JT Group  
2019 First-Quarter Results

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JT Group Chief Financial Officer

*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 11 and 12.
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.
Consolidated Results

Strong adjusted operating profit growth at constant FX

Adjusted Operating Profit at constant FX

- International Tobacco: Solid profit growth driven by pricing gains
- Japanese Domestic Tobacco: Profit increased due to pricing gains and RRP top-line growth

Adjusted Operating Profit

- Decreased due to the negative impact of FX

Operating Profit and Profit

- Increased mainly due to a one-time compensation gain from the pharmaceutical business, partly offset by:
  - a decline in profit from sale of real estate and an increase in intangible amortization related to acquisitions
  - higher financial costs

<table>
<thead>
<tr>
<th>At constant FX</th>
<th>19Q1</th>
<th>vs.PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Adjusted Operating Profit</td>
<td>158.7</td>
<td>+7.2%</td>
</tr>
<tr>
<td>Reported Revenue</td>
<td>505.4</td>
<td>-1.9%</td>
</tr>
<tr>
<td>Adjusted Operating Profit</td>
<td>138.8</td>
<td>-6.3%</td>
</tr>
<tr>
<td>Operating Profit</td>
<td>182.6</td>
<td>+24.4%</td>
</tr>
<tr>
<td>Profit</td>
<td>120.8</td>
<td>+16.2%</td>
</tr>
</tbody>
</table>

RRP: products with potential to reduce the risks associated with smoking
Japanese Domestic Tobacco Business

Strive to improve total share while keeping initial assumptions

**Industry Volume**
- Cigarettes: Declined due to the price increase and RRP expansion
- RRP: Grew market size to c. 23%* of total tobacco industry
- Total Industry volume: Declined by around 5%* year on year  *Shipment base

**JT Performance**
- Cigarettes: Total JT brands showed solid performance
- RRP: Sales volume increased significantly vs. previous year, but decreased vs. previous quarter
  JT market share in the RRP category in 19Q1 is estimated c. 8%**  **Offtake base
- Total share: Declined vs. previous year and previous quarter
Japanese Domestic Tobacco Business

Progress as planned, aim to achieve our full-year AOP target

Adjusted OP grew +4.2%
- RRP Top-line growth
- Cigarette pricing gains

To achieve our full-year AOP target
- Strengthen the top-line growth
- Appropriately manage costs

Adjusted Operating Profit

![Adjusted Operating Profit Chart]

*Include product cost, marketing investment and SG&A

RRP: products with potential to reduce the risks associated with smoking

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Japanese Domestic Tobacco Business

With the launch of new RRP, expand market share by leveraging the portfolio

**RRP sales volume increasing after expansion of Ploom TECH+ in 6 pref. from April**
- Purchased by various tobacco product users - cigarettes, JT and competitors’ RRP
- Fulfilling consumers’ needs by offering a new choice
- Launching nationwide from mid-June

**Strive to increase the awareness of Ploom S**
- Launching in 6 pref. in July and nationwide in September

**Communicate benefits unique to Ploom TECH**
- Implement efficient marketing programs focusing on targeted consumers

*JT estimate: Offtake volume and share, 7 days moving average

RRP: products with potential to reduce the risks associated with smoking
International Tobacco Business

Solid pricing benefits

Strong volume growth of +6.5% led by acquisitions and share gains
- Acquisitions in Bangladesh and Russia
- Share increased across most key markets

Adjusted operating profit growth driven by pricing
- Gains notably in Canada, Germany, Iran, the Philippines, Russia and the UK
- Continued investments, notably in RRP

<table>
<thead>
<tr>
<th>Constant FX</th>
<th>19Q1</th>
<th>vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Revenue</td>
<td>2,940</td>
<td>+7.9%</td>
</tr>
<tr>
<td>Adjusted OP</td>
<td>1,008</td>
<td>+13.3%</td>
</tr>
</tbody>
</table>

Adjusted OP at constant FX

*Include product cost, marketing investment and SG&A
International Tobacco Business

Reported profit decreased due to unfavorable currencies

Negative FX impact more than offset solid business performance
- Mainly due to weak IRR and RUB
- FX impact expected to be lower in the second half

Change in FX rate

<table>
<thead>
<tr>
<th></th>
<th>18Q1</th>
<th>19Q1</th>
<th>Var.</th>
</tr>
</thead>
<tbody>
<tr>
<td>$ /IRR</td>
<td>46,583</td>
<td>88,454</td>
<td>-47.3%</td>
</tr>
<tr>
<td>$ /RUB</td>
<td>56.88</td>
<td>66.12</td>
<td>-14.0%</td>
</tr>
<tr>
<td>$ /TRY</td>
<td>3.81</td>
<td>5.36</td>
<td>-28.9%</td>
</tr>
<tr>
<td>$ /JPY</td>
<td>108.22</td>
<td>110.22</td>
<td>+1.8%</td>
</tr>
</tbody>
</table>

Negative FX impact more than offset solid business performance

<table>
<thead>
<tr>
<th></th>
<th>Reported</th>
<th>19Q1</th>
<th>vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Core Revenue</td>
<td></td>
<td>286.8</td>
<td>-2.7%</td>
</tr>
<tr>
<td>Adjusted OP</td>
<td></td>
<td>89.2</td>
<td>-7.4%</td>
</tr>
</tbody>
</table>

JPY Adjusted OP reported basis

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

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Pharmaceutical and Processed Food Businesses

Pharmaceutical and Processed Food businesses performance

### Pharmaceutical Business

- Decrease in Revenue and Adjusted OP mainly due to the termination of the exclusive license agreements for anti-HIV drugs in Japan

<table>
<thead>
<tr>
<th></th>
<th>19Q1</th>
<th>vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>22.8</td>
<td>-3.9</td>
</tr>
<tr>
<td>Adjusted OP</td>
<td>4.5</td>
<td>-3.2</td>
</tr>
</tbody>
</table>

### Processed Food Business

- Despite the positive performance of staple food products, Revenue and Adjusted OP both declined

<table>
<thead>
<tr>
<th></th>
<th>19Q1</th>
<th>vs. PY</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>36.0</td>
<td>-1.7</td>
</tr>
<tr>
<td>Adjusted OP</td>
<td>0.3</td>
<td>-0.4</td>
</tr>
</tbody>
</table>
Closing remarks

Fully prepared to address various risks surrounding our business
- Brexit
- Litigation in Canada
- Geopolitical risks

Completion of Share Buybacks
- Period: February 8, 2019 to March 18, 2019
- Size: c. JPY 50BN for c. 18 million shares

Based on a solid performance in Q1, aim to achieve full-year target
<Definitions>

Adjusted operating profit: Adjusted operating profit = operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjusted items (income and costs)*

Adjusted OP: AOP:

* 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 and kretek but excludes contract manufactured products, waterpipe tobacco and Reduced-Risk Products

Core revenue: (International tobacco business) Includes revenue from waterpipe tobacco and Reduced-Risk Products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.
### Definitions

| 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 |
| Industry volume: (Japanese domestic tobacco business) | Industry volume of tobacco products in Japan market (including Reduced-Risk Products, etc.) |
| Cigarette industry volume: (Japanese domestic tobacco business) | Industry volume of cigarettes in Japan market (excluding Reduced-Risk Products, etc.) |
| Cigarette sales volume: (Japanese domestic tobacco business) | Excludes sales volume of domestic duty free, the China business and Reduced-Risk Products |
| RRP sales volume: (Japanese domestic tobacco business) | 1 pack corresponds to 20 cigarettes. (excluding RRP devices, RRP related accessories, etc.) |
| 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. |
| RRP related revenue: (Japanese domestic tobacco business) | RRP related revenue, as a part of core revenue, represents the sale of RRP including principally the device and the related accessories. |