



Tokyo, October 31, 2018

2018 Third Quarter Results

Highlights

- Adjusted operating profit at constant FX increased 9.2% year on year or 5.1% on a reported basis.
- Strong performance in the international tobacco business more than offset headwinds in the Japanese domestic tobacco business.
- The forecast for adjusted operating profit at constant FX is revised upwards.

Key business segment information:

- **International tobacco business**
 - Total shipment volume grew strongly led by acquisitions in Ethiopia, Indonesia and the Philippines, as well as Russia where we completed the acquisition of Donskoy Tabak in the third quarter.
 - Adjusted operating profit at constant FX grew 16.2% driven by pricing gains.
 - The forecast for adjusted operating profit on a reported basis is revised downwards to reflect the negative effect of the currency movements. At constant FX, adjusted operating profit is revised upwards.
- **Japanese domestic tobacco business**
 - Adjusted operating profit was negatively impacted by cigarette industry volume decline, but partially offset by favorable inventory movements by retailers ahead of a tax-led price increase.
 - Total market share combining conventional tobacco products and RRP has been recovering.
 - The forecast for adjusted operating profit remains unchanged. However, the market outlook for conventional tobacco products and RRP has been refined.

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

“Our solid performance in the third quarter was mainly driven by robust pricing gains in the international tobacco business, leading us to revise upwards our forecast for adjusted operating profit at constant FX for the full year. With strong momentum in our business, I am confident that the JT Group is well positioned to achieve its mid-to long term objectives, but we will continue to monitor the impact of currency movements and geopolitical risks.”

“Our total market share increased in Japan, demonstrating the resilience of our business and the strength of our brands. As for Reduced-Risk Products, establishing a low temperature heating category is taking longer than expected. We are therefore increasing our efforts to communicate the differences and benefits of the product compared to a high temperature heating category. In light of a changing regulatory environment and consumer trends, we are convinced that demand for the low temperature heating products will grow further. Establishing this category remains our first priority to achieve a leading position, and as we expect the RRP market to be more competitive, we will invest for future growth.”

“We will continue to provide a range of choices within our portfolio strategy, including conventional tobacco products as the platform of the Group’s profitability and RRP as our future growth driver.”

Conference Call

A conference call with members of the investor community will be held at 4:30 pm, Tokyo Time, on November 1, 2018. For detailed information on the consolidated financial results, please visit the Company’s website. (<https://www.jt.com/investors/>).

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FY2018 Q3 Financial Results

Consolidated Results

(billions of JPY)	2017 Q3	2018 Q3	Variance	2017 YTD	2018 YTD	Variance
Revenue*	547.6	600.5	+9.7%	1,592.9	1,675.8	+5.2%
Adjusted operating profit	171.4	193.2	+12.7%	486.1	511.0	+5.1%
Operating profit	156.4	174.8	+11.8%	469.7	477.1	+1.6%
Profit attributable to owners of the parent	108.1	116.6	+7.9%	333.7	332.7	-0.3%
Adjusted operating profit at constant FX	171.4	206.4	+20.4%	486.1	530.7	+9.2%

2018 Q3

- **Revenue**

Revenue grew 9.7% to JPY 600.5 billion driven by pricing benefits and growth in total shipment volume led by acquisitions in the international tobacco business, as well as increased RRP contribution combined with additional demand ahead of the tax-led retail price revision in the Japanese domestic tobacco business. Currency movements in local currencies against the US dollar were unfavorable.

- **Adjusted Operating Profit**

Adjusted operating profit at constant FX increased 20.4% to JPY 206.4 billion driven by growth in both the international and the Japanese domestic tobacco businesses.

On a reported basis, adjusted operating profit increased 12.7% to JPY 193.2 billion, reflecting the negative currency movements.

- **Operating Profit**

Operating profit increased 11.8% to JPY 174.8 billion due to an increase in trademark amortization related to acquisitions.

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

Profit attributable to owners of the parent increased 7.9% to JPY 116.6 billion driven by the operating profit growth and despite an increase in financial expenses.

2018 YTD

- **Revenue**

Revenue grew 5.2% to JPY 1,675.8 billion driven by pricing benefits and volume contribution internationally, increased RRP contribution combined with additional demand ahead of the tax-led retail price revision in Japan. An increase in royalty revenue in the pharmaceutical business also added to revenue growth. These benefits were partially offset by the contraction of the cigarette sales volume decline in the Japanese domestic tobacco business, the appreciation of the yen versus the US dollar and weaker local currencies versus the US dollar.

- **Adjusted Operating Profit**

Adjusted operating profit at constant FX increased 9.2% to JPY 530.7 billion driven by growth in the international tobacco and pharmaceutical businesses, despite a decrease in the Japanese domestic tobacco and processed food businesses.

On a reported basis, adjusted operating profit increased 5.1% to JPY 511.0 billion, reflecting the

unfavorable currency movements.

- **Operating Profit**

Operating profit increased 1.6% to JPY 477.1 billion driven by growth in adjusted operating profit. This was despite an increase in trademark amortization expenses related to acquisitions and an unfavorable comparison relating to a one-off gain on reversal of impairment in the previous year.

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

Despite an increase in operating profit, profit attributable to owners of the parent was almost flat. Profit declined 0.3% to JPY 332.7 billion primarily due to an increase in financial expenses.

* From FY2018, in accordance with the application of IFRS 15, certain items formerly treated as selling, general and administrative expenses are accounted for as reductions of revenue. As a result, compared to the application of the former accounting standard, "Revenue" and "Selling, general and administrative expenses" decreased by JPY 687.4 million and JPY 5,208.0 million respectively, and "Cost of sales" increased by JPY 4,520.6 million on the condensed consolidated statement of income for the nine months ended September 30, 2018. These changes have no effect on Adjusted operating profit.

Results by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2017 Q3	2018 Q3	Variance	2017 YTD	2018 YTD	Variance
Total shipment volume	104.8	114.5	+9.3%	298.0	320.1	+7.4%
GFB shipment volume	69.2	70.6	+2.1%	197.5	201.3	+1.9%
Core revenue	305.6	333.1	+9.0%	882.9	953.2	+8.0%
Adjusted operating profit	112.0	122.6	+9.5%	307.1	336.9	+9.7%
<u>Reference (millions of USD)</u>						
Core revenue	2,754	2,990	+8.6% (+17.7%)*	7,895	8,695	+10.1% (+12.0%)*
Adjusted operating profit	1,009	1,100	+9.0% (+21.3%)*	2,747	3,071	+11.8% (+16.2%)*

*at constant FX

2018 Q3

- Volume and Market share**

Total shipment volume grew 9.3% driven by acquisitions in Ethiopia, Greece, Indonesia, the Philippines and Russia. Excluding acquisitions and inventory adjustments, total shipment volume declined 1.1%. Quarterly volume increases and market share gains in France, Germany, Iran, Poland, the UK, the USA and several emerging markets did not offset the impact of industry volume contraction, notably in Russia and Taiwan. GFB shipment volume increased 2.1%, driven by Winston (+4.8%) and Camel (+0.9%).

- Core revenue and Adjusted operating profit**

Core revenue increased 9.0% driven by volume contribution from acquisitions and a strong price/mix. Adjusted operating profit grew 9.5% including investments to strengthen the business foundation in the markets where we made acquisitions.

On a USD basis, core revenue grew 8.6%, or 17.7% at constant currency, driven by a price/mix variance of USD 328 million, notably in Canada, Iran, the Philippines, Russia, Sudan, Taiwan, Turkey and the UK. A positive volume contribution of USD 161 million supported the revenue growth, further offsetting unfavorable currency movements of USD 253 million. Adjusted operating profit increased 9.0%, or 21.3% when excluding currency movements, mainly driven by a favorable price/mix variance of USD 310 million and USD 59 million in positive volume.

2018 YTD

- Volume and Market share¹**

Total shipment volume grew 7.4% driven by acquisitions in Ethiopia, Greece, Indonesia, the Philippines and Russia. Excluding acquisitions and inventory adjustments, total shipment volume declined 1.2%. Volume increases and market share gains in the Czech Republic, Iran, Poland, Spain, the USA and several emerging markets did not offset the impact of industry volume contraction, notably in France, Russia and Taiwan. GFB shipment volume increased 1.9%, driven by Winston (+4.8%), Camel (+1.3%) and LD (+0.5%).

Total market share grew in the key markets of France, Italy, Russia, Spain and the UK.

- **Core revenue and Adjusted operating profit**

Core revenue increased 8.0% driven by a volume contribution from acquisitions and a robust price/mix. Adjusted operating profit grew 9.7% including investments to strengthen the business foundation markets where we made acquisitions. Both core revenue and adjusted operating profit were impacted by the negative currency movements caused by the yen appreciation versus the US dollar.

On a USD basis, core revenue grew 10.1%, or 12.0% on a currency neutral basis, driven by a price/mix variance of USD 732 million, notably in Canada, Iran, the Philippines, Romania, Russia, Sudan, Taiwan and Ukraine. This was enhanced by USD 213 million in volume contribution, further offsetting unfavorable currency movements of USD 145 million. Adjusted operating profit increased 11.8%, or 16.2% when excluding currency movements, mainly driven by a favorable price/mix variance of USD 697 million.

International Tobacco Business (Quarterly) Performance review by Cluster

South and West Europe

(billions of Units, millions of USD)	2017 Q3	2018 Q3	Variance
Total shipment volume	16.8	16.7	-0.8%
GFB shipment volume	13.5	13.4	-0.9%
Core revenue	530	523	-1.3% (-0.3%)*
*at constant FX			

- **Volume and market share¹**

Despite volume growth in France, Luxembourg, the Netherlands, Switzerland and the acquisition in Greece, total and GFB shipment volumes decreased 0.8% and 0.9%, respectively, due to unfavorable inventory movements. Excluding inventory movements and acquisitions, total shipment volume increased 0.1%. Market share increased in Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue decreased 1.3% as unfavorable currency movements of USD 5 million and a negative volume contribution of USD 2 million, offset a positive price/mix variance of USD 1 million. Excluding currency movements, core revenue decreased 0.3%.

- **By market**

In France, total shipment volume increased 1.3%, driven by market share gains and favorable inventory movements, despite industry volume contraction. Excluding inventory adjustments, total shipment volume declined 1.9%. GFB and fine cut shipment volumes increased 4.1% and 1.3%, respectively. Revenue at constant currency was impacted by a negative price/mix. Market share increased 0.8ppt to 22.8%, driven by Winston and Camel.

In Italy, market share grew 0.4ppt to 23.6%, driven by Winston and Benson & Hedges. Positive price/mix drove constant currency revenue growth. Despite the continued growth of Winston, GFB shipment volume decreased 2.8% due to cigarette industry volume contraction. Fine cut shipment volume growth of 17.7% resulted in total shipment volume being almost flat, decreasing 0.2% or increasing 0.2% when excluding unfavorable inventory adjustments.

In Spain, total and GFB shipment volumes decreased 5.8% and 6.0%, respectively, due to unfavorable inventory adjustments. Excluding inventory movements, total shipment volume increased 2.5%. Fine cut shipment volume grew 19.2% driven by the strong performance of Winston and Camel. The declining volume combined with a stable price/mix resulted in a constant currency revenue decrease. Market share increased 0.7ppt to 24.5%, led by Winston and Camel.

North and Central Europe

(billions of Units, millions of USD)	2017 Q3	2018 Q3	Variance
Total shipment volume	13.5	14.1	+4.8%
GFB shipment volume	5.7	6.5	+13.8%
Core revenue	504	557	+10.6% (+11.8%)*

*at constant FX

- **Volume and market share¹**
Total and GFB shipment volumes increased 4.8% and 13.8%, respectively, mainly driven by the Czech Republic, Germany, Hungary and Poland. Market share grew in Austria, Czech Republic, Hungary, Poland and the UK.
- **Core revenue**
Core revenue grew 10.6% driven by favorable price/mix variance of USD 42 million, notably in the UK, and positive USD 17 million volume contribution, offsetting unfavorable currency movements of USD 6 million. Excluding currency movements, core revenue increased 11.8%.
- **By market**
In Germany, total, GFB and fine cut shipment volumes increased 9.2%, 17.7% and 16.8%, respectively, led by Winston. This positive volume offset a slightly negative price/mix at constant currency. Year-on-year market share was stable at 7.8%. Quarterly market share continued to increase driven by Winston.

In the UK, total and fine cut shipment volumes increased 0.7% and 1.9%, respectively, driven by Benson & Hedges and Sterling. Revenue at constant currency grew driven by both positive shipment volume and price/mix. Quarterly market share increased 1.2ppt versus the third quarter in the previous year, resulting in year-on-year market share gaining 0.3ppt to 41.0%.

CIS+

(billions of Units, millions of USD)	2017 Q3	2018 Q3	Variance
Total shipment volume	36.2	38.2	+5.6%
GFB shipment volume	26.6	25.3	-4.9%
Core revenue	708	792	+11.9% (+21.5%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume increased 5.6% driven by the acquisition in Russia. Excluding acquisitions and favorable inventory movements, total shipment volume declined 7.4% mainly due to industry volume contraction in Russia and Ukraine. GFB shipment volume declined 4.9% while market share grew in Kazakhstan, Romania and Russia.

- **Core revenue**

Core revenue increased 11.9% driven by a favorable price/mix variance of USD 142 million, mainly in Russia, and a positive volume contribution of USD 11 million, offsetting unfavorable currency movements of USD 68 million. Excluding the currency movements, core revenue increased 21.5%.

- **By market**

In Romania, GFB shipment volume grew 0.3% driven by market share gains while total shipment volume declined 0.4% due to industry volume contraction. Revenue growth at constant currency was driven by a positive price/mix. Market share reached 27.6%, an increase of 1.2ppt, driven by Winston and Sobranie.

In Russia², total shipment volume increased 11.0% driven by the acquisition. Excluding the acquisition and favorable inventory movements, total shipment volume declined 9.9%. Revenue at constant currency increased led by robust price/mix. Share of market and share of value reached 34.2% and 35.8%, respectively, driven by the addition of Donskoy Tabak. On an organic basis, share of market grew 0.6ppt to 33.1%. GFB shipment volume declined 5.5% while quarterly industry volume contraction³ is estimated at 7.1%. GFB market share grew 1.8ppt to a new record high of 24.9% driven by Winston and LD.

Rest-of-the-World

(billions of Units, millions of USD)	2017 Q3	2018 Q3	Variance
Total shipment volume	38.3	45.5	+18.8%
GFB shipment volume	23.4	25.4	+8.9%
Core revenue	1,013	1,118	+10.4% (+27.5%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume grew strongly by 18.8% bolstered by acquisitions in Ethiopia, Indonesia and the Philippines and despite unfavorable inventory movements. Excluding acquisitions and inventory adjustments, total shipment volume increased 2.3% driven notably by Brazil, Iran, Lebanon, Thailand, Tunisia, Turkey and the USA. GFB shipment volume was up 8.9% driven by Winston, Camel and LD. Market share increased in several markets, most notably in Brazil, Canada, Iran, Jordan, Korea, Morocco and Sudan.

- **Core revenue**

Core revenue increased 10.4%, driven by favorable price/mix variance of USD 143 million and positive volume contribution of USD 136 million, offsetting unfavorable currency movements of USD 173 million. Excluding the currency movements, core revenue increased 27.5%.

- **By market**

In Iran, total and GFB shipment volumes increased 3.9% and 8.0%, respectively, driven by continued growth of Winston. Excluding favorable inventory adjustments, total shipment volume grew 2.0%. Revenue at constant currency grew supported by positive price/mix. Market share continued to increase and reached 55.4%, up 6.0ppt.

In Taiwan, total and GFB shipment volumes declined 4.2% and 4.8%, respectively, due to industry volume contraction following the 2017 tax increase. Excluding unfavorable inventory movements, total shipment volume declined 3.0%. Positive price/mix resulted in constant currency revenue growth. Market share decreased 0.2ppt to 41.6% due to Mevius.

In Turkey, total shipment volume grew 8.0%, or 7.8% when excluding favorable inventory movements, supported by a positive industry volume trend. GFB shipment volume was up 10.0% driven by Winston and Camel. Revenue at constant currency increased, with price/mix gains enhancing volume benefits. Market share declined 1.1ppt to 27.8% due to Camel and LD.

¹ Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut (excluding snus) at the end of September 2018. Brazil, Hungary and Spain are on a 12-month rolling average at the end of August 2018. 12-month share of market growth for 2018 markets is calculated against a 12-month share of market at the end of September 2017.

² Including Donskoy Tabak from August 2018.

³ Source: JTI estimates based on July-September 2018 data versus the same period last year.

Japanese Domestic Tobacco Business

(billions of Units, billions of JPY)	2017 Q3	2018 Q3	Variance	2017 YTD	2018 YTD	Variance
Cigarette industry volume	38.5	38.1	-1.1%	115.3	103.7	-10.0%
Cigarette sales volume	23.5	23.8	+1.3%	70.3	64.2	-8.7%
Core revenue	148.7	172.2	+15.8%	443.1	444.4	+0.3%
Adjusted operating profit	58.0	69.3	+19.5%	178.0	172.8	-2.9%

2018 Q3

- **Cigarette sales volume**

Despite increased demand ahead of the tax-led retail price revision, cigarette industry volume decreased 1.1% impacted by the expansion of the RRP category and the underlying natural decline trend. JT's cigarette sales volume increased 1.3% led by the solid performance of MEVIUS and the extra demand ahead of the price revision, estimated at approximately 0.4 month sales*. JT's cigarette market share increased 1.5ppt to 62.5% versus the third quarter in the previous year and increased 0.9ppt versus the second quarter this year. JT's cigarette market share gains continued for 3 consecutive quarters.

*JT estimates

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

JT estimates the overall RRP market size in Japan in the quarter was approximately 21%* of total tobacco industry volume, slightly increasing from the second quarter. In the quarter, JT RRP sales volume reached 1.0 billion cigarette equivalent units. Based on sales volume, our share in the quarter within the RRP category was estimated at approximately 10% in convenience stores.

*shipment basis

- **Core revenue and Adjusted operating profit**

Core revenue increased 15.8% mainly driven by an increase in RRP related revenue, other factors - representing JPY 22.0 billion - and a favorable cigarette volume contribution of JPY 1.7 billion. RRP related revenue was JPY 24.9 billion. Adjusted operating profit increased 19.5% bolstered by an increase in RRP related profit, other factors - representing JPY 10.1 billion - and a positive cigarette volume contribution of JPY 1.4 billion.

2018 YTD

- **Cigarette sales volume**

Despite increased demand ahead of the retail price revision, cigarette industry volume decreased 10.0% impacted by the expansion of the RRP category and the underlying natural decline trend. Cigarette sales volume decreased 8.7% mainly due to cigarette industry volume contraction. JT continued to gain cigarette market share, increasing 0.9ppt to 61.9% led by the solid performance of MEVIUS.

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

JT estimates the overall RRP market size in Japan was over 20%* of total tobacco industry volume. JT RRP sales volume reached 1.8 billion cigarette equivalent units.

*shipment basis

- **Core revenue and Adjusted operating profit**

Despite unfavorable cigarette volume contribution of JPY 36.6 billion and negative price/mix variance of JPY 2.0 billion*, core revenue increased 0.3% mainly driven by an increase in RRP related revenue and other factors representing JPY 39.9 billion. RRP related revenue was JPY 46.1 billion. Adjusted operating profit declined 2.9% due to negative cigarette volume contribution of JPY 30.1 billion, partially offset by an increase in RRP related profit and other factors representing JPY 26.9 billion.

*Including the impact of IFRS 15 application since FY2018

Pharmaceutical Business

(billions of JPY)	2017 Q3	2018 Q3	Variance	2017 YTD	2018 YTD	Variance
Revenue	27.0	28.6	+5.6%	74.2	81.8	+10.1%
Adjusted operating profit	6.8	7.9	+15.5%	15.8	19.3	+21.8%

2018 Q3

- **Revenue and Adjusted operating profit**

Revenue increased 5.6% driven by higher royalty revenues from increased sales of original JT compounds. Adjusted operating profit grew 15.5% driven by revenue growth despite increased R&D investments.

2018 YTD

- **Revenue and Adjusted operating profit**

Revenue increased 10.1% driven by higher royalty revenues from increased sales of original JT compounds. Despite increased R&D investment, adjusted operating profit grew 21.8% driven by revenue growth.

Processed Food Business

(billions of JPY)	2017 Q3	2018 Q3	Variance	2017 YTD	2018 YTD	Variance
Revenue	39.8	40.1	+0.7%	117.3	117.2	-0.1%
Adjusted operating profit	0.8	0.6	-18.7%	3.0	2.1	-30.0%

2018 Q3

- **Revenue and Adjusted operating profit**

Revenue increased 0.7% due to the positive performance of staple food and seasoning products offsetting the lower sales of other products. Adjusted operating profit declined 18.7% mainly due to higher raw material costs.

2018 YTD

- **Revenue and Adjusted operating profit**

Revenue decreased 0.1% due to the growing performance of staple food and seasoning products being offset by the lower sales of other products. Adjusted operating profit declined 30.0% mainly as a result of higher raw material costs.

FY2018 Forecasts

(billions of JPY)	2018 Previous forecast	2018 Revised forecast	Variance vs. Previous forecast	Variance vs. 2017 Result
Revenue	2,240.0	2,190.0	-50.0	+2.4%
Adjusted operating profit	586.0	575.0	-11.0	-1.8%
Operating profit	541.0	532.0	-9.0	-5.2%
Profit attributable to owners of the parent	377.0	370.0	-7.0	-5.7%
Adjusted operating profit at constant FX	607.0	624.0	+17.0	+6.6%

- **Revenue**

Despite incremental pricing in the international tobacco business, the revenue forecast is revised downwards by JPY 50 billion due to the negative impact of revised FX assumptions as well as the downward revision of RRP sales volume in the Japanese domestic tobacco business, resulting in 2.4% growth versus the previous year.

- **Adjusted Operating Profit**

The forecast for adjusted operating profit at constant FX is revised upwards by JPY 17.0 billion from the previous forecast, resulting in a 6.6% increase versus prior year led by incremental pricing in the international tobacco business. On a reported basis, the profit is revised downwards by JPY 11 billion from the previous forecast and is expected to decline 1.8% versus prior year due to the negative impact of revised FX assumptions.

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

Operating profit and profit attributable to owners of the parent are revised downward by JPY 9 billion and JPY 7 billion respectively, as a result of downward revision of adjusted operating profit. As a result, they are forecast to decline 5.2% and 5.7% respectively versus the previous fiscal year.

Forecasts by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2018 Previous forecast	2018 Revised forecast	Variance vs. Previous forecast	Variance vs. 2017 Result
Total shipment volume	Increase over 5.0%	Increase over 6.0%		
GFB shipment volume	Increase over 1.0%	Increase over 1.0%		
Core revenue	1,270.0	1,230.0	-40.0	+4.5%
Adjusted operating profit	382.0	373.0	-9.0	+6.2%
<u>Reference (millions of USD)</u>				
Core revenue	11,630	11,240	-390	+7.1% (+11.0%)*
Adjusted operating profit*	3,500	3,400	-100	+8.3% (+20.1%)*

*at constant FX

- Volume**

Stronger volume trends in France, Turkey, the UK and continued momentum in the Philippines, drive an upward revision of the total shipment volume forecast to an increase over 6.0%. The forecast for GFB shipment volume remains unchanged and is expected to increase over 1.0%.

- Core revenue and Adjusted operating profit**

Despite strong underlying fundamentals driven by the aforementioned volume and incremental pricing, notably in Iran, Romania and Ukraine, the forecast for core revenue is revised downwards by JPY 40 billion as a result of negative currency movements and is expected to increase 4.5% versus the previous year. While uncertainties remain in some markets, we do not expect a significant impact on the current year performance. As a result, the forecast for adjusted operating profit is revised downwards by JPY 9 billion due to unfavorable currency movements and is expected to increase 6.2% compared to prior year.

On a USD basis, constant currency core revenue is revised upwards by USD 150 million, resulting in an 11% increase versus the previous year, driven by the aforementioned volume trends and robust price/mix. Reported core revenue is revised downward by USD 390 million due to unfavorable currency movements and is expected to increase 7.1% versus the previous year.

Full year currency-neutral adjusted operating profit is revised upwards by USD 170 million and is expected to grow 20.1% versus the previous year. Due to negative currency movements, reported adjusted operating profit is revised downwards by USD 100 million, and is now expected to increase 8.3% versus the previous year. Excluding a one-time loss occurred in the previous year, adjusted operating profit on a reported basis and at constant FX are expected to increase 2.0% and 13.1% respectively.

Japanese Domestic Tobacco Business

(billions of JPY)	2018 Previous forecast	2018 Revised forecast	Variance vs. Previous forecast	Variance vs. 2017 Result
Cigarette industry volume	A decline over 14.5%	A decline over 13.0%		
Cigarette sales volume	A decline over 14.0%	A decline over 12.0%		
Core revenue	584.0	580.0	-4.0	-1.8%
Adjusted operating profit	202.0	202.0	-	-13.0%

- Volume**

Given current market conditions, the forecast for cigarette industry volume is revised from a decline of over 14.5% to over 13.0%. Based on current trend, the RRP market share in total industry volume is revised downwards to c.21% from c.22%*. As a result, the forecast for total industry volume decline is revised from c. 4.0% to c.3.5%.

JT cigarette sales volume is revised from a decline of over 14.0% to a decline of over 12.0%. As the current sales volume is below our forecast, 2018 RRP target sales volume is revised from 4 billion sticks equivalent sales units (or 0.2 billion packs) to 2.8 billion sticks equivalent sales units (or 0.14 billion packs).

*shipment basis

- Core revenue and adjusted operating profit**

As a result of the revised RRP sales volume and despite the upward revision in cigarette sales volume, the forecast for core revenue is revised downwards by JPY 4.0 billion to JPY 580 billion, representing a decrease of 1.8% compared to the previous year.

Irrespective of the downward revision of core revenue, the adjusted operating profit forecast remains unchanged as a result of cost reduction measures and is expected to decline 13.0% versus prior year. Investments to establish the low temperature heating category and strengthen the promotion of Ploom TECH are secured.

Pharmaceutical Business

(billions of JPY)	2018 Previous forecast	2018 Revised forecast	Variance vs. Previous forecast	Variance vs. 2017 Result
Revenue	110.0	111.0	+1.0	+6.0%
Adjusted operating profit	25.0	25.0	-	+3.8%

- Revenue and Adjusted operating profit**

The forecast for revenue is revised upwards to 6.0% growth versus the previous year led by the sales growth of Torii Pharmaceutical and higher royalty revenues from increased sales of original JT compounds. Due to an increase in expenses, adjusted operating profit forecast is unchanged at 3.8% growth versus the previous year.

Processed Food Business

(billions of JPY)	2018 Previous forecast	2018 Revised forecast	Variance vs. Previous forecast	Variance vs. 2017 Result
Revenue	165.0	164.0	-1	+0.5%
Adjusted operating profit	5.5	5.0	-0.5	-7.4%

- **Revenue and Adjusted operating profit**

The forecast for revenue is expected to grow 0.5% driven by the solid performance of staple products versus prior year although the total sales volume mainly in bakery products are revised downwards. Adjusted operating profit is expected to decline 7.4% versus the prior year as a result of revising downwards 0.5 billion due to higher raw material costs as well as the downward revision of the revenue.

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Data Sheets

Results for 2018 Third Quarter (YTD)

1. Summary of Consolidated results

(Unit: JPY billion)

	2017 Q3	2018 Q3	Variance (abs)	Variance (%)
Revenue	1,592.9	1,675.8	+82.9	+5.2%
Operating profit	469.7	477.1	+7.4	+1.6%
Adjusted operating profit	486.1	511.0	+24.9	+5.1%
Profit before income tax	453.9	449.4	-4.5	-1.0%
Profit	336.3	334.9	-1.4	-0.4%
Profit (attributable to owners of the parent company)	333.7	332.7	-1.0	-0.3%
Interim dividend (JPY)	70.00	75.00	+5.00	+7.1%
Basic EPS*(JPY)	186.32	185.73	-0.59	-0.3%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2017 Q3	2018 Q3	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	486.1	530.7	+44.7	+9.2%

2. Results by business segment

(Unit: JPY billion)

	2017 Q3	2018 Q3	Variance (abs)	Variance (%)
Revenue	1,592.9	1,675.8	+82.9	+5.2%
Japanese domestic tobacco	468.4	472.4	+4.0	+0.9%
Core revenue	443.1	444.4	+1.3	+0.3%
International tobacco	927.5	999.4	+71.9	+7.8%
Core revenue	882.9	953.2	+70.3	+8.0%
Pharmaceutical	74.2	81.8	+7.5	+10.1%
Processed food	117.3	117.2	-0.1	-0.1%
Others	5.5	5.1	-0.4	-7.4%
Consolidated: operating profit	469.7	477.1	+7.4	+1.6%
Japanese domestic tobacco	165.8	160.3	-5.4	-3.3%
International tobacco	288.5	304.8	+16.3	+5.7%
Pharmaceutical	15.8	19.3	+3.5	+21.8%
Processed food	2.9	0.9	-2.0	-69.1%
Others/Elimination	-3.3	-8.2	-4.9	-
Adjustments, total	-16.4	-33.9	-17.5	-
Japanese domestic tobacco	-12.2	-12.5	-0.3	-
International tobacco	-18.6	-32.1	-13.5	-
Pharmaceutical	-	-	-	-
Processed food	-0	-1.2	-1.1	-
Others/Elimination	14.5	11.8	-2.7	-18.4%
Consolidated: adjusted operating profit	486.1	511.0	+24.9	+5.1%
Japanese domestic tobacco	178.0	172.8	-5.2	-2.9%
International tobacco	307.1	336.9	+29.8	+9.7%
Pharmaceutical	15.8	19.3	+3.5	+21.8%
Processed food	3.0	2.1	-0.9	-30.0%
Others/Elimination	-17.8	-20.0	-2.2	-

[Reference] International tobacco business

(Unit: USD million)

	2017 Q3	2018 Q3	Variance (abs)	Variance (%)
Core revenue	7,895	8,695	+800	+10.1%
Core revenue at constant FX	7,895	8,840	+945	+12.0%
Adjusted operating profit	2,747	3,071	+324	+11.8%
Adjusted operating profit at constant FX	2,747	3,191	+444	+16.2%

Results for 2018 Third Quarter (YTD)

3. Depreciation and amortization

(Unit: JPY billion)

	2017 Q3	2018 Q3	Variance (abs)
Consolidated	106.2	116.3	+10.1
Japanese domestic tobacco	42.1	40.3	-1.7
International tobacco	54.3	65.6	+11.3
Pharmaceutical	3.8	3.8	-0.0
Processed food	4.6	4.9	+0.4
Others/Elimination	1.5	1.6	+0.1

4. Consolidated financial position

(Unit: JPY billion)

	2017 Dec. end	2018 Sep. end	Variance (abs)
Total assets	5,221.5	5,347.1	+125.6
Total equity	2,842.0	2,725.3	-116.8
Equity attributable to owners of the parent	2,761.7	2,654.3	-107.4
BPS (attributable to owners of the parent) (JPY)	1,541.94	1,481.73	-60.21

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2017 Dec. end	2018 Sep. end	Variance (abs)
Liquidity	291.8	307.6	+15.8
Interest-bearing debt	755.8	886.8	+131.0

6. Consolidated cash flow

(Unit: JPY billion)

	2017 Q3	2018 Q3	Variance (abs)
Cash flows from operating activities	334.5	427.6	+93.2
Cash flows from investing activities	-171.3	-233.9	-62.7
Cash flows from financing activities	-242.6	-176.8	+65.8
Cash and cash equivalents, beginning of the year	294.2	285.5	-8.7
Foreign currency translation adj. on cash & cash equivalents	2.2	-19.1	-21.3
Cash and cash equivalents, end of the year	217.0	283.3	+66.3
FCF	162.4	214.8	+52.4

7. Capital expenditures

(Unit: JPY billion)

	2017 Q3	2018 Q3	Variance (abs)
Consolidated	90.8	101.9	+11.2
Japanese domestic tobacco	32.7	37.0	+4.3
International tobacco	44.6	45.7	+1.0
Pharmaceutical	3.9	4.9	+1.0
Processed food	7.3	10.7	+3.4
Others/Elimination	2.2	3.6	+1.4

8. FX actual (Reference information)

	2017 Q3	2018 Q3	Variance (abs)	Variance (%)
USD/JPY	111.89	109.60	-2.29	-2.0%
USD/RUB	58.32	61.41	+3.09	-5.0%
USD/GBP	0.78	0.74	-0.04	+6.0%
USD/EUR	0.90	0.84	-0.06	+7.5%
USD/CHF	0.98	0.97	-0.01	+1.2%
USD/TWD	30.55	29.90	-0.64	+2.2%
USD/TRY	3.59	4.60	+1.00	-21.8%
USD/IRR	38,081	53,867	+15,786	-29.3%

Operational FX exposure in Iran is to EUR only. EUR/IRR is converted to USD/IRR in the above table by using cross rates.

FY2018 Revised Forecasts (as of October 31, 2018)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2017 Results	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,139.7	2,190.0	+50.3	+2.4%
Operating profit	561.1	532.0	-29.1	-5.2%
Adjusted operating profit	585.3	575.0	-10.3	-1.8%
Profit (attributable to owners of the parent company)	392.4	370.0	-22.4	-5.7%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2017 Results	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	585.3	624.0	+38.7	+6.6%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2017 Results	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	219.10	206.56	-12.55	-5.7%
DPS	140.00	150.00	+10.00	+7.1%
ROE (attributable to owners of the parent company)	15.0%	13.3%	-1.7%pt	

3. Forecasts by business segment

(Unit: JPY billion)

	FY2017 Results	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,139.7	2,190.0	+50.3	+2.4%
Japanese domestic tobacco	626.8	615.0	-11.8	-1.9%
Core revenue	590.6	580.0	-10.6	-1.8%
International tobacco	1,237.6	1,290.0	+52.4	+4.2%
Core revenue	1,177.0	1,230.0	+53.0	+4.5%
Pharmaceutical	104.7	111.0	+6.3	+6.0%
Processed food	163.1	164.0	+0.9	+0.5%
Others	7.5	6.5	-1.0	-12.9%
Consolidated: operating profit	561.1	532.0	-29.1	-5.2%
Japanese domestic tobacco	215.8	186.0	-29.8	-13.8%
International tobacco	325.6	328.0	+2.4	+0.7%
Pharmaceutical	24.1	25.0	+0.9	+3.8%
Processed food	5.4	3.5	-1.9	-34.9%
Others/Elimination	-9.8	-12.0	-2.2	-
Adjusted operating profit	585.3	575.0	-10.3	-1.8%
Japanese domestic tobacco	232.3	202.0	-30.3	-13.0%
International tobacco	351.3	373.0	+21.7	+6.2%
Pharmaceutical	24.1	25.0	+0.9	+3.8%
Processed food	5.4	5.0	-0.4	-7.4%
Others/Elimination	-27.8	-30.0	-2.2	-

[Reference] International tobacco business

(Unit: USD million)

	FY2017 Results	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	10,498	11,240	+742	+7.1%
Core revenue at constant FX	10,498	11,650	+1,152	+11.0%
Adjusted operating profit	3,138	3,400	+262	+8.3%
Adjusted operating profit at constant FX	3,138	3,770	+632	+20.1%

FY2018 Revised Forecasts (as of October 31, 2018)

4. Free cash flow

(Unit: JPY billion)

	FY2017 Results	FY2018 Revised Forecasts	Variance (abs)
FCF	72.6	167.0	+94.4

5. Capital expenditures

(Unit: JPY billion)

	FY2017 Results	FY2018 Revised Forecasts	Variance (abs)
Consolidated	140.9	173.0	+32.1
Japanese domestic tobacco	51.5	63.0	+11.5
International tobacco	68.4	79.0	+10.6
Pharmaceutical	6.2	12.0	+5.8
Processed food	10.4	14.0	+3.6
Others/Elimination	4.3	5.0	+0.7

6. Revised assumptions of 2018 Forecast

2018 Japanese domestic tobacco business

- Industry volume : a decline of c.3.5% (vs. 2017: 172.0 BnU)
- Cigarette industry volume : a decline of over 13% (vs. 2017: 151.4 BnU)
- JT cigarette sales volume : a decline of over 12% (vs. 2017: 92.9 BnU)
- Reduced-Risk Products market share in tobacco industry (JT estimate) : c.21% (2017: c.12%)

2018 International tobacco business

- Total shipment volume : an increase of over 6% (vs. 2017: 398.5 BnU)
- GFB* shipment volume : an increase of over 1% (vs. 2017: 260.4 BnU)
- * From 2018 we changed GFB from 9 brands to 4 brands (Winston, Camel, MEVIUS, LD)
- Above volume is based on 4 brands.

<FX assumptions>

	FY2017 Results	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	112.16	109.71	-2.45	-2.2%
USD/RUB	58.35	63.00	+4.65	-7.4%
USD/GBP	0.78	0.75	-0.03	+3.6%
USD/EUR	0.89	0.84	-0.05	+5.7%
USD/CHF	0.98	0.97	-0.01	+1.5%
USD/TWD	30.44	30.10	-0.34	+1.1%
USD/TRY	3.64	5.00	+1.36	-27.1%
USD/IRR	38,811	66,000	+27,189	-41.2%

Operational FX exposure in Iran is to EUR only. EUR/IRR is converted to USD/IRR in the above table by using cross rates.

**FY2018 Revised Forecasts
vs Previous Forecasts
(as of October 31, 2018)**

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2018 Previous Forecasts	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,240.0	2,190.0	-50.0	-2.2%
Operating profit	541.0	532.0	-9.0	-1.7%
Adjusted operating profit	586.0	575.0	-11.0	-1.9%
Profit (attributable to owners of the parent company)	377.0	370.0	-7.0	-1.9%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2018 Previous Forecasts	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	607.0	624.0	+17.0	+2.8%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2018 Previous Forecasts	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	210.46	206.56	-3.91	-1.9%
DPS	150.00	150.00	-	-
ROE (attributable to owners of the parent company)	13.4%	13.3%	-0.1%pt	

3. Forecasts by business segment

(Unit: JPY billion)

	FY2018 Previous Forecasts	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,240.0	2,190.0	-50.0	-2.2%
Japanese domestic tobacco	620.0	615.0	-5.0	-0.8%
Core revenue	584.0	580.0	-4.0	-0.7%
International tobacco	1,330.0	1,290.0	-40.0	-3.0%
Core revenue	1,270.0	1,230.0	-40.0	-3.1%
Pharmaceutical	110.0	111.0	+1.0	+0.9%
Processed food	165.0	164.0	-1.0	-0.6%
Others	6.5	6.5	-	-
Consolidated: operating profit	541.0	532.0	-9.0	-1.7%
Japanese domestic tobacco	186.0	186.0	-	-
International tobacco	336.0	328.0	-8.0	-2.4%
Pharmaceutical	25.0	25.0	-	-
Processed food	5.5	3.5	-2.0	-36.4%
Others/Elimination	-13.0	-12.0	+1.0	-
Adjusted operating profit	586.0	575.0	-11.0	-1.9%
Japanese domestic tobacco	202.0	202.0	-	-
International tobacco	382.0	373.0	-9.0	-2.4%
Pharmaceutical	25.0	25.0	-	-
Processed food	5.5	5.0	-0.5	-9.1%
Others/Elimination	-29.0	-30.0	-1.0	-

[Reference] International tobacco business

(Unit: USD million)

	FY2018 Previous Forecasts	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,630	11,240	-390	-3.4%
Core revenue at constant FX	11,500	11,650	+150	+1.3%
Adjusted operating profit	3,500	3,400	-100	-2.9%
Adjusted operating profit at constant FX	3,600	3,770	+170	+4.7%

FY2018 Revised Forecasts vs Previous Forecasts (as of October 31, 2018)

4. Free cash flow

(Unit: JPY billion)

	FY2018 Previous Forecasts	FY2018 Revised Forecasts	Variance (abs)
FCF	71.0	167.0	+96.0

5. Capital expenditures

(Unit: JPY billion)

	FY2018 Previous Forecasts	FY2018 Revised Forecasts	Variance (abs)
Consolidated	188.0	173.0	-15.0
Japanese domestic tobacco	69.0	63.0	-6.0
International tobacco	86.0	79.0	-7.0
Pharmaceutical	12.0	12.0	-
Processed food	15.0	14.0	-1.0
Others/Elimination	5.5	5.0	-0.5

6. Revised assumptions of FY2018 Forecast (vs FY2017 results)

Japanese domestic tobacco business	Previous Forecasts	Revised Forecasts
Industry volume	a decline of c.4%	→ a decline of c.3.5%
Cigarette industry volume	a decline of over 14.5%	→ a decline of over 13%
JT cigarette sales volume	a decline of over 14%	→ a decline of over 12%
RRP market share in tobacco industry*	c. 22%	→ c. 21%

* JT estimate based on shipment, annual base

International tobacco business	Previous Forecasts	Revised Forecasts
Total shipment volume	an increase of over 5%	→ an increase of over 6%
GFB* shipment volume	an increase of over 1%	→ an increase of over 1%

* From 2018 we changed GFB from 9 brands to 4 brands (Winston, Camel, MEVIUS, LD), above volume is based on 4 brands.

<FX assumptions>

	FY2018 Previous Forecasts	FY2018 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	109.34	109.71	+0.37	+0.3%
USD/RUB	60.00	63.00	+3.00	-4.8%
USD/GBP	0.71	0.75	+0.04	-5.3%
USD/EUR	0.81	0.84	+0.03	-3.6%
USD/CHF	0.95	0.97	+0.02	-2.1%
USD/TWD	29.20	30.10	+0.90	-3.0%
USD/TRY	4.40	5.00	+0.60	-12.0%
USD/IRR	44,100	66,000	+21,900	-33.2%

Operational FX exposure in Iran is to EUR only. EUR/IRR is converted to USD/IRR in the above table by using cross rates.

<FX sensitivity>

FX Sensitivity Guidance for FX impact on 2018 adjusted operating profit of US\$ 3,400 MM based on the revised assumptions:

Local currency vs. US\$

1% deviation from the revised assumption rates against US\$ by all the currencies in the same direction (excluding JPY) leads to nearly US\$ 55MM impacting on US\$ based adjusted operating profit

Approx. US\$ 55MM composed of: RUB 25%, GBP 15%+, TWD 15%-, EUR 10%, IRR 10%-, TRY 5%, CHF -10%

US\$ vs. JPY

\$/JPY move of 1 yen from the assumption leads to approx. JPY 3.4 billion impact on JPY-based adjusted operating profit

Tobacco Business Data

International Tobacco Business

1. Summary (YTD)

	2017 Q3	2018 Q3	Variance	Variance (%)	
Total shipment volume	298.0	320.1	+22.2	+7.4%	BNU
GFB shipment volume	197.5	201.3	+3.8	+1.9%	BNU
Core Revenue	882.9	953.2	+70.3	+8.0%	JPY BN
Adjusted operating profit	307.1	336.9	+29.8	+9.7%	JPY BN

[USD Reference information]

Core Revenue	7,895	8,695	+800	+10.1%	\$MM
Adjusted operating profit	2,747	3,071	+324	+11.8%	\$MM
at constant FX basis					
Core Revenue	7,895	8,840	+945	+12.0%	\$MM
Adjusted operating profit	2,747	3,191	+444	+16.2%	\$MM

• Contribution by cluster (BNU/\$MM)

2018Q3	Total Shipment Volume		GFB Shipment Volume		Core Revenue	
SWE	49.4	15%	40.0	20%	1,584	18%
NCE	40.1	13%	18.1	9%	1,611	19%
CIS+	99.6	31%	71.7	36%	2,167	25%
RoW	131.0	41%	71.6	36%	3,333	38%
Total	320.1		201.3		8,695	

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

2018	Q1	Q2	Q3	Q4	YTD
SWE	0.7%	-5.1%	-0.8%		-1.9%
France	-5.2%	-10.9%	1.3%		-5.2%
Italy	4.5%	-8.0%	-0.2%		-1.4%
Spain	11.8%	-2.5%	-5.8%		0.7%
NCE	-1.8%	4.8%	4.8%		2.7%
Germany	-6.7%	8.1%	9.2%		3.6%
UK	-1.4%	-2.5%	0.7%		-1.1%
CIS+	-3.3%	-4.7%	5.6%		-0.6%
Romania	1.0%	-2.8%	-0.4%		-0.9%
Russia*	-4.4%	-7.3%	11.0%		0.1%
RoW	22.7%	21.3%	18.8%		20.9%
Iran	8.6%	2.4%	3.9%		4.9%
Taiwan	-18.7%	-22.3%	-4.2%		-15.6%
Turkey	5.4%	3.9%	8.0%		5.9%
Total	7.3%	5.6%	9.3%		7.4%

* Including Donskoy Tabak as of August 2018

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

2018	Q1	Q2	Q3	Q4	YTD
Winston	34.9	38.8	39.7		113.5
	5.3%	4.2%	4.8%		4.8%
Camel	13.1	13.7	14.4		41.2
	3.7%	-0.4%	0.9%		1.3%
MEVIUS	3.7	4.1	4.2		11.9
	-17.3%	-18.9%	-8.0%		-14.8%
LD	10.3	12.1	12.3		34.7
	3.8%	-0.5%	-1.3%		0.5%

Tobacco Business Data

International Tobacco Business

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

2018	Q1	Q2	Q3	Q4	YTD
SWE	1.8%	-4.1%	-0.9%		-1.2%
France	-4.4%	-8.1%	4.1%		-3.1%
Italy	2.5%	-8.2%	-2.8%		-3.0%
Spain	16.4%	-3.1%	-6.0%		1.8%
NCE	0.5%	14.8%	13.8%		9.9%
Germany	-7.8%	13.4%	17.7%		7.6%
UK	-24.0%	-33.8%	-9.9%		-23.9%
CIS+	2.0%	-0.2%	-4.9%		-1.3%
Romania	4.4%	-0.4%	0.3%		1.2%
Russia	4.1%	-0.1%	-5.5%		-0.9%
RoW	5.4%	1.4%	8.9%		5.3%
Iran	15.6%	7.6%	8.0%		10.5%
Taiwan	-21.8%	-24.3%	-4.8%		-17.5%
Turkey	8.4%	5.1%	10.0%		7.9%
Total	3.1%	0.8%	2.1%		1.9%

5. Share of market by key markets

	12 month moving average			3 month average				
	2017	2018		2017	2017	2018	2018	2018
	Sep	Sep	Change	Q3	Q4	Q1	Q2	Q3
France	22.0%	22.8%	+0.8%pt	22.0%	21.9%	22.6%	23.3%	23.5%
Italy	23.1%	23.6%	+0.4%pt	23.1%	23.0%	23.5%	23.8%	23.9%
Russia*	32.5%	34.2%	+1.8%pt	33.5%	33.5%	33.2%	32.8%	37.2%
Spain	23.8%	24.5%	+0.7%pt	24.3%	24.0%	24.5%	24.8%	24.8%
Taiwan	41.8%	41.6%	-0.2%pt	42.7%	40.2%	41.6%	41.9%	42.6%
Turkey	28.9%	27.8%	-1.1%pt	28.8%	28.2%	27.8%	27.5%	27.8%
UK	40.7%	41.0%	+0.3%pt	40.2%	40.6%	41.1%	40.9%	41.4%

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

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

(\$MM)

2018	Q1	Q2	Q3	Q4	YTD
SWE	455	502	528		1,485
	-1.0%	-5.5%	-0.3%		-2.3%
NCE	431	525	563		1,519
	-8.4%	9.6%	11.8%		4.6%
CIS+	607	778	860		2,245
	9.7%	17.5%	21.5%		16.7%
RoW	1,118	1,182	1,291		3,590
	18.2%	13.7%	27.5%		19.8%
Total	2,611	2,987	3,242		8,840
	7.5%	10.1%	17.7%		12.0%

Tobacco Business Data

International Tobacco Business

7. Breakdown of Core Revenue

• USD basis					(\$MM)
	Q1	Q2	Q3	Q4	YTD
2017	2,429	2,712	2,754		7,895
Volume	+72	-20	+161		+213
Price/Mix	+109	+295	+328		+732
2018 at constant	2,611	2,987	3,242		8,840
FX	+113	-6	-253		-145
2018	2,724	2,981	2,990		8,695

• Yen basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2017	276.0	301.3	305.6		882.9
Operations	+20.6	+30.5	+54.2		+105.4
Local currencies vs. USD	+12.9	-0.6	-28.0		-15.8
USD vs. JPY	-14.7	-5.9	+1.3		-19.3
2018	294.8	325.2	333.1		953.2

8. Breakdown of Adjusted Operating Profit

• USD basis					(\$MM)
	Q1	Q2	Q3	Q4	YTD
2017	810	929	1,009		2,747
Volume	-7	-86	+59		-34
Price/Mix	+102	+286	+310		+697
Others	-31	-34	-154		-219
2018 at constant	874	1,094	1,223		3,191
FX	+16	-13	-123		-120
2018	890	1,082	1,100		3,071

• Yen basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2017	92.0	103.2	112.0		307.1
Operations	+7.3	+18.4	+23.8		+49.5
Local currencies vs. USD	+1.8	-1.4	-13.7		-13.3
USD vs. JPY	-4.8	-2.2	+0.5		-6.5
2018	96.3	118.0	122.6		336.9

9. FX actual vs. PY

	<u>2018Q1</u>	<u>2018Q2</u>	<u>2018Q3</u>	<u>2018Q4</u>	<u>2018 YTD</u>
\$/RUB	56.88	61.80	65.56		61.41
	+3.4%	-7.5%	-10.0%		-5.0%
\$/GBP	0.72	0.73	0.77		0.74
	+12.3%	+6.5%	-0.3%		+6.0%
\$/EUR	0.81	0.84	0.86		0.84
	+15.4%	+8.6%	-0.9%		+7.5%
\$/CHF	0.95	0.98	0.98		0.97
	+5.9%	+0.1%	-2.2%		+1.2%
\$/TWD	29.30	29.76	30.65		29.90
	+6.2%	+1.7%	-1.3%		+2.2%
\$/TRY	3.81	4.36	5.62		4.60
	-3.1%	-17.9%	-37.6%		-21.8%
\$/IRR	46,583	43,365	71,653		53,867
	-17.8%	-13.4%	-46.4%		-29.3%
\$/JPY	108.22	109.10	111.43		109.60
	-4.7%	-1.8%	+0.4%		-2.0%

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

Operational FX exposure in Iran is to EUR only. EUR/IRR is converted to USD/IRR in the above table by using cross rates.

Tobacco Business Data

Japanese Domestic Tobacco Business

1. Summary (YTD)

	2017 Q3	2018 Q3	Variance	Variance (%)	
Cigarette industry volume	115.3	103.7	-11.6	-10.0%	BNU
Cigarette sales volume	70.3	64.2	-6.1	-8.7%	BNU

Excludes volumes of duty-free in Japan, China business (3.0BNU in 2017Q3 and 3.1BNU in 2018Q3, respectively) and RRP sales volume

Core revenue	443.1	444.4	+1.3	+0.3%	JPY BN
Adjusted operating profit	178.0	172.8	-5.2	-2.9%	JPY BN

From FY2018, in accordance with the application of IFRS 15, certain items formerly treated as selling, general and administrative expenses are accounted for as reductions of revenue. There is no impact on adjusted operating profit.

2. Cigarette sales volume

	Q1	Q2	Q3	Q4	(BNU) YTD
2017	23.0	23.8	23.5	22.6	92.9
2018	19.5	20.8	23.8		
vs. PY	-15.0%	-12.6%	+1.3%		

3. Revenue per thousand cigarettes

	Q1	Q2	Q3	Q4	(JPY) YTD
2017	5,931	5,987	5,922	5,944	5,946
2018	5,895	5,938	5,911		

Revenue per thousand cigarettes = (retail price sales-retailer margins-consumption tax-excise taxes)/sales volume×1,000
From FY2018, figures include the effects of IFRS15 application

4. Results of Reduced-Risk Products

	Q1	Q2	Q3	Q4	(BNU / JPY BN) YTD
2018					
RRP sales volume	0.3	0.5	1.0		1.8
RRP related revenue	8.3	12.9	24.9		46.1

5. Breakdown of financial results

	Q1	Q2	Q3	Q4	(JPY BN) YTD
Core revenue					
2017	143.9	150.5	148.7		443.1
Volume	-20.7	-17.7	+1.7		-36.6
Price/Mix*	-0.7	-1.0	-0.3		-2.0
RRP/Others	+6.8	+11.1	+22.0		+39.9
2018	129.3	142.9	172.2		444.4
Adjusted OP					
2017	57.2	62.8	58.0		178.0
Volume	-17.0	-14.6	+1.4		-30.1
Price/Mix*	-0.7	-1.0	-0.3		-2.0
RRP/Others	+9.4	+7.4	+10.1		+26.9
2018	48.9	54.6	69.3		172.8

*From FY2018, figures include the effects of IFRS15 application

6. Market share in cigarettes category

	Q1	Q2	Q3	Q4	(%) YTD
JT Total					
2017	61.0	61.0	61.1	62.4	61.3
2018	61.4	61.6	62.5		
MEVIUS					
2017	30.5	31.6	31.3	32.1	31.4
2018	31.0	31.9	32.3		
Winston					
2017	8.1	8.1	8.1	8.1	8.1
2018	8.0	8.0	7.9		
Seven Stars					
2017	7.5	7.6	7.6	7.8	7.6
2018	7.8	7.9	8.2		
Natural American Spirit					
2017	1.8	1.8	1.8	2.0	1.8
2018	2.0	2.0	2.0		

Pharmaceutical Business

Clinical Development as of October 31, 2018

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Note
JTZ-951 (enarodustat)	Anemia associated with chronic kidney disease /Oral	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis- stimulating hormone, via inhibition of HIF-PHD.	Phase3 (Japan) Phase1 (Overseas)	In-house Co-development with Torii
JTE-052 (delgocitinib)	Autoimmune/allergic diseases /Oral, Topical *Atopic dermatitis/Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase3 (Japan)	In-house *Co-development with Torii
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
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
JTE-451	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-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	MedImmune	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.	
JTE-052	LEO Pharma ROHTO Pharmaceutical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	
JTZ-951	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 August 1, 2018:

<In-house development>

•JTT-662 has entered the clinical trial stage (Phase1).

<Licensed compounds>

•trametinib: Novartis announced that Mekinist® (trametinib) has approved in EU,
in combination with Tafinlar® (dabrafenib) for adjuvant treatment of BRAF V600 mutation-positive melanoma on August 29, 2018. *additional indication

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, 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 as same period in previous fiscal year are applied
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 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 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 + lease obligations
FCF	FCF is sum of cash flows from operating activities and investing activities, but excludes the following items; - From operating CF: interest received, dividends received, interest paid and income taxes related to these items - From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes

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

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Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With close to 60,000 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 Ploom TECH, its tobacco vapor product, 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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