



Tokyo, April 30, 2021

2021 First Quarter Results

Year-to-Date Highlights (vs. 2020)

- Revenue increased by 5.3% to JPY 547.4 billion.
- Consolidated adjusted operating profit at constant currency increased by 27.2% to JPY 186.9 billion.
- On a reported basis, adjusted operating profit increased by 21.3% to JPY 178.1 billion.
- Operating profit increased by 24.2% to JPY 160.1 billion.
- Profit attributable to owners of the parent company increased by 31.7% to JPY 113.8 billion.

Please refer to 'Data Sheets' on page 10 for more financial figures.

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

“JT Group maintained a strong momentum in the tobacco business mainly fueled by continued market share gains in combustibles in many markets. Furthermore, temporary and favorable industry volume trends in some mature markets resulted in a robust first quarter.

“As announced in February, we are focusing our management resources on heated tobacco sticks and are currently preparing the launch of Ploom X, our next generation device in this category, in the second half of this year. Additionally, we are making steady progress as planned in developing a blueprint of our new operating model and organizational structure for a combined tobacco business from 2022.

“With our robust first quarter performance, we aim to achieve our full year forecast. However, we cannot ignore the uncertainties that the COVID-19 pandemic poses, so we will continue to closely monitor the changing operating environment.”

Investors' Meeting

An investors' meeting (phone conference) with members of the investor community will be held on April 30, 2021 at 5:00pm Tokyo time. An on-demand audio recording of this conference will be available on our website (https://www.jt.com/investors/results/presentation_financial). For detailed information on the consolidated financial results, please visit the Company's website. (<https://www.jt.com/investors/>).

Note on Hyperinflationary Adjustments

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting adjustments to the results for fiscal year 2021 on a reported basis since Q3 2020. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

2021 Q1 Financial Results

Consolidated Results

(billions of JPY)	2020 Q1	2021 Q1	Variance
Revenue	519.6	547.4	+5.3%
Adjusted operating profit	146.9	178.1	+21.3%
Operating profit	129.0	160.1	+24.2%
Profit attributable to owners of the parent company	86.4	113.8	+31.7%
Adjusted operating profit at constant FX	146.9	186.9	+27.2%

2021 Q1

- **Revenue**
Revenue increased by 5.3% to JPY 547.4 billion driven by an increase in revenue in the international tobacco business, partially offset by a decline in revenue in the Japanese-domestic tobacco, pharmaceutical and processed food businesses.
- **Adjusted operating profit**
At constant currency, adjusted operating profit increased by 27.2% to JPY 186.9 billion driven by increases in the international tobacco and Japanese-domestic tobacco businesses, partially offset by decreases in the pharmaceutical and processed food businesses.
On a reported basis, adjusted operating profit increased by 21.3% to JPY 178.1 billion despite negative foreign currency impacts in the international tobacco business.
- **Operating profit**
Operating profit increased by 24.2% to JPY 160.1 billion due to the increase in adjusted operating profit.
- **Profit attributable to owners of the parent company**
Profit attributable to owners of the parent company increased by 31.7% to JPY 113.8 billion due to factors that include increases in operating profit and improved financing costs.

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting adjustments to the results for fiscal year 2021 on a reported basis since Q3 2020. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

Results by Business Segment

International Tobacco Business

(billions of units, billions of JPY)	2020 Q1	2021 Q1	Variance
Total shipment volume	104.1	110.2	+5.8%
GFB shipment volume	67.5	73.7	+9.1%
Core revenue¹	312.0	349.0	+11.8%
Adjusted operating profit¹	104.1	133.6	+28.4%

Reference (millions of USD)

Core revenue¹	2,866	3,284	+14.6% (+14.0%)*
Adjusted operating profit¹	956	1,258	+31.6% (+36.9%)*

*at constant FX

2021 Q1

- **Volume and Market share²**

Excluding inventory movements, total shipment volume increased by 5.2%, mainly driven by market share gains and stronger domestic volume in Taiwan and the UK due to travel restrictions. Quarterly market share gains continued across many geographies, notably Austria, Canada, the Czech Republic, France, Germany, Hungary, Italy, Kazakhstan, the Philippines, Poland, Romania, Russia, Spain, Taiwan, Turkey, the UK and Ukraine. Factoring in favorable inventory adjustments, total and GFB shipment volumes grew by 5.8% and 9.1% respectively, fueled by Winston (+9.4%), Camel (+11.4%), LD (+7.9%) and Mevius (+1.2%).

- **Core revenue and adjusted operating profit¹**

Core revenue and adjusted operating profit increased by 11.8% and 28.4%, respectively, driven by positive volume and price/mix contributions, partially offset by currency headwinds.

On a USD basis, core revenue at constant currency increased by 14.0%, driven by a favorable volume contribution of USD 214 million and a positive price/mix variance of USD 187 million, notably from Germany, Iran, Jordan, Kazakhstan, the Philippines, Russia and Ukraine. At constant currency, adjusted operating profit grew by 36.9%, driven by a positive volume contribution of USD 148 million and a favorable price/mix variance of USD 182 million, while investments to support the RRP expansion of heated tobacco sticks continued. On a reported basis, core revenue and adjusted operating profit increased by 14.6% and 31.6%, respectively.

**International Tobacco Business
(Quarterly) Performance Review by Cluster**

South and West Europe

(billions of units, millions of USD)	2020 Q1	2021 Q1	Variance
Total shipment volume	17.7	18.1	+2.0%
GFB shipment volume	14.7	15.4	+4.8%
Core revenue	546	593	+8.6% (-0.5%)*

*at constant FX

- **Volume and market share²**

Solid quarterly market share gains drove a 5.6% increase in total shipment volume excluding inventory movements. Accounting for unfavorable inventory movements, total and GFB shipment volumes increased by 2.0% and 4.8% respectively, led by Winston (+10.5%). Market share increased in Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue increased by 8.6%, driven by favorable currency movements of USD 50 million and a positive volume contribution of USD 3 million, partially offset by an unfavorable price/mix variance of USD 5 million. Excluding currency movements, core revenue declined by 0.5%.

- **By market²**

In France, excluding inventory movements, total shipment volume grew by 14.3%, driven by solid quarterly market share gains (+3.6ppt). Factoring in favorable inventory adjustments, total, cigarette and fine cut shipment volumes increased by 16.6%, 16.8% and 15.8% respectively. Currency-neutral core revenue grew, driven by a favorable volume contribution that more than offset a negative price/mix variance. Market share increased by 3.4ppt to 27.7%, fueled by Winston and Camel.

In Italy, in a declining industry volume, total shipment volume excluding inventory movements increased by 1.8% driven by quarterly market share gains (+0.9ppt). Accounting for unfavorable inventory adjustments, total and cigarette shipment volumes declined by 6.0% and 7.4% respectively, while fine cut shipment volume grew by 4.0%. Currency-neutral core revenue declined as the positive price/mix contribution was more than offset by negative volume. Market share increased by 1.2ppt to 25.8%, led by Winston.

In Spain, in a double-digit declining industry volume due to travel restrictions, solid quarterly market share gains (+1.5ppt) resulted in total shipment volume, excluding inventory movements, decreasing only by 1.2%. Accounting for unfavorable inventory adjustments, total and cigarette shipment volumes declined by 8.8% and 11.6%, respectively, while fine cut shipment volume increased by 2.4%. Currency-neutral core revenue decreased, due to unfavorable volume and price/mix contributions. Market share increased by 1.1ppt to 26.9%, led by Winston and Camel.

North and Central Europe

(billions of units, millions of USD)	2020 Q1	2021 Q1	Variance
Total shipment volume	14.2	15.8	+11.6%
GFB shipment volume	7.4	8.7	+18.1%
Core revenue	547	671	+22.6% (+13.3%)*

*at constant FX

- **Volume and market share²**

Total shipment volume increased by 11.6%, driven by strong quarterly market share gains and favorable industry volume trends due to the COVID environment, notably in Germany, Poland and the UK. GFB shipment volume grew by 18.1%, driven by Winston (+26.6%), Camel (+12.0%) and LD (+2.6%). Market share grew in Austria, the Czech Republic, Germany, Hungary, Ireland, Poland, Sweden and the UK.

- **Core revenue**

Core revenue grew by 22.6%, driven by a favorable volume contribution of USD 63 million and a positive price/mix variance of USD 9 million. Excluding favorable currency movements of USD 51 million, core revenue increased by 13.3%.

- **By market²**

In Germany, total, cigarette and fine cut shipment volumes increased by 13.7%, 18.9% and 10.3%, respectively, driven by quarterly market share gains (+0.8ppt). Currency-neutral core revenue grew, driven by positive volume and price/mix contributions. Market share increased by 0.7ppt to 9.2%, driven by Winston.

In the UK, total shipment volume increased by 9.4%, driven by quarterly market share gains (+0.6ppt) and improved industry volume trends related to travel restrictions. Fine cut shipment volume grew by 22.1%, while cigarette shipment volume declined by 2.3%. Currency-neutral core revenue increased, driven by a favorable volume contribution that more than offset the negative price/mix variance. Market share increased 0.9ppt to 44.8%, driven by B&H Blue in cigarettes and by Amber Leaf and Sterling in fine cut.

CIS+

(billions of units, millions of USD)	2020 Q1	2021 Q1	Variance
Total shipment volume	26.8	29.1	+8.8%
GFB shipment volume	18.2	20.8	+14.1%
Core revenue	637	717	+12.6% (+21.5%)*

*at constant FX

- **Volume and market share²**

Total shipment volume excluding inventory movements increased by 1.1%, driven by quarterly market share gains. Factoring in favorable inventory adjustments, total and GFB shipment volumes grew by 8.8% and 14.1% respectively. Market share grew in Kazakhstan, Romania, Serbia and Ukraine.

- **Core revenue**

Core revenue increased by 12.6%, driven by a positive volume contribution of USD 84 million and a favorable price/mix variance of USD 53 million. Excluding unfavorable currency movements of USD 57 million, core revenue grew by 21.5%.

- **By market²**

In Romania, total shipment volume increased by 2.2%, driven by continued solid quarterly market share gains (+1.0ppt). Positive volume and price/mix contributions drove an increase in currency-neutral core revenue. Market share reached 29.4%, an increase of 1.1ppt driven by Winston, Camel and Sobranie.

In Russia³, excluding inventory movements, total shipment volume grew by 3.7%, driven by solid quarterly combustible market share gains by LD and Camel. Factoring in favorable inventory adjustments, total and GFB shipment volumes increased by 16.5% and 29.9% respectively. Industry volume⁴ declined by only an estimated 1.5% ahead of price changes to reflect the excise tax increase pass-on as well as lower illicit trade. The distribution expansion of our heated tobacco sticks in key accounts continued. Currency-neutral core revenue increased, driven by favorable volume and price/mix variances. Market share declined to 36.3%, despite an improvement in the quarter.

Rest of the World

(billions of units, millions of USD)	2020 Q1	2021 Q1	Variance
Total shipment volume	45.5	47.2	+3.7%
GFB shipment volume	27.3	28.8	+5.6%
Core revenue¹	1,136	1,303	+14.6% (+17.1%)*

*at constant FX

- **Volume and market share²**

Excluding inventory movements, total shipment volume grew by 5.3%, driven by quarterly market share gains, and in spite of the ongoing negative impact from travel restrictions on Duty-Free. Accounting for unfavorable inventory adjustments, total shipment volume increased by 3.7%. GFB

shipment volume grew by 5.6%, driven by Winston (+10.2%) and LD (+7.7%). Market share increased across many markets, notably in Algeria, Brazil, Canada, Jordan, the Philippines, Saudi Arabia, Singapore, South Korea, Sudan, Taiwan and the USA.

- **Core revenue¹**

Core revenue increased by 14.6%, driven by a positive volume contribution of USD 64 million and a favorable price/mix variance of USD 131 million. Excluding unfavorable currency movements of USD 28 million, core revenue increased by 17.1%.

- **By market²**

In Iran, total shipment volume increased by 3.1%, owing to stronger industry volume. Excluding unfavorable inventory movements, total shipment volume grew by 4.0%, driven by Winston and Camel. Currency-neutral core revenue increased, fueled by positive volume and price/mix contributions. Market share decreased by 0.4ppt to 59.2%.

In Taiwan, total shipment volume grew by 12.7%, driven by strong quarterly GFB-led market share gains (+1.2ppt) and favorable industry volume trends related to travel restrictions. Excluding favorable inventory movements, total shipment volume was up 12.2%. Currency-neutral core revenue increased, driven by favorable volume and price/mix variances. Market share increased by 2.2ppt to 48.0%, driven by LD, Mevius and Winston.

In Turkey, excluding inventory movements, total shipment volume grew by 11.2%, as a result of a favorable comparison to the same period last year and quarterly market share gains (+0.7ppt). Accounting for unfavorable inventory adjustments, total shipment volume increased by 0.4%, fueled by Winston. Currency-neutral core revenue increased, driven by a positive price/mix contribution. Market share decreased by 0.7ppt to 26.8%, despite an improvement in the quarter.

¹ In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting adjustments to the results for fiscal year 2021 on a reported basis since Q3 2020. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

² IRI, Logista, Nielsen, Panel Strator and JTI estimates on a 12-month rolling average and 3-month average, unless other specified, for cigarettes and fine cut (excluding snus) at the end of March 2021. Algeria, Canada, France, Germany, Greece, Hungary, Iran, Italy, Kazakhstan, Romania, Spain, the UK, Ukraine and the USA are on a 12-month rolling average and 2-month average at the end of February 2021. 12-month and 3-month shares of market growth for 2021 are calculated against 12-month and 3-month shares of market at the end of the respective period in 2020.

³ From Q1 2021 onwards, shipment volume and market share data for Russia reflect total tobacco figures, i.e. cigarettes and heated tobacco sticks. 2020 data has been adjusted accordingly.

⁴ Source: JTI estimates based on Q1 2021 total tobacco data versus the same period last year.

Japanese-Domestic Tobacco Business

(billions of units, billions of JPY)	2020 Q1	2021 Q1	Variance
Cigarette industry volume⁵	28.8	25.0	-13.0%
Cigarette sales volume	17.2	14.9	-13.3%
Core revenue	125.8	124.1	-1.4%
Adjusted operating profit	43.2	48.0	+11.1%

2021 Q1

- **Cigarette sales volume**

Cigarette industry volume⁵ decreased by 13.0% due to a natural decline trend, growth in the RRP category, the impact of price revisions in October 2020 and COVID-19.

Cigarette sales volume decreased by 13.3% mainly due to cigarette industry volume contraction.

Cigarette market share⁵ decreased by 0.2ppt year on year to 59.5% due to growth in the RRP category and intense competition in the value segment followed by downtrading. The share, however, increased quarter on quarter.

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

RRP industry volume⁶ in Japan was 10.6 billion units, an increase of 1.3 billion units year on year. The overall RRP market size is estimated to represent 29.7% (shipment basis) of total tobacco industry volume. JT's RRP sales volume was 1.0 billion units, an increase of 0.2 billion units year on year. JT's market share⁵ in the RRP category is estimated to be 9.8% (shipment basis).

- **Core revenue and adjusted operating profit**

Core revenue decreased by 1.4%, mainly due to an unfavorable cigarette sales volume variance of JPY 14.5 billion and lower sales in domestic Duty-Free and China businesses, despite a positive cigarette price/mix variance of JPY 12.3 billion and an increase in RRP-related revenue. RRP-related revenue increased by JPY 1.8 billion year on year to JPY 14.7 billion, mainly due to an increase in RRP sales volume and sales of devices.

Adjusted operating profit increased by 11.1% driven by a positive cigarette price/mix variance of JPY 12.3 billion, an increase in RRP-related revenue and lower promotion expenses. This was partially offset by factors that include an unfavorable cigarette sales volume variance of JPY 12.1 billion and lower sales in domestic Duty-Free and China businesses.

⁵ Source: JT estimates. Cigarette industry volume and cigarette market share include little cigars, which are classified as cigars as per the Tobacco Business Act of Japan, as well as ready-made cigarettes.

⁶ Source: JT estimates industry volume of RRP in the Japanese market by number of sticks based on internal assumptions, i.e. one pack of consumables is equivalent to 20 sticks of combustible cigarettes. This excludes RRP devices, RRP-related accessories, etc.

Pharmaceutical Business

(billions of JPY)	2020 Q1	2021 Q1	Variance
Revenue	20.7	19.7	-5.2%
Adjusted operating profit	6.6	4.2	-35.7%

2021 Q1

- **Revenue and adjusted operating profit**

Revenue decreased by 5.2% mainly due to lower overseas royalty income.

Adjusted operating profit decreased by 35.7% mainly due to the decrease in revenue and a decrease in profit in our consolidated subsidiary, Torii Pharmaceutical.

Processed Food Business

(billions of JPY)	2020 Q1	2021 Q1	Variance
Revenue	36.7	33.8	-8.0%
Adjusted operating profit	0.4	0.3	-22.2%

2021 Q1

- **Revenue and adjusted operating profit**

Revenue continued to be impacted by restrictions on non-essential outings due to COVID-19. It decreased by 8.0% mainly due to a decline in sales for food-service products within the frozen and ambient food business, as well as a relative decline in demand for household products in the same business, which had temporarily increased in the same period of the previous year.

Adjusted operating profit decreased by 22.2% mainly due to the decrease in revenue despite cost reductions and other factors.

Data Sheets

Results for 2021 First Quarter

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting adjustments to the results for fiscal year 2021 on a reported basis since Q3 2020. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

1. Summary of Consolidated results

(Unit: JPY billion)

	2020 Q1	2021 Q1	Variance (abs)	Variance (%)
Revenue	519.6	547.4	+27.7	+5.3%
Operating profit	129.0	160.1	+31.2	+24.2%
Adjusted operating profit	146.9	178.1	+31.2	+21.3%
Profit before income taxes	115.1	156.3	+41.2	+35.8%
Profit	86.9	114.0	+27.2	+31.3%
Profit (attributable to owners of the parent company)	86.4	113.8	+27.4	+31.7%
Basic EPS* (JPY)	48.69	64.13	+15.44	+31.7%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2020 Q1	2021 Q1	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	146.9	186.9	+40.0	+27.2%

2. Results by business segment

(Unit: JPY billion)

	2020 Q1	2021 Q1	Variance (abs)	Variance (%)
Consolidated: revenue	519.6	547.4	+27.7	+5.3%
Japanese-domestic tobacco	135.1	133.3	-1.8	-1.3%
Core revenue	125.8	124.1	-1.7	-1.4%
International tobacco	326.2	360.2	+34.1	+10.4%
Core revenue	312.0	349.0	+37.0	+11.8%
Pharmaceutical	20.7	19.7	-1.1	-5.2%
Processed food	36.7	33.8	-3.0	-8.0%
Others	0.9	0.3	-0.5	-62.0%
Consolidated: operating profit	129.0	160.1	+31.2	+24.2%
Japanese-domestic tobacco	39.2	44.0	+4.8	+12.2%
International tobacco	89.7	121.0	+31.3	+34.9%
Pharmaceutical	6.6	4.2	-2.3	-35.7%
Processed food	0.4	-0.7	-1.2	-
Others/Elimination	-6.9	-8.3	-1.4	-
Adjustments, total	-17.9	-18.0	-0.0	-
Japanese-domestic tobacco	-4.1	-4.1	-0.0	-
International tobacco	-14.4	-12.6	+1.7	-
Pharmaceutical	-0.0	0.0	+0.0	-
Processed food	-0.0	-1.1	-1.1	-
Others/Elimination	0.5	-0.2	-0.7	-
Consolidated: adjusted operating profit	146.9	178.1	+31.2	+21.3%
Japanese-domestic tobacco	43.2	48.0	+4.8	+11.1%
International tobacco	104.1	133.6	+29.6	+28.4%
Pharmaceutical	6.6	4.2	-2.4	-35.7%
Processed food	0.4	0.3	-0.1	-22.2%
Others/Elimination	-7.4	-8.1	-0.7	-

[Reference] International tobacco business

(Unit: USD million)

	2020 Q1	2021 Q1	Variance (abs)	Variance (%)
Core revenue	2,866	3,284	+417	+14.6%
Core revenue at constant FX	2,866	3,268	+401	+14.0%
Adjusted operating profit	956	1,258	+302	+31.6%
Adjusted operating profit at constant FX	956	1,308	+353	+36.9%

Results for 2021 First Quarter

3. Depreciation and amortization*

(Unit: JPY billion)

	2020 Q1	2021 Q1	Variance (abs)
Consolidated: depreciation and amortization	41.7	40.0	-1.7
Japanese-domestic tobacco	13.5	12.5	-1.0
International tobacco	24.7	24.4	-0.3
Pharmaceutical	1.3	1.2	-0.1
Processed food	1.7	1.5	-0.1
Others/Elimination	0.5	0.4	-0.2

*Excluding depreciation from lease transactions

4. Consolidated financial position

(Unit: JPY billion)

	2020 Dec. end	2021 Mar. end	Variance (abs)
Total assets	5,381.4	5,398.2	+16.8
Total equity	2,599.5	2,705.3	+105.8
Equity attributable to owners of the parent company	2,522.8	2,628.6	+105.8
BPS (attributable to owners of the parent company) (JPY)	1,421.92	1,481.52	+59.60

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2020 Dec. end	2021 Mar. end	Variance (abs)
Liquidity	548.3	435.4	-112.9
Interest-bearing debt	958.9	999.3	+40.4

6. Consolidated cash flow

(Unit: JPY billion)

	2020 Q1	2021 Q1	Variance (abs)
Cash flows from operating activities	-1.9	12.4	+14.3
Cash flows from investing activities	-7.5	-22.4	-14.9
Cash flows from financing activities	-31.1	-127.4	-96.3
Cash and cash equivalents, beginning of the year	357.2	538.8	+181.7
Foreign currency translation adj. on cash & cash equivalents	-15.5	23.0	+38.5
Cash and cash equivalents, end of the year	301.1	424.3	+123.2
FCF	-11.3	-9.4	+1.8

7. Capital expenditures

(Unit: JPY billion)

	2020 Q1	2021 Q1	Variance (abs)
Consolidated: capital expenditures	26.6	17.1	-9.5
Japanese-domestic tobacco	4.8	2.9	-1.8
International tobacco	10.9	9.3	-1.6
Pharmaceutical	7.5	1.8	-5.8
Processed food	2.2	2.3	+0.2
Others/Elimination	1.2	0.7	-0.5

8. FX actual (Reference information)

	2020 Q1	2021 Q1	Variance (abs)	Variance (%)
USD/JPY	108.86	106.09	-2.77	-2.5%
USD/RUB	66.33	74.34	+8.01	+10.8%
USD/GBP	0.78	0.73	-0.06	+7.8%
USD/EUR	0.91	0.83	-0.08	+9.4%
USD/CHF	0.97	0.90	-0.06	+7.1%
USD/TWD	30.11	28.07	-2.04	+7.3%
USD/TRY	6.10	7.37	+1.27	-17.2%
USD/IRR	128,673	-	-	-

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

*The closing currency rates for the month ended March 2021 have been applied when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. Similarly, the month-end rates are also applied upon conversions from the US dollar to the Japanese yen. (USD/IRR: 229,510, USD/JPY: 110.71)

FY2021 Forecasts (as of February 9, 2021)

The JT Group has made accounting adjustments to the FY2020 results and FY2021 forecasts in accordance with the application of hyperinflationary accounting starting in Q3 2020.

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Revenue	2,092.6	2,080.0	-12.6	-0.6%
Operating profit	469.1	363.0	-106.1	-22.6%
Adjusted operating profit	487.0	475.0	-12.0	-2.5%
Profit (attributable to owners of the parent company)	310.3	240.0	-70.3	-22.6%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	487.0	512.0	+25.0	+5.1%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Basic EPS*	174.88	135.30	-39.57	-22.6%
DPS	154	130	-24.00	-15.6%
ROE*	12.0%	9.6%	-2.4%pt	

*Based on profit attributable to owners of the parent company

3. Forecasts by business segment

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Consolidated: revenue	2,092.6	2,080.0	-12.6	-0.6%
Japanese-domestic tobacco	555.6	560.0	+4.4	+0.8%
Core revenue	515.7	520.0	+4.3	+0.8%
International tobacco	1,306.2	1,290.0	-16.2	-1.2%
Core revenue	1,250.8	1,230.0	-20.8	-1.7%
Pharmaceutical	79.0	76.5	-2.5	-3.1%
Processed food	149.3	151.0	+1.7	+1.1%
Others	2.5	3.0	+0.5	+21.3%
Consolidated: operating profit	469.1	363.0	-106.1	-22.6%
Japanese-domestic tobacco	151.8	123.0	-28.8	-19.0%
International tobacco	296.4	280.0	-16.4	-5.5%
Pharmaceutical	16.5	7.0	-9.5	-57.5%
Processed food	-0.8	2.0	+2.8	-
Others/Elimination	5.1	-49.0	-54.1	-
Consolidated: adjusted operating profit	487.0	475.0	-12.0	-2.5%
Japanese-domestic tobacco	168.1	176.0	+7.9	+4.7%
International tobacco	340.9	332.0	-8.9	-2.6%
Pharmaceutical	17.2	7.0	-10.2	-59.2%
Processed food	-0.8	3.0	+3.8	-
Others/Elimination	-38.4	-43.0	-4.6	-

[Reference] International tobacco business

(Unit: USD million)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Core revenue	11,724	11,900	+176	+1.5%
Core revenue at constant FX	11,724	11,850	+126	+1.1%
Adjusted operating profit	3,181	3,220	+39	+1.2%
Adjusted operating profit at constant FX	3,181	3,450	+269	+8.4%

FY2021 Forecasts (as of February 9, 2021)

4. Free cash flow

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)
FCF	503.9	315.0	-188.9

5. Capital expenditures

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)
Consolidated: capital expenditures	112.9	147.5	+34.6
Japanese-domestic tobacco	21.1	30.0	+8.9
International tobacco	66.6	92.0	+25.4
Pharmaceutical	9.1	5.0	-4.1
Processed food	8.0	14.5	+6.5
Others/Elimination	8.2	6.0	-2.2

6. Assumptions of 2021 Forecast

2021 Japanese-domestic tobacco business

- Industry volume: a decrease of a lower 4% range (vs. 2020: 155.0 BnU)
- Cigarette industry volume: a decrease of a lower 8% range (vs. 2020 : 114.9 BnU)
 - JT cigarette sales volume : a decrease of an upper 7% range (vs. 2020 : 68.7 BnU)
- Reduced-Risk Products market share in tobacco industry (Shipment base) : upper 20% range (2020: approx. 26%)
 - JT RRP sales volume : over 4.5 BnU stick equivalent

2021 International tobacco business

- Total shipment volume : a decrease in the mid 3% range (vs. 2020: 435.7 BnU)
- GFB shipment volume : a decrease of approx. 1% (vs. 2020: 282.0 BnU)

<FX assumptions>

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
USD/JPY	106.76	103.00	-3.76	-3.5%
USD/RUB	72.07	76.00	+3.93	-5.2%
USD/GBP	0.78	0.74	-0.04	+5.4%
USD/EUR	0.88	0.82	-0.06	+7.0%
USD/CHF	0.94	0.90	-0.04	+4.4%
USD/TWD	29.47	29.00	-0.47	+1.6%
USD/TRY	7.01	8.00	+0.99	-12.4%

<FX sensitivity>

FX Sensitivity Guidance for FX impact on 2021 adjusted operating profit of USD 3,220 MM based on the assumptions:

USD vs. Local currency

1% deviation from the assumption rates against USD by all the currencies in the same direction (excluding JPY) leads to approximately USD 54 MM impacting on USD based adjusted operating profit for 2021

This amount of approximately USD 54 MM composed of:

RUB approx. 20%, GBP 15%+, TWD approx. 15%, EUR 10%+, TRY 5%-, CHF approx. -10%

USD vs. JPY

USD/JPY move of 1 yen from the assumption leads to approximately JPY 3.3 billion impact on JPY-based adjusted operating profit

Tobacco Business Data

International Tobacco Business

1. Summary

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting adjustments to the results for fiscal year 2021 on a reported basis since Q3 2020. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

	2020 Q1	2021 Q1	Variance	Variance (%)	
Total shipment volume	104.1	110.2	+6.0	+5.8%	BNU
GFB shipment volume	67.5	73.7	+6.1	+9.1%	BNU
Core revenue	312.0	349.0	+37.0	+11.8%	JPY BN
Adjusted operating profit	104.1	133.6	+29.6	+28.4%	JPY BN

[USD Reference information]

Core revenue	2,866	3,284	+417	+14.6%	USD MM
Adjusted operating profit	956	1,258	+302	+31.6%	USD MM
Constant FX basis					
Core revenue	2,866	3,268	+401	+14.0%	USD MM
Adjusted operating profit	956	1,308	+353	+36.9%	USD MM

· Contribution by cluster (vs. PY) (BNU/USD MM)

Reported

2021	Total shipment volume		GFB shipment volume		Core revenue	
SWE	18.1	+2.0%	15.4	+4.8%	593	+8.6%
NCE	15.8	+11.6%	8.7	+18.1%	671	+22.6%
CIS+	29.1	+8.8%	20.8	+14.1%	717	+12.6%
RoW	47.2	+3.7%	28.8	+5.6%	1,303	+14.6%
Total	110.2		73.7		3,284	

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

2021	Q1	Q2	Q3	Q4	YTD
SWE	+2.0%				+2.0%
France	+16.6%				+16.6%
Italy	-6.0%				-6.0%
Spain	-8.8%				-8.8%
NCE	+11.6%				+11.6%
Germany	+13.7%				+13.7%
UK	+9.4%				+9.4%
CIS+	+8.8%				+8.8%
Romania	+2.2%				+2.2%
Russia*	+16.5%				+16.5%
RoW	+3.7%				+3.7%
Iran	+3.1%				+3.1%
Taiwan	+12.7%				+12.7%
Turkey	+0.4%				+0.4%
Total	+5.8%				+5.8%

*From Q1 2021 onwards, shipment volume data for Russia reflects total tobacco figures, i.e. cigarettes and heated tobacco sticks. 2020 data has been adjusted accordingly.

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

(BNU)

2021	Q1	Q2	Q3	Q4	YTD
Winston	41.2				41.2
	+9.4%				+9.4%
Camel	16.0				16.0
	+11.4%				+11.4%
MEVIUS	4.0				4.0
	+1.2%				+1.2%
LD	12.4				12.4
	+7.9%				+7.9%

Tobacco Business Data

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

2021	Q1	Q2	Q3	Q4	YTD
SWE	+4.8%				+4.8%
France	+19.2%				+19.2%
Italy	-5.3%				-5.3%
Spain	-4.6%				-4.6%
NCE	+18.1%				+18.1%
Germany	+14.5%				+14.5%
UK	-12.4%				-12.4%
CIS+	+14.1%				+14.1%
Romania	+0.9%				+0.9%
Russia	+29.9%				+29.9%
RoW	+5.6%				+5.6%
Iran	+6.8%				+6.8%
Taiwan	+10.4%				+10.4%
Turkey	+1.3%				+1.3%
Total	+9.1%				+9.1%

5. Share of market by key markets

	12-month moving average			3-month average				
	2020	2021	Variance	2020	2020	2020	2020	2021
	Mar.	Mar.		Q1	Q2	Q3	Q4	Q1
France	24.3%	27.7%*	+3.4%pt	25.1%	27.2%	27.6%	28.3%	28.8%*
Italy	24.7%	25.8%*	+1.2%pt	25.1%	25.3%	26.2%	25.9%	26.0%*
Russia**	37.7%	36.3%	-1.4%pt	36.6%	36.2%	35.8%	36.7%	36.7%
Spain	25.8%	26.9%*	+1.1%pt	26.0%	26.2%	27.0%	27.4%	27.5%*
Taiwan	45.9%	48.0%	+2.2%pt	46.9%	47.5%	48.0%	48.5%	48.1%
Turkey	27.5%	26.8%	-0.7%pt	26.9%	26.3%	26.5%	26.8%	27.5%
UK	43.9%	44.8%*	+0.9%pt	44.3%	44.7%	44.8%	44.8%	44.9%*

Source: IRI, Nielsen, Logista, Panel Strator / Reflects the changes in historical data from the sources.

*12-month moving average and 2-month average at the end of February 2021, respectively.

**From Q1 2021 onwards, market share data for Russia reflects total tobacco figures, i.e. cigarettes and heated tobacco sticks. 2020 data has been adjusted accordingly.

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

(USD MM)

2021	Q1	Q2	Q3	Q4	YTD
SWE	543				543
	-0.5%				-0.5%
NCE	620				620
	+13.3%				+13.3%
CIS+	774				774
	+21.5%				+21.5%
RoW	1,331				1,331
	+17.1%				+17.1%
Total	3,268				3,268
	+14.0%				+14.0%

Tobacco Business Data

7. Breakdown of Core Revenue

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting adjustments to the results for fiscal year 2021 on a reported basis since Q3 2020. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets. The FX impact in the figures below include the aforementioned adjustments in addition to the prevailing FX impact.

• USD basis						(USD MM)
	Q1	Q2	Q3	Q4	YTD	
2020	2,866				2,866	
Volume	+214				+214	
Price/Mix	+187				+187	
2021 at constant	3,268				3,268	
FX	+16				+16	
2021	3,284				3,284	
• JPY basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2020	312.0				312.0	
Operations	+43.7				+43.7	
Local currencies vs. USD	+1.7				+1.7	
JPY vs. USD	-8.5				-8.5	
2021	349.0				349.0	

8. Breakdown of Adjusted Operating Profit

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting adjustments to the results for fiscal year 2021 on a reported basis since Q3 2020. Starting from Q1 2021, results on a constant FX basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets. The FX impact in the figures below include the aforementioned adjustments in addition to the prevailing FX impact.

• USD basis						(USD MM)
	Q1	Q2	Q3	Q4	YTD	
2020	956				956	
Volume	+148				+148	
Price/Mix	+182				+182	
Others	+22				+22	
2021 at constant	1,308				1,308	
FX	-50				-50	
2021	1,258				1,258	
• JPY basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2020	104.1				104.1	
Operations	+38.4				+38.4	
Local currencies vs. USD	-5.5				-5.5	
JPY vs. USD	-3.3				-3.3	
2021	133.6				133.6	

9. FX actual vs. PY

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD</u>
2021	74.34				74.34
USD/RUB	-10.8%				-10.8%
USD/GBP	0.73				0.73
	+7.8%				+7.8%
USD/EUR	0.83				0.83
	+9.4%				+9.4%
USD/CHF	0.90				0.90
	+7.1%				+7.1%
USD/TWD	28.07				28.07
	+7.3%				+7.3%
USD/TRY	7.37				7.37
	-17.2%				-17.2%
USD/IRR	*				*
USD/JPY	106.09				106.09
	-2.5%				-2.5%

Local currency vs USD variance: (Local currency exchange rates of same period in previous year / Local currency exchange rates of current period) -1

JPY vs USD variance: (JPY exchange rates of current period / JPY exchange rates of same period in previous year) -1

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

*The closing currency rates for the month ended March 2021 have been applied when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. Similarly, the month-end rates are also applied upon conversions from the US dollar to the Japanese yen. (USD/IRR: 229,510, USD/JPY: 110.71)

Tobacco Business Data

Japanese-Domestic Tobacco Business

1. Summary

	2020 Q1	2021 Q1	Variance	Variance (%)	
Cigarette industry volume (JT estimate)	28.8	25.0	-3.7	-13.0%	BNU
Cigarette sales volume	17.2	14.9	-2.3	-13.3%	BNU
Excludes volumes of domestic Duty-Free, China businesses (0.6BNU in 2020 Q1 and 0.4BNU in 2021 Q1, respectively) and RRP sales					
Core revenue	125.8	124.1	-1.7	-1.4%	JPY BN
Adjusted operating profit	43.2	48.0	+4.8	+11.1%	JPY BN

2. Cigarette sales volume

	(BNU)				
	Q1	Q2	Q3	Q4	FY
2020	17.2	17.0	19.9	14.7	68.7
2021	14.9				
Variance	-13.3%				

3. Revenue per thousand cigarettes

	(JPY)				
	Q1	Q2	Q3	Q4	FY
2020	6,326	6,344	6,369	7,172	6,524
2021	7,155				

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

4. Results of Reduced-Risk Products

	(BNU / JPY BN)				
2021	Q1	Q2	Q3	Q4	YTD
RRP sales volume	1.0				1.0
RRP-related revenue	14.7				14.7

5. Breakdown of financial results

	(JPY BN)				
	Q1	Q2	Q3	Q4	YTD
Core revenue					
2020	125.8				125.8
Cigarette volume	-14.5				-14.5
Cigarette price/mix	+12.3				+12.3
RRP/Others	+0.4				+0.4
2021	124.1				124.1
Adjusted OP					
2020	43.2				43.2
Cigarette volume	-12.1				-12.1
Cigarette price/mix	+12.3				+12.3
RRP/Others	+4.5				+4.5
2021	48.0				48.0

6. Cigarette market share (JT estimate)

	(%)				
	Q1	Q2	Q3	Q4	FY
JT Total					
2020	59.7	60.1	60.2	59.0	59.8
2021	59.5				
MEVIUS					
2020	28.9	28.8	28.9	27.4	28.6
2021	27.6				
Winston					
2020	7.3	7.3	7.3	7.1	7.2
2021	7.1				
Seven Stars					
2020	7.5	7.5	7.6	7.1	7.4
2021	7.4				
Natural American Spirit					
2020	2.0	2.0	1.9	2.1	2.0
2021	2.1				

Pharmaceutical Business

Clinical Development as of April 30, 2021

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Origin	Note
JTE-052 (delgocitinib)	Atopic dermatitis (infant) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase3 (Japan)	In-house	· Co-development with Torii
	Autoimmune/allergic diseases /Oral, Topical			Phase1 (Japan)		
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 /Topical	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1 (Japan)	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 γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1 (Overseas)	In-house	

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

We are also conducting additional studies to examine the potential for use in additional dosage forms.

<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 February 9, 2021:

- JTT-751 : Approval for Additional Indication for Iron Deficiency Anemia for Riona[®] and Promotion to Start in Japan
- JTE-052 : Approvals of CORECTIM[®] Ointment 0.25% and CORECTIM[®] Ointment 0.5% for the Treatment of Pediatric Atopic Dermatitis in Japan

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 heated tobacco products but excludes contract manufactured products, waterpipe, and E-Vapor.
Core revenue (International tobacco business)	Core revenue includes waterpipe, 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.
RRP industry volume (Japanese-domestic tobacco business)	Industry volume of RRP in the Japanese market by number of sticks based on the internal estimates. One pack of consumables is equivalent to 20 sticks of combustible cigarettes. This excludes RRP devices, RRP related accessories, etc.
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 cigarettes. 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 of 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	Short-term bank loans + CP + bonds + long-term borrowings
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, and other 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 approximately 58,000 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 heated tobacco products under its Ploom brand and various e-cigarette products under its 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, changing consumer preferences and behavior;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

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