.2	+43.8

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

Other liabilities (current & non-current combined)	2018 Dec. end	2019 Dec. end	Variance (abs)
Total other liabilities	895.5	856.8	-38.6
Tobacco excise tax payables	297.7	303.0	+5.2
Tobacco special excise tax payables	10.6	10.1	-0.5
Tobacco local excise tax payables	163.7	163.4	-0.3
Consumption tax payables	95.8	124.7	+28.9
Bonus to employees	39.0	49.5	+10.5
Employee's unused paid vacations liabilities	19.1	19.5	+0.4
Other	269.6	186.8	-82.8

## FY2020 Forecasts (as of February 6, 2020)

### 1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Revenue	2,175.6	2,180.0	+4.4	+0.2%
Operating profit	502.4	471.0	-31.4	-6.2%
Adjusted operating profit	515.9	503.0	-12.9	-2.5%
Profit (attributable to owners of the parent company)	348.2	305.0	-43.2	-12.4%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	515.9	516.0	+0.1	+0.0%

### 2. EPS, DPS, ROE

(Unit: JPY)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Basic EPS*	195.97	171.95	-24.02	-12.3%
DPS	154.00	154.00	-	-
ROE*	13.2%	11.5%	-1.7%pt	

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

### 3. Forecasts by business segment

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Revenue	2,175.6	2,180.0	+4.4	+0.2%
Japanese domestic tobacco	611.5	580.0	-31.5	-5.2%
Core revenue	568.9	540.0	-28.9	-5.1%
International tobacco	1,310.9	1,360.0	+49.1	+3.7%
Core revenue	1,253.0	1,300.0	+47.0	+3.7%
Pharmaceutical	88.5	76.0	-12.5	-14.2%
Processed food	158.6	160.0	+1.4	+0.9%
Others	6.1	3.0	-3.1	-51.1%
Consolidated: operating profit	502.4	471.0	-31.4	-6.2%
Japanese domestic tobacco	171.0	154.0	-17.0	-9.9%
International tobacco	274.0	310.0	+36.0	+13.1%
Pharmaceutical	72.7	10.0	-62.7	-86.2%
Processed food	5.5	5.0	-0.5	-9.6%
Others/Elimination	-20.8	-8.0	+12.8	-
Adjusted operating profit	515.9	503.0	-12.9	-2.5%
Japanese domestic tobacco	187.2	170.0	-17.2	-9.2%
International tobacco	340.8	361.0	+20.2	+5.9%
Pharmaceutical	15.9	10.0	-5.9	-37.3%
Processed food	5.4	5.0	-0.4	-8.0%
Others/Elimination	-33.4	-43.0	-9.6	-

[Reference] International tobacco business

(Unit: USD million)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Core revenue	11,496	12,000	+504	+4.4%
Core revenue at constant FX	11,496	12,100	+604	+5.3%
Adjusted operating profit	3,126	3,350	+224	+7.2%
Adjusted operating profit at constant FX	3,126	3,440	+314	+10.0%

## FY2020 Forecasts (as of February 6, 2020)

### 4. Free cash flow

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)
FCF	404.2	370.0	-34.2

### 5. Capital expenditures

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)
Consolidated	131.4	144.0	+12.6
Japanese domestic tobacco	34.8	29.0	-5.8
International tobacco	78.3	80.0	+1.7
Pharmaceutical	7.0	10.0	+3.0
Processed food	6.1	14.0	+7.9
Others/Elimination	5.2	11.0	+5.8

### 6. Assumptions of 2020 Forecast

#### 2020 Japanese domestic tobacco business

- Industry volume (JT estimate): a decline of c.3.5% (vs. 2019: 161.9 BnU)
- Cigarette industry volume (JT estimate): a decline of over 5% (vs. 2019 : 125.1 BnU)
  - JT cigarette sales volume : a decrease of c.6% (vs. 2019 : 75.5 BnU)
- Reduced-Risk Products market share in tobacco industry (JT estimate, Shipment base) : c.25% (2019: c.23%)
  - JT RRP sales volume : over 3.5 BnU stick equivalent

#### 2020 International tobacco business

- Total shipment volume : a decrease of c.3% (vs. 2019: 445.8 BnU)
- GFB shipment volume : an increase of c.1% (vs. 2019: 277 BnU)

#### <FX assumptions>

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
USD/JPY	109.03	108.00	-1.03	-0.9%
USD/RUB	64.74	63.00	-1.74	+2.8%
USD/GBP	0.78	0.78	-0.00	+0.5%
USD/EUR	0.89	0.89	-0.00	+0.4%
USD/CHF	0.99	0.97	-0.02	+2.5%
USD/TWD	30.90	30.00	-0.90	+3.0%
USD/TRY	5.67	6.20	+0.53	-8.6%
USD/IRR	104,046	130,000	+25,954	-20.0%

EUR/IRR is converted to USD/IRR in table by using cross rate

#### <FX sensitivity>

FX Sensitivity Guidance for FX impact on 2019 adjusted operating profit of US\$ 3,350 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\$ 55MM impacting on US\$ based adjusted operating profit

Approx. US\$ 55MM composed of: RUB 30%-, GBP c.15%, TWD 10%+, EUR 10%-, IRR c.5%, TRY c.5%, CHF -10%

#### US\$ vs. JPY

\$/JPY move of 1 yen from the assumption leads to approx. JPY 3.35 billion impact on JPY-based adjusted operating profit



## Tobacco Business Data

### International Tobacco Business

#### 1. Summary (YTD)

	FY2018	FY2019	Variance	Variance (%)	
<b>Total shipment volume</b>	427.6	445.8	+18.2	+4.3%	BNU
<b>GFB shipment volume</b>	266.4	277.0	+10.6	+4.0%	BNU
<b>Core Revenue</b>	1,250.7	1,253.0	+2.3	+0.2%	JPY BN
<b>Adjusted operating profit</b>	384.5	340.8	-43.8	-11.4%	JPY BN

#### [USD Reference information]

<b>Core Revenue</b>	11,330	11,496	+165	+1.5%	USD MM
<b>Adjusted operating profit</b>	3,493	3,126	-367	-10.5%	USD MM
<b>at constant FX basis</b>					
<b>Core Revenue</b>	11,330	12,379	+1,049	+9.3%	USD MM
<b>Adjusted operating profit</b>	3,493	3,866	+372	+10.7%	USD MM

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

(BNU/USD MM)

##### Reported

FY2019	Total Shipment Volume		GFB Shipment Volume		Core Revenue		Adjusted Operating Profit	
<b>SWE</b>	64.9	+1.6%	52.8	+2.2%	1,987	-1.7%	643	-1.3%
<b>NCE</b>	55.9	+5.1%	28.5	+18.1%	2,167	+2.6%	849	-7.1%
<b>CIS+</b>	131.5	-1.9%	90.1	-4.8%	2,842	+0.6%	987	-10.6%
<b>RoW</b>	193.5	+9.6%	105.6	+9.9%	4,500	+2.9%	647	-21.5%
<b>Total</b>	445.8		277.0		11,496		3,126	

##### At constant FX

	FY2019	Core Revenue	Adjusted Operating Profit	
<b>SWE</b>	2,090	+3.4%	714	+9.5%
<b>NCE</b>	2,283	+8.1%	915	+0.2%
<b>CIS+</b>	2,938	+4.0%	1,083	-1.9%
<b>RoW</b>	5,069	+15.9%	1,154	+40.1%
<b>Total</b>	12,379		3,866	

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

2019	Q1	Q2	Q3	Q4	Jan-Dec
<b>SWE</b>	<b>+3.8%</b>	<b>-0.6%</b>	<b>+5.5%</b>	<b>-2.5%</b>	<b>+1.6%</b>
<b>France</b>	+0.5%	-0.8%	-0.3%	-7.8%	-1.9%
<b>Italy</b>	+1.1%	-0.1%	-3.0%	-1.7%	-0.9%
<b>Spain</b>	+2.4%	-1.7%	+23.8%	-10.1%	+3.8%
<b>NCE</b>	<b>+5.1%</b>	<b>+2.9%</b>	<b>+5.6%</b>	<b>+6.8%</b>	<b>+5.1%</b>
<b>Germany</b>	+12.2%	+0.8%	+5.6%	+3.5%	+5.2%
<b>UK</b>	-5.2%	-0.6%	+0.2%	+2.2%	-0.8%
<b>CIS+</b>	<b>-1.9%</b>	<b>+7.9%</b>	<b>-6.5%</b>	<b>-6.1%</b>	<b>-1.9%</b>
<b>Romania</b>	+0.6%	-0.9%	+6.1%	+2.5%	+2.2%
<b>Russia*</b>	+1.7%	+16.0%	-8.9%	-6.3%	-0.0%
<b>RoW</b>	<b>+13.5%</b>	<b>+17.5%</b>	<b>+5.3%</b>	<b>+2.8%</b>	<b>+9.6%</b>
<b>Iran</b>	+6.0%	+11.5%	+29.4%	+20.0%	+16.3%
<b>Taiwan</b>	+12.6%	+4.1%	-0.1%	+6.2%	+5.5%
<b>Turkey</b>	+9.5%	+28.3%	-8.7%	-23.0%	+0.7%
<b>Total</b>	<b>+6.5%</b>	<b>+9.8%</b>	<b>+1.4%</b>	<b>-0.3%</b>	<b>+4.3%</b>

\* Including Donskoy Tabak as of August 2018

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

(BNU)

2019	Q1	Q2	Q3	Q4	Jan-Dec
<b>Winston</b>	<b>35.5</b>	<b>39.8</b>	<b>41.5</b>	<b>37.8</b>	<b>154.6</b>
	+1.7%	+2.6%	+4.4%	+3.9%	+3.2%
<b>Camel</b>	<b>13.9</b>	<b>14.7</b>	<b>15.1</b>	<b>13.3</b>	<b>57.1</b>
	+6.0%	+7.7%	+5.2%	+1.8%	+5.2%
<b>MEVIUS</b>	<b>4.0</b>	<b>4.1</b>	<b>3.9</b>	<b>3.9</b>	<b>15.9</b>
	+6.6%	+1.7%	-6.5%	+3.3%	+1.1%
<b>LD</b>	<b>11.0</b>	<b>13.2</b>	<b>13.4</b>	<b>11.8</b>	<b>49.4</b>
	+7.3%	+9.8%	+8.3%	-1.3%	+6.0%

## Tobacco Business Data

### International Tobacco Business

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

2019	Q1	Q2	Q3	Q4	Jan-Dec
<b>SWE</b>	<b>+5.3%</b>	<b>-2.2%</b>	<b>+7.6%</b>	<b>-2.2%</b>	<b>+2.2%</b>
France	+8.5%	-2.7%	+1.4%	-6.8%	+0.1%
Italy	-0.5%	-1.3%	-1.4%	-0.9%	-1.0%
Spain	+2.7%	-2.6%	+27.0%	-13.6%	+3.5%
<b>NCE</b>	<b>+20.2%</b>	<b>+15.6%</b>	<b>+19.0%</b>	<b>+18.1%</b>	<b>+18.1%</b>
Germany	+22.0%	+19.4%	+26.5%	+19.7%	+21.8%
UK	-23.6%	-24.2%	-23.8%	-19.7%	-22.9%
<b>CIS+</b>	<b>-6.6%</b>	<b>-2.6%</b>	<b>-3.4%</b>	<b>-6.9%</b>	<b>-4.8%</b>
Romania	-1.1%	-3.6%	+3.7%	+0.2%	-0.1%
Russia	-5.5%	-1.2%	-5.4%	-8.8%	-5.1%
<b>RoW</b>	<b>+9.0%</b>	<b>+14.0%</b>	<b>+7.4%</b>	<b>+9.6%</b>	<b>+9.9%</b>
Iran	+3.0%	+8.8%	+36.0%	+31.6%	+18.9%
Taiwan	+14.6%	+4.3%	-1.0%	+5.7%	+5.6%
Turkey	+11.8%	+33.2%	-8.4%	-20.3%	+3.0%
<b>Total</b>	<b>+3.8%</b>	<b>+4.8%</b>	<b>+4.6%</b>	<b>+2.5%</b>	<b>+4.0%</b>

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

	12 month moving average			3 month average				
	2018 Dec	2019 Dec	Change	2018 Q4	2019 Q1	2019 Q2	2019 Q3	2019 Q4
France	23.2%	24.5%	+1.3%pt	23.6%	24.3%	24.5%	24.5%	24.8%
Italy	23.9%	24.5%	+0.6%pt	24.2%	24.3%	24.4%	24.6%	24.6%
Russia*	35.6%	39.0%	+3.5%pt	38.8%	39.1%	39.6%	39.0%	38.4%
Spain	24.8%	25.6%**	+0.8%pt	25.2%	25.3%	25.5%	25.7%	26.2%**
Taiwan	42.4%	45.2%	+2.8%pt	43.5%	44.5%	45.0%	45.4%	46.1%
Turkey	27.7%	28.3%	+0.6%pt	27.7%	27.7%	30.3%	27.8%	27.2%
UK	41.4%	43.6%	+2.2%pt	42.0%	42.7%	43.4%	43.8%	44.3%

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

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

\*\* 12-month moving average and 2-month average at the end of November 2019, respectively

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

(USD MM)

2019	Q1	Q2	Q3	Q4	Jan-Dec
<b>SWE</b>	<b>551</b>	<b>550</b>	<b>562</b>	<b>428</b>	<b>2,090</b>
	+6.0%	+1.5%	+7.5%	-2.2%	+3.4%
<b>NCE</b>	<b>521</b>	<b>594</b>	<b>616</b>	<b>552</b>	<b>2,283</b>
	+6.2%	+5.4%	+10.6%	+10.3%	+8.1%
<b>CIS+</b>	<b>619</b>	<b>793</b>	<b>804</b>	<b>723</b>	<b>2,938</b>
	-1.9%	+6.5%	+1.5%	+10.0%	+4.0%
<b>RoW</b>	<b>1,250</b>	<b>1,311</b>	<b>1,303</b>	<b>1,206</b>	<b>5,069</b>
	+15.3%	+15.8%	+16.5%	+15.9%	+15.9%
<b>Total</b>	<b>2,940</b>	<b>3,247</b>	<b>3,284</b>	<b>2,908</b>	<b>12,379</b>
	+7.9%	+8.9%	+9.9%	+10.3%	+9.3%

## Tobacco Business Data

### International Tobacco Business

#### 7. Breakdown of Core Revenue

• USD basis		(USD MM)				
	Q1	Q2	Q3	Q4	Jan-Dec	
2018	2,724	2,981	2,990	2,635	11,330	
Volume	+64	+108	+9	-7	+174	
Price/Mix	+151	+158	+286	+280	+875	
2019 at constant	2,940	3,247	3,284	2,908	12,379	
FX	-338	-329	-173	-44	-884	
2019	2,602	2,919	3,112	2,864	11,496	

• Yen basis		(JPY BN)				
	Q1	Q2	Q3	Q4	Jan-Dec	
2018	294.8	325.2	333.1	297.6	1,250.7	
Operations	+23.3	+29.1	+32.8	+30.8	+116.0	
Local currencies vs. USD	-36.6	-35.9	-19.2	-5.0	-96.7	
JPYvs. USD	+5.2	+2.3	-12.7	-11.9	-17.0	
2019	286.8	320.7	334.1	311.5	1,253.0	

#### 8. Breakdown of Adjusted Operating Profit

• USD basis		(USD MM)				
	Q1	Q2	Q3	Q4	Jan-Dec	
2018	890	1,082	1,100	422	3,493	
Volume	+34	+48	-10	-52	+20	
Price/Mix	+143	+146	+270	+243	+802	
Others	-59	-129	-130	-132	-449	
2019 at constant	1,008	1,147	1,230	482	3,866	
FX	-199	-271	-195	-75	-740	
2019	809	876	1,034	407	3,126	

• Yen basis		(JPY BN)				
	Q1	Q2	Q3	Q4	Jan-Dec	
2018	96.3	118.0	122.6	47.7	384.5	
Operations	+12.8	+7.1	+14.5	+6.7	+41.1	
Local currencies vs. USD	-21.5	-29.6	-21.7	-8.4	-81.3	
JPYvs. USD	+1.6	+0.7	-4.2	-1.7	-3.6	
2019	89.2	96.2	111.1	44.3	340.8	

#### 9. FX actual vs. PY

2019	Q1	Q2	Q3	Q4	Jan-Dec
<b>USD/RUB</b>	<b>66.12</b>	<b>64.56</b>	<b>64.57</b>	<b>63.72</b>	<b>64.74</b>
	-14.0%	-4.3%	+1.5%	+4.3%	-3.2%
<b>USD/GBP</b>	<b>0.77</b>	<b>0.78</b>	<b>0.81</b>	<b>0.78</b>	<b>0.78</b>
	-6.4%	-5.5%	-5.4%	-0.1%	-4.4%
<b>USD/EUR</b>	<b>0.88</b>	<b>0.89</b>	<b>0.90</b>	<b>0.90</b>	<b>0.89</b>
	-7.5%	-5.8%	-4.4%	-3.0%	-5.2%
<b>USD/CHF</b>	<b>1.00</b>	<b>1.00</b>	<b>0.99</b>	<b>0.99</b>	<b>0.99</b>
	-4.8%	-1.8%	-0.2%	+0.6%	-1.6%
<b>USD/TWD</b>	<b>30.82</b>	<b>31.10</b>	<b>31.18</b>	<b>30.50</b>	<b>30.90</b>
	-4.9%	-4.3%	-1.7%	+1.1%	-2.5%
<b>USD/TRY</b>	<b>5.36</b>	<b>5.87</b>	<b>5.66</b>	<b>5.78</b>	<b>5.67</b>
	-28.9%	-25.8%	-0.7%	-4.8%	-14.9%
<b>USD/IRR</b>	<b>88,454</b>	<b>104,688</b>	<b>113,748</b>	<b>109,293</b>	<b>104,046</b>
	-47.3%	-58.6%	-37.0%	-22.2%	-40.7%
<b>USD/JPY</b>	<b>110.22</b>	<b>109.90</b>	<b>107.36</b>	<b>108.76</b>	<b>109.03</b>
	+1.8%	+0.7%	-3.7%	-3.7%	-1.3%

JPY vs USD change rates: (JPY exchange rates of current period / JPY 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

EUR/IRR is converted to USD/IRR in table by using cross rate.

## Tobacco Business Data

### 10. Key markets

#### Italy

##### • Industry volume evolution (BNU)

	FY2018	FY2019	Var.
<b>Total industry</b>	73.8	71.3	-3.4%
Cigarette	67.5	64.6	-4.2%
Fine-cut	6.3	6.7	+5.5%

##### • Share evolution

	FY2018	FY2019	Var.	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>JTI SoM</b>	23.9%	24.5%	+0.6%pt	24.3%	24.4%	24.6%	24.6%
GFB SoM	19.0%	19.5%	+0.5%pt	19.1%	19.4%	19.6%	19.6%
Winston SoM	8.5%	9.2%	+0.7%pt	8.9%	9.1%	9.3%	9.6%
Camel SoM	10.4%	10.2%	-0.2%pt	10.2%	10.3%	10.4%	10.1%
Benson & Hedges SoM	3.6%	3.8%	+0.2%pt	3.9%	3.8%	3.7%	3.7%
<b>JTI SoV</b>	23.6%	24.3%	+0.6%pt	24.1%	24.2%	24.3%	24.4%

#### France

##### • Industry volume evolution (BNU)

	FY2018	FY2019	Var.
<b>Total industry</b>	52.0	48.0	-7.5%
Cigarette	40.2	37.1	-7.8%
Fine-cut	11.7	10.9	-6.8%

##### • Share evolution

	FY2018	FY2019	Var.	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>JTI SoM</b>	23.2%	24.5%	+1.3%pt	24.3%	24.5%	24.5%	24.8%
GFB SoM	18.6%	20.1%	+1.4%pt	19.8%	20.1%	20.0%	20.3%
Winston SoM	10.2%	10.8%	+0.6%pt	10.7%	10.8%	10.7%	11.0%
Camel SoM	8.4%	9.2%	+0.8%pt	9.1%	9.2%	9.3%	9.3%
Benson & Hedges SoM	1.8%	1.7%	-0.1%pt	1.7%	1.7%	1.7%	1.7%
Fleur de Pays SoM	2.5%	2.4%	-0.1%pt	2.4%	2.4%	2.4%	2.4%
<b>JTI SoV</b>	21.3%	22.5%	+1.2%pt	22.2%	22.4%	22.5%	22.8%

#### Spain

##### • Industry volume evolution (BNU)

	FY2018	FY2019	Var.
<b>Total industry</b>	53.2	53.7	+0.8%
Cigarette	44.3	44.5	+0.5%
Fine-cut	9.0	9.2	+2.4%

##### • Share evolution

	FY2018	FY2019*	Var.	Q1 2019	Q2 2019	Q3 2019	Q4 2019*
<b>JTI SoM</b>	24.8%	25.6%	+0.8%pt	25.3%	25.5%	25.7%	26.2%
GFB SoM	21.8%	22.6%	+0.8%pt	22.9%	22.2%	22.5%	23.0%
Winston SoM	13.3%	13.4%	+0.1%pt	13.9%	13.2%	13.1%	13.6%
Camel SoM	8.5%	9.2%	+0.7%pt	9.0%	9.0%	9.4%	9.4%
<b>JTI SoV</b>	24.4%	25.1%	+0.8%pt	24.9%	25.0%	25.2%	25.7%

\* 12-month moving average and 2-month average at the end of November 2019, respectively

## Tobacco Business Data

### UK

#### • Industry volume evolution (BNU)

	FY2018	FY2019	Var.
<b>Total industry</b>	43.4	41.0	-5.4%
Cigarette	26.8	24.4	-9.0%
Fine-cut	16.6	16.6	+0.5%

#### • Share evolution

	FY2018	FY2019	Var.	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>JTI SoM</b>	41.4%	43.6%	+2.2%pt	42.7%	43.4%	43.8%	44.3%
GFB SoM	0.2%	0.2%	-0.0%pt	0.2%	0.2%	0.2%	0.1%
Amber Leaf SoM	12.5%	12.4%	-0.1%pt	12.2%	12.6%	12.2%	12.5%
Sterling SoM	9.7%	11.4%	+1.8%pt	10.7%	11.2%	11.7%	12.1%
Benson & Hedges SoM	8.8%	9.5%	+0.8%pt	9.5%	9.4%	9.7%	9.6%
Silk Cut SoM	1.6%	1.5%	-0.1%pt	1.6%	1.5%	1.5%	1.4%
Mayfair SoM	2.8%	2.4%	-0.4%pt	2.5%	2.4%	2.4%	2.3%
<b>JTI SoV</b>	41.8%	43.6%	+1.8%pt	42.7%	43.5%	43.9%	44.2%

### Russia

#### • Industry volume evolution (BNU)

	FY2018	FY2019	Var.
<b>Cigarette industr</b>	235.1	218.9	-6.9%

#### • Share evolution

	FY2018	FY2019	Var.	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>JTI SoM</b>	35.6%	39.0%	+3.5%pt	39.1%	39.6%	39.0%	38.4%
GFB SoM	24.8%	25.1%	+0.3%pt	24.9%	25.5%	25.1%	24.6%
Winston SoM	16.4%	15.7%	-0.6%pt	16.0%	15.9%	15.6%	15.3%
LD SoM	7.7%	8.7%	+0.9%pt	8.2%	8.9%	8.8%	8.7%
Peter 1 SoM	2.9%	3.0%	+0.0%pt	3.2%	3.2%	2.9%	2.7%
<b>JTI SoV</b>	37.0%	40.1%	+3.1%pt	39.8%	40.5%	40.3%	39.7%

\* Including Donskoy Tabak as of August 2018

### Turkey

#### • Industry volume evolution (BNU)

	FY2018	FY2019	Var.
<b>Cigarette industr</b>	118.2	119.8	+1.3%

#### • Share evolution

	FY2018	FY2019	Var.	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>JTI SoM</b>	27.7%	28.3%	+0.6%pt	27.7%	30.3%	27.8%	27.2%
GFB SoM	23.6%	24.7%	+1.1%pt	23.8%	26.5%	24.4%	24.0%
Camel SoM	9.8%	9.6%	-0.2%pt	9.7%	10.4%	9.4%	8.9%
Winston SoM	11.5%	12.9%	+1.4%pt	11.9%	13.7%	12.7%	13.1%
LD SoM	2.3%	2.2%	-0.1%pt	2.2%	2.3%	2.2%	2.0%
Monte Carlo SoM	4.1%	3.6%	-0.5%pt	3.9%	3.8%	3.5%	3.2%
<b>JTI SoV</b>	26.6%	27.2%	+0.5%pt	26.3%	28.7%	27.0%	26.6%

### Taiwan

#### • Industry volume evolution (BNU)

	FY2018	FY2019	Var.
<b>Cigarette industr</b>	28.4	28.5	+0.5%

#### • Share evolution

	FY2018	FY2019	Var.	Q1 2019	Q2 2019	Q3 2019	Q4 2019
<b>JTI SoM</b>	42.4%	45.2%	+2.8%pt	44.5%	45.0%	45.4%	46.1%
GFB SoM	35.7%	38.0%	+2.3%pt	37.3%	37.9%	38.1%	38.6%
Mevius SoM	18.4%	17.9%	-0.4%pt	18.1%	17.9%	17.8%	17.9%
Winston SoM	12.7%	13.2%	+0.5%pt	12.9%	13.2%	13.3%	13.4%
Mi-Ne SoM	3.3%	3.3%	+0.0%pt	3.3%	3.3%	3.4%	3.4%
<b>JTI SoV</b>	46.9%	49.3%	+2.3%pt	48.7%	49.0%	49.4%	50.0%

# Tobacco Business Data

## Japanese Domestic Tobacco Business

### 1. Summary (YTD)

	FY2018	FY2019	Variance	Variance (%)	
<b>Cigarette industry volume</b> (JT estimate)	133.6	125.1	-8.5	-6.3%	BNU
<b>Cigarette sales volume</b>	82.0	75.5	-6.5	-7.9%	BNU
Excludes volumes of duty-free in Japan, China business (4.0BNU in 2018 and 4.0BNU in 2019, respectively) and RRP sales volume					
<b>Core revenue</b>	582.4	568.9	-13.5	-2.3%	JPY BN
<b>Adjusted operating profit</b>	209.0	187.2	-21.8	-10.4%	JPY BN

### 2. Cigarette sales volume

	(BNU)				
	Q1	Q2	Q3	Q4	FY
2018	19.5	20.8	23.8	17.8	82.0
2019	17.9	19.4	20.1	18.1	75.5
Variance	-8.2%	-6.8%	-15.7%	1.6%	-7.9%

### 3. Revenue per thousand cigarettes

	(JPY)				
	Q1	Q2	Q3	Q4	FY
2018	5,895	5,938	5,912	6,355	6,011
2019	6,407	6,391	6,414	6,306	6,380

Revenue per thousand cigarettes = (retail price sales - retailer margins - consumption tax - excise taxes)/sales volume×1,000

### 4. Results of Reduced-Risk Products

	(BNU / JPY BN)				
2019	Q1	Q2	Q3	Q4	Jan-Dec
<b>RRP sales volume</b>	0.6	0.8	0.9	0.9	3.3
<b>RRP related revenue</b>	12.4	18.1	17.8	12.7	60.9

### 5. Breakdown of financial results

	(JPY BN)				
	Q1	Q2	Q3	Q4	Jan-Dec
<b>Core revenue</b>					
2018	129.3	142.9	172.2	138.0	582.4
Cigarette volume	-9.5	-8.4	-22.1	+1.8	-38.2
Cigarette price/mix	+9.2	+8.8	+10.1	-0.9	+27.2
RRP/Others	+4.4	+5.6	-6.7	-5.8	-2.4
2019	133.5	148.9	153.5	133.1	568.9
<b>Adjusted OP</b>					
2018	48.9	54.6	69.3	36.2	209.0
Cigarette volume	-7.9	-7.0	-18.2	+1.4	-31.6
Cigarette price/mix	+9.2	+8.8	+10.1	-0.9	+27.2
RRP/Others	+0.8	+1.8	-5.0	-14.9	-17.4
2019	51.0	58.2	56.2	21.8	187.2

### 6. Market share in cigarettes category (JT estimate)

	(%)				
	Q1	Q2	Q3	Q4	FY
<b>JT Total</b>					
2018	61.2	61.2	62.1	60.9	61.4
2019	61.0	61.0	60.1	59.3	60.4
<b>MEVIUS</b>					
2018	30.9	31.7	32.1	29.9	31.2
2019	30.3	30.6	30.3	29.5	30.2
<b>Winston</b>					
2018	8.0	8.0	7.8	8.2	8.0
2019	7.8	7.8	7.4	7.5	7.6
<b>Seven Stars</b>					
2018	7.8	7.9	8.2	7.6	7.9
2019	7.9	7.8	7.8	7.6	7.8
<b>Natural American Spirit</b>					
2018	2.0	2.0	2.0	1.8	1.9
2019	1.9	1.9	2.0	2.0	2.0

## Pharmaceutical Business

### Clinical Development as of February 6, 2020

<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-PH.	NDA filed (Japan) Phase1 (Overseas)	In-house Co-development with Torii
JTE-052 (delgocitinib)	Atopic dermatitis (pediatric) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase 3 (Japan)	In-house Co-development with Torii (In-house)
	Autoimmune/allergic diseases /Oral, Topical			Phase1 (Japan)	In-house
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
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-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
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
JTE-761	Autoimmune/allergic diseases /Oral	ROR $\gamma$ antagonist	Suppresses overactive immune response via inhibition of ROR $\gamma$ related to Th 17 activation.	Phase1 (Overseas)	In-house
JTT-751 (ferric citrate hydrate)	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	AstraZeneca	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 Salubris	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis- stimulating hormone, via inhibition of HIF-PH.	

Updates since the previous announcement on October 31, 2019:

<In-house development>

- JTZ-951: filed NDA for anemia associated with chronic kidney disease in Japan.(November 29, 2019)
- JTE-052: approved for the treatment of atopic dermatitis (aged over 16) in Japan.(January 23, 2020)

<Licensed compounds>

- enarodustat: licensed exclusive rights to Salubris for the development and commercialization in Mainland China, Hong Kong, Macau and Taiwan.(December 25, 2019)

## Definitions

Terms	Definitions
Adjusted operating profit (AOP)	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	The same foreign exchange rates between local currencies vs USD as well as the exchange rates between JPY and USD are applied as in the equivalent period in the previous fiscal year for international tobacco business.
Reduced-Risk Products (RRP)	Reduced-Risk Products are products with the potential to reduce the risks associated with smoking.
GFB (Global flagship brands)	GFB includes four brands namely Winston, Camel, MEVIUS and LD.
Total shipment volume: (International tobacco business)	Total shipment volume is the shipment volume of tobacco-based products which includes fine cut tobacco, cigars, pipe tobacco, snus, kretek and T-Vapor but excludes contract manufactured products, waterpipe tobacco and E-Vapor.
Core revenue (International tobacco business)	Core revenue includes waterpipe tobacco and RRP, but excludes 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 are applied as in the equivalent period in the previous fiscal year for international tobacco business.
Industry volume (Japanese domestic tobacco business)	Industry volume in the Japanese market by number of sticks based on internal estimates. This includes cigarettes, little cigars, RRP and others.
Cigarette industry volume (Japanese domestic tobacco business)	Industry volume of ready-made-cigarettes in the Japanese market by number of sticks based on the internal estimates. This includes little cigars but excludes RRP.
Cigarette 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 a similar format to ready-made-cigarettes and classified as "cigars" under the Tobacco Business Act in Japan.
Core revenue (Japanese domestic tobacco Business)	Core revenue, excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others, but includes revenue from domestic duty free and the China businesses as well as the revenue from RRP and little cigars.
RRP related revenue (Japanese domestic tobacco business)	RRP related revenue, as a part of core revenue, represents the sale of RRP including Domestic duty free, principally the device and the related accessories.
Liquidity	Cash and deposits + marketable securities + securities purchased under repurchase agreements
Interest-bearing debt	2018 Dec. end: Short-term bank loans + CP + bonds + long-term borrowings + lease obligations 2019 Dec. end*: Short-term bank loans + CP + bonds + long-term borrowings *Lease obligations have been excluded from interest-bearing debt since the fiscal year 2019.
FCF	FCF is sum of cash flows from operating activities and investing activities, but excludes the following items: - From operating CF: depreciation from lease transactions, interest received, dividends received, interest paid and income taxes related to these items excluding lease transactions - 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 over 63,000 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 its tobacco vapor products under the Ploom brand 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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