



Tokyo, February 9, 2021

2020 Earnings Report

FY2020 Highlights (vs. 2019)

- Revenue decreased by 3.8% to JPY 2,092.6 billion.
- Consolidated adjusted operating profit at constant currency increased by 5.5% to JPY 544.5 billion.
- On a reported basis, adjusted operating profit decreased by 5.6% to JPY 487.0 billion.
- Operating profit decreased by 6.6% to JPY 469.1 billion.
- Profit attributable to owners of the parent company decreased by 10.9% to JPY 310.3 billion.
- The Company plans to pay an annual dividend per share of JPY 154.

FY2021 Forecasts (vs. 2020)

- Revenue is forecast to decrease by 0.6% to JPY 2,080.0 billion.
- Consolidated adjusted operating profit at constant currency is expected to increase by 5.1% to JPY 512.0 billion.
- On a reported basis, adjusted operating profit is forecast to decrease by 2.5% to JPY 475.0 billion.
- Operating profit is forecast to decrease by 22.6% to JPY 363.0 billion.
- Profit attributable to owners of the parent company is expected at JPY 240.0 billion, a 22.6% decrease.
- The Company plans to offer an annual dividend of JPY 130.

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

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

"Despite the challenges impacting our operations, including COVID-19, the JT Group delivered a solid business performance in 2020, driven by the relentless efforts and passion of our employees worldwide. During this period, we grew share in most of our key markets and captured pricing opportunities. I am also pleased to report that the JT Group continued its investments to strengthen our RRP business with the introduction of Ploom S internationally and Ploom S 2.0 in Japan. I want to thank all of our partners and employees for their support and understanding in these challenging times.

"We will further build on our solid momentum, by adopting a more focused prioritization of our investments towards heated tobacco sticks and combustibles. While we expect the operating environment in 2021 to remain highly uncertain, we expect to continue gaining market share globally both in combustibles and in RRP. Notably, our next generation device for heated tobacco sticks will be launched in Japan early in the second half of this year, followed by launches in Russia and other international markets. As announced separately, we will continue preparations towards the implementation of our new operating model in the tobacco business to further strengthen our competitiveness globally.

"JT Group has revised its shareholder return policy to target a dividend payout ratio of about 75% in order to strike a balance between profit growth and shareholder returns. This revision is in accordance with our resource allocation policy. Although we are rebasing our 2021 dividend guidance, prioritizing business investments to pursue our mid- to long-term profit growth remains unchanged and thus we aspire growth in dividend per share."

Investors' Meeting

An investors' meeting (phone conference) with members of the investor community will be held on February 10, 2021 at 5:30pm Tokyo Time. The on-demand audio of this conference will be available on our website (https://www.jt.com/investors/results/presentation_financial). For detailed information on the consolidated financial results, please visit the Company's website. (<https://www.jt.com/investors/>).

IAS 29 Hyperinflationary Accounting

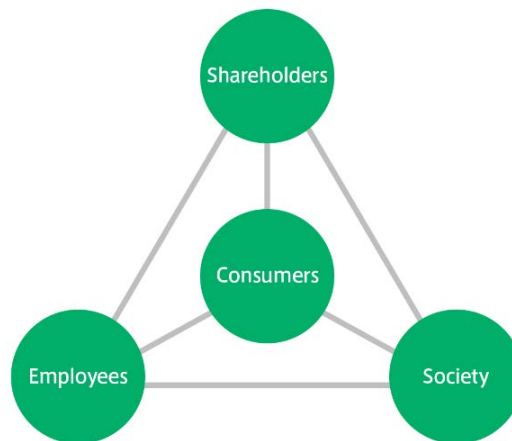
In accordance with the requirements stipulated in IAS 29, the JT Group has made accounting adjustments to the consolidated FY2020 results and FY2021 forecasts stated above, except for those stated as constant currency basis.

Business Plan 2021

● Basic Management Principle: The “4S Model”

Under the 4S model, we strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can. The 4S model has allowed us to achieve sustainable profit growth in the past years and this model will continue to increase our value in the mid- to long-term.

(The 4S Model)



● Resource Allocation Policy

➤ The “4S Model” guides our resource allocation

- Prioritize business investments¹ for sustainable profit growth in the mid- to long-term.
- Strike a balance between profit growth through business investments and shareholder returns.

➤ Shareholder Return Policy:

- Aim to enhance shareholder returns by realizing the Company’s mid- to long-term profit growth, while maintaining a strong financial base².
- Target a dividend payout ratio of about 75%³, a competitive level⁴ in the capital markets.
- Consider implementing a share buy-back program, mainly taking into account the Company’s financial outlook of the respective year and mid-term capital needs.

- **Mid- to Long-Term Target:** Achieve mid to high single digit annual average growth rate of consolidated adjusted operating profit at constant currency.

Notes:

1 Investment towards the growth of the tobacco business is of our highest priority. Pursue growth of Adjusted Operating Profit at constant currency through quality top-line growth.

2 The Company will maintain a strong financial base that secures stability in case of changes in business environment such as economic crises and flexibility enabling expeditious responses to business investment opportunities.

3 To be in the range of approximately $\pm 5\%$.

4 Monitor the shareholder return trends of Fast-Moving Consumer Goods companies which have a stakeholder model similar to our “4S Model” and have realized strong business growth.

FY2020 Financial Results

Consolidated Results

(billions of JPY)	2019 Q4	2020 Q4	Variance	FY 2019	FY 2020	Variance
Revenue	541.9	500.5	-7.6%	2,175.6	2,092.6	-3.8%
Adjusted operating profit	64.4	45.4	-29.5%	515.9	487.0	-5.6%
Operating profit	61.8	78.9	+27.7%	502.4	469.1	-6.6%
Profit attributable to owners of the parent company	32.0	52.3	+63.2%	348.2	310.3	-10.9%
Adjusted operating profit at constant FX	64.4	64.7	+0.5%	515.9	544.5	+5.5%

2020 Q4

- **Revenue**
Revenue decreased by 7.6% to JPY 500.5 billion partly due to the continued impact of COVID-19.
- **Adjusted operating profit**
At constant currency, adjusted operating profit increased by 0.5% to JPY 64.7 billion, due to an increase in the international tobacco business, as well as favorable comparisons including the impairment loss of capsule-manufacturing machines for infused tobacco capsules in the Japanese-domestic tobacco business in the previous year, offsetting the decreases in the processed food and pharmaceutical businesses.
On a reported basis, adjusted operating profit decreased by 29.5% to JPY 45.4 billion due to negative foreign currency impacts in the international tobacco business.
- **Operating profit**
Operating profit increased by 27.7% to JPY 78.9 billion mainly due to the increase in proceeds from the sales of real estate, despite the decrease in adjusted operating profit.
- **Profit attributable to owners of the parent company**
Profit attributable to owners of the parent company increased by 63.2% to JPY 52.3 billion due to factors including an increase in operating profit and improved financing costs.

Full Year 2020

- **Revenue**
Revenue decreased by 3.8% to JPY 2,092.6 billion due to decreases in revenue in the Japanese-domestic tobacco, processed food and pharmaceutical businesses. In the international tobacco business, the positive momentum from the favorable price/mix contributions were offset by the negative foreign currency impacts. COVID-19 is estimated to have negatively impacted consolidated revenue by around JPY 61 billion, or about 3% of the total consolidated revenue.
- **Adjusted operating profit**
At constant currency, adjusted operating profit increased by 5.5% to JPY 544.5 billion driven by an increase in the pharmaceutical business, as well as growth in the international tobacco business, partially offset by decreases in the Japanese-domestic tobacco and processed food businesses.
On a reported basis, adjusted operating profit decreased by 5.6% to JPY 487.0 billion due to negative

foreign currency impacts in the international tobacco business, as well as decreases in the Japanese-domestic tobacco and processed food businesses.

- **Operating profit**

Operating profit decreased by 6.6% to JPY 469.1 billion, due to factors including an unfavorable comparison from the one-time compensation gains in the pharmaceutical business in the previous year. This was in spite of the increase in proceeds from the sales of real estate, mainly the former JT head office building, and a favorable comparison from transformation-related restructuring costs in the international tobacco business in the previous year.

- **Profit attributable to owners of the parent company**

Profit attributable to owners of the parent company decreased by 10.9% to JPY 310.3 billion due to factors including a decrease in operating profit and higher financing costs.

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

Results by Business Segment

International Tobacco Business

(billions of units, billions of JPY)	2019 Q4	2020 Q4	Variance	FY 2019	FY 2020	Variance
Total shipment volume	107.1	105.7	-1.3%	445.8	435.7	-2.3%
GFB shipment volume	66.8	68.7	+2.9%	277.0	282.0	+1.8%
Core revenue¹	311.5	294.3	-5.5%	1,253.0	1,250.8	-0.2%
Adjusted operating profit¹	44.3	26.1	-41.2%	340.8	340.9	+0.0%

Reference (millions of USD)

Core revenue¹	2,864	2,824	-1.4% (+2.3%)*	11,496	11,724	+2.0% (+7.0%)*
Adjusted operating profit¹	407	252	-38.1% (+2.4%)*	3,126	3,181	+1.8% (+16.8%)*

*at constant FX

2020 Q4

- Volume and Market share²**

Total shipment volume declined by 1.3%, mainly due to inventory adjustments in key markets, ongoing travel restrictions negatively impacting Duty-Free, as well as industry volume decline in several markets. Excluding unfavorable inventory movements, total shipment volume increased by 1.2% driven by market share gains. Quarterly market share gains continued across many geographies, notably Austria, Czech Republic, France, Germany, Ireland, Italy, Jordan, Kazakhstan, Malaysia, the Philippines, Poland, Romania, Russia, Spain, Taiwan, Turkey and the UK. These share gains drove GFB shipment volume up 2.9%, fueled by Winston (+1.8%), Camel (+8.2%) and LD (+3.5%).

- Core revenue and adjusted operating profit¹**

Core revenue and adjusted operating profit decreased by 5.5% and 41.2%, respectively, due to currency headwinds more than offsetting a positive price/mix variance.

On a USD basis, core revenue at constant currency increased by 2.3%, driven by a favorable price/mix variance of USD 123 million, notably from Canada, Germany, Iran, Kazakhstan, Sudan, Taiwan, Ukraine, the UK and the USA, more than offsetting a negative volume contribution of USD 56 million. At constant currency, adjusted operating profit grew by 2.4% driven by a positive price/mix variance of USD 108 million more than offsetting a negative contribution from volume and investments to support the RRP expansion of Ploom S. On a reported basis, core revenue and adjusted operating profit declined by 1.4% and 38.1%, respectively.

Full Year 2020

- Volume and market share²**

Total shipment volume declined by 2.3%, due to COVID-19 travel restrictions negatively impacting Duty-Free as well as industry volume contraction in several markets, notably Russia. Excluding unfavorable inventory movements, total shipment volume declined by 1.7% despite market share grew strongly driven by GFBs. GFB shipment volume increased by 1.8%, led by Winston (+2.4%) and LD (+4.2%). Market share gains continued across many geographies, notably in Austria, Belgium, Canada, Czech Republic, France, Germany, Hungary, Iran, Italy, Kazakhstan, Malaysia, the Philippines, Poland, Romania, Spain, Taiwan and the UK.

- **Core revenue and adjusted operating profit¹**

Core revenue and adjusted operating profit were almost flat with a favorable price/mix and volume contribution offsetting currency headwinds. COVID-19 is estimated to have negatively impacted the top line by around JPY 20 billion.

On a USD basis, core revenue at constant currency increased by 7.0%, driven by a favorable price/mix variance of USD 772 million, notably from Canada, Germany, Indonesia, Iran, Kazakhstan, the Philippines, Romania, Russia and Sudan, and a positive volume contribution of USD 33 million from a favorable market mix. At constant currency, adjusted operating profit grew by 16.8%, driven mainly by a positive price/mix variance of USD 743 million and a favorable volume contribution of USD 73 million. On a reported basis, core revenue and adjusted operating profit increased by 2.0% and 1.8%, respectively.

International Tobacco Business (Quarterly) Performance Review by Cluster

South and West Europe

(billions of units, millions of USD)	2019 Q4	2020 Q4	Variance
Total shipment volume	14.0	14.5	+3.0%
GFB shipment volume	11.4	12.2	+7.3%
Core revenue	415	453	+9.1% (+1.5%)*

*at constant FX

- **Volume and market share²**

Total shipment volume increased by 3.0%, driven by solid market share gains and more resilient industry volume from higher domestic purchases in several markets. Excluding favorable inventory movements, total shipment volume was up 2.8%. GFB shipment volume grew by 7.3%, led by Winston (+15.1%). Market share increased in Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue increased by 9.1%, driven by a positive volume contribution of USD 3 million and a favorable price/mix variance of USD 3 million, notably from France. Excluding favorable currency movements of USD 31 million, core revenue grew by 1.5%.

- **By market²**

In France, total, cigarette and fine cut shipment volumes grew by 18.0%, 14.5% and 23.0%, respectively, driven by improved industry volume trends related to higher domestic purchases and solid quarterly share gains (+4.0 ppt) from Winston and Camel. Excluding unfavorable inventory movements, total shipment volume was up 18.3%. Currency-neutral core revenue grew, driven by favorable volume and price/mix variances. Year-to-date total, cigarette and fine cut shipment volumes were up 13.4% (or 11.6% excluding inventory movements), 9.3% and 19.9% respectively. Year-on-year market share increased by 2.9 ppt to 27.1%, fueled by GFBs.

In Italy, total and cigarette shipment volumes decreased by 2.1% and 4.3%, respectively, due to industry volume contraction, despite quarterly market share gains (+1.3 ppt). Fine cut shipment volume increased by 14.9%. Currency-neutral core revenue declined, due to negative volume and

price/mix contributions. Year-to-date total and fine cut shipment volumes grew by 0.8% and 13.1%, respectively, while cigarette shipment volume was down 0.7%. Year-on-year market share increased by 1.2 ppt to 25.6%, led by Winston.

In Spain, total and cigarette shipment volumes increased by 1.5% and 4.4%, respectively, driven by market share gains and favorable inventory movements. Excluding inventory movements, total shipment volume declined by 2.2%, despite quarterly market share gains (+1.3 ppt). Fine cut shipment volume was down 8.1%. Currency-neutral core revenue increased, driven by a favorable price/mix contribution. Year-to-date total and cigarette shipment volumes declined by 2.3% and 4.1%, respectively, while fine cut shipment volume increased by 5.4%. Year-on-year market share increased by 1.0 ppt to 26.6%, led by Winston and Camel.

North and Central Europe

(billions of units, millions of USD)	2019 Q4	2020 Q4	Variance
Total shipment volume	13.9	15.9	+14.5%
GFB shipment volume	7.2	8.4	+17.0%
Core revenue	542	664	+22.5% (+17.5%)*

*at constant FX

- Volume and market share²**
Total shipment volume increased by 14.5%, notably driven by Germany, Ireland, Poland, Sweden and the UK. GFB shipment volume grew by 17.0%, driven by Winston (+22.2%), Camel (+12.0%) and LD (+7.6%). Market share grew in Austria, Czech Republic, Germany, Ireland, Poland, Sweden and the UK.
- Core revenue**
Core revenue grew by 22.5%, driven by a favorable volume contribution of USD 82 million, notably from Germany, Poland and the UK, and a positive price/mix variance of USD 13 million. Excluding favorable currency movements of USD 27 million, core revenue increased by 17.5%.
- By market²**

In Germany, total, cigarette and fine cut shipment volumes increased by 7.1%, 5.5% and 8.1%, respectively, driven by improved industry volume trends related to higher domestic purchases and quarterly market share gains (+0.9 ppt). Currency-neutral core revenue grew driven by positive volume and price/mix contributions. Year-to-date total, cigarette and fine cut shipment volumes increased by 8.5%, 3.7% and 12.0% respectively. Year-on-year market share grew by 0.6ppt to 9.1%, driven by Winston.

In the UK, total, cigarette and fine cut shipment volumes increased by 18.2%, 6.0% and 31.8%, respectively, driven by improved industry volume trends from higher domestic purchases and robust quarterly market share gains (+1.0ppt). Currency-neutral core revenue increased, driven by favorable volume and price/mix contributions. Year-to-date total, cigarette and fine cut shipment volumes grew by 16.3%, 4.2% and 31.3% respectively. Year-on-year market share was up 1.4ppt to 45.0%, driven by B&H Blue in cigarettes and Amber Leaf and Sterling in fine cut.

CIS+

(billions of units, millions of USD)	2019 Q4	2020 Q4	Variance
Total shipment volume	32.4	29.3	-9.4%
GFB shipment volume	21.3	20.0	-6.1%
Core revenue	745	625	-16.1% (-5.7%)*

*at constant FX

- **Volume and market share²**

Total and GFB shipment volumes decreased by 9.4% and 6.1%, respectively, due to unfavorable inventory movements in Russia and industry volume decline. Excluding unfavorable inventory movements, total shipment volume declined by 0.9%. Market share grew in Kazakhstan, Romania, Serbia and Ukraine.

- **Core revenue**

Core revenue decreased by 16.1% as a favorable price/mix variance of USD 31 million, mainly in Kazakhstan, Romania and Ukraine, was unable to offset a negative volume contribution of USD 73 million and unfavorable currency movements of USD 78 million. Excluding currency movements, core revenue decreased by 5.7%.

- **By market²**

In Romania, total shipment volume increased by 10.0%, driven by improved industry volume from higher domestic purchases and continued quarterly market share gains (+1.5ppt). Positive volume and price/mix contributions drove an increase in currency-neutral core revenue. Year-to-date total shipment volume grew by 9.1%, driven by Winston and Sobranie. Year-on-year market share reached 29.1%, an increase of 1.1ppt.

In Russia, total and GFB shipment volumes declined by 13.1% and 8.4%, respectively, due to unfavorable inventory movements. Excluding inventory movements, total shipment volume was up 0.7% driven by quarterly market share gains (+0.8ppt) despite an estimated³ 3.3% cigarette industry volume contraction. Currency-neutral core revenue declined, due to unfavorable volume and price/mix variances. Year-to-date total and GFB shipment volumes declined by 10.0% (or 7.3% when excluding inventory movements) and 10.9%, respectively. Despite a rebound in the quarter, year-on-year market share declined to 38.4%.

Rest of the World

(billions of units, millions of USD)	2019 Q4	2020 Q4	Variance
Total shipment volume	46.8	46.0	-1.7%
GFB shipment volume	26.9	28.1	+4.6%
Core revenue¹	1,161	1,082	-6.9% (+0.7%)*

*at constant FX

- **Volume and market share²**

Total shipment volume decreased by 1.7%, due mainly to travel restrictions negatively impacting Duty-Free and lower industry volume in several emerging markets. Excluding inventory movements, total shipment volume declined by 1.8%, despite growth in the Philippines, Taiwan and Turkey. GFB shipment volume increased by 4.6%, driven by Winston (+7.9%) and LD (+19.3%). Market share increased across many markets, notably in Algeria, Brazil, Cambodia, Canada, Iran, Jordan, Malaysia, the Philippines, Saudi Arabia, Singapore, South Korea, Sudan, Taiwan, Tanzania and the USA.

- **Core revenue¹**

Core revenue decreased by 6.9%, as a favorable price/mix variance of USD 77 million, notably in Canada, Iran, Sudan, Taiwan and the USA, was more than offset by a negative volume contribution of USD 69 million and unfavorable currency movements of USD 88 million. Excluding currency movements, core revenue increased by 0.7%.

- **By market²**

In Iran, total shipment volume decreased by 1.0%, mainly due to unfavorable inventory movements. Excluding inventory movements, total shipment volume declined by 0.4%, due to quarterly market share losses (-1.1 ppt). Currency-neutral core revenue increased, fueled by a positive price/mix contribution. Year-to-date total shipment volume was up 5.9% (or 6.0% excluding inventory movements), mainly driven by Winston. Year-on-year market share increased by 0.1 ppt to 59.4%.

In Taiwan, total shipment volume grew by 12.6%, driven by improved industry volume trends from larger domestic purchases and strong quarterly GFB-led market share gains (+2.3 ppt). Excluding unfavorable inventory movements, total shipment volume was up 12.9%. Currency-neutral core revenue increased, driven by favorable volume and price/mix variances. Year-to-date total shipment volume grew by 11.5%. Year-on-year market share increased by 2.4 ppt to 47.7%, driven by LD, Mevius and Winston.

In Turkey, total shipment volume increased by 27.4%, driven by improved industry volume and favorable inventory adjustments. Excluding inventory movements, total shipment volume increased by 25.4% as quarterly market share grew by 0.3 ppt. Currency-neutral core revenue increased driven by a positive volume contribution. Year-to-date total shipment volume decreased by 3.3%, or 3.5% excluding inventory movements. Year-on-year market share decreased by 0.8 ppt to 26.6%, despite an improvement in the quarter.

¹ In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting and its adjustments have been applied to FY2020 results stated above, unless stated as constant currency basis

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

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

Japanese-Domestic Tobacco Business

(billions of units, billions of JPY)	2019 Q4	2020 Q4	Variance	FY 2019	FY 2020	Variance
Cigarette industry volume⁴	30.5	24.9	-18.4%	125.1	114.9	-8.2%
Cigarette sales volume	18.1	14.7	-18.8%	75.5	68.7	-9.0%
Core revenue	133.1	120.9	-9.1%	568.9	515.7	-9.3%
Adjusted operating profit	21.8	29.1	+33.4%	187.2	168.1	-10.2%

2020 Q4

- **Cigarette sales volume**

Cigarette industry volume⁴ decreased by 18.4% due to a natural decline trend, the impact of price revisions in October 2020, regulatory changes in April 2020 and COVID-19 as well as growth in the RRP category.

Cigarette sales volume decreased by 18.8% due to cigarette industry volume contraction and a loss in market share.

Cigarette market share⁴ decreased by 0.3 ppt year on year to 59.0% due to continued competition in the value segment.

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

Overall RRP market size⁴ in Japan is estimated at approximately 28% (shipment basis) of the total tobacco industry volume. JT's RRP sales volume was 1.0 billion units, slightly increasing year on year. JT's market share⁴ in the RRP category is estimated at approximately 11% on an offtake basis.

- **Core revenue and adjusted operating profit**

Core revenue decreased by 9.1%, mainly due to an unfavorable cigarette sales volume variance of JPY 21.4 billion and lower sales in domestic Duty-Free and China businesses despite a positive cigarette price/mix variance of JPY 12.7 billion and an increase in RRP-related revenue. RRP-related revenue increased by JPY 0.6 billion year on year to JPY 13.3 billion, mainly due to an increase in RRP sales volume while devices experienced a decrease in sales.

Adjusted operating profit increased by 33.4% driven by a positive cigarette price/mix variance of JPY 12.7 billion; a favorable comparison of an impairment loss of capsule-manufacturing machines for infused tobacco capsules, which was booked in the previous year; and lower indirect expenses due to protracted COVID-19 disruptions as well as efficient cost management and investments in priority activities. It was partially offset by an unfavorable cigarette sales volume variance of JPY 17.6 billion and lower sales in domestic Duty-Free and China businesses.

Full Year 2020

- **Cigarette sales volume**

Cigarette industry volume⁴ decreased by 8.2% due to a natural decline trend, the impact of COVID-19, price revisions and regulatory changes in April 2020 as well as growth in the RRP category.

Cigarette sales volume decreased by 9.0% due to cigarette industry volume contraction and a loss in market share.

Cigarette market share⁴ decreased by 0.5 ppt to 59.8%, due to continued competition in the value segment.

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

Overall RRP market size⁴ in Japan is estimated at approximately 26% (shipment basis) of the total tobacco industry volume. JT's RRP sales volume increased by 0.7 billion year on year to 3.9 billion units. JT's market share⁴ in the RRP category is estimated at approximately 10% on an offtake basis.

- **Core revenue and adjusted operating profit**

Core revenue decreased by 9.3%, mainly due to an unfavorable cigarette sales volume variance of JPY 43.2 billion; a decrease in RRP-related revenue; and lower sales in domestic Duty-Free and China businesses despite a positive cigarette price/mix variance of JPY 9.7 billion. RRP-related revenue decreased by JPY 5.0 billion year on year to JPY 55.9 billion due to a decrease in sales of devices and an unfavorable cigarette price/mix variance attributed to tax absorption for certain brands following price revisions in October 2019, despite an increase in RRP volume. COVID-19 is estimated to have negatively impacted the top line by about JPY 30 billion, of which about half is attributed to domestic Duty-Free and China businesses.

Adjusted operating profit decreased by 10.2% due to an unfavorable cigarette sales volume variance of JPY 35.5 billion; a decrease in RRP-related revenue; lower sales in domestic Duty-Free and China businesses; and strengthening of investment with a focus on RRP and digital marketing. It was partially offset by a positive cigarette price/mix variance of JPY 9.7 billion; a favorable comparison of an impairment loss of capsule-manufacturing machines for infused tobacco capsules, which was booked in the previous year; and significantly lower indirect expenses due to protracted COVID-19 disruptions as well as efficient cost management and investments in priority activities.

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

Pharmaceutical Business

(billions of JPY)	2019 Q4	2020 Q4	Variance	FY 2019	FY 2020	Variance
Revenue	25.2	21.4	-15.0%	88.5	79.0	-10.8%
Adjusted operating profit	8.1	4.5	-44.2%	15.9	17.2	+7.6%

2020 Q4

- **Revenue and adjusted operating profit**

Revenue decreased by 15.0% due to lower overseas royalty income and lower one-time compensation gains related to licensed compounds.

Adjusted operating profit decreased by JPY 3.6 billion due to the decrease in revenue.

Full Year 2020

- **Revenue and adjusted operating profit**

Revenue decreased by 10.8% for the reasons mentioned above.

Adjusted operating profit increased by JPY 1.2 billion due to lower R&D expenditures marked by the completion of trials for the clinical development of the product for which an application has been filed for manufacturing and marketing approvals, as well as earnings growth in our subsidiary, Torii Pharmaceutical, which more than offset the decrease in overseas royalty income. The business has not experienced any material impact on the top line from COVID-19.

Processed Food Business

(billions of JPY)	2019 Q4	2020 Q4	Variance	FY 2019	FY 2020	Variance
Revenue	43.8	40.8	-7.0%	158.6	149.3	-5.8%
Adjusted operating profit	2.5	-1.6	-	5.4	-0.8	-

2020 Q4

- **Revenue and adjusted operating profit**

Operating environment continued to be impacted by COVID-19. Revenue decreased by 7.0% due to the decline in sales related to significantly lower demand for food-service products within the frozen and ambient food as well as the seasonings businesses, in addition to the significant decline of demand and sales in the bakery business. On the other hand, sales of household products in the frozen and ambient food business increased due to stronger demand.

Adjusted operating profit decreased by JPY 4.2 billion, due to the decrease in revenue, an increase in logistics costs in the frozen and ambient food business, and an impairment loss of assets such as factories and shops in the bakery business, partially offset by improvements in product mix.

Full Year 2020

- **Revenue and adjusted operating profit**

Revenue decreased by 5.8% and adjusted operating profit decreased by JPY 6.2 billion for the reasons mentioned above. COVID-19 is estimated to have negatively impacted the top line by about JPY 11 billion.

FY2021 Forecasts

Consolidated

(billions of JPY)	2020 Results	2021 Forecasts	Variance
Revenue	2,092.6	2,080.0	-0.6%
Adjusted operating profit	487.0	475.0	-2.5%
Operating profit	469.1	363.0	-22.6%
Profit attributable to owners of the parent company	310.3	240.0	-22.6%
Adjusted operating profit at constant FX	487.0	512.0	+5.1%

- **Revenue**
Revenue is expected to decrease by 0.6% to JPY 2,080.0 billion due to negative foreign currency impacts in the international tobacco business and a decrease in the pharmaceutical business offsetting the increase in the Japanese-domestic tobacco and processed food businesses.
- **Adjusted operating profit**
Adjusted operating profit at constant currency is expected to increase by 5.1% to JPY 512.0 billion driven by increases in the international tobacco, Japanese-domestic tobacco, and processed food businesses, despite a decrease, mainly due to lower overseas royalty income, in the pharmaceutical business.
On a reported basis, adjusted operating profit is expected to decrease by 2.5% to JPY 475.0 billion due to a decrease in the pharmaceutical business and negative foreign currency impacts in the international tobacco business.
- **Operating profit and profit attributable to owners of the parent company**
Operating profit is expected to decrease by 22.6% to JPY 363.0 billion mainly due to lower adjusted operating profit and proceeds from the sales of real estate as well as the anticipated costs associated with the initiatives to strengthen competitiveness in the Japanese-domestic tobacco business.
Profit attributable to owners of the parent company is expected to decrease by 22.6% to JPY 240.0 billion despite lower financing costs.

In accordance with the requirements stipulated in IAS 29, the JT Group has applied hyperinflationary accounting and its adjustments to the FY2021 forecasts stated above, unless stated as constant currency basis.

Forecasts by Business Segment

International Tobacco Business

(billions of JPY)	2020 Results	2021 Forecasts	Variance
Core revenue⁵	1,250.8	1,230.0	-1.7%
Adjusted operating profit⁵	340.9	332.0	-2.6%
<u>Reference</u> (millions of USD)			
Core revenue⁵	11,724	11,900	+1.5% (+1.1%)*
Adjusted operating profit⁵	3,181	3,220	+1.2% (+8.4%)*

*at constant FX

- **Volume**
Despite continued market share gains, total and GFB shipment volumes are expected to decrease in the mid 3% range and approximately 1%, respectively, due to industry volume contractions.
- **Core revenue and adjusted operating profit**
Core revenue and adjusted operating profit are expected to decrease by 1.7% and 2.6% year-on-year, respectively, due to unfavorable currency movements partially offset by solid business momentum.

On a USD basis, driven by a positive price/mix contribution, constant currency core revenue is forecast to grow by 1.1%, despite an accelerated industry volume decline in Russia due to the large excise tax increase, and the anticipated unwinding of COVID-19 travel restrictions partially reversing market mix benefits. Currency-neutral adjusted operating profit is expected to increase by 8.4%, driven by top-line growth and incremental efficiencies fueled by the transformation initiative, while investments in RRP continue. On a reported basis, core revenue and adjusted operating profit are expected to increase by 1.5% and 1.2%, respectively, taking currency movements into account.

⁵ In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting and its adjustments have been applied to the FY2021 forecasts stated above, unless stated as constant currency basis.

Japanese-Domestic Tobacco Business

(billions of JPY)	2020 Results	2021 Forecasts	Variance
Core revenue	515.7	520.0	+0.8%
Adjusted operating profit	168.1	176.0	+4.7%

- **Volume**

The total tobacco industry volume⁶ is estimated to decrease in the lower 4% range year on year mainly due to a natural decline trend and the impact of price revisions. In addition to this, the cigarette industry volume⁶ is assumed to decrease in the lower 8% range year on year due to growth of the RRP category. JT estimates the RRP market size⁶ will continue to expand to represent upper 20% range of the 2021 full year total tobacco industry volume.

JT's cigarette sales volume is expected to decrease in the upper 7% range year on year mainly due to cigarette industry volume contraction. JT's RRP sales volume is assumed to increase to over 4.5 billion units. JT plans to launch a next generation device for its heated tobacco sticks early in the second half of 2021.

- **Core revenue and adjusted operating profit**

Core revenue is forecast to increase by 0.8% year on year to JPY 520.0 billion driven by a favorable cigarette price/mix contribution and an increase in RRP-related revenue, partially offset by an unfavorable cigarette volume contribution. This also includes certain assumptions regarding partial recovery of domestic Duty-Free and China businesses.

Adjusted operating profit is also expected to increase by 4.7% year on year to JPY 176.0 billion driven by the top-line increase, partially offset by the strengthening of investment in the RRP category and year-on-year increase of indirect expenses, which was significantly lower in 2020 due to protracted COVID-19 disruptions.

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

Pharmaceutical Business

(billions of JPY)	2020 Results	2021 Forecasts	Variance
Core revenue	79.0	76.5	-3.1%
Adjusted operating profit	17.2	7.0	-59.2%

- **Revenue and adjusted operating profit**

Revenue is forecast to decrease by 3.1% year on year to JPY 76.5 billion mainly due to lower overseas royalty income, partially offset by an increase in revenue in our subsidiary, Torii Pharmaceutical, and an increase in one-time compensation gains from licensed compounds.

Adjusted operating profit is forecast to decrease by JPY 10.2 billion to JPY 7.0 billion due to an increase in R&D expenditures in addition to the decrease in revenue.

Processed Food Business

(billions of JPY)	2020 Results	2021 Forecasts	Variance
Core revenue	149.3	151.0	+1.1%
Adjusted operating profit	-0.8	3.0	-

- **Revenue and adjusted operating profit**

Revenue is expected to increase 1.1% to JPY 151.0 billion due to partial recovery in food-service products in both the frozen and ambient food as well as the seasonings businesses in addition to partial recovery in the bakery business, which were impacted by COVID-19 in 2020.

Adjusted operating profit is forecast to increase by JPY 3.8 billion to JPY 3.0 billion driven by the increase in revenue, efforts to improve profitability such as cost reduction, and a favorable comparison of an impairment loss of assets such as factories and shops in the bakery business, which was booked in 2020.

Data Sheets

Results for FY2020

1. Summary of Consolidated results

(Unit: JPY billion)

	2019 YTD	2020 YTD	Variance (abs)	Variance (%)
Revenue	2,175.6	2,092.6	-83.1	-3.8%
Operating profit	502.4	469.1	-33.3	-6.6%
Adjusted operating profit	515.9	487.0	-29.0	-5.6%
Profit before income taxes	465.2	420.1	-45.2	-9.7%
Profit	361.6	312.0	-49.6	-13.7%
Profit (attributable to owners of the parent company)	348.2	310.3	-37.9	-10.9%
Annual dividend (JPY)	154	154	-	-
Basic EPS*(JPY)	195.97	174.88	-21.09	-10.8%
ROE*	13.2%	12.0%	-1.2%pt	

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2019 YTD	2020 YTD	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	515.9	544.5	+28.6	+5.5%

2. Results by business segment

(Unit: JPY billion)

	2019 YTD	2020 YTD	Variance (abs)	Variance (%)
Revenue	2,175.6	2,092.6	-83.1	-3.8%
Japanese-domestic tobacco	611.5	555.6	-55.9	-9.1%
Core revenue	568.9	515.7	-53.1	-9.3%
International tobacco	1,310.9	1,306.2	-4.6	-0.4%
Core revenue	1,253.0	1,250.8	-2.2	-0.2%
Pharmaceutical	88.5	79.0	-9.6	-10.8%
Processed food	158.6	149.3	-9.3	-5.8%
Others	6.1	2.5	-3.7	-59.7%
Consolidated: operating profit	502.4	469.1	-33.3	-6.6%
Japanese-domestic tobacco	171.0	151.8	-19.1	-11.2%
International tobacco	274.0	296.4	+22.4	+8.2%
Pharmaceutical	72.7	16.5	-56.2	-77.3%
Processed food	5.5	-0.8	-6.4	-
Others/Elimination	-20.8	5.1	+26.0	-
Adjustments, total	-13.6	-17.9	-4.3	
Japanese-domestic tobacco	-16.2	-16.2	-0.0	
International tobacco	-66.7	-44.4	+22.3	
Pharmaceutical	56.8	-0.7	-57.4	
Processed food	0.1	-0	-0.1	
Others/Elimination	12.5	43.5	+30.9	
Consolidated: adjusted operating profit	515.9	487.0	-29.0	-5.6%
Japanese-domestic tobacco	187.2	168.1	-19.1	-10.2%
International tobacco	340.8	340.9	+0.1	+0.0%
Pharmaceutical	15.9	17.2	+1.2	+7.6%
Processed food	5.4	-0.8	-6.2	-
Others/Elimination	-33.4	-38.4	-5.0	-

[Reference] International tobacco business

(Unit: USD million)

	2019 YTD	2020 YTD	Variance (abs)	Variance (%)
Core revenue	11,496	11,724	+229	+2.0%
Core revenue at constant FX	11,496	12,300	+805	+7.0%
Adjusted operating profit	3,126	3,181	+55	+1.8%
Adjusted operating profit at constant FX	3,126	3,652	+526	+16.8%

Results for FY2020

3. Adjusted operating profit (and total adjustments) by business segment

(Unit: JPY billion)

	2019 YTD	2020 YTD	Variance (abs)	Variance (%)
Consolidated: operating profit	502.4	469.1	-33.3	-6.6%
Adjustments, total	13.6	17.9	+4.3	
Amortization of acquired intangibles	69.6	63.2	-6.5	
Adjustments (income)	-84.5	-52.0	+32.5	
Adjustments (costs)	28.4	6.7	-21.7	
Consolidated: adjusted operating profit	515.9	487.0	-29.0	-5.6%
Japanese-domestic tobacco: operating profit	171.0	151.8	-19.1	-11.2%
Adjustments, total	16.2	16.2	+0.0	
Amortization of acquired intangibles	16.2	16.2	-	
Adjustments (income)	-0.0	-	+0.0	
Adjustments (costs)	-	-	-	
Japanese-domestic tobacco: adjusted operating profit	187.2	168.1	-19.1	-10.2%
International tobacco: operating profit	274.0	296.4	+22.4	+8.2%
Adjustments, total	66.7	44.4	-22.3	
Amortization of acquired intangibles	53.4	46.9	-6.5	
Adjustments (income)	-8.8	-5.8	+3.0	
Adjustments (costs)	22.1	3.3	-18.9	
International tobacco: adjusted operating profit	340.8	340.9	+0.1	+0.0%
Pharmaceutical: operating profit	72.7	16.5	-56.2	-77.3%
Adjustments, total	-56.8	0.7	+57.4	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-61.0	-0.2	+60.9	
Adjustments (costs)	4.3	0.8	-3.4	
Pharmaceutical: adjusted operating profit	15.9	17.2	+1.2	+7.6%
Processed food: operating profit	5.5	-0.8	-6.4	-
Adjustments, total	-0.1	0.0	+0.1	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-0.5	-0.0	+0.5	
Adjustments (costs)	0.4	0.0	-0.3	
Processed food: adjusted operating profit	5.4	-0.8	-6.2	-
Others / Elimination: operating profit	-20.8	5.1	+26.0	-
Adjustments, total	-12.5	-43.5	-30.9	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-14.2	-46.1	-31.9	
Adjustments (costs)	1.6	2.6	+0.9	
Others / Elimination: adjusted operating profit	-33.4	-38.4	-5.0	-

4. Depreciation and amortization*

(Unit: JPY billion)

	2019 YTD	2020 YTD	Variance (abs)
Consolidated: depreciation and amortization	168.1	160.0	-8.1
Japanese-domestic tobacco	55.6	52.9	-2.7
International tobacco	98.1	93.7	-4.3
Pharmaceutical	5.5	5.0	-0.5
Processed food	6.8	6.7	-0.2
Others/Elimination	2.1	1.6	-0.4

*Excluding depreciations from lease transactions

5. Consolidated financial position

(Unit: JPY billion)

	2019 Dec. end	2020 Dec. end	Variance (abs)
Total assets	5,553.1	5,381.4	-171.7
Total equity	2,743.6	2,599.5	-144.1
Equity attributable to owners of the parent company	2,662.7	2,522.8	-139.9
BPS (attributable to owners of the parent company) (JPY)	1,501.12	1,421.92	-79.20

Results for FY2020

6. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2019 Dec. end	2020 Dec. end	Variance (abs)
Liquidity	375.8	548.3	+172.5
Interest-bearing debt	974.5	958.9	-15.6

7. Consolidated cash flow

(Unit: JPY billion)

	2019 YTD	2020 YTD	Variance (abs)
Cash flows from operating activities	540.4	519.8	-20.6
Cash flows from investing activities	-123.6	5.4	+128.9
Cash flows from financing activities	-333.8	-297.4	+36.4
Cash and cash equivalents, beginning of the year	282.1	357.2	+75.1
Foreign currency translation adj. on cash & cash equivalents	-7.9	-46.1	-38.2
Cash and cash equivalents, end of the year	357.2	538.8	+181.7
FCF	404.2	503.9	+99.7

8. Capital expenditures

(Unit: JPY billion)

	2019 YTD	2020 YTD	Variance (abs)
Consolidated: capital expenditures	131.4	112.9	-18.6
Japanese-domestic tobacco	34.8	21.1	-13.7
International tobacco	78.3	66.6	-11.7
Pharmaceutical	7.0	9.1	+2.1
Processed food	6.1	8.0	+1.8
Others/Elimination	5.2	8.2	+2.9

9. FX actual (Reference information)

	2019 YTD	2020 YTD	Variance (abs)	Variance (%)
USD/JPY	109.03	106.76	-2.27	-2.1%
USD/RUB	64.74	72.07	+7.33	-10.2%
USD/GBP	0.78	0.78	-0.00	+0.5%
USD/EUR	0.89	0.88	-0.02	+1.8%
USD/CHF	0.99	0.94	-0.05	+5.8%
USD/TWD	30.90	29.47	-1.43	+4.9%
USD/TRY	5.67	7.01	+1.34	-19.1%
USD/IRR	104,046		*	

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

*In accordance with the requirements stipulated in IAS 29, the closing currency rates for the month ended December 2020 have been applied when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. Similarly, the estimated month-end rates are also applied upon conversions from the US dollar to the Japanese yen. (USD/IRR: 258,747, USD/JPY: 103.50)

10. Pharmaceutical business

	2019 YTD	2020 YTD	Variance (abs)	Variance (%)
R&D expenses	33.2	25.2	-8.0	-24.1%

Results for FY2020

11. Consolidated statement of income (continuing operations)

(Unit: JPY billion)

	2019 YTD	2020 YTD	Variance (abs)	Variance (%)
Revenue	2,175.6	2,092.6	-83.1	-3.8%
Cost of sales	942.3	898.0	-44.3	-4.7%
Gross profit	1,233.3	1,194.6	-38.8	-3.1%
Other operating income	95.7	54.9	-40.8	-42.6%
Share of profit in investments accounted for using the equity method	5.0	4.0	-1.0	-19.3%
SG & A	831.7	784.5	-47.2	-5.7%
Advertising expenses	33.5	27.3	-6.2	-18.6%
Promotion expenses	102.1	92.1	-9.9	-9.7%
Commission	55.5	57.6	+2.1	+3.9%
Employee benefit expenses	309.6	307.2	-2.4	-0.8%
R&D expenses	64.1	60.8	-3.2	-5.0%
Depreciation and amortization	106.1	103.7	-2.4	-2.3%
Impairment losses other than financial assets	16.1	12.6	-3.6	-22.0%
Losses on sale and disposal of PP&E, intangible assets and investment properties	9.4	7.6	-1.8	-19.5%
Other	135.3	115.6	-19.7	-14.6%
Operating profit	502.4	469.1	-33.3	-6.6%
Amortization of acquired intangibles	69.6	63.2	-6.5	
Adjustments (income)	-84.5	-52.0	+32.5	
Adjustments (costs)	28.4	6.7	-21.7	
Adjusted operating profit	515.9	487.0	-29.0	-5.6%
Financial income	8.4	12.4	+4.0	+47.0%
Dividend income	1.9	0.9	-1.0	-51.9%
Interest income	6.0	6.4	+0.4	+6.2%
Foreign exchange gain	-	-	-	-
Other	0.5	1.9	+1.4	+312.7%
Financial costs	45.5	61.3	+15.8	+34.7%
Interest expenses	27.6	22.5	-5.0	-18.2%
Employee benefit expenses	2.8	2.2	-0.6	-22.0%
Foreign exchange loss	13.3	35.8	+22.5	+169.3%
Other	1.9	0.8	-1.1	-56.2%
Profit before income taxes	465.2	420.1	-45.2	-9.7%
Income taxes	103.6	108.0	+4.4	+4.3%
Profit for the period	361.6	312.0	-49.6	-13.7%
Attributable to owners of the parent	348.2	310.3	-37.9	-10.9%
Attributable to non-controlling interests	13.4	1.8	-11.7	-86.8%

Results for FY2020

12. Consolidated financial position (continuing & discontinued operations combined)

(Unit: JPY billion)

	2019 Dec. end	2020 Dec. end	Variance (abs)
Current assets	1,925.7	2,003.9	+78.2
Cash and cash equivalents	357.2	538.8	+181.7
Trade and other receivables	458.5	412.1	-46.4
Inventories	583.7	539.8	-43.9
Other financial assets ^{*1}	21.9	18.8	-3.1
Other current assets	504.3	494.0	-10.3
Non-current assets held-for-sale	0.0	0.3	+0.3
Non-current assets	3,627.4	3,377.5	-249.9
Property, plant & equipment	803.2	759.3	-43.9
Goodwill ^{*2}	2,002.6	1,909.4	-93.2
Intangible assets ^{*3}	440.4	363.6	-76.8
Investment property	16.6	4.7	-11.8
Retirement benefit assets	67.4	70.5	+3.2
Investments accounted for using the equity method	52.9	40.2	-12.7
Other financial assets ^{*1}	109.6	107.1	-2.4
Deferred tax assets	134.7	122.5	-12.2
Total assets	5,553.1	5,381.4	-171.7
Current liabilities	1,501.8	1,323.8	-178.0
Trade and other payables	408.6	436.5	+27.9
Bonds and borrowings ^{*4}	284.1	141.5	-142.7
Income tax payables	69.5	46.5	-23.1
Other financial liabilities ^{*4}	21.9	27.6	+5.7
Provisions	18.3	19.4	+1.1
Other current liabilities ^{*5}	699.3	652.3	-47.0
Liabilities directly associated with non-current assets held-for-sale	-	-	-
Non-current liabilities	1,307.7	1,458.1	+150.4
Bonds and borrowings ^{*4}	690.4	817.4	+127.0
Other financial liabilities ^{*4}	41.1	50.2	+9.1
Retirement benefit liabilities	320.6	331.8	+11.1
Provisions	40.2	31.3	-8.8
Other non-current liabilities ^{*5}	135.1	163.0	+27.9
Deferred tax liabilities	80.4	64.4	-16.0
Total liabilities	2,809.5	2,781.9	-27.6
Equity	2,743.6	2,599.5	-144.1
Share capital	100.0	100.0	-
Capital surplus	736.4	736.4	-
Treasury shares	-492.5	-491.5	+1.0
Other components of equity	-431.7	-605.8	-174.0
Retained earnings	2,750.5	2,783.7	+33.2
Non-controlling interests	80.9	76.7	-4.3
Total liabilities and equity	5,553.1	5,381.4	-171.7

*1: Other financial assets (current & non-current combined)

Other financial assets	2019 Dec. end	2020 Dec. end	Variance (abs)
Derivative assets	2.6	8.6	+6.0
Equity securities	32.7	26.7	-6.0
Debt securities	18.6	18.8	+0.2
Time deposits	0.8	0.9	+0.2
Other	82.8	76.8	-5.9
Allowance for doubtful accounts	-5.9	-5.9	+0.1

*2: Goodwill – Cash-generating unit

Goodwill – Cash-generating unit	2019 Dec. end	2020 Dec. end	Variance (abs)
Japanese-domestic tobacco	265.9	265.9	-
International tobacco	1,711.3	1,618.1	-93.2
Processed food	25.4	25.4	-

*3: Intangible assets – Trademarks

Intangible assets – Trademarks	2019 Dec. end	2020 Dec. end	Variance (abs)
Japanese-domestic tobacco	98.7	82.1	-16.5
International tobacco	262.0	205.2	-56.7

*4: Bonds and borrowings and other financial liabilities

(current & non-current combined)

Total financial liabilities	2019 Dec. end	2020 Dec. end	Variance (abs)
Derivative liabilities	7.7	10.3	+2.6
Short-term borrowings	192.6	51.6	-140.9
Commercial paper	-	-	-
Current portion of long-term borrowings	11.6	12.2	+0.7
Current portion of bonds	80.0	77.6	-2.4
Long-term borrowings	103.7	192.7	+89.0
Bonds	586.6	624.7	+38.1
Other	55.2	67.4	+12.2

*5: Other liabilities (current & non-current combined)

Total other liabilities	2019 Dec. end	2020 Dec. end	Variance (abs)
Tobacco excise tax payables	303.0	268.6	-34.4
Tobacco special excise tax payables	10.1	8.5	-1.5
Tobacco local excise tax payables	163.4	158.9	-4.5
Consumption tax payables	124.7	129.8	+5.1
Bonus to employees	49.5	57.0	+7.5
Employee's unused paid vacations liabilities	19.5	20.3	+0.8
Other	164.3	172.2	+7.9

FY2021 Forecasts (as of February 9, 2021)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Revenue	2,092.6	2,080.0	-12.6	-0.6%
Operating profit	469.1	363.0	-106.1	-22.6%
Adjusted operating profit	487.0	475.0	-12.0	-2.5%
Profit (attributable to owners of the parent company)	310.3	240.0	-70.3	-22.6%

[Reference] Consolidated forecast

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	487.0	512.0	+25.0	+5.1%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Basic EPS*	174.88	135.30	-39.57	-22.6%
DPS	154	130	-24.00	-15.6%
ROE*	12.0%	9.6%	-2.4%pt	

*Based on profit attributable to owners of the parent company

3. Forecasts by business segment

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Revenue	2,092.6	2,080.0	-12.6	-0.6%
Japanese-domestic tobacco	555.6	560.0	+4.4	+0.8%
Core revenue	515.7	520.0	+4.3	+0.8%
International tobacco	1,306.2	1,290.0	-16.2	-1.2%
Core revenue	1,250.8	1,230.0	-20.8	-1.7%
Pharmaceutical	79.0	76.5	-2.5	-3.1%
Processed food	149.3	151.0	+1.7	+1.1%
Others	2.5	3.0	+0.5	+21.3%
Consolidated: operating profit	469.1	363.0	-106.1	-22.6%
Japanese-domestic tobacco	151.8	123.0	-28.8	-19.0%
International tobacco	296.4	280.0	-16.4	-5.5%
Pharmaceutical	16.5	7.0	-9.5	-57.5%
Processed food	-0.8	2.0	+2.8	-
Others/Elimination	5.1	-49.0	-54.1	-
Consolidated: adjusted operating profit	487.0	475.0	-12.0	-2.5%
Japanese-domestic tobacco	168.1	176.0	+7.9	+4.7%
International tobacco	340.9	332.0	-8.9	-2.6%
Pharmaceutical	17.2	7.0	-10.2	-59.2%
Processed food	-0.8	3.0	+3.8	-
Others/Elimination	-38.4	-43.0	-4.6	-

[Reference] International tobacco business

(Unit: USD million)

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
Core revenue	11,724	11,900	+176	+1.5%
Core revenue at constant FX	11,724	11,850	+126	+1.1%
Adjusted operating profit	3,181	3,220	+39	+1.2%
Adjusted operating profit at constant FX	3,181	3,450	+269	+8.4%

FY2021 Forecasts (as of February 9, 2021)

4. Free cash flow

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)
FCF	503.9	315.0	-188.9

5. Capital expenditures

(Unit: JPY billion)

	FY2020 Results	FY2021 Forecasts	Variance (abs)
Consolidated: capital expenditures	112.9	147.5	+34.6
Japanese-domestic tobacco	21.1	30.0	+8.9
International tobacco	66.6	92.0	+25.4
Pharmaceutical	9.1	5.0	-4.1
Processed food	8.0	14.5	+6.5
Others/Elimination	8.2	6.0	-2.2

6. Assumptions of 2020 Forecast

2021 Japanese-domestic tobacco business

- Industry volume: a decrease of a lower 4% range (vs. 2020: 155.0 BnU)
- Cigarette industry volume: a decrease of a lower 8% range (vs. 2020 : 114.9 BnU)
 - JT cigarette sales volume : a decrease of an upper 7% range (vs. 2020 : 68.7 BnU)
- Reduced-Risk Products market share in tobacco industry (Shipment base) : upper 20% range (2020: approx. 26%)
 - JT RRP sales volume : over 4.5 BnU stick equivalent

2021 International tobacco business

- Total shipment volume : a decrease in the mid 3% range (vs. 2020: 435.7 BnU)
- GFB shipment volume : a decrease of approx. 1% (vs. 2020: 282.0 BnU)

<FX assumptions>

	FY2020 Results	FY2021 Forecasts	Variance (abs)	Variance (%)
USD/JPY	106.76	103.00	-3.76	-3.5%
USD/RUB	72.07	76.00	+3.93	-5.2%
USD/GBP	0.78	0.74	-0.04	+5.4%
USD/EUR	0.88	0.82	-0.06	+7.0%
USD/CHF	0.94	0.90	-0.04	+4.4%
USD/TWD	29.47	29.00	-0.47	+1.6%
USD/TRY	7.01	8.00	+0.99	-12.4%

<FX sensitivity>

FX Sensitivity Guidance for FX impact on 2021 adjusted operating profit of USD 3,220 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 54MM impacting on USD based adjusted operating profit

This amount of approximately USD 54MM composed of:

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

USD vs. JPY

USD/JPY move of 1 yen from the assumption leads to approximately JPY 3.3 billion impact on JPY-based adjusted operating profit

Tobacco Business Data

International Tobacco Business

1. Summary (YTD)

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

	2019 Q4	2020 Q4	Variance	Variance (%)	
Total shipment volume	445.8	435.7	-10.1	-2.3%	BNU
GFB shipment volume	277.0	282.0	+5.0	+1.8%	BNU
Core Revenue	1,253.0	1,250.8	-2.2	-0.2%	JPY BN
Adjusted operating profit	340.8	340.9	+0.1	+0.0%	JPY BN

[USD Reference information]

Core Revenue	11,496	11,724	+229	+2.0%	USD MM
Adjusted operating profit	3,126	3,181	+55	+1.8%	USD MM
Constant FX basis					
Core Revenue	11,496	12,300	+805	+7.0%	USD MM
Adjusted operating profit	3,126	3,652	+526	+16.8%	USD MM

· Contribution by cluster (vs. PY)

(BNU/USD MM)

Reported

2020	Total Shipment Volume		GFB Shipment Volume		Core Revenue		Adjusted Operating Profit	
SWE	66.3	+2.2%	55.7	+5.5%	2,052	+3.3%	617	-4.1%
NCE	63.4	+13.5%	33.3	+16.8%	2,549	+17.6%	1,009	+18.9%
CIS+	122.2	-7.1%	82.8	-8.1%	2,755	-3.1%	904	-8.5%
RoW	183.8	-5.0%	110.2	+4.4%	4,367	-2.9%	652	+0.7%
Total	435.7		282.0		11,724		3,181	

At constant FX

2020	Core Revenue		Adjusted Operating Profit	
SWE	2,013	+1.3%	628	-2.4%
NCE	2,528	+16.7%	1,028	+21.1%
CIS+	2,981	+4.9%	1,049	+6.2%
RoW	4,778	+6.2%	948	+46.5%
Total	12,300		3,652	

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

2020	Q1	Q2	Q3	Q4	YTD
SWE	+6.7%	-2.2%	+1.3%	+3.0%	+2.2%
France	+5.7%	+20.9%	+9.6%	+18.0%	+13.4%
Italy	+9.8%	-7.6%	+2.5%	-2.1%	+0.8%
Spain	+14.3%	-18.3%	-5.0%	+1.5%	-2.3%
NCE	+9.9%	+10.7%	+18.2%	+14.5%	+13.5%
Germany	+7.8%	+11.7%	+7.4%	+7.1%	+8.5%
UK	+9.9%	+19.5%	+17.3%	+18.2%	+16.3%
CIS+	-2.7%	-10.9%	-4.4%	-9.4%	-7.1%
Romania	+16.8%	-1.1%	+11.6%	+10.0%	+9.1%
Russia	-5.7%	-13.7%	-6.6%	-13.1%	-10.0%
RoW	-4.7%	-14.2%	+1.1%	-1.7%	-5.0%
Iran	+14.1%	+5.6%	+5.7%	-1.0%	+5.9%
Taiwan	+2.5%	+9.5%	+21.4%	+12.6%	+11.5%
Turkey	-11.8%	-25.9%	+8.5%	+27.4%	-3.3%
Total	-0.6%	-8.5%	+1.6%	-1.3%	-2.3%

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

(BNU)

2020	Q1	Q2	Q3	Q4	YTD
Winston	37.7	39.1	43.6	38.7	159.1
	+5.7%	-2.3%	+4.6%	+1.8%	+2.4%
Camel	14.4	13.0	15.1	14.4	56.9
	+3.4%	-11.7%	-0.1%	+8.2%	-0.3%
MEVIUS	3.9	3.6	4.1	3.7	15.3
	-1.0%	-11.9%	+4.3%	-5.7%	-3.7%
LD	11.5	13.1	14.2	12.0	50.7
	+5.9%	+0.1%	+7.7%	+3.5%	+4.2%

Tobacco Business Data

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

2020	Q1	Q2	Q3	Q4	YTD
SWE	+7.8%	+2.2%	+4.9%	+7.3%	+5.5%
France	+5.8%	+26.2%	+12.5%	+20.5%	+16.1%
Italy	+12.2%	-7.6%	+5.1%	+1.5%	+2.9%
Spain	+14.6%	-11.0%	-0.1%	+6.9%	+2.3%
NCE	+17.1%	+10.3%	+22.5%	+17.0%	+16.8%
Germany	+23.9%	+17.5%	+9.1%	+8.5%	+14.2%
UK	-23.9%	-14.0%	-14.1%	-19.2%	-17.7%
CIS+	-7.6%	-11.7%	-6.6%	-6.1%	-8.1%
Romania	+14.1%	-2.5%	+8.7%	+11.6%	+7.7%
Russia	-16.0%	-11.7%	-8.0%	-8.4%	-10.9%
RoW	+9.9%	-4.9%	+8.2%	+4.6%	+4.4%
Iran	+19.3%	+6.3%	+9.2%	-0.6%	+8.2%
Taiwan	+1.8%	+7.4%	+19.4%	+10.9%	+9.9%
Turkey	-8.7%	-24.1%	+13.5%	+29.5%	-0.3%
Total	+4.8%	-4.4%	+4.2%	+2.9%	+1.8%

5. Share of market by key markets

	12-month moving average			3-month average				
	2019 Dec.	2020 Dec.	Change	2019 Q4	2020 Q1	2020 Q2	2020 Q3	2020 Q4
France	24.2%	27.1%	+2.9%pt	24.4%	25.1%	27.2%	27.6%	28.3%
Italy	24.5%	25.6%	+1.2%pt	24.6%	25.1%	25.3%	26.2%	25.9%
Russia	39.1%	38.4%	-0.7%pt	38.4%	38.4%	38.2%	37.8%	39.2%
Spain	25.6%	26.6%*	+1.0%pt	26.1%	26.0%	26.2%	27.0%	27.5%*
Taiwan	45.3%	47.7%	+2.4%pt	46.1%	46.8%	47.4%	47.9%	48.4%
Turkey	27.4%	26.6%	-0.8%pt	26.5%	26.9%	26.3%	26.5%	26.8%
UK	43.6%	45.0%	+1.4%pt	44.3%	44.3%	44.9%	45.3%	45.3%

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

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

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

(USD MM)

2020	Q1	Q2	Q3	Q4	YTD
SWE	559	498	534	422	2,013
	+9.3%	-4.1%	-1.2%	+1.5%	+1.3%
NCE	563	630	699	637	2,528
	+16.8%	+12.8%	+19.5%	+17.5%	+16.7%
CIS+	646	782	850	703	2,981
	+17.7%	+3.9%	+6.8%	-5.7%	+4.9%
RoW	1,201	1,166	1,241	1,169	4,778
	+13.3%	+7.2%	+4.3%	+0.7%	+6.2%
Total	2,969	3,076	3,325	2,930	12,300
	+14.1%	+5.4%	+6.8%	+2.3%	+7.0%

Tobacco Business Data

7. Breakdown of Core Revenue

In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting and its adjustments have been applied to FY2020 year-to-date, Q3 and Q4 results stated in the tables below, unless stated as constant currency basis. The rows for "FX," "Local currencies vs. USD," "JPY vs. USD" indicate the net impact of these adjustments as well as the conventional FX impact.

• USD basis					(USD MM)
	Q1	Q2	Q3	Q4	YTD
2019	2,602	2,919	3,112	2,864	11,496
Volume	+62	-111	+138	-56	+33
Price/Mix	+305	+269	+75	+123	+772
2020 at constant	2,969	3,076	3,325	2,930	12,300
FX	-102	-159	-208	-107	-576
2020	2,866	2,918	3,116	2,824	11,724

• Yen basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2019	286.8	320.7	334.1	311.5	1,253.0
Operations	+40.4	+17.3	+22.9	+7.3	+87.9
Local currencies vs. USD	-11.3	-17.4	-22.4	-11.6	-62.7
JPY vs. USD	-3.9	-6.6	-4.2	-12.8	-27.5
2020	312.0	314.0	330.4	294.3	1,250.8

8. Breakdown of Adjusted Operating Profit

In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting and its adjustments have been applied to FY2020 year-to-date, Q3 and Q4 results stated in the tables below, unless stated as constant currency basis. The rows for "FX," "Local currencies vs. USD," "JPY vs. USD" indicate the net impact of these adjustments as well as the conventional FX impact.

• USD basis					(USD MM)
	Q1	Q2	Q3	Q4	YTD
2019	809	876	1,034	407	3,126
Volume	+49	-32	+103	-47	+73
Price/Mix	+299	+270	+66	+108	+743
Others	-110	-16	-113	-51	-290
2020 at constant	1,047	1,097	1,091	417	3,652
FX	-91	-73	-142	-165	-471
2020	956	1,025	949	252	3,181

• Yen basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2019	89.2	96.2	111.1	44.3	340.8
Operations	+26.2	+24.4	+6.1	+1.1	+57.7
Local currencies vs. USD	-10.0	-8.0	-15.3	-17.9	-51.2
JPY vs. USD	-1.3	-2.3	-1.4	-1.4	-6.4
2020	104.1	110.3	100.5	26.1	340.9

9. FX actual vs. PY

2020	Q1	Q2	Q3	Q4	YTD
USD/RUB	66.33	72.15	73.58	76.23	72.07
	-0.3%	-10.5%	-12.2%	-16.4%	-10.2%
USD/GBP	0.78	0.81	0.78	0.76	0.78
	-1.7%	-3.4%	+4.6%	+2.6%	+0.5%
USD/EUR	0.91	0.91	0.86	0.84	0.88
	-2.9%	-2.0%	+5.0%	+7.7%	+1.8%
USD/CHF	0.97	0.96	0.92	0.90	0.94
	+3.0%	+4.1%	+7.1%	+9.4%	+5.8%
USD/TWD	30.11	29.91	29.35	28.50	29.47
	+2.4%	+4.0%	+6.2%	+7.0%	+4.9%
USD/TRY	6.10	6.86	7.21	7.86	7.01
	-12.1%	-14.4%	-21.5%	-26.5%	-19.1%
USD/IRR	128,673	150,740	*	*	*
	-31.3%	-30.6%			
USD/JPY	108.86	107.63	106.23	104.51	106.76
	-1.2%	-2.1%	-1.1%	-3.9%	-2.1%

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

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

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

*In accordance with the requirements stipulated in IAS 29, the closing currency rates for respective quarters and the month ended December 2020 have been applied to the Q3/Q4 and FY2020 year-to-date results respectively, when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. The same rates apply for conversions from the US dollar to the Japanese yen. (Closing currency rates for the month ended December 2020 USD/IRR:258,747, USD/JPY: 103.50)

Tobacco Business Data

10. Key markets

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

Italy

• Industry volume evolution

	FY2019	FY2020	Var.
Total industry	71.3	68.9	-3.4%
Cigarette	64.6	61.7	-4.5%
Fine-cut	6.7	7.1	+6.8%

• Share evolution

	FY2019	FY2020	Var.	Q1 2020	Q2 2020	Q3 2020	Q4 2020
JTI SoM	24.5%	25.6%	+1.2%pt	25.1%	25.3%	26.2%	25.9%
GFB SoM	19.5%	20.7%	+1.3%pt	20.1%	20.3%	21.3%	21.1%
Winston SoM	9.2%	11.3%	+2.0%pt	10.0%	10.9%	11.9%	12.2%
Camel SoM	10.2%	9.4%	-0.8%pt	10.1%	9.4%	9.4%	8.9%
Benson & Hedges SoM	3.8%	3.7%	-0.1%pt	3.8%	3.8%	3.6%	3.6%
JTI SoV	24.2%	25.3%	+1.0%pt	24.7%	24.9%	25.7%	25.6%

France

• Industry volume evolution

	FY2019	FY2020	Var.
Total industry	48.1	48.1	-0.0%
Cigarette	37.2	35.8	-3.7%
Fine-cut	10.9	12.3	+12.6%

• Share evolution

	FY2019	FY2020	Var.	Q1 2020	Q2 2020	Q3 2020	Q4 2020
JTI SoM	24.2%	27.1%	+2.9%pt	25.1%	27.2%	27.6%	28.3%
GFB SoM	19.7%	22.6%	+2.9%pt	20.7%	22.7%	23.1%	23.8%
Winston SoM	10.6%	12.3%	+1.7%pt	11.1%	12.3%	12.5%	13.1%
Camel SoM	9.2%	10.4%	+1.2%pt	9.5%	10.5%	10.6%	10.7%
Benson & Hedges SoM	1.7%	1.6%	-0.1%pt	1.6%	1.5%	1.6%	1.6%
Fleur de Pays SoM	2.4%	2.6%	+0.2%pt	2.5%	2.6%	2.5%	2.6%
JTI SoV	22.1%	25.0%	+2.9%pt	22.9%	24.8%	25.5%	26.2%

Spain

• Industry volume evolution

	FY2019	FY2020	Var.
Total industry	53.7	50.5	-6.0%
Cigarette	44.5	40.8	-8.3%
Fine-cut	9.2	9.7	+5.3%

• Share evolution

	FY2019	FY2020 [*]	Var.	Q1 2020	Q2 2020	Q3 2020	Q4 2020 [*]
JTI SoM	25.6%	26.6%	+1.0%pt	26.0%	26.2%	27.0%	27.5%
GFB SoM	22.6%	24.3%	+1.7%pt	23.5%	24.5%	24.6%	25.2%
Winston SoM	13.4%	14.4%	+1.0%pt	14.0%	15.0%	14.2%	14.9%
Camel SoM	9.2%	9.9%	+0.7%pt	9.5%	9.5%	10.4%	10.3%
JTI SoV	25.1%	26.0%	+0.9%pt	25.5%	25.5%	26.5%	26.8%

^{*} 12-month moving average and 2-month average at the end of November 2020, respectively

Tobacco Business Data

UK

• Industry volume evolution		(BNU)		
	FY2019	FY2020	Var.	
Total industry	41.0	45.3	+10.4%	
Cigarette	24.4	24.4	+0.1%	
Fine-cut	16.6	20.9	+25.7%	

• Share evolution

	FY2019	FY2020	Var.	Q1 2020	Q2 2020	Q3 2020	Q4 2020
JTI SoM	43.6%	45.0%	+1.4%pt	44.3%	44.9%	45.3%	45.3%
GFB SoM	0.2%	0.1%	-0.0%pt	0.1%	0.1%	0.1%	0.1%
Amber Leaf SoM	12.8%	13.4%	+0.7%pt	12.9%	14.1%	13.4%	13.2%
Sterling SoM	11.4%	12.3%	+0.9%pt	12.1%	12.1%	12.2%	12.6%
Benson & Hedges SoM	9.3%	9.6%	+0.2%pt	9.4%	9.1%	9.9%	9.8%
Silk Cut SoM	1.5%	1.4%	-0.1%pt	1.4%	1.4%	1.4%	1.3%
Mayfair SoM	2.4%	2.2%	-0.2%pt	2.2%	2.1%	2.2%	2.1%
JTI SoV	43.6%	45.2%	+1.6%pt	44.3%	44.8%	45.8%	45.6%

Russia

• Industry volume evolution		(BNU)		
	FY2019	FY2020	Var.	
Cigarette industry	219.2	208.3	-5.0%	

• Share evolution

	FY2019	FY2020	Var.	Q1 2020	Q2 2020	Q3 2020	Q4 2020
JTI SoM	39.1%	38.4%	-0.7%pt	38.4%	38.2%	37.8%	39.2%
GFB SoM	25.2%	25.1%	-0.1%pt	24.6%	24.6%	24.7%	26.3%
Winston SoM	15.8%	14.9%	-0.9%pt	15.3%	15.2%	14.9%	14.3%
LD SoM	8.7%	9.1%	+0.4%pt	8.7%	8.9%	9.2%	9.7%
Peter 1 SoM	3.0%	2.5%	-0.5%pt	2.6%	2.6%	2.4%	2.2%
JTI SoV	40.1%	39.9%	-0.2%pt	39.8%	39.9%	39.5%	40.5%

Turkey

• Industry volume evolution		(BNU)		
	FY2019	FY2020	Var.	
Cigarette industry	119.8	115.4	-3.7%	

• Share evolution

	FY2019	FY2020	Var.	Q1 2020	Q2 2020	Q3 2020	Q4 2020
JTI SoM	27.4%	26.6%	-0.8%pt	26.9%	26.3%	26.5%	26.8%
GFB SoM	23.9%	24.0%	+0.1%pt	23.9%	23.7%	23.9%	24.3%
Camel SoM	9.2%	7.5%	-1.7%pt	8.1%	7.0%	7.4%	7.4%
Winston SoM	12.6%	13.4%	+0.8%pt	13.3%	12.7%	13.4%	14.0%
LD SoM	2.1%	3.1%	+1.0%pt	2.5%	3.9%	3.2%	2.9%
Monte Carlo SoM	3.5%	2.7%	-0.9%pt	3.0%	2.6%	2.6%	2.6%
JTI SoV	26.4%	26.1%	-0.3%pt	26.5%	26.0%	25.8%	26.1%

Taiwan

• Industry volume evolution		(BNU)		
	FY2019	FY2020	Var.	
Cigarette industry	27.9	29.7	+6.4%	

• Share evolution

	FY2019	FY2020	Var.	Q1 2020	Q2 2020	Q3 2020	Q4 2020
JTI SoM	45.3%	47.7%	+2.4%pt	46.8%	47.4%	47.9%	48.4%
GFB SoM	38.0%	39.7%	+1.6%pt	39.0%	39.5%	39.9%	40.2%
Mevius SoM	18.0%	18.4%	+0.4%pt	18.2%	18.4%	18.4%	18.5%
Winston SoM	13.2%	13.8%	+0.6%pt	13.5%	13.6%	14.0%	14.1%
LD SoM	6.7%	7.5%	+0.7%pt	7.3%	7.4%	7.6%	7.5%
Mi-Ne SoM	3.3%	3.5%	+0.2%pt	3.5%	3.4%	3.5%	3.6%
JTI SoV	49.3%	51.5%	+2.2%pt	50.7%	51.2%	51.7%	52.4%

Tobacco Business Data

Japanese-Domestic Tobacco Business

1. Summary (YTD)

	2019 Q4	2020 Q4	Variance	Variance (%)	
Cigarette industry volume (JT estimate)	125.1	114.9	-10.2	-8.2%	BNU
Cigarette sales volume	75.5	68.7	-6.8	-9.0%	BNU
Excludes volumes of domestic Duty-Free, China businesses (4.0BNU in 2019 and 1.8BNU in 2020, respectively) and RRP sales					
Core revenue	568.9	515.7	-53.1	-9.3%	JPY BN
Adjusted operating profit	187.2	168.1	-19.1	-10.2%	JPY BN

2. Cigarette sales volume

	Q1	Q2	Q3	Q4	FY
2019	17.9	19.4	20.1	18.1	75.5
2020	17.2	17.0	19.9	14.7	68.7
Variance	-4.2%	-12.6%	-1.1%	-18.8%	-9.0%

3. Revenue per thousand cigarettes

	Q1	Q2	Q3	Q4	FY
2019	6,407	6,391	6,414	6,306	6,380
2020	6,326	6,344	6,369	7,172	6,524

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
2020					
RRP sales volume	0.9	0.9	1.2	1.0	3.9
RRP-related revenue	13.0	13.0	16.7	13.3	55.9

5. Breakdown of financial results

	Q1	Q2	Q3	Q4	YTD
Core revenue					
2019	133.5	148.9	153.5	133.1	568.9
Cigarette volume	-4.8	-15.6	-1.4	-21.4	-43.2
Cigarette price/mix	-1.4	-0.8	-0.9	+12.7	+9.7
RRP/Others	-1.5	-9.4	-5.3	-3.4	-19.6
2020	125.8	123.0	146.0	120.9	515.7
Adjusted OP					
2019	51.0	58.2	56.2	21.8	187.2
Cigarette volume	-3.9	-12.9	-1.1	-17.6	-35.5
Cigarette price/mix	-1.4	-0.8	-0.9	+12.7	+9.7
RRP/Others	-2.5	-5.9	+3.0	+12.1	+6.7
2020	43.2	38.6	57.2	29.1	168.1

6. Cigarette market share (JT estimate)

	Q1	Q2	Q3	Q4	FY
JT Total					
2019	61.0	61.0	60.1	59.3	60.4
2020	59.7	60.1	60.2	59.0	59.8
MEVIUS					
2019	30.3	30.6	30.3	29.5	30.2
2020	28.9	28.8	28.9	27.4	28.6
Winston					
2019	7.8	7.8	7.4	7.5	7.6
2020	7.3	7.3	7.3	7.1	7.2
Seven Stars					
2019	7.9	7.8	7.8	7.6	7.8
2020	7.5	7.5	7.6	7.1	7.4
Natural American Spirit					
2019	1.9	1.9	2.0	2.0	2.0
2020	2.0	2.0	1.9	2.1	2.0

Pharmaceutical Business

Clinical Development as of February 9, 2021

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Origin	Note
JTE-052 (delgocitinib)	Atopic dermatitis (pediatric) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	NDA filed (Japan)	In-house	• Co-development with Torii
	Atopic dermatitis (infant) /Topical			Phase3 (Japan)		• Co-development with Torii
	Autoimmune/allergic diseases /Oral, Topical			Phase1 (Japan)		
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase2 (Overseas)	In-house	
JTE-451	Autoimmune/allergic diseases /Topical	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1 (Japan)	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.	NDA filed (Japan)	In-license	• Licensed from Keryx Biopharmaceuticals • Co-development with Torii • Additional indication

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

We are also conducting additional studies to examine the potential for use in additional dosage forms.

<Licensed compounds>

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

Updates since the previous announcement on October 30, 2020:

- JTE-451 (Autoimmune/allergic diseases/Oral) : terminated
- JTZ-951 : listing on the Japanese National Health Insurance drug price list and launch of ENAROY[®] tablets 2 mg·4 mg for the Treatment of Anemia Associated with CKD in Japan
- JTZ-951 (Anemia associated with chronic kidney disease/Oral) : terminated(Overseas)

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 of 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, and other items - 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, changing consumer preferences and behavior;
- (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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