2020 Third-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 18 and 19.

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.

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2020 Third-Quarter Results

2020 Year-to-Date Consolidated Results

(JPY BN)	2020 Jan-Sep	Year-on-year
Reported		
Revenue	1,592.1	-2.5%
AOP	441.5	-2.2%
Operating profit	390.2	-11.4%
Profit	257.9	-18.4%

Note: Nine-month financial results above include adjustments in hyperinflationary accounting for Iran and Sudan in accordance with IAS29

Consolidated Revenue
- Declined due to the Japanese domestic tobacco, pharmaceutical and processed food businesses
- In the international tobacco business, robust business momentum exceeded the unfavorable currency impact
- COVID-19 impact: Estimated to be unfavorable by approx. JPY 45 BN

Adjusted Operating Profit (AOP) at constant FX: + 6.3% YOY
- Increased driven by the solid performance in the international tobacco business and growth in the pharmaceutical business, offsetting negative COVID-19 impacts on tobacco and processed food businesses

Adjusted Operating Profit
- Declined due to currency headwinds despite solid-currency neutral performance

Operating Profit/Profit Attributable to the Owners of the Parent Company

（–） Non-recurrent one-time gain in the pharmaceutical business in 2019

（–） Higher financing costs

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Japanese domestic tobacco business: Volume Performance

2020 Jan-Sep	RMC	RRP
Industry*	-4.9% y-o-y	approx.25% of total tobacco
(Total Tobacco)	over -1% year-on-year	
JT volume*	**54.0 BnU**	**3.0 BnU**
(YOY)	-5.9%	+ 0.6 BnU
SoS**	**60.0%**	**approx.10%*** **
(YOY)	-0.7 ppt	2019 Jan-Sep: approx.9%***

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

Industry Volume Variance

- Total tobacco industry: impact of COVID-19 disruptions, revised regulations, price revision in Oct'19 and natural decline; partially offset by one-time demand surge ahead of price revision in Oct'20
  - ✓ COVID-19 impact continued but the magnitude in Q3 was lower than that in Q2
  - ✓ RRP category growth exceeded previous expectations
  - ✓ Total tobacco market maintained its resiliency

JT volume and share performance

- RMC: Despite an increase in Q3, year-to-date share declined due to competition in the value segment
- RRP: Continued volume growth in line with the initial plan
  - ✓ RRP off-take based share within category in Q3 was approx.11%
    - Ploom S 2.0 had solid start after launch in July
  - ✓ RRP market expansion also facilitate our volume increase

Focus: Temporary Surge in Demand Ahead of October Price Hike

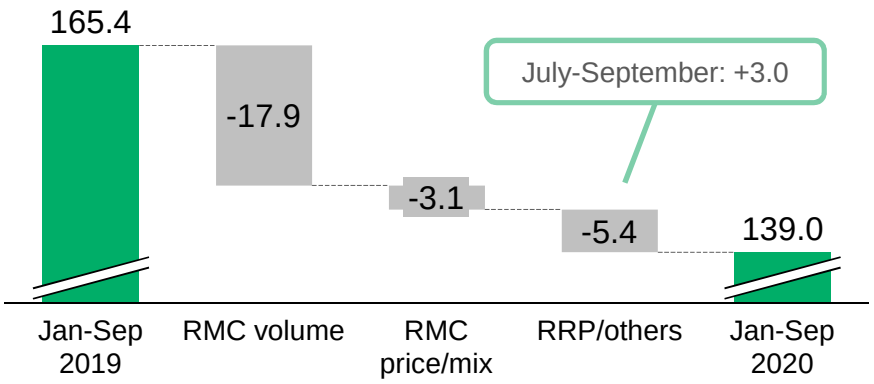
- One-time demand, estimated to be 0.4 month volume equivalent
- Impact from this demand will be neutralized by year-end

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Japanese domestic tobacco business: Financial Results

Financial (JPY BN)	**2020 Jan-Sep**	**Year-on-year**
Core revenue	394.8	-9.4%
Adjusted operating profit	139.0	-16.0%

Roadmap of AOP variance (JPY BN)



Topline 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
- Impact of tax hike absorption in Oct'19

(–) Negative COVID-19 impact on topline: approx. JPY 20 BN

- More than half attributed to Duty-free and China businesses
- Impact in the domestic market continues but lower in Q3 than in Q2

AOP variance factors

(–) Negative topline performance

(–) Strengthened marketing investments notably in RRP

(+) Significant cost savings driven by lower indirect expenses due to protracted COVID-19 disruptions

(+) Efficient cost management and focus on priority investments

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International tobacco business: Volume Performance

(BN stick equivalents)	2020 Jan-Sep	Year-on-year
Total shipment volume	330.0	-2.6%
GFB shipment volume	213.2	+1.4%

Resilient Volume Performance

（＋）Robust share growth, notably in Europe

（＋）Increased volume in high-margin markets (UK, France, Taiwan) driven by reduced cross-border travel

（－）Lower industry volume and share in Bangladesh and Russia

（－）Reduced volumes in duty-free and some emerging markets due to COVID-19 disruptions

Focus: Russia

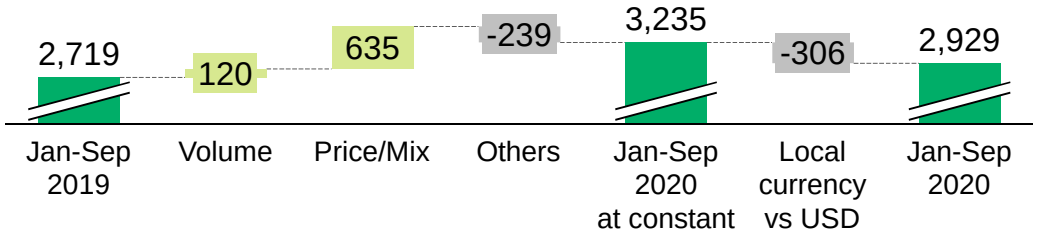
- RMC industry size pressured by economic conditions and RRP expansion
- Portfolio adjustments to enhance price competitiveness
- Ploom model S presence expanded to large cities and additional key accounts
- Larger than expected excise tax increase decided for 2021

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International tobacco business: Financial Results

	2020 Jan-Sep		Year-on-year
Core revenue	956.5	JPY BN	+1.6%
at constant currency	9,370	USD MM	+8.5%
AOP	314.8	JPY BN	+6.2%
at constant currency	3,235	USD MM	+19.0%

Roadmap of AOP variance (USD MM)



Note: Financial results for Jan-Sep 2020 in table and roadmap above include adjustment for hyperinflationary accounting, except when at constant currency.
Variance of 306 million USD between the Jan-Sep 2020 AOP at constant currency and the reported one includes the adjustment for hyperinflationary accounting as well as the FX impact referred to in previous disclosures.

Topline performance

- Pricing gains, notably in Russia, the UK and the Philippines
- Volume increases, driven by continued market share gains and, in some markets, by consequences from COVID-19
- COVID-19 impact to topline: minus approx. JPY 17 BN

AOP variance factors

（＋）Robust topline performance

（＋）Lower marketing and indirect expenses due to restrictions linked to COVID-19

（－）Increased investments for RRP and GBS*

（－）Currency headwinds mainly in IRR, RUB, TRY

*Global Business Service Center(GBS) established for global shared service management as one of the initiatives of Transformation announced in Q3 2019

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Pharmaceutical and Processed food businesses

Pharmaceutical Business

(JPY BN)	2020 Jan-Sep	Year-on-year
Revenue	57.5	-5.8
AOP	12.6	+4.8

Highlights

- Revenue decreased mainly due to lower overseas royalty income
- AOP growth driven by lower R&D expenses following completion of clinical trials and profit increase at Torii Pharmaceutical

Clinical Development Update

- September 2020: Received manufacturing and marketing approval in Japan for ENAROY® Tablets 2mg and 4mg for treatment of anemia associated with chronic kidney disease

Processed Food Business

(JPY BN)	2020 Jan-Sep	Year-on-year
Revenue	108.6	-6.2
AOP	0.9	-2.0

Highlights

- Revenue and AOP decreased as negative impact from COVID-19 more than offset positive effects
  - ➢ Lower demand in the following businesses:
    - ✓ Frozen food, ambient food and seasoning products for the food service industry
    - ✓ Own bakery business
    - ✓ Gradual recovery trend observed since June but Q3 performance still below pre-COVID levels
  - ➢ Demand for household products increased resulting in higher sales
    - ✓ Solid momentum continued even after lifting of state of emergency
- COVID-19 impact to the topline: unfavorable impact of about 7 BN JPY in the nine months

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Full-year forecast

Consolidated Revised Forecast

Revised Currency-Neutral AOP Growth Rate and Net Profit Expected to Exceed Initial Outlook

(BN JPY)	FY2020 Revised forecast	vs. Previous forecast	vs. PY
Reported			
Revenue	2,070.0	+60.0	-4.9%
AOP	483.0	+26.0	-6.4%
Operating profit	464.0	+42.0	-7.6%
Profit	310.0	+24.0	-11.0%
FCF	415.0	+65.0	+ JPY 10.8 BN

Note: Financial forecast in the above table includes the adjustment in hyperinflationary accounting in Iran and Sudan in accordance with IAS29.

Revenue Revised Upward Mainly Driven by

- Better-than-expected volume outlook in the international tobacco business despite COVID-19
- Upside from the overseas royalty income in pharmaceutical business

Adjusted Operating Profit (AOP) at Constant Currency: Revised Upward to +4.5% Growth YOY

- Reflecting revision in the Japanese domestic tobacco and international tobacco businesses as well as the pharmaceutical business
  - Complemented by significant cost savings in the Japanese domestic tobacco business, partly due to COVID-19 situation, and more focused investment

Operating Profit/ Profit

（＋）Upsides from the proceeds of sales of real estates

- ✓ Sales of former JT head office (JT Building): Contract has been executed - proceeds to be recognized in Q4

（－） Revised FX assumptions negatively, although impact is limited

FCF: Revised Upward

- Mainly driven by OP revision and improved working capital

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Japanese-domestic tobacco business: revised volume* outlook

*Considers only domestic tax-paid market

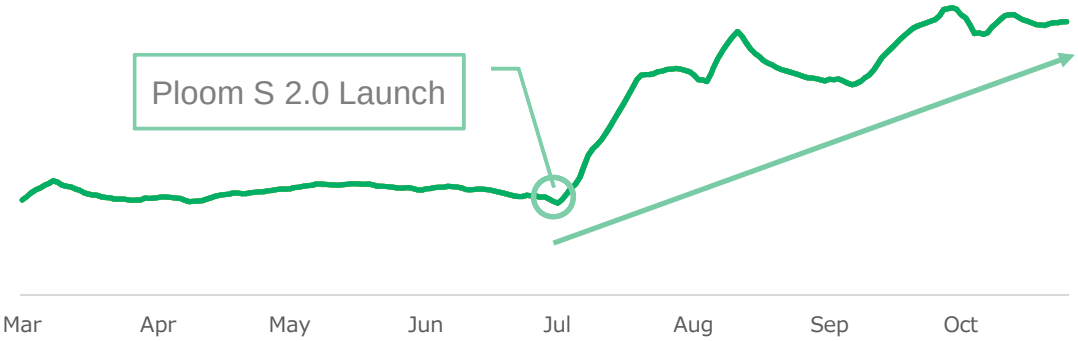
- **Total Tobacco Industry Volume:** Revised upward to approx. 4.5% decline
- **RMC Industry Volume:** Revised upward to over 8% decline
- **RRP Market Size Estimate:** remains at approx. 25% of total industry
  - ✓ Based on the impact of revised regulation and COVID-19 disruption in Q3, as well as the revised estimate of October price revision impact
  - ✓ Impact of COVID-19 less severe than anticipated previously
  - ✓ RRP market size remains essentially unchanged but is expected towards the high end of the previous estimate

- **JT RMC Sales Volume:** Revised downward to approx.9% decline
  - ✓ Intensified competition in the lower price segment driven by several product launches
    - ➢ JT increased its offerings by not only expanding little cigar lineup but also launching MEVIUS-brand Super Slim SKUs at lower unit price, intensifying efforts to capture down-trading consumers from MEIVUS base-line
  - ✓ Revised outlook based on this trend

- **JT RRP Sales Volume:** Remains at over 3.5 BN stick equivalents
  - ✓ Guidance remains essentially unchanged but slightly exceeds the previous estimate
    - Performance of Ploom S 2.0
    - RRP category growth

Reference: Category share of Ploom S**

**Off-take base share on 7-day moving average



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Japanese-domestic tobacco business: Financial forecast

(JPY BN)	FY2020 Revised forecast	vs. Previous forecast	vs. PY
Core revenue	510.0	—	-10.4%
AOP	166.0	+6.0	-11.3%

- **<u>Core Revenue Forecast Remains Unchanged</u>**
  - Downside of the domestic duty-free and China businesses due to protracted COVID-19 disruptions and downward revision of RMC volume outlook were offset mainly by RRP volume upside

- **<u>AOP Revised Upward by JPY 6.0 BN</u>**
  - Duty-free demand will take longer to recover from COVID-19 disruption than previously expected
  - Negative impact will be more than offset by the cost savings notably with lower indirect expenses under the COVID-19 environment and effective cost execution in order of priority, resulting in upward revision of JPY 6.0 BN

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International tobacco business: Volume Outlook and Financial Forecasts

	FY2020 Revised forecast		vs. Previous forecast	vs. PY
Core revenue	1,230.0	JPY BN	+60.0	-1.8%
at constant currency	12,100	USD MM	+500	+5.3%
AOP	338.0	JPY BN	+15.0	-0.8%
at constant currency	3,610	USD MM	+170	+15.5%

Note: Financial forecasts above include adjustment for hyperinflationary accounting, except when at constant currency

- **Volume: Revised Upward Driven by Robust YTD Performance**
  - Solid volume and market share gains, stronger consumer demand in several markets
  - Total shipment volume revised upward to approx. -4%
  - GFB shipment volume revised upward to approx. +1%

- **Core Revenue at Constant Currency: Revised Upward by USD 500MM**
  - Topline upside driven by higher volume expectations

- **AOP at Constant Currency: Revised Upward to grow 15.5% year-on-year**
  - Driven by the favorable topline revision
  - Double-digit growth even when excluding contribution from markets experiencing hyperinflation

- **AOP：Revised Upward by JPY 15 BN**
  - Driven by robust currency-neutral performance partially offset by currency headwinds

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Pharmaceutical and Processed food businesses

Pharmaceutical Business

(JPY BN)	FY2020 Revised forecast	vs. Previous forecast	vs. PY
Revenue	78.0	+2.0	-10.5
AOP	16.0	+3.0	+0.1

Revenue and AOP revised upward

- Revenue revised upward by JPY 2.0 BN, driven by royalty income exceeding expectations
- AOP revised upward by JPY 3.0 BN driven by the improved topline upside and lower costs due to limited operations resulting from COVID situation

Processed Food Business

(JPY BN)	FY2020 Revised forecast	vs. Previous forecast	vs. PY
Revenue	151.0	-2.0	-7.6
AOP	3.0	—	-2.4

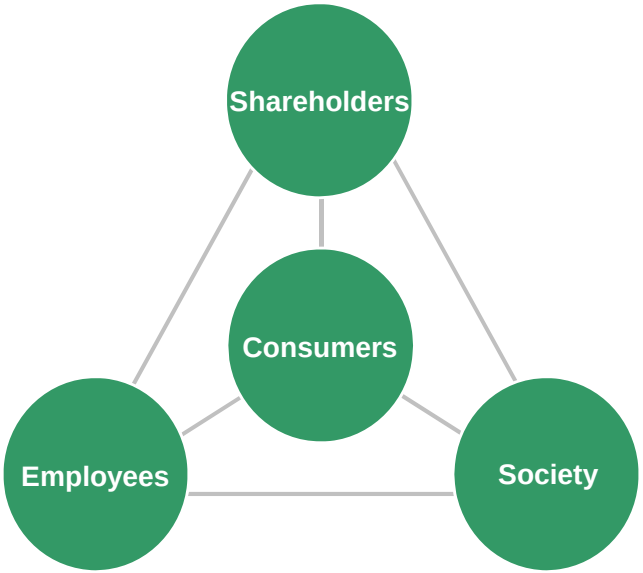
Revenue revised downward and AOP remains

- Revenue revised downward by JPY 2.0 BN reflecting a delay in recovery from COVID-19 disruptions in some categories of our products for the food service industry compared to the outlook in Q2
- AOP forecast remains unchanged; despite topline downside, still aiming to achieve target through cost-saving initiatives

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Closing remarks

Closing remarks



- Confidence in achieving the revised forecast for this year
- Necessary to consider the following potential risks for future business plans
  - ✓ Ongoing debates on excise tax increases in various countries aiming at securing financial resources
  - ✓ Slow recovery of the duty-free business
  - ✓ Market-specific risks, such as Brexit or economic sanctions against Iran
  - ✓ Impact of COVID-19 on consumer affordability and behavior
- No change in our capital resource allocation policy and business investment prioritization; future allocations will be considered in light of profit levels for next year onward
  - ✓ Continue to strengthen investments in RRP and prepare for launch of new heated tobacco products in 2021
  - ✓ Need to closely monitor business environment and uncertainty of FX fluctuations, along with impact on profit

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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
RMC: (Japanese domestic tobacco business)	Ready made cigarettes
RMC 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
RMC 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

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