



Tokyo, October 31, 2019

2019 Third Quarter Results

Highlights

- Adjusted operating profit at constant FX increased 3.0% year-on-year, driven by growth in the international tobacco business. On a reported basis, adjusted operating profit decreased 11.6% mainly due to unfavorable currency movements.
- Operating profit and profit attributable to owners of the parent declined mainly due to a decrease in adjusted operating profit and recognition of restructuring costs related to the transformation of the international tobacco business.
- FY2019 forecast for consolidated adjusted operating profit at constant FX is revised to grow 1.6% year-on-year.
- The dividend guidance for the year remain unchanged.

Key business segment information (January – September):

- **International tobacco business**
 - Adjusted operating profit at constant FX grew 10.2% mainly driven by market share and pricing gains. On a JPY basis, unfavorable currency movements resulted in adjusted operating profit declining 12.0%.
 - Total shipment volume grew 5.8% driven by acquisitions. On an organic basis, volume declined 0.4%, outperforming industry volume contraction. GFB shipment volume growth and market share gains across many geographies continued.
 - Expansion of RRP continued, boosting Logic Compact's availability to 17 markets.
 - Full year currency-neutral adjusted operating profit is expected to grow 10.2% year-on-year.
- **Japanese domestic tobacco business**
 - Adjusted operating profit decreased by 4.3% due to unfavorable cigarette volume.
 - JT's RRP market category share grew year-on-year, currently estimated at approximately 9%, following the nationwide availability of all three Ploom devices.
 - Rapidly launching new value segment products to address changes in consumer dynamics.
 - Full year adjusted operating profit is expected to decline 7.2% year-on-year.

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

“On a reported basis, our third quarter results continued to decline due to currency headwinds and intense competition in the Japanese market. At constant FX, consolidated adjusted operating profit growth in the year-to-date was driven by market share and pricing gains in the international tobacco business. In the Japanese domestic tobacco business, we are committed to reinforcing our portfolio in both RRP and conventional products as well as improving our marketing and sales activities, with a sense of speed.”

“In an increasingly evolving industry due to dynamic consumer needs, we must transform ourselves by embracing new ways of working and cultures. We are also implementing a number of initiatives focusing on our operational excellence to increase speed, agility and promote bolder actions. We believe that these initiatives will support our sustainable business growth.”

Conference Call

A conference call with members of the investor community will be held at 4:30 pm, Tokyo Time, on November 1, 2019. For detailed information on the consolidated financial results, please visit the Company's website. (<https://www.jt.com/investors/>).

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FY2019 Q3 Financial Results

Consolidated Results

(billions of JPY)	2018 Q3	2019 Q3	Variance	2018 YTD	2019 YTD	Variance
Revenue	600.5	575.2	-4.2%	1,675.8	1,633.7	-2.5%
Adjusted operating profit	193.2	163.7	-15.2%	511.0	451.5	-11.6%
Operating profit	174.8	129.3	-26.0%	477.1	440.6	-7.6%
Profit attributable to owners of the parent	116.6	89.7	-23.1%	332.7	316.1	-5.0%
Adjusted operating profit at constant FX	193.2	189.7	-1.8%	511.0	526.2	+3.0%

2019 Q3

- **Revenue**

Revenue decreased 4.2% to JPY 575.2 billion due to declining revenues in the Japanese domestic tobacco, pharmaceutical and processed food businesses. The Japanese domestic business core revenue declined over 10% due to significantly lower one-time demand ahead of the October '19 consumption-tax-led retail price revision compared to the previous year. The international tobacco business revenue increased slightly, as the strong performance driven by pricing gains was mostly offset by currency headwinds.

- **Adjusted Operating Profit**

At constant FX, adjusted operating profit decreased 1.8% to JPY 189.7 billion due to the Japanese domestic tobacco and pharmaceutical businesses in spite of growth in the international tobacco and processed food businesses. On a reported basis, adjusted operating profit decreased 15.2% to JPY 163.7 billion, mainly due to the negative impact of foreign currencies in the international tobacco business.

- **Operating Profit**

Operating profit decreased 26.0% to JPY 129.3 billion due to the decline in adjusted operating profit and recognition of restructuring costs of JPY 18.5 billion related to the transformation in the international tobacco business.

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

Profit attributable to owners of the parent decreased 23.1% to JPY 89.7 billion due to the decline in operating profit in spite of lower financing costs led by a favorable comparison of foreign exchange differences.

2019 YTD

- **Revenue**

Revenue decreased 2.5% to JPY 1,633.7 billion due to a revenue decline in the Japanese domestic and international tobacco businesses as well as in the pharmaceutical and processed food businesses. In the international tobacco business, currency headwinds outweighed the solid performance.

- **Adjusted Operating Profit**

At constant FX, adjusted operating profit increased 3.0% to JPY 526.2 billion 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 11.6% to JPY 451.5 billion, mainly due to the negative impact of foreign currencies in the international tobacco business.

- **Operating Profit**

Operating profit decreased 7.6% to JPY 440.6 billion due to a decrease in adjusted operating profit, a decline in proceeds from sale of real estate assets, an increase in acquisition related 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 exclusive anti-HIV drugs license agreements in the pharmaceutical business.

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

Profit attributable to owners of the parent decreased 5.0% to JPY 316.1 billion, due to the decline in operating profit and increase in financing costs, 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 Q3	2019 Q3	Variance	2018 YTD	2019 YTD	Variance
Total shipment volume	114.5	116.1	+1.4%	320.1	338.6	+5.8%
GFB shipment volume	70.6	73.9	+4.6%	201.3	210.2	+4.4%
Core revenue	333.1	334.1	+0.3%	953.2	941.6	-1.2%
Adjusted operating profit	122.6	111.1	-9.4%	336.9	296.5	-12.0%
<u>Reference (millions of USD)</u>						
Core revenue	2,990	3,112	+4.1% (+9.9%)*	8,695	8,632	-0.7% (+8.9%)*
Adjusted operating profit	1,100	1,034	-5.9% (+11.8%)*	3,071	2,719	-11.5% (+10.2%)*

*at constant FX

2019 Q3

- Volume and Market share**

Total shipment volume grew 1.4%, mainly driven by acquisitions in Bangladesh and Russia. Excluding acquisitions and unfavorable inventory movements, total shipment volume decreased 1.0%, outperforming the industry volume decline. Quarterly market share gains continued across many geographies, notably Canada, Czech Republic, France, Germany, Iran, Italy, Kazakhstan, Malaysia, Morocco, Poland, Saudi Arabia, Spain, Taiwan and the UK. GFB shipment volume increased 4.6% led by the solid performance of Winston (+4.4%), Camel (+5.2%) and LD (+8.3%).

- Core revenue and Adjusted operating profit**

Core revenue increased 0.3% driven by a robust price/mix across all clusters and a positive volume contribution from acquisitions, partially offset by unfavorable currency movements. Adjusted operating profit declined 9.4% due to unfavorable currency movements and continued investments in recently acquired businesses and in RRP.

On a USD basis, a favorable price/mix variance of USD 286 million, notably from Germany, Iran, the Philippines, Russia, Turkey and the UK, combined with a positive volume contribution of USD 9 million drove a core revenue increase of 4.1%. Excluding unfavorable currency movements of USD 173 million, core revenue grew 9.9%. Currency-neutral adjusted operating profit grew 11.8% driven by a solid price/mix of USD 270 million offsetting a negative volume contribution of USD 10 million and continued investments in recently acquired businesses and in RRP. Following unfavorable currency movements, adjusted operating profit decreased 5.9%.

2019 YTD

- Volume and Market share¹**

Total shipment volume grew 5.8% driven by acquisitions in Bangladesh, Greece and Russia. Excluding acquisitions and unfavorable inventory movements, total shipment volume declined 0.4% outperforming the industry volume contraction. Market share gains continued across many geographies, notably in Belgium, Canada, Czech Republic, France, Germany, Iran, Italy, Malaysia,

Morocco, Poland, Spain, Taiwan and the UK. GFB shipment volume increased 4.4%, with the robust performance of Winston (+3.0%), Camel (+6.3%), Mevius (+0.4%) and LD (+8.5%).

- **RRP**

Internationally, RRP focus remains on E-vapor, currently the largest segment in terms of net industry value. Logic's expansion continued with the introduction of Compact in Czech Republic, Germany, Israel and New Zealand, boosting availability to 17 markets year-to-date. In the UK, Logic launched Epiq, a new e-liquid range offering, in the value segment, for the LQD device. Globally, Logic is now available in 19 countries, notably in the key E-vapor markets of Canada, France, Germany, Italy, Russia, the UK and the USA.

- **Core revenue and Adjusted operating profit**

Despite solid price/mix, core revenue decreased 1.2% due to unfavorable currency movements, investments in recently acquired markets and in RRP continued. Adjusted operating profit declined 12.0% due to unfavorable currency movements.

On a USD basis, currency-neutral core revenue grew 8.9% driven by a favorable price/mix variance of USD 595 million, notably from Canada, Germany, Iran, the Philippines, Turkey, Ukraine and the UK, and a positive volume contribution of USD 182 million. Unfavorable currency movements of USD 840 million resulted in core revenue declining 0.7%. Currency-neutral adjusted operating profit grew 10.2% driven by a favorable price/mix variance of USD 559 million and a positive volume contribution of USD 72 million, offsetting investments in recently acquired businesses and in RRP. Due to unfavorable currency movements adjusted operating profit decreased 11.5%.

International Tobacco Business (Quarterly) Performance review by Cluster

South and West Europe

(billions of Units, millions of USD)	2018 Q3	2019 Q3	Variance
Total shipment volume	16.7	17.6	+5.5%
GFB shipment volume	13.4	14.4	+7.6%
Core revenue	523	540	+3.3% (+7.5%)*

*at constant FX

- **Volume and market share¹**

Total and GFB shipment volumes increased 5.5% and 7.6%, respectively, driven by market share gains and favorable inventory movements. Excluding inventory movements, total shipment volume grew 2.6%. Market share increased in Belgium, France, Greece, Italy, Luxemburg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue increased 3.3%, driven by a positive volume contribution of USD 28 million and a favorable price/mix variance of USD 12 million, mainly from France. Excluding unfavorable currency movements of USD 22 million, core revenue grew 7.5%.

- **By market**

In France, GFB shipment volume grew 1.4% driven by continued share gains from Camel in the quarter. Total and fine cut shipment volumes declined 0.3% 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 1.4ppt to 24.2%, driven by Winston and Camel.

In Italy, total and GFB shipment volumes decreased 3.0% and 1.4%, respectively, due to industry volume contraction and unfavorable inventory movements. Excluding inventory movements, total shipment volume grew 0.8% driven by market share gains. Fine cut shipment volume increased 26.8%, mainly driven by Camel and Winston. Currency-neutral core revenue declined due to unfavorable volume contribution. Year-on-year market share increased 0.8ppt to 24.4%, led by Winston and Benson & Hedges.

In Spain, total, GFB and fine cut shipment volumes increased 23.8%, 27.0% and 6.8%, respectively, driven by growing industry volume, market share gains and favorable inventory movements. Excluding inventory movements, total shipment volume increased 4.5%. Currency-neutral core revenue increased, driven by favorable volume and price/mix contributions. Year-on-year market share increased 0.8ppt to 25.3%, led by Winston and Camel.

North and Central Europe

(billions of Units, millions of USD)	2018 Q3	2019 Q3	Variance
Total shipment volume	14.1	14.9	+5.6%
GFB shipment volume	6.5	7.7	+19.0%
Core revenue	557	585	+5.1% (+10.6%)*

*at constant FX

- **Volume and market share¹**

Total and GFB shipment volumes increased 5.6% and 19.0%, 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 5.1% driven by a favorable price/mix variance of USD 36 million, notably in Germany, Poland and the UK, and a positive USD 23 million volume contribution. Excluding unfavorable currency movements of USD 31 million, core revenue increased 10.6%.

- **By market**

In Germany, total, GFB and fine cut shipment volumes increased 5.6%, 26.5% and 8.2%, respectively, driven by solid market share gains. Currency-neutral core revenue grew driven by positive volume and price/mix contributions. Year-on-year market share grew 0.5ppt to 8.3% driven by Camel and Winston.

In the UK, total and fine cut shipment volumes increased 0.2% and 6.8%, respectively, driven by market share gains. Currency-neutral core revenue increased, fueled by positive volume and price/mix contributions. Year-on-year market share was up 2.0ppt to 43.0%, driven by Benson & Hedges in cigarettes and Sterling in fine cut.

CIS+

(billions of Units, millions of USD)	2018 Q3	2019 Q3	Variance
Total shipment volume	38.2	35.7	-6.5%
GFB shipment volume	25.3	24.5	-3.4%
Core revenue	792	796	+0.5% (+1.5%)*

*at constant FX

- Volume and market share¹**
 Total and GFB shipment volumes decreased 6.5% and 3.4%, respectively, due to industry volume contraction and unfavorable inventory adjustments. Excluding the acquisition and inventory movements, total shipment volume declined 6.4%. Market share grew in Kazakhstan and Romania.
- Core revenue**
 Core revenue increased 0.5% driven by a favorable price/mix variance of USD 60 million across most markets, offsetting a negative volume contribution of USD 49 million. Excluding unfavorable currency movements of USD 8 million, core revenue increased 1.5%.
- By market**
In Romania, total and GFB shipment volumes increased 6.1% and 3.7%, respectively, driven by market share gains. Positive volume and price/mix contributions drove an increase in currency-neutral core revenue. Year-on-year market share reached 27.9%, an increase of 0.7ppt driven by Winston and Sobranie.

In Russia, total and GFB shipment volumes were down 8.9% and 5.4%, respectively, due to industry volume contraction, estimated² at 7.9%, and unfavorable inventory adjustments. Excluding the acquisition and inventory movements, total shipment volume declined 8.5%. Currency-neutral core revenue declined as the positive price/mix could not offset the negative volume contribution. Despite GFBs growing market share 0.1ppt to 25.0% led by LD, year-on-year market share decreased to 39.1% due to downtrading.

Rest-of-the-World

(billions of Units, millions of USD)	2018 Q3	2019 Q3	Variance
Total shipment volume	45.5	47.9	+5.3%
GFB shipment volume	25.4	27.3	+7.4%
Core revenue	1,118	1,190	+6.5% (+16.5%)*

*at constant FX

- Volume and market share¹**
 Total shipment volume increased 5.3% bolstered by the acquisition in Bangladesh as well as favorable inventory movements. Excluding the acquisition and inventory movements, total shipment volume increased 0.3% mainly driven by Ethiopia, Guinea, Iran, Morocco, Myanmar and the USA. GFB shipment volume was up 7.4% driven by Winston and LD. Market share increased across many markets, notably in Algeria, Brazil, Canada, Iran, Jordan, Malaysia, Morocco, Saudi

Arabia, South Africa, South Korea, Sudan, Taiwan, Turkey and the USA.

- **Core revenue**

Core revenue increased 6.5%, driven by a favorable price/mix variance of USD 177 million and positive volume contribution of USD 7 million. Excluding unfavorable currency movements of USD 113 million, core revenue increased 16.5%.

- **By market**

In Iran, total and GFB shipment volumes increased 29.4% and 36.0%, respectively, driven by continued market share gains and favorable inventory movements. Excluding inventory movements, total shipment volume grew 28.4%. Currency-neutral core revenue increased, fueled by solid volume and price/mix contributions. Year-on-year market share was up 3.5ppt, reaching 58.9%.

In Taiwan, total and GFB shipment volumes declined 0.1% and 1.0%, respectively, due to industry volume contraction, partially offset by favorable inventory adjustments. Excluding inventory movements, total shipment volume was down 2.9%. Currency-neutral core revenue declined, due to unfavorable volume and price/mix contributions. Year-on-year market share increased a strong 3.0ppt to 44.6%, mainly driven by LD and Winston.

In Turkey, total and GFB shipment volumes declined 8.7% and 8.4%, respectively, due to industry volume contraction following the price increase and unfavorable inventory adjustments. Excluding inventory movements, total shipment volume decreased 8.1%. Currency-neutral core revenue increased, fueled by a solid price/mix contribution. Market share increased 0.6ppt to 28.4%, mainly led by Winston.

¹ 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 September 2019. Brazil, Hungary and Spain are on a 12-month rolling average at the end of August 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.

² Source: JTI estimates based on July-September 2019 cigarette data versus the same period last year.

Japanese Domestic Tobacco Business

(billions of units, billions of JPY)	2018 Q3	2019 Q3	Variance	2018 YTD	2019 YTD	Variance
Cigarette industry volume³	38.3	33.4	-12.9%	104.3	94.6	-9.3%
Cigarette sales volume	23.8	20.1	-15.7%	64.2	57.4	-10.5%
Core revenue	172.2	153.5	-10.9%	444.4	435.8	-1.9%
Adjusted operating profit	69.3	56.2	-18.9%	172.8	165.4	-4.3%

2019 Q3

- **Cigarette sales volume**

Cigarette industry volume³ decreased 12.9% due to the retail price revision impact in October '18, the expansion of the RRP category and the underlying natural decline trend, as well as limited one-time demand ahead of the consumption tax-led retail price revision in October '19 compared to that of the previous year. The lower one-time demand this quarter is attributed to significantly lower consumption tax led price increase compared to the excise tax led price increase last year. Cigarette market share³ declined by 2.0ppt to 60.1% this quarter, mainly due to unfavorable comparisons from 2018 when some popular brands including, Mevius and Seven Stars experienced high one-time demand. Overall, JT's cigarette sales volume decreased by 15.7% year-on-year.

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

JT estimates the overall RRP market size³ in Japan at c. 22.5% (shipment basis) of the tobacco industry volume. JT RRP sales volume decreased 0.1 billion to 0.9 billion stick equivalent units, due to declining sales volume of Ploom TECH partially offset by the sales volume increases of Ploom TECH+ and Ploom S, following nationwide rollouts. In the RRP category, our share is estimated at approximately 10% on an offtake basis.

- **Core revenue and Adjusted operating profit**

In spite of positive cigarette price/mix variance of JPY 10.1 billion, core revenue declined 10.9% due to an unfavorable contribution from cigarette sales volume of JPY 22.1 billion and an unfavorable contribution of RRP revenues. RRP related revenues decreased by JPY 7.1 billion, year-on-year, to JPY 17.8 billion due to a decline in RRP sales volume and lower revenue of Ploom TECH devices. Adjusted operating profit decreased 18.9% following negative contribution from cigarette volume of JPY 18.2 billion partially offset by the positive cigarette price/mix variance of JPY 10.1 billion.

2019 YTD

- **Cigarette sales volume**

Cigarette industry volume³ decreased 9.3% for the reasons mentioned above. JT's cigarette sales volume decreased by 10.5%. Despite Camel's growth, which captured a portion of downtrading, JT's cigarette market share³ decreased 0.8ppt to 60.7% due to intense competition in the value segment.

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

JT estimated the overall RRP market size³ in Japan year-to-date at c.22.5% (shipment basis) of the tobacco industry volume. Year-to-date, JT RRP sales volume increased by 0.5 billion to 2.3

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**

In spite of a positive cigarette price/mix variance of JPY 28.1 billion and favorable RRP volume contributions, core revenue declined 1.9% due to an unfavorable cigarette volume contribution of JPY 40.0 billion. RRP related revenue increased by JPY 2.2 billion, year-on-year, to JPY 48.2 billion. Adjusted operating profit decreased 4.3% mainly due to a negative cigarette sales volume contribution of JPY 33.0 billion which offset the positive cigarette price/mix variance of JPY 28.1 billion.

³ 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 Q3	2019 Q3	Variance	2018 YTD	2019 YTD	Variance
Revenue	28.6	21.5	-24.7%	81.8	63.3	-22.6%
Adjusted operating profit	7.9	2.1	-73.4%	19.3	7.8	-59.4%

2019 Q3

- **Revenue and Adjusted operating profit**

Revenue declined by 24.7%, mainly impacted by the termination of exclusive license agreements for six anti-HIV drugs in Japan as well as lower overseas royalty income.

Adjusted operating profit decreased 73.4% due to the revenue decline.

2019 YTD

- **Revenue and Adjusted operating profit**

Revenue and adjusted operating profit decreased 22.6% and 59.4% respectively for the reasons mentioned above.

Processed Food Business

(billions of JPY)	2018 Q3	2019 Q3	Variance	2018 YTD	2019 YTD	Variance
Revenue	40.1	39.3	-2.0%	117.2	114.8	-2.1%
Adjusted operating profit	0.6	1.3	+104.9%	2.1	2.9	+40.0%

2019 Q3

- **Revenue and Adjusted operating profit**

Processed food business continues to take measures to improve profitability. Revenue decreased 2.0% due to reduction in sales of products with lower profitability, partially offset by the solid performance of the main staple food category.

Adjusted operating profit increased by JPY 0.7 billion mainly driven by the positive contribution from price revisions, the improvement in product mix as well as cost reduction initiatives, partially offset by increases in raw material and distribution costs.

2019 YTD

- **Revenue and Adjusted operating profit**

Revenue decreased 2.1% and adjusted operating profit increased by JPY 0.8 billion for the reasons mentioned above.

FY2019 Forecasts

(billions of JPY)	2019 Previous forecast	2019 Revised forecast	Variance vs. Previous forecast	Variance vs. 2018 Result
Revenue	2,170.0	2,170.0	-	-2.1%
Adjusted operating profit	523.0	518.0	-5.0	-13.0%
Operating profit	518.0	505.0	-13.0	-10.6%
Profit attributable to owners of the parent	360.0	340.0	-20.0	-11.8%
Adjusted operating profit at constant FX	610.0	605.0	-5.0	+1.6%

- **Revenue**

The revenue forecast remains unchanged from the previous forecast, resulting in a 2.1% decline year-on-year, as the upward revision of the international tobacco and pharmaceutical businesses is fully offset by the downward revision of the Japanese domestic tobacco and the processed food businesses.

- **Adjusted operating profit**

Currency neutral and reported adjusted operating profit forecast are revised downwards by JPY 5.0 billion, resulting in a 1.6% increase and 13.0% decline respectively year-on-year. This is mainly due to the downward revision of the Japanese domestic tobacco business, partially offset by the upward revision of the pharmaceutical business.

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

Operating profit forecast is revised downwards by JPY 13.0 billion, resulting in a decline of 10.6%. This is mainly due to the downward revision of adjusted operating profit and recognition of restructuring costs related to the transformation in the international tobacco business, partly offset by the proceeds from the sale of real estate assets.

Profit attributable to owners of the parent is revised downwards by JPY 20.0 billion or a decline of 11.8% versus previous year due to the downward revision of operating profit and negative impact of the one-time increase in the estimated average annual effective tax rate.

Forecasts by Business Segment

International Tobacco Business

(billions of JPY)	2019 Previous forecast	2019 Revised forecast	Variance vs. Previous forecast	Variance vs. 2018 Result
Total shipment volume	Increase circa 5.0%	Increase circa 4.0%		
GFB shipment volume	Increase circa 3.5%	Increase circa 3.5%		
Core revenue	1,240.0	1,250.0	+10.0	-0.1%
Adjusted operating profit	338.0	338.0	-	-12.1%
<u>Reference (millions of USD)</u>				
Core revenue	11,400	11,430	+30	+0.9% (+8.7%)*
Adjusted operating profit	3,100	3,100	-	-11.3% (+10.2%)*

*at constant FX

- **Volume**

Despite positive market share performance across most markets, the forecast for total shipment volume is revised downwards to an increase of circa 4% due to lower than expected volume from certain emerging markets. Full year forecast for Global Flagship Brands shipment volume remains unchanged.

- **Core revenue and Adjusted operating profit**

On a JPY basis, the forecast for core revenue is revised upwards by JPY 10.0 billion resulting in a decline of 0.1% versus previous year. Adjusted operating profit forecast remains unchanged.

On a USD basis, constant currency core revenue is revised upwards by USD 70 million, resulting in an 8.7% increase versus the previous year, driven by a solid organic volume outperforming the industry decline trend as well as a strong price/mix contribution. Reported core revenue is revised upwards by USD 30 million and is forecast to increase 0.9% versus the previous year. Full year adjusted operating profit forecast remains unchanged as incremental revenue is re-invested in the business.

Japanese Domestic Tobacco Business

(billions of JPY)	2019 Previous forecast	2019 Revised forecast	Variance vs. Previous forecast	Variance vs. 2018 Result
Cigarette industry volume⁴	Decline over 6.5%	Decline over 6.0%		
Cigarette sales volume	Decline circa 8.0%	Decline circa 7.5%		
Core revenue	580.0	570.0	-10.0	-2.1%
Adjusted operating profit	200.0	194.0	-6.0	-7.2%

- **Volume**

Cigarette industry volume decline assumption is revised from over 6.5% to over 6.0% reflecting the better than expected cigarette industry volume trend year-to-date. Considering the performance in Q3 2019, JT's estimation for RRP market size remains unchanged and is assumed to be approximately 23% (shipment basis) of tobacco industry volume. The assumption for total tobacco market in Japan also remains unchanged at c. 4% decline, year-on-year.

Our cigarette sales volume decline assumption is revised from circa 8.0% to circa 7.5% due to better than expected cigarette industry volume. Our RRP sales volume assumption is now revised to circa 3.3 billion stick equivalent units, from previous assumption of circa 4.0 billion stick equivalent units, taking into account the initial Ploom S performance post national launch in Q3 2019.

- **Core revenue and Adjusted operating profit**

Core revenue forecast is revised downwards by JPY 10.0 billion, representing a decline of 2.1% year-on-year, due to the change in the RRP sales volume assumption.

Adjusted operating profit forecast is also revised downwards by JPY 6.0 billion, resulting in a decline of 7.2% year-on-year mainly due to the changes in top-line.

⁴ 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)	2019 Previous forecast	2019 Revised forecast	Variance vs. Previous forecast	Variance vs. 2018 Result
Revenue	84.0	86.0	+2.0	-24.6%
Adjusted operating profit	10.0	12.0	+2.0	-57.8%

- **Revenue and Adjusted operating profit**

Revenue forecast is revised upwards by JPY 2.0 billion as our subsidiary Torii Pharmaceutical's performance was better than expected in this quarter although the revenue year-on-year is expected to decline following the termination of the anti-HIV drug license agreements.

The forecast for adjusted operating profit is also revised upwards by JPY 2.0 billion mainly driven by the revenue forecast revision, resulting in a 57.8% decline year-on-year.

Processed Food Business

(billions of JPY)	2019 Previous forecast	2019 Revised forecast	Variance vs. Previous forecast	Variance vs. 2018 Result
Revenue	162.0	160.0	-2.0	-0.9%
Adjusted operating profit	5.0	5.0	-	+21.3%

- **Revenue and Adjusted operating profit**

The forecast for revenue is revised downwards by JPY 2.0 billion to reflect the year-to-date performance. As a result, the revenue is expected to be lower than previous year. Driven by various initiatives to improve profitability during the year, the adjusted operating profit forecast remains unchanged and is expected to increase 21.3% year-on-year.

Data Sheets

Results for 2019 Third Quarter (YTD)

1. Summary of Consolidated results

(Unit: JPY billion)

	2018 Q3	2019 Q3	Variance (abs)	Variance (%)
Revenue	1,675.8	1,633.7	-42.1	-2.5%
Operating profit	477.1	440.6	-36.5	-7.6%
Adjusted operating profit	511.0	451.5	-59.5	-11.6%
Profit before income taxes	449.4	411.6	-37.8	-8.4%
Profit	334.9	328.8	-6.1	-1.8%
Profit (attributable to owners of the parent company)	332.7	316.1	-16.5	-5.0%
Basic EPS*(JPY)	185.73	177.83	-7.90	-4.3%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2018 Q3	2019 Q3	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	511.0	526.2	+15.3	+3.0%

2. Results by business segment

(Unit: JPY billion)

	2018 Q3	2019 Q3	Variance (abs)	Variance (%)
Revenue	1,675.8	1,633.7	-42.1	-2.5%
Japanese domestic tobacco	472.4	466.4	-5.9	-1.3%
Core revenue	444.4	435.8	-8.6	-1.9%
International tobacco	999.4	984.7	-14.7	-1.5%
Core revenue	953.2	941.6	-11.6	-1.2%
Pharmaceutical	81.8	63.3	-18.4	-22.6%
Processed food	117.2	114.8	-2.4	-2.1%
Others	5.1	4.6	-0.6	-10.8%
Consolidated: operating profit	477.1	440.6	-36.5	-7.6%
Japanese domestic tobacco	160.3	153.2	-7.1	-4.4%
International tobacco	304.8	239.7	-65.1	-21.4%
Pharmaceutical	19.3	64.8	+45.5	+236.1%
Processed food	0.9	3.1	+2.2	+239.5%
Others/Elimination	-8.2	-20.2	-12.0	-
Adjustments, total	-33.9	-10.9	+23.0	-
Japanese domestic tobacco	-12.5	-12.2	+0.3	-
International tobacco	-32.1	-56.8	-24.7	-
Pharmaceutical	-	57.0	+57.0	-
Processed food	-1.2	0.2	+1.3	-
Others/Elimination	11.8	0.9	-10.9	-92.6%
Consolidated: adjusted operating profit	511.0	451.5	-59.5	-11.6%
Japanese domestic tobacco	172.8	165.4	-7.4	-4.3%
International tobacco	336.9	296.5	-40.4	-12.0%
Pharmaceutical	19.3	7.8	-11.5	-59.4%
Processed food	2.1	2.9	+0.8	+40.0%
Others/Elimination	-20.0	-21.0	-1.0	-

[Reference] International tobacco business

(Unit: USD million)

	2018 Q3	2019 Q3	Variance (abs)	Variance (%)
Core revenue	8,695	8,632	-63	-0.7%
Core revenue at constant FX	8,695	9,471	+777	+8.9%
Adjusted operating profit	3,071	2,719	-352	-11.5%
Adjusted operating profit at constant FX	3,071	3,384	+313	+10.2%

Results for 2019 Third Quarter (YTD)

3. Depreciation and amortization

(Unit: JPY billion)

	2018 Q3	2019 Q3*	Variance (abs)
Consolidated	116.3	124.6	+8.3
Japanese domestic tobacco	40.3	41.6	+1.3
International tobacco	65.6	72.3	+6.6
Pharmaceutical	3.8	4.2	+0.3
Processed food	4.9	5.0	+0.1
Others/Elimination	1.6	1.5	-0.0

*excluding depreciation related to lease transactions

4. Consolidated financial position

(Unit: JPY billion)

	2018 Dec. end	2019 Sep. end	Variance (abs)
Total assets	5,461.4	5,267.9	-193.5
Total equity	2,700.4	2,632.5	-68.0
Equity attributable to owners of the parent	2,630.6	2,552.2	-78.4
BPS (attributable to owners of the parent) (JPY)	1,468.44	1,438.82	-29.62

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2018 Dec. end	2019 Sep. end	Variance (abs)
Liquidity	308.7	209.6	-99.0
Interest-bearing debt	987.6	1,061.6	+74.0

6. Consolidated cash flow

(Unit: JPY billion)

	2018 Q3	2019 Q3	Variance (abs)
Cash flows from operating activities	427.6	257.8	-169.8
Cash flows from investing activities	-233.9	-124.8	+109.1
Cash flows from financing activities	-176.8	-223.4	-46.6
Cash and cash equivalents, beginning of the year	285.5	282.1	-3.4
Foreign currency translation adj. on cash & cash equivalents	-19.1	-10.0	+9.1
Cash and cash equivalents, end of the year	283.3	181.7	-101.6
FCF	214.8	134.7	-80.1

7. Capital expenditures

(Unit: JPY billion)

	2018 Q3	2019 Q3	Variance (abs)
Consolidated	101.9	88.0	-13.9
Japanese domestic tobacco	37.0	25.6	-11.4
International tobacco	45.7	50.1	+4.4
Pharmaceutical	4.9	4.9	-0.1
Processed food	10.7	3.8	-6.9
Others/Elimination	3.6	3.7	+0.1

8. FX actual (Reference information)

	2018 Q3	2019 Q3	Variance (abs)	Variance (%)
USD/JPY	109.60	109.12	-0.48	-0.4%
USD/RUB	61.41	65.08	+3.67	-5.6%
USD/GBP	0.74	0.79	+0.05	-5.8%
USD/EUR	0.84	0.89	+0.05	-5.9%
USD/CHF	0.97	1.00	+0.02	-2.3%
USD/TWD	29.90	31.03	+1.13	-3.6%
USD/TRY	4.60	5.63	+1.03	-18.4%
USD/IRR	53,867	102,297	+48,430	-47.3%

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

FY2019 Revised Forecasts (as of October 31, 2019)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,216.0	2,170.0	-46.0	-2.1%
Operating profit	565.0	505.0	-60.0	-10.6%
Adjusted operating profit	595.5	518.0	-77.5	-13.0%
Profit (attributable to owners of the parent company)	385.7	340.0	-45.7	-11.8%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	595.5	605.0	+9.5	+1.6%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	215.31	191.36	-23.95	-11.1%
DPS	150	154	+4	+2.7%
ROE (attributable to owners of the parent company)	14.3%	13.1%	-1.2%pt	

3. Forecasts by business segment

(Unit: JPY billion)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,216.0	2,170.0	-46.0	-2.1%
Japanese domestic tobacco	621.4	610.0	-11.4	-1.8%
Core revenue	582.4	570.0	-12.4	-2.1%
International tobacco	1,312.3	1,310.0	-2.3	-0.2%
Core revenue	1,250.7	1,250.0	-0.7	-0.1%
Pharmaceutical	114.0	86.0	-28.0	-24.6%
Processed food	161.4	160.0	-1.4	-0.9%
Others	6.8	6.0	-0.8	-12.0%
Consolidated: operating profit	565.0	505.0	-60.0	-10.6%
Japanese domestic tobacco	192.5	178.0	-14.5	-7.5%
International tobacco	339.5	273.0	-66.5	-19.6%
Pharmaceutical	26.3	68.0	+41.7	+158.6%
Processed food	2.9	5.0	+2.1	+71.3%
Others/Elimination	3.8	-20.0	-23.8	-
Adjusted operating profit	595.5	518.0	-77.5	-13.0%
Japanese domestic tobacco	209.0	194.0	-15.0	-7.2%
International tobacco	384.5	338.0	-46.5	-12.1%
Pharmaceutical	28.4	12.0	-16.4	-57.8%
Processed food	4.1	5.0	+0.9	+21.3%
Others/Elimination	-30.6	-30.0	+0.6	-

[Reference] International tobacco business

(Unit: USD million)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,330	11,430	+100	+0.9%
Core revenue at constant FX	11,330	12,320	+990	+8.7%
Adjusted operating profit	3,493	3,100	-393	-11.3%
Adjusted operating profit at constant FX	3,493	3,850	+357	+10.2%

FY2019 Revised Forecasts (as of October 31, 2019)

4. Free cash flow

(Unit: JPY billion)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)
FCF	105.6	370.0	+264.4

5. Capital expenditures

(Unit: JPY billion)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)
Consolidated	159.8	138.0	-21.8
Japanese domestic tobacco	55.4	40.0	-15.4
International tobacco	75.7	77.0	+1.3
Pharmaceutical	11.3	6.0	-5.3
Processed food	12.7	7.0	-5.7
Others/Elimination	4.6	8.0	+3.4

6. Assumptions of 2019 Revised Forecast

2019 Japanese domestic tobacco business

- Industry volume (JT estimate) : a decline of c.4% (vs. 2018 result of 168.2 BnU)
- Cigarette industry volume (JT estimate) : a decline of over 6% (vs. 2018 result of 133.6 BnU)
 - JT cigarette sales volume : a decrease of c.7.5% (vs. 2018 result of 82.0 BnU)
- Reduced-Risk Products market size in tobacco industry (JT estimate, Shipment base) : c.23% (2018 : c.21%)
 - JT RRP sales volume : c.3.3 BnU stick equivalent

2019 International tobacco business

- Total shipment volume : an increase of c.4% (vs. 2018 result of 427.6 BnU)
- GFB shipment volume : an increase of c.3.5% (vs. 2018 result of 266.4 BnU)

<FX assumptions>

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	110.44	108.84	-1.60	-1.4%
USD/RUB	62.68	65.10	+2.42	-3.7%
USD/GBP	0.75	0.79	+0.04	-5.1%
USD/EUR	0.85	0.90	+0.05	-5.9%
USD/CHF	0.98	0.99	+0.01	-1.2%
USD/TWD	30.14	31.00	+0.86	-2.8%
USD/TRY	4.82	5.70	+0.88	-15.4%
USD/IRR	61,649	105,000	+43,351	-41.3%

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

**FY2019 Revised Forecasts
vs Previous Forecasts
(as of October 31, 2019)**

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2019 Previous Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,170.0	2,170.0	-	-
Operating profit	518.0	505.0	-13.0	-2.5%
Adjusted operating profit	523.0	518.0	-5.0	-1.0%
Profit (attributable to owners of the parent company)	360.0	340.0	-20.0	-5.6%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2019 Previous Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	610.0	605.0	-5.0	-0.8%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2019 Previous Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	202.62	191.36	-11.26	-5.6%
DPS	154	154	-	-
ROE (attributable to owners of the parent company)	13.7%	13.1%	-0.6%pt	

3. Forecasts by business segment

(Unit: JPY billion)

	FY2019 Previous Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,170.0	2,170.0	-	-
Japanese domestic tobacco	620.0	610.0	-10.0	-1.6%
Core revenue	580.0	570.0	-10.0	-1.7%
International tobacco	1,300.0	1,310.0	+10.0	+0.8%
Core revenue	1,240.0	1,250.0	+10.0	+0.8%
Pharmaceutical	84.0	86.0	+2.0	+2.4%
Processed food	162.0	160.0	-2.0	-1.2%
Others	6.0	6.0	-	-
Consolidated: operating profit	518.0	505.0	-13.0	-2.5%
Japanese domestic tobacco	184.0	178.0	-6.0	-3.3%
International tobacco	287.0	273.0	-14.0	-4.9%
Pharmaceutical	67.0	68.0	+1.0	+1.5%
Processed food	5.0	5.0	-	-
Others/Elimination	-26.0	-20.0	+6.0	-
Adjusted operating profit	523.0	518.0	-5.0	-1.0%
Japanese domestic tobacco	200.0	194.0	-6.0	-3.0%
International tobacco	338.0	338.0	-	-
Pharmaceutical	10.0	12.0	+2.0	+20.0%
Processed food	5.0	5.0	-	-
Others/Elimination	-30.0	-30.0	-	-

[Reference] International tobacco business

(Unit: USD million)

	FY2019 Previous Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,400	11,430	+30	+0.3%
Core revenue at constant FX	12,250	12,320	+70	+0.6%
Adjusted operating profit	3,100	3,100	-	-
Adjusted operating profit at constant FX	3,850	3,850	-	-

FY2019 Revised Forecasts vs Previous Forecasts (as of October 31, 2019)

4. Free cash flow

(Unit: JPY billion)

	FY2019 Previous Forecasts	FY2019 Revised Forecasts	Variance (abs)
FCF	360.0	370.0	+10.0

5. Capital expenditures

(Unit: JPY billion)

	FY2019 Previous Forecasts	FY2019 Revised Forecasts	Variance (abs)
Consolidated	145.0	138.0	-7.0
Japanese domestic tobacco	47.0	40.0	-7.0
International tobacco	80.0	77.0	-3.0
Pharmaceutical	5.0	6.0	+1.0
Processed food	7.0	7.0	-
Others/Elimination	5.0	8.0	+3.0

6. Revised assumptions of FY2019 Forecast (vs FY2018 results)

Japanese domestic tobacco business	Previous Forecasts	Revised Forecasts
Total Industry volume*	a decline of c.4%	
Cigarette industry volume*	a decline of over 6.5%	a decline of over 6%
RRP market share in tobacco industry*	c.23%	
JT cigarette sales volume	a decline of c. 8%	a decline of c. 7.5%
JT RRP sales volume	4.0 Bn stick equivalent	3.3 Bn stick equivalent

* JT estimate based on shipment, annual base

International tobacco business	Previous Forecasts	Revised Forecasts
Total shipment volume	an increase of c. 5%	an increase of c. 4%
GFB shipment volume	an increase of c. 3.5%	

<FX assumptions>

	FY2019 Previous Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	109.00	108.84	-0.16	-0.1%
USD/RUB	65.30	65.10	-0.20	+0.3%
USD/GBP	0.79	0.79	-	-
USD/EUR	0.89	0.90	+0.01	-1.1%
USD/CHF	0.99	0.99	-	-
USD/TWD	31.10	31.00	-0.10	+0.3%
USD/TRY	5.80	5.70	-0.10	+1.8%
USD/IRR	107,000	105,000	-2,000	+1.9%

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 USD 3,100 MM based on the assumptions:

USD vs. Local currency

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

This amount of approx. USD 50MM composed of: RUB 30%, GBP 15%, TWD 10%+, EUR 10%-, IRR 10%-, TRY 5%, CHF -10%

USD vs. JPY

USD/JPY move of 1 yen from the assumption leads to approx. JPY 3.1 billion impact on JPY-based adjusted operating profit

Tobacco Business Data

International Tobacco Business

1. Summary (YTD)

	2018 Q3	2019 Q3	Variance	Variance (%)	
Total shipment volume	320.1	338.6	+18.5	+5.8%	BNU
GFB shipment volume	201.3	210.2	+9.0	+4.4%	BNU
Core Revenue	953.2	941.6	-11.6	-1.2%	JPY BN
Adjusted operating profit	336.9	296.5	-40.4	-12.0%	JPY BN

[USD Reference information]

Core Revenue	8,695	8,632	-63	-0.7%	USD MM
Adjusted operating profit	3,071	2,719	-352	-11.5%	USD MM
at constant FX basis					
Core Revenue	8,695	9,471	+777	+8.9%	USD MM
Adjusted operating profit	3,071	3,384	+313	+10.2%	USD MM

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

2019Q3	Total Shipment Volume		GFB Shipment Volume		Core Revenue	
SWE	50.8	+2.9%	41.4	+3.5%	1,571	-0.8%
NCE	41.9	+4.5%	21.3	+18.1%	1,625	+0.9%
CIS+	99.2	-0.4%	68.7	-4.1%	2,097	-3.2%
RoW	146.7	+12.0%	78.7	+10.0%	3,338	+0.2%
Total	338.6		210.2		8,632	

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

2019	Q1	Q2	Q3	Q4	YTD
SWE	+3.8%	-0.6%	+5.5%		+2.9%
France	+0.5%	-0.8%	-0.3%		-0.2%
Italy	+1.1%	-0.1%	-3.0%		-0.7%
Spain	+2.4%	-1.7%	+23.8%		+7.6%
NCE	+5.1%	+2.9%	+5.6%		+4.5%
Germany	+12.2%	+0.8%	+5.6%		+5.8%
UK	-5.2%	-0.6%	+0.2%		-1.8%
CIS+	-1.9%	+7.9%	-6.5%		-0.4%
Romania	+0.6%	-0.9%	+6.1%		+2.1%
Russia*	+1.7%	+16.0%	-8.9%		+2.1%
RoW	+13.5%	+17.5%	+5.3%		+12.0%
Iran	+6.0%	+11.5%	+29.4%		+15.1%
Taiwan	+12.6%	+4.1%	-0.1%		+5.3%
Turkey	+9.5%	+28.3%	-8.7%		+8.5%
Total	+6.5%	+9.8%	+1.4%		+5.8%

* Including Donskoy Tabak as of August 2018

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

2019	Q1	Q2	Q3	Q4	YTD
Winston	35.5	39.8	41.5		116.8
	+1.7%	+2.6%	+4.4%		+3.0%
Camel	13.9	14.7	15.1		43.7
	+6.0%	+7.7%	+5.2%		+6.3%
MEVIUS	4.0	4.1	3.9		12.0
	+6.6%	+1.7%	-6.5%		+0.4%
LD	11.0	13.2	13.4		37.6
	+7.3%	+9.8%	+8.3%		+8.5%

Tobacco Business Data

International Tobacco Business

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

2019	Q1	Q2	Q3	Q4	YTD
SWE	+5.3%	-2.2%	+7.6%		+3.5%
France	+8.5%	-2.7%	+1.4%		+2.2%
Italy	-0.5%	-1.3%	-1.4%		-1.1%
Spain	+2.7%	-2.6%	+27.0%		+8.4%
NCE	+20.2%	+15.6%	+19.0%		+18.1%
Germany	+22.0%	+19.4%	+26.5%		+22.6%
UK	-23.6%	-24.2%	-23.8%		-23.9%
CIS+	-6.6%	-2.6%	-3.4%		-4.1%
Romania	-1.1%	-3.6%	+3.7%		-0.2%
Russia	-5.5%	-1.2%	-5.4%		-3.9%
RoW	+9.0%	+14.0%	+7.4%		+10.0%
Iran	+3.0%	+8.8%	+36.0%		+14.7%
Taiwan	+14.6%	+4.3%	-1.0%		+5.6%
Turkey	+11.8%	+33.2%	-8.4%		+10.7%
Total	+3.8%	+4.8%	+4.6%		+4.4%

5. Share of market by key markets

	12 month moving average			3 month average				
	2018 Sep	2019 Sep	Change	2018 Q3	2018 Q4	2019 Q1	2019 Q2	2019 Q3
France	22.8%	24.2%	+1.4%pt	23.5%	23.6%	24.3%	24.5%	24.5%
Italy	23.6%	24.4%	+0.8%pt	23.9%	24.2%	24.3%	24.4%	24.6%
Russia*	34.3%	39.1%	+4.9%pt	37.3%	38.8%	39.1%	39.6%	39.0%
Spain	24.5%	25.3%**	+0.8%pt	24.9%	25.2%	25.3%	25.5%	25.4%**
Taiwan	41.6%	44.6%	+3.0%pt	42.6%	43.5%	44.5%	45.0%	45.4%
Turkey	27.8%	28.4%	+0.6%pt	27.8%	27.7%	27.7%	30.3%	27.8%
UK	41.0%	43.0%	+2.0%pt	41.6%	42.0%	42.7%	43.4%	43.8%

Source: IRI, Nielsen, Logista, JTI estimate / 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 Aug 2019, respectively

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

(USD MM)

2019	Q1	Q2	Q3	Q4	YTD
SWE	551	550	562		1,663
	+6.0%	+1.5%	+7.5%		+5.0%
NCE	521	594	616		1,731
	+6.2%	+5.4%	+10.6%		+7.4%
CIS+	619	793	804		2,215
	-1.9%	+6.5%	+1.5%		+2.2%
RoW	1,250	1,311	1,303		3,863
	+15.3%	+15.8%	+16.5%		+15.9%
Total	2,940	3,247	3,284		9,471
	+7.9%	+8.9%	+9.9%		+8.9%

Tobacco Business Data

International Tobacco Business

7. Breakdown of Core Revenue

• USD basis					(USD MM)
	Q1	Q2	Q3	Q4	YTD
2018	2,724	2,981	2,990		8,695
Volume	+64	+108	+9		+182
Price/Mix	+151	+158	+286		+595
2019 at constant	2,940	3,247	3,284		9,471
FX	-338	-329	-173		-840
2019	2,602	2,919	3,112		8,632

• Yen basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2018	294.8	325.2	333.1		953.2
Operations	+23.3	+29.1	+32.8		+85.2
Local currencies vs. USD	-36.6	-35.9	-19.2		-91.7
JPYvs. USD	+5.2	+2.3	-12.7		-5.1
2019	286.8	320.7	334.1		941.6

8. Breakdown of Adjusted Operating Profit

• USD basis					(USD MM)
	Q1	Q2	Q3	Q4	YTD
2018	890	1,082	1,100		3,071
Volume	+34	+48	-10		+72
Price/Mix	+143	+146	+270		+559
Others	-59	-129	-130		-318
2019 at constant	1,008	1,147	1,230		3,384
FX	-199	-271	-195		-665
2019	809	876	1,034		2,719

• Yen basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2018	96.3	118.0	122.6		336.9
Operations	+12.8	+7.1	+14.5		+34.3
Local currencies vs. USD	-21.5	-29.6	-21.7		-72.8
JPYvs. USD	+1.6	+0.7	-4.2		-1.9
2019	89.2	96.2	111.1		296.5

9. FX actual vs. PY

	<u>2019Q1</u>	<u>2019Q2</u>	<u>2019Q3</u>	<u>2019Q4</u>	<u>2019 YTD</u>
USD/RUB	66.12	64.56	64.57		65.08
	-14.0%	-4.3%	+1.5%		-5.6%
USD/GBP	0.77	0.78	0.81		0.79
	-6.4%	-5.5%	-5.4%		-5.8%
USD/EUR	0.88	0.89	0.90		0.89
	-7.5%	-5.8%	-4.4%		-5.9%
USD/CHF	1.00	1.00	0.99		1.00
	-4.8%	-1.8%	-0.2%		-2.3%
USD/TWD	30.82	31.10	31.18		31.03
	-4.9%	-4.3%	-1.7%		-3.6%
USD/TRY	5.36	5.87	5.66		5.63
	-28.9%	-25.8%	-0.7%		-18.4%
USD/IRR	88,454	104,688	113,748		102,297
	-47.3%	-58.6%	-37.0%		-47.3%
USD/JPY	110.22	109.90	107.36		109.12
	+1.8%	+0.7%	-3.7%		-0.4%

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

Japanese Domestic Tobacco Business

1. Summary (YTD)

	2018 Q3	2019 Q3	Variance	Variance (%)	
Cigarette industry volume (JT estimate)	104.3	94.6	-9.7	-9.3%	BNU
Cigarette sales volume	64.2	57.4	-6.8	-10.5%	BNU
Excludes volumes of duty-free in Japan, China business (3.1BNU in 2018Q3 and 3.1BNU in 2019Q3, respectively) and RRP sales volume					
Core revenue	444.4	435.8	-8.6	-1.9%	JPY BN
Adjusted operating profit	172.8	165.4	-7.4	-4.3%	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		
Variance	-8.2%	-6.8%	-15.7%		

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		

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	YTD
RRP sales volume	0.6	0.8	0.9		2.3
RRP related revenue	12.4	18.1	17.8		48.2

5. Breakdown of financial results

					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
Core revenue					
2018	129.3	142.9	172.2		444.4
Cigarettes volume	-9.5	-8.4	-22.1		-40.0
Cigarettes price/mix	+9.2	+8.8	+10.1		+28.1
RRP/Others	+4.4	+5.6	-6.7		+3.4
2019	133.5	148.9	153.5		435.8
Adjusted OP					
2018	48.9	54.6	69.3		172.8
Cigarettes volume	-7.9	-7.0	-18.2		-33.0
Cigarettes price/mix	+9.2	+8.8	+10.1		+28.1
RRP/Others	+0.8	+1.8	-5.0		-2.5
2019	51.0	58.2	56.2		165.4

6. Market share in cigarettes category (JT estimate)

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

Pharmaceutical Business

Clinical Development as of October 31, 2019

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Note
JTE-052 (delgocitinib)	Atopic dermatitis/Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	NDA filed (Japan)	In-house Co-development with Torii *Pediatric : Phase3 (In-house)
	Autoimmune/allergic diseases /Oral, Topical			Phase1 (Japan)	In-house
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.	Phase3 (Japan) Phase1 (Overseas)	In-house Co-development with Torii
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase2 (Overseas)	In-house
JTE-451	Autoimmune/allergic diseases /Oral	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ 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 γ antagonist	Suppresses overactive immune response via inhibition of ROR γ 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	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 July 31, 2019:

<In-house development>

- JTE-761 has entered the clinical trial stage (Phase1) in overseas.

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 combustible products which includes fine cut tobacco, cigars, pipe tobacco, snus and kretek, but excludes contract manufactured products, waterpipe tobacco and RRP.
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 Sep. end*: Short-term bank loans + CP + bonds + long-term borrowings *Lease obligations are excluded from interest-bearing debt for 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.

Contacts:

Media and Investor Relations Division
Japan Tobacco Inc.

Investors:

Tatsuya Tsukuura, General Manager
Tokyo: +81-3-5572-3750
E-mail: jt.ir@jt.com

Media:

Masahito Shirasu, General Manager
Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com

Akemi Nishizaki, IR Director

Geneva: +41-22-703-0025

E-mail: jt.ir@jt.com