



Tokyo, April 30, 2020

2020 First Quarter Results

Highlights (vs. 2019 Q1)

- Revenue increased 2.8% to JPY 519.6 billion.
- Adjusted operating profit at constant FX increased 14.0% to JPY 158.2 billion.
- On a reported basis, adjusted operating profit increased 5.8% to JPY 146.9 billion.
- Operating profit decreased 29.4% to JPY 129.0 billion.
- Profit attributable to owners of the parent company decreased 28.5% to JPY 86.4 billion.

Please refer to P.13 'Data Sheets' for more financial figures.

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

"The COVID-19 pandemic is impacting the world in an unprecedented scale with significant consequences to our everyday lives and our thoughts are with all those affected, directly or indirectly. I would like to take this opportunity to thank each and every person providing essential services to the public and all of our partners and employees for their hard work in delivering products to our valued consumers during these challenging times. From the onset of the global crisis we have taken every possible measure to ensure the safety of all employees and their families as well as all stakeholders, while mitigating the potential disruptions to our consumers and partners. The JTG will continue to contribute in every way possible to support the communities where we operate.

"Our consolidated first quarter results were strong, driven by robust growth in the international tobacco business which had a strong first quarter and significant favorable pricing gains compared to the previous year. As of the first quarter, there was limited impact to our business following the COVID-19 outbreak.

"We are not revising the 2020 forecast. Given that the global impacts of COVID-19 are becoming prevalent from April onwards, we will continue to closely monitor how the pandemic and the currency headwinds impact our business and financials."

Investors' Meeting

An investors' meeting (phone conference) with members of the investor community will be held in Japanese only on April 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/>).

Impact of COVID-19

1. Update on Business Operations and Business Continuity Plans

As a global responsible company, the JT Group gives utmost priority to the safety of its employees and their families along with all stakeholders involved in our business activities.

Each business is undertaking measures to ensure the safety of our employees by, for instance, adopting work from home policies where possible, and by meeting, and often exceeding, local directives from governments in each country where we have operations. If an employee is confirmed to be infected with COVID-19, we are implementing all necessary sanitary measures on-site before resuming operations.

At this moment we have not encountered any impact to our business. In addition, we are extending all the necessary support to our third-party supply chain partners to limit disruption as much as possible. Below are the status updates of each individual business operation.

- **Japanese Domestic Tobacco Business**

In Japan, all four cigarette factories are operational and all employees follow stringent personal care and sanitation measures to prevent spreading the infection. In addition, the distribution network and major sales channels are operating normally with approximately 2 months of finished goods inventory for both cigarettes and RRP. We also adjusted our sales and promotion activities to fully comply with the directives of local governments.

- **International Tobacco Business**

In the international tobacco business, in rare cases, business sites faced temporary suspensions in accordance with the directives and instructions of local governments. As of now, there are no business continuity concerns. While inventory levels vary from market to market, on average, there is approximately 2 months worth of finished goods inventory in our markets. In addition, across our footprint, we have implemented all necessary countermeasures, including digital solutions, to limit disruption in the distribution network.

- **Pharmaceutical Business**

Due to the temporary closure of medical facilities, we have seen a slight delay in the progress of some clinical researches. However, the Sakura Plant and contract manufacturing plants, which manufacture pharmaceuticals products, continue to operate normally. As a result, there are currently no issues in the supply of pharmaceuticals and distribution centers hold an adequate amount of finished goods inventory to operate normally.

- **Processed Food Business**

In Japan, following the declaration of prefectural governments' requests to avoid non-essential outings, there were some one-time constraints to the demand and supply. However, right now, there are no concerns impacting the operations. All the factories in Japan are operational and all employees follow stringent personal care and sanitation measures to prevent spreading the infection. Although a manufacturing plant in China had to temporarily suspend its operations in accordance with government directives, it is now operating normally. Other overseas manufacturing facilities are also fully operational while closely adhering to local government directives.

2. Factors affecting the business performance

Currently, no significant risks have either materialized or require to be recognized, despite a significant reduction in tobacco Duty-Free sales volumes, which represents less than 3% of the total JT Group net revenue. The impacts on sales and operations in each business are listed below.

- **Japanese Domestic Tobacco Business**

In the Japanese domestic market, total cigarette industry volume in Q1 2020 was in line with the initial forecast for 2020. However, following the Japanese prefectural governments' requests to avoid non-essential outings, there has been a weaker demand from March compared to the demand up until February.

- **International Tobacco Business**

Volume and market share trends were solid in Q1 2020, driven to some extent by temporary favorable inventory movements ahead of lockdowns and decline in non-duty paid volume due to the closure of borders. While we did not recognize major changes in the trends of the industry size, in some markets, we acknowledge that there have been orders restricting the movement of people, resulting in some delays in shipping.

- **Pharmaceuticals Business**

Currently, there are no significant impacts to sales and demand.

- **Processed Foods Business**

Following the Japanese prefectural governments' requests to avoid non-essential outings, sales increased due to household demand in the frozen and ambient food business. However, food-service products' sales declined in both the frozen and ambient food as well as the seasonings businesses. In addition, sales in the bakery business also declined. Following the announcement of a state of emergency by the Japanese government in April, further drop in the demand for food-service products has been confirmed.

3. Financial Impact and Outlook

In Q1 2020, the COVID-19 pandemic has not significantly impacted our business. However, as the Duty-Free volume decline cannot be ignored, we remain cautious as the overall impact on demand trends in the short- and long-term remain difficult to assess. We will continue to monitor the business and financial impacts in the coming months.

From a funding and cash perspective, the JT Group has sufficient resources available to satisfy the requirements from its business activities. While we have ample commitment lines remaining, we are increasing cash on hand, through the issuance of commercial paper and other means, to ensure full state of readiness for any possible contingencies. We will continue to closely monitor the situation and promptly announce any events that may have a significant impact on our earnings forecasts.

FY2020 Q1 Financial Results

Consolidated Results

(billions of JPY)	2019 Q1	2020 Q1	Variance
Revenue	505.4	519.6	+2.8%
Adjusted operating profit	138.8	146.9	+5.8%
Operating profit	182.6	129.0	-29.4%
Profit attributable to owners of the parent	120.8	86.4	-28.5%
Adjusted operating profit at constant FX	138.8	158.2	+14.0%

January to March 2020

- **Revenue**
Revenue increased 2.8% to JPY 519.6 billion due to the increase in revenue in the international tobacco business and processed food business, offsetting the decline in revenue in the Japanese domestic tobacco and pharmaceutical businesses.
- **Adjusted Operating Profit**
At constant currency, adjusted operating profit increased 14.0%, driven by the growth of the international tobacco business, pharmaceutical business and processed food business, exceeding the decline in the Japanese domestic tobacco business. The international tobacco business had significant favorable pricing gains compared to the same period last year, causing a higher growth rate for this quarter. On a reported basis, adjusted operating profit increased 5.8% to JPY 146.9 billion, despite the negative impact of foreign currencies in the international tobacco business.
- **Operating Profit**
Operating profit decreased 29.4% to JPY 129.0 billion despite the increase in the adjusted operating profit, due to an unfavorable comparison to the previous year related to one-time compensation gains in the pharmaceutical business.
- **Profit Attributable to Owners of the Parent**
Despite favorable aspects, such as lower corporate income tax expenses caused by a lower profit before income taxes, profit attributable to owners of the parent decreased 28.5% to JPY 86.4 billion, due to the decline in operating profit as well as increase in financing cost, led by foreign exchange losses.

Results by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2019 Q1	2020 Q1	Variance
Total shipment volume	104.7	104.1	-0.6%
GFB shipment volume	64.4	67.5	+4.8%
Core revenue	286.8	312.0	+8.8%
Adjusted operating profit	89.2	104.1	+16.7%

Reference (millions of USD)

Core revenue	2,602	2,866	+10.2% (+14.1%)*
Adjusted operating profit	809	956	+18.1% (+29.4%)*

*at constant FX

2020 Q1

- **Volume and Market share¹**

Total shipment volume declined 0.6% due to industry volume contraction in several markets, partially offset by favorable inventory movements mainly linked to COVID-19 lockdown situations. Excluding inventory movements, total shipment volume declined 2.4%, which includes the slowdown in Duty-Free volume due to COVID-19 travel restrictions. Market share gains continued across many markets, notably Canada, France, Germany, Iran, Italy, Kazakhstan, Malaysia, Romania, Spain, Taiwan, Turkey and the UK. GFB shipment volume grew 4.8% driven by strong performance from Winston (+5.7%), Camel (+3.4%) and LD (+5.9%). Global Flagship Brands represented 64.8% of our total shipment volume, an increase of 3.3 percentage points (ppt) versus last year.

Expansion continued in Reduced-Risk Products, notably in Moscow after entering the heated tobacco category in early March, with Ploom and a focus on online distribution. The launch expanded the reach of the RRP portfolio in Moscow, where Logic Compact leads the e-vapor segment.

- **Core revenue and Adjusted operating profit**

Core revenue and adjusted operating profit increased 8.8% and 16.7% respectively, driven by positive price/mix and volume contribution.

On a USD basis, core revenue increased 10.2%, driven by a favorable price/mix variance of USD 305 million, notably from Iran, the Philippines, Russia, Turkey and the UK, combined with USD 62 million in positive volume contribution. Excluding unfavorable currencies of USD 102 million, core revenue grew 14.1%. Adjusted operating profit was up 18.1%, driven by a favorable price/mix variance of USD 299 million and positive volume of USD 49 million. Excluding the unfavorable currency impact of USD 91 million, mainly from EUR, IRR and TRY, adjusted operating profit grew 29.4%.

International Tobacco Business (Quarterly) Performance review by Cluster

South and West Europe

(billions of Units, millions of USD)	2019 Q1	2020 Q1	Variance
Total shipment volume	16.6	17.7	+6.7%
GFB shipment volume	13.6	14.7	+7.8%
Core revenue	512	546	+6.7% (+9.3%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume increased 6.7%, mainly driven by favorable inventory movements, primarily related to COVID-19. Excluding inventory movements, total shipment volume was stable with market share gains in Belgium, France, Greece, Italy, Luxemburg, the Netherlands, Spain and Switzerland. GFB shipment volume grew 7.8%, driven by Winston and Camel.

- **Core revenue**

Core revenue increased 6.7%, driven by a favorable volume contribution of USD 41 million and positive price/mix variance of USD 7 million, offsetting unfavorable currencies of USD 13 million. Excluding currencies, core revenue increased 9.3%.

- **By market¹**

In France, total, GFB and fine cut shipment volumes increased 5.7%, 5.8% and 11.8%, respectively. Excluding favorable inventory movements, mainly related to the COVID-19 lockdown, total shipment volume declined 3.9% due to industry volume contraction. Year-on-year market share grew 1.1ppt to 24.4% fueled by Winston and Camel. Positive volume combined with favorable price/mix variance led to constant currency revenue growth.

In Italy, total, GFB and fine cut shipment volumes grew 9.8%, 12.2% and 28.7%, respectively. Excluding favorable inventory movements, mainly related to the COVID-19 lockdown, total shipment volume declined 0.6% due to industry volume contraction. Year-on-year market share grew 0.6ppt to 24.7%. Positive volume contribution drove the constant currency revenue increase.

In Spain, total, GFB and fine cut shipment volumes increased 14.3%, 14.6% and 16.9%, respectively. Excluding favorable inventory movements, mainly related to the COVID-19 lockdown, total shipment volume grew 5.2% fueled by industry volume growth. Year-on-year market share increased 0.8ppt to 25.8%, primarily led by Camel. Positive volume drove an increase in constant currency revenue.

North and Central Europe

(billions of Units, millions of USD)	2019 Q1	2020 Q1	Variance
Total shipment volume	12.9	14.2	+9.9%
GFB shipment volume	6.3	7.4	+17.1%
Core revenue	482	547	+13.6% (+16.8%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume increased 9.9%, mainly driven by Germany, Poland and the UK. GFB shipment volume grew 17.1%, driven by the strong growth of Winston. Market share grew in Czech Republic, Germany, Hungary, Poland and the UK.

- **Core revenue**

Core revenue grew 13.6%, driven by a positive volume contribution of USD 44 million and a favorable price/mix variance of USD 37 million, offsetting USD 15 million in unfavorable currencies. Excluding currencies, core revenue increased 16.8%.

- **By market¹**

In Germany, total, GFB and fine cut shipment volumes increased 7.8%, 23.9% and 9.7%, respectively, driven by increased consumer stocking related to COVID-19 and Winston-led quarterly market share gains of 0.3ppt to 8.7%. Year-on-year market share grew 0.4ppt to 8.5%. Positive volume and a favorable price/mix variance resulted in an increase of constant currency revenue.

In the UK, total and fine cut shipment volumes increased 9.9% and 19.5%, respectively, driven by increased consumer stocking related to COVID-19 and strong quarterly market share gains of 1.5ppt to 44.2%. Year-on-year market share was up 2.1ppt to 43.9%, fueled by Benson & Hedges in cigarettes and Sterling in fine cut. Positive volume contribution and a favorable price/mix variance drove an increase in constant currency revenue.

CIS+

(billions of Units, millions of USD)	2019 Q1	2020 Q1	Variance
Total shipment volume	27.5	26.8	-2.7%
GFB shipment volume	19.7	18.2	-7.6%
Core revenue	548	637	+16.1% (+17.7%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume declined 2.7%, due to industry volume contraction in Russia and Ukraine, partially offset by favorable inventory movements. Excluding inventory movements, total shipment volume was down 5.9%. GFB shipment volume decreased 7.6%, due to industry volume decline. Market share grew in Kazakhstan, Romania and Serbia.

- **Core revenue**

Core revenue increased 16.1%, driven by a positive price/mix variance of USD 102 million, offsetting a negative volume contribution of USD 4 million and unfavorable currencies of USD 9 million. Excluding currencies, core revenue increased 17.7%.

- **By market¹**

In Romania, total and GFB shipment volumes grew 16.8% and 14.1%, respectively driven by increased consumer stocking related to COVID-19. Year-on-year market share reached 28.3%, an increase of 0.9ppt. Constant currency revenue was up, fueled by favorable volume and price/mix contributions.

In Russia, total shipment volume decreased 5.7%, despite favorable inventory movements. Excluding inventory movements, total shipment volume declined 10.9%, due to a quarterly cigarette industry volume contraction estimated² at 4.9%, resulting from increasing pressure from illicit trade volume and RRP. Quarterly market share decreased 0.8ppt to 38.3%, mainly reflecting the impact of competitive retail price in the quarter. The same drivers impacted GFB shipment volume which declined 16.0%. Year-on-year market share declined 0.2ppt to 39.0% despite GFB market share increasing 0.3ppt to 25.1%. Constant currency revenue increased driven by a positive price/mix variance.

Rest-of-the-World

(billions of Units, millions of USD)	2019 Q1	2020 Q1	Variance
Total shipment volume	47.8	45.5	-4.7%
GFB shipment volume	24.8	27.3	+9.9%
Core revenue	1,060	1,136	+7.2% (+13.3%)*

*at constant FX

- **Volume and market share¹**

Total shipment volume declined 4.7%, due to Bangladesh, Duty-Free markets, the Philippines, Saudi Arabia and Turkey. Excluding unfavorable inventory movements, total shipment volume was down 4.6%. GFB shipment volume was up 9.9% driven by Winston and LD. Market share increased in many markets, notably Algeria, Brazil, Cambodia, Canada, Iran, Malaysia, Mexico, Morocco, Saudi Arabia, Singapore, Taiwan, Turkey and the USA.

- **Core revenue**

Core revenue increased 7.2%, driven by a favorable price/mix variance of USD 159 million, offsetting a negative volume contribution of USD 19 million and USD 65 million in unfavorable currencies. Excluding currencies, core revenue increased 13.3%.

- **By market¹**

In Iran, total shipment volume grew 14.1%, and 14.9% when excluding unfavorable inventory movements, driven by increased consumer stocking related to COVID-19. GFB shipment volume increased 19.3%, driven by Winston. Market share gains continued, reaching 60.2%, up 3.2ppt. Positive volume combined with a favorable price/mix contribution resulted in constant currency revenue increasing.

In Taiwan, total shipment volume increased by 2.5%, and 2.4% when excluding favorable inventory movements, driven by increased consumer stocking related to COVID-19. GFB shipment volume was up 1.8%, driven by Winston and LD. Market share gains continued, reaching 45.8%, up 2.7ppt. Constant currency revenue grew as positive volume contribution offset an unfavorable price/mix variance due to downtrading.

In Turkey, total and GFB shipment volumes decreased 11.8% and 8.7%, respectively. Excluding favorable inventory movements, total shipment volume decreased 17.0%, due to industry volume

contraction. Market share increased 0.5ppt to 27.5%, driven by Winston. Constant currency revenue increased as a favorable price/mix offset the negative volume contribution.

¹Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average and 3-month average, unless otherwise specified, for cigarettes and fine cut at the end of March 2020. Brazil, Hungary, Ireland, Russia, Spain and Switzerland are on a 12-month rolling average and 2-month average at the end of February 2020. 12-month and 3-month share of market growth for 2020 is calculated against a 12-month and 3-month share of market at the end of respective period in 2019.

² Source: JTI estimates based on January-March 2020 data versus the same period last year.

Japanese Domestic Tobacco Business

(billions of units, billions of JPY)	2019 Q1	2020 Q1	Variance
Cigarette industry volume	29.4	28.8	-2.2%
Cigarette sales volume	17.9	17.2	-4.2%
Core revenue	133.5	125.8	-5.7%
Adjusted operating profit	51.0	43.2	-15.3%

2020 Q1

- **Cigarette sales volume**

Cigarette industry volume³ decreased 2.2% due to the growth of the RRP category, the natural decline trend and the impact of consumption tax-led price revisions in October 2019, which was partly offset by the additional number of operating days in the leap year. In addition, the impact from price revisions was limited as the increase was significantly smaller than that of tobacco tax led price revisions in October 2018.

Cigarette sales volume decreased 4.2% due to cigarette industry volume contraction and a loss in market share³. Cigarette market share declined by 1.2ppt, down to 59.7% due to continued competition in the value segment although it was more resilient compared to the previous quarter.

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

Overall RRP market size³ in Japan is estimated at c.24% (shipment basis) of the total tobacco industry volume. JT RRP sales volume was 0.9 billion cigarette-equivalent units. JT's market share³ in the RRP category is estimated at c.10% on an offtake basis.

- **Core revenue and Adjusted operating profit**

Core revenue declined 5.7% due to unfavorable cigarette sales volume variance of JPY 4.8 billion; unfavorable cigarette price/mix variance of JPY 1.4 billion, attributed to tax absorption for certain brands following the 2019 consumption tax increases; and lower Duty-Free sales. RRP related revenue increased JPY 0.6 billion year-on-year to JPY 13 billion.

Adjusted operating profit decreased 15.3% due to the decrease in cigarette sales volume of JPY 3.9 billion; an unfavorable cigarette price/mix variance of JPY 1.4 billion; and a reinforcement on sales and promotion activities for RRP and little cigars.

³ Source: JT estimates. Cigarette industry volume and cigarette share of market include little cigars which are classified as cigars as per the Tobacco Business Act in Japan as well as conventional cigarettes.

Pharmaceutical Business

(billions of JPY)	2019 Q1	2020 Q1	Variance
Revenue	22.8	20.7	-9.0%
Adjusted operating profit	4.5	6.6	+47.1%

2020 Q1

- **Revenue and Adjusted operating profit**

Revenue decreased 9.0% mainly due to lower overseas royalty income, partially offset by the sales growth of our subsidiary, Torii Pharmaceutical. Adjusted operating profit increased by JPY 2.1 billion, driven by a decrease in R&D expenditures due to trial terminations; and the top- and bottom-line growth in Torii Pharmaceutical, partially offset by lower overseas royalty income.

Processed Food Business

(billions of JPY)	2019 Q1	2020 Q1	Variance
Revenue	36.0	36.7	+2.1%
Adjusted operating profit	0.3	0.4	+46.8%

2020 Q1

- **Revenue and Adjusted operating profit**

Revenue grew 2.1%, driven by the increase in sales related to a larger household demand in the frozen and ambient food business. This was partly offset by the decline in sales in food-service products in both the frozen and ambient as well as the seasonings businesses, in addition to the decline in sales in the bakery business. Adjusted operating profit increased by JPY 0.1 billion, driven by higher revenue.

Data Sheets

Results for 2020 First Quarter

1. Summary of Consolidated results

(Unit: JPY billion)

	2019Q1	2020Q1	Variance (abs)	Variance (%)
Revenue	505.4	519.6	+14.2	+2.8%
Operating profit	182.6	129.0	-53.6	-29.4%
Adjusted operating profit	138.8	146.9	+8.1	+5.8%
Profit before income taxes	172.7	115.1	-57.6	-33.4%
Profit	133.7	86.9	-46.8	-35.0%
Profit (attributable to owners of the parent company)	120.8	86.4	-34.5	-28.5%
Basic EPS*(JPY)	67.66	48.69	-18.97	-28.0%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2019Q1	2020Q1	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	138.8	158.2	+19.4	+14.0%

2. Results by business segment

(Unit: JPY billion)

	2019Q1	2020Q1	Variance (abs)	Variance (%)
Revenue	505.4	519.6	+14.2	+2.8%
Japanese domestic tobacco	144.7	135.1	-9.6	-6.6%
Core revenue	133.5	125.8	-7.6	-5.7%
International tobacco	300.4	326.2	+25.8	+8.6%
Core revenue	286.8	312.0	+25.3	+8.8%
Pharmaceutical	22.8	20.7	-2.1	-9.0%
Processed food	36.0	36.7	+0.8	+2.1%
Others	1.6	0.9	-0.7	-46.1%
Consolidated: operating profit	182.6	129.0	-53.6	-29.4%
Japanese domestic tobacco	47.0	39.2	-7.8	-16.6%
International tobacco	75.5	89.7	+14.2	+18.8%
Pharmaceutical	65.0	6.6	-58.4	-89.9%
Processed food	0.1	0.4	+0.3	+239.0%
Others/Elimination	-5.0	-6.9	-1.9	-
Adjustments, total	43.8	-17.9	-61.7	-
Japanese domestic tobacco	-4.0	-4.1	-0.0	-
International tobacco	-13.7	-14.4	-0.7	-
Pharmaceutical	60.5	-0.0	-60.5	-
Processed food	-0.2	-0.0	+0.2	-
Others/Elimination	1.2	0.5	-0.7	-
Consolidated: adjusted operating profit	138.8	146.9	+8.1	+5.8%
Japanese domestic tobacco	51.0	43.2	-7.8	-15.3%
International tobacco	89.2	104.1	+14.9	+16.7%
Pharmaceutical	4.5	6.6	+2.1	+47.1%
Processed food	0.3	0.4	+0.1	+46.8%
Others/Elimination	-6.2	-7.4	-1.2	-

[Reference] International tobacco business

(Unit: USD million)

	2019Q1	2020Q1	Variance (abs)	Variance (%)
Core revenue	2,602	2,866	+265	+10.2%
Core revenue at constant FX	2,602	2,969	+367	+14.1%
Adjusted operating profit	809	956	+147	+18.1%
Adjusted operating profit at constant FX	809	1,047	+238	+29.4%

Results for 2020 First Quarter

3. Depreciation and amortization*

(Unit: JPY billion)

	2019Q1	2020Q1	Variance (abs)
Consolidated depreciation and amortization	42.5	41.7	-0.8
Japanese domestic tobacco	13.8	13.5	-0.3
International tobacco	25.1	24.7	-0.4
Pharmaceutical	1.4	1.3	-0.1
Processed food	1.7	1.7	-0.0
Others/Elimination	0.6	0.5	-0.0

*Excluding depreciation from lease transactions

4. Consolidated financial position

(Unit: JPY billion)

	2019 Dec. end	2020 Mar. end	Variance (abs)
Total assets	5,553.1	5,202.0	-351.1
Total equity	2,743.6	2,501.8	-241.8
Equity attributable to owners of the parent	2,662.7	2,422.7	-240.0
BPS (attributable to owners of the parent) (JPY)	1,501.12	1,365.69	-135.43

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2019 Dec. end	2020 Mar. end	Variance (abs)
Liquidity	375.8	317.2	-58.6
Interest-bearing debt	974.5	1,073.6	+99.1

6. Consolidated cash flow

(Unit: JPY billion)

	2019Q1	2020Q1	Variance (abs)
Cash flows from operating activities	121.2	-1.9	-123.1
Cash flows from investing activities	-39.4	-7.5	+31.9
Cash flows from financing activities	-101.4	-31.1	+70.3
Cash and cash equivalents, beginning of the year	282.1	357.2	+75.1
Foreign currency translation adj. on cash & cash equivalents	-0.9	-15.5	-14.6
Cash and cash equivalents, end of the year	261.5	301.1	+39.6
FCF	82.0	-11.3	-93.3

7. Capital expenditures

(Unit: JPY billion)

	2019Q1	2020Q1	Variance (abs)
Consolidated	28.7	26.6	-2.1
Japanese domestic tobacco	10.6	4.8	-5.9
International tobacco	11.2	10.9	-0.2
Pharmaceutical	4.0	7.5	+3.6
Processed food	1.3	2.2	+0.8
Others/Elimination	1.6	1.2	-0.4

8. FX actual (Reference information)

	2019Q1	2020Q1	Variance (abs)	Variance (%)
USD/JPY	110.22	108.86	-1.36	-1.2%
USD/RUB	66.12	66.33	+0.21	-0.3%
USD/GBP	0.77	0.78	+0.01	-1.7%
USD/EUR	0.88	0.91	+0.03	-2.9%
USD/CHF	1.00	0.97	-0.03	+3.0%
USD/TWD	30.82	30.11	-0.71	+2.4%
USD/TRY	5.36	6.10	+0.74	-12.1%
USD/IRR	88,454	128,673	+40,219	-31.3%

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

FY2020 Forecasts (as of February 6, 2020)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Revenue	2,175.6	2,180.0	+4.4	+0.2%
Operating profit	502.4	471.0	-31.4	-6.2%
Adjusted operating profit	515.9	503.0	-12.9	-2.5%
Profit (attributable to owners of the parent company)	348.2	305.0	-43.2	-12.4%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	515.9	516.0	+0.1	+0.0%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Basic EPS*	195.97	171.95	-24.02	-12.3%
DPS	154.00	154.00	-	-
ROE*	13.2%	11.5%	-1.7%pt	

*Based on profit attributable to owners of the parent company

3. Forecasts by business segment

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Revenue	2,175.6	2,180.0	+4.4	+0.2%
Japanese domestic tobacco	611.5	580.0	-31.5	-5.2%
Core revenue	568.9	540.0	-28.9	-5.1%
International tobacco	1,310.9	1,360.0	+49.1	+3.7%
Core revenue	1,253.0	1,300.0	+47.0	+3.7%
Pharmaceutical	88.5	76.0	-12.5	-14.2%
Processed food	158.6	160.0	+1.4	+0.9%
Others	6.1	3.0	-3.1	-51.1%
Consolidated: operating profit	502.4	471.0	-31.4	-6.2%
Japanese domestic tobacco	171.0	154.0	-17.0	-9.9%
International tobacco	274.0	310.0	+36.0	+13.1%
Pharmaceutical	72.7	10.0	-62.7	-86.2%
Processed food	5.5	5.0	-0.5	-9.6%
Others/Elimination	-20.8	-8.0	+12.8	-
Adjusted operating profit	515.9	503.0	-12.9	-2.5%
Japanese domestic tobacco	187.2	170.0	-17.2	-9.2%
International tobacco	340.8	361.0	+20.2	+5.9%
Pharmaceutical	15.9	10.0	-5.9	-37.3%
Processed food	5.4	5.0	-0.4	-8.0%
Others/Elimination	-33.4	-43.0	-9.6	-

[Reference] International tobacco business

(Unit: USD million)

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
Core revenue	11,496	12,000	+504	+4.4%
Core revenue at constant FX	11,496	12,100	+604	+5.3%
Adjusted operating profit	3,126	3,350	+224	+7.2%
Adjusted operating profit at constant FX	3,126	3,440	+314	+10.0%

FY2020 Forecasts (as of February 6, 2020)

4. Free cash flow

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)
FCF	404.2	370.0	-34.2

5. Capital expenditures

(Unit: JPY billion)

	FY2019 Results	FY2020 Forecasts	Variance (abs)
Consolidated	131.4	144.0	+12.6
Japanese domestic tobacco	34.8	29.0	-5.8
International tobacco	78.3	80.0	+1.7
Pharmaceutical	7.0	10.0	+3.0
Processed food	6.1	14.0	+7.9
Others/Elimination	5.2	11.0	+5.8

6. Assumptions of 2020 Forecast

2020 Japanese domestic tobacco business

- Industry volume (JT estimate): a decline of c.3.5% (vs. 2019: 161.9 BnU)
- Cigarette industry volume (JT estimate): a decline of over 5% (vs. 2019 : 125.1 BnU)
 - JT cigarette sales volume : a decrease of c.6% (vs. 2019 : 75.5 BnU)
- Reduced-Risk Products market share in tobacco industry (JT estimate, Shipment base) : c.25% (2019: c.23%)
 - JT RRP sales volume : over 3.5 BnU stick equivalent

2020 International tobacco business

- Total shipment volume : an decrease of c.3% (vs. 2019: 445.8 BnU)
- GFB shipment volume : an increase of c.1% (vs. 2019: 277 BnU)

<FX assumptions>

	FY2019 Results	FY2020 Forecasts	Variance (abs)	Variance (%)
USD/JPY	109.03	108.00	-1.03	-0.9%
USD/RUB	64.74	63.00	-1.74	+2.8%
USD/GBP	0.78	0.78	-0.00	+0.5%
USD/EUR	0.89	0.89	-0.00	+0.4%
USD/CHF	0.99	0.97	-0.02	+2.5%
USD/TWD	30.90	30.00	-0.90	+3.0%
USD/TRY	5.67	6.20	+0.53	-8.6%
USD/IRR	104,046	130,000	+25,954	-20.0%

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 US\$ 3,350 MM based on the assumptions:

USD vs. Local currency

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

Approx. US\$ 55MM composed of: RUB 30%-, GBP c.15%, TWD 10%+, EUR 10%-, IRR c.5%, TRY c.5%, CHF -10%

US\$ vs. JPY

\$/JPY move of 1 yen from the assumption leads to approx. JPY 3.35 billion impact on JPY-based adjusted operating profit

Tobacco Business Data

International Tobacco Business

1. Summary

	2019Q1	2020Q1	Variance	Variance (%)	
Total shipment volume	104.7	104.1	-0.6	-0.6%	BNU
GFB shipment volume	64.4	67.5	+3.1	+4.8%	BNU
Core Revenue	286.8	312.0	+25.3	+8.8%	JPY BN
Adjusted operating profit	89.2	104.1	+14.9	+16.7%	JPY BN

[USD Reference information]

Core Revenue	2,602	2,866	+265	+10.2%	USD MM
Adjusted operating profit	809	956	+147	+18.1%	USD MM
At constant FX basis					
Core Revenue	2,602	2,969	+367	+14.1%	USD MM
Adjusted operating profit	809	1,047	+238	+29.4%	USD MM

· Contribution by cluster (vs. PY)

(BNU/USD MM)

Reported

2020Q1	Total Shipment Volume		GFB Shipment Volume		Core Revenue	
SWE	17.7	+6.7%	14.7	+7.8%	546	+6.7%
NCE	14.2	+9.9%	7.4	+17.1%	547	+13.6%
CIS+	26.8	-2.7%	18.2	-7.6%	637	+16.1%
RoW	45.5	-4.7%	27.3	+9.9%	1,136	+7.2%
Total	104.1		67.5		2,866	

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

2020	Q1	Q2	Q3	Q4	YTD
SWE	+6.7%				+6.7%
France	+5.7%				+5.7%
Italy	+9.8%				+9.8%
Spain	+14.3%				+14.3%
NCE	+9.9%				+9.9%
Germany	+7.8%				+7.8%
UK	+9.9%				+9.9%
CIS+	-2.7%				-2.7%
Romania	+16.8%				+16.8%
Russia	-5.7%				-5.7%
RoW	-4.7%				-4.7%
Iran	+14.1%				+14.1%
Taiwan	+2.5%				+2.5%
Turkey	-11.8%				-11.8%
Total	-0.6%				-0.6%

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

(BNU)

2020	Q1	Q2	Q3	Q4	YTD
Winston	37.7				37.7
	+5.7%				+5.7%
Camel	14.4				14.4
	+3.4%				+3.4%
MEVIUS	3.9				3.9
	-1.0%				-1.0%
LD	11.5				11.5
	+5.9%				+5.9%

Tobacco Business Data

International Tobacco Business

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

2020	Q1	Q2	Q3	Q4	YTD
SWE	+7.8%				+7.8%
France	+5.8%				+5.8%
Italy	+12.2%				+12.2%
Spain	+14.6%				+14.6%
NCE	+17.1%				+17.1%
Germany	+23.9%				+23.9%
UK	-23.9%				-23.9%
CIS+	-7.6%				-7.6%
Romania	+14.1%				+14.1%
Russia	-16.0%				-16.0%
RoW	+9.9%				+9.9%
Iran	+19.3%				+19.3%
Taiwan	+1.8%				+1.8%
Turkey	-8.7%				-8.7%
Total	+4.8%				+4.8%

5. Share of market by key markets

	12 month moving average			3 month average			
	2019 Mar.	2020 Mar.	Change	2019 Q1	2019 Q2	2019 Q3	2020 Q1
France	23.3%	24.4%	+1.1%pt	23.9%	24.2%	24.1%	25.1%
Italy	24.0%	24.7%	+0.6%pt	24.3%	24.4%	24.6%	25.1%
Russia*	36.4%**	39.0%**	+2.5%pt	39.1%	39.7%	39.1%	38.3%**
Spain	25.0%**	25.8%**	+0.8%pt	25.3%	25.5%	25.7%	26.2%**
Taiwan	43.2%	45.8%	+2.7%pt	44.6%	45.0%	45.4%	46.8%
Turkey	27.0%	27.5%	+0.5%pt	26.9%	29.3%	26.9%	26.9%
UK	41.8%	43.9%	+2.1%pt	42.7%	43.4%	43.7%	44.2%

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

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

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

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

(USD MM)

2020	Q1	Q2	Q3	Q4	YTD
SWE	559				559
	+9.3%				+9.3%
NCE	563				563
	+16.8%				+16.8%
CIS+	646				646
	+17.7%				+17.7%
RoW	1,201				1,201
	+13.3%				+13.3%
Total	2,969				2,969
	+14.1%				+14.1%

Tobacco Business Data

International Tobacco Business

7. Breakdown of Core Revenue

• USD basis						(USD MM)
	Q1	Q2	Q3	Q4	YTD	
2019	2,602				2,602	
Volume	+62				+62	
Price/Mix	+305				+305	
2020 at constant	2,969				2,969	
FX	-102				-102	
2020	2,866				2,866	

• Yen basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2019	286.8				286.8	
Operations	+40.4				+40.4	
Local currencies vs. USD	-11.3				-11.3	
JPYvs. USD	-3.9				-3.9	
2020	312.0				312.0	

8. Breakdown of Adjusted Operating Profit

• USD basis						(USD MM)
	Q1	Q2	Q3	Q4	YTD	
2019	809				809	
Volume	+49				+49	
Price/Mix	+299				+299	
Others	-110				-110	
2020 at constant	1,047				1,047	
FX	-91				-91	
2020	956				956	

• Yen basis						(JPY BN)
	Q1	Q2	Q3	Q4	YTD	
2019	89.2				89.2	
Operations	+26.2				+26.2	
Local currencies vs. USD	-10.0				-10.0	
JPYvs. USD	-1.3				-1.3	
2020	104.1				104.1	

9. FX actual vs. PY

	<u>Q1</u>	<u>Q2</u>	<u>Q3</u>	<u>Q4</u>	<u>YTD</u>
2020	66.33				66.33
USD/RUB	-0.3%				-0.3%
USD/GBP	0.78				0.78
	-1.7%				-1.7%
USD/EUR	0.91				0.91
	-2.9%				-2.9%
USD/CHF	0.97				0.97
	+3.0%				+3.0%
USD/TWD	30.11				30.11
	+2.4%				+2.4%
USD/TRY	6.10				6.10
	-12.1%				-12.1%
USD/IRR	128,673				128,673
	-31.3%				-31.3%
USD/JPY	108.86				108.86
	-1.2%				-1.2%

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

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

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

Tobacco Business Data

Japanese Domestic Tobacco Business

1. Summary

	2019 Q1	2020 Q1	Variance	Variance (%)	
Cigarette industry volume (JT estimate)	29.4	28.8	-0.6	-2.2%	BNU
Cigarette sales volume	17.9	17.2	-0.7	-4.2%	BNU
Excludes volumes of Duty-Free in Japan, China business (0.9BNU in 2019 Q1 and 0.6BNU in 2020 Q1, respectively) and RRP sales volume					
Core revenue	133.5	125.8	-7.6	-5.7%	JPY BN
Adjusted operating profit	51.0	43.2	-7.8	-15.3%	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				
Variance	-4.2%				

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				

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	(BNU / JPY BN) YTD
2020	0.9				0.9
RRP sales volume	0.9				0.9
RRP related revenue	13.0				13.0

5. Breakdown of financial results

	Q1	Q2	Q3	Q4	(JPY BN) YTD
Core revenue					
2019	133.5				133.5
Cigarette volume	-4.8				-4.8
Cigarette price/mix	-1.4				-1.4
RRP/Others	-1.5				-1.5
2020	125.8				125.8
Adjusted OP					
2019	51.0				51.0
Cigarette volume	-3.9				-3.9
Cigarette price/mix	-1.4				-1.4
RRP/Others	-2.5				-2.5
2020	43.2				43.2

6. Market share in cigarettes category (JT estimate)

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

Pharmaceutical Business

Clinical Development as of April 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.	NDA filed (Japan) Phase1 (Overseas)	In-house	• Co-development with Torii
JTE-052 (delgocitinib)	Atopic dermatitis (pediatric) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase 3 (Japan)	In-house	• Co-development with Torii
	Autoimmune/allergic diseases /Oral, Topical			Phase1 (Japan)		
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase2 (Overseas)	In-house	
JTE-451	Autoimmune/allergic diseases /Oral	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase2 (Overseas)	In-house	
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.	Phase3 (Japan)	In-license	• Linsenced from Keryx Biopharmaceuticals • Co-development with Torii • Additional indication

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

<Licensed compounds>

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

Updates since the previous announcement on February 7, 2020:

• Price Listing on the NHI Reimbursement List and Launch of CORECTIM® Ointment 0.5% in Japan.(April 22, 2020)

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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