



Tokyo, April 26, 2019

2019 First Quarter Results

Highlights

- Adjusted operating profit at constant FX increased 7.2% year on year, driven by robust pricing in both the International and Japanese domestic tobacco businesses. On a reported basis, adjusted operating profit decreased 6.3% due to currency movements.
- Operating profit and profit attributable to owners of the parent increased due to the one-time compensation gain in the Pharmaceutical business.
- The Group completed the share buyback and acquired c. 18 million shares for c. JPY 50 billion.

Key business segment information (January – March) :

- **International tobacco business**
 - USD adjusted operating profit at constant FX grew 13.3% mainly driven by pricing gains.
 - Total shipment volume growth was solid driven by acquisitions in Bangladesh and Russia.
 - Market share increased across several markets, notably in the key markets of France, Italy, Russia, Spain, Taiwan and the UK.
- **Japanese domestic tobacco business**
 - Adjusted operating profit increased 4.2% driven by pricing and RRP sales volume growth.
 - Despite an increase in cigarette market share, total market share declined due to the expansion of the RRP category and a decrease in JT share within the RRP category.

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

“We began 2019 with strong results, delivering a 7.2% growth in adjusted operating profit at constant FX. In conventional tobacco products, the platform of the Group’s profitability, pricing remains robust both in the International and Japanese domestic tobacco businesses. We are confident that pricing will continue to be the main driver of our earnings growth. Our top-line was supported by acquisitions and positive cigarette market share gains in key markets as well as in Japan.

“As for RRP, our future growth driver, Ploom TECH+ and Ploom S were launched in Japan in January. We received positive feedback from consumers and the new products are off to a good start. As announced today, we will bring forward the nationwide sales expansion of Ploom TECH+ in mid-June. Our RRP portfolio including Ploom TECH, Ploom TECH+ and Ploom S serves the diversified needs of consumers, and we will be extending their roll out. In the International tobacco business, we also expanded our Logic portfolio with the introduction of Logic Compact in several markets.

“After the first quarter, we are well-positioned to achieve our full-year currency neutral adjusted operating profit target, while remaining committed to invest in both conventional tobacco and reduced risk products for our mid-to long-term growth objective.”

Conference Call

A conference call with members of the investor community will be held at 4:00 pm, Tokyo Time, on April 26, 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 Q1 Financial Results

Consolidated Results

(billions of JPY)	2018 Q1	2019 Q1	Variance
Revenue	515.0	505.4	-1.9%
Adjusted operating profit	148.1	138.8	-6.3%
Operating profit	146.8	182.6	+24.4%
Profit attributable to owners of the parent	104.0	120.8	+16.2%
Adjusted operating profit at constant FX	148.1	158.7	+7.2%

2019 Q1

- **Revenue**

Revenue decreased 1.9% to JPY 505.4 billion due to the negative impact of local currencies versus the US dollar in the international tobacco business, a revenue decrease in the processed food business and declining revenue in the pharmaceutical business caused by the termination of the exclusive license agreements for six anti-HIV drugs in Japan. These negative impacts were not offset by the pricing benefits and volume growth led by acquisitions in the international tobacco business, and an increase in revenue of the Japanese domestic tobacco business driven by growth in RRP related revenue as well as positive price/mix variance.

- **Adjusted Operating Profit**

Adjusted operating profit at constant FX increased 7.2% to JPY 158.7 billion driven by growth in the international tobacco and Japanese domestic tobacco businesses, despite a decrease in the pharmaceutical and processed food businesses.

On a reported basis, adjusted operating profit decreased 6.3% to JPY 138.8 billion, mainly due to the negative impact of local currencies versus the US dollar.

- **Operating Profit**

Operating profit increased 24.4% to JPY 182.6 billion due to the one-time compensation gain related to the termination of the exclusive license agreements for anti-HIV drugs in the pharmaceutical business, partially offset by a decline in gains from real estate assets sales and an increase in trademark amortization related to acquisitions, as well as a decrease in adjusted operating profit.

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

Profit attributable to owners of the parent increased 16.2% to JPY 120.8 billion due to the growth in operating profit which offset an increase in financial costs.

Results by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2018 Q1	2019 Q1	Variance
Total shipment volume	98.4	104.7	+6.5%
GFB shipment volume	62.0	64.4	+3.8%
Core revenue	294.8	286.8	-2.7%
Adjusted operating profit	96.3	89.2	-7.4%

Reference (millions of USD)

Core revenue	2,724	2,602	-4.5% (+7.9%)*
Adjusted operating profit	890	809	-9.1% (+13.3%)*

*at constant FX

2019 Q1

- **Volume and Market share¹**

Total shipment volume grew 6.5% driven by acquisitions in Bangladesh, Greece and Russia. Excluding these, total shipment volume was almost flat, declining only 0.1%. Continued market share gains across many markets, notably France, Germany, Iran, Italy, Romania, Spain, Taiwan and the UK, largely offset the impact from industry volume contractions, notably in Jordan, Russia and Ukraine. Strong performance from Winston (+1.7%), Camel (+6.0%), Mevius (+6.6%) and LD (+7.3%), resulted in GFB shipment volume growing 3.8%. As planned, the expansion of Logic Compact continued and is available in 11 markets since April.

- **Core revenue and Adjusted operating profit**

Core revenue and adjusted operating profit decreased 2.7% and 7.4% respectively, due to the negative impact of local currencies versus the US dollar, offsetting positive price/mix and volume contribution mainly from acquisitions. This negative currency impact was partially offset by positive JPY versus USD .

On a USD basis, core revenue declined 4.5% due to USD 338 million in unfavorable currencies. Excluding these, core revenue grew 7.9% driven by a positive price/mix variance of USD 151 million, notably from Canada, Germany, Iran, the Philippines, Romania, Sudan and the UK, combined with USD 64 million in volume contribution mainly from acquisitions. Adjusted operating profit decreased 9.1% due to unfavorable currencies, notably the IRR and RUB. At constant currency, adjusted operating profit grew 13.3%, mainly driven by a favorable price/mix variance of USD 143 million.

International Tobacco Business (Quarterly) Performance review by Cluster

South and West Europe

(billions of Units, millions of USD)	2018 Q1	2019 Q1	Variance
Total shipment volume	16.0	16.6	+3.8%
GFB shipment volume	12.9	13.6	+5.3%
Core revenue	519	512	-1.5% (+6.0%)*

*at constant FX

- Volume and market share¹**
 Total shipment volume increased 3.8%, primarily driven by quarterly market share gains in France, Italy and Spain. Excluding the acquisition, total shipment volume grew 3.3%. GFB shipment volume grew 5.3%, driven by Winston and Camel. Market share increased in Belgium, France, Greece, Italy, Luxemburg, the Netherlands, Spain and Switzerland.
- Core revenue**
 Despite a positive volume contribution of USD 23 million and a favorable price/mix variance of USD 9 million, core revenue decreased 1.5% due to USD 39 million in unfavorable currencies. Excluding these, core revenue increased 6.0%.
- By market**

In France, total shipment volume increased 0.5%, driven by quarterly market share gains of 1.7ppt to 24.3%, fully offsetting a high-single digit industry volume contraction. GFB shipment volume grew 8.5% fueled by Winston and Camel, while fine cut shipment volume decreased 6.8%. Year-on-year market share grew 1.5ppt to 23.7%. Positive volume combined with favorable price/mix variance led to constant currency revenue growth. In RRP, the introduction of Logic Compact in the quarter strengthened the existing e-cigarette portfolio.

In Italy, total shipment volume grew 1.1%, driven by favorable inventory adjustments. Excluding these movements, total shipment volume declined 0.6%, outperforming the industry volume contraction. GFB shipment volume declined 0.5% while fine cut shipment volume increased 25.2%. Year-on-year market share grew 0.8ppt to 24.0%. Favorable price/mix variance drove the constant currency revenue increase. The RRP portfolio expanded with the introduction of Logic Compact in the quarter.

In Spain, total and GFB shipment volumes increased 2.4% and 2.7%, respectively, mainly driven by Camel. Excluding unfavorable inventory movements, total shipment volume grew 4.9%, outperforming the positive industry volume trend. Year-on-year market share increased 0.8ppt to 25.0%, primarily led by Winston and Camel. The continued volume growth and a positive price/mix contribution drove an increase in constant currency revenue.

North and Central Europe

(billions of Units, millions of USD)	2018 Q1	2019 Q1	Variance
Total shipment volume	12.3	12.9	+5.1%
GFB shipment volume	5.2	6.3	+20.2%
Core revenue	490	482	-1.8% (+6.2%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume increased 5.1%, mainly driven by Czech Republic, Germany, Poland and Slovakia. GFB shipment volume grew 20.2%, driven by strong growth of Winston and Camel. Market share grew in Czech Republic, Germany, Hungary, Poland and the UK.

- **Core revenue**

Core revenue declined 1.8% due to USD 39 million in unfavorable currencies, offsetting a positive volume contribution of USD 10 million and a favorable price/mix variance of USD 20 million. Excluding currencies, core revenue increased 6.2%.

- **By market**

In Germany, total, GFB and fine cut shipment volumes increased 12.2%, 22.0% and 22.6%, respectively, driven by Winston-led market share gains. Year-on-year market share grew 0.5ppt to 8.0% following six consecutive quarters of growth. This positive volume and a favorable price/mix variance resulted in an increase of constant currency revenue.

In the UK, total shipment volume declined 5.2%, due to industry volume contraction, while fine cut shipment volume was up 0.5%, driven by Sterling. Year-on-year market share was up 1.4ppt to 41.8% following three consecutive quarters of growth driven by Benson & Hedges in cigarettes and Sterling in fine cut. A strong price/mix variance offset the negative volume contribution and drove an increase in constant currency revenue. Logic continued to increase its closed tank share of value in the RRP category, with Logic Compact supporting the Logic Pro consumer base.

CIS+

(billions of Units, millions of USD)	2018 Q1	2019 Q1	Variance
Total shipment volume	28.0	27.5	-1.9%
GFB shipment volume	21.1	19.7	-6.6%
Core revenue	631	548	-13.1% (-1.9%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume declined 1.9%, as the industry volume contraction in Russia and Ukraine, together with unfavorable inventory movements, were only partially offset by the acquisition. Excluding the acquisition, total shipment volume declined 9.2%. GFB shipment volume decreased 6.6%, due to the industry volume decline. Market share grew in Kazakhstan, Romania, Russia and Ukraine.

- **Core revenue**

Despite a positive price/mix contribution of USD 24 million, core revenue decreased 13.1% due to a negative volume contribution of USD 36 million and unfavorable currencies of USD 70 million, mainly from the RUB. Excluding currencies, core revenue decreased 1.9%.

- **By market**

In Romania, total shipment volume grew 0.6% driven by Sobranie. Despite growth from Winston and Camel, GFB shipment volume declined 1.1% due to LD. Following six consecutive quarters of gains, year-on-year market share reached 28.1%, an increase of 1.2ppt. Constant currency revenue was up, fueled by favorable volume and price/mix contributions. Logic Compact was introduced earlier in the quarter.

In Russia, driven by the acquisition, total shipment volume was up 1.7% with quarterly market share increasing to 39.1%. On an organic basis, total and GFB shipment volumes declined 9.8% and 5.5%, respectively, due to a quarterly industry volume contraction estimated² at 7.8%. Year-on-year GFB market share grew 0.6ppt to 24.8% while organic market share was down 0.5ppt to 32.7%. Constant currency revenue declined due to the negative organic volume contribution and continued downtrading impacting the price/mix.

The launch of Logic Compact in the quarter enhanced the Russian RRP portfolio.

Rest-of-the-World

(billions of Units, millions of USD)	2018 Q1	2019 Q1	Variance
Total shipment volume	42.1	47.8	+13.5%
GFB shipment volume	22.8	24.8	+9.0%
Core revenue	1,084	1,060	-2.2% (+15.3%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume grew strongly by 13.5% bolstered by the acquisition in Bangladesh as well as favorable inventory movements. Excluding the acquisition, total shipment volume increased 3.2% driven notably by Algeria, Cambodia, Iran, Lebanon, the Philippines, Saudi Arabia, Sudan, Taiwan and Turkey. GFB shipment volume was up 9.0% driven by all GFBs. Market share increased in several markets, notably Brazil, Canada, Iran, Jordan, Malaysia, Morocco, South Korea, Taiwan and the USA.

- **Core revenue**

Core revenue decreased 2.2%, due to USD 190 million in unfavorable currencies, offsetting the favorable price/mix variance of USD 98 million and positive volume contribution of USD 68 million. Excluding currencies, core revenue increased 15.3%.

- **By market**

In Iran, total and GFB shipment volumes grew 6.0% and 3.0%, respectively, driven by Camel and strong local brands. Excluding unfavorable inventory movements, total shipment volume increased 6.6%. This volume combined with strong price/mix contribution resulted in constant currency revenue increasing. Market share gains continued, reaching 57.0%, up 3.7ppt.

In Taiwan, total and GFB shipment volumes increased strongly by 12.6% and 14.6%, respectively, driven by a 1.4ppt market share increase to 43.2% and favorable inventory movements. Excluding inventory movements, total shipment volume was up 8.7%, outperforming the industry volume increase. Constant currency revenue grew as strong volume offset the unfavorable price/mix contribution due to downtrading.

In Turkey, total and GFB shipment volumes grew 9.5% and 11.8%, respectively, driven by a larger industry size. Excluding unfavorable inventory movements, total shipment volume increased 10.8%. Constant currency revenue declined due to an unfavorable price/mix following the excise tax increase. Market share declined 0.7ppt to 27.7%, despite growth from Winston.

¹ Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut at the end of March 2019. Brazil, Canada, Czech Republic, Germany, Hungary, Spain and the USA are on a 12-month rolling average at the end of February 2019. 12-month share of market growth for February 2019 markets is calculated against a 12-month share of market at the end of March 2018.

² Source: JTI estimates based on January-March 2019 data versus the same period last year.

Japanese Domestic Tobacco Business

(billions of units, billions of JPY)	2018 Q1	2019 Q1	Variance
Cigarette industry volume	31.8	29.1	-8.5%
Cigarette sales volume	19.5	17.9	-8.3%
Core revenue	129.3	133.5	+3.2%
Adjusted operating profit	48.9	51.0	+4.2%

2019 Q1

- **Cigarette sales volume**

Cigarette industry volume decreased 8.5% due to a decrease in demand following the tax-led retail price revision, the expansion of the RRP category and the underlying natural decline trend. Cigarette sales volume decreased 8.3% mainly due to cigarette industry volume contraction. JT's cigarette market share increased 0.1ppt to 61.6%.

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

JT estimates the overall RRP market size in Japan in the quarter was approximately 23%* of the total tobacco industry. In the quarter, JT RRP sales volume was 0.6 billion cigarette equivalent units with our off-take RRP market category share estimated at approximately 8%.

Ploom TECH+ and Ploom S were both launched in January, in the Ploom online store and in Ploom shops. Ploom TECH+ sales area expanded to convenience stores in six prefectures from April, while Ploom S will be sold in these areas from July 1. Nationwide sales of Ploom TECH+ will now start from June 17.

*shipment basis

- **Core revenue and Adjusted operating profit**

Core revenue grew 3.2% driven by a positive cigarette price/mix variance of JPY 9.2 billion and an increase in RRP related revenue of JPY 4.1 billion, offsetting the decrease in cigarette sales volume of JPY 9.5 billion. Adjusted operating profit increased 4.2% led by a positive cigarette price/mix variance of JPY 9.2 billion offsetting the decrease in cigarette sales volume of JPY 7.9 billion.

Pharmaceutical Business

(billions of JPY)	2018 Q1	2019 Q1	Variance
Revenue	26.7	22.8	-14.6%
Adjusted operating profit	7.7	4.5	-41.9%

2019 Q1

- **Revenue and Adjusted operating profit**

Revenue decreased 14.6% impacted by the termination of the exclusive license agreements for six anti-HIV drugs in Japan with a partner company. Adjusted operating profit decreased 41.9% due to the decline in revenue and increased R&D investment.

Processed Food Business

(billions of JPY)	2018 Q1	2019 Q1	Variance
Revenue	37.7	36.0	-4.5%
Adjusted operating profit	0.7	0.3	-59.6%

2019 Q1

- **Revenue and Adjusted operating profit**

Despite solid performance of staple food products, revenue decreased 4.5% due to lower sales of other products. Adjusted operating profit declined 59.6% mainly as a result of the lower revenue, as well as higher raw material costs and an increase in logistics costs.

Data Sheets

Results for 2019 First Quarter

1. Summary of Consolidated results

(Unit: JPY billion)

	2018 Q1	2019 Q1	Variance (abs)	Variance (%)
Revenue	515.0	505.4	-9.6	-1.9%
Operating profit	146.8	182.6	+35.8	+24.4%
Adjusted operating profit	148.1	138.8	-9.3	-6.3%
Profit before income tax	139.9	172.7	+32.8	+23.5%
Profit	104.5	133.7	+29.2	+27.9%
Profit (attributable to owners of the parent company)	104.0	120.8	+16.8	+16.2%
Basic EPS*(JPY)	58.07	67.66	+9.59	+16.5%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2018 Q1	2019 Q1	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	148.1	158.7	+10.6	+7.2%

2. Results by business segment

(Unit: JPY billion)

	2018 Q1	2019 Q1	Variance (abs)	Variance (%)
Revenue	515.0	505.4	-9.6	-1.9%
Japanese domestic tobacco	138.8	144.7	+5.9	+4.2%
Core revenue	129.3	133.5	+4.1	+3.2%
International tobacco	310.1	300.4	-9.7	-3.1%
Core revenue	294.8	286.8	-8.0	-2.7%
Pharmaceutical	26.7	22.8	-3.9	-14.6%
Processed food	37.7	36.0	-1.7	-4.5%
Others	1.8	1.6	-0.1	-7.7%
Consolidated: operating profit	146.8	182.6	+35.8	+24.4%
Japanese domestic tobacco	44.6	47.0	+2.4	+5.3%
International tobacco	87.0	75.5	-11.5	-13.2%
Pharmaceutical	7.7	65.0	+57.3	+744.3%
Processed food	0.7	0.1	-0.6	-82.9%
Others/Elimination	6.7	-5.0	-11.7	-
Adjustments, total	-1.3	43.8	+45.1	-
Japanese domestic tobacco	-4.3	-4.0	+0.3	-
International tobacco	-9.3	-13.7	-4.4	-
Pharmaceutical	-	60.5	+60.5	-
Processed food	0	-0.2	-0.2	-
Others/Elimination	12.3	1.2	-11.1	-90.2%
Consolidated: adjusted operating profit	148.1	138.8	-9.3	-6.3%
Japanese domestic tobacco	48.9	51.0	+2.1	+4.2%
International tobacco	96.3	89.2	-7.1	-7.4%
Pharmaceutical	7.7	4.5	-3.2	-41.9%
Processed food	0.7	0.3	-0.4	-59.6%
Others/Elimination	-5.6	-6.2	-0.6	-

[Reference] International tobacco business

(Unit: USD million)

	2018 Q1	2019 Q1	Variance (abs)	Variance (%)
Core revenue	2,724	2,602	-122	-4.5%
Core revenue at constant FX	2,724	2,940	+216	+7.9%
Adjusted operating profit	890	809	-81	-9.1%
Adjusted operating profit at constant FX	890	1,008	+118	+13.3%

Results for 2019 First Quarter

3. Depreciation and amortization

(Unit: JPY billion)

	2018 Q1	2019 Q1*	Variance (abs)
Consolidated	38.5	42.5	+4.1
Japanese domestic tobacco	13.6	13.8	+0.2
International tobacco	21.4	25.1	+3.7
Pharmaceutical	1.3	1.4	+0.1
Processed food	1.5	1.7	+0.2
Others/Elimination	0.7	0.6	-0.1

*excluding depreciation from lease transactions

4. Consolidated financial position

(Unit: JPY billion)

	2018 Dec. end	2019 Mar. end	Variance (abs)
Total assets	5,461.4	5,465.9	+4.5
Total equity	2,700.4	2,672.6	-27.9
Equity attributable to owners of the parent	2,630.6	2,590.4	-40.2
BPS (attributable to owners of the parent) (JPY)	1,468.44	1,460.40	-8.03

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2018 Dec. end	2019 Mar. end	Variance (abs)
Liquidity	308.7	285.6	-23.1
Interest-bearing debt	987.6	1,063.9	+76.3

6. Consolidated cash flow

(Unit: JPY billion)

	2018 Q1	2019 Q1	Variance (abs)
Cash flows from operating activities	80.2	121.2	+41.0
Cash flows from investing activities	-21.3	-39.4	-18.2
Cash flows from financing activities	-152.3	-101.4	+50.9
Cash and cash equivalents, beginning of the year	285.5	282.1	-3.4
Foreign currency translation adj. on cash & cash equivalents	-9.5	-0.9	+8.6
Cash and cash equivalents, end of the year	182.6	261.5	+78.8
FCF	65.0	82.0	+17.1

7. Capital expenditures

(Unit: JPY billion)

	2018 Q1	2019 Q1	Variance (abs)
Consolidated	30.6	28.7	-1.9
Japanese domestic tobacco	10.8	10.6	-0.2
International tobacco	11.4	11.2	-0.2
Pharmaceutical	2.8	4.0	+1.1
Processed food	4.8	1.3	-3.5
Others/Elimination	0.8	1.6	+0.9

8. FX actual (Reference information)

	2018 Q1	2019 Q1	Variance (abs)	Variance (%)
USD/JPY	108.22	110.22	+2.00	+1.8%
USD/RUB	56.88	66.12	+9.24	-14.0%
USD/GBP	0.72	0.77	+0.05	-6.4%
USD/EUR	0.81	0.88	+0.07	-7.5%
USD/CHF	0.95	1.00	+0.05	-4.8%
USD/TWD	29.30	30.82	+1.52	-4.9%
USD/TRY	3.81	5.36	+1.55	-28.9%
USD/IRR	46,583	88,454	+41,871	-47.3%

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

FY2019 Forecasts (as of February 7, 2019)

1. Summary of consolidated forecasts

(Unit: JPY billion)

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

[Reference] Consolidated forecast

(Unit: JPY billion)

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

2. EPS, DPS, ROE

(Unit: JPY)

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

3. Forecasts by business segment

(Unit: JPY billion)

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

[Reference] International tobacco business

(Unit: USD million)

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

FY2019 Forecasts (as of February 7, 2019)

4. Free cash flow

(Unit: JPY billion)

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

5. Capital expenditures

(Unit: JPY billion)

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

6. Assumptions of 2019 Forecast

2019 Japanese domestic tobacco business

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

2019 International tobacco business

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

<FX assumptions>

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

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

<FX sensitivity>

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

USD vs. Local currency

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

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

US\$ vs. JPY

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

Tobacco Business Data

International Tobacco Business

1. Summary

	2018 Q1	2019 Q1	Variance	Variance (%)	
Total shipment volume	98.4	104.7	+6.4	+6.5%	BNU
GFB shipment volume	62.0	64.4	+2.4	+3.8%	BNU
Core Revenue	294.8	286.8	-8.0	-2.7%	JPY BN
Adjusted operating profit	96.3	89.2	-7.1	-7.4%	JPY BN

[USD Reference information]

Core Revenue	2,724	2,602	-122	-4.5%	\$MM
Adjusted operating profit	890	809	-81	-9.1%	\$MM
at constant FX basis					
Core Revenue	2,724	2,940	+216	+7.9%	\$MM
Adjusted operating profit	890	1,008	+118	+13.3%	\$MM

• Contribution by cluster (vs. PY)

(BNU/\$MM)

2019Q1	Total Shipment Volume		GFB Shipment Volume		Core Revenue	
SWE	16.6	+3.8%	13.6	+5.3%	512	-1.5%
NCE	12.9	+5.1%	6.3	+20.2%	482	-1.8%
CIS+	27.5	-1.9%	19.7	-6.6%	548	-13.1%
RoW	47.8	+13.5%	24.8	+9.0%	1,060	-2.2%
Total	104.7		64.4		2,602	

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

2019	Q1	Q2	Q3	Q4	YTD
SWE	+3.8%				+3.8%
France	+0.5%				+0.5%
Italy	+1.1%				+1.1%
Spain	+2.4%				+2.4%
NCE	+5.1%				+5.1%
Germany	+12.2%				+12.2%
UK	-5.2%				-5.2%
CIS+	-1.9%				-1.9%
Romania	+0.6%				+0.6%
Russia*	+1.7%				+1.7%
RoW	+13.5%				+13.5%
Iran	+6.0%				+6.0%
Taiwan	+12.6%				+12.6%
Turkey	+9.5%				+9.5%
Total	+6.5%				+6.5%

* 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				35.5
	+1.7%				+1.7%
Camel	13.9				13.9
	+6.0%				+6.0%
MEVIUS	4.0				4.0
	+6.6%				+6.6%
LD	11.0				11.0
	+7.3%				+7.3%

Tobacco Business Data

International Tobacco Business

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

2019	Q1	Q2	Q3	Q4	YTD
SWE	+5.3%				+5.3%
France	+8.5%				+8.5%
Italy	-0.5%				-0.5%
Spain	+2.7%				+2.7%
NCE	+20.2%				+20.2%
Germany	+22.0%				+22.0%
UK	-23.6%				-23.6%
CIS+	-6.6%				-6.6%
Romania	-1.1%				-1.1%
Russia	-5.5%				-5.5%
RoW	+9.0%				+9.0%
Iran	+3.0%				+3.0%
Taiwan	+14.6%				+14.6%
Turkey	+11.8%				+11.8%
Total	+3.8%				+3.8%

5. Share of market by key markets

	12 month moving average			3 month average				
	2018 Mar	2019 Mar	Change	2018 Q1	2018 Q2	2018 Q3	2018 Q4	2019 Q1
France	22.1%	23.7%	+1.5%pt	22.6%	23.3%	23.5%	23.6%	24.3%
Italy	23.2%	24.0%	+0.8%pt	23.5%	23.8%	23.9%	24.2%	24.3%
Russia*	33.3%	37.0%	+3.7%pt	33.2%	32.9%	37.3%	38.8%	39.1%
Spain	24.1%	25.0%	+0.8%pt	24.5%	24.8%	24.9%	25.2%	25.3%
Taiwan	41.7%	43.2%	+1.4%pt	41.6%	41.9%	42.6%	43.5%	44.5%
Turkey	28.4%	27.7%	-0.7%pt	27.8%	27.5%	27.8%	27.7%	27.7%
UK	40.4%	41.8%	+1.4%pt	41.0%	41.0%	41.6%	42.0%	42.7%

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 February 2019, respectively

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

(\$MM)

2019	Q1	Q2	Q3	Q4	YTD
SWE	551				551
	+6.0%				+6.0%
NCE	521				521
	+6.2%				+6.2%
CIS+	619				619
	-1.9%				-1.9%
RoW	1,250				1,250
	+15.3%				+15.3%
Total	2,940				2,940
	+7.9%				+7.9%

Tobacco Business Data

International Tobacco Business

7. Breakdown of Core Revenue

• USD basis						(\$MM)
	Q1	Q2	Q3	Q4	YTD	
2018	2,724				2,724	
Volume	+64				+64	
Price/Mix	+151				+151	
2019 at constant	2,940				2,940	
FX	-338				-338	
2019	2,602				2,602	

• Yen basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2018	294.8				294.8	
Operations	+23.3				+23.3	
Local currencies vs. USD	-36.6				-36.6	
USD vs. JPY	+5.2				+5.2	
2019	286.8				286.8	

8. Breakdown of Adjusted Operating Profit

• USD basis						(\$MM)
	Q1	Q2	Q3	Q4	YTD	
2018	890				890	
Volume	+34				+34	
Price/Mix	+143				+143	
Others	-59				-59	
2019 at constant	1,008				1,008	
FX	-199				-199	
2019	809				809	

• Yen basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2018	96.3				96.3	
Operations	+12.8				+12.8	
Local currencies vs. USD	-21.5				-21.5	
USD vs. JPY	+1.6				+1.6	
2019	89.2				89.2	

9. FX actual vs. PY

	<u>2019Q1</u>	<u>2019Q2</u>	<u>2019Q3</u>	<u>2019Q4</u>	<u>2019 YTD</u>
\$/RUB	66.12				66.12
	-14.0%				-14.0%
\$/GBP	0.77				0.77
	-6.4%				-6.4%
\$/EUR	0.88				0.88
	-7.5%				-7.5%
\$/CHF	1.00				1.00
	-4.8%				-4.8%
\$/TWD	30.82				30.82
	-4.9%				-4.9%
\$/TRY	5.36				5.36
	-28.9%				-28.9%
\$/IRR	88,454				88,454
	-47.3%				-47.3%
\$/JPY	110.22				110.22
	+1.8%				+1.8%

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

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

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

Tobacco Business Data

Japanese Domestic Tobacco Business

1. Summary

	2018 Q1	2019 Q1	Variance	Variance (%)	
Cigarette industry volume	31.8	29.1	-2.7	-8.5%	BNU
Cigarette sales volume	19.5	17.9	-1.6	-8.3%	BNU
Excludes volumes of duty-free in Japan, China business (1.0BNU in 2018Q1 and 0.9BNU in 2019Q1, respectively) and RRP sales volume					
Core revenue	129.3	133.5	+4.1	+3.2%	JPY BN
Adjusted operating profit	48.9	51.0	+2.1	+4.2%	JPY BN

2. Cigarette sales volume

	Q1	Q2	Q3	Q4	YTD
2018	19.5	20.8	23.8	17.8	82.0
2019	17.9				
vs. PY	-8.3%				

3. Revenue per thousand cigarettes

	Q1	Q2	Q3	Q4	YTD
2018	5,895	5,938	5,911	6,355	6,010
2019	6,408				

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

4. Results of Reduced-Risk Products

	Q1	Q2	Q3	Q4	YTD
2019	0.6				0.6
RRP sales volume	0.6				0.6
RRP related revenue	12.4				12.4

5. Breakdown of financial results

	Q1	Q2	Q3	Q4	YTD
Core revenue					
2018	129.3				129.3
Cigarettes volume	-9.5				-9.5
Cigarettes price/mix	+9.2				+9.2
RRP/Others	+4.5				+4.5
2019	133.5				133.5
Adjusted OP					
2018	48.9				48.9
Cigarettes volume	-7.9				-7.9
Cigarettes price/mix	+9.2				+9.2
RRP/Others	+0.8				+0.8
2019	51.0				51.0

6. Market share in cigarettes category

	Q1	Q2	Q3	Q4	YTD
JT Total					
2018	61.4	61.6	62.5	61.5	61.8
2019	61.6				
MEVIUS					
2018	31.0	31.9	32.3	30.1	31.4
2019	30.6				
Winston					
2018	8.0	8.0	7.9	8.3	8.0
2019	7.9				
Seven Stars					
2018	7.8	7.9	8.2	7.6	7.9
2019	7.9				
Natural American Spirit					
2018	2.0	2.0	2.0	1.8	2.0
2019	1.9				

Pharmaceutical Business

Clinical Development as of April 26, 2019

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Note
JTE-052 (delgocitinib)	Autoimmune/allergic diseases /Oral, Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase1 (Japan)	In-house
	Atopic dermatitis/Topical			NDA filed (Japan)	In-house Co-development with Torii *Pediatric : Phase3 (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-PHD.	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
JTT-751 (ferric citrate)	Iron-deficiency anemia/Oral	Oral iron replacement	Corrects iron-deficiency anemia by using absorbed iron for synthesis of hemoglobin.	Phase3 (Japan)	In-license (Keryx Biopharmaceuticals) Co-development with Torii *Additional indication

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

<Licensed compounds>

Compound (JT's code)	Licensee	Mechanism		Note
trametinib	Novartis	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK pathway.	
Anti-ICOS monoclonal antibody	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-PHD.	

Updates since the previous announcement on February 7, 2019:
None

Definitions

Terms	Definitions
Adjusted Operating Profit (AOP)	Operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjusted items (income and costs) * *Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
Consolidated Adjusted Operating Profit at Constant FX	For International Tobacco Business, the same foreign exchange rates between local currencies vs USD and JPY vs USD as same period in previous fiscal year are applied
Reduced-Risk Products (RRP)	Products with potential to reduce the risks associated with smoking
GFB (Global Flagship Brands)	4 Brands (Winston, Camel, MEVIUS and LD)
Total Shipment volume: (International tobacco business)	Including fine cut tobacco, cigars, pipe tobacco, snus and kretek, but excluding contract manufactured products, waterpipe tobacco and RRP.
Core Revenue (International Tobacco Business)	Revenue including waterpipe tobacco and RRP, but excluding revenue from distribution, contract manufacturing and other peripheral businesses.
Core Revenue / Adjusted Operating Profit at Constant FX (International Tobacco Business)	The same foreign exchange rates between local currencies vs USD are applied as in the equivalent period in the previous fiscal year
Industry Volume (Japanese Domestic Tobacco Business)	Industry volume of tobacco products in Japan market (including RRP, etc.)
Cigarette Industry Volume (Japanese Domestic Tobacco Business)	Industry volume of Ready Made Cigarettes(RMC) in Japan market (excluding RRP, etc.)
Cigarette Sales Volume (Japanese Domestic Tobacco Business)	Not including sales volume from domestic duty free, the China business and RRP.
RRP Sales Volume (Japanese Domestic Tobacco Business)	1 pack corresponds to 20 cigarettes (excluding Domestic duty free, RRP devices, RRP related accessories, etc.)
Core Revenue (Japanese Domestic Tobacco Business)	Excluding revenue from distribution of imported tobacco in the Japanese Domestic Tobacco Business, among others, but including revenue from domestic duty free and the China business, as well as RRP Related Revenue.
RRP Related Revenue (Japanese Domestic Tobacco Business)	RRP related revenue, as a part of core revenue, represents the sale of RRP including 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 Mar. end : Short-term bank loans + CP + bonds + long-term borrowings* *From this fiscal year, lease obligations are excluded from interest-bearing debt.
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 *Although figures include the effect of IFRS16 application from 2019, there are no changes for FY2019 Forecasts

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

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Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With over 63,000 employees, it manufactures and sells some of the world's best-known brands including Winston, Camel, MEVIUS and LD. The JT Group is committed to investing in Reduced-Risk Products (RRP) and currently markets its tobacco vapor products under the Ploom brand and various e-cigarette products under the Logic brand. The Group is also present in the pharmaceutical and processed food businesses. For more information, visit <https://www.jt.com/>.

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) increase in awareness of health concerns related to smoking;
- (2) regulatory developments; including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;
- (3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
- (4) our ability to further diversify our business beyond the traditional tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition and changing consumer preferences;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

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