



Tokyo, October 30, 2020

2020 Third Quarter Results

Year-to-Date Highlights (vs. 2019)

- Revenue decreased 2.5% to JPY 1,592.1 billion.
- Adjusted operating profit at constant currency increased 6.3% to JPY 479.8 billion.
- On a reported basis, adjusted operating profit decreased 2.2% to JPY 441.5 billion.
- Operating profit decreased 11.4% to JPY 390.2 billion.
- Profit attributable to owners of the parent decreased 18.4% to JPY 257.9 billion.

FY2020 Forecasts (vs. Previous Forecast)

- Revenue forecast is revised upward by JPY 60.0 billion.
- Adjusted operating profit at constant currency is revised upward by JPY 30.0 billion.
- Forecasts are revised for adjusted operating profit on a reported basis (up JPY 26.0 billion), operating profit (up JPY 42.0 billion) and profit attributable to owners of the parent (up JPY 24.0 billion)

Please refer to P.17 'Data Sheets' for more financial figures.

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

"The COVID-19 pandemic is having a lasting impact on wider society across the globe and continues to pose many uncertainties.

"The JT Group posted encouraging results in the year-to-date, driven by strong underlying fundamentals, despite a challenging operating environment, and our adjusted operating profit at constant currency grew due to the share and pricing gains in the international tobacco business.

"Our forecasts are revised upward following the strong year-to-date performance as well as efficient cost management while we continue to invest in high priority activities and we have confidence in achieving the revised forecast.

"Looking ahead, and taking into account the prevailing and highly uncertain environment, we will continue investments to offer products and services with agility, as we adapt to evolving ways of working and changing consumer needs."

Investors' Meeting

An investors' meeting (phone conference) with members of the investor community will be held in Japanese only on October 30, 2020 at 5:00pm Tokyo Time. The on-demand audio in English translation of this conference will be available on our website (https://www.jt.com/investors/results/presentation_financial). For detailed information on the consolidated financial results, please visit the Company's website. (<https://www.jt.com/investors/>).

IAS 29 Hyperinflationary Accounting

In accordance with the requirements stipulated in IAS 29, the JT Group has made accounting adjustments to the consolidated year-to-date results and the FY2020 forecast revisions stated above, except for those stated as constant currency basis.

Hyperinflationary Accounting Adjustments

The JT Group, in accordance with the requirements stipulated in IAS 29 “Financial Reporting in Hyperinflationary Economies” requirements, has applied accounting adjustments and restated the financial statements of its subsidiaries in Iran and Sudan, using the exchange rate at the end of the reporting period as the current rate.

Accordingly, the adjustments their and effects have been applied to the 2020 Q3 year-to-date results, Q3 results and full year revised forecasts as well as to the international tobacco business’s results and revised forecast for the same periods. The Group’s consolidated financial positions reflect such effects. The adjustments are not applied on the financial indicators at constant currency basis.

The impact on the key financial indicators are as follows:

Consolidated / International Tobacco Business Results

Revenue:	-11.4 billion JPY
Adjusted Operating Profit:	-7.8 billion JPY
Profit Attributable to the Owners of the Parent:	-1.8 billion JPY

FY2020 Q3 Financial Results

Consolidated Results

(billions of JPY)	2019 Q3	2020 Q3	Variance	2019 YTD	2020 YTD	Variance
Revenue	575.2	561.9	-2.3%	1,633.7	1,592.1	-2.5%
Adjusted operating profit	163.7	153.9	-6.0%	451.5	441.5	-2.2%
Operating profit	129.3	138.2	+6.9%	440.6	390.2	-11.4%
Profit attributable to owners of the parent	89.7	85.5	-4.7%	316.1	257.9	-18.4%
Adjusted operating profit at constant FX	163.7	170.6	+4.2%	451.5	479.8	+6.3%

2020 Q3

- **Revenue**
Revenue decreased 2.3% to JPY 561.9 billion due to revenue declines in the Japanese-domestic tobacco, processed food, and pharmaceutical businesses, while the international tobacco business was stable year-on-year.
- **Adjusted Operating Profit**
At constant currency, adjusted operating profit increased 4.2% to JPY 170.6 billion, mainly driven by favorable price/mix contributions in the international tobacco business, as well as increases in the Japanese-domestic tobacco and pharmaceutical businesses, partially offset by the processed food business.
On a reported basis, adjusted operating profit decreased by 6.0% to JPY 153.9 billion due to negative foreign currency impacts in the international tobacco business.
- **Operating Profit**
Operating profit increased 6.9% to JPY 138.2 billion due to a favorable year-on-year comparison of the non-recurring, one-time restructuring costs attributed to transformation in the international tobacco business, despite the lower adjusted operating profit.
- **Profit Attributable to Owners of the Parent**
Profit attributable to owners of the parent decreased 4.7% to JPY 85.5 billion mainly due to an increase in financing costs.

2020 YTD

- **Revenue**
Revenue decreased 2.5% to JPY 1,592.1 billion due to revenue decline in the Japanese-domestic tobacco and processed food businesses, which were negatively impacted by COVID-19, as well as in the pharmaceutical business, although their declines were partially offset by the revenue increase in the international tobacco business. The effects of COVID-19 are estimated to have had an unfavorable impact of about JPY 45 billion, or about 3% of the total consolidated revenue.

- **Adjusted Operating Profit**

At constant currency, adjusted operating profit increased 6.3% to JPY 479.8 billion, due to factors including favorable price/mix contributions in the international tobacco business and an increase in the pharmaceutical business. These positive drivers exceeded the decline in the Japanese-domestic tobacco and processed food businesses, which were negatively impacted mainly by COVID-19.

On a reported basis, adjusted operating profit declined 2.2% to JPY 441.5 billion due to negative impacts of foreign currencies outweighing its underlying performance in the international tobacco business.

- **Operating Profit**

Operating profit decreased 11.4% to JPY 390.2 billion, mainly due to an unfavorable comparison of the one-time compensation gain in the pharmaceutical business in the previous year, despite the increase in the international tobacco business.

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

Profit attributable to owners of the parent decreased 18.4% to JPY 257.9 billion mainly due to a decrease in operating profit and higher financing costs.

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting and its adjustments to 2020 results stated above, unless stated as constant currency basis.

Results by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2019 Q3	2020 Q3	Variance	2019 YTD	2020 YTD	Variance
Total shipment volume	116.1	118.0	+1.6%	338.6	330.0	-2.6%
GFB shipment volume	73.9	77.0	+4.2%	210.2	213.2	+1.4%
Core revenue¹	334.1	330.4	-1.1%	941.6	956.5	+1.6%
Adjusted operating profit¹	111.1	100.5	-9.5%	296.5	314.8	+6.2%

Reference (millions of USD)

Core revenue¹	3,112	3,116	+0.1% (+6.8%)*	8,632	8,901	+3.1% (+8.5%)*
Adjusted operating profit¹	1,034	949	-8.3% (+5.5%)*	2,719	2,929	+7.7% (+19.0%)*

*at constant FX

2020 Q3

- Volume and Market share²**

Despite on-going COVID-19 disruptions, total shipment volume increased 1.6%, mainly driven by continued market share gains and a better than expected industry volume from higher domestic consumption in several markets, more than offsetting travel restrictions negatively impacting Duty-Free and tourist destination markets. Excluding unfavorable inventory movements, total shipment volume grew 2.3%. GFB shipment volume increased 4.2%, driven by Winston (+4.6%), MEVIUS (+4.3%) and LD (+7.7%) as Camel volume was down 0.1%. Quarterly market share gains continued across many geographies, notably Canada, France, Germany, Italy, the Philippines, Romania, Spain, Taiwan and the UK.

- Core revenue and Adjusted operating profit¹**

Core revenue and adjusted operating profit decreased 1.1% and 9.5%, respectively, due to investments in RRP and currency headwinds more than offsetting a positive volume and price/mix variance.

On a USD basis, core revenue at constant currency grew 6.8% driven by a favorable volume contribution of USD 138 million, notably from Canada, Iran, the Philippines, Poland, Romania, Switzerland, Taiwan, Turkey and the UK, and a positive price/mix variance of USD 75 million, notably from Bangladesh, Canada, Germany, Kazakhstan, Romania and Russia. At constant currency, adjusted operating profit grew 5.5% driven by a positive volume contribution of USD 103 million and a favorable price/mix variance of USD 66 million. On a reported basis, core revenue grew 0.1% and adjusted operating profit was down 8.3%.

2020 YTD

- Volume and Market share²**

Total shipment volume declined 2.6%, due to COVID-19 travel restrictions negatively impacting Duty-Free and tourist destination markets, as well as industry volume contraction in several markets, notably Russia. GFB shipment volume increased 1.4%, with the robust performance of Winston (+2.6%) and LD (+4.5%), more than offsetting the decline of Camel (-2.9%) and MEVIUS (-3.0%). Market share gains continued across many geographies, notably in Canada, Czech Republic, France,

Germany, Iran, Ireland, Italy, Kazakhstan, the Philippines, Romania, Spain, Sweden, Switzerland, Taiwan and the UK.

- **Core revenue and Adjusted operating profit¹**

Core revenue and adjusted operating profit increased 1.6% and 6.2% respectively driven by favorable price/mix and volume contributions more than offsetting negative currency headwinds. COVID-19 negatively impacted core revenue by around JPY 17 billion.

On a USD basis, core revenue at constant currency increased 8.5%, driven by a favorable price/mix variance of USD 649 million, notably from Germany, Indonesia, the Philippines, Romania and Russia, and a positive volume contribution of USD 89 million, notably from Canada, France, Germany, Iran, Jordan, the Philippines, Poland, Taiwan and the UK. At constant currency, adjusted operating profit was up 19.0%, driven by a favorable price/mix variance of USD 635 million and a positive volume contribution of USD 120 million. On a reported basis, core revenue and adjusted operating profit grew 3.1% and 7.7%, respectively.

International Tobacco Business (Quarterly) Performance Review by Cluster

South and West Europe

(billions of Units, millions of USD)	2019 Q3	2020 Q3	Variance
Total shipment volume	17.6	17.8	+1.3%
GFB shipment volume	14.4	15.1	+4.9%
Core revenue	540	560	+3.8% (-1.2%)*

*at constant FX

- **Volume and market share²**

Total shipment volume increased 1.3%, driven by continued market share gains and more resilient industry volume in several markets from higher domestic consumption. GFB shipment volume grew 4.9%, fueled by Winston (+12.1%). Quarterly market share increased in Belgium, France, Greece, Italy, Luxemburg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue increased 3.8% driven by favorable currency movements of USD 27 million. Excluding currencies, core revenue was down 1.2%, due to a negative volume contribution of USD 1 million, notably from Spain, and a negative price/mix variance of USD 5 million due to downtrading.

- **By market²**

In France, total, cigarette and fine cut shipment volumes grew 9.6%, 11.2% and 6.4%, respectively, driven by improved industry volume trends related to higher domestic consumption and robust quarterly share gains (+3.5ppt) from Winston and Camel, which more than offset unfavorable inventory movements. Excluding inventory movements, total shipment volume increased 12.0%. Currency-neutral core revenue grew, driven by a favorable volume more than offsetting an unfavorable price/mix variance. Year-to-date shipment volumes were up 12.2% (or 9.8% excluding inventory movements), 8.0% and 19.0% in total, cigarette and fine cut respectively. Year-on-year market share increased 2.3ppt to 26.1%, fueled by GFBs.

In Italy, total, cigarette and fine cut shipment volumes increased 2.5%, 1.8% and 8.8%, respectively, driven by solid quarterly market share gains (+1.6ppt). Excluding unfavorable inventory movements, total shipment volume grew 7.3% boosted by the strong performance of Winston. Currency-neutral core revenue increased, driven by a favorable volume more than offsetting an unfavorable price/mix variance. Year-to-date shipment volumes grew 1.6% (or 1.2% excluding inventory movements), 0.3% and 12.6% in total, cigarette and fine cut respectively. Year-on-year market share increased 1.0ppt to 25.3%, led by Winston.

In Spain, total and cigarette shipment volumes decreased 5.0% and 7.8%, respectively, due to industry volume decline related to a lower number of summer travelers and unfavorable inventory movements. Excluding inventory movements, robust quarterly market share gains (+1.2ppt) resulted in a total shipment volume decrease of only 0.4%. Fine cut shipment volume was up 8.0%. Currency-neutral core revenue decreased, due to unfavorable volume and price/mix contributions. Year-to-date total and cigarette shipment volume declined 3.1% (or 2.3% excluding inventory movements) and 6.0%, respectively, while fine cut shipment volume increased 9.0%. Year-on-year market share increased 1.0ppt to 26.3%, led by Winston and Camel.

North and Central Europe

(billions of Units, millions of USD)	2019 Q3	2020 Q3	Variance
Total shipment volume	14.9	17.6	+18.2%
GFB shipment volume	7.7	9.4	+22.5%
Core revenue	585	729	+24.6% (+19.5%)*

*at constant FX

- **Volume and market share²**

Total shipment volume increased 18.2%, notably driven by Austria, Czech Republic, Germany, Hungary, Ireland, Poland, Sweden and the UK. GFB shipment volume grew 22.5%, driven by Winston (+30.5%), Camel (+12.3%) and LD (+13.9%). Quarterly market share increased in Austria, Czech Republic, Germany, Hungary, Ireland, Poland, Sweden and the UK.

- **Core revenue**

Core revenue grew 24.6% driven by a favorable volume contribution of USD 110 million, notably from Poland and the UK, a positive price/mix variance of USD 4 million and favorable currency movements of USD 30 million. Excluding currencies, core revenue increased 19.5%.

- **By market²**

In Germany, total, cigarette and fine cut shipment volumes increased 7.4%, 2.2% and 11.3%, respectively, driven by improved industry volume trends related to higher domestic consumption and quarterly market share gains (+0.7ppt). Currency-neutral core revenue grew driven by positive volume and price/mix contributions. Year-to-date shipment volumes grew 9.0%, 3.1% and 13.4% in total, cigarette and fine cut respectively. Year-on-year market share grew 0.5ppt to 8.8% driven by Winston.

In the UK, total, cigarette and fine cut shipment volumes increased 17.3%, 4.4% and 33.4%, respectively, driven by improved industry volume trends from higher domestic consumption, and strong quarterly market share gains (+1.5ppt). Currency-neutral core revenue increased, driven by favorable volume contribution more than offsetting an unfavorable price/mix variance due to downtrading. Year-to-date shipment volumes grew 15.7%, 3.6% and 31.2% in total, cigarette and fine cut respectively. Year-on-year market share was up 1.7ppt to 44.8%, driven mainly by B&H Blue in cigarette and Sterling in fine cut.

CIS+

(billions of Units, millions of USD)	2019 Q3	2020 Q3	Variance
Total shipment volume	35.7	34.1	-4.4%
GFB shipment volume	24.5	22.8	-6.6%
Core revenue	796	779	-2.1% (+6.8%)*

*at constant FX

- **Volume and market share²**

Total and GFB shipment volumes decreased 4.4% and 6.6%, respectively, mainly due to industry volume decline and unfavorable inventory movements in Russia. Quarterly market share grew in Kazakhstan, Romania, Serbia and Ukraine.

- **Core revenue**

Core revenue decreased 2.1% as a favorable price/mix variance of USD 77 million, mainly from Russia, could not offset a negative volume contribution of USD 23 million and unfavorable currencies of USD 71 million. Excluding currencies, core revenue increased 6.8%.

- **By market²**

In Romania, total shipment volume increased 11.6%, driven by improved industry volume from higher domestic consumption and solid quarterly market share gains (+1.2ppt). Positive volume and price/mix contributions drove an increase in currency-neutral core revenue. Year-to-date shipment volume grew 8.8%. Year-on-year market share reached 28.7%, an increase of 0.9ppt driven by Winston and Sobranie.

In Russia, total shipment volume declined 6.6%, due to a cigarette industry volume contraction, estimated³ at 3.5%, resulting partially from an increase of the RRP category, and a 1.2ppt cigarette market share loss in the quarter following a temporary unfavorable price differential. Excluding unfavorable inventory movements, total shipment volume declined 4.8%. GFB shipment volume was down 8.0% for the same reasons as above. Currency-neutral core revenue grew, driven by a positive price/mix variance more than offsetting a negative volume contribution. Year-to-date total shipment volume declined 9.0%, or 9.7% excluding inventory movements. Year-on-year cigarette market share declined to 38.2%.

Rest-of-the-World

(billions of Units, millions of USD)	2019 Q3	2020 Q3	Variance
Total shipment volume	47.9	48.5	+1.1%
GFB shipment volume	27.3	29.6	+8.2%
Core revenue¹	1,190	1,047	-12.0% (+4.3%)*

*at constant FX

- **Volume and market share²**

Driven by market share gains, total shipment volume increased 1.1%, despite travel restrictions negatively impacting Duty-Free and lower industry volume in several emerging markets. Volume grew notably in Brazil, Cambodia, Iran, Jordan, Malaysia, the Philippines, Saudi Arabia, South Korea,

Taiwan and Turkey. GFB shipment volume increased 8.2%, driven by Winston (+9.2%), MEVIUS (+3.6%) and LD (+32.0%). Quarterly market share increased across many markets, notably in Brazil, Cambodia, Canada, Jordan, Malaysia, the Philippines, Singapore, South Korea, Sudan, Taiwan and the USA.

- **Core revenue¹**

Core revenue decreased 12.0%, as a positive volume contribution of USD 52 million, notably in Canada, Iran, the Philippines, Taiwan and Turkey, was more than offset by USD 194 million in unfavorable currencies. Excluding currencies, core revenue increased 4.3%.

- **By market²**

In Iran, total shipment volume increased 5.7%, driven by a favorable industry volume trend and favorable inventory movements. Excluding inventory movements, total shipment volume grew 5.2%. Currency-neutral core revenue increased, fueled by volume and price/mix contributions. Year-to-date total shipment volume was up 8.4%, or 8.2% excluding inventory movements. Year-on-year market share continued to increase to 59.8%, up 1.4ppt, driven by Camel, Magna and Monte-Carlo.

In Taiwan, total shipment volume grew 21.4%, driven by improved industry volume trends from larger domestic consumption, strong quarterly GFB market share gains (+1.7ppt) and favorable inventory movements. Excluding inventory movements, total shipment volume increased 20.2%. Currency-neutral core revenue increased, driven by favorable volume more than offsetting a negative price/mix variance. Year-to-date total shipment volume grew 11.1%. Year-on-year market share increased 2.5ppt to 47.1%, driven by LD, MEVIUS and Winston.

In Turkey, total shipment volume increased 8.5%, driven by improved industry volume and favorable inventory movements. Excluding inventory movements, total shipment volume increased 6.3%. Currency-neutral core revenue decreased as a positive volume contribution could not offset a negative price/mix variance. Year-to-date total shipment volume decreased 10.5% due to the unfavorable comparison related to a tax-led pricing. Year-on-year market share decreased 0.9ppt to 26.6%.

¹ In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting and its adjustments have been applied to all results stated above, unless stated as constant currency basis.

² Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average and 3-month average, unless otherwise specified, for cigarettes and fine cut (excluding snus) at the end of September 2020. Brazil, Germany, Hungary, Iran, Kazakhstan, Spain and Sweden are on a 12-month rolling average and 2-month average at the end of August 2020. 12-month and 3-month share of market growth for 2020 markets is calculated against a 12-month and 3-month share of market at the end of respective period in 2019.

³ Source: JTI estimates based on July-September 2020 cigarette data versus the same period last year.

Japanese-Domestic Tobacco Business

(billions of units, billions of JPY)	2019 Q3	2020 Q3	Variance	2019 YTD	2020 YTD	Variance
Cigarette industry volume⁴	33.4	33.0	-1.3%	94.6	90.0	-4.9%
Cigarette sales volume	20.1	19.9	-1.1%	57.4	54.0	-5.9%
Core revenue	153.5	146.0	-4.9%	435.8	394.8	-9.4%
Adjusted operating profit	56.2	57.2	+1.8%	165.4	139.0	-16.0%

2020 Q3

- **Cigarette sales volume**

Cigarette industry volume⁴ decreased 1.3% to 33.0 billion units due to the growth in the RRP category, the natural decline trend, the impact of price revisions in October 2019, regulatory changes in April 2020, as well as the spread of COVID-19, despite the higher one-time demand ahead of price revisions in October 2020 than that of October 2019, which is attributed to a greater increase in retail prices in 2020.

Cigarette sales volume decreased 1.1% to 19.9 billion units due to the cigarette industry volume contraction despite the one-time demand ahead of price revisions in October 2020.

Cigarette market share⁴ increased by 0.1ppt year-on-year to 60.2% mainly driven by the strengthened portfolio, and despite continued competition in the value segment. The share increased 0.2ppt from the second quarter of 2020, marking a third consecutive quarterly increase.

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

Overall RRP market size⁴ in Japan is estimated at approx. 26% (shipment basis) of the total tobacco industry volume. JT RRP sales volume increased by 0.2 billion year-on-year to 1.2 billion units. JT's market share⁴ in the RRP category is estimated at approx. 11% on an offtake basis.

- **Core revenue and Adjusted operating profit**

Core revenue declined 4.9%, mainly due to an unfavorable cigarette sales volume variance of JPY 1.4 billion; an unfavorable cigarette price/mix variance of JPY 0.9 billion attributed to tax absorption for certain products following the 2019 consumption tax increases; a decrease in RRP-related revenue; and lower sales in Duty-Free and China businesses. RRP-related revenue decreased by JPY 1.1 billion year-on-year to JPY 16.7 billion, mainly due to a decline in sales of devices, despite the increase in RRP volume.

Adjusted operating profit increased 1.8% driven by significantly low indirect expenses due to protracted COVID-19 disruptions, as well as efficient cost execution and investments in priority activities. It was partially offset by an unfavorable cigarette sales volume variance of JPY 1.1 billion; an unfavorable cigarette price/mix variance of JPY 0.9 billion; a decrease in RRP related revenue; and lower sales in Duty-Free and China businesses.

2020 YTD

- **Cigarette sales volume**

Cigarette industry volume⁴ decreased 4.9% to 90 billion units due to the growth in the RRP category, the natural decline trend, the impact of price revisions in October 2019, regulatory changes in April 2020 as well as the spread of COVID-19, despite the higher one-time demand ahead of price revisions in October 2020 than that of October 2019, which is attributed to a greater increase in retail prices in 2020.

Cigarette sales volume decreased 5.9% to 54.0 billion units due to cigarette industry volume contraction and a loss in market share.

Cigarette market share⁴ declined by 0.7ppt, down to 60.0% due to continued competition in the value segment.

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

Overall RRP market size⁴ in Japan is estimated at approx. 25% (shipment basis) of the total tobacco industry volume. JT RRP sales volume increased by 0.6 billion year-on-year to 3.0 billion units. JT's market share³ in the RRP category is estimated at approx. 10% on an offtake basis.

- **Core revenue and Adjusted operating profit**

Core revenue declined 9.4% mainly due to an unfavorable cigarette sales volume variance of JPY 21.8 billion; an unfavorable cigarette price/mix variance of JPY 3.1 billion attributed to tax absorption for certain products following the 2019 consumption tax increases; a decrease in RRP-related revenue; and lower sales in Duty-Free and China businesses. RRP-related revenue decreased by JPY 5.6 billion year-on-year to JPY 42.6 billion mainly due to a decline in sales of devices, despite the increase in RRP volume. COVID-19 is estimated to have negatively impacted the top-line by about JPY 20 billion, of which slightly over half is attributed to Duty-Free and China businesses.

Adjusted operating profit decreased 16.0% due to an unfavorable cigarette sales volume variance of JPY 17.9 billion; an unfavorable cigarette price/mix variance of JPY 3.1 billion; a decrease in RRP related revenue; lower sales in Duty-Free and China businesses; and an increase in sales and promotion activities for RRP and little cigars. It was partially offset by significantly low indirect expenses due to protracted COVID-19 disruptions, as well as efficient cost execution and investments in priority activities.

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

Pharmaceutical Business

(billions of JPY)	2019 Q3	2020 Q3	Variance	2019 YTD	2020 YTD	Variance
Revenue	21.5	20.3	-5.8%	63.3	57.5	-9.1%
Adjusted operating profit	2.1	4.7	+122.8%	7.8	12.6	+61.4%

2020 Q3

- Revenue and Adjusted operating profit**

Revenue decreased 5.8% mainly due to lower overseas royalty income.

Adjusted operating profit increased by JPY 2.6 billion, mainly due to lower R&D expenditures marked by the completion of trials for the clinical development of the product for which manufacturing and marketing applications has been submitted along with earnings growth in our subsidiary, Torii Pharmaceutical, partially offset by a decrease in overseas royalty income.

2020 YTD

- Revenue and Adjusted operating profit**

Revenue decreased 9.1% and adjusted operating profit increased by JPY 4.8 billion for the reasons mentioned above. COVID-19 is not seen as having had a material impact on the top-line.

Processed Food Business

(billions of JPY)	2019 Q3	2020 Q3	Variance	2019 YTD	2020 YTD	Variance
Revenue	39.3	36.7	-6.7%	114.8	108.6	-5.4%
Adjusted operating profit	1.3	0.5	-60.7%	2.9	0.9	-70.4%

2020 Q3

- Revenue and Adjusted operating profit**

In the continued environment of COVID-19, revenue decreased 6.7% due to the decline in sales related to lower demand for food-service products within the frozen and ambient food as well as the seasonings businesses, in addition to the decline of demand and sales in the bakery business. On the other hand, sales for household products in the frozen and ambient food business increased due to stronger demand.

Adjusted operating profit decreased by JPY 0.8 billion due to the decrease in revenue and increases in logistics costs in the frozen and ambient food business, partially offset by improvements in product mix.

2020 YTD

- Revenue and Adjusted operating profit**

Revenue decreased 5.4% and adjusted operating profit decreased by JPY 2.0 billion for the reasons mentioned above. COVID-19 is estimated to have negatively impacted the top-line by about JPY 7 billion.

FY2020 Forecasts

Consolidated

(billions of JPY)	2020 Forecast		Variance vs. Previous Forecast	Variance vs. 2019 Results
	Previous	Revised		
Revenue	2,010.0	2,070.0	+60.0	-4.9%
Adjusted operating profit	457.0	483.0	+26.0	-6.4%
Operating profit	422.0	464.0	+42.0	-7.6%
Profit attributable to owners of the parent	286.0	310.0	+24.0	-11.0%
Adjusted operating profit at constant FX	509.0	539.0	+30.0	+4.5%

- **Revenue**
Revenue forecast is revised upward by JPY 60.0 billion to 2,070.0 billion, driven by the upward revisions in the international tobacco and pharmaceutical businesses, despite the downward revision in the processed food business. As a result, revenue is now expected to decline 4.9% year-on-year.
- **Adjusted Operating Profit**
Adjusted operating profit at constant currency is revised upward by JPY 30.0 billion to JPY 539.0 billion, a 4.5% increase year-on-year, driven by the upward revision in the Japanese-domestic tobacco, international tobacco, and pharmaceutical businesses. On a reported basis, adjusted operating profit is revised upward by JPY 26.0 billion to JPY 483.0 billion, representing a 6.4% decline year-on-year.
- **Operating Profit and Profit Attributable to Owners of the Parent**
Operating profit is revised upward by JPY 42.0 billion to JPY 464.0 billion, mainly due to the upward revision in adjusted operating profit and the profits from the sale of real estate exceeding the expectations, resulting in a decline of 7.6% year-on-year.
Profit attributable to owners of the parent is revised upward by JPY 24.0 billion to JPY 310.0 billion, as a result of the upward revision in operating profit, partially offset by higher financing costs. This represents an 11.0% decline year-on-year.

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting and its adjustments to the FY2020 revised forecasts stated above, unless stated as constant currency basis.

Forecasts by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2020 Forecast		Variance vs. Previous Forecast	Variance vs. 2019 Results
	Previous	Revised		
Total shipment volume	Approx. -6%	Approx. -4%		
GFB shipment volume	Approx. -3%	Approx. +1%		
Core revenue⁵	1,170.0	1,230.0	+60.0	-1.8%
Adjusted operating profit⁵	323.0	338.0	+15.0	-0.8 %

Reference (millions of USD)

Core revenue⁵	10,900	11,500	+600	+0.0% (+5.3%)*
Adjusted operating profit⁵	3,000	3,150	+150	+0.8% (+15.5%)*

*at constant FX

- Volume**

Total and GFB shipment volume forecasts are revised upwards. Continued market share performance, stronger than expected consumer demand from lower cross-border tourism, notably in Europe, and improved volume trends in several emerging markets are expected to more than offset the negative impact from travel restrictions on Duty-Free volume as well as industry volume contraction in several markets. As a result, total shipment volume is now expected to decline approximately 4% while GFB shipment volume is forecast to increase approximately 1%.

- Core revenue and Adjusted operating profit**

On a JPY basis, the forecasts for core revenue and adjusted operating profit are revised upward by JPY 60.0 billion and JPY 15.0 billion respectively, mainly driven by the upside of volume outlook partially offset by revised FX assumption. As a result, core revenue will decline 1.8% and adjusted operating profit will decline 0.8% versus the previous year.

On a USD basis, core revenue at constant currency is revised upwards by USD 500 million against our previous forecast, driven by improved shipment volume, resulting in a 5.3% increase versus the previous year. Driven by the improved top-line, and despite continued investments, the guidance for the adjusted operating profit at constant currency is revised upwards by USD 170 million against the previous forecast and is now expected to increase 15.5% versus the previous year. On a reported basis, core revenue and adjusted operating profit are revised upward to reflect the improved volume forecast. As a result, core revenue is expected to be stable and adjusted operating profit will grow 0.8%.

⁵ In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting and its adjustments have been applied to the FY2020 revised forecasts stated above, unless stated as constant currency basis.

Japanese-Domestic Tobacco Business

(billions of JPY)	2020 Forecast		Variance vs. Previous Forecast	Variance vs. 2019 Results
	Previous	Revised		
Cigarette industry volume⁶	Decline approx. 8.5%	Decline over 8%		
Cigarette sales volume	Decline over 8.5%	Decline approx. 9%		
Core revenue	510.0	510.0	-	-10.4%
Adjusted operating profit	160.0	166.0	+6.0	-11.3%

- **Volume**

The cigarette industry volume⁶ decline assumption is revised from approx. 8.5% to over 8% reflecting lower impact in Q3 due to COVID-19 and regulatory changes in April 2020 compared to the previous forecast, as well as the revised outlook on impact of price revisions in October 2020. JT's estimate for overall RRP market size⁶ remains unchanged for the full year 2020 at approx. 25% of the total tobacco market although it is expected to be toward the high end of the previous estimate. As a result, the total tobacco industry volume⁶ decline assumption is revised from approx. 5% to approx. 4.5%.

The assumption on JT cigarette sales volume decline is revised from over 8.5% to approx. 9% reflecting intensified competition in the value segment. Considering the performance until the third quarter of 2020, the JT RRP sales volume estimate remains unchanged at over 3.5 billion units, but is expected to be toward the high end of the previous estimate. In November, a new Tobacco-Infused vapor device will be launched as Ploom TECH+ with.

- **Core revenue and Adjusted operating profit**

The core revenue forecast remains unchanged despite the protracted negative impact of COVID-19 on the top-line in the Duty-Free and China businesses in addition to downward revision on JT cigarette sales volume assumption, which were offset notably by volume upside of RRP. This represents a decrease of 10.4% versus the previous year.

Adjusted operating profit forecast is revised upward by JPY 6.0 billion now representing a decrease of 11.3% versus the previous year. This is driven by significantly low indirect expenses due to protracted COVID-19 disruptions as well as efficient cost execution and investments in priority activities, partially offset by the protracted negative impact of COVID-19 on the top-line in the Duty-Free and China businesses.

⁶ Source: JT estimates. Total tobacco industry volume and cigarette industry volume include little cigars, which are classified as cigars as per the Tobacco Business Act in Japan as well as conventional cigarettes.

Pharmaceutical Business

(billions of JPY)	2020 Forecast		Variance vs.	Variance vs.
	Previous	Revised	Previous Forecast	2019 Results
Revenue	76.0	78.0	+2.0	-11.9%
Adjusted operating profit	13.0	16.0	+3.0	+0.4%

- **Revenue and Adjusted operating profit**

The revenue forecast is revised upward by JPY 2.0 billion now representing a decrease of 11.9% versus the previous year reflecting overseas royalty income exceeding expectations in the previous forecast.

Adjusted operating profit forecast is revised upward by JPY 3.0 billion now representing an equivalent level versus the previous year. This reflects a decrease in R&D expenditures and cost reductions in our subsidiary, Torii Pharmaceutical, due to operational restrictions associated with the spread of COVID-19.

Processed Food Business

(billions of JPY)	2020 Forecast		Variance vs.	Variance vs.
	Previous	Revised	Previous Forecast	2019 Results
Revenue	153.0	151.0	-2.0	-4.8%
Adjusted operating profit	3.0	3.0	-	-44.8%

- **Revenue and Adjusted operating profit**

The forecast for revenue is revised downward by JPY 2.0 billion now representing a decrease of 4.8% versus the previous year. This reflects a delay in recovery from the previously forecast level for some food-service products within the frozen and ambient food business which has been impacted by COVID-19.

Despite the downward revision on revenue, the adjusted operating profit forecast remains unchanged representing a decrease of JPY 2.4 billion versus the previous year mainly due to cost reduction initiatives mitigating the impact on top-line.

Data Sheets

Results for 2020 Third Quarter

1. Summary of Consolidated results

(Unit: JPY billion)

	2019 Q3 YTD	2020 Q3 YTD	Variance (abs)	Variance (%)
Revenue	1,633.7	1,592.1	-41.7	-2.5%
Operating profit	440.6	390.2	-50.4	-11.4%
Adjusted operating profit	451.5	441.5	-10.0	-2.2%
Profit before income taxes	411.6	345.6	-66.0	-16.0%
Profit	328.8	259.6	-69.2	-21.0%
Profit (attributable to owners of the parent company)	316.1	257.9	-58.2	-18.4%
Basic EPS*(JPY)	177.83	145.40	-32.43	-18.2%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2019 Q3 YTD	2020 Q3 YTD	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	451.5	479.8	+28.3	+6.3%

2. Results by business segment

(Unit: JPY billion)

	2019 Q3 YTD	2020 Q3 YTD	Variance (abs)	Variance (%)
Revenue	1,633.7	1,592.1	-41.7	-2.5%
Japanese-domestic tobacco	466.4	425.2	-41.3	-8.9%
Core revenue	435.8	394.8	-41.0	-9.4%
International tobacco	984.7	998.7	+14.0	+1.4%
Core revenue	941.6	956.5	+14.9	+1.6%
Pharmaceutical	63.3	57.5	-5.8	-9.1%
Processed food	114.8	108.6	-6.2	-5.4%
Others	4.6	2.1	-2.4	-53.5%
Consolidated: operating profit	440.6	390.2	-50.4	-11.4%
Japanese-domestic tobacco	153.2	126.8	-26.4	-17.2%
International tobacco	239.7	276.1	+36.5	+15.2%
Pharmaceutical	64.8	11.9	-52.9	-81.6%
Processed food	3.1	0.9	-2.2	-72.2%
Others/Elimination	-20.2	-25.6	-5.4	-
Adjustments, total	-10.9	-51.4	-40.4	-
Japanese-domestic tobacco	-12.2	-12.2	-0	-
International tobacco	-56.8	-38.7	+18.1	-
Pharmaceutical	57.0	-0.7	-57.7	-
Processed food	0.2	0	-0.2	-
Others/Elimination	0.9	0.2	-0.7	-
Consolidated: adjusted operating profit	451.5	441.5	-10.0	-2.2%
Japanese-domestic tobacco	165.4	139.0	-26.4	-16.0%
International tobacco	296.5	314.8	+18.3	+6.2%
Pharmaceutical	7.8	12.6	+4.8	+61.4%
Processed food	2.9	0.9	-2.0	-70.4%
Others/Elimination	-21.0	-25.8	-4.7	-

[Reference] International tobacco business

(Unit: USD million)

	2019 Q3 YTD	2020 Q3 YTD	Variance (abs)	Variance (%)
Core revenue	8,632	8,901	+269	+3.1%
Core revenue at constant FX	8,632	9,370	+738	+8.5%
Adjusted operating profit	2,719	2,929	+210	+7.7%
Adjusted operating profit at constant FX	2,719	3,235	+516	+19.0%

Results for 2020 Third Quarter

3. Depreciation and amortization*

(Unit: JPY billion)

	2019 Q3 YTD	2020 Q3 YTD	Variance (abs)
Consolidated depreciation and amortization	124.6	120.4	-4.2
Japanese-domestic tobacco	41.6	39.8	-1.8
International tobacco	72.3	70.3	-2.0
Pharmaceutical	4.2	3.8	-0.4
Processed food	5.0	5.0	-
Others/Elimination	1.5	1.5	-

*Excluding depreciation from lease transactions

4. Consolidated financial position

(Unit: JPY billion)

	2019 Dec. end	2020 Sep. end	Variance (abs)
Total assets	5,553.1	5,243.7	-309.3
Total equity	2,743.6	2,513.6	-230.0
Equity attributable to owners of the parent	2,662.7	2,434.3	-228.4
BPS (attributable to owners of the parent) (JPY)	1,501.12	1,372.01	-129.11

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2019 Dec. end	2020 Sep. end	Variance (abs)
Liquidity	375.8	468.1	+92.3
Interest-bearing debt	974.5	1,035.5	+61.0

6. Consolidated cash flow

(Unit: JPY billion)

	2019 Q3 YTD	2020 Q3 YTD	Variance (abs)
Cash flows from operating activities	257.8	398.2	+140.4
Cash flows from investing activities	-124.8	-43.6	+81.2
Cash flows from financing activities	-223.4	-208.2	+15.3
Cash and cash equivalents, beginning of the year	282.1	357.2	+75.1
Foreign currency translation adj. on cash & cash equivalents	-10.0	-45.4	-35.5
Cash and cash equivalents, end of the year	181.7	458.1	+276.5
FCF	134.7	338.1	+203.4

7. Capital expenditures

(Unit: JPY billion)

	2019 Q3 YTD	2020 Q3 YTD	Variance (abs)
Consolidated	88.0	74.3	-13.7
Japanese-domestic tobacco	25.6	12.8	-12.8
International tobacco	50.1	40.5	-9.6
Pharmaceutical	4.9	8.3	+3.4
Processed food	3.8	6.1	+2.3
Others/Elimination	3.7	6.7	+3.0

8. FX actual (Reference information)

	2019 Q3 YTD	2020 Q3 YTD	Variance (abs)	Variance (%)
USD/JPY	109.12	107.55	-1.57	-1.4%
USD/RUB	65.08	70.69	+5.60	-7.9%
USD/GBP	0.79	0.79	+0.00	-0.2%
USD/EUR	0.89	0.89	+0.00	-0.1%
USD/CHF	1.00	0.95	-0.04	+4.7%
USD/TWD	31.03	29.79	-1.24	+4.2%
USD/TRY	5.63	6.72	+1.09	-16.2%
USD/IRR	102,297	*		

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

*In accordance with the requirements stipulated in IAS 29, the closing currency rates for the month ended September 2020 have been applied when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. Similarly, the estimated month-end rates are also applied upon conversions from the US dollar to the Japanese yen. (USD/IRR: 253,917, USD/JPY: 105.80)

FY2020 Revised Forecasts (as of October 30, 2020)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,175.6	2,070.0	-105.6	-4.9%
Operating profit	502.4	464.0	-38.4	-7.6%
Adjusted operating profit	515.9	483.0	-32.9	-6.4%
Profit (attributable to owners of the parent company)	348.2	310.0	-38.2	-11.0%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	515.9	539.0	+23.1	+4.5%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS*	195.97	174.73	-21.23	-10.8%
DPS	154	154	-	-
ROE*	13.2%	12.0%	-1.1%pt	

*Based on profit attributable to owners of the parent company

3. Forecasts by business segment

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,175.6	2,070.0	-105.6	-4.9%
Japanese-domestic tobacco	611.5	550.0	-61.5	-10.1%
Core revenue	568.9	510.0	-58.9	-10.4%
International tobacco	1,310.9	1,290.0	-20.9	-1.6%
Core revenue	1,253.0	1,230.0	-23.0	-1.8%
Pharmaceutical	88.5	78.0	-10.5	-11.9%
Processed food	158.6	151.0	-7.6	-4.8%
Others	6.1	3.0	-3.1	-51.1%
Consolidated: operating profit	502.4	464.0	-38.4	-7.6%
Japanese-domestic tobacco	171.0	150.0	-21.0	-12.3%
International tobacco	274.0	293.0	+19.0	+6.9%
Pharmaceutical	72.7	15.0	-57.7	-79.4%
Processed food	5.5	3.0	-2.5	-45.7%
Others/Elimination	-20.8	3.0	+23.8	-
Adjusted operating profit	515.9	483.0	-32.9	-6.4%
Japanese-domestic tobacco	187.2	166.0	-21.2	-11.3%
International tobacco	340.8	338.0	-2.8	-0.8%
Pharmaceutical	15.9	16.0	+0.1	+0.4%
Processed food	5.4	3.0	-2.4	-44.8%
Others/Elimination	-33.4	-40.0	-6.6	-

[Reference] International tobacco business

(Unit: USD million)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,496	11,500	+4	+0.0%
Core revenue at constant FX	11,496	12,100	+604	+5.3%
Adjusted operating profit	3,126	3,150	+24	+0.8%
Adjusted operating profit at constant FX	3,126	3,610	+484	+15.5%

FY2020 Revised Forecasts (as of October 30, 2020)

4. Free cash flow

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)
FCF	404.2	415.0	+10.8

5. Capital expenditures

(Unit: JPY billion)

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)
Consolidated	131.4	120.0	-11.4
Japanese-domestic tobacco	34.8	24.0	-10.8
International tobacco	78.3	68.0	-10.3
Pharmaceutical	7.0	10.0	+3.0
Processed food	6.1	11.0	+4.9
Others/Elimination	5.2	7.0	+1.8

6. Assumptions of 2020 Forecast

2020 Japanese-domestic tobacco business

- Industry volume (JT estimate): a decline of approx. 4.5% (vs. 2019: 161.9 BnU)
- Cigarette industry volume (JT estimate): a decline of over 8% (vs. 2019 : 125.1 BnU)
 - JT cigarette sales volume : a decrease of approx. 9% (vs. 2019 : 75.5 BnU)
- Reduced-Risk Products market share in tobacco industry (JT estimate, Shipment base) : approx. 25% (2019: approx. 23%)
 - JT RRP sales volume : over 3.5 BnU stick equivalent

2020 International tobacco business

- Total shipment volume : a decrease of approx. 4% (vs. 2019: 445.8 BnU)
- GFB shipment volume : an increase of approx. 1% (vs. 2019: 277 BnU)

<FX assumptions>

	FY2019 Results	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	109.03	106.93	-2.10	-1.9%
USD/RUB	64.74	72.70	+7.96	-10.9%
USD/GBP	0.78	0.78	-0.00	+0.5%
USD/EUR	0.89	0.88	-0.01	+1.5%
USD/CHF	0.99	0.94	-0.05	+5.7%
USD/TWD	30.90	29.90	-1.00	+3.3%
USD/TRY	5.67	7.00	+1.33	-19.0%
USD/IRR	104,046		*	

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

*In accordance with the requirements stipulated in IAS 29, the estimated closing currency rates for the month ending December 2020, calculated under a set of assumptions, have been applied when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. Similarly, the estimated year-end rates are also applied upon conversions from the US dollar to the Japanese yen.

**FY2020 Revised Forecasts
vs Previous Forecasts
(as of October 30, 2020)**

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2020 Previous Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,010.0	2,070.0	+60.0	+3.0%
Operating profit	422.0	464.0	+42.0	+10.0%
Adjusted operating profit	457.0	483.0	+26.0	+5.7%
Profit (attributable to owners of the parent company)	286.0	310.0	+24.0	+8.4%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2020 Previous Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	509.0	539.0	+30.0	+5.9%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2020 Previous Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	161.21	174.73	+13.53	+8.4%
DPS	154	154	-	-
ROE (attributable to owners of the parent company)	11.2%	12.0%	0.9%pt	

3. Forecasts by business segment

(Unit: JPY billion)

	FY2020 Previous Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,010.0	2,070.0	+60.0	+3.0%
Japanese-domestic tobacco	550.0	550.0	-	-
Core revenue	510.0	510.0	-	-
International tobacco	1,230.0	1,290.0	+60.0	+4.9%
Core revenue	1,170.0	1,230.0	+60.0	+5.1%
Pharmaceutical	76.0	78.0	+2.0	+2.6%
Processed food	153.0	151.0	-2.0	-1.3%
Others	3.0	3.0	-	-
Consolidated: operating profit	422.0	464.0	+42.0	+10.0%
Japanese-domestic tobacco	144.0	150.0	+6.0	+4.2%
International tobacco	273.0	293.0	+20.0	+7.3%
Pharmaceutical	12.0	15.0	+3.0	+25.0%
Processed food	3.0	3.0	-	-
Others/Elimination	-10.0	3.0	+13.0	-
Adjusted operating profit	457.0	483.0	+26.0	+5.7%
Japanese-domestic tobacco	160.0	166.0	+6.0	+3.8%
International tobacco	323.0	338.0	+15.0	+4.6%
Pharmaceutical	13.0	16.0	+3.0	+23.1%
Processed food	3.0	3.0	-	-
Others/Elimination	-42.0	-40.0	+2.0	-

[Reference] International tobacco business

(Unit: USD million)

	FY2020 Previous Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	10,900	11,500	+600	+5.5%
Core revenue at constant FX	11,600	12,100	+500	+4.3%
Adjusted operating profit	3,000	3,150	+150	+5.0%
Adjusted operating profit at constant FX	3,440	3,610	+170	+4.9%

FY2020 Revised Forecasts vs Previous Forecasts (as of October 30, 2020)

4. Free cash flow

(Unit: JPY billion)

	FY2020 Previous Forecasts	FY2020 Revised Forecasts	Variance (abs)
FCF	350.0	415.0	+65.0

5. Capital expenditures

(Unit: JPY billion)

	FY2020 Previous Forecasts	FY2020 Revised Forecasts	Variance (abs)
Consolidated	123.0	120.0	-3.0
Japanese-domestic tobacco	26.0	24.0	-2.0
International tobacco	68.0	68.0	-
Pharmaceutical	9.0	10.0	+1.0
Processed food	11.0	11.0	-
Others/Elimination	9.0	7.0	-2.0

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

Japanese-domestic tobacco business	Previous Forecasts	Revised Forecasts
Total Industry volume*	a decline of approx. 5%	a decline of approx. 4.5%
Cigarette industry volume*	a decline of approx. 8.5%	a decline of over 8%
RRP market share in tobacco industry*	approx. 25%	
JT cigarette sales volume	a decline of over 8.5%	a decline of approx. 9%
JT RRP sales volume	over 3.5 Bn stick equivalent	

* JT estimate based on shipment, annual base

International tobacco business	Previous Forecasts	Revised Forecasts
Total shipment volume	a decrease of approx. 6%	a decrease of approx. 4%
GFB shipment volume	a decrease of approx. 3%	an increase of approx. 1%

<FX assumptions>

	FY2020 Previous Forecasts	FY2020 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	107.62	106.93	-0.69	-0.6%
USD/RUB	71.40	72.70	+1.30	-1.8%
USD/GBP	0.81	0.78	-0.03	+3.8%
USD/EUR	0.92	0.88	-0.04	+4.5%
USD/CHF	0.97	0.94	-0.03	+3.2%
USD/TWD	30.00	29.90	-0.10	+0.3%
USD/TRY	6.80	7.00	+0.20	-2.9%
USD/IRR	156,000		*	

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

*In accordance with the requirements stipulated in IAS 29, the estimated closing currency rates for the month ending December 2020, calculated under a set of assumptions, have been applied when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar.

Similarly, the estimated year-end rates are also applied upon conversions from the US dollar to the Japanese yen.

<FX sensitivity>

FX Sensitivity Guidance for FX impact on 2020 adjusted operating profit of USD 3,150 MM based on the assumptions:

USD vs. Local currency

1% deviation from the revised assumption rates against USD by all the currencies in the same direction (excluding JPY) leads to approximately USD 52MM impacting on USD based adjusted operating profit

This amount of approximately USD 52MM composed of:

RUB approx. 25%, GBP approx. 20%, TWD approx. 15%, EUR 10%-, TRY 5%-, CHF approx. -10%

USD vs. JPY

USD/JPY move of 1 yen from the assumption leads to approximately JPY 3.2 billion impact on JPY-based adjusted operating profit

Tobacco Business Data

International Tobacco Business

1. Summary (YTD)

*In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting and its adjustments have been applied to 2020 results stated below, unless stated as constant currency basis.

	2019Q3	2020Q3	Variance	Variance (%)	
Total shipment volume	338.6	330.0	-8.7	-2.6%	BNU
GFB shipment volume	210.2	213.2	+3.0	+1.4%	BNU
Core Revenue	941.6	956.5	+14.9	+1.6%	JPY BN
Adjusted operating profit	296.5	314.8	+18.3	+6.2%	JPY BN

[USD Reference information]

Core Revenue	8,632	8,901	+269	+3.1%	USD MM
Adjusted operating profit	2,719	2,929	+210	+7.7%	USD MM
Constant FX basis					
Core Revenue	8,632	9,370	+738	+8.5%	USD MM
Adjusted operating profit	2,719	3,235	+516	+19.0%	USD MM

· Contribution by cluster (vs. PY)

(BNU/USD MM)

Reported

2020Q3	Total Shipment Volume		GFB Shipment Volume		Core Revenue	
SWE	51.8	+1.9%	43.4	+5.0%	1,599	+1.8%
NCE	47.5	+13.1%	24.9	+16.7%	1,885	+16.0%
CIS+	92.9	-6.3%	62.7	-8.7%	2,130	+1.6%
RoW	137.8	-6.1%	82.2	+4.3%	3,286	-1.6%
Total	330.0		213.2		8,901	

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

2020	Q1	Q2	Q3	Q4	YTD
SWE	+6.7%	-2.2%	+1.3%		+1.9%
France	+5.7%	+20.9%	+9.6%		+12.2%
Italy	+9.8%	-7.6%	+2.5%		+1.6%
Spain	+14.3%	-18.3%	-5.0%		-3.1%
NCE	+9.9%	+10.7%	+18.2%		+13.1%
Germany	+7.8%	+11.7%	+7.4%		+9.0%
UK	+9.9%	+19.5%	+17.3%		+15.7%
CIS+	-2.7%	-10.9%	-4.4%		-6.3%
Romania	+16.8%	-1.1%	+11.6%		+8.8%
Russia	-5.7%	-13.7%	-6.6%		-9.0%
RoW	-4.7%	-14.2%	+1.1%		-6.1%
Iran	+14.1%	+5.6%	+5.7%		+8.4%
Taiwan	+2.5%	+9.5%	+21.4%		+11.1%
Turkey	-11.8%	-25.9%	+8.5%		-10.5%
Total	-0.6%	-8.5%	+1.6%		-2.6%

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

(BNU)

2020	Q1	Q2	Q3	Q4	YTD
Winston	37.7	39.1	43.6		120.4
	+5.7%	-2.3%	+4.6%		+2.6%
Camel	14.4	13.0	15.1		42.5
	+3.4%	-11.7%	-0.1%		-2.9%
MEVIUS	3.9	3.6	4.1		11.6
	-1.0%	-11.9%	+4.3%		-3.0%
LD	11.5	13.1	14.2		38.8
	+5.9%	+0.1%	+7.7%		+4.5%

Tobacco Business Data

International Tobacco Business

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

2020	Q1	Q2	Q3	Q4	YTD
SWE	+7.8%	+2.2%	+4.9%		+5.0%
France	+5.8%	+26.2%	+12.5%		+14.9%
Italy	+12.2%	-7.6%	+5.1%		+3.3%
Spain	+14.6%	-11.0%	-0.1%		+1.3%
NCE	+17.1%	+10.3%	+22.5%		+16.7%
Germany	+23.9%	+17.5%	+9.1%		+16.3%
UK	-23.9%	-14.0%	-14.1%		-17.3%
CIS+	-7.6%	-11.7%	-6.6%		-8.7%
Romania	+14.1%	-2.5%	+8.7%		+6.5%
Russia	-16.0%	-11.7%	-8.0%		-11.6%
RoW	+9.9%	-4.9%	+8.2%		+4.3%
Iran	+19.3%	+6.3%	+9.2%		+11.5%
Taiwan	+1.8%	+7.4%	+19.4%		+9.5%
Turkey	-8.7%	-24.1%	+13.5%		-7.5%
Total	+4.8%	-4.4%	+4.2%		+1.4%

5. Share of market by key markets

	12-month moving average			3-month average			
	2019 Sep.	2020 Sep.	Change	2019 Q3	2019 Q4	2020 Q1	2020 Q2
France	23.9%	26.1%	+2.3%pt	24.1%	24.4%	25.1%	27.2%
Italy	24.4%	25.3%	+1.0%pt	24.6%	24.6%	25.1%	25.3%
Russia	39.1%	38.2%	-0.9%pt	39.1%	38.4%	38.4%	38.2%
Spain*	25.3%	26.3%	+1.0%pt	25.7%	26.1%	26.0%	26.2%
Taiwan	44.6%	47.1%	+2.5%pt	45.4%	46.1%	46.8%	47.4%
Turkey	27.5%	26.6%	-0.9%pt	26.9%	26.6%	26.9%	26.4%
UK	43.0%	44.8%	+1.7%pt	43.8%	44.3%	44.3%	44.9%

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

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

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

(USD MM)

2020	Q1	Q2	Q3	Q4	YTD
SWE	559	498	534		1,591
	+9.3%	-4.1%	-1.2%		+1.3%
NCE	563	630	699		1,892
	+16.8%	+12.8%	+19.5%		+16.4%
CIS+	646	782	850		2,278
	+17.7%	+3.9%	+6.8%		+8.6%
RoW	1,201	1,166	1,241		3,609
	+13.3%	+7.2%	+4.3%		+8.1%
Total	2,969	3,076	3,325		9,370
	+14.1%	+5.4%	+6.8%		+8.5%

Tobacco Business Data

International Tobacco Business

7. Breakdown of Core Revenue

*In accordance with the application of IAS 29, hyperinflationary accounting and its adjustments have been applied to the 2020 year-to-date and Q3 results stated in the tables below, unless stated as constant currency basis. The rows for "FX," "Local currencies vs. USD," "JPY vs. USD" indicate the net impact of these adjustments as well as the conventional FX impact.

• USD basis					(USD MM)
	Q1	Q2	Q3	Q4	YTD
2019	2,602	2,919	3,112		8,632
Volume	+62	-111	+138		+89
Price/Mix	+305	+269	+75		+649
2020 at constant	2,969	3,076	3,325		9,370
FX	-102	-159	-208		-469
2020	2,866	2,918	3,116		8,901

• Yen basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2019	286.8	320.7	334.1		941.6
Operations	+40.4	+17.3	+22.9		+80.7
Local currencies vs. USD	-11.3	-17.4	-23.0		-51.7
JPYvs. USD	-3.9	-6.6	-3.5		-14.0
2020	312.0	314.0	330.4		956.5

8. Breakdown of Adjusted Operating Profit

*In accordance with the application of IAS 29, hyperinflationary accounting and its adjustments have been applied to the 2020 year-to-date and Q3 results stated in the tables below, unless stated as constant currency basis. The rows for "FX," "Local currencies vs. USD," "JPY vs. USD" indicate the net impact of these adjustments as well as the conventional FX impact.

• USD basis					(USD MM)
	Q1	Q2	Q3	Q4	YTD
2019	809	876	1,034		2,719
Volume	+49	-32	+103		+120
Price/Mix	+299	+270	+66		+635
Others	-110	-16	-113		-239
2020 at constant	1,047	1,097	1,091		3,235
FX	-91	-73	-142		-306
2020	956	1,025	949		2,929

• Yen basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2019	89.2	96.2	111.1		296.5
Operations	+26.2	+24.4	+6.1		+56.6
Local currencies vs. USD	-10.0	-8.0	-15.3		-33.3
JPYvs. USD	-1.3	-2.3	-1.4		-5.0
2020	104.1	110.3	100.5		314.8

9. FX actual vs. PY

2020	Q1	Q2	Q3	Q4	YTD
USD/RUB	66.33	72.15	73.58		70.69
	-0.3%	-10.5%	-12.2%		-7.9%
USD/GBP	0.78	0.81	0.78		0.79
	-1.7%	-3.4%	+4.6%		-0.2%
USD/EUR	0.91	0.91	0.86		0.89
	-2.9%	-2.0%	+5.0%		-0.1%
USD/CHF	0.97	0.96	0.92		0.95
	+3.0%	+4.1%	+7.1%		+4.7%
USD/TWD	30.11	29.91	29.35		29.79
	+2.4%	+4.0%	+6.2%		+4.2%
USD/TRY	6.10	6.86	7.21		6.72
	-12.1%	-14.4%	-21.5%		-16.2%
USD/IRR	128,673	150,740	*		*
	-31.3%	-30.6%			
USD/JPY	108.86	107.63	106.23		107.55
	-1.2%	-2.1%	-1.1%		-1.4%

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

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

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

*In accordance with the requirements stipulated in IAS 29, the closing currency rates for the month ended September 2020 have been applied to the 2020 year-to-date and Q3 results when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. The same rates apply for conversions from the US dollar to the Japanese yen. (USD/IRR:235,917, USD/JPY: 105.80)

Tobacco Business Data

Japanese Domestic Tobacco Business

1. Summary (YTD)

	2019 Q3	2020 Q3	Variance	Variance (%)	
Cigarette industry volume (JT estimate)	94.6	90.0	-4.6	-4.9%	BNU
Cigarette sales volume	57.4	54.0	-3.4	-5.9%	BNU
Excludes volumes of Duty-Free in Japan, China business (3.1BNU in 2019 Q3 and 1.3BNU in 2020 Q3, respectively) and RRP sales volume					
Core revenue	435.8	394.8	-41.0	-9.4%	JPY BN
Adjusted operating profit	165.4	139.0	-26.4	-16.0%	JPY BN

2. Cigarette sales volume

	Q1	Q2	Q3	Q4	(BNU) FY
2019	17.9	19.4	20.1	18.1	75.5
2020	17.2	17.0	19.9		
Variance	-4.2%	-12.6%	-1.1%		

3. Revenue per thousand cigarettes

	Q1	Q2	Q3	Q4	(JPY) FY
2019	6,407	6,391	6,414	6,306	6,380
2020	6,326	6,344	6,369		

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

4. Results of Reduced-Risk Products

(BNU / JPY BN)

	Q1	Q2	Q3	Q4	YTD
2020					
RRP sales volume	0.9	0.9	1.2		3.0
RRP-related revenue	13.0	13.0	16.7		42.6

5. Breakdown of financial results

(JPY BN)

	Q1	Q2	Q3	Q4	YTD
Core revenue					
2019	133.5	148.9	153.5		435.8
Cigarette volume	-4.8	-15.6	-1.4		-21.8
Cigarette price/mix	-1.4	-0.8	-0.9		-3.1
RRP/Others	-1.5	-9.4	-5.3		-16.2
2020	125.8	123.0	146.0		394.8
Adjusted OP					
2019	51.0	58.2	56.2		165.4
Cigarette volume	-3.9	-12.9	-1.1		-17.9
Cigarette price/mix	-1.4	-0.8	-0.9		-3.1
RRP/Others	-2.5	-5.9	+3.0		-5.4
2020	43.2	38.6	57.2		139.0

6. Market share in cigarettes category (JT estimate)

(%)

JT Total	Q1	Q2	Q3	Q4	FY
2019	61.0	61.0	60.1	59.3	60.4
2020	59.7	60.1	60.2		
MEVIUS					
2019	30.3	30.6	30.3	29.5	30.2
2020	28.9	28.8	28.9		
Winston					
2019	7.8	7.8	7.4	7.5	7.6
2020	7.3	7.3	7.3		
Seven Stars					
2019	7.9	7.8	7.8	7.6	7.8
2020	7.5	7.5	7.6		
Natural American Spirit					
2019	1.9	1.9	2.0	2.0	2.0
2020	2.0	2.0	1.9		

Pharmaceutical Business

Clinical Development as of October 30, 2020

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Origin	Note
JTZ-951 (enarodustat)	Anemia associated with chronic kidney disease /Oral	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PH.	Phase1 (Overseas)	In-house	• Co-development with Torii
JTE-052 (delgocitinib)	Atopic dermatitis (pediatric) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	NDA filed (Japan)	In-house	• Co-development with Torii
	Atopic dermatitis (infant) /Topical			Phase3 (Japan)		• Co-development with Torii
	Autoimmune/allergic diseases /Oral, Topical			Phase1 (Japan)		
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase2 (Overseas)	In-house	
JTE-451	Autoimmune/allergic diseases /Oral	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase2 (Overseas)	In-house	
	Autoimmune/allergic diseases /Topical			Phase1 (Japan)		
JTT-251	Type 2 diabetes mellitus /Oral	PDHK inhibitor	Decreases blood glucose by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase1 (Overseas)	In-house	
JTT-662	Type 2 diabetes mellitus /Oral	SGLT1 inhibitor	Suppresses postprandial hyperglycemia and normalizes blood glucose level via inhibition of SGLT1.	Phase1 (Overseas)	In-house	
JTE-761	Autoimmune/allergic diseases /Oral	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1 (Overseas)	In-house	
JTT-751 (ferric citrate hydrate)	Iron-deficiency anemia/Oral	Oral iron replacement	Corrects iron-deficiency anemia by using absorbed iron for synthesis of hemoglobin.	NDA filed (Japan)	In-license	• Licensed from Keryx Biopharmaceuticals • Co-development with Torii • Additional indication

- Clinical trial phase presented above is based on the first dose.
- We are also conducting additional studies to examine the potential for use in additional dosage forms.

<Licensed compounds>

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

Updates since the previous announcement on July 31, 2020:

- JTZ-951: Manufacturing and Marketing Approval of ENAROY® Tablets 2 mg・4 mg for the Treatment of Anemia Associated with Chronic Kidney Disease in Japan (September 25, 2020)
- JTE-052(Infants) : advanced to Phase3 in Japan

Definitions

Terms	Definitions
Adjusted operating profit (AOP)	Adjusted operating profit (AOP) = operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjusted items (income and costs) * *Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
Consolidated adjusted operating profit at constant FX	The same foreign exchange rates between local currencies vs USD as well as the exchange rates between JPY and USD are applied as in the equivalent period in the previous fiscal year for international tobacco business.
Reduced-Risk Products (RRP)	Reduced-Risk Products are products with the potential to reduce the risks associated with smoking.
GFB (Global flagship brands)	GFB includes four brands namely Winston, Camel, MEVIUS and LD.
Total shipment volume: (International tobacco business)	Total shipment volume is the shipment volume of tobacco-based products which includes fine cut tobacco, cigars, pipe tobacco, snus, kretek and T-Vapor but excludes contract manufactured products, waterpipe tobacco and E-Vapor.
Core revenue (International tobacco business)	Core revenue includes waterpipe tobacco and RRP, but excludes revenue from distribution, contract manufacturing and other peripheral businesses.
Core revenue / Adjusted operating profit at constant FX (International tobacco business)	The same foreign exchange rates between local currencies vs USD are applied as in the equivalent period in the previous fiscal year for international tobacco business.
Industry volume (Japanese domestic tobacco business)	Industry volume in the Japanese market by number of sticks based on internal estimates. This includes cigarettes, little cigars, RRP and others.
Cigarette industry volume (Japanese domestic tobacco business)	Industry volume of ready-made-cigarettes in the Japanese market by number of sticks based on the internal estimates. This includes little cigars but excludes RRP.
Cigarette sales volume (Japanese domestic tobacco business)	JT's cigarette sales volume excluding the volume of Domestic duty free and the China businesses. This includes little cigars but excludes RRP.
RRP sales volume (Japanese domestic tobacco business)	JT's RRP sales volume excluding the volume of Domestic duty free business. One pack of consumables is equivalent to 20 sticks of combustible cigarette. This also excludes RRP devices, RRP related accessories, etc.
Little cigars	Products rolled in tobacco-based paper with a similar format to ready-made-cigarettes and classified as "cigars" under the Tobacco Business Act in Japan.
Core revenue (Japanese domestic tobacco Business)	Core revenue, excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others, but includes revenue from domestic duty free and the China businesses as well as the revenue from RRP and little cigars.
RRP related revenue (Japanese domestic tobacco business)	RRP related revenue, as a part of core revenue, represents the sale of RRP including Domestic duty free, principally the device and the related accessories.
Liquidity	Cash and deposits + marketable securities + securities purchased under repurchase agreements
Interest-bearing debt	Short-term bank loans + CP + bonds + long-term borrowings
FCF	FCF is sum of cash flows from operating activities and investing activities, but excludes the following items: - From operating CF: depreciation from lease transactions, interest received, dividends received, interest paid and income taxes related to these items excluding lease transactions - From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes

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

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Japan Tobacco Inc. is a leading international tobacco company with operations in more than 130 countries. With approximately 62,000 employees, it manufactures and sells some of the world's best-known brands including Winston, Camel, MEVIUS and LD. The JT Group is committed to investing in Reduced-Risk Products (RRP) and currently markets its tobacco vapor products under its Ploom brand and various e-cigarette products under its Logic brand. The Group is also present in the pharmaceutical and processed food businesses. For more information, visit <https://www.jt.com/>.

FORWARD-LOOKING STATEMENTS

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

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

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

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