



2020 Second-Quarter Results

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*Please be reminded that the figures shown on these slides may differ from those shown in the financial statements as they are intended to facilitate the reader's understanding of individual businesses.

*For details of each term, please refer to annotations on slide 21 and 22.

FORWARD-LOOKING STATEMENTS

This presentation 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.



2020 Second-Quarter Results

2020 Year-to-Date Consolidated Results

(JPY BN)	2020 Jan-Jun	Year-on-year
<u>Reported</u>		
Revenue	1,030.2	-2.7%
AOP	287.6	-0.1%
Operating profit	252.0	-19.1%
Profit	172.5	-23.8%

Consolidated Revenue

- Growth in the international tobacco business unable to offset declines in other businesses
- COVID-19 impact: Estimated to be unfavorable by around JPY 35 BN (over 3% of consolidated revenue)

Adjusted Operating Profit (AOP) at constant FX: + 7.5% YOY

- Increase driven by significant favorable pricing gains in the international tobacco business, offsetting COVID-19 impacts on tobacco and processed food businesses

Adjusted Operating Profit

- Robust currency-neutral performance offset by stronger currency headwinds than initially assumed

Operating Profit and Profit

- (-) Non-recurrent one-time gain in the pharmaceutical business in 2019
- (-) Higher financing cost

Japanese domestic tobacco business: Volume Performance

2020 Jan-Jun	RMC	RRP
Industry*	-6.9% y-o-y	c.25% of total tobacco
(Total Tobacco)	c.-3.5% year-on-year	
JT volume*	34.2 BnU	1.8 BnU
(YOY)	-8.6%	+ 0.4 BnU
SoS**	59.9%	c.10%***
(YOY)	-1.1 ppt	2019 Jan-Jun: c.8%***

*considering for only domestic taxable market **Share of Segment *** Off-take basis

Industry volume variance

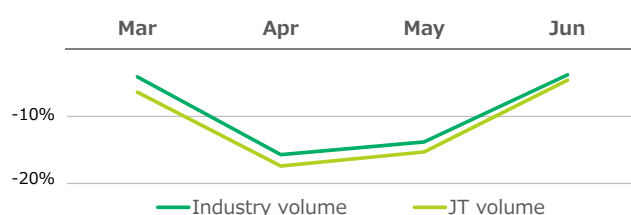
- RMC: Weaker demand following the state of emergency declaration during April and May
- RRP: Grew YOY as the category continued to expand

JT volume and share performance

- RMC: Lower share YOY, due to competition in the value segment
 - Sequential share rebound in Q2, reaching 60%
- RRP: Volume growth in line with the plan, driven by the nation-wide new product launches in 2019

Reference: RMC Monthly volume trend (YOY)

- Volume trends returned to levels prior to the state of emergency declaration, after significant decline in April and May

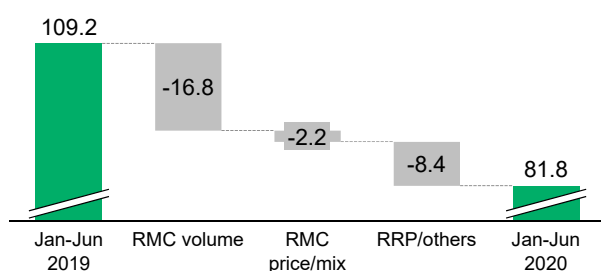


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Japanese domestic tobacco business: Financial Results

Financial	(JPY BN)	2020 Jan-Jun	Year-on-year
Core revenue		248.8	-11.9%
Adjusted operating profit		81.8	-25.1%

Roadmap of AOP variance (JPY BN)



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Top-line performance

- (-) Negative volume contribution from RMC
- (-) Negative RMC pricing variance following tax hike absorption on selected products in Oct'19
- (-) Lower RRP-related revenue
 - Lower sales of devices and accessories
 - Tax hike absorption in Oct'19
- (-) Negative COVID-19 impact to topline: above JPY 10 BN
 - Half attributed to Duty-free and China businesses
 - Other half mainly due to a one-time impact in the domestic market
 - Down-trading continued but no acceleration

AOP variance factors

- (-) Negative top-line performance
- (-) Strengthened marketing investments

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International tobacco business: Volume Performance

Volume Performance

Shipment volume declined due to Bangladesh, Russia, Turkey and the COVID-19 impact, despite share gains in key markets

(–)

- Bangladesh/Russia/Turkey: industry and share decline driven by tax-led pricing
- Net COVID impact to volume was negative due to global travel restrictions impacting Duty-free and lockdown consequences in Emerging Markets

(+)

- Robust share performance in many markets
- Notably in France, Iran, Italy, the Philippines, Romania, Spain, Taiwan and the UK

GFB volume:

- Solid share momentum in many markets drove almost flat GFB volume YOY

Topics: Russia

- Decline in RMC industry size due to economic situation and RRP expansion
- Market share stabilized sequentially despite on-going pressure from unfavorable price differential
- Solid pricing secured profit levels, despite price adjustment on some SKUs in Q2
- Ploom model S launched in March with active support through digital approaches
 - Distribution expansion within Key Accounts and to new cities

(BN stick equivalents)	2020 Jan-Jun	Year-on-year
Total shipment volume	211.9	-4.8%
GFB shipment volume	136.3	-0.0%

International tobacco business: Financial Results

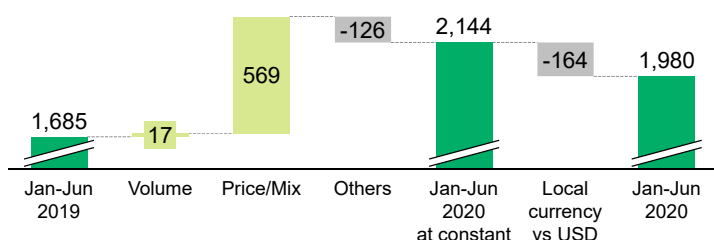
	2020 Jan-Jun		Year-on-year
Core revenue	626.1	JPY BN	+3.1%
at constant currency	6,045	USD MM	+9.5%
AOP	214.3	JPY BN	+15.6%
at constant currency	2,144	USD MM	+27.3%

Significant favorable pricing gains in H1, delivering robust profit growth

Top-line performance

- Pricing gains notably in Iran, Russia, the Philippines and Turkey
 - 70% of planned pricing gains materialized in H1
- Negative volume contribution due to lower shipment volume
- COVID-19 impact to top-line: unfavorable impact of around JPY 20 BN

Roadmap of AOP variance (USD MM)



AOP variance factors

- (+) Robust top-line performance
 - Volume skewed to European markets with a higher unit price
- (+) Lower costs in Q2 due to COVID-19 restrictions
- (–) Increased investments for digital and GBS* set-up as well as continued investments behind RRP/brands
- (–) Currency headwinds mainly in IRR, RUB, TRY

Pharmaceutical and Processed food businesses

Pharmaceutical Business

(JPY BN)	2020 Jan-Jun	Year-on-year
Revenue	37.3	-4.5
AOP	7.9	+2.2

- Revenue decreased mainly due to lower overseas royalty income
- AOP growth driven by lower R&D expenses and profit increase at Torii Pharmaceutical
- No material COVID-19 impact to top-line

Processed Food Business

(JPY BN)	2020 Jan-Jun	Year-on-year
Revenue	71.8	-3.6
AOP	0.3	-1.3

- Revenue and AOP decreased as negative impacts from COVID-19 more than offset positive effects
 - State of emergency and official requests to avoid non-essential outings negatively impacted the demand in:
 - ✓ Frozen food, ambient food and seasoning products for the food service industry
 - ✓ Own bakery business
 - Demand for household products increased as more people stay at home
- COVID-19 impact to the top-line: unfavorable impact of about 4 BN JPY



Full-year forecast

Consolidated Revised Forecast : Assumptions

COVID-19 Impact Assumptions

- Lockdowns to be gradually lifted in countries/regions where already enforced
- Impacts of wave 2 not included (re-introduction of lockdowns/declaration of state of emergency)
- Assume a U-shaped economic recovery
 - Economic impact persists throughout the year, while gradually subsides after having peaked in Q2

Outlook

- Second half tobacco business continues to be resilient
- However for next year onwards, need to closely monitor
 - Economic situation and outlook
 - Evolving consumer behavior
 - Regulation and tax situation in each of the country/region
- Considering the past, further impacts on tobacco business may surface with a lag

Exchange Rate

- Revised FX assumptions based on recent trends, resulting in a greater negative variance against original assumptions

No major concerns foreseen for financing

Initial plan of annual dividend per share remains unchanged

Consolidated Revised Forecast

(BN JPY)	FY2020 Revised forecast	vs. Initial forecast	vs. PY
Reported			
Revenue	2,010.0	-170.0	-7.6%
AOP	457.0	-46.0	-11.4%
Operating profit	422.0	-49.0	-16.0%
Profit	286.0	-19.0	-17.9%
FCF	350.0	-20.0	-JPY54.2BN

Revenue

- Revised downward mainly driven by the COVID impact and stronger currency headwinds
 - Lower volume assumptions in the tobacco businesses
 - Lower demand for processed food business from the customers in food service industry

Adjusted Operating Profit (AOP) at constant currency: lowered to 1.3% decline YOY

- Japanese-domestic tobacco and processed food businesses revised downward
- Partly offset by initiatives to mitigate the negative impact of COVID-19 on top line as well as the upward revision in the pharmaceutical business

AOP/ Operating Profit/ Profit

- (-) Revised FX assumptions
- (+) Partially offset by lower corporate tax burden

Japanese-domestic tobacco business

Evolving Consumer trends

- Tobacco product consumption trends in wake of COVID-19
 - RMC volume negatively impacted by further restrictions on smoking environment, including temporary closure of some smoking areas, following declaration of state of emergency
 - RRP volume positively affected by people staying home
 - The net effects on total tobacco industry volume were negative, though analysis indicates they are temporary; industry volume has already recovered after state of emergency was lifted
- However, the change on consumption trend could have lasting effect on natural industry contraction, and need to be monitored

Our New Initiatives

- Strengthening digital marketing using “CLUB JT” platform
 - Respond to diversifying consumer purchasing trends including e-commerce

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Revised Volume assumptions*

- **RMC industry volume revised downward to c. 8.5% decline**
Reflecting the temporary decline after declaration of state of emergency
- **RRP market size estimate remains at c. 25% of total industry**
The market size estimate remains within the range of c.25%, while higher than initially expected due to strong demand in April and May
- **Total tobacco industry volume revised downward to c. 5% decline**
- **JT RMC shipment volume revised downward to over 8.5% decline**
Reflecting the decline of RMC industry volume
- **JT RRP shipment volume remains at over 3.5 BN stick equivalents**

*Considers only domestic taxable market

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Japanese-domestic tobacco business

(JPY BN)	FY2020 Revised forecast	vs. Initial forecast	vs. PY
Core revenue	510.0	-30.0	-10.4%
AOP	160.0	-10.0	-14.5%

- **Core revenue revised downward by JPY 30.0 BN**
 - COVID impact on Duty-free top-line was significant, considering its business size
 - Reflect H1 results with transient industry decline in the domestic market
- **AOP revised downward by JPY 10.0 BN**
 - Lower Duty-free bottom-line due to weaker top-line
 - In the domestic market, will mitigate top-line impact by cost reduction

Topics – Price amendment application

- Applied for a retail price amendment of 50 yen per pack, with some exceptions, in response to the excise tax increase in October
- Considered factors including;
 - Industry contraction and down-trading following the amendment
 - Higher cost per unit due to volume decline
 - Investment to keep quality and enhance the brand equity

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International tobacco business

Evolving industry trends

Mature Markets

- Negative financial impact to consumers mitigated by economic stimulus measures
- Strong Fine Cut demand in Europe partially driven by an increase in downtrading
- Overall in H1, limited volume decline supported by favorable inventory movement

Emerging Markets

- Greater impact than in mature markets as consumer disposable income negatively impacted by severe lockdowns, resulting in consumer demand decline and down-trading

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Revised volume assumptions

- **Shipment volume: revised downward to decline by c. 6%**
- **GFB shipment volume: revised downward to decline by c. 3%**
 - ✓ Industry volume decline due to COVID-19 especially in Duty-free and emerging markets
 - ✓ Reflects lower volume in Bangladesh, Russia and Turkey
 - ✓ Partially offset by strong performance in Europe

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International tobacco business

	FY2020 Revised forecast		vs. Initial forecast	vs. PY
Core revenue	1,170.0	JPY BN	-130.0	-6.6%
at constant currency	11,600	USD MM	-500	+0.9%
AOP	323.0	JPY BN	-38.0	-5.2%
at constant currency	3,440	USD MM	—	+10.0%

- **Core Revenue at constant currency: revised downward by USD 500MM**
 - Lower volume assumption impacting top-line
- **AOP at constant currency : remains unchanged, 10% growth year-on-year**
 - Top-line decline offset by;
 - Pricing gains upsides offsetting the accelerated down-trading due to COVID-19
 - Cost savings following restricted operations
 - Second half performance impacted by
 - Unfavorable timing of pricing
 - Reversal of inventory build ups
 - Continued strategic investment
- **AOP : revised downward by 38.0 JPY BN**
 - Stronger FX headwind assumptions notably for RUB, IRR, TRY

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Pharmaceutical and Processed food businesses

Pharmaceutical Business

(JPY BN)	FY2020 Revised forecast	vs. Initial forecast	vs. PY
Revenue	76.0	—	-12.5
AOP	13.0	+3.0	-2.9

- Revenue remains unchanged from initial forecast
- AOP revised upward by JPY 3.0 BN driven by lower-than-expected R&D expenses and lower costs at Torii Pharmaceutical, both due to limited operations resulting from COVID situation

Processed Food Business

(JPY BN)	FY2020 Revised forecast	vs. Initial forecast	vs. PY
Revenue	153.0	-7.0	-5.6
AOP	3.0	-2.0	-2.4

- Revenue revised downward by JPY 7.0 BN due to lower demand from the customers in food service industry and for our own bakery business
 - The lower demand bottomed out in Q2 and is expected to gradually improve toward year end
 - Demand for household products in H2 is expected to perform in line with initial assumption
- AOP revised downward by JPY 2.0 BN due to lower top-line



Closing remarks

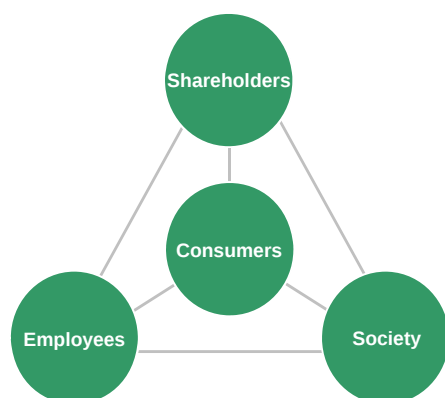
JT Group Community Investment & COVID-19 Initiatives

- Sustainable economy and society are an integral part for the sustainable growth of companies
- JT Group is also contributing towards the development of a sustainable society, by making communities more inclusive.
- JT Group, as a responsible member of the society in which we operate, is also supporting COVID-19 relief measures
 - Taking measures to prevent spread of infection
 - Responding to the requests from local communities, by offering emergency supplies such as daily necessities and financial support.
 - Addressing the issues arising from the prolonged impact from the spreading of the epidemic
 - Supporting activities thriving for “Build Back Better” in the future

Key measures include:

- Supporting organizations working to prevent the spread of the epidemic and support vulnerable people
- Providing supplies to local communities
 - Food aid, daily necessities, hygiene products, etc.
- Volunteering activities by employees

Closing remarks



- Continue to respond to the changes in environment with flexibility and agility
 - Remain committed to investing in communities where we operate
- Solid business momentum expected to continue during the year; following factors need to be considered when assessing the mid-to long-term impact of COVID-19:
 - Economic situation and outlook
 - Evolving consumer behavior
 - Regulation and tax situation in each of the country/region
- Initial plans of annual dividend per share remains unchanged : JPY 154
 - Interim dividend per share: JPY 77

<Definitions>

Adjusted operating profit (AOP):	Adjusted operating profit = operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjusted items (income and costs)* * Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
Consolidated adjusted operating profit at constant FX:	For International tobacco business, the same foreign exchange rates between local currencies vs. USD and JPY vs. USD as same period in previous fiscal year are applied
Profit:	Profit attributable to owners of the parent company
Reduced-Risk Products (RRP):	Products with potential to reduce the risks associated with smoking
GFB:	Global Flagship Brands: Winston, Camel, MEVIUS and LD (4 brands)
Shipment volume: (International tobacco business)	Includes fine cut, cigars, pipe tobacco, snus, kretek and T-Vapor but excludes contract manufactured products, waterpipe tobacco and E-Vapor
Core revenue: (International tobacco business)	Includes revenue from waterpipe tobacco and RRP, but excludes revenues from distribution, contract manufacturing and other peripheral businesses
Core revenue / Adjusted operating profit at constant FX (International tobacco business)	The same foreign exchange rates between local currencies vs. USD as same period in previous fiscal year are applied

<Definitions>

Total tobacco industry volume: (Japanese domestic tobacco business)	Industry volume in Japan market by number of sticks based on the internal estimate. This includes cigarettes, little cigars, RRP and others
Cigarettes: (Japanese domestic tobacco business)	Ready made cigarettes
Cigarette industry volume: (Japanese domestic tobacco business)	Industry volume of ready-made-cigarette in Japan market by number of sticks based on the internal estimate. 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 the similar format to cigarette and classified as "cigars" under the Tobacco Business Act in Japan
Core revenue: (Japanese domestic tobacco business)	Excluding revenue from distribution of imported tobacco in the Japanese Domestic Tobacco Business, among others, but including revenue from domestic duty free and the China business, as well as RRP related revenue