



Tokyo, July 31, 2019

2019 Second Quarter Results

Highlights

- First half adjusted operating profit at constant FX increased 5.9% year-on-year, mainly driven by pricing gains in both the international and Japanese domestic tobacco businesses. On a reported basis, adjusted operating profit decreased 9.4% due to unfavorable currency movements.
- Operating profit and profit attributable to owners of the parent increased driven by a one-time compensation gain in the pharmaceutical business.
- FY2019 forecast for consolidated adjusted operating profit at constant FX remains unchanged.
- The Company announced the interim dividend of JPY 77 per share as stated in the “Business Plan 2019.”

Key business segment information (January – June):

- **International tobacco business**
 - Adjusted operating profit at constant FX on a USD basis grew 9.3% mainly driven by solid pricing gains. On a JPY basis, adjusted operating profit decreased 13.5% due to unfavorable currency movements.
 - Total shipment volume grew 8.2% driven by acquisitions. Excluding these, volume was up 0.1% driven by solid GFB performance and continued market share gains, notably in Taiwan and the UK.
 - Expansion of Logic Compact continued with the addition of 12 new markets in the period.
 - Full year currency-neutral adjusted operating profit is expected to grow 10.2% year-on-year.
- **Japanese domestic tobacco business**
 - Adjusted operating profit increased 5.5% driven by cigarette pricing gains.
 - Ploom TECH+ sales expanded nationwide in June contributing to RRP sales volume growth. JT market share in the category is estimated at approximately 8%.
 - Ploom S will be rolled out nationwide in August 2019.
 - Full year adjusted operating profit is expected to decline 4.3% year-on-year.

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

“Our solid first half results were driven by additional market share gains and pricing benefits across many markets in conventional tobacco products. This reconfirms our conviction that these products will continue to be the platform of JT Group’s profitability and remain the major category of the industry.”

“In the RRP category, Ploom TECH+ has had a strong start in Japan since its nationwide rollout and Ploom S is ready to launch across the country in August. While RRP is our future growth driver, we believe strengthening our position in the category requires more time but we will confront this challenge by prioritizing investments towards our enhanced product portfolio. Internationally, we are gaining momentum with Logic Compact’s geographic expansion, already beyond our initial plan.”

“As the Japanese market remains highly competitive, we have revised the profit guidance downwards reflecting the first half performance. However, our full year forecast for consolidated adjusted operating profit at constant FX remains unchanged, driven by our continued focus to deliver profit growth as a Group.”

“Our shareholder return policy and dividend guidance for the year are also unchanged in spite of additional currency headwinds.”

Conference Call

A conference call with members of the investor community will be held at 4:00 pm, Tokyo Time, on August 1, 2019. For detailed information on the consolidated financial results, please visit the Company’s website. (<https://www.jt.com/investors/>).

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FY2019 Q2 Financial Results

Consolidated Results

(billions of JPY)	2018 Q2	2019 Q2	Variance	2018 YTD	2019 YTD	Variance
Revenue	560.2	553.1	-1.3%	1,075.3	1,058.5	-1.6%
Adjusted operating profit	169.8	149.0	-12.2%	317.8	287.8	-9.4%
Operating profit	155.6	128.7	-17.2%	302.3	311.3	+3.0%
Profit attributable to owners of the parent	112.1	105.6	-5.8%	216.1	226.5	+4.8%
Adjusted operating profit at constant FX	169.8	177.9	+4.8%	317.8	336.6	+5.9%

2019 Q2

- **Revenue**

Revenue decreased 1.3% to JPY 553.1 billion due to unfavorable currency movements in the international tobacco business and a decline in the pharmaceutical business. This was in spite of a solid business performance in the international tobacco business and increasing revenue in the Japanese domestic tobacco business.

- **Adjusted Operating Profit**

At constant FX, adjusted operating profit increased 4.8% to JPY 177.9 billion driven by growth in the international tobacco, Japanese domestic tobacco and processed food businesses, partially offset by the decrease in the pharmaceutical business.

On a reported basis, adjusted operating profit decreased 12.2% to JPY 149.0 billion, mainly due to the negative impact of foreign currencies.

- **Operating Profit**

Operating profit decreased 17.2% to JPY 128.7 billion due to the decrease in adjusted operating profit, an increase in acquisition related trademark amortization, and recognition of business structural reform costs in our subsidiary Torii Pharmaceutical.

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

Profit attributable to owners of the parent decreased 5.8% to JPY 105.6 billion due to the decrease in operating profit, in spite of a favorable contribution from one-time factors leading to a lower effective tax rate.

2019 YTD

- **Revenue**

Revenue decreased 1.6% to JPY 1,058.5 billion due to unfavorable currency movements in the international tobacco business and decreases in the pharmaceutical and processed food businesses. This was in spite of a solid currency neutral business performance in the international tobacco business as well as a revenue increase in the Japanese domestic tobacco business.

- **Adjusted Operating Profit**

Adjusted operating profit at constant FX increased 5.9% to JPY 336.6 billion driven by growth in the international tobacco, Japanese domestic tobacco and processed food businesses, partially

offset by a decrease in the pharmaceutical business.

On a reported basis, adjusted operating profit decreased 9.4% to JPY 287.8 billion, mainly due to the negative impact of foreign currencies.

- **Operating Profit**

Operating profit increased 3.0% to JPY 311.3 billion. This was due to the one-time compensation gain related to the termination of the exclusive anti-HIV drugs license agreements in the pharmaceutical business, partially offset by a decline in gains from real estate assets sales, an increase in acquisition related trademark amortization and a decrease in adjusted operating profit.

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

Profit attributable to owners of the parent increased 4.8% to JPY 226.5 billion, due to the increase in operating profit and a favorable contribution from one-time factors leading to a lower effective tax rate partially offset by increased financing costs.

Results by Business Segment

International Tobacco Business

(billions of units, billions of JPY)	2018 Q2	2019 Q2	Variance	2018 YTD	2019 YTD	Variance
Total shipment volume	107.3	117.8	+9.8%	205.6	222.5	+8.2%
GFB shipment volume	68.6	71.9	+4.8%	130.6	136.3	+4.4%
Core revenue	325.2	320.7	-1.4%	620.0	607.5	-2.0%
Adjusted operating profit	118.0	96.2	-18.5%	214.3	185.4	-13.5%
<u>Reference (millions of USD)</u>						
Core revenue	2,981	2,919	-2.1% (+8.9%)*	5,705	5,520	-3.2% (+8.5%)*
Adjusted operating profit	1,082	876	-19.1% (+6.0%)*	1,971	1,685	-14.5% (+9.3%)*

*at constant FX

2019 Q2

- **Volume and Market share¹**

Total shipment volume grew 9.8%, mainly driven by acquisitions in Bangladesh, Greece and Russia. Excluding acquisitions and favorable inventory movements, total shipment volume increased 0.1% fueled by continued quarterly market share gains across many geographies, notably in Canada, Iran, Jordan, Kazakhstan, Malaysia, South Korea, Sudan, Taiwan, Turkey and across most markets in Europe, particularly the UK. GFB shipment volume grew 4.8% led by the strong performance of Winston (+2.6%), Camel (+7.7%), Mevius (+1.7%) and LD (+9.8%). Our expansion in the e-vapor segment continued at pace, with Logic Compact becoming available in 14 markets as of July, already surpassing the initial full year plan.

- **Core revenue and Adjusted operating profit**

A stronger US dollar versus the Japanese yen could not offset unfavorable currency movements against the US dollar, resulting in core revenue and adjusted operating profit decreasing 1.4% and 18.5% respectively. The positive price/mix from all clusters, in addition to a volume contribution from market share gains and acquisitions, could not compensate for the unfavorable currency movements.

On a USD basis, a positive price/mix variance of USD 158 million, notably in Canada, France, Germany, Iran, the Philippines, Romania, Sudan, Turkey, Ukraine and the UK, and a favorable volume contribution of USD 108 million could not offset unfavorable currency movements of USD 329 million resulting in a core revenue decline of 2.1%, or an 8.9% increase when excluding currency movements. Adjusted operating profit increased 6.0% at constant currency, mainly driven by a favorable price/mix variance of USD 146 million. With the inclusion of unfavorable currency movements, adjusted operating profit declined 19.1%.

2019 YTD

- **Volume and Market share¹**

Total shipment volume grew 8.2% driven by acquisitions in Bangladesh, Greece and Russia. Excluding acquisitions and favorable inventory movements, total shipment volume remained broadly flat, declining only 0.1%. Market share gains continued across many geographies, notably in Canada, Iran, Jordan, Kazakhstan, Morocco, South Korea, Sudan, Taiwan and across most markets in Europe, particularly in the UK. GFB shipment volume increased 4.4%, led by the strong performance of Winston (+2.2%), Camel (+6.9%), Mevius (+4.0%) and LD (+8.6%).

- **Core revenue and Adjusted operating profit**

A strong US dollar versus the Japanese yen could not offset unfavorable currency movements against the US dollar, resulting in core revenue and adjusted operating profit decreases of 2.0% and 13.5%, respectively. Solid price/mix contribution from all clusters and positive volume variance, driven by market share gains and acquisitions, were fully offset by the negative currency impacts.

On a USD basis, the positive price/mix variance of USD 309 million, notably in Canada, France, Germany, Iran, the Philippines, Romania, Sudan, Ukraine and the UK, and the favorable volume contribution of USD 173 million were fully offset by unfavorable currency movements of USD 667 million, resulting in a core revenue decline of 3.2%, or an increase of 8.5% excluding currency movements. Adjusted operating profit at constant currency increased 9.3%, mainly driven by a favorable price/mix variance of USD 289 million. With unfavorable currency movements included, adjusted operating profit declined 14.5%.

International Tobacco Business Quarterly Performance review by Cluster

South and West Europe

(billions of Units, millions of USD)	2018 Q2	2019 Q2	Variance
Total shipment volume	16.8	16.7	-0.6%
GFB shipment volume	13.7	13.4	-2.2%
Core revenue	542	520	-4.1% (+1.5%)*

*at constant FX

- **Volume and market share¹**

Total and GFB shipment volumes decreased 0.6% and 2.2%, respectively, due to industry volume contraction in France, Greece and Italy, as well as unfavorable inventory movements. Excluding the acquisition and inventory movements, total shipment volume declined 1.0%. Market share increased in Belgium, France, Greece, Italy, Luxemburg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue decreased 4.1% as unfavorable currency movements of USD 31 million offset a positive price/mix variance of USD 6 million, mainly from France, and a favorable volume contribution of USD 2 million. Excluding currency movements, core revenue increased 1.5%.

- **By market**

In France, total and GFB shipment volumes declined 0.8% and 2.7%, respectively, due to industry volume contraction. Fine cut shipment volumes increased 4.2%. Year-on-year market share increased 1.5ppt to 24.0%, driven by Winston and Camel. Constant currency core revenue grew, mainly driven by positive price/mix.

In Italy, total and GFB shipment volumes decreased 0.1% and 1.3%, respectively, due to industry volume contraction. Excluding favorable inventory movements, total shipment volume declined 2.1%. Fine cut shipment volume grew 32.6%, mainly driven by Camel and Winston. Year-on-year market share increased 0.8ppt to 24.2%, led by Winston and Benson & Hedges. Increasing downtrading drove constant currency core revenue down.

In Spain, total and GFB volumes declined 1.7% and 2.6%, respectively, due to industry volume contraction and unfavorable inventory movements, while fine cut volume grew 8.6%. Excluding inventory movements, total shipment volume increased 1.5%. Year-on-year market share increased 0.8ppt to 25.1%, led by Winston and Camel. Unfavorable inventory movements drove constant currency core revenue downward.

North and Central Europe

(billions of Units, millions of USD)	2018 Q2	2019 Q2	Variance
Total shipment volume	13.8	14.2	+2.9%
GFB shipment volume	6.4	7.4	+15.6%
Core revenue	563	558	-0.9% (+5.4%)*

*at constant FX

- **Volume and market share¹**

Total and GFB shipment volumes increased 2.9% and 15.6%, respectively, mainly driven by Denmark, Germany, Poland and Slovakia. Market share grew in Czech Republic, Germany, Hungary, Poland and the UK.

- **Core revenue**

Core revenue decreased 0.9% due to unfavorable currency movements of USD 36 million. Excluding currencies, core revenue grew a solid 5.4% driven by a favorable price/mix variance of USD 20 million, notably in Germany, Hungary, Ireland and the UK, combined with a positive volume contribution of USD 10 million.

- **By market**

In Germany, total, GFB and fine cut shipment volumes increased 0.8%, 19.4% and 0.8%, respectively, driven by robust market share gains. Year-on-year market share grew 0.6ppt to 8.1%, primarily driven by the continued expansion of Winston. Constant currency core revenue increased driven by volume and price/mix.

In the UK, total shipment volume declined 0.6%, due to industry volume contraction, while fine cut shipment volume was up 7.1%, driven by Sterling. Year-on-year market share was up 1.8ppt to 42.4%, driven by Benson & Hedges in cigarettes and Sterling in fine cut. Core revenue at constant currency grew, mainly driven by favorable price/mix.

CIS+

(billions of Units, millions of USD)	2018 Q2	2019 Q2	Variance
Total shipment volume	33.3	36.0	+7.9%
GFB shipment volume	25.2	24.6	-2.6%
Core revenue	744	753	+1.2% (+6.5%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume increased 7.9% driven by the acquisition in Russia and strong organic performance in Kazakhstan and Uzbekistan. Excluding the acquisition and unfavorable inventory movements, total shipment volume declined 4.9%. GFB shipment volume decreased 2.6%, due to industry volume contraction. Market share grew in Kazakhstan, Romania and Russia.

- **Core revenue**

Core revenue increased 1.2% driven by a favorable price/mix variance of USD 28 million across most markets and a positive volume contribution of USD 20 million, offsetting unfavorable currency movements of USD 40 million. Excluding currency movements, core revenue increased 6.5%.

- **By market**

In Romania, total and GFB shipment volumes declined 0.9% and 3.6%, respectively, as market share gains did not offset the impact of industry volume contraction. Market share reached 28.2%, an increase of 1.1ppt fueled by Winston and Sobranie. Core revenue growth at constant currency was driven by robust price/mix.

In Russia, while quarterly cigarette industry volume declined an estimated² 4.2%, total shipment volume was up 16.0% and quarterly market share increased to 39.6%, driven by the acquisition. Excluding the acquisition, total and GFB shipment volumes declined 5.6% and 1.2%, respectively. Year-on-year GFB market share grew 0.4ppt to 25.0% driven by LD, cementing our recently acquired leading position in the large value price segment. Constant currency core revenue increased driven by the favorable volume contribution from the acquisition.

Rest-of-the-World

(billions of Units, millions of USD)	2018 Q2	2019 Q2	Variance
Total shipment volume	43.4	51.0	+17.5%
GFB shipment volume	23.4	26.6	+14.0%
Core revenue	1,131	1,088	-3.8% (+15.8%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume grew strongly, increasing 17.5% bolstered by the acquisition in Bangladesh as well as favorable inventory movements. Excluding acquisitions and inventory movements, total shipment volume increased 3.6% mainly driven by Iran, Lebanon, Saudi Arabia, Taiwan, Tunisia and Turkey. GFB shipment volume was up 14.0% driven by all GFBs. Market share increased in several markets, notably in Canada, Iran, Jordan, Malaysia, Morocco, South Africa, South Korea, Sudan, Taiwan and Turkey.

- **Core revenue**

Core revenue decreased 3.8% due to unfavorable currency movements of USD 223 million. Excluding currency movements, core revenue grew a robust 15.8%, driven by a favorable price/mix variance of USD 104 million and a positive volume contribution of USD 75 million.

- **By market**

In Iran, total and GFB shipment volumes increased 11.5% and 8.8%, respectively, driven by the growth of Camel. Excluding unfavorable inventory movements, total shipment volume grew 12.1%. Market share continued to increase and reached 57.8%, up 3.1ppt. Constant currency core revenue grew by volume and price/mix.

In Taiwan, total and GFB shipment volumes grew 4.1% and 4.3%, respectively. Market share increased strongly, up 2.3ppt to 43.9%. Excluding unfavorable inventory movements, total shipment volume was up 5.3%, outperforming the industry volume trend. Robust positive volume could not offset downtrading leading to a constant currency core revenue decline.

In Turkey, total and GFB shipment volumes grew 28.3% and 33.2%, respectively, driven by a larger industry size and favorable inventory movements. Excluding inventory movements, total shipment volume increased 21.9%. Market share increased 0.3ppt to 28.3%, mainly led by Winston. At constant currency, core revenue grew driven by volume and price/mix.

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 June 2019. Hungary, Spain and Switzerland are on a 12-month rolling average at the end of May 2019. 12-month share of market growth for 2019 markets is calculated against a 12-month share of market at the end of respective period in 2018.

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

Japanese Domestic Tobacco Business

(billions of units, billions of JPY)	2018 Q2	2019 Q2	Variance	2018 YTD	2019 YTD	Variance
Cigarette industry volume*	34.0	31.8	-6.6%	66.0	61.2	-7.2%
Cigarette sales volume*	20.8	19.4	-6.8%	40.4	37.3	-7.5%
Core revenue	142.9	148.9	+4.2%	272.2	282.3	+3.7%
Adjusted operating profit	54.6	58.2	+6.6%	103.5	109.2	+5.5%

2019 Q2

- Cigarette sales volume**

Cigarette industry volume decreased 6.6% due to lower demand following the tax-led retail price revision last October, the expansion of the RRP category and the underlying natural decline trend. As a result, JT's Cigarette Sales Volume decreased 6.8%. JT's cigarette market share decreased 0.2ppt to 61.0% due to intense competition in the value segment, in spite of Camel's growth as a result of downtrading.

- Reduced-Risk Products (RRP) performance**

JT estimated the overall RRP market size in Japan in the quarter at c. 22.5%(on shipment basis) of the tobacco industry volume. In the quarter, JT RRP sales volume was increased by 0.3 billion to 0.8 billion stick equivalent. In RRP category, our share is estimated at approximately 8%. Ploom TECH+ sales expanded nationwide since June 2019. Ploom S sales will expand nationwide from August 2019.

- Core revenue and Adjusted operating profit**

Core revenue grew 4.2% driven by a positive cigarette price/mix variance of JPY 8.8 billion and a favorable RRP volume contribution, offsetting the unfavorable contribution from cigarette volume of JPY 8.4 billion. RRP related revenue increased by JPY 5.1 billion, year-on-year, to JPY 18.1 billion. Adjusted operating profit increased 6.6% mainly led by a positive cigarette price/mix variance of JPY 8.8 billion offsetting the impact from decrease in cigarette sales volume of JPY 7.0 billion.

2019 YTD

- Cigarette sales volume**

Cigarette industry volume decreased 7.2% due to lower demand following the tax-led retail price revision last October, the expansion of the RRP category and the underlying natural decline trend. JT's Cigarette Sales Volume decreased 7.5% mainly due to Cigarette Industry Volume contraction. JT's cigarette market share decreased 0.2ppt to 61.0% due to intense competition in the value segment in spite of Camel's growth as a result of downtrading.

* Starting from this quarter, Japanese domestic tobacco business includes Little cigar volume in the volume performance and forecast. To enable like-for-like comparison, previous year volumes have also been restated. Analyses impacted due to this change on this page include Cigarette industry volume, Cigarette sales volume, Cigarette market share and RRP market size. For further information refer to page 26 of Datasheet and page 28 for definitions. Furthermore, Cigarette industry volume, Cigarette market share and RRP market size are based on JT estimates.

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

JT estimated the overall RRP market size in Japan year-to-date at c.22.5%(on shipment basis) of the tobacco industry volume. Year-to-date, JT RRP sales volume was increased by 0.6 billion to 1.4 billion cigarette equivalent units with our off-take. JT's RRP market category share for H1, is estimated at approximately 8%.

- **Core revenue and Adjusted operating profit**

Core revenue grew 3.7% driven by a positive cigarette price/mix variance of JPY 18.0 billion and a favorable RRP volume contribution, offsetting the unfavorable cigarette volume contribution of JPY 17.9 billion. RRP related revenue increased by JPY 9.2 billion, year-on-year, to JPY 30.4 billion. Adjusted operating profit increased 5.5% led by a positive cigarette price/mix variance of JPY 18.0 billion offsetting the impact of decrease in cigarette sales volume of JPY 14.8 billion.

Pharmaceutical Business

(billions of JPY)	2018 Q2	2019 Q2	Variance	2018 YTD	2019 YTD	Variance
Revenue	26.5	19.0	-28.3%	53.2	41.8	-21.4%
Adjusted operating profit	3.7	1.2	-66.2%	11.4	5.7	-49.8%

2019 Q2

- **Revenue and Adjusted operating profit**

Revenue declined 28.3%, mainly impacted by the termination of exclusive license agreements for six anti-HIV drugs in Japan.

Adjusted operating profit decreased 66.2% due to lower revenue.

2019 YTD

- **Revenue and Adjusted operating profit**

Revenue decreased 21.4%, also an impact of the license termination of the anti-HIV drugs.

Adjusted operating profit decreased 49.8% due to lower revenue.

Processed Food Business

(billions of JPY)	2018 Q2	2019 Q2	Variance	2018 YTD	2019 YTD	Variance
Revenue	39.3	39.4	+0.3%	77.0	75.4	-2.1%
Adjusted operating profit	0.7	1.3	+80.4%	1.4	1.6	+11.6%

2019 Q2

- **Revenue and Adjusted operating profit**

Revenue increased 0.3% due to the solid performance of staple food and seasoning products offsetting the reduction in sales of products with lower profitability.

Adjusted operating profit increased by JPY 0.6 billion mainly driven by the positive contribution from price revisions, the improvement in product mix as well as cost reduction initiatives, partially offset by increases in raw material and distribution costs.

2019 YTD

- **Revenue and Adjusted operating profit**

Revenue decreased 2.1% due to the reduction in sales of products with lower profitability in spite of the solid performance of staple food and seasoning products.

Adjusted operating profit increased by JPY 0.2 billion mainly driven by the positive contribution from price revisions, the improvement in product mix as well as cost reduction initiatives, partially offset by lower revenue and increases in raw material and distribution costs.

FY2019 Forecasts

(billions of JPY)	2019 Initial forecast	2019 Revised forecast	Variance vs. Initial forecast	Variance vs. 2018 Result
Revenue	2,200.0	2,170.0	-30.0	-2.1%
Adjusted operating profit	546.0	523.0	-23.0	-12.2%
Operating profit	540.0	518.0	-22.0	-8.3%
Profit attributable to owners of the parent	370.0	360.0	-10.0	-6.7%
Adjusted operating profit at constant FX	610.0	610.0	-	+2.4%

- **Revenue**

The revenue forecast is revised downwards by JPY 30 billion, resulting in a 2.1% decline year-on-year, mainly due to the revised assumption of RRP sales volume in the Japanese domestic tobacco business, partially offset by the upward revision of the pharmaceutical business.

- **Adjusted operating profit**

Currency neutral Adjusted operating profit remains unchanged, resulting in a 2.4% increase year-on-year, mainly driven by solid first half business momentum in the international tobacco business and the upward revision of the pharmaceutical business which offset the impact of revised assumption of RRP sales volume in the Japanese domestic tobacco business.

On a reported basis, adjusted operating profit is revised downwards by JPY 23.0 billion or a decrease of 12.2% versus the previous year from the initial forecast due to the revision of the FX assumptions.

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

Operating profit and Profit attributable to owners of the parent are revised downwards by JPY 22.0 billion and JPY 10.0 billion respectively, mainly due to the revised FX assumptions. As a result, they are expected to decline 8.3% and 6.7% year-on-year respectively.

Forecasts by Business Segment

International Tobacco Business

(billions of units, billions of JPY)	2019 Initial forecast	2019 Revised forecast	Variance vs. Initial forecast	Variance vs. 2018 Result
Total shipment volume	Increase circa 3.5%	Increase circa 5.0%		
GFB shipment volume	Increase circa 1.0%	Increase circa 3.5%		
Core revenue	1,240.0	1,240.0	-	-0.9%
Adjusted operating profit	356.0	338.0	-18.0	-12.1%

Reference (millions of USD)

Core revenue	11,300	11,400	+100	+0.6% (+8.1%)*
Adjusted operating profit	3,240	3,100	-140	-11.3% (+10.2%)*

*at constant FX

- Volume**

Better volume and market share gains in the first half drove an upward revision of the total shipment volume forecast to an increase of circa 5.0%. The forecast for GFB shipment volume is also revised upwards with an increase of circa 3.5%.

- Core revenue and Adjusted operating profit**

On a JPY basis, the forecast for core revenue remains unchanged with a 0.9% decline as the downward revision of the FX assumption is expected to be fully offset by the solid business performance in the first half. Revised FX assumptions, drove the downward revision of adjusted operating profit by JPY 18.0 billion, resulting in a 12.1% decline versus the previous year.

On a USD basis, constant currency core revenue is revised upwards by USD 300 million, resulting in an 8.1% increase versus the previous year, driven by better than expected volume and price/mix. These favorable trends will more than offset unfavorable currency movements, resulting in an upward revision of reported core revenue by USD 100 million, a 0.6% increase versus the previous year.

Full year currency-neutral adjusted operating profit is revised upwards by USD 50 million, after including increased investments in both RRP and conventional tobacco products and is expected to grow 10.2% versus the previous year. Due to negative currency movements, reported adjusted operating profit is revised downwards by USD 140 million, and is expected to decrease 11.3% versus the previous year.

Japanese Domestic Tobacco Business

(billions of JPY)	2019 Initial forecast	2019 Revised forecast	Variance vs. Initial forecast	Variance vs. 2018 Result
Cigarette industry volume*	Decline over 7%	Decline over 6.5%		
Cigarette sales volume*	Decline over 7.5%	Decline circa 8%		
Core revenue	620.0	580.0	-40.0	-0.4%
Adjusted operating profit	215.0	200.0	-15.0	-4.3%

- Volume**

Market contraction assumptions in Japan for domestic tobacco Industry volume and Cigarette industry volume are revised from c. -5% to c. -4% and from over -7% to over -6.5% respectively reflecting the market trend year-to-date. RRP market size, in 2019 H1, grew more than the assumption at the beginning of the year. On a full year basis it is now assumed to be approximately 23%(on shipment basis) of tobacco Industry volume, versus the initial assumption of 22% to 23%(on shipment basis).

Our Cigarette sales volume decline assumption is revised from over -7.5% to c. -8% due to the accelerated growth of RRP market size and the decrease in share due to intense competition in the value segment. Our RRP sales volume is now assumed to reach c.4 billion sticks equivalent, versus the initial assumption of c.5 billion sticks, considering Ploom TECH's performance in the first half.

- Core revenue and adjusted operating profit**

Due to the change in our RRP volume assumption, the forecast for core revenue is revised downwards by JPY 40.0 billion to JPY 580.0 billion, representing a decline of 0.4% year-on-year. Adjusted operating profit forecast is also revised downwards by JPY 15.0 billion to JPY 200.0 billion, resulting in a decline of 4.3% year-on-year. This downside reflects the decline due to unfavorable contribution from revised assumptions of RRP sales volume, higher RRP unit cost, lower revenue from device and accessory sales, and the lower demand in Japan domestic duty free market, which could not be fully compensated by the cost reduction initiatives in both cigarette and RRP categories.

* Starting from this quarter, Japanese domestic tobacco business includes Little cigar volume in the volume performance and forecast. To enable like-for-like comparison, previous year volumes have also been restated. Analyses impacted due to this change on this page include Tobacco industry volume, Cigarette industry volume, Cigarette sales volume, and RRP market size. For further information refer to page 26 of Datasheet and page 28 for definitions. Furthermore, Tobacco industry volume, Cigarette industry volume and RRP market size are based on JT estimates.

Pharmaceutical business

(billions of JPY)	2019 Initial forecast	2019 Revised forecast	Variance vs. Initial forecast	Variance vs. 2018 Result
Revenue	81.0	84.0	+3.0	-26.3%
Adjusted operating profit	5.0	10.0	+5.0	-64.8%

- **Revenue and Adjusted operating profit**

The forecast for revenue is revised slightly upwards by JPY 3.0 billion. Our subsidiary Torii Pharmaceutical's first half revenue was better than expected; as a result full year revenue is expected to exceed the initial forecast. However, following the termination of the anti-HIV drugs license agreements revenue is still expected to decline.

The forecast for adjusted operating profit is also revised upwards by JPY 5.0 billion in line with the revenue forecast revision and R&D costs reassessment, resulting in a 64.8% decline year-on-year.

Processed Food Business

(billions of JPY)	2019 Initial forecast	2019 Revised forecast	Variance vs. Initial forecast	Variance vs. 2018 Result
Revenue	162.0	162.0	-	+0.4%
Adjusted operating profit	5.0	5.0	-	+21.3%

- **Revenue and Adjusted operating profit**

The forecast for revenue and adjusted operating profit remain unchanged and are expected to grow 0.4% and 21.3% respectively year-on-year.

Data Sheets

Results for 2019 Second Quarter (YTD)

1. Summary of Consolidated results

(Unit: JPY billion)

	2018 Q2	2019 Q2	Variance (abs)	Variance (%)
Revenue	1,075.3	1,058.5	-16.7	-1.6%
Operating profit	302.3	311.3	+9.0	+3.0%
Adjusted operating profit	317.8	287.8	-30.0	-9.4%
Profit before income taxes	290.4	290.6	+0.3	+0.1%
Profit	217.6	238.4	+20.9	+9.6%
Profit (attributable to owners of the parent company)	216.1	226.5	+10.4	+4.8%
Interim dividend (JPY)	75.00	77.00	+2.00	+2.7%
Basic EPS*(JPY)	120.64	127.23	+6.59	+5.5%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2018 Q2	2019 Q2	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	317.8	336.6	+18.8	+5.9%

2. Results by business segment

(Unit: JPY billion)

	2018 Q2	2019 Q2	Variance (abs)	Variance (%)
Revenue	1,075.3	1,058.5	-16.7	-1.6%
Japanese domestic tobacco	290.7	302.7	+12.0	+4.1%
Core revenue	272.2	282.3	+10.1	+3.7%
International tobacco	650.9	635.7	-15.2	-2.3%
Core revenue	620.0	607.5	-12.5	-2.0%
Pharmaceutical	53.2	41.8	-11.4	-21.4%
Processed food	77.0	75.4	-1.6	-2.1%
Others	3.4	2.9	-0.5	-14.2%
Consolidated: operating profit	302.3	311.3	+9.0	+3.0%
Japanese domestic tobacco	95.1	101.1	+6.0	+6.3%
International tobacco	195.4	158.7	-36.7	-18.8%
Pharmaceutical	11.4	62.5	+51.1	+449.6%
Processed food	1.4	1.4	-0.0	-1.4%
Others/Elimination	-1.0	-12.4	-11.4	-
Adjustments, total	-15.5	23.5	+39.0	-
Japanese domestic tobacco	-8.4	-8.1	+0.3	-
International tobacco	-18.9	-26.7	-7.8	-
Pharmaceutical	-	56.8	+56.8	-
Processed food	0	-0.2	-0.2	-
Others/Elimination	11.8	1.7	-10.1	-85.7%
Consolidated: adjusted operating profit	317.8	287.8	-30.0	-9.4%
Japanese domestic tobacco	103.5	109.2	+5.7	+5.5%
International tobacco	214.3	185.4	-28.9	-13.5%
Pharmaceutical	11.4	5.7	-5.7	-49.8%
Processed food	1.4	1.6	+0.2	+11.6%
Others/Elimination	-12.8	-14.1	-1.3	-

[Reference] International tobacco business

(Unit: USD million)

	2018 Q2	2019 Q2	Variance (abs)	Variance (%)
Core revenue	5,705	5,520	-185	-3.2%
Core revenue at constant FX	5,705	6,187	+482	+8.5%
Adjusted operating profit	1,971	1,685	-287	-14.5%
Adjusted operating profit at constant FX	1,971	2,155	+183	+9.3%

Results for 2019 Second Quarter (YTD)

3. Depreciation and amortization

(Unit: JPY billion)

	2018 Q2	2019 Q2*	Variance (abs)
Consolidated	76.4	84.0	+7.6
Japanese domestic tobacco	26.8	27.7	+0.9
International tobacco	42.7	49.2	+6.5
Pharmaceutical	2.6	2.8	+0.2
Processed food	3.2	3.4	+0.2
Others/Elimination	1.1	0.9	-0.2

*excluding depreciation from lease transactions

4. Consolidated financial position

(Unit: JPY billion)

	2018 Dec. end	2019 Jun. end	Variance (abs)
Total assets	5,461.4	5,467.3	+5.9
Total equity	2,700.4	2,726.0	+25.6
Equity attributable to owners of the parent	2,630.6	2,645.5	+14.9
BPS (attributable to owners of the parent) (JPY)	1,468.44	1,491.44	+23.00

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2018 Dec. end	2019 Jun. end	Variance (abs)
Liquidity	308.7	328.4	+19.7
Interest-bearing debt	987.6	1,049.3	+61.7

6. Consolidated cash flow

(Unit: JPY billion)

	2018 Q2	2019 Q2	Variance (abs)
Cash flows from operating activities	229.2	221.9	-7.2
Cash flows from investing activities	-60.8	-82.3	-21.4
Cash flows from financing activities	-208.9	-104.0	+104.9
Cash and cash equivalents, beginning of the period	285.5	282.1	-3.4
Foreign currency translation adj. on cash & cash equivalents	-7.6	-8.5	-1.0
Cash and cash equivalents, end of the period	237.4	309.2	+71.8
FCF	181.8	132.3	-49.5

7. Capital expenditures

(Unit: JPY billion)

	2018 Q2	2019 Q2	Variance (abs)
Consolidated	61.8	56.5	-5.3
Japanese domestic tobacco	21.5	17.4	-4.1
International tobacco	26.5	28.9	+2.4
Pharmaceutical	3.4	4.3	+0.9
Processed food	7.9	2.9	-5.0
Others/Elimination	2.5	3.0	+0.5

8. FX actual

	2018 Q2	2019 Q2	Variance (abs)	Variance (%)
USD/JPY	108.67	110.06	+1.39	+1.3%
USD/RUB	59.34	65.34	+6.00	-9.2%
USD/GBP	0.73	0.77	+0.05	-6.0%
USD/EUR	0.83	0.89	+0.06	-6.6%
USD/CHF	0.97	1.00	+0.03	-3.3%
USD/TWD	29.53	30.96	+1.43	-4.6%
USD/TRY	4.08	5.62	+1.53	-27.3%
USD/IRR	44,974	96,571	+51,597	-53.4%

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

FY2019 Revised Forecasts (as of July 31, 2019)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,216.0	2,170.0	-46.0	-2.1%
Operating profit	565.0	518.0	-47.0	-8.3%
Adjusted operating profit	595.5	523.0	-72.5	-12.2%
Profit (attributable to owners of the parent company)	385.7	360.0	-25.7	-6.7%

[Reference] Consolidated forecast

(Unit: JPY billion)

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

2. EPS, DPS, ROE

(Unit: JPY)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	215.31	202.62	-12.69	-5.9%
DPS	150.00	154.00	+4.00	+2.7%
ROE (attributable to owners of the parent company)	14.3%	13.7%	-0.6%pt	

3. Forecasts by business segment

(Unit: JPY billion)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,216.0	2,170.0	-46.0	-2.1%
Japanese domestic tobacco	621.4	620.0	-1.4	-0.2%
Core revenue	582.4	580.0	-2.4	-0.4%
International tobacco	1,312.3	1,300.0	-12.3	-0.9%
Core revenue	1,250.7	1,240.0	-10.7	-0.9%
Pharmaceutical	114.0	84.0	-30.0	-26.3%
Processed food	161.4	162.0	+0.6	+0.4%
Others	6.8	6.0	-0.8	-12.0%
Consolidated: operating profit	565.0	518.0	-47.0	-8.3%
Japanese domestic tobacco	192.5	184.0	-8.5	-4.4%
International tobacco	339.5	287.0	-52.5	-15.5%
Pharmaceutical	26.3	67.0	+40.7	+154.8%
Processed food	2.9	5.0	+2.1	+71.3%
Others/Elimination	3.8	-26.0	-29.8	-
Adjusted operating profit	595.5	523.0	-72.5	-12.2%
Japanese domestic tobacco	209.0	200.0	-9.0	-4.3%
International tobacco	384.5	338.0	-46.5	-12.1%
Pharmaceutical	28.4	10.0	-18.4	-64.8%
Processed food	4.1	5.0	+0.9	+21.3%
Others/Elimination	-30.6	-30.0	+0.6	-

[Reference] International tobacco business

(Unit: USD million)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,330	11,400	+70	+0.6%
Core revenue at constant FX	11,330	12,250	+920	+8.1%
Adjusted operating profit	3,493	3,100	-393	-11.3%
Adjusted operating profit at constant FX	3,493	3,850	+357	+10.2%

FY2019 Revised Forecasts (as of July 31, 2019)

4. Free cash flow

(Unit: JPY billion)

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

5. Capital expenditures

(Unit: JPY billion)

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)
Consolidated	159.8	145.0	-14.8
Japanese domestic tobacco	55.4	47.0	-8.4
International tobacco	75.7	80.0	+4.3
Pharmaceutical	11.3	5.0	-6.3
Processed food	12.7	7.0	-5.7
Others/Elimination	4.6	5.0	+0.4

6. Assumptions of 2019 Revised Forecast

2019 Japanese domestic tobacco business

Cigarette volume includes little cigars in their scope, and the volumes disclosed previously have also been restated.

- Industry volume (JT estimate) : a decline of c.4% (vs. 2018 : 168.2 BnU)
- Cigarette industry volume(JT estimate) : a decline of over 6.5% (vs. 2018 : 133.6 BnU)
 - JT cigarette sales volume : a decrease of c.8% (vs. 2018 : 82.0 BnU)
- Reduced-Risk Products market size in tobacco industry (JT estimate, Shipment base) : c.23% (2018 : c.21%)
 - JT RRP sales volume : c.4.0 BnU stick equivalent

2019 International tobacco business

- Total shipment volume : an increase of c.5% (vs. 2018 : 427.6 BnU)
- GFB shipment volume : an increase of c.3.5% (vs. 2018 : 266.4 BnU)

<FX assumptions>

	FY2018 Results	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	110.44	109.00	-1.44	-1.3%
USD/RUB	62.68	65.30	+2.62	-4.0%
USD/GBP	0.75	0.79	+0.04	-5.1%
USD/EUR	0.85	0.89	+0.04	-4.8%
USD/CHF	0.98	0.99	+0.01	-1.2%
USD/TWD	30.14	31.10	+0.96	-3.1%
USD/TRY	4.82	5.80	+0.98	-16.8%
USD/IRR	61,649	107,000	+45,351	-42.4%

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

**FY2019 Revised Forecasts
vs Initial Forecasts
(as of July 31, 2019)**

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2019 Initial Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,200.0	2,170.0	-30.0	-1.4%
Operating profit	540.0	518.0	-22.0	-4.1%
Adjusted operating profit	546.0	523.0	-23.0	-4.2%
Profit (attributable to owners of the parent company)	370.0	360.0	-10.0	-2.7%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2019 Initial Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	610.0	610.0	-	-

2. EPS, DPS, ROE

(Unit: JPY)

	FY2019 Initial Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	206.54	202.62	-3.92	-1.9%
DPS	154.00	154.00	-	-
ROE (attributable to owners of the parent company)	13.5%	13.7%	0.2%pt	

3. Forecasts by business segment

(Unit: JPY billion)

	FY2019 Initial Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,200.0	2,170.0	-30.0	-1.4%
Japanese domestic tobacco	650.0	620.0	-30.0	-4.6%
Core revenue	620.0	580.0	-40.0	-6.5%
International tobacco	1,300.0	1,300.0	-	-
Core revenue	1,240.0	1,240.0	-	-
Pharmaceutical	81.0	84.0	+3.0	+3.7%
Processed food	162.0	162.0	-	-
Others	6.0	6.0	-	-
Consolidated: operating profit	540.0	518.0	-22.0	-4.1%
Japanese domestic tobacco	199.0	184.0	-15.0	-7.5%
International tobacco	305.0	287.0	-18.0	-5.9%
Pharmaceutical	61.0	67.0	+6.0	+9.8%
Processed food	4.5	5.0	+0.5	+11.1%
Others/Elimination	-32.0	-26.0	+6.0	-
Adjusted operating profit	546.0	523.0	-23.0	-4.2%
Japanese domestic tobacco	215.0	200.0	-15.0	-7.0%
International tobacco	356.0	338.0	-18.0	-5.1%
Pharmaceutical	5.0	10.0	+5.0	+100.0%
Processed food	5.0	5.0	-	-
Others/Elimination	-35.0	-30.0	+5.0	-

[Reference] International tobacco business

(Unit: USD million)

	FY2019 Initial Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,300	11,400	+100	+0.9%
Core revenue at constant FX	11,950	12,250	+300	+2.5%
Adjusted operating profit	3,240	3,100	-140	-4.3%
Adjusted operating profit at constant FX	3,800	3,850	+50	+1.3%

**FY2019 Revised Forecasts
vs Initial Forecasts
(as of July 31, 2019)**

4. Free cash flow

(Unit: JPY billion)

	FY2019 Initial Forecasts	FY2019 Revised Forecasts	Variance (abs)
FCF	360.0	360.0	-

5. Capital expenditures

(Unit: JPY billion)

	FY2019 Initial Forecasts	FY2019 Revised Forecasts	Variance (abs)
Consolidated	156.0	145.0	-11.0
Japanese domestic tobacco	57.0	47.0	-10.0
International tobacco	80.0	80.0	-
Pharmaceutical	5.0	5.0	-
Processed food	8.0	7.0	-1.0
Others/Elimination	6.0	5.0	-1.0

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

Japanese domestic tobacco business	Initial Forecasts excl. LC*	Revised Forecasts incl. LC*
Total Industry volume**	a decline of c.5%	→ a decline of c.4%
Cigarette industry volume**	a decline of over 7%	→ a decline of over 6.5%
JT cigarette sales volume	a decrease of over 7.5%	→ a decrease of c.8%
RRP market share in tobacco industry**	22%-23%	→ c.23%

*LC: Little cigars

** JT estimate based on shipment, annual base

International tobacco business	Initial Forecasts	Revised Forecasts
Total shipment volume	an increase of c. 3.5%	→ an increase of c.5%
GFB shipment volume	an increase of c. 1%	→ an increase of c.3.5%

<FX assumptions>

	FY2019 Initial Forecasts	FY2019 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	110.00	109.00	-1.00	-0.9%
USD/RUB	67.40	65.30	-2.10	+3.2%
USD/GBP	0.79	0.79	-	-
USD/EUR	0.88	0.89	+0.01	-1.1%
USD/CHF	0.99	0.99	-	-
USD/TWD	31.00	31.10	+0.10	-0.3%
USD/TRY	5.50	5.80	+0.30	-5.2%
USD/IRR	85,000	107,000	+22,000	-20.6%

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

<FX sensitivity>

FX Sensitivity Guidance for FX impact on 2019 adjusted operating profit of USD 3,100 MM based on the assumptions:

USD vs. Local currency

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

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

USD vs. JPY

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

Tobacco Business Data

International Tobacco Business

1. Summary (YTD)

	2018 Q2	2019 Q2	Variance	Variance (%)	
Total shipment volume	205.6	222.5	+16.9	+8.2%	BNU
GFB shipment volume	130.6	136.3	+5.7	+4.4%	BNU
Core Revenue	620.0	607.5	-12.5	-2.0%	JPY BN
Adjusted operating profit	214.3	185.4	-28.9	-13.5%	JPY BN

[USD Reference information]

Core Revenue	5,705	5,520	-185	-3.2%	\$MM
Adjusted operating profit	1,971	1,685	-287	-14.5%	\$MM
at constant FX basis					
Core Revenue	5,705	6,187	+482	+8.5%	\$MM
Adjusted operating profit	1,971	2,155	+183	+9.3%	\$MM

• Contribution by cluster (vs. PY)

(BNU/\$MM)

2019Q2	Total Shipment Volume		GFB Shipment Volume		Core Revenue	
SWE	33.3	+1.5%	27.0	+1.5%	1,031	-2.8%
NCE	27.1	+3.9%	13.6	+17.7%	1,040	-1.3%
CIS+	63.5	+3.4%	44.3	-4.4%	1,301	-5.4%
RoW	98.7	+15.5%	51.4	+11.5%	2,148	-3.0%
Total	222.5		136.3		5,520	

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

2019	Q1	Q2	Q3	Q4	YTD
SWE	+3.8%	-0.6%			+1.5%
France	+0.5%	-0.8%			-0.1%
Italy	+1.1%	-0.1%			+0.5%
Spain	+2.4%	-1.7%			+0.3%
NCE	+5.1%	+2.9%			+3.9%
Germany	+12.2%	+0.8%			+6.0%
UK	-5.2%	-0.6%			-2.9%
CIS+	-1.9%	+7.9%			+3.4%
Romania	+0.6%	-0.9%			-0.2%
Russia*	+1.7%	+16.0%			+9.4%
RoW	+13.5%	+17.5%			+15.5%
Iran	+6.0%	+11.5%			+8.7%
Taiwan	+12.6%	+4.1%			+8.2%
Turkey	+9.5%	+28.3%			+18.8%
Total	+6.5%	+9.8%			+8.2%

* Including Donskoy Tabak as of August 2018

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

(BNU)

2019	Q1	Q2	Q3	Q4	YTD
Winston	35.5	39.8			75.3
	+1.7%	+2.6%			+2.2%
Camel	13.9	14.7			28.6
	+6.0%	+7.7%			+6.9%
MEVIUS	4.0	4.1			8.1
	+6.6%	+1.7%			+4.0%
LD	11.0	13.2			24.3
	+7.3%	+9.8%			+8.6%

Tobacco Business Data

International Tobacco Business

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

2019	Q1	Q2	Q3	Q4	YTD
SWE	+5.3%	-2.2%			+1.5%
France	+8.5%	-2.7%			+2.6%
Italy	-0.5%	-1.3%			-0.9%
Spain	+2.7%	-2.6%			+0.0%
NCE	+20.2%	+15.6%			+17.7%
Germany	+22.0%	+19.4%			+20.5%
UK	-23.6%	-24.2%			-23.9%
CIS+	-6.6%	-2.6%			-4.4%
Romania	-1.1%	-3.6%			-2.5%
Russia	-5.5%	-1.2%			-3.1%
RoW	+9.0%	+14.0%			+11.5%
Iran	+3.0%	+8.8%			+5.8%
Taiwan	+14.6%	+4.3%			+9.2%
Turkey	+11.8%	+33.2%			+22.4%
Total	+3.8%	+4.8%			+4.4%

5. Share of market by key markets

	12 month moving average			3 month average				
	2018 Jun	2019 Jun	Change	2018 Q2	2018 Q3	2018 Q4	2019 Q1	2019 Q2
France	22.5%	24.0%	+1.5%pt	23.3%	23.5%	23.6%	24.3%	24.5%
Italy	23.4%	24.2%	+0.8%pt	23.8%	23.9%	24.2%	24.3%	24.4%
Russia*	33.3%	38.7%	+5.4%pt	32.9%	37.3%	38.8%	39.1%	39.6%
Spain	24.3%	25.1%	+0.8%pt	24.8%	24.9%	25.2%	25.3%	25.5%
Taiwan	41.6%	43.9%	+2.3%pt	41.9%	42.6%	43.5%	44.5%	45.0%
Turkey	28.1%	28.3%	+0.3%pt	27.5%	27.8%	27.7%	27.7%	30.3%
UK	40.6%	42.4%	+1.8%pt	41.0%	41.6%	42.0%	42.7%	43.3%

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

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

** 12-month moving average and 2-month average at the end of May 2019, respectively

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

(\$MM)

2019	Q1	Q2	Q3	Q4	YTD
SWE	551	550			1,101
	+6.0%	+1.5%			+3.7%
NCE	521	594			1,115
	+6.2%	+5.4%			+5.8%
CIS+	619	793			1,411
	-1.9%	+6.5%			+2.7%
RoW	1,250	1,311			2,560
	+15.3%	+15.8%			+15.6%
Total	2,940	3,247			6,187
	+7.9%	+8.9%			+8.5%

Tobacco Business Data

International Tobacco Business

7. Breakdown of Core Revenue

• USD basis						(\$MM)
	Q1	Q2	Q3	Q4	YTD	
2018	2,724	2,981			5,705	
Volume	+64	+108			+173	
Price/Mix	+151	+158			+309	
2019 at constant	2,940	3,247			6,187	
FX	-338	-329			-667	
2019	2,602	2,919			5,520	

• Yen basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2018	294.8	325.2			620.0	
Operations	+23.3	+29.1			+52.4	
Local currencies vs. USD	-36.6	-35.9			-72.5	
USD vs. JPY	+5.2	+2.3			+7.5	
2019	286.8	320.7			607.5	

8. Breakdown of Adjusted Operating Profit

• USD basis						(\$MM)
	Q1	Q2	Q3	Q4	YTD	
2018	890	1,082			1,971	
Volume	+34	+48			+82	
Price/Mix	+143	+146			+289	
Others	-59	-129			-188	
2019 at constant	1,008	1,147			2,155	
FX	-199	-271			-470	
2019	809	876			1,685	

• Yen basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2018	96.3	118.0			214.3	
Operations	+12.8	+7.1			+19.9	
Local currencies vs. USD	-21.5	-29.6			-51.1	
USD vs. JPY	+1.6	+0.7			+2.3	
2019	89.2	96.2			185.4	

9. FX actual vs. PY

	<u>2019Q1</u>	<u>2019Q2</u>	<u>2019Q3</u>	<u>2019Q4</u>	<u>2019 YTD</u>
\$/RUB	66.12	64.56			65.34
	-14.0%	-4.3%			-9.2%
\$/GBP	0.77	0.78			0.77
	-6.4%	-5.5%			-6.0%
\$/EUR	0.88	0.89			0.89
	-7.5%	-5.8%			-6.6%
\$/CHF	1.00	1.00			1.00
	-4.8%	-1.8%			-3.3%
\$/TWD	30.82	31.10			30.96
	-4.9%	-4.3%			-4.6%
\$/TRY	5.36	5.87			5.62
	-28.9%	-25.8%			-27.3%
\$/IRR	88,454	104,688			96,571
	-47.3%	-58.6%			-53.4%
\$/JPY	110.22	109.90			110.06
	+1.8%	+0.7%			+1.3%

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

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

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

Tobacco Business Data

Japanese Domestic Tobacco Business

The indicators with asterisk now include little cigars in their scope, and the volumes disclosed previously have also been restated.

1. Summary (YTD)

	2018 Q2	2019 Q2	Variance	Variance (%)	
Cigarette industry volume* (JT estimate)	66.0	61.2	-4.8	-7.2%	BNU
Cigarette sales volume*	40.4	37.3	-3.0	-7.5%	BNU

Excludes volumes of duty-free in Japan, China business (2.0BNU in 2018Q2 and 2.0BNU in 2019Q2, respectively) and RRP sales volume

Core revenue	272.2	282.3	+10.1	+3.7%	JPY BN
Adjusted operating profit	103.5	109.2	+5.7	+5.5%	JPY BN

2. Cigarette sales volume*

	Q1	Q2	Q3	Q4	YTD
2018	19.5	20.8	23.8	17.8	82.0
2019	17.9	19.4			
vs. PY	-8.2%	-6.8%			

(BNU)

3. Revenue per thousand cigarettes*

	Q1	Q2	Q3	Q4	YTD
2018	5,895	5,938	5,912	6,355	6,011
2019	6,407	6,391			

(JPY)

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

4. Results of Reduced-Risk Products

	Q1	Q2	Q3	Q4	YTD
2019					
RRP sales volume	0.6	0.8			1.4
RRP related revenue	12.4	18.1			30.4

(BNU / JPY BN)

5. Breakdown of financial results

	Q1	Q2	Q3	Q4	YTD
Core revenue					
2018	129.3	142.9			272.2
Cigarettes volume	-9.5	-8.4			-17.9
Cigarettes price/mix	+9.2	+8.8			+18.0
RRP/Others	+4.4	+5.6			+10.1
2019	133.5	148.9			282.3
Adjusted OP					
2018	48.9	54.6			103.5
Cigarettes volume	-7.9	-7.0			-14.8
Cigarettes price/mix	+9.2	+8.8			+18.0
RRP/Others	+0.8	+1.8			+2.5
2019	51.0	58.2			109.2

(JPY BN)

6. Market share in cigarettes category* (JT estimate)

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

(%)

Pharmaceutical Business

Clinical Development as of July 31, 2019

<In-house development>

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

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

<Licensed compounds>

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

Updates since the previous announcement on April 26, 2019:
None

(Reference)

•JTT-751(Additional indication):

JT and Torii announced the top-line results of the pivotal Phase 3 comparative study in adult patients with iron deficiency anemia (IDA) in Japan.

The top-line results show that the study met the primary endpoint by establishing non-inferiority of JTT-751 compared with a control drug in the changes in hemoglobin level from baseline at week 7. JTT-751 showed a favorable tolerability profile on safety within the treatment period. (July 9, 2019)

•JTZ-951:

JT and Torii announced the top-line results of two pivotal Phase 3 comparative studies in anemic patients with non-dialysis dependent chronic kidney disease (NDD-CKD) or hemodialysis dependent CKD (HDD-CKD) on erythropoiesis stimulating agent (ESA) therapy for JTZ-951.

The top-line results show that the differences in mean hemoglobin at week 20, 22 and 24 achieved the non-inferiority criterion and both studies met the primary endpoints. Furthermore, the favorable tolerability profile on safety of JTZ-951 was obtained during the studies. (July 12, 2019)

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	Consolidated Adjusted Operating Profit at Constant FX uses the same local currencies vs USD and JPY vs USD exchange rates than the ones used in the same period in previous fiscal year for the 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 cigarette shipment volume which includes fine cut tobacco, cigars, pipe tobacco, snus and kretek, but excludes contract manufactured products, waterpipe tobacco and RRP
Core Revenue (International Tobacco Business)	Core Revenue also 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 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 volume excluding the volume of Domestic duty free business. 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, the China businesses, the revenue from RRP and little cigars
RRP Related Revenue (Japanese Domestic Tobacco Business)	RRP related revenue, as a part of core revenue, represents the sale of RRP including Domestic duty free, principally the device and the related accessories
Liquidity	Cash and deposits + marketable securities + securities purchased under repurchase agreements
Interest-bearing debt	2018 Dec. end: Short-term bank loans + commercial paper + bonds + long-term borrowings + lease obligations 2019 Jun. end: Short-term bank loans + commercial paper + bonds + long-term borrowings* *From this fiscal year, lease obligations are excluded from interest-bearing debt.
Free Cash Flow, FCF	FCF is sum of cash flows from operating activities and investing activities, but excludes the following items: - From operating CF: depreciation from lease transactions, interest received, dividends received, interest paid and income taxes related to these items excluding lease transactions - From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes *Although figures include the effect of IFRS16 application from 2019, there are no changes for FY2019 Forecasts

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

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

FORWARD-LOOKING STATEMENTS

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

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

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

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