



Tokyo, July 30, 2021

2021 Second Quarter Results

Year-to-Date Highlights (vs. 2020)

- Revenue increased 11.1% to JPY 1,144.5 billion.
- Adjusted operating profit at constant currency increased 26.9% to JPY 365.1 billion.
- On a reported basis, adjusted operating profit increased 24.5% to JPY 358.2 billion.
- Operating profit increased 27.8% to JPY 322.1 billion.
- Profit attributable to owners of the parent company increased 30.5% to JPY 225.2 billion.
- The Company announced to offer an interim dividend of JPY 65 as initially planned.

FY2021 Forecasts (vs. Initial Forecast)

- Revenue forecast is revised upward by JPY 120.0 billion.
- Adjusted operating profit at constant currency is revised upward by JPY 10.0 billion.
- Forecasts are revised upward for adjusted operating profit on a reported basis (JPY 42.0 billion), operating profit (JPY 39.0 billion) and profit attributable to owners of the parent company (JPY 32.0 billion).
- As announced in the initial forecast, the Company plans to offer an annual dividend per share of JPY 130.

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

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

"JT Group delivered a robust performance in the first half, driven by strong business momentum. This was a result of continued market share gains in combustibles in many markets and continued tailwinds of strong industry volume trends due to travel restrictions in some mature markets.

"Considering this robust performance, we have revised our full year guidance upward.

"We have launched Ploom X, our next generation device for heated tobacco sticks in Japan, the world's largest heated tobacco market. Listening carefully to our consumers around the world, we have developed our first global model, offering a richer and enhanced taste, improved design, and a more intuitive user experience. Ploom X will gradually be rolled out across other markets.

"We are also making steady progress on several initiatives announced in February this year, including the rollout of our new operating model for the combined one tobacco business as well as measures to strengthen competitiveness in the Japan market. These initiatives will act as a catalyst for future growth while we continue to offer products and services which exceed our consumers' expectations."

Investors' Meeting

An investors' meeting (phone conference) with members of the investor community will be held on July 30, 2021 at 4:30pm Tokyo Time. An on-demand audio recording 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/>).

Note on Hyperinflationary Adjustments

In accordance with the requirements stipulated in IAS 29, the JT Group has been applying hyperinflationary accounting adjustments since Q3 2020, so both the results and the forecasts for fiscal year 2021 on a reported basis include the impact of these adjustments. Starting from Q1 2021, both the results and forecasts on a constant currency basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

2021 Q2 Financial Results

Consolidated Results

(billions of JPY)	2020 Q2	2021 Q2	Variance	2020 YTD	2021 YTD	Variance
Revenue	510.6	597.2	+17.0%	1,030.2	1,144.5	+11.1%
Adjusted operating profit	140.8	180.1	+28.0%	287.6	358.2	+24.5%
Operating profit	123.0	162.0	+31.6%	252.0	322.1	+27.8%
Profit attributable to owners of the parent	86.1	111.4	+29.4%	172.5	225.2	+30.5%
Adjusted operating profit at constant FX	140.8	178.2	+26.6%	287.6	365.1	+26.9%

2021 Q2

- **Revenue**
Revenue increased by 17.0% to JPY 597.2 billion driven by increases in the international tobacco, Japanese-domestic tobacco, pharmaceutical and processed food businesses.
- **Adjusted operating profit**
At constant currency, adjusted operating profit increased by 26.6% to JPY 178.2 billion driven by increases in the international tobacco, Japanese-domestic tobacco and processed food businesses, partially offset by a decrease in the pharmaceutical business.
On a reported basis, adjusted operating profit increased by 28.0% to JPY 180.1 billion driven by positive foreign currency impacts in the international tobacco business.
- **Operating profit**
Operating profit increased by 31.6% to JPY 162.0 billion driven by an increase in adjusted operating profit.
- **Profit attributable to owners of the parent**
Profit attributable to owners of the parent increased by 29.4% to JPY 111.4 billion driven by factors that include increases in operating profit and improved financing costs.

2021 YTD

- **Revenue**
Revenue increased by 11.1% to JPY 1,144.5 billion driven by increases in the international tobacco and Japanese-domestic tobacco businesses, partially offset by decreases in the pharmaceutical and processed food businesses.
- **Adjusted operating profit**
At constant currency, adjusted operating profit increased by 26.9% to JPY 365.1 billion driven by increases in the international tobacco, Japanese-domestic tobacco and processed food businesses, partially offset by a decrease in the pharmaceutical business.
On a reported basis, adjusted operating profit increased by 24.5% to JPY 358.2 billion, despite negative foreign currency impacts in the international tobacco business.
- **Operating profit**
Operating profit increased by 27.8% to JPY 322.1 billion driven by an increase in adjusted operating

profit.

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

Profit attributable to owners of the parent increased by 30.5% to JPY 225.2 billion driven by factors that include increases in operating profit and improved financing cost.

In accordance with the requirements stipulated in IAS 29, the JT Group has been applying hyperinflationary accounting adjustments since Q3 2020, so the results for fiscal year 2021 on a reported basis include the impact of the adjustments. Starting from Q1 2021, results on a constant currency basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

Results by Business Segment

International Tobacco Business

(billions of Units, billions of JPY)	2020 Q2	2021 Q2	Variance	2020 YTD	2021 YTD	Variance
Total shipment volume	107.8	118.7	+10.1%	211.9	228.9	+8.0%
GFB shipment volume	68.8	79.8	+16.1%	136.3	153.5	+12.6%
Core revenue¹	314.0	387.3	+23.3%	626.1	736.3	+17.6%
Adjusted operating profit¹	110.3	136.6	+23.8%	214.3	270.2	+26.1%

Reference (millions of USD)

Core revenue¹	2,918	3,535	+21.1% (+15.0%)*	5,784	6,818	+17.9% (+14.5%)*
Adjusted operating profit¹	1,025	1,247	+21.7% (+22.1%)*	1,980	2,505	+26.5% (+29.2%)*

*at constant currency

2021 Q2

- Volume and market share²**

Total shipment volume increased 10.1% including favorable inventory movements. Excluding inventory adjustments, total shipment volume increased 9.1% building on favorable industry volume trend comparisons in several markets and quarterly market share gains. Share grew across all key markets of France, Italy, Russia, Spain, Taiwan, Turkey and the UK, in addition to many others, notably Brazil, Canada, the Czech Republic, Germany, Hungary, the Philippines, Poland, Romania and Ukraine. GFB shipment volume increased 16.1%, driven by strong growth from Winston (+14.5%), Camel (+39.3%) and Mevius (+9.9%).

- Core revenue and adjusted operating profit¹**

Core revenue and adjusted operating profit increased 23.3% and 23.8%, respectively, driven by solid volume, robust price/mix contribution as well as favorable currency movements.

On a USD basis, core revenue at constant currency increased 15.0%, driven by a favorable volume contribution of USD 246 million and a positive price/mix variance of USD 192 million, notably from Canada, Iran, Kazakhstan, the Philippines, Romania, Turkey, the UK and Ukraine. At constant currency, adjusted operating profit grew by 22.1%, driven by a positive volume contribution of USD 163 million and a favorable price/mix variance of USD 165 million, partially offset by continued investments in the heated tobacco sticks segment. On a reported basis, core revenue and adjusted operating profit increased 21.1% and 21.7%, respectively.

2021 YTD

- Volume and market share²**

Total shipment volume increased 8.0% including favorable inventory movements. Excluding inventory adjustments, total shipment volume increased 7.1%, driven by favorable industry volume trend comparisons in several markets, mainly due to on-going travel restrictions, and robust market share gains. Market share gains continued across many geographies, notably in Austria, Brazil, Canada, the Czech Republic, France, Germany, Hungary, Italy, the Philippines, Poland, Romania, Serbia, Spain, Taiwan, Turkey, the UK and Ukraine. These positive factors more than offset the lower Duty-Free shipment volumes resulting from COVID-19 measures. GFB shipment volume grew 12.6%, fueled by the robust performance of Winston (+12.0%), Camel (+24.6%), LD (+3.4%) and Mevius

(+5.4%).

- **Core revenue and Adjusted operating profit¹**

Core revenue and adjusted operating profit increased 17.6% and 26.1%, respectively, driven by a strong price/mix variance and a positive volume contribution, offsetting by unfavorable currency movements.

On a USD basis, core revenue at constant currency increased 14.5%, driven by a robust volume contribution of USD 460 million and a positive price/mix variance of USD 379 million, notably from Canada, Iran, Kazakhstan, the Philippines, Russia, Turkey and Ukraine. At constant currency, adjusted operating profit grew 29.2%, driven by a favorable price/mix variance of USD 346 million and a positive volume contribution of USD 311 million. On a reported basis, core revenue and adjusted operating profit increased 17.9% and 26.5%, respectively.

International Tobacco Business (Quarterly) Performance Review by Cluster

South and West Europe

(billions of Units, millions of USD)	2020 Q2	2021 Q2	Variance
Total shipment volume	16.3	18.7	+14.5%
GFB shipment volume	13.7	15.9	+16.5%
Core revenue	493	621	+26.0% (+15.7%)*

*at constant currency

- **Volume and market share²**

Total and GFB shipment volumes, including favorable inventory movements, increased 14.5% and 16.5%, respectively. Excluding inventory adjustments, total shipment volume grew 7.0%, driven by favorable industry volume trend comparisons versus the same quarter last year, and continued market share gains. Quarterly market share increased in Belgium, France, Greece, Italy, Luxembourg, the Netherlands, Spain and Switzerland.

- **Core revenue**

Core revenue grew 26.0%, driven by a positive volume contribution of USD 71 million, notably from Italy and Spain, and a favorable price/mix variance of USD 6 million. Excluding favorable currency movements of USD 50 million, core revenue increased 15.7%.

- **By market²**

In France, excluding inventory movements, total shipment volume decreased 4.7% despite continued quarterly market share gains (+1.8ppt) in cigarettes and fine cut. Factoring in favorable inventory adjustments, total, GFB and fine cut shipment volumes declined 4.3%, 4.7% and 16.3%, respectively, due to the unfavorable industry volume trend comparison versus the same quarter last year. Currency-neutral core revenue declined, as a positive price/mix was offset by a negative volume contribution. Year-to-date total shipment volumes were up 5.3%, or 4.0% excluding inventory movements, with GFB shipment volume increasing 6.1% and fine cut shipment volume declining 2.2%. Year-on-year market share increased 3.2ppt to 28.4%, fueled by GFBs.

In Italy, excluding inventory movements, total shipment volume increased 7.7% fueled by a favorable industry volume trend comparison versus the same period last year and solid quarterly market share gains (+1.2ppt) in both cigarettes and fine cut. Accounting for favorable inventory adjustments, total

and GFB shipment volumes increased 16.4% and 21.0%, respectively, while fine cut shipment volume decreased 5.4%. Currency-neutral core revenue increased, driven by a solid volume contribution and a favorable price/mix variance. Year-to-date total shipment volume grew 4.1%, or 4.4% excluding inventory adjustments, with GFB shipment volume up 6.4% and fine cut down 0.5%. Year-on-year market share increased 1.3ppt to 26.2%, led by Winston.

In Spain, excluding inventory movements, total shipment volume grew 13.1%, driven by a favorable industry volume trend comparison and strong quarterly market share gains (+1.5ppt). Factoring in favorable inventory adjustments, total, GFB and fine cut shipment volumes increased 41.4%, 42.7% and 5.5%, respectively. Currency-neutral core revenue increased, driven by a strong volume contribution combined with a favorable price/mix variance. Year-to-date total shipment volume increased 12.2%, or 4.8% excluding inventory movements. GFB and fine cut shipment volume increased 15.6% and 3.9% respectively. Year-on-year market share increased 1.4ppt to 27.4%, led by Winston and Camel.

North and Central Europe

(billions of Units, millions of USD)	2020 Q2	2021 Q2	Variance
Total shipment volume	15.7	17.6	+12.4%
GFB shipment volume	8.1	9.8	+20.2%
Core revenue	609	778	+27.8% (+14.7%)*

*at constant currency

- **Volume and market share²**

Total and GFB shipment volumes increased 12.4% and 20.2%, respectively, driven by favorable industry volume trend comparisons in several markets due to travel restrictions, notably in the UK, and continued market share gains. Quarterly market share grew in the Czech Republic, Germany, Hungary, Ireland, Poland and the UK.

- **Core revenue**

Core revenue grew 27.8% driven by a favorable volume contribution of USD 63 million, notably from Poland and the UK, combined with a positive price/mix variance of USD 26 million and favorable currency movements of USD 80 million. Excluding currency impacts, core revenue increased 14.7%.

- **By market²**

In Germany, total and GFB shipment volumes both increased 0.9%, driven by quarterly market share gains (+0.7ppt) in cigarettes and fine cut. Fine cut shipment volume declined 1.2% due to lower industry volume. Currency-neutral core revenue grew, driven by positive volume and price/mix contributions. Year-to-date shipment volumes grew 6.9%, 7.3% and 4.2% in total, GFB and fine cut respectively. Year-on-year market share grew 0.6ppt to 9.2% driven by Winston.

In the UK, total shipment volume increased 7.3%, building on a favorable industry volume trend comparison, driven by travel restrictions, and quarterly market share gains (+0.9ppt). Cigarette and fine cut shipment volumes grew 7.9% and 5.3%, respectively, led by B&H Blue and Sterling. Currency-neutral core revenue increased, fueled by favorable volume and price/mix contributions. Year-to-date shipment volumes grew 8.3% and 12.8% in total and fine cut respectively. Year-on-year market share was up 1.1ppt to 45.4%.

CIS+

(billions of Units, millions of USD)	2020 Q2	2021 Q2	Variance
Total shipment volume	32.1	33.0	+3.1%
GFB shipment volume	21.7	23.3	+7.4%
Core revenue	714	794	+11.2% (+12.1%)*

*at constant currency

- **Volume and market share²**

Total shipment volume, excluding inventory movements, increased 5.6%, driven by quarterly market share gains and favorable industry volume trend comparisons versus the same quarter last year. Factoring in unfavorable inventory adjustments, total and GFB shipment volumes increased 3.1% and 7.4%, respectively. Quarterly market share grew in Azerbaijan, Romania, Russia, Serbia and Ukraine.

- **Core revenue**

Core revenue increased 11.2% driven by a favorable price/mix variance of USD 52 million, mainly from Kazakhstan, Romania and Ukraine, and a positive volume contribution of USD 35 million. Excluding unfavorable currencies of USD 7 million, core revenue grew 12.1%.

- **By market²**

In Romania, total and GFB shipment volumes increased 18.2% and 14.7%, respectively, driven by quarterly market share gains (+1.1ppt). Positive volume and price/mix variances drove an increase in currency-neutral core revenue. Year-to-date shipment volumes grew 10.3% and 7.9% in total and GFB, respectively. Year-on-year market share reached 29.5%, an increase of 1.2ppt driven by Winston and Sobranie.

In Russia³, excluding inventory movements, total shipment volume increased 3.3%, driven by quarterly total tobacco market share gains (+0.6ppt), mainly in combustibles, and lower illicit trade. The latter resulted in an improved total tobacco industry volume⁴ trend comparison, increasing an estimated 2.6%. Accounting for unfavorable inventory adjustments, total shipment volume declined 0.5% while GFB shipment volume increased a robust 8.2%, driven by the performance of Camel and LD. The distribution expansion of heated tobacco sticks in key accounts continued, strengthening the foundations ahead of the introduction of Ploom X later this year. Currency-neutral core revenue grew, driven by positive volume and price/mix contributions. Year-to-date total shipment volume increased 6.9%, or 3.6% excluding inventory movements, and GFB shipment volume was up 17.6%. Despite an improving trend over the last three quarters, year-on-year total tobacco market share declined to 36.4%.

Rest-of-the-World

(billions of Units, millions of USD)	2020 Q2	2021 Q2	Variance
Total shipment volume	43.8	49.4	+12.9%
GFB shipment volume	25.3	30.9	+21.9%
Core revenue¹	1,102	1,342	+21.8% (+16.7%)*

*at constant currency

- **Volume and market share²**

Total shipment volume increased 11.2% when excluding inventory movements, driven by favorable industry volume trend comparisons in several markets and solid quarterly market share gains. Factoring in favorable inventory adjustments, total and GFB shipment volumes increased 12.9% and 21.9%, respectively, driven by Winston, Camel, Mevius and LD. Quarterly market share increased across many markets, notably in Brazil, Cambodia, Canada, Indonesia, Lebanon, the Philippines, Saudi Arabia, Singapore, South Korea, Taiwan, Tanzania and Turkey.

- **Core revenue¹**

Core revenue increased 21.8%, driven by a favorable price/mix variance of USD 108 million, notably in Canada, the Philippines and Turkey, combined with a positive volume contribution of USD 76 million and favorable currencies of USD 56 million. Excluding currency impacts, core revenue increased 16.7%.

- **By market²**

In Iran, excluding inventory movements, total shipment volume grew 15.6%, driven by stronger industry volume trends. Accounting for favorable inventory adjustments, total and GFB shipment volumes increased 16.1% and 24.1%, respectively. Currency-neutral core revenue increased, fueled by volume and price/mix contributions. Year-to-date total shipment volume grew 9.3%, or 9.6% excluding inventory adjustments, and GFB shipment volume was up 15.0%. Year-on-year market share declined 0.9ppt to 59.0%.

In Taiwan, total shipment volume increased 1.0%, or declined 1.3% when excluding inventory movements. GFB shipment volume grew 0.5% and quarterly market share gains continued (+0.6ppt), in a resilient industry in terms of volume. Currency-neutral core revenue increased, driven by favorable volume and price/mix variances. Year-to-date total shipment volume grew 6.6%, or 5.2% excluding inventory adjustments, and GFB shipment volume was up 5.3%. Year-on-year market share increased by 1.7ppt to 48.2%, driven by Mevius, LD and Winston.

In Turkey, excluding inventory movements, total shipment volume grew 16.8% supported by an improved industry volume comparison and quarterly market share gains (+1.5ppt), driven by Winston. Accounting for favorable inventory adjustments, total and GFB shipment volumes increased 26.2% and 26.5%, respectively. Currency-neutral core revenue grew driven by favorable volume and price/mix contributions. Year-to-date total shipment volume increased 13.1%, or 13.9% excluding inventory adjustments, and GFB shipment volume grew 13.7%. Year-on-year market share increased 0.3ppt to 27.0%.

¹ In accordance with the requirements stipulated in IAS 29, the JT Group has been applying hyperinflationary accounting adjustments since Q3 2020, so the results for fiscal year 2021 on a reported basis include the impact of the adjustments. Starting from Q1 2021, results on a constant currency basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

² Source: IRI, Logista, Nielsen, Panel Strator and JTI estimates on a 12-month rolling average and 3-month average, unless other specified, for cigarettes and fine cut (excluding snus) at the end of June 2021. Azerbaijan, Cambodia,

Canada, the Czech Republic, Germany, Greece, Hungary, Iran, Ireland, Netherlands, Philippines, Romania, Russia, Tanzania, Turkey and the UK are on a 12-month rolling average and 2-month average at the end of May 2021. 12-month and 3-month shares of market growth for 2021 are calculated against 12-month and 3-month shares of market at the end of the respective period in 2020.

³ From Q1 2021 onwards, shipment volume and market share data for Russia reflect total tobacco figures, i.e. cigarettes and heated tobacco sticks. 2020 data has been adjusted accordingly.

⁴ Source: JTI estimates based on Apr.-May 2021 total tobacco data versus the same period last year.

Japanese-Domestic Tobacco Business

(billions of units, billions of JPY)	2020 Q2	2021 Q2	Variance	2020 YTD	2021 YTD	Variance
Cigarette industry volume⁵	28.2	26.9	-4.8%	57.0	51.9	-8.9%
Cigarette sales volume	17.0	16.0	-5.7%	34.2	30.9	-9.5%
Core revenue	123.0	132.2	+7.5%	248.8	256.4	+3.0%
Adjusted operating profit	38.6	53.3	+38.0%	81.8	101.3	+23.8%

2021 Q2

- **Cigarette sales volume**

Cigarette industry volume⁵ decreased by 4.8%, mainly due to a natural decline trend, growth in the RRP category and the impact of price revisions in October 2020.

Cigarette sales volume decreased by 5.7% due to cigarette industry volume contraction and a loss in market share.

Cigarette market share⁵ decreased by 0.6ppt year on year to 59.5% due to growth in the RRP category and intense competition in the value segment followed by downtrading.

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

RRP industry volume⁶ in Japan was 11.2 billion units, an increase of 1.3 billion units year on year. The overall RRP market size is estimated to represent 29.3% (shipment basis) of total tobacco industry volume. JT's RRP sales volume was 1.1 billion units, an increase of 0.2 billion units year on year. JT's market share⁵ in the RRP category is estimated to be 9.9% (shipment basis).

In July, Ploom X, the next generation heated tobacco device, was launched.

- **Core revenue and adjusted operating profit**

Core revenue increased by 7.5%, mainly driven by a positive cigarette price/mix variance of JPY 13.3 billion and an increase in RRP-related revenue, despite an unfavorable cigarette sales volume variance of JPY 6.2 billion. RRP-related revenue increased by JPY 1.6 billion year on year to JPY 14.6 billion, driven by an increase in RRP sales volume.

Adjusted operating profit increased by 38.0%, mainly driven by a positive cigarette price/mix variance of JPY 13.3 billion; an increase in RRP-related revenue; and investments originally skewed in the second half to support the expansion of Ploom X, resulting in reduced sales promotion expenses. This was partially offset by an unfavorable cigarette sales volume variance of JPY 5.1 billion.

2021 YTD

- **Cigarette sales volume**

Cigarette industry volume⁵ decreased by 8.9%, mainly due to a natural decline trend, growth in the RRP category and the impact of price revisions in October 2020.

Cigarette sales volume decreased by 9.5% due to cigarette industry volume contraction, growth in the RRP category and a loss in market share.

Cigarette market share⁵ decreased by 0.4ppt, down to 59.5% due to growth in the RRP category and intense competition in the value segment followed by downtrading.

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

RRP industry volume⁶ in Japan was 21.7 billion units, an increase of 2.6 billion units year on year. The overall RRP market size is estimated to represent 29.5% (shipment basis) of total tobacco industry volume. JT's RRP sales volume was 2.1 billion units, an increase of 0.3 billion units year on year. JT's market share⁵ in the RRP category is estimated to be 9.8% (shipment basis).

- **Core revenue and adjusted operating profit**

Core revenue increased by 3.0%, driven by a positive cigarette price/mix variance of JPY 25.6 billion and an increase in RRP-related revenue, despite an unfavorable cigarettes sales volume variance of JPY 20.6 billion and lower sales in the domestic Duty-Free and China businesses. RRP-related revenue increased by JPY 3.4 billion year on year to JPY 29.3 billion, driven by an increase in RRP sales volume.

Adjusted operating profit increased by 23.8%, mainly driven by a positive cigarette price/mix variance of JPY 25.6 billion, an increase in RRP-related revenue and investments originally skewed in the second half to support the expansion of Ploom X, resulting in reduced sales promotion expenses. This was partially offset by an unfavorable cigarette sales volume variance of JPY 17.2 billion.

⁵ Source: JT estimates. Cigarette industry volume and cigarette market share include little cigars, which are classified as cigars as per the Tobacco Business Act of Japan, as well as ready-made cigarettes.

⁶ Source: JT estimates industry volume of RRP in the Japanese market by number of sticks based on internal assumptions, i.e. one pack of consumables is equivalent to 20 sticks of combustible cigarettes. This excludes RRP devices, RRP- related accessories, etc.

Pharmaceutical Business

(billions of JPY)	2020 Q2	2021 Q2	Variance	2020 YTD	2021 YTD	Variance
Revenue	16.5	17.4	+5.1%	37.3	37.1	-0.6%
Adjusted operating profit	1.4	-0.7	—	7.9	3.6	-55.2%

2021 Q2

- **Revenue and adjusted operating profit**

Revenue increased 5.1% mainly driven by top-line growth in our consolidated subsidiary, Torii Pharmaceutical, which more than offset a decrease in overseas royalty income.

Adjusted operating profit decreased by JPY 2.0 billion, due to recognition of losses associated with the termination of the development of a licensed compound as well as a Torii Pharmaceutical's decrease in profit.

2021 YTD

- **Revenue and adjusted operating profit**

Revenue was almost flat as the top-line growth in Torii Pharmaceutical was partially offset by the decrease in overseas royalty income.

Adjusted operating profit decreased 55.2% for the reasons mentioned for Q2.

Processed Food Business

(billions of JPY)	2020 Q2	2021 Q2	Variance	2020 YTD	2021 YTD	Variance
Revenue	35.1	36.7	+4.5%	71.8	70.4	-1.9%
Adjusted operating profit	-0.1	1.1	—	0.3	1.5	+316.9%

2021 Q2

- **Revenue and adjusted operating profit**

Revenue increased 4.5% mainly led by a slight sales recovery in food-service products within the frozen and ambient food as well as the seasonings businesses, in addition to the bakery business compared to the previous year. The sales, however, did not recover to the levels before COVID-19.

Adjusted operating profit increased by JPY 1.2 billion mainly led by the top-line growth of these businesses and a decrease in SG&A expenses, including a favorable comparison of impairment losses in the bakery business in the previous year.

2021 YTD

- **Revenue and adjusted operating profit**

Revenue decreased 1.9% mainly due to a relative decline in demand for household products in the frozen and ambient food business, which had temporarily increased in the same period of the previous year.

Adjusted operating profit increased by JPY 1.1 billion mainly led by a decrease in SG&A expenses, including a favorable comparison of impairment losses in the bakery business in the previous year, which more than offset the top-line decline.

FY2021 Revised Forecasts

Consolidated

(billions of JPY)	2021 Forecast		Variance vs. Initial Forecast	Variance vs. 2020 Results
	Initial	Revised		
Revenue	2,080.0	2,200.0	+120.0	+5.1%
Adjusted operating profit	475.0	517.0	+42.0	+6.2%
Operating profit	363.0	402.0	+39.0	-14.3%
Profit attributable to owners of the parent	240.0	272.0	+32.0	-12.3%
Free cash flow	315.0	383.0	+68.0	
Adjusted operating profit at constant FX	512.0	522.0	+10.0	+7.2%

- **Revenue**
Revenue forecast is revised upward by JPY 120.0 billion to JPY 2,200.0 billion driven by the upward revisions in the international tobacco and pharmaceutical businesses, partially offset by the downward revisions in the Japanese-domestic tobacco and processed food businesses. As a result, revenue is now expected to increase by 5.1% year on year.
- **Adjusted operating profit**
Adjusted operating profit at constant currency is revised upward by JPY 10.0 billion to JPY 522.0 billion, resulting in a 7.2% increase year on year, driven by the upward revisions in the international tobacco business, partially offset by the expected partial reclassification of investments related to the consolidation of IT infrastructure between JT and JTI from capital expenditures to expenses.
On a reported basis, adjusted operating profit is revised upward by JPY 42.0 billion to JPY 517.0 billion, resulting in a 6.2% increase year-on-year, driven by the upward revisions in adjusted operating profit at constant currency and revised currency assumptions.
- **Operating profit and Profit attributable to owners of the parent**
Operating profit is revised upward by JPY 39.0 billion to JPY 402.0 billion, driven by the upward revision in adjusted operating profit, resulting in a 14.3% decline year-on-year.
Profit attributable to owners of the parent company is revised upward by JPY 32.0 billion to JPY 272.0 billion driven by the upward revisions in the operating profit and improved financing costs. This represents a 12.3% decline year on year.
- **Free cash flow**
Free cash flow is revised upward by JPY 68.0 billion to JPY 383.0 billion, driven by the upward revision in adjusted operating profit and a revision in capital expenditures.

In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting adjustments have been applied to the forecasts on a reported basis since Q3 2020. The forecasts on a constant currency basis have been calculated to exclude amounts of revenue and profit that have been increased due to hyperinflation in certain markets.

Forecasts by Business Segment

International Tobacco Business

(billions of JPY)	2021 Forecast		Variance vs. Initial Forecast	Variance vs. 2020 Results
	Initial	Revised		
Total shipment volume	Decline mid 3%	Almost flat		
GFB shipment volume	Approx. -1%	Approx. +3%		
Core revenue⁷	1,230.0	1,360.0	+130.0	+8.7%
Adjusted operating profit⁷	332.0	377.0	+45.0	+10.6%

Reference (millions of USD)

Core revenue⁷	11,900	12,500	+600	+6.6% (+3.2%)*
Adjusted operating profit⁷	3,220	3,480	+260	+9.4% (+11.6%)*

*at constant currency

- **Volume**

The forecasts for total and GFB shipment volumes are revised upwards to account for the stronger first half performance, driven by favorable industry volume trend comparisons in several markets, notably from the slower easing of COVID-19 restrictions, and continued market share gains across many markets. Factoring in a deterioration in industry volume trends in the second half, mainly due to a more challenging comparative related to different levels of COVID-19 restrictions in several markets, total shipment volume is now expected to be almost flat year-on-year and GFB shipment volume is forecast to increase approximately 3%.

- **Core revenue and adjusted operating profit⁷**

On a JPY basis, the forecasts for core revenue and adjusted operating profit are revised upward by JPY 130.0 billion and JPY 45.0 billion respectively, mainly driven by a stronger first half performance and revised FX assumptions. As a result, core revenue and adjusted operating profit will increase 8.7% and 10.6%, respectively, versus the previous year.

On a USD basis, core revenue and adjusted operating profit are revised upwards by USD 600 million and USD 260 million, respectively, driven by a stronger first half volume performance and revised FX assumptions, notably GBP, IRR and RUB. Investments in the second half of the year are expected to exceed those in the first half and will result in a year-on-year increase to support the expansion of heated tobacco sticks. On a currency-neutral basis, core revenue and adjusted operating profit are now expected to increase by 3.2% and 11.6%, respectively.

⁷ In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting adjustments have been applied to the forecasts on a reported basis since Q3 2020. The forecasts on a constant currency basis have been calculated to exclude amounts of revenue and profit that have been increased due to hyperinflation in certain markets.

Japanese-Domestic Tobacco Business

(billions of JPY)	2021 Forecast		Variance vs. Initial Forecast	Variance vs. 2020 Results
	Initial	Revised		
Cigarette industry volume⁸	Decline over 8.0%	Decline over 9.0%		
Cigarette sales volume	Decline upper 7.0%	Decline slightly less than 11.0%		
Core revenue	520.0	510.0	-10.0	-1.1%
Adjusted operating profit	176.0	176.0	—	+4.7%

- **Volume**

The cigarette industry volume⁸ decline assumption is revised from over 8.0% to over 9.0% reflecting growth in the RRP category beyond the initial expectations. JT's estimate for overall RRP market size is revised from upper 20% range to approx. 30% of the full year total tobacco industry volume.

The total tobacco industry volume⁸ decline assumption is revised from over 4.0% to upper 3.0% reflecting a resilient industry volume in the first half of this year.

The assumption on JT cigarette sales volume decline is revised from upper 7.0% to slightly less than 11.0%, mainly due to growth in the RRP category beyond the initial expectations and intense competition in the value segment followed by downtrading. The JT RRP sales volume estimate remains unchanged at over 4.5 billion units.

- **Core revenue and adjusted operating profit**

The core revenue forecast is revised downward by JPY 10.0 billion now representing a decrease of 1.1% versus the previous year. This is due to intense competition in the value segment followed by downtrading, a decrease in JT cigarette sales volume due to growth in the RRP category and the protracted negative impact of COVID-19 on the top line in the Duty-Free business.

Adjusted operating profit forecast remains unchanged at a year-on-year increase at 4.7% despite accounting for necessary investments in the second half of this year, notably for sales and promotion activities of Ploom X, which are expected to be offset by efficient cost execution and optimised investments in priority activities.

⁸ 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 in Japan as well as conventional cigarettes.

Pharmaceutical Business

(billions of JPY)	2021 Forecast		Variance vs. Initial Forecast	Variance vs. 2020 Results
	Initial	Revised		
Revenue	76.5	77.0	+0.5	-2.5%
Adjusted operating profit	7.0	7.0	—	-59.2%

- **Revenue and adjusted operating profit**

The revenue forecast is revised upward by JPY 0.5 billion as overseas royalty income is expected to be better than the initial forecast. The revised forecast represents a decrease of 2.5% versus the previous year.

Adjusted operating profit forecast remains unchanged despite the top-line growth due to recognition of losses associated with the termination of the development of a licensed compound. The forecast represents a decrease of 59.2% versus the previous year.

Processed Food Business

(billions of JPY)	2021 Forecast		Variance vs. Initial Forecast	Variance vs. 2020 Results
	Initial	Revised		
Revenue	151.0	150.0	-1.0	+0.4%
Adjusted operating profit	3.0	3.0	—	—

- **Revenue and adjusted operating profit**

Revenue is revised downward by JPY 1.0 billion, representing an increase of 0.4% versus the previous year, considering the continued impact by factors including the declaration of a state of emergency. The revision also reflects the sales recovery outlook, which is expected to be slower than that initially anticipated, in food-service products in the frozen and ambient food; seasonings; and the bakery businesses despite the expected growth in sales of household products in the frozen and ambient food business.

Adjusted operating profit forecast remains unchanged despite the downward revision of revenue, and it will be achieved by committing to an improvement in product mix in the frozen and ambient food business as well as effective cost execution and investments.

Data Sheets

Results for 2021 Second Quarter

In accordance with the requirements stipulated in IAS 29, the JT Group has been applying hyperinflationary accounting adjustments since Q3 2020, so the results for fiscal year 2021 on a reported basis include the impact of the adjustments. Starting from Q1 2021, results on a constant currency basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

1. Summary of Consolidated results

(Unit: JPY billion)

	2020 Q2 YTD	2021 Q2 YTD	Variance (abs)	Variance (%)
Revenue	1,030.2	1,144.5	+114.3	+11.1%
Operating profit	252.0	322.1	+70.1	+27.8%
Adjusted operating profit	287.6	358.2	+70.6	+24.5%
Profit before income taxes	226.0	314.1	+88.1	+39.0%
Profit	173.4	225.9	+52.6	+30.3%
Profit (attributable to owners of the parent company)	172.5	225.2	+52.7	+30.5%
Basic EPS*(JPY)	97.23	126.92	+29.69	+30.5%

*Based on profit attributable to owners of the parent company

[Reference] Consolidated results

(Unit: JPY billion)

	2020 Q2 YTD	2021 Q2 YTD	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	287.6	365.1	+77.5	+26.9%

2. Results by business segment

(Unit: JPY billion)

	2020 Q2 YTD	2021 Q2 YTD	Variance (abs)	Variance (%)
Consolidated: revenue	1,030.2	1,144.5	+114.3	+11.1%
Japanese-domestic tobacco	267.7	275.3	+7.6	+2.8%
Core revenue	248.8	256.4	+7.5	+3.0%
International tobacco	651.9	760.9	+108.9	+16.7%
Core revenue	626.1	736.3	+110.2	+17.6%
Pharmaceutical	37.3	37.1	-0.2	-0.6%
Processed food	71.8	70.4	-1.4	-1.9%
Others	1.4	0.9	-0.5	-37.8%
Consolidated: operating profit	252.0	322.1	+70.1	+27.8%
Japanese-domestic tobacco	73.7	93.1	+19.4	+26.4%
International tobacco	187.3	243.4	+56.1	+29.9%
Pharmaceutical	7.2	3.8	-3.4	-47.8%
Processed food	0.3	0.5	+0.1	+34.8%
Others/Elimination	-16.5	-18.6	-2.1	-
Adjustments, total	-35.6	-36.1	-0.5	-
Japanese-domestic tobacco	-8.1	-8.1	-0.0	-
International tobacco	-27.0	-26.9	+0.2	-
Pharmaceutical	-0.7	0.2	+0.9	-
Processed food	-0.0	-1.0	-1.0	-
Others/Elimination	0.2	-0.4	-0.6	-
Consolidated: adjusted operating profit	287.6	358.2	+70.6	+24.5%
Japanese-domestic tobacco	81.8	101.3	+19.5	+23.8%
International tobacco	214.3	270.2	+55.9	+26.1%
Pharmaceutical	7.9	3.6	-4.4	-55.2%
Processed food	0.3	1.5	+1.1	+316.9%
Others/Elimination	-16.8	-18.3	-1.5	-

[Reference] International tobacco business

(Unit: USD million)

	2020 Q2 YTD	2021 Q2 YTD	Variance (abs)	Variance (%)
Core revenue	5,784	6,818	+1,034	+17.9%
Core revenue at constant FX	5,784	6,623	+839	+14.5%
Adjusted operating profit	1,980	2,505	+524	+26.5%
Adjusted operating profit at constant FX	1,980	2,560	+579	+29.2%

Results for 2021 Second Quarter

3. Depreciation and amortization*

(Unit: JPY billion)

	2020 Q2 YTD	2021 Q2 YTD	Variance (abs)
Consolidated: depreciation and amortization	81.1	81.9	+0.9
Japanese-domestic tobacco	26.7	25.0	-1.7
International tobacco	47.4	50.6	+3.3
Pharmaceutical	2.6	2.5	-0.2
Processed food	3.3	3.0	-0.2
Others/Elimination	1.1	0.8	-0.3

*Excluding depreciation from lease transactions

4. Consolidated financial position

(Unit: JPY billion)

	2020 Dec. end	2021 Jun. end	Variance (abs)
Total assets	5,381.4	5,538.9	+157.5
Total equity	2,599.5	2,862.8	+263.3
Equity attributable to owners of the parent company	2,522.8	2,786.1	+263.3
BPS (attributable to owners of the parent company) (JPY)	1,421.92	1,570.05	+148.13

5. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2020 Dec. end	2021 Jun. end	Variance (abs)
Liquidity	548.3	493.3	-55.0
Interest-bearing debt	958.9	927.0	-31.9

6. Consolidated cash flow

(Unit: JPY billion)

	2020 Q2 YTD	2021 Q2 YTD	Variance (abs)
Cash flows from operating activities	126.6	174.9	+48.2
Cash flows from investing activities	-27.9	-46.5	-18.6
Cash flows from financing activities	-25.0	-212.7	-187.7
Cash and cash equivalents, beginning of the year	357.2	538.8	+181.7
Foreign currency translation adj. on cash & cash equivalents	-23.2	26.1	+49.3
Cash and cash equivalents, end of the year	407.7	480.7	+73.0
FCF	93.1	125.4	+32.4

7. Capital expenditures

(Unit: JPY billion)

	2020 Q2 YTD	2021 Q2 YTD	Variance (abs)
Consolidated: capital expenditures	45.5	38.8	-6.7
Japanese-domestic tobacco	8.7	7.5	-1.2
International tobacco	22.9	23.7	+0.8
Pharmaceutical	7.8	4.0	-3.8
Processed food	4.0	3.9	-0.1
Others/Elimination	2.1	-0.3	-2.4

8. FX actual (Reference information)

	2020 Q2 YTD	2021 Q2 YTD	Variance (abs)	Variance (%)
USD/JPY	108.23	107.82	-0.41	-0.4%
USD/RUB	69.24	74.28	+5.04	+6.8%
USD/GBP	0.79	0.72	-0.07	+10.2%
USD/EUR	0.91	0.83	-0.08	+9.4%
USD/CHF	0.97	0.91	-0.06	+6.4%
USD/TWD	30.01	28.03	-1.98	+7.1%
USD/TRY	6.48	7.87	+1.39	-17.7%
USD/IRR	139,706		*	

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

*The closing currency rates for the month ended June 2021 have been applied when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. Similarly, the month-end rates are also applied upon conversions from the US dollar to the Japanese yen. (USD/IRR: 217,892, USD/JPY: 110.58)

FY2021 Revised Forecasts (as of July 30, 2021)

In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting adjustments have been applied to the forecasts on a reported basis since Q3 2020. The forecasts on a constant currency basis have been calculated to exclude amounts of revenue and profit that have been increased due to hyperinflation in certain markets.

1. Summary of consolidated forecasts

(Unit: JPY billion)

	2020 Results	2021 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,092.6	2,200.0	+107.4	+5.1%
Operating profit	469.1	402.0	-67.1	-14.3%
Adjusted operating profit	487.0	517.0	+30.0	+6.2%
Profit (attributable to owners of the parent company)	310.3	272.0	-38.3	-12.3%

[Reference] Consolidated forecast

(Unit: JPY billion)

	2020 Results	2021 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	487.0	522.0	+35.0	+7.2%

2. EPS, DPS, ROE

(Unit: JPY)

	2020 Results	2021 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS*	174.88	153.29	-21.59	-12.3%
DPS	154	130	-24.00	-15.6%
ROE*	12.0%	10.6%	-1.3%ppt	

*Based on profit attributable to owners of the parent company

3. Forecasts by business segment

(Unit: JPY billion)

	2020 Results	2021 Revised Forecasts	Variance (abs)	Variance (%)
Consolidated: revenue	2,092.6	2,200.0	+107.4	+5.1%
Japanese-domestic tobacco	555.6	550.0	-5.6	-1.0%
Core revenue	515.7	510.0	-5.7	-1.1%
International tobacco	1,306.2	1,420.0	+113.8	+8.7%
Core revenue	1,250.8	1,360.0	+109.2	+8.7%
Pharmaceutical	79.0	77.0	-2.0	-2.5%
Processed food	149.3	150.0	+0.7	+0.4%
Others	2.5	3.0	+0.5	+21.3%
Consolidated: operating profit	469.1	402.0	-67.1	-14.3%
Japanese-domestic tobacco	151.8	114.0	-37.8	-24.9%
International tobacco	296.4	321.0	+24.6	+8.3%
Pharmaceutical	16.5	7.0	-9.5	-57.5%
Processed food	-0.8	2.0	+2.8	-
Others/Elimination	5.1	-42.0	-47.1	-
Consolidated: adjusted operating profit	487.0	517.0	+30.0	+6.2%
Japanese-domestic tobacco	168.1	176.0	+7.9	+4.7%
International tobacco	340.9	377.0	+36.1	+10.6%
Pharmaceutical	17.2	7.0	-10.2	-59.2%
Processed food	-0.8	3.0	+3.8	-
Others/Elimination	-38.4	-46.0	-7.6	-

[Reference] International tobacco business

(Unit: USD million)

	2020 Results	2021 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,724	12,500	+776	+6.6%
Core revenue at constant FX	11,724	12,100	+376	+3.2%
Adjusted operating profit	3,181	3,480	+299	+9.4%
Adjusted operating profit at constant FX	3,181	3,550	+369	+11.6%

FY2021 Revised Forecasts (as of July 30, 2021)

4. Free cash flow

(Unit: JPY billion)

	2020 Results	2021 Revised Forecasts	Variance (abs)
FCF	503.9	383.0	-120.9

5. Capital expenditures

(Unit: JPY billion)

	2020 Results	2021 Revised Forecasts	Variance (abs)
Consolidated: capital expenditures	112.9	132.0	+19.1
Japanese-domestic tobacco	21.1	28.0	+6.9
International tobacco	66.6	82.0	+15.4
Pharmaceutical	9.1	6.0	-3.1
Processed food	8.0	14.0	+6.0
Others/Elimination	8.2	2.0	-6.2

6. Assumptions of 2020 Forecast

2021 Japanese-domestic tobacco business

- Industry volume: a decrease of an upper 3% range (vs. 2020: 155.0 BnU)
- Cigarette industry volume: a decrease of a lower 9% range (vs. 2020 : 114.9 BnU)
 - JT cigarette sales volume : a decrease of a slightly less than 11% (vs. 2020 : 68.7 BnU)
- Reduced-Risk Products market share in tobacco industry (shipment basis) : approx. 30% (2020: approx. 26%)
 - JT RRP sales volume : over 4.5 BnU stick equivalent

2021 International tobacco business

- Total shipment volume : almost flat (vs. 2020: 435.7 BnU)
- GFB shipment volume : an increase of approx. 3% (vs. 2020: 282.0 BnU)

<FX assumptions>

	2020 Results	2021 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	106.76	108.91	+2.15	+2.0%
USD/RUB	72.07	74.00	+1.93	-2.6%
USD/GBP	0.78	0.72	-0.06	+8.3%
USD/EUR	0.88	0.83	-0.05	+5.7%
USD/CHF	0.94	0.91	-0.03	+3.2%
USD/TWD	29.47	28.00	-1.47	+5.2%
USD/TRY	7.01	8.60	+1.59	-18.5%

FY2021 Revised Forecasts vs Initial Forecasts (as of July 30, 2021)

In accordance with the requirements stipulated in IAS 29, hyperinflationary accounting adjustments have been applied to the forecasts on a reported basis since Q3 2020. The forecasts on a constant currency basis have been calculated to exclude amounts of revenue and profit that have been increased due to hyperinflation in certain markets.

1. Summary of consolidated forecasts

(Unit: JPY billion)

	2021 Initial Forecasts	2021 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,080.0	2,200.0	+120.0	+5.8%
Operating profit	363.0	402.0	+39.0	+10.7%
Adjusted operating profit	475.0	517.0	+42.0	+8.8%
Profit (attributable to owners of the parent company)	240.0	272.0	+32.0	+13.3%

[Reference] Consolidated forecast

(Unit: JPY billion)

	2021 Initial Forecasts	2021 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	512.0	522.0	+10.0	+2.0%

2. EPS, DPS, ROE

(Unit: JPY)

	2021 Initial Forecasts	2021 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	135.30	153.29	+17.99	+13.3%
DPS	130	130	-	-
ROE (attributable to owners of the parent company)	9.6%	10.6%	1.1%ppt	

3. Forecasts by business segment

(Unit: JPY billion)

	2021 Initial Forecasts	2021 Revised Forecasts	Variance (abs)	Variance (%)
Consolidated: revenue	2,080.0	2,200.0	+120.0	+5.8%
Japanese-domestic tobacco	560.0	550.0	-10.0	-1.8%
Core revenue	520.0	510.0	-10.0	-1.9%
International tobacco	1,290.0	1,420.0	+130.0	+10.1%
Core revenue	1,230.0	1,360.0	+130.0	+10.6%
Pharmaceutical	76.5	77.0	+0.5	+0.7%
Processed food	151.0	150.0	-1.0	-0.7%
Others	3.0	3.0	-	-
Consolidated: operating profit	363.0	402.0	+39.0	+10.7%
Japanese-domestic tobacco	123.0	114.0	-9.0	-7.3%
International tobacco	280.0	321.0	+41.0	+14.6%
Pharmaceutical	7.0	7.0	-	-
Processed food	2.0	2.0	-	-
Others/Elimination	-49.0	-42.0	+7.0	-
Adjusted operating profit	475.0	517.0	+42.0	+8.8%
Japanese-domestic tobacco	176.0	176.0	-	-
International tobacco	332.0	377.0	+45.0	+13.6%
Pharmaceutical	7.0	7.0	-	-
Processed food	3.0	3.0	-	-
Others/Elimination	-43.0	-46.0	-3.0	-

[Reference] International tobacco business

(Unit: USD million)

	2021 Initial Forecasts	2021 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	11,900	12,500	+600	+5.0%
Core revenue at constant FX	11,850	12,100	+250	+2.1%
Adjusted operating profit	3,220	3,480	+260	+8.1%
Adjusted operating profit at constant FX	3,450	3,550	+100	+2.9%

FY2021 Revised Forecasts vs Initial Forecasts (as of July 30, 2021)

4. Free cash flow

(Unit: JPY billion)

	2021 Initial Forecasts	2021 Revised Forecasts	Variance (abs)
FCF	315.0	383.0	+68.0

5. Capital expenditures

(Unit: JPY billion)

	2021 Initial Forecasts	2021 Revised Forecasts	Variance (abs)
Consolidated	147.5	132.0	-15.5
Japanese-domestic tobacco	30.0	28.0	-2.0
International tobacco	92.0	82.0	-10.0
Pharmaceutical	5.0	6.0	+1.0
Processed food	14.5	14.0	-0.5
Others/Elimination	6.0	2.0	-4.0

6. Revised assumptions of FY2021 Forecast (vs FY2020 results)

Japanese-domestic tobacco business	Initial Forecasts	Revised Forecasts
Total Industry volume*	a decrease of a lower 4% range	a decrease of an upper 3% range
Cigarette industry volume*	a decrease of a lower 8% range	a decrease of a lower 9% range
RRP market share in tobacco industry*	upper 20% range	approx. 30%
JT cigarette sales volume	a decrease of an upper 7% range	a decrease of a slightly less than 11%
JT RRP sales volume	over 4.5 BnU stick equivalent	

* JT estimate based on shipment, annual base

International tobacco business	Initial Forecasts	Revised Forecasts
Total shipment volume	a decrease in the mid 3% range	almost flat
GFB shipment volume	a decrease of approx. 1%	an increase of approx. 3%

<FX assumptions>

	2021 Initial Forecasts	2021 Revised Forecasts	Variance (abs)	Variance (%)
USD/JPY	103.00	108.91	+5.91	+5.7%
USD/RUB	76.00	74.00	-2.00	+2.7%
USD/GBP	0.74	0.72	-0.02	+2.8%
USD/EUR	0.82	0.83	+0.01	-1.2%
USD/CHF	0.90	0.91	+0.01	-1.1%
USD/TWD	29.00	28.00	-1.00	+3.6%
USD/TRY	8.00	8.60	+0.60	-7.0%

<FX sensitivity>

FX Sensitivity Guidance for FX impact on 2021 adjusted operating profit of USD 3,480 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 62MM impacting on USD based adjusted operating profit

This amount of approximately USD 62MM composed of:

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

USD vs. JPY

USD/JPY move of 1 yen from the assumption leads to approximately JPY 3.5 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, the JT Group has been applying hyperinflationary accounting adjustments since Q3 2020, so the results for fiscal year 2021 on a reported basis include the impact of the adjustments. Starting from Q1 2021, results on a constant currency basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets.

	2020 Q2	2021 Q2	Variance	Variance (%)	
Total shipment volume	211.9	228.9	+16.9	+8.0%	BNU
GFB shipment volume	136.3	153.5	+17.2	+12.6%	BNU
Core revenue	626.1	736.3	+110.2	+17.6%	JPY BN
Adjusted operating profit	214.3	270.2	+55.9	+26.1%	JPY BN

[USD Reference information]

Core revenue	5,784	6,818	+1,034	+17.9%	USD MM
Adjusted operating profit	1,980	2,505	+524	+26.5%	USD MM
Constant FX basis					
Core revenue	5,784	6,623	+839	+14.5%	USD MM
Adjusted operating profit	1,980	2,560	+579	+29.2%	USD MM

· Contribution by cluster (vs. PY) (BNU/USD MM)

Reported basis

2021	Total shipment volume		GFB shipment volume		Core revenue	
SWE	36.7	+8.0%	31.3	+10.4%	1,214	+16.9%
NCE	33.4	+12.1%	18.4	+19.2%	1,449	+25.3%
CIS+	62.1	+5.7%	44.1	+10.5%	1,511	+11.8%
RoW	96.6	+8.2%	59.7	+13.5%	2,645	+18.2%
Total	228.9		153.5		6,818	

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

2021	Q1	Q2	Q3	Q4	YTD
SWE	+2.0%	+14.5%			+8.0%
France	+16.6%	-4.3%			+5.3%
Italy	-6.0%	+16.4%			+4.1%
Spain	-8.8%	+41.4%			+12.2%
NCE	+11.6%	+12.4%			+12.1%
Germany	+13.7%	+0.9%			+6.9%
UK	+9.4%	+7.3%			+8.3%
CIS+	+8.8%	+3.1%			+5.7%
Romania	+2.2%	+18.2%			+10.3%
Russia*	+16.5%	-0.5%			+6.9%
RoW	+3.7%	+12.9%			+8.2%
Iran	+3.1%	+16.1%			+9.3%
Taiwan	+12.7%	+1.0%			+6.6%
Turkey	+0.4%	+26.2%			+13.1%
Total	+5.8%	+10.1%			+8.0%

*From Q1 2021 onwards, shipment volume data for Russia reflects total tobacco figures, i.e. cigarettes and heated tobacco sticks. 2020 data has been adjusted accordingly.

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

(BNU)

2021	Q1	Q2	Q3	Q4	YTD
Winston	41.2	44.8			86.0
	+9.4%	+14.5%			+12.0%
Camel	16.0	18.1			34.1
	+11.4%	+39.3%			+24.6%
MEVIUS	4.0	4.0			8.0
	+1.2%	+9.9%			+5.4%
LD	12.4	13.0			25.4
	+7.9%	-0.6%			+3.4%

Tobacco Business Data

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

2021	Q1	Q2	Q3	Q4	YTD
SWE	+4.8%	+16.5%			+10.4%
France	+19.2%	-4.7%			+6.1%
Italy	-5.3%	+21.0%			+6.4%
Spain	-4.6%	+42.7%			+15.6%
NCE	+18.1%	+20.2%			+19.2%
Germany	+14.5%	+0.9%			+7.3%
UK	-12.4%	+0.5%			-5.5%
CIS+	+14.1%	+7.4%			+10.5%
Romania	+0.9%	+14.7%			+7.9%
Russia	+29.9%	+8.2%			+17.6%
RoW	+5.6%	+21.9%			+13.5%
Iran	+6.8%	+24.1%			+15.0%
Taiwan	+10.4%	+0.5%			+5.3%
Turkey	+1.3%	+26.5%			+13.7%
Total	+9.1%	+16.1%			+12.6%

5. Share of market by key markets

	12-month moving average			3-month average				
	2020	2021	Variance	2020	2020	2020	2021	2021
	Jun.	Jun.		Q2	Q3	Q4	Q1	Q2
France	25.2%	28.4%	+3.2%ppt	27.2%	27.6%	28.3%	28.8%	29.0%
Italy	24.9%	26.2%	+1.3%ppt	25.4%	26.2%	26.0%	26.2%	26.5%
Russia**	37.2%	36.4%*	-0.8%ppt	36.2%	35.8%	36.7%	36.7%	36.8%*
Spain	26.0%	27.4%	+1.4%ppt	26.2%	27.0%	27.4%	27.5%	27.7%
Taiwan	46.5%	48.2%	+1.7%ppt	47.5%	48.0%	48.5%	48.1%	48.1%
Turkey	26.8%	27.0%*	+0.3%ppt	26.3%	26.5%	26.8%	27.5%	27.8%*
UK	44.4%	45.4%*	+1.1%ppt	44.9%	45.3%	45.3%	45.4%	45.8%*

Source: IRI, Nielsen, Logista, Panel Strator / Reflects the changes in historical data from the sources.

*12-month moving average and 2-month average at the end of May 2021, respectively.

**From Q1 2021 onwards, market share data for Russia reflects total tobacco figures, i.e. cigarettes and heated tobacco sticks. 2020 data has been adjusted accordingly.

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

(USD MM)

2021	Q1	Q2	Q3	Q4	YTD
SWE	543	570			1,113
	-0.5%	+15.7%			+7.2%
NCE	620	698			1,318
	+13.3%	+14.7%			+14.0%
CIS+	774	801			1,575
	+21.5%	+12.1%			+16.6%
RoW	1,331	1,286			2,617
	+17.1%	+16.7%			+16.9%
Total	3,268	3,355			6,623
	+14.0%	+15.0%			+14.5%

Tobacco Business Data

7. Breakdown of core revenue

In accordance with the requirements stipulated in IAS 29, the JT Group has been applying hyperinflationary accounting adjustments since Q3 2020, so the results for fiscal year 2021 on a reported basis include the impact of the adjustments. Starting from Q1 2021, results on a constant currency basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets. The FX impact in the figures below include the aforementioned adjustments in addition to the prevailing FX impact.

• USD basis					(USD MM)
	Q1	Q2	Q3	Q4	YTD
2020	2,866	2,918			5,784
Volume	+214	+246			+460
Price/Mix	+187	+192			+379
2021 at constant	3,268	3,355			6,623
FX	+16	+179			+195
2021	3,284	3,535			6,818

• JPY basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2020	312.0	314.0			626.1
Operations	+43.7	+47.1			+90.8
Local currencies vs. USD	+1.7	+19.3			+21.0
JPY vs. USD	-8.5	+6.8			-1.6
2021	349.0	387.3			736.3

8. Breakdown of adjusted operating profit

In accordance with the requirements stipulated in IAS 29, the JT Group has been applying hyperinflationary accounting adjustments since Q3 2020, so the results for fiscal year 2021 on a reported basis include the impact of the adjustments. Starting from Q1 2021, results on a constant currency basis have been calculated to exclude amounts of revenue and profit that have increased due to hyperinflation in certain markets. The FX impact in the figures below include the aforementioned adjustments in addition to the prevailing FX impact.

• USD basis					(USD MM)
	Q1	Q2	Q3	Q4	YTD
2020	956	1,025			1,980
Volume	+148	+163			+311
Price/Mix	+182	+165			+346
Others	+22	-101			-79
2021 at constant	1,308	1,251			2,560
FX	-50	-5			-55
2021	1,258	1,247			2,505

• JPY basis					(JPY BN)
	Q1	Q2	Q3	Q4	YTD
2020	104.1	110.3			214.3
Operations	+38.4	+24.4			+62.8
Local currencies vs. USD	-5.5	-0.5			-6.0
JPY vs. USD	-3.3	+2.4			-0.9
2021	133.6	136.6			270.2

9. FX actual vs. PY

	2021	Q1	Q2	Q3	Q4	YTD
USD/RUB		74.34	74.22			74.28
		-10.8%	-2.8%			-6.8%
USD/GBP		0.73	0.72			0.72
		+7.8%	+12.5%			+10.2%
USD/EUR		0.83	0.83			0.83
		+9.4%	+9.4%			+9.4%
USD/CHF		0.90	0.91			0.91
		+7.1%	+5.7%			+6.4%
USD/TWD		28.07	27.99			28.03
		+7.3%	+6.9%			+7.1%
USD/TRY		7.37	8.37			7.87
		-17.2%	-18.0%			-17.7%
USD/IRR		*	*			*
USD/JPY		106.09	109.52			107.82
		-2.5%	+1.8%			-0.4%

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.

*The closing currency rates for the month ended June 2021 have been applied when converting financial statements for subsidiaries located in hyperinflationary economies to the US dollar. Similarly, the month-end rates are also applied upon conversions from the US dollar to the Japanese yen. (USD/IRR: 217,892, USD/JPY: 110.58)

Tobacco Business Data

Japanese-Domestic Tobacco Business

1. Summary (YTD)

	2020 Q2	2021 Q2	Variance	Variance (%)	
Cigarette industry volume (JT estimate)	57.0	51.9	-5.1	-8.9%	BNU
Cigarette sales volume	34.2	30.9	-3.3	-9.5%	BNU
Excludes volumes of domestic Duty-Free, China businesses (0.9BNU in 2020 Q2 and 0.9BNU in 2021 Q2, respectively) and RRP sales					
Core revenue	248.8	256.4	+7.5	+3.0%	JPY BN
Adjusted operating profit	81.8	101.3	+19.5	+23.8%	JPY BN

2. Cigarette sales volume

	(BNU)				
	Q1	Q2	Q3	Q4	FY
2020	17.2	17.0	19.9	14.7	68.7
2021	14.9	16.0			
Variance	-13.3%	-5.7%			

3. Revenue per thousand cigarettes

	(JPY)				
	Q1	Q2	Q3	Q4	FY
2020	6,326	6,344	6,369	7,172	6,524
2021	7,155	7,174			

Revenue per thousand cigarettes = (retail price sales - retailer margins - consumption tax - excise taxes)/sales volume×1,000

4. Results of Reduced-Risk Products

	(BNU / JPY BN)				
2021	Q1	Q2	Q3	Q4	YTD
RRP sales volume	1.0	1.1			2.1
RRP-related revenue	14.7	14.6			29.3

5. Breakdown of financial results

	(JPY BN)				
	Q1	Q2	Q3	Q4	YTD
Core revenue					
2020	125.8	123.0			248.8
Cigarette volume	-14.5	-6.2			-20.6
Cigarette price/mix	+12.3	+13.3			+25.6
RRP/Others	+0.4	+2.1			+2.5
2021	124.1	132.2			256.4
Adjusted OP					
2020	43.2	38.6			81.8
Cigarette volume	-12.1	-5.1			-17.2
Cigarette price/mix	+12.3	+13.3			+25.6
RRP/Others	+4.5	+6.5			+11.0
2021	48.0	53.3			101.3

6. Cigarette market share (JT estimate)

	(%)				
	Q1	Q2	Q3	Q4	FY
JT Total					
2020	59.7	60.1	60.2	59.0	59.8
2021	59.5	59.5			
MEVIUS					
2020	28.9	28.8	28.9	27.4	28.6
2021	27.6	27.5			
Winston					
2020	7.3	7.3	7.3	7.1	7.2
2021	7.1	7.1			
Seven Stars					
2020	7.5	7.5	7.6	7.1	7.4
2021	7.4	7.3			
Natural American Spirit					
2020	2.0	2.0	1.9	2.1	2.0
2021	2.1	2.1			

Pharmaceutical Business

Clinical Development as of July 30, 2021

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase (Region)	Origin	Note
JTE-052 (delgocitinib)	Atopic dermatitis (infant) /Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase3 (Japan)	In-house	· 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(Japan)	In-house	
				Phase2 (Overseas)		
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	
JTT-861	Chronic heart failure /Oral	PDHK inhibitor	Improves cardiac function by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase1 (Overseas)	In-house	

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 April 30, 2021:

- JTE-051 (Autoimmune/allergic diseases/Oral): advanced to Phase2 in Japan
- JTE-861 has entered the clinical trial stage (Phase1) in overseas.
- JTE-761 (Autoimmune/allergic diseases/Oral) : terminated
- JTE-052 : Listing on the Japanese National Health Insurance Drug Price List and Launch of CORECTIM® Ointment 0.25% in Japan

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 heated tobacco products but excludes contract manufactured products, waterpipe, and E-Vapor.
Core revenue (International tobacco business)	Core revenue includes waterpipe, 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.
RRP industry volume (Japanese-domestic tobacco business)	Industry volume of RRP in the Japanese market by number of sticks based on the internal estimates. One pack of consumables is equivalent to 20 sticks of combustible cigarettes. This excludes RRP devices, RRP related accessories, etc.
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 cigarettes. 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 58,000 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 heated tobacco 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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