



Tokyo, July 31, 2020

2020 Second Quarter Results

Year-to-Date Highlights (vs. 2019)

- Revenue decreased 2.7% to JPY 1,030.2 billion.
 - The effects of COVID-19 were most prevalent from April to June 2020 and is estimated to have had a negative impact of about JPY 35 billion (over 3%).
- Adjusted operating profit at constant currency increased 7.5% to JPY 309.3 billion.
- On a reported basis, adjusted operating profit was almost flat at JPY 287.6 billion.
- Operating profit decreased 19.1% to JPY 252.0 billion.
- Profit attributable to owners of the parent company decreased 23.8% to JPY 172.5 billion.
- The Company announced to offer an interim dividend of JPY 77.

FY2020 Forecasts (vs. Initial Forecast)

- FY forecasts are revised taking into account the performance in the first half of 2020, COVID-19 effects and revised assumptions of foreign currencies.
- Adjusted operating profit at constant currency is revised downward by JPY 7 billion.
- Forecasts are revised for adjusted operating profit on a reported basis (down JPY 46 billion), operating profit (down JPY 49 billion) and profit attributable to owners of the parent (down JPY 19 billion), mainly due to the negative effects of foreign currencies.
- As announced in the initial forecast, the Company plans to offer an annual dividend of JPY 154.

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

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

"Amidst the ongoing COVID-19 pandemic, we continue to prioritize the safety of all our colleagues and stakeholders, and we remain committed to investing in communities where we operate in by further extending our support.

"Although the tobacco industry was not immune to the impact of the pandemic, our performance was resilient during the first half of 2020. JT Group maintained solid business momentum and delivered robust growth in adjusted operating profit at constant currency driven by pricing gains in the international tobacco business.

"We have revised our forecasts based on reasonable assumption to date considering the current momentum, business environment and widening impact of currency volatility among other aspects. We believe that our solid business momentum will continue, despite of the COVID-19 challenges on our top-line.

"The situation remains very volatile and needs to be closely monitored. We will continue to respond to evolving consumer needs and changes to their behavior with flexibility and agility."

Investors' Meeting

An investors' meeting (phone conference) with members of the investor community will be held in Japanese only on July 31, 2020 at 5:00pm Tokyo Time. The on-demand audio in English translation 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/>).

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FY2020 Q2 Financial Results

Consolidated Results

(billions of JPY)	2019 Q2	2020 Q2	Variance	2019 YTD	2020 YTD	Variance
Revenue	553.1	510.6	-7.7%	1,058.5	1,030.2	-2.7%
Adjusted operating profit	149.0	140.8	-5.5%	287.8	287.6	-0.1%
Operating profit	128.7	123.0	-4.4%	311.3	252.0	-19.1%
Profit attributable to owners of the parent	105.6	86.1	-18.5%	226.5	172.5	-23.8%
Adjusted operating profit at constant FX	149.0	151.1	+1.4%	287.8	309.3	+7.5%

2020 Q2

- **Revenue**
Revenue decreased 7.7% to JPY 510.6 billion due to revenue declines in the Japanese-domestic tobacco and processed food businesses, which were impacted by the restrictions on non-essential outings during the declaration of a state of emergency, and the pharmaceutical business. In the international tobacco business, its robust momentum could not completely offset the negative impacts of both COVID-19 and foreign currencies.
- **Adjusted Operating Profit**
At constant currency, adjusted operating profit increased 1.4% to JPY 151.1 billion, driven by the favorable pricing gains year-on-year in the international tobacco business and an increase in the pharmaceutical business, exceeding the decline in the Japanese-domestic and processed food businesses.
On the other hand, adjusted operating profit on a reported basis decreased 5.5% to JPY 140.8 billion, due to the negative impact of foreign currencies in the international tobacco business.
- **Operating Profit**
Operating profit decreased 4.4% to JPY 123.0 billion, due to a lower adjusted operating profit, partially offset by a favorable year-on-year comparison of costs related to the structural business reforms at our subsidiary, Torii Pharmaceutical.
- **Profit Attributable to Owners of the Parent**
Profit attributable to owners of the parent decreased 18.5% to JPY 86.1 due to an unfavorable comparison of tax rates to the previous year causing an increase in income tax expenses; as well as an increase in financing costs.

2020 YTD

- **Revenue**
Revenue decreased 2.7% to JPY 1,030.2 billion due to revenue decline in the Japanese-domestic and processed food businesses, which were impacted by the restrictions on non-essential outings during the declaration of a state of emergency; and revenue decline the pharmaceutical business, although the businesses' declines were partially offset by the revenue increase in the international tobacco business. The effects of COVID-19 were most prevalent from April to June and is estimated to have had a negative impact of about JPY 35 billion, or over 3%.

- **Adjusted Operating Profit**

At constant currency, adjusted operating profit increased 7.5% to JPY 309.3 billion, as solid pricing gains in the international tobacco business in the first half of 2020 and an increase in the pharmaceutical business surpassed the decline in the Japanese-domestic tobacco and processed food businesses declined, mainly due to the negative impacts of COVID-19.

On a reported basis, adjusted operating profit was almost flat year-on-year at JPY 287.6 billion, as a result of the positive performance in the international tobacco business offsetting the negative impact of foreign currencies.

- **Operating Profit**

Operating profit decreased 19.1% to JPY 252.0 billion, due to an unfavorable comparison of the one-time compensation gain in the pharmaceutical business in the previous year.

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

Profit attributable to owners of the parent decreased 23.8% to JPY 172.5 billion due to factors including lower operating profit and higher financing costs.

Results by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2019 Q2	2020 Q2	Variance	2019 YTD	2020 YTD	Variance
Total shipment volume	117.8	107.8	-8.5%	222.5	211.9	-4.8%
GFB shipment volume	71.9	68.8	-4.4%	136.3	136.3	-0.0%
Core revenue	320.7	314.0	-2.1%	607.5	626.1	+3.1%
Adjusted operating profit	96.2	110.3	+14.6%	185.4	214.3	+15.6%

Reference (millions of USD)

Core revenue	2,919	2,918	-0.0% (+5.4%)*	5,520	5,784	+4.8% (+9.5%)*
Adjusted operating profit	876	1,025	+17.0% (+25.3%)*	1,685	1,980	+17.6% (+27.3%)*

*at constant FX

2020 Q2

- Volume and Market share**

Total shipment volume declined 8.5%, mainly due to an unfavorable year-on-year comparison in Bangladesh and Turkey; travel restrictions negatively impacting Duty-Free and selected markets like Spain; as well as industry volume decline in several markets, notably Russia, and unfavorable inventory movements. COVID-19 impact on shipment volume was negative, notably towards the Duty-Free business and the industry volume in several emerging markets. Excluding inventory movements, total shipment volume decreased 7.6%. GFB shipment volume decreased 4.4%. Quarterly market share gains continued across many geographies, notably Austria, Canada, Czech Republic, France, Germany, Hungary, Iran, Italy, Kazakhstan, Malaysia, Poland, Romania, Spain, Taiwan and the UK.

- Core revenue and Adjusted operating profit**

Core revenue decreased 2.1% due to currency headwinds offsetting a positive price/mix variance. Adjusted operating profit increased 14.6%, driven by a favorable price/mix variance and a sequential cost improvement.

On a USD basis, core revenue was stable as a favorable price/mix variance of USD 269 million, notably from Canada, Indonesia, Iran, the Philippines, Russia, and Turkey, was offset by a negative volume contribution of USD 111 million and unfavorable currencies of USD 159 million. Excluding currencies, core revenue grew 5.4%. Adjusted operating profit increased significantly by 17.0%, driven by a favorable price/mix variance of USD 270 million which more than offset a negative volume contribution of USD 32 million. Excluding an unfavorable currency impact of USD 73 million, mainly from IRR, RUB and TRY, adjusted operating profit grew 25.3%.

2020 YTD

- Volume and Market share¹**

Total shipment volume declined 4.8%, due notably to an unfavorable year-on-year comparison in Bangladesh and Turkey; travel restrictions negatively impacting Duty-Free; industry volume contraction in several markets, notably Russia. COVID-19 impact on shipment volume was negative, notably towards the Duty-Free business and the industry volume in several emerging markets. Excluding favorable inventory movements, total shipment volume declined 5.2%. GFB shipment

volume was flat, with the robust performance of Winston (+1.4%) and LD (+2.7%). Market share gains continued across many geographies, notably in Austria, Belgium, Canada, Czech Republic, France, Germany, Hungary, Iran, Italy, Kazakhstan, Malaysia, Poland, Romania, Spain, Taiwan and the UK.

- **Core revenue and Adjusted operating profit**

Core revenue and adjusted operating profit increased 3.1% and 15.6% respectively driven by a favorable price/mix contribution more than offsetting negative volume and currency headwinds. COVID-19 negatively impacted core revenue by around JPY 20 billion.

On a USD basis, core revenue increased 4.8%, driven by a significantly favorable price/mix variance of USD 574 million, notably from Iran, the Philippines, Romania, Russia and Turkey, which was partially offset by a negative volume contribution of USD 49 million and unfavorable currencies of USD 261 million. Excluding currencies, core revenue grew 9.5%. Adjusted operating profit was up 17.6%, driven by a favorable price/mix variance of USD 569 million and positive volume contribution of USD 17 million. Excluding the unfavorable currency impact of USD 164 million, mainly from IRR, RUB and TRY, adjusted operating profit grew 27.3%.

International Tobacco Business (Quarterly) Performance Review by Cluster

South and West Europe

(billions of Units, millions of USD)	2019 Q2	2020 Q2	Variance
Total shipment volume	16.7	16.3	-2.2%
GFB shipment volume	13.4	13.7	+2.2%
Core revenue	520	493	-5.2% (-4.1%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume decreased 2.2%, due to industry volume contraction and unfavorable inventory movements. Excluding inventory movements, total shipment volume was up 0.5% driven by GFB market share gains, resulting in GFB shipment volume growing 2.2%. Market share increased in Belgium, France, Greece, Italy, Luxemburg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue declined 5.2%, due to a negative volume contribution of USD 21 million, notably from Italy and Spain. Excluding unfavorable currency movements of USD 6 million, core revenue decreased 4.1%.

- **By market**

In France, total, GFB and fine cut shipment volumes grew 20.9%, 26.2% and 38.3%, respectively, driven by improved industry volume trends and continued quarterly share gains from Winston and Camel. Currency-neutral core revenue grew, driven by favorable volume and price/mix variance. Year-to-date shipment volumes were up 13.5%, 16.0% and 25.3% in total, GFB and fine cut respectively. Year-on-year market share increased 1.6ppt to 25.2%, fueled by GFBs.

In Italy, both total and GFB shipment volumes decreased 7.6%, due to industry volume contraction and unfavorable inventory movements. Excluding inventory movements, total shipment volume

declined 3.0% despite quarterly market share gains. Fine cut shipment volume increased 2.4%. Currency-neutral core revenue declined due to unfavorable volume and price/mix contributions. Year-to-date shipment volumes grew 1.3%, 2.4% and 14.5% in total, GFB and fine cut respectively. Year-on-year market share increased 0.7ppt to 24.9%, led by Winston.

In Spain, total and GFB shipment volumes decreased 18.3% and 11.0%, respectively, due to industry volume decline related to travel restrictions and unfavorable inventory movements. Excluding inventory movements, total shipment volume declined 11.7%, despite quarterly market share gains. Fine cut shipment volume was up 2.4%. Currency-neutral core revenue decreased, due to unfavorable volume and price/mix contributions. Year-to-date total shipment volume declined 2.1%, while GFB and fine cut shipment volume increased 2.1% and 9.6%, respectively. Year-on-year market share increased 0.7ppt to 25.9%, led by Winston and Camel.

North and Central Europe

(billions of Units, millions of USD)	2019 Q2	2020 Q2	Variance
Total shipment volume	14.2	15.7	+10.7%
GFB shipment volume	7.4	8.1	+10.3%
Core revenue	558	609	+9.1% (+12.8%)*

*at constant FX

- **Volume and market share¹**

Total and GFB shipment volumes increased 10.7% and 10.3%, respectively, notably driven by Austria, Germany, Ireland, Poland and the UK. Market share grew in Austria, Czech Republic, Germany, Hungary, Ireland, Poland, Sweden and the UK.

- **Core revenue**

Core revenue grew 9.1% driven by a favorable volume contribution of USD 80 million, notably from Germany and the UK, more than offsetting a negative price/mix variance of USD 9 million and unfavorable currencies of USD 21 million. Excluding currencies, core revenue increased 12.8%.

- **By market**

In Germany, total, GFB and fine cut shipment volumes increased 11.7%, 17.5% and 19.1%, respectively, driven by improved industry volume trends and market share gains. Currency-neutral core revenue grew driven by positive volume and price/mix contributions. Year-to-date shipment volumes grew 9.8%, 20.4% and 14.4% in total, GFB and fine cut respectively. Year-on-year market share grew 0.4ppt to 8.6% driven by Winston.

In the UK, total and fine cut shipment volumes increased 19.5% and 39.8%, respectively, driven by improved industry volume trends, notably the non-UK duty paid volume return, and market share gains. Currency-neutral core revenue increased, driven by favorable volume contribution. Year-to-date shipment volumes grew 14.8% and 30.0% in total and fine cut respectively. Year-on-year market share was up 1.9ppt to 44.3%, driven mainly by Sterling in fine cut.

CIS+

(billions of Units, millions of USD)	2019 Q2	2020 Q2	Variance
Total shipment volume	36.0	32.1	-10.9%
GFB shipment volume	24.6	21.7	-11.7%
Core revenue	753	714	-5.1% (+3.9%)*

*at constant FX

- **Volume and market share¹**

Total and GFB shipment volumes decreased 10.9% and 11.7%, respectively, due to industry volume decline and unfavorable inventory movements. Excluding unfavorable inventory movements, total shipment volume declined 10.7%. Market share grew in Kazakhstan, Romania and Ukraine.

- **Core revenue**

Core revenue decreased 5.1% as a favorable price/mix variance of USD 127 million, mainly from Russia and Romania, was unable to offset a negative volume contribution of USD 98 million and unfavorable currencies of USD 68 million. Excluding currencies, core revenue increased 3.9%.

- **By market**

In Romania, total and GFB shipment volumes decreased 1.1% and 2.5%, respectively, due to lower industry volume, despite recurring market share gains. Positive price/mix variance drove an increase in currency-neutral core revenue. Year-to-date shipment volumes grew 7.0% and 5.1% in total and GFB respectively. Year-on-year market share reached 28.3%, an increase of 0.8ppt driven by Winston and Sobranie

In Russia, total and GFB shipment volumes were down 13.7% and 11.7%, respectively, due to a cigarette industry volume contraction, estimated² at 8.3%, resulting partially from an increase in illicit trade and in the RRP category, as well as a 1.4ppt market share loss in the quarter following an unfavorable price differential. Excluding unfavorable inventory movements, total shipment volume declined 13.5%. Currency-neutral core revenue grew, driven by a positive price/mix variance. Year-to-date total and GFB shipment volumes declined 10.4% and 13.6%, respectively. Despite a stabilization over the last three quarters, year-on-year market share declined to 38.5%.

Rest-of-the-World

(billions of Units, millions of USD)	2019 Q2	2020 Q2	Variance
Total shipment volume	51.0	43.8	-14.2%
GFB shipment volume	26.6	25.3	-4.9%
Core revenue	1,088	1,102	+1.3% (+7.2%)*

*at constant FX

- **Volume and market share¹**

Total and GFB shipment volumes decreased 14.2% and 4.9%, respectively, due mainly to an unfavorable year-on-year comparison in Bangladesh and Turkey, travel restrictions negatively impacting Duty-Free, lower industry volume in several emerging markets and unfavorable inventory

movements. Excluding inventory movements, total shipment volume declined 13.2% despite growth in Canada, Iran, Jordan, Malaysia, the Philippines and Taiwan. Market share increased across many markets, notably in Algeria, Cambodia, Canada, Iran, Malaysia, Morocco, Saudi Arabia, Singapore, Taiwan and the USA.

- **Core revenue**

Core revenue increased 1.3%, driven by a favorable price/mix variance of USD 151 million, notably in Canada, Indonesia, Iran, the Philippines and Turkey, more than offsetting a negative volume contribution of USD 72 million and unfavorable currencies of USD 64 million. Excluding currencies, core revenue increased 7.2%.

- **By market**

In Iran, total and GFB shipment volumes increased 5.6% and 6.3%, respectively, driven by continued market share gains and favorable inventory movements. Excluding inventory movements, total shipment volume grew 4.8%. Currency-neutral core revenue increased, fueled by volume and price/mix contributions. Year-to-date total and GFB shipment volumes were up 9.9% and 12.7%, respectively. Year-on-year market share continued to increase and was up 3.1ppt, reaching 60.6%, driven by Winston and Camel.

In Taiwan, total and GFB shipment volumes grew 9.5% and 7.4%, respectively, driven by improved industry volume trends, resulting from a larger domestic duty paid volume, partially offset by unfavorable inventory movements. Excluding inventory movements, total shipment volume was up 11.9%. Currency-neutral core revenue increased, driven by favorable volume and price/mix variance. Year-to-date total and GFB shipment volumes grew 6.0% and 4.6%, respectively. Year-on-year market share increased by 2.6ppt to 46.5%, driven by LD and Winston.

In Turkey, total and GFB shipment volumes declined 25.9% and 24.1%, respectively, notably due to an unfavorable year-on-year comparison related to a tax-led pricing. Excluding unfavorable inventory movements, total shipment volume decreased 18.8%. Currency-neutral core revenue decreased as a solid price/mix variance could not offset the unfavorable volume contribution. Year-to-date total and GFB shipment volumes decreased 19.4% and 17.0%, respectively. Year-on-year market share decreased 0.9ppt to 26.7%, despite an improvement in June.

¹Source: 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 June 2020. Greece, Hungary, Iran, Kazakhstan, Romania, Spain and Switzerland are on a 12-month rolling average at the end of May 2020. 12-month share of market growth for 2020 markets is calculated against a 12-month share of market at the end of respective period in 2019.

² Source: JTI estimates based on April-June 2020 cigarette data versus the same period last year.

Japanese-Domestic Tobacco Business

(billions of units, billions of JPY)	2019 Q2	2020 Q2	Variance	2019 YTD	2020 YTD	Variance
Cigarette industry volume³	31.8	28.2	-11.2%	61.2	57.0	-6.9%
Cigarette sales volume	19.4	17.0	-12.6%	37.3	34.2	-8.6%
Core revenue	148.9	123.0	-17.4%	282.3	248.8	-11.9%
Adjusted operating profit	58.2	38.6	-33.7%	109.2	81.8	-25.1%

2020 Q2

- **Cigarette sales volume**

Cigarette industry volume³ decreased 11.2% to 28.2 billion units due to the growth in the RRP category, the natural decline trend, the impact of consumption tax-led price revisions in October 2019 as well as regulatory changes in April 2020. In addition, temporarily weaker cigarette demand and increased RRP demand caused by restrictions on non-essential outings during the national declaration of a state of emergency in April and May 2020 negatively impacted industry volume.

Cigarette sales volume decreased 12.6% to 17.0 billion units due to the cigarette industry volume contraction and a loss in market share.

Cigarette market share³ declined by 1.0ppt year-on-year, down to 60.1% from continued competition in the value segment. The share, however, has increased quarter-on-quarter.

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

Overall RRP market size³ in Japan is estimated at c.26% (shipment basis) of the total tobacco industry volume. JT RRP sales volume increased by 0.2 billion year-on-year to 0.9 billion units. JT's market share³ in the RRP category is estimated at c.10% on an offtake basis.

In July, Ploom S 2.0, an upgraded Heated Tobacco device, was launched.

- **Core revenue and Adjusted operating profit**

Core revenue declined 17.4%, mainly due to an unfavorable cigarette sales volume variance of JPY 15.6 billion; an unfavorable cigarette price/mix variance of JPY 0.8 billion attributed to tax absorption for certain products following the 2019 consumption tax increases; a decrease in RRP-related revenue; and lower Duty-Free and China businesses sales. RRP-related revenue decreased by JPY 5.1 billion year-on-year to JPY 13 billion, mainly due to a decline in sales of devices, despite the increase in RRP volume.

Adjusted operating profit decreased 33.7% due to an unfavorable cigarette sales volume variance of JPY 12.9 billion; an unfavorable cigarette price/mix variance of JPY 0.8 billion; a decrease in RRP related revenue; lower Duty-Free and China businesses sales; and an increase in sales and promotion activities for RRP and little cigars.

2020 YTD

- **Cigarette sales volume**

Cigarette industry volume³ decreased 6.9% to 57 billion units due to the growth in the RRP category, the natural decline trend, the impact of consumption tax-led price revisions in October 2019 as well as regulatory changes in April 2020. In addition, temporarily weaker cigarette demand and increased RRP demand caused by restrictions on non-essential outings during the national declaration of a state of emergency during Q2 negatively impacted industry volume.

Cigarette sales volume decreased 8.6% to 34.2 billion units due to cigarette industry volume contraction and a loss in market share.

Cigarette market share³ declined by 1.1ppt, down to 59.9% due to continued competition in the value segment.

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

Overall RRP market size³ in Japan is estimated at c.25% (shipment basis) of the total tobacco industry volume. JT RRP sales volume increased by 0.4 billion year-on-year to 1.8 billion units. JT's market share³ in the RRP category is estimated at c.10% on an offtake basis.

- **Core revenue and Adjusted operating profit**

Core revenue declined 11.9% mainly due to an unfavorable cigarette sales volume variance of JPY 20.4 billion; an unfavorable cigarette price/mix variance of JPY 2.2 billion attributed to tax absorption for certain products following the 2019 consumption tax increases; a decrease in RRP-related revenue; and lower Duty-Free and China businesses sales. RRP-related revenue decreased by JPY 4.5 billion year-on-year to JPY 25.9 billion mainly due to a decline in sales of devices, despite the increase in RRP volume. COVID-19 is estimated to have negatively impacted the top-line by over JPY 10 billion, of which about half is attributed to Duty-Free and China businesses.

Adjusted operating profit decreased 25.1% due to an unfavorable cigarette sales volume variance of JPY 16.8 billion; an unfavorable cigarette price/mix variance of JPY 2.2 billion; a decrease in RRP related revenue; lower Duty-Free and China businesses sales; and an increase in sales and promotion activities for RRP and little cigars.

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)	2019 Q2	2020 Q2	Variance	2019 YTD	2020 YTD	Variance
Revenue	19.0	16.5	-13.0%	41.8	37.3	-10.8%
Adjusted operating profit	1.2	1.4	+9.0%	5.7	7.9	+38.8%

2020 Q2

- Revenue and Adjusted operating profit**

Revenue decreased 13.0% mainly due to lower overseas royalty income.

Adjusted operating profit increased 9.0%, mainly due to lower R&D expenditures marked by the completion of trials for the clinical development of the product for which manufacturing and marketing application are submitted and earnings growth in our subsidiary, Torii Pharmaceutical, partially offset by a decrease in overseas royalty income.

2020 YTD

- Revenue and Adjusted operating profit**

Revenue decreased 10.8% and adjusted operating profit increased 38.8% for the reasons mentioned above. COVID-19 is not seen as having had material impact on the top-line.

Processed Food Business

(billions of JPY)	2019 Q2	2020 Q2	Variance	2019 YTD	2020 YTD	Variance
Revenue	39.4	35.1	-11.0%	75.4	71.8	-4.8%
Adjusted operating profit	1.3	-0.1	-	1.6	0.3	-78.2%

2020 Q2

- Revenue and Adjusted operating profit**

Revenue was impacted by restrictions on non-essential outings mainly during the national declaration of a state of emergency in April and May 2020. Revenue decreased 11.0%, due to the decline in sales related to lower demand for food-service products in the frozen and ambient food as well as the seasonings businesses, in addition to the decline of demand and sales in the bakery business. This was partially offset by stronger demand for sales of household products in the frozen and ambient food business.

Adjusted operating profit decreased by JPY 1.4 billion resulting in a loss of JPY 0.1 billion, due to the decrease in sales, partially offset by improvements in product mix.

2020 YTD

- Revenue and Adjusted operating profit**

Revenue decreased 4.8% and adjusted operating profit decreased by JPY 1.3 billion for the reasons mentioned above. COVID-19 is estimated to have negatively impacted the top-line by about JPY 4 billion.

Assumptions for Forecast Revision

We have revised our 2020 full year forecasts by making a certain range of assumptions and reflecting their potential future impacts, taking into consideration of the prevalence of impacts from COVID-19 in the first half of 2020. The assumptions include that lockdown measures that are still in force in some countries and regions will be lifted gradually, and that the economy will make a U-shaped recovery following the most severely affected April-June period, but those effects will continue to have a certain degree of impact on economic activities throughout the year. Moreover, we have not included possible effects associated with additional lockdowns or declarations of a state of emergency.

FY2020 Forecasts

Consolidated

(billions of JPY)	2020 Forecast		Variance vs. Initial Forecast	Variance vs. 2019 Results
	Initial	Revised		
Revenue	2,180.0	2,010.0	-170.0	-7.6%
Adjusted operating profit	503.0	457.0	-46.0	-11.4%
Operating profit	471.0	422.0	-49.0	-16.0%
Profit attributable to owners of the parent	305.0	286.0	-19.0	-17.9%
Adjusted operating profit at constant FX	516.0	509.0	-7.0	-1.3%

- **Revenue**
Revenue forecast is revised downward by JPY 170.0 billion to JPY 2,010.0 billion, resulting in a 7.6% decline year-on-year due to revised assumptions in negative currency movements; revised assumption in sales volume in the Japanese-domestic and international tobacco businesses, as well as a downward revision in the processed food business, both associated with the effects of COVID-19.
- **Adjusted Operating Profit**
Adjusted operating profit at constant currency is revised downward by JPY 7.0 billion to JPY 509.0 billion, resulting in a 1.3% decline year-on-year, with the upward revision in the pharmaceutical business partially offsetting the downward revision in the Japanese-domestic and processed food businesses as a result of the impacts of COVID-19.
On a reported basis, adjusted operating profit is revised downward by JPY 46.0 billion to JPY 457.0 billion, an 11.4% decline year-on-year, as a result of the downward revision in the adjusted operating profit on a constant currency basis, as well as the revised currency assumptions.
- **Operating Profit and Profit Attributable to Owners of the Parent**
Operating profit is revised downward by JPY 49.0 billion to JPY 422.0 billion, resulting in a 16.0% decline year-on-year, mainly due to the downward revision in the adjusted operating profit.
Profit attributable to owners of the parent is revised downward by JPY 19.0 billion to JPY 286.0 billion, a 17.9% decline year-on-year, as a result of a lower operating profit partially offset by lower corporate tax burden.

Forecasts by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2020 Forecast		Variance vs. Initial Forecast	Variance vs. 2019 Results
	Initial	Revised		
Total shipment volume	Circa -3%	Circa -6%		
GFB shipment volume	Circa +1%	Circa -3%		
Core revenue	1,300.0	1,170.0	-130.0	-6.6%
Adjusted operating profit	361.0	323.0	-38.0	-5.2%

Reference (millions of USD)

Core revenue	12,000	10,900	-1,100	-5.2% (+0.9%)*
Adjusted operating profit	3,350	3,000	-350	-4.0% (+10.0%)

*at constant FX

- **Volume**

Despite positive market share performances in many markets, the forecasts for total and GFB shipment volumes are revised downwards to account for the first half performance, continued impact from travel restrictions on Duty-Free volume, as well as lower industry volume in Russia and several other emerging markets. As a result, total shipment volume is now expected to decline approximately 6% while GFB shipment volume is forecast to decline circa 3%.

- **Core revenue and Adjusted operating profit**

On a JPY basis, the forecasts for core revenue and adjusted operating profit are revised downward by JPY 130 billion and JPY 38 billion respectively, mainly driven by revised FX assumptions. As a result, core revenue will decline 6.6% and adjusted operating profit will decline 5.2% versus the previous year.

On a USD basis, constant currency core revenue is revised downwards by USD 500 million, due to lower shipment volume, resulting in a 0.9% increase versus the previous year. Reported core revenue is revised downwards by USD 1,100 million to account for larger unfavorable currency movements, notably IRR and RUB and is now forecast to decrease 5.2% versus the previous year. Reported adjusted operating profit is revised downwards by USD 350 million and is now expected to decline 4.0% versus the previous year. The guidance for the adjusted operating profit at constant currency remains unchanged at 10.0% growth despite downward revision of core revenue and continued investments. This guidance is backed by cost improvements in the first half and favorable price/mix despite increased down-trading.

Japanese-Domestic Tobacco Business

(billions of JPY)	2020 Forecast		Variance vs.	Variance vs.
	Initial	Revised	Initial Forecast	2019 Results
Cigarette industry volume⁴	Decline over 5.0%	Decline circa 8.5%		
Cigarette sales volume	Decline circa 6.0%	Decline over 8.5%		
Core revenue	540.0	510.0	-30.0	-10.4%
Adjusted operating profit	170.0	160.0	-10.0	-14.5%

- **Volume**

The cigarette industry volume⁴ decline assumption is revised from over 5.0% to c. 8.5% mainly reflecting temporarily weaker cigarette demand and increased RRP demand caused by restrictions on non-essential outings in the first half of 2020. JT's estimate for overall RRP market size⁴ remains unchanged at c.25% of the 2020 full year total tobacco market although there was a temporary increase in RRP demand during restrictions on non-essential outings in the first half of 2020. The total tobacco industry volume⁴ decline assumption is revised from c. 3.5% to c.5.0%, mainly due to the negative impact by temporary expansion of decline rates in its industry volume during restrictions on non-essential outings and the national declaration of a state of emergency in April and May 2020.

The assumption on JT cigarette sales volume decline is revised from c.6.0% to over 8.5% reflecting the revision in cigarette industry volume assumption. Considering the performance in the first half of 2020, the JT RRP sales volume estimate remains unchanged at over 3.5 billion units.

- **Core revenue and Adjusted operating profit**

The core revenue forecast is revised downward by JPY 30.0 billion now representing a decrease of 10.4% versus the previous year. This is due to the negative impact of COVID-19 on the top-line in the Duty-Free business, which for its size has been disproportionately affected, as well as to the temporary impact of expanding decline rates in tobacco industry volume in the domestic market.

Adjusted operating profit forecast is also revised downward by JPY 10.0 billion now representing a decrease of 14.5% versus the previous year considering the impact on the top-line in the Duty-Free business despite the efforts of cost reduction in the domestic market to mitigate the temporary impact on top-line.

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

Pharmaceutical Business

(billions of JPY)	2020 Forecast		Variance vs. Initial Forecast	Variance vs. 2019 Results
	Initial	Revised		
Revenue	76.0	76.0	-	-14.2%
Adjusted operating profit	10.0	13.0	+3.0	-18.5%

- **Revenue and Adjusted operating profit**

The revenue forecast remains unchanged representing a decrease of 14.2% versus the previous year. Adjusted operating profit forecast is revised upward by JPY 3.0 billion. This reflects a decrease in R&D expenditures and cost reduction in our subsidiary, Torii Pharmaceutical, due to operational restrictions associated with the spread of COVID-19. Overall, mainly due to lower overseas royalty income, the forecast still represents a decrease of 18.5% versus the previous year.

Processed Food Business

(billions of JPY)	2020 Forecast		Variance vs. Initial Forecast	Variance vs. 2019 Results
	Initial	Revised		
Revenue	160.0	153.0	-7.0	-3.5%
Adjusted operating profit	5.0	3.0	-2.0	-44.8%

- **Revenue and Adjusted operating profit**

The forecast for revenue is revised downward by JPY 7.0 billion now representing a decrease of 3.5% versus the previous year. This reflects weaker demand and sales in food-service products in both the frozen and ambient food as well as the seasonings businesses in addition to the bakery business during restrictions on non-essential outings. The negative impact to top-line for the food-service products and bakery business is expected to bottom out in Q2 and gradually recover. Household products in the frozen and ambient food business is assumed to be at levels equivalent to the initial forecast in the second half of 2020.

The adjusted operating profit forecast is revised downward by JPY 0.2 billion now representing a decrease of JPY 2.4 billion versus the previous year, reflecting the downward revision on revenue despite the improvement in product mix as well as cost reduction initiatives.

Data Sheets

Results for 2020 Second Quarter

1. Summary of Consolidated results

(Unit: JPY billion)

	2019 Q2 YTD	2020 Q2 YTD	Variance (abs)	Variance (%)
Revenue	1,058.5	1,030.2	-28.3	-2.7%
Operating profit	311.3	252.0	-59.3	-19.1%
Adjusted operating profit	287.8	287.6	-0.2	-0.1%
Profit before income taxes	290.6	226.0	-64.7	-22.2%
Profit	238.4	173.4	-65.1	-27.3%
Profit (attributable to owners of the parent company)	226.5	172.5	-54.0	-23.8%
Basic EPS*(JPY)	127.23	97.23	-30.00	-23.6%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2019 Q2 YTD	2020 Q2 YTD	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	287.8	309.3	+21.5	+7.5%

2. Results by business segment

(Unit: JPY billion)

	2019 Q2 YTD	2020 Q2 YTD	Variance (abs)	Variance (%)
Revenue	1,058.5	1,030.2	-28.3	-2.7%
Japanese-domestic tobacco	302.7	267.7	-35.0	-11.6%
Core revenue	282.3	248.8	-33.5	-11.9%
International tobacco	635.7	651.9	+16.3	+2.6%
Core revenue	607.5	626.1	+18.6	+3.1%
Pharmaceutical	41.8	37.3	-4.5	-10.8%
Processed food	75.4	71.8	-3.6	-4.8%
Others	2.9	1.4	-1.5	-50.9%
Consolidated: operating profit	311.3	252.0	-59.3	-19.1%
Japanese-domestic tobacco	101.1	73.7	-27.4	-27.1%
International tobacco	158.7	187.3	+28.6	+18.0%
Pharmaceutical	62.5	7.2	-55.3	-88.5%
Processed food	1.4	0.3	-1.1	-75.6%
Others/Elimination	-12.4	-16.5	-4.1	-
Adjustments, total	23.5	-35.6	-59.2	-
Japanese-domestic tobacco	-8.1	-8.1	-0.0	-
International tobacco	-26.7	-27.0	-0.3	-
Pharmaceutical	56.8	-0.7	-57.5	-
Processed food	-0.2	-0.0	+0.2	-
Others/Elimination	1.7	0.2	-1.4	-
Consolidated: adjusted operating profit	287.8	287.6	-0.2	-0.1%
Japanese-domestic tobacco	109.2	81.8	-27.4	-25.1%
International tobacco	185.4	214.3	+28.9	+15.6%
Pharmaceutical	5.7	7.9	+2.2	+38.8%
Processed food	1.6	0.3	-1.3	-78.2%
Others/Elimination	-14.1	-16.8	-2.7	-

[Reference] International tobacco business

(Unit: USD million)

	2019 Q2 YTD	2020 Q2 YTD	Variance (abs)	Variance (%)
Core revenue	5,520	5,784	+264	+4.8%
Core revenue at constant FX	5,520	6,045	+525	+9.5%
Adjusted operating profit	1,685	1,980	+296	+17.6%
Adjusted operating profit at constant FX	1,685	2,144	+459	+27.3%

Results for 2020 Second Quarter

3. Depreciation and amortization*

(Unit: JPY billion)

	2019 Q2 YTD	2020 Q2 YTD	Variance (abs)
Consolidated depreciation and amortization	84.0	81.1	-2.9
Japanese-domestic tobacco	27.7	26.7	-1.0
International tobacco	49.2	47.4	-1.8
Pharmaceutical	2.8	2.6	-0.2
Processed food	3.4	3.3	-0.1
Others/Elimination	0.9	1.1	+0.1

*Excluding depreciation from lease transactions

4. Consolidated financial position

(Unit: JPY billion)

	2019 Dec. end	2020 Jun. end	Variance (abs)
Total assets	5,553.1	5,347.2	-205.9
Total equity	2,743.6	2,624.0	-119.6
Equity attributable to owners of the parent	2,662.7	2,544.7	-118.0
BPS (attributable to owners of the parent) (JPY)	1,501.12	1,434.25	-66.87

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2019 Dec. end	2020 Jun. end	Variance (abs)
Liquidity	375.8	424.7	+48.9
Interest-bearing debt	974.5	1,081.5	+107.0

6. Consolidated cash flow

(Unit: JPY billion)

	2019 Q2 YTD	2020 Q2 YTD	Variance (abs)
Cash flows from operating activities	221.9	126.6	-95.3
Cash flows from investing activities	-82.3	-27.9	+54.4
Cash flows from financing activities	-104.0	-25.0	+79.1
Cash and cash equivalents, beginning of the year	282.1	357.2	+75.1
Foreign currency translation adj. on cash & cash equivalents	-8.5	-23.2	-14.7
Cash and cash equivalents, end of the year	309.2	407.7	+98.6
FCF	132.3	93.1	-39.2

7. Capital expenditures

(Unit: JPY billion)

	2019 Q2 YTD	2020 Q2 YTD	Variance (abs)
Consolidated	56.5	45.5	-11.0
Japanese-domestic tobacco	17.4	8.7	-8.7
International tobacco	28.9	22.9	-6.0
Pharmaceutical	4.3	7.8	+3.5
Processed food	2.9	4.0	+1.1
Others/Elimination	3.0	2.1	-0.9

8. FX actual (Reference information)

	2019 Q2 YTD	2020 Q2 YTD	Variance (abs)	Variance (%)
USD/JPY	110.06	108.23	-1.83	-1.7%
USD/RUB	65.34	69.24	+3.90	-5.6%
USD/GBP	0.77	0.79	+0.02	-2.6%
USD/EUR	0.89	0.91	+0.02	-2.5%
USD/CHF	1.00	0.97	-0.03	+3.5%
USD/TWD	30.96	30.01	-0.95	+3.2%
USD/TRY	5.62	6.48	+0.86	-13.3%
USD/IRR	96,571	139,706	+43,135	-30.9%

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

FY2020 Revised Forecasts
(as of July 31, 2020)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,175.6	2,010.0	-165.6	-7.6%
Operating profit	502.4	422.0	-80.4	-16.0%
Adjusted operating profit	515.9	457.0	-58.9	-11.4%
Profit (attributable to owners of the parent company)	348.2	286.0	-62.2	-17.9%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	515.9	509.0	-6.9	-1.3%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS*	195.97	161.21	-34.76	-17.7%
DPS	154	154	-	-
ROE*	13.2%	11.2%	-2.0%pt	

*Based on profit attributable to owners of the parent company

3. Forecasts by business segment

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,175.6	2,010.0	-165.6	-7.6%
Japanese-domestic tobacco	611.5	550.0	-61.5	-10.1%
Core revenue	568.9	510.0	-58.9	-10.4%
International tobacco	1,310.9	1,230.0	-80.9	-6.2%
Core revenue	1,253.0	1,170.0	-83.0	-6.6%
Pharmaceutical	88.5	76.0	-12.5	-14.2%
Processed food	158.6	153.0	-5.6	-3.5%
Others	6.1	3.0	-3.1	-51.1%
Consolidated: operating profit	502.4	422.0	-80.4	-16.0%
Japanese-domestic tobacco	171.0	144.0	-27.0	-15.8%
International tobacco	274.0	273.0	-1.0	-0.4%
Pharmaceutical	72.7	12.0	-60.7	-83.5%
Processed food	5.5	3.0	-2.5	-45.7%
Others/Elimination	-20.8	-10.0	+10.8	-
Adjusted operating profit	515.9	457.0	-58.9	-11.4%
Japanese-domestic tobacco	187.2	160.0	-27.2	-14.5%
International tobacco	340.8	323.0	-17.8	-5.2%
Pharmaceutical	15.9	13.0	-2.9	-18.5%
Processed food	5.4	3.0	-2.4	-44.8%
Others/Elimination	-33.4	-42.0	-8.6	-

[Reference] International tobacco business

(Unit: USD million)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,496	10,900	-596	-5.2%
Core revenue at constant FX	11,496	11,600	+104	+0.9%
Adjusted operating profit	3,126	3,000	-126	-4.0%
Adjusted operating profit at constant FX	3,126	3,440	+314	+10.0%

FY2020 Revised Forecasts
(as of July 31, 2020)

4. Free cash flow

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)
FCF	404.2	350.0	-54.2

5. Capital expenditures

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)
Consolidated	131.4	123.0	-8.4
Japanese-domestic tobacco	34.8	26.0	-8.8
International tobacco	78.3	68.0	-10.3
Pharmaceutical	7.0	9.0	+2.0
Processed food	6.1	11.0	+4.9
Others/Elimination	5.2	9.0	+3.8

6. Assumptions of 2020 Forecast

2020 Japanese-domestic tobacco business

- Industry volume (JT estimate): a decline of c.5% (vs. 2019: 161.9 BnU)
- Cigarette industry volume (JT estimate): a decline of c.8.5% (vs. 2019 : 125.1 BnU)
 - JT cigarette sales volume : a decrease of over 8.5% (vs. 2019 : 75.5 BnU)
- Reduced-Risk Products market share in tobacco industry (JT estimate, Shipment base) : c.25% (2019: c.23%)
 - JT RRP sales volume : over 3.5 BnU stick equivalent

2020 International tobacco business

- Total shipment volume : a decrease of c.6% (vs. 2019: 445.8 BnU)
- GFB shipment volume : a decrease of c.3% (vs. 2019: 277.0 BnU)

<FX assumptions>

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	109.03	107.62	-1.41	-1.3%
USD/RUB	64.74	71.40	+6.66	-9.3%
USD/GBP	0.78	0.81	+0.03	-3.2%
USD/EUR	0.89	0.92	+0.03	-2.9%
USD/CHF	0.99	0.97	-0.02	+2.5%
USD/TWD	30.90	30.00	-0.90	+3.0%
USD/TRY	5.67	6.80	+1.13	-16.6%
USD/IRR	104,046	156,000	+51,954	-33.3%

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

**FY2020 Revised Forecasts
vs Initial Forecasts
(as of July 31, 2020)**

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2020 Initial Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,180.0	2,010.0	-170.0	-7.8%
Operating profit	471.0	422.0	-49.0	-10.4%
Adjusted operating profit	503.0	457.0	-46.0	-9.1%
Profit (attributable to owners of the parent company)	305.0	286.0	-19.0	-6.2%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2020 Initial Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	516.0	509.0	-7.0	-1.4%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2020 Initial Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	171.95	161.21	-10.74	-6.2%
DPS	154	154	-	-
ROE (attributable to owners of the parent company)	11.5%	11.2%	-0.3%pt	

3. Forecasts by business segment

(Unit: JPY billion)

	FY2020 Initial Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,180.0	2,010.0	-170.0	-7.8%
Japanese-domestic tobacco	580.0	550.0	-30.0	-5.2%
Core revenue	540.0	510.0	-30.0	-5.6%
International tobacco	1,360.0	1,230.0	-130.0	-9.6%
Core revenue	1,300.0	1,170.0	-130.0	-10.0%
Pharmaceutical	76.0	76.0	-	-
Processed food	160.0	153.0	-7.0	-4.4%
Others	3.0	3.0	-	-
Consolidated: operating profit	471.0	422.0	-49.0	-10.4%
Japanese-domestic tobacco	154.0	144.0	-10.0	-6.5%
International tobacco	310.0	273.0	-37.0	-11.9%
Pharmaceutical	10.0	12.0	+2.0	+20.0%
Processed food	5.0	3.0	-2.0	-40.0%
Others/Elimination	-8.0	-10.0	-2.0	-
Adjusted operating profit	503.0	457.0	-46.0	-9.1%
Japanese-domestic tobacco	170.0	160.0	-10.0	-5.9%
International tobacco	361.0	323.0	-38.0	-10.5%
Pharmaceutical	10.0	13.0	+3.0	+30.0%
Processed food	5.0	3.0	-2.0	-40.0%
Others/Elimination	-43.0	-42.0	+1.0	-

[Reference] International tobacco business

(Unit: USD million)

	FY2020 Initial Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	12,000	10,900	-1,100	-9.2%
Core revenue at constant FX	12,100	11,600	-500	-4.1%
Adjusted operating profit	3,350	3,000	-350	-10.4%
Adjusted operating profit at constant FX	3,440	3,440	-	-

**FY2020 Revised Forecasts
vs Initial Forecasts
(as of July 31, 2020)**

4. Free cash flow

(Unit: JPY billion)

	FY2020 Initial Forecasts	FY2020 Revised Forecasts	Variance (abs)
FCF	370.0	350.0	-20.0

5. Capital expenditures

(Unit: JPY billion)

	FY2020 Initial Forecasts	FY2020 Revised Forecasts	Variance (abs)
Consolidated	144.0	123.0	-21.0
Japanese-domestic tobacco	29.0	26.0	-3.0
International tobacco	80.0	68.0	-12.0
Pharmaceutical	10.0	9.0	-1.0
Processed food	14.0	11.0	-3.0
Others/Elimination	11.0	9.0	-2.0

6. Revised assumptions of FY2020 Forecast (vs FY2019 results)

Japanese-domestic tobacco business	Initial Forecasts	Revised Forecasts
Total Industry volume*	a decline of c.3.5%	a decline of c.5%
Cigarette industry volume*	a decline of over 5%	a decline of c.8.5%
RRP market share in tobacco industry*	c.25%	
JT cigarette sales volume	a decline of c.6%	a decline of over 8.5%
JT RRP sales volume	over 3.5 Bn stick equivalent	

* JT estimate based on shipment, annual base

International tobacco business	Initial Forecasts	Revised Forecasts
Total shipment volume	a decrease of c.3%	a decrease of c.6%
GFB shipment volume	an increase of c.1%	a decrease of c.3%

<FX assumptions>

	FY2020 Initial Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	108.00	107.62	-0.38	-0.4%
USD/RUB	63.00	71.40	+8.40	-11.8%
USD/GBP	0.78	0.81	+0.03	-3.7%
USD/EUR	0.89	0.92	+0.03	-3.3%
USD/CHF	0.97	0.97	-	-
USD/TWD	30.00	30.00	-	-
USD/TRY	6.20	6.80	+0.60	-8.8%
USD/IRR	130,000	156,000	+26,000	-16.7%

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

<FX sensitivity>

FX Sensitivity Guidance for FX impact on 2020 adjusted operating profit of USD 3,000 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 approximately USD 50MM impacting on USD based adjusted operating profit

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

USD vs. JPY

USD/JPY move of 1 yen from the assumption leads to approx. JPY 3.0 billion impact on JPY-based adjusted operating profit

Tobacco Business Data

International Tobacco Business

1. Summary (YTD)

	2019Q2	2020Q2	Variance	Variance (%)	
Total shipment volume	222.5	211.9	-10.6	-4.8%	BNU
GFB shipment volume	136.3	136.3	-0.0	-0.0%	BNU
Core Revenue	607.5	626.1	+18.6	+3.1%	JPY BN
Adjusted operating profit	185.4	214.3	+28.9	+15.6%	JPY BN

[USD Reference information]

Core Revenue	5,520	5,784	+264	+4.8%	USD MM
Adjusted operating profit	1,685	1,980	+296	+17.6%	USD MM
Constant FX basis					
Core Revenue	5,520	6,045	+525	+9.5%	USD MM
Adjusted operating profit	1,685	2,144	+459	+27.3%	USD MM

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

Reported

2020Q2	Total Shipment Volume		GFB Shipment Volume		Core Revenue	
SWE	34.0	+2.3%	28.3	+5.0%	1,039	+0.7%
NCE	29.8	+10.3%	15.5	+13.4%	1,156	+11.2%
CIS+	58.8	-7.4%	39.9	-9.9%	1,351	+3.8%
RoW	89.3	-9.6%	52.6	+2.3%	2,238	+4.2%
Total	211.9		136.3		5,784	

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

2020	Q1	Q2	Q3	Q4	YTD
SWE	+6.7%	-2.2%			+2.3%
France	+5.7%	+20.9%			+13.5%
Italy	+9.8%	-7.6%			+1.3%
Spain	+14.3%	-18.3%			-2.1%
NCE	+9.9%	+10.7%			+10.3%
Germany	+7.8%	+11.7%			+9.8%
UK	+9.9%	+19.5%			+14.8%
CIS+	-2.7%	-10.9%			-7.4%
Romania	+16.8%	-1.1%			+7.0%
Russia	-5.7%	-13.7%			-10.4%
RoW	-4.7%	-14.2%			-9.6%
Iran	+14.1%	+5.6%			+9.9%
Taiwan	+2.5%	+9.5%			+6.0%
Turkey	-11.8%	-25.9%			-19.4%
Total	-0.6%	-8.5%			-4.8%

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

(BNU)

2020	Q1	Q2	Q3	Q4	YTD
Winston	37.7	39.1			76.8
	+5.7%	-2.3%			+1.4%
Camel	14.4	13.0			27.4
	+3.4%	-11.7%			-4.3%
MEVIUS	3.9	3.6			7.6
	-1.0%	-11.9%			-6.6%
LD	11.5	13.1			24.6
	+5.9%	+0.1%			+2.7%

Tobacco Business Data

International Tobacco Business

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

2020	Q1	Q2	Q3	Q4	YTD
SWE	+7.8%	+2.2%			+5.0%
France	+5.8%	+26.2%			+16.0%
Italy	+12.2%	-7.6%			+2.4%
Spain	+14.6%	-11.0%			+2.1%
NCE	+17.1%	+10.3%			+13.4%
Germany	+23.9%	+17.5%			+20.4%
UK	-23.9%	-14.0%			-18.8%
CIS+	-7.6%	-11.7%			-9.9%
Romania	+14.1%	-2.5%			+5.1%
Russia	-16.0%	-11.7%			-13.6%
RoW	+9.9%	-4.9%			+2.3%
Iran	+19.3%	+6.3%			+12.7%
Taiwan	+1.8%	+7.4%			+4.6%
Turkey	-8.7%	-24.1%			-17.0%
Total	+4.8%	-4.4%			-0.0%

5. Share of market by key markets

	12-month moving average			3-month average				
	2019 Jun.	2020 Jun.	Change	2019 Q2	2019 Q3	2019 Q4	2020 Q1	2020 Q2
France	23.6%	25.2%	+1.6%pt	24.2%	24.1%	24.4%	25.1%	27.2%
Italy	24.2%	24.9%	+0.7%pt	24.4%	24.6%	24.6%	25.1%	25.3%
Russia*	38.7%	38.5%	-0.1%pt	39.7%	39.1%	38.4%	38.4%	38.2%
Spain**	25.1%	25.9%	+0.7%pt	25.5%	25.7%	26.1%	26.0%	25.7%
Taiwan	43.9%	46.5%	+2.6%pt	45.0%	45.4%	46.1%	46.8%	47.4%
Turkey	27.6%	26.7%	-0.9%pt	29.3%	26.9%	26.5%	26.9%	26.3%
UK	42.4%	44.3%	+1.9%pt	43.4%	43.7%	44.3%	44.2%	44.9%

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

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

**12-month moving average and 2-month average at the end of May 2020, respectively

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

(USD MM)

2020	Q1	Q2	Q3	Q4	YTD
SWE	559	498			1,058
	+9.3%	-4.1%			+2.6%
NCE	563	630			1,192
	+16.8%	+12.8%			+14.7%
CIS+	646	782			1,427
	+17.7%	+3.9%			+9.7%
RoW	1,201	1,166			2,367
	+13.3%	+7.2%			+10.2%
Total	2,969	3,076			6,045
	+14.1%	+5.4%			+9.5%

Tobacco Business Data

International Tobacco Business

7. Breakdown of Core Revenue

• USD basis		(USD MM)				
	Q1	Q2	Q3	Q4	YTD	
2019	2,602	2,919			5,520	
Volume	+62	-111			-49	
Price/Mix	+305	+269			+574	
2020 at constant	2,969	3,076			6,045	
FX	-102	-159			-261	
2020	2,866	2,918			5,784	

• Yen basis		(JPY BN)				
	Q1	Q2	Q3	Q4	YTD	
2019	286.8	320.7			607.5	
Operations	+40.4	+17.3			+57.8	
Local currencies vs. USD	-11.3	-17.4			-28.7	
JPYvs. USD	-3.9	-6.6			-10.5	
2020	312.0	314.0			626.1	

8. Breakdown of Adjusted Operating Profit

• USD basis		(USD MM)				
	Q1	Q2	Q3	Q4	YTD	
2019	809	876			1,685	
Volume	+49	-32			+17	
Price/Mix	+299	+270			+569	
Others	-110	-16			-126	
2020 at constant	1,047	1,097			2,144	
FX	-91	-73			-164	
2020	956	1,025			1,980	

• Yen basis		(JPY BN)				
	Q1	Q2	Q3	Q4	YTD	
2019	89.2	96.2			185.4	
Operations	+26.2	+24.4			+50.6	
Local currencies vs. USD	-10.0	-8.0			-18.0	
JPYvs. USD	-1.3	-2.3			-3.6	
2020	104.1	110.3			214.3	

9. FX actual vs. PY

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD</u>
2020	66.33	72.15			69.24
USD/RUB	-0.3%	-10.5%			-5.6%
USD/GBP	0.78	0.81			0.79
	-1.7%	-3.4%			-2.6%
USD/EUR	0.91	0.91			0.91
	-2.9%	-2.0%			-2.5%
USD/CHF	0.97	0.96			0.97
	+3.0%	+4.1%			+3.5%
USD/TWD	30.11	29.91			30.01
	+2.4%	+4.0%			+3.2%
USD/TRY	6.10	6.86			6.48
	-12.1%	-14.4%			-13.3%
USD/IRR	128,673	150,740			139,706
	-31.3%	-30.6%			-30.9%
USD/JPY	108.86	107.63			108.23
	-1.2%	-2.1%			-1.7%

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)

	2019 Q2	2020 Q2	Variance	Variance (%)	
Cigarette industry volume (JT estimate)	61.2	57.0	-4.2	-6.9%	BNU
Cigarette sales volume	37.3	34.2	-3.2	-8.6%	BNU
Excludes volumes of Duty-Free in Japan, China business (2.0BNU in 2019 Q2 and 0.9BNU in 2020 Q2, respectively) and RRP sales volume					
Core revenue	282.3	248.8	-33.5	-11.9%	JPY BN
Adjusted operating profit	109.2	81.8	-27.4	-25.1%	JPY BN

2. Cigarette sales volume

					(BNU)
	Q1	Q2	Q3	Q4	FY
2019	17.9	19.4	20.1	18.1	75.5
2020	17.2	17.0			
Variance	-4.2%	-12.6%			

3. Revenue per thousand cigarettes

					(JPY)
	Q1	Q2	Q3	Q4	FY
2019	6,407	6,391	6,414	6,306	6,380
2020	6,326	6,344			

Revenue per thousand cigarettes = (retail price sales - retailer margins - consumption tax - excise taxes)/sales volumex1,000

4. Results of Reduced-Risk Products

					(BNU / JPY BN)
2020	Q1	Q2	Q3	Q4	YTD
RRP sales volume	0.9	0.9			1.8
RRP-related revenue	13.0	13.0			25.9

5. Breakdown of financial results

					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
Core revenue					
2019	133.5	148.9			282.3
Cigarette volume	-4.8	-15.6			-20.4
Cigarette price/mix	-1.4	-0.8			-2.2
RRP/Others	-1.5	-9.4			-10.9
2020	125.8	123.0			248.8
Adjusted OP					
2019	51.0	58.2			109.2
Cigarette volume	-3.9	-12.9			-16.8
Cigarette price/mix	-1.4	-0.8			-2.2
RRP/Others	-2.5	-5.9			-8.4
2020	43.2	38.6			81.8

6. Market share in cigarettes category (JT estimate)

					(%)
JT Total	Q1	Q2	Q3	Q4	FY
2019	61.0	61.0	60.1	59.3	60.4
2020	59.7	60.1			
MEVIUS					
2019	30.3	30.6	30.3	29.5	30.2
2020	28.9	28.8			
Winston					
2019	7.8	7.8	7.4	7.5	7.6
2020	7.3	7.3			
Seven Stars					
2019	7.9	7.8	7.8	7.6	7.8
2020	7.5	7.5			
Natural American Spirit					
2019	1.9	1.9	2.0	2.0	2.0
2020	2.0	2.0			

Pharmaceutical Business

Clinical Development as of July 31, 2020

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Origin	Note
JTZ-951 (enarodustat)	Anemia associated with chronic kidney disease /Oral	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PH.	NDA filed (Japan) Phase1 (Overseas)	In-house	• Co-development with Torii
JTE-052 (delgocitinib)	Atopic dermatitis (pediatric) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	NDA filed (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 /Oral	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase2 (Overseas)	In-house	
	Autoimmune/allergic diseases /Topical			Phase1 (Japan)		
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.	NDA filed (Japan)	In-license	• Licensed from Keryx Biopharmaceuticals • Co-development with Torii • Additional indication

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

<Licensed compounds>

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

Updates since the previous announcement on April 30, 2020:

- JTT-751(Riona®): Additional Indication for Iron Deficiency Anemia in Japan(May 15, 2020)
- JTE-052: New Drug Application for the Treatment of Pediatric Atopic Dermatitis in Japan (May 29, 2020)
- JTE-451(Topical): has entered the clinical trial stage (Phase1) 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 T-Vapor but excludes contract manufactured products, waterpipe tobacco and E-Vapor.
Core revenue (International tobacco business)	Core revenue includes waterpipe tobacco and RRP, but excludes revenue from distribution, contract manufacturing and other peripheral businesses.
Core revenue / Adjusted operating profit at constant FX (International tobacco business)	The same foreign exchange rates between local currencies vs USD are applied as in the equivalent period in the previous fiscal year for international tobacco business.
Industry volume (Japanese domestic tobacco business)	Industry volume in the Japanese market by number of sticks based on internal estimates. This includes cigarettes, little cigars, RRP and others.
Cigarette industry volume (Japanese domestic tobacco business)	Industry volume of ready-made-cigarettes in the Japanese market by number of sticks based on the internal estimates. This includes little cigars but excludes RRP.
Cigarette sales volume (Japanese domestic tobacco business)	JT's cigarette sales volume excluding the volume of Domestic duty free and the China businesses. This includes little cigars but excludes RRP.
RRP sales volume (Japanese domestic tobacco business)	JT's RRP sales volume excluding the volume of Domestic duty free business. One pack of consumables is equivalent to 20 sticks of combustible cigarette. This also excludes RRP devices, RRP related accessories, etc.
Little cigars	Products rolled in tobacco-based paper with a similar format to ready-made-cigarettes and classified as "cigars" under the Tobacco Business Act in Japan.
Core revenue (Japanese domestic tobacco Business)	Core revenue, excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others, but includes revenue from domestic duty free and the China businesses as well as the revenue from RRP and little cigars.
RRP related revenue (Japanese domestic tobacco business)	RRP related revenue, as a part of core revenue, represents the sale of RRP including Domestic duty free, principally the device and the related accessories.
Liquidity	Cash and deposits + marketable securities + securities purchased under repurchase agreements
Interest-bearing debt	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 - 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 62,000 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 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 and changing consumer preferences;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

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