



2020 First-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 slide 10 to 11.

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.

Business operations under the COVID-19 situation

Tobacco

- Manufacturing facilities and most distribution networks are operating in principle with stringent personal care and sanitation measures
- Including Japan, finished goods inventory levels represented on average 2 months of activity
- No impact to consumer demand materialized at the end of Q1, aside from a reduction in Duty-Free sales, which represent less than 3%* of consolidated revenue. Future trends remains to be assessed
 - Inventory build-up is observed in several international markets

* Based on 2019 FY results

Pharmaceutical

- Almost all sections of the supply chain including R&D and manufacturing are operating normally
- No significant impacts to sales and demand

Processed Food

- All factories are operational and no material impact throughout the supply chain
- Following the local prefectural governments' requests to avoid non-essential outings;
 - Demand for household commodities in the frozen and ambient food business increased at the expense of demand for products in the food service industry in the frozen and ambient food and the seasonings businesses
 - Lower consumer footfall at our own bakeries

Following the COVID-19 outbreak

Precautionary and counter measures among the Group

- As a global responsible company, JT Group gives utmost priority to the safety of its employees, their families and stakeholders involved in our business activities.
- Business continuity plan to address contingencies is on-going.
 - Cash on hand is temporarily increased by over 100 billion yen through the issuance of commercial paper and other means to ensure full readiness for any possible contingencies

Business and financial impact

- Currently, no significant risks have either materialized or require to be recognized in any of our businesses
- Financial impact
 - The business impact from COVID-19 was limited in Q1 2020.
 - Due to the difficulty in assessing the overall impact on demand trends in the short- and long-term, as well as the unknown timing impact to Duty-Free sales, we closely monitor for potential business and financial impacts especially from April onwards, when the impact will be more material.

2020 First-Quarter Results

(JPY Bn)	2020 Jan-Mar	Year-on-year
<u>Reported</u>		
Revenue	519.6	+2.8%
AOP	146.9	+5.8%
Operating profit	129.0	-29.4%
Profit	86.4	-28.5%

Adjusted Operating Profit (AOP) at constant currency: +14.0%

- Driven by growth of total tobacco (Domestic + International), pharmaceutical and processed food businesses
- A significantly high growth in the international tobacco business with very favorable pricing gains year-on-year

Adjusted Operating Profit

- 5.8% growth despite currency headwinds

Operating Profit and Profit

- (-) Non-recurrent one-time gain in the Pharmaceutical business in 2019
- (+) Increase in adjusted operating profit
- (-) Higher financing costs
- (+) Lower income taxes due to lower profit base

Japanese domestic tobacco business

<u>Volume</u> 2020 Jan-Mar	RMC	RRP
Industry	-2.2% y-o-y	c.24% of total tobacco
(Tobacco total)	Almost flat year-on-year	
JT volume	17.2 Bn	0.9 Bn
(y-o-y)	-4.2%	+ 0.3 Bn
SoS*	59.7%	c.10%**
(y-o-y)	-1.2 ppt	2019 Jan-Mar: c.8%**

*Share of Segment ** Off-take basis

Volume variance factors

- Moderate industry volume contraction driven by limited impact from price revision year-on-year
- RMC share declined driven by intense competition in lower-price segment
- Share of RRP segment: c.10%

AOP variance factors

- (-) Negative volume contribution from RMC
- (-) Negative price/mix from RMC
 - Tax absorption for some brands in Oct'19
- (-) Increase in marketing expense mainly in RRP and little cigars

- No COVID-19 impact to the bottom-line

Reference: Trend to-date

- Sales decline in the Duty-Free business is gradually materializing
- Weaker industry volume in the Japanese duty-paid market after authorities' request to avoid non-essential outings and the declaration of a state of emergency

→ Continue to monitor the impacts especially from April

<u>Financial</u> (JPY Bn)	2020 Jan-Mar	Year-on-year
Core revenue	125.8	-5.7%
Adjusted operating profit	43.2	-15.3%

International tobacco business

(BN stick equivalents)	2020 Jan-Mar	Year-on-year
Total shipment volume	104.1	-0.6%
GFB shipment volume	67.5	+4.8%

	2020 Jan-Mar		Year-on-year
Core revenue	312.0	JPY BN	+8.8%
at constant currency	2,969	USD MM	+14.1%
AOP	104.1	JPY BN	+16.7%
at constant currency	1,047	USD MM	+29.4%

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Volume variance factors

- (+) Robust share performance in many geographies driven by GFB
- (+) Favorable inventory movements in key markets, notably in Europe due to COVID-19
- (-) Industry volume contraction in several markets
- No material impact to the sales volume, other than in Duty Free

AOP variance factors

- (+) Strong price/mix contribution, notably in the Philippines, Russia and the UK
 - Significant favorable pricing comparison year-on-year primarily due to timing implementation differences
- (+) Volume more skewed to European markets with a higher unit price and favorable inventory movements
- (-) Currency headwinds

Reference: Trend to-date

- Impact to the Duty-Free business continues
 - Continued currency headwinds, notably in emerging markets
- Continue to monitor the impacts especially from April

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Pharmaceutical and Processed food businesses

Pharmaceutical

(JPY BN)	2020 Jan-Mar	Year-on-year
Revenue	20.7	-2.1
AOP	6.6	+2.1

- Revenue decrease due to lower royalty income from overseas
- AOP growth driven by lower R&D expenses and top- and bottom-line growth in Torii Pharmaceutical
- New drug approval: CORECTIM® Ointment 0.5%
 - Manufacturing and marketing approval in Jan'20
 - Listing on the Japanese National Health Insurance Drug Price List in Apr'20
 - Launch scheduled in Japan for Jun'20

Processed food

(JPY BN)	2020 Jan-Mar	Year-on-year
Revenue	36.7	+0.8
AOP	0.4	+0.1

- Revenue and AOP increase driven by increased house-hold demand in the frozen and ambient food business
- Partly offset by lower demand in the products for foods service industry in the frozen and ambient food and the seasonings businesses, as well as lower consumer footfall at your retail bakery outlets
 - Further decline in the demand for food service industry has been observed since the government declared a state of emergency.

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Closing remarks

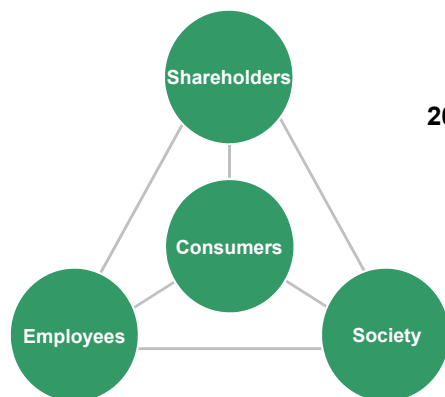
2020 Jan-Mar results:

- Strong first quarter results despite currency headwinds
 - In the international tobacco business, significant favorable pricing gains compared to the previous year generated a higher growth for this quarter
 - No COVID-19 impact to the bottom-line for this quarter

2020 full year forecast:

Full-year forecast is not revised as we continue to closely monitor how the COVID-19 situation evolves from April to determine the business and financial impacts going forward

- Business continuity plan to address contingencies is on-going
- In addition to the unknown timing of Duty-Free sales recovery, the potential business and financial impacts including changing consumer behavior or preferences need to be assessed further
- Currency headwinds
 - Compared to initial assumption, some key local currencies including RUB are depreciating against USD
 - If the current rate continues, currency headwinds will expand
- Our shareholder return policy and guidance for 2020 DPS remain unchanged



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<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

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<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