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JT's Consolidated Financial Results for FY2015 Second Quarter

Steady profit growth confirmed through solid business performance

Results for January 1 – June 30, 2015 on a Like-for-Like basis[1]

- Revenue remained almost flat from the same period previous year, as the strong price/mix was offset by unfavorable local currency movements in the international tobacco business.

- Adjusted operating profit at constant FX increased 14.1%, mainly driven by robust price/mix in the international tobacco business and the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business. On a reported basis, adjusted operating profit growth was 1.9% due to the unfavorable local currency movements.

- Profit attributable to owners of the parent grew 4.7% due to lower income taxes. This was in spite of lower operating profit affected by losses on real estate asset disposals, and expenses relating to the withdrawal from the manufacture and sale of JT beverage products.

- International Tobacco Business delivered a strong performance at constant FX with adjusted operating profit growing 14.6% in US Dollars, driven by a robust price/mix and positive GFB momentum. On a reported basis, adjusted operating profit declined 17.5% due to local currency fluctuations against the US Dollar. In Japanese Yen, adjusted operating profit declined 3.2%, partially offset by the appreciation of the US Dollar.

- Japanese Domestic Tobacco Business: While total sales volume declined 3.7%, adjusted operating profit grew 6.8% due to improved price/mix effect and the effect of the measures to strengthen the competitiveness of the business.

Forecast for FY2015

- The revenue forecast has been revised downwards as the beverage vending machine operation business will not be incorporated into JT's consolidated financial results from August.

- The Company has maintained the original forecast for adjusted operating profit at constant FX to increase 6.8% from the previous year.

- The forecasts for operating profit and profit attributable to owners of the parent have been revised upwards due to the gains from the transfer of shares JT held in its subsidiaries conducting the vending machine operation business. The upwards revisions are partially offset by expenses relating to the withdrawal from the manufacture and sale of JT beverage products.

Mitsuomi Koizumi, President and Chief Executive Officer of JT, commented:

"Our international tobacco business has shown solid first half-year results amid a continuously challenging operating environment. In the second half of the year, we will accelerate our investments to further strengthen brand equity, geographic reach and emerging product portfolio. Domestically, we witnessed steady progress toward our full year target, despite increasingly intensifying market competition. Looking ahead, the solid business performance and profit growth have laid a firm foundation for achieving our annual goals."

Consolidated Financial Results for January 1 – June 30, 2015

(billions of Yen)	January - June		Difference	Net Change
	2014	2015		
Revenue	1,172.0	1,171.7	-0.2	-0.0%
Adjusted operating profit	321.8	327.9	6.0	1.9%
Operating profit	310.7	290.0	-20.7	-6.7%
Profit attributable to owners of the parent	202.0	211.5	9.5	4.7%

At constant FX:

Adjusted operating profit	321.8	367.1	45.3	14.1%

- **Revenue**
  Revenue remained almost flat as the robust price/mix was offset by unfavorable local currency movements against the US Dollar in the international tobacco business.

- **Adjusted Operating Profit**
  Adjusted operating profit at constant FX increased by 14.1% driven by robust price/mix in the international tobacco business as well as the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business. On a reported basis, adjusted operating profit growth was 1.9% due to the unfavorable exchange rates of local currency against the US Dollar in the international tobacco business. The negative impact was partly offset by the appreciation of the US Dollar against the Japanese Yen.

- **Operating Profit**
  Operating profit decreased by 6.7% due to the losses on real estate asset disposals and costs related to the withdrawal from manufacture and sale of JT beverage products.

- **Profit Attributable to Owners of the Parent**
  Profit attributable to owners of the parent grew 4.7% as a result of lower income taxes compared to the same period in the previous year despite lower operating profit.

- **Dividend**
  As stated in the “Business Plan 2015”, the Company announces a first half-year dividend of ¥54 per share and forecasts a second half-year dividend of ¥54 per share, resulting in an annual forecast dividend of ¥108 per share this fiscal year.

Results by Business Segment

International Tobacco Business

(billions of units, billions of Yen)	January - June		Net Change
	2014	2015	
Total shipment volume[2]	190.6	191.2	0.3%
GFB shipment volume	123.0	131.9	7.2%
Core revenue[3]	602.0	609.2	1.2%
Adjusted operating profit	219.9	212.9	-3.2%

Total and GFB shipment volume grew 0.3% and 7.2%, respectively, reflecting positive performance in the Benelux markets, Czech Republic, France, Germany, Italy, Spain, Taiwan and Turkey, as well as a favorable impact of the last year's trade inventory adjustments in the Middle East and Turkey. Market share[4] grew in most of the key markets, namely France, Spain, Taiwan, Turkey and the UK.

In US Dollars, core revenue and adjusted operating profit at constant FX grew 6.7% and 14.6%, respectively, driven by a robust price/mix and positive GFB momentum. On a reported basis, core revenue and adjusted operating profit declined 13.9% and 17.5%, respectively, as a result of currency fluctuations against the US Dollar. Core revenue in Japanese Yen increased 1.2% while adjusted operating profit in Japanese Yen decreased 3.2% due to the appreciation of the US Dollar.

Japanese Domestic Tobacco Business

(billions of units, billions of Yen)	January – June		Net Change
	2014	2015	
Total sales volume	55.1	53.1	-3.7%
Core revenue	315.3	312.2	-1.0%
Adjusted operating profit	117.7	125.8	6.8%

Total sales volume decreased 3.7%, affected by the industry volume decline. Core revenue declined 1.0%, as the decrease in total sales volume was partly offset by the improved price/mix effect that mainly occurred in the first quarter. Adjusted operating profit grew 6.8% due to the price/mix effect, as well as the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business that accrued from the second quarter.

The Company continued to undertake marketing and sales initiatives primarily focused on Mevius. The continued popularity of Premium Menthol Option products, an extension to the Premium Menthol line, drove further the growth of the Mevius family's overall share, which has been consistently improving to reach 32.3% in April-June 2015 from 31.3% in the same quarter previous year, when the brand was significantly affected by the temporary slowdown that followed the consumption tax hike.

Pharmaceutical Business

(billions of Yen)	January - June		Difference
	2014	2015	
Revenue	31.4	34.8	3.4
Adjusted operating profit	-4.1	-2.1	2.0

Revenue increased 10.9% due to royalty revenue growth and higher sales at Torii Pharmaceutical, reaching ¥34.8 billion. Adjusted operating profit improved ¥2.0 billion to -¥2.1 billion as a result of revenue increase.

Processed Food Business

(billions of Yen)	January – June		Difference
	2014	2015	
Revenue	76.0	79.3	3.4
Adjusted operating profit	0.3	1.1	0.8

The processed food business has continued to focus on staple food such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread. Primarily driven by the improved sales of frozen and ambient processed food products, revenue grew ¥3.4 billion to ¥79.3 billion. Adjusted operating profit increased ¥0.8 billion as a result of higher revenue.

Beverage Business

(billions of Yen)	January – June		Difference
	2014	2015	
Revenue	86.7	82.0	-4.7
Adjusted operating profit	-2.0	-0.8	1.2

As announced in the February 2015 statement, the Company has decided to withdraw from the manufacture and sale of JT beverage products, targeting the end of September 2015. On July 7 the Company concluded a definitive agreement with Suntory Beverage & Food Limited to transfer all shares JT held in its subsidiaries conducting vending machine operation business, Japan Beverage Holdings Inc. and JT A-Star Co., Ltd. The agreement also includes the transfer of JT's beverage brands "Roots" and "Momono Tennensui". The transfer date was July 31, 2015.

Consolidated Forecast for FY2015

(billions of Yen)	FY2014 Actual	FY2015 Initial Forecast	**FY2015 Revised Forecast**	Change from FY2015 Initial Forecast	Change from FY2014 Actual
Revenue	2,433.5	2,380.0	**2,350.0**	-30.0	-83.5 (-3.4%)
Adjusted operating profit	660.1	585.0	**613.0**	28.0	-47.1 (-7.1%)
Operating profit	571.8	539.0	**668.0**	129.0	96.2 (16.8%)
Profit attributable to owners of the parent	389.1	387.0	**471.0**	84.0	81.9 (21.1%)

At constant FX:

Adjusted operating profit	660.1	705.0	**705.0**	0.0	44.9 (6.8%)

- The forecast for revenue has been revised downwards by ¥30.0 billion as the vending machine operation business in the beverage business will not be incorporated into JT's consolidated financial results from August this year.

- The adjusted operating profit forecast on a reported basis has been revised upwards by ¥28.0 billion due to the revision of exchange rate assumptions[5] reflecting the positive movements of the Russian Ruble and the Japanese Yen against the US Dollar. The forecast for adjusted operating profit at constant FX has remained unchanged.

- The forecasts for operating profit and profit attributable to owners of the parent have been revised upwards by ¥129.0 billion and ¥84.0 billion respectively. The upward revisions are due to the gains relating to the transfer of shares the Company held in its subsidiaries conducting vending machine operations, partially offset by expenditure relating to the withdrawal from the manufacture and sale of JT beverage products.

Forecasts by Business Segment

- International Tobacco Business[5]: The forecast for GFB shipment volume has been revised upwards by 2.0 billion cigarette equivalent units to grow 1.8% for this fiscal year, given strong momentum in Turkey and market share gains for the first half-year in Europe. The forecast for total shipment volume remains unchanged, reflecting underlying lower non-GFB shipment volume. Due to the lower than expected depreciation of the Russian Ruble against the US Dollar, the forecast for reported adjusted operating profit has been positively revised by US$80 million. At constant FX, the forecast for adjusted operating profit growth in US Dollars remains unchanged at 8%.

- Japanese Domestic Tobacco Business: While the forecast for the total sales volume remains unchanged, the forecast for core revenue has been revised upwards by ¥3.0 billion due to strong volume growth in the Japanese domestic duty free products. The forecast for adjusted operating profit remains unchanged, reflecting higher raw materials costs following further appreciation of the US Dollar against the Japanese Yen and higher sales promotion expenses in the second half-year.

- Pharmaceutical Business: The forecast for revenue has been revised upwards by ¥1.0 billion to ¥75.0 billion. The forecast for adjusted operating profit remains unchanged at -¥4.5 billion.

- Processed Food Business: The forecast for adjusted operating profit is revised upwards by ¥1.0 billion as a result of top line growth in frozen and ambient processed food products. The forecast for revenue remains unchanged.

- Beverage Business: The vending machine operation business will no longer be incorporated into JT's consolidated financial results from August this year, as the all shares JT held in its subsidiaries conducting vending machine operation business (Japan Beverage Holdings Inc. and JT A-Star Co., Ltd.) were transferred to Suntory Beverage & Food Limited. Accordingly, the forecasts for revenue and adjusted operating profit have been revised downwards by ¥87.0 billion and ¥2.0 billion respectively.

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Japan Tobacco Inc. is a leading international tobacco company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius and LD. With diversified operations, JT is also actively present in pharmaceuticals and processed foods. The company's revenue was ¥2.154 trillion (US$17,867 million(*)) in the fiscal year ended December 31, 2014(**).

**Translated at the rate of ¥120.55 per $1, as of December 31, 2014*
***Due to a change in the accounting period from March 31 to December 31, the fiscal year 2014 covered nine months for Japanese domestic businesses and 12 months for the consolidated subsidiaries which operate the Group's international tobacco business. On a comparable full calendar year basis, revenue was ¥2.433 trillion (US$20,186 million(*)).*

Notes

[1] Fiscal year 2014 was a transitional year for JT Group after changing its accounting period from March 31 to December 31. On a reported basis fiscal year 2014 covered nine months for Japanese domestic business and 12 months for the consolidated subsidiaries which operate the Group's international tobacco business. In order to present fiscal year 2015 results on a comparable basis, the Company refers to fiscal year 2014 as a full calendar year from January 1 to December 31.
[2] Including fine cut, cigars, pipe tobacco and snus, but excluding contract manufactured products, waterpipe tobacco and emerging products.
[3] Revenue including waterpipe tobacco and emerging products, but excluding revenue from distribution, contract manufacturing and other peripheral businesses.
[4] Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut at the end of June 2015. France, Spain and the UK are on 12-month rolling average at the end of May 2015. 12-month share of market growth for May 2015 markets is calculated against a 12-month share of market at the end of June 2014.
[5] The exchange rate assumptions for US $1.00 are: Ruble 57.50, UK Sterling 0.66, Euro 0.90, Swiss Franc 0.95, Taiwan Dollar 31.10, Turkish Lira 2.65 and ¥121.00. Appreciation of the Japanese Yen and the Swiss Franc against the US Dollar negatively affects the consolidated financial result numbers. Conversely, appreciation of the other currencies against the US Dollar has a positive effect.

Additional definitions are provided at http://www.jt.com/media/definitions/index.html.

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Results for FY2015 Second Quarter

(Jan-Jun Like-for-Like basis)

・Revenue, operating profit, adjusted operating profit and profit attributed to owners of the parent company for January - June, 2014 would be disclosed in the Quarterly Securities Report, which will be subject to auditor's review.

1. Summary of Business Performance

(unit: JPY billion,%)

	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change
Revenue	1,172.0	1,171.7	-0.2	- 0.0%
Operating profit	310.7	290.0	-20.7	- 6.7%
Profit before income taxes	306.4	291.3	-15.1	- 4.9%
Profit	205.5	213.7	+8.2	+4.0%
Profit(attributable to owners of the parent company)	202.0	211.5	+9.5	+4.7%
Basic EPS(JPY)	111.12	117.49	+6.37	+5.7%
Interim dividend(JPY)	–	54.00	–	–
Adjusted operating profit*1	321.8	327.9	+6.0	+1.9%

(Reference)

(unit: JPY billion,%)

	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change
Adjusted Operating profit at constant rates of exchange*1*2	321.8	367.1	+45.3	+14.1%

＊1 :Adjusted Operating profit
= Operating profit + Amortization cost of acquired intangibles + Adjusted items (income and costs)*
*Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

＊2 : Jan-Jun, 2014 -Actual
Jan-Jun, 2015 -Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as Jan-Jun, 2014

2.Breakdown of Revenue

(unit: JPY billion,%)

	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change
Revenue	1,172.0	1,171.7	-0.2	- 0.0%
Japanese domestic tobacco	332.8	329.2	-3.6	- 1.1%
Core revenue*1	315.3	312.2	-3.1	- 1.0%
International tobacco	639.3	642.2	+2.9	+0.5%
Core revenue*2	602.0	609.2	+7.2	+1.2%
Pharmaceutical	31.4	34.8	+3.4	+10.9%
Processed food	76.0	79.3	+3.4	+4.4%
Beverage	86.7	82.0	-4.7	- 5.4%
Others	5.9	4.2	-1.7	- 28.4%

(Reference)

(unit: USD million,%)

	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change
International tobacco Core revenue*2	5,876	5,061	-815	- 13.9%
International tobacco Core revenue at constant rates of exchange*2*3	5,876	6,272	+396	+6.7%

＊1 :Excluding revenue from the distribution business of imported tobacco

＊2 :Includes revenue from waterpipe tobacco and Emerging Products, but excludes revenue from distribution, contract manufacturing and other peripheral businesses.

＊3 :Jan-Jun, 2014 -Actual
Jan-Jun, 2015 -Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD as Jan-Jun, 2014

Results for FY2015 Second Quarter

(Jan-Jun Like-for-Like basis)

・Revenue, operating profit, adjusted operating profit and profit attributed to owners of the parent company for January - June, 2014 would be disclosed in the Quarterly Securities Report, which will be subject to auditor's review.

3.Adjusted Operating profit by business segment*1

(unit: JPY billion,%)

	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change
Consolidated Operating profit	310.7	290.0	-20.7	- 6.7%
Adjustment*2	11.1	37.9	+26.7	–
Adjusted Operating profit*1	321.8	327.9	+6.0	+1.9%
Japanese domestic tobacco Operating profit	117.1	124.1	+7.0	+6.0%
Adjustment*2	0.7	1.8	+1.1	–
Adjusted Operating profit*1	117.7	125.8	+8.1	+6.8%
International tobacco Operating profit	201.7	195.5	-6.2	- 3.1%
Adjustment*2	18.2	17.4	-0.8	–
Adjusted Operating profit*1	219.9	212.9	-7.0	- 3.2%
Pharmaceutical Operating profit	-4.1	-2.1	+2.0	–
Adjustment*2	–	–	–	–
Adjusted Operating profit*1	-4.1	-2.1	+2.0	–
Processed food Operating profit	0.3	1.1	+0.8	+299.1%
Adjustment*2	-0.0	-0.0	-0.0	–
Adjusted Operating profit*1	0.3	1.1	+0.8	+292.4%
Beverage Operating profit	-2.0	-8.6	-6.6	–
Adjustment*2	–	7.8	+7.8	–
Adjusted Operating profit*1	-2.0	-0.8	+1.2	–
Others/Elimination Operating profit	-2.3	-20.0	-17.7	–
Adjustment*2	-7.7	10.9	+18.6	–
Adjusted Operating profit*1	-10.0	-9.0	+0.9	–

(Reference) (unit: USD million,%)

	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change
International tobacco Adjusted Operating profit*1	2,147	1,770	-377	- 17.5%
International tobacco Adjusted Operating profit at constant rates of exchange*1*3	2,147	2,461	+314	+14.6%

(Reference)Depreciation and amotization (unit: JPY billion)

	2014 Jan-Jun	2015 Jan-Jun	Change
Depreciation and amotization	68.9	70.5	+1.7
Japanese domestic tobacco	22.4	22.1	-0.3
International tobacco	33.9	36.7	+2.8
Pharmaceutical	1.9	2.3	+0.4
Processed food	3.3	3.2	-0.1
Beverage	5.5	5.2	-0.3
Others/Elimination	1.8	1.0	-0.8

*1 :Adjusted Operating profit
= Operating profit + Amortization cost of acquired intangibles + Adjusted items (income and costs)*
*Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

2 :Adjustment = Amortization cost of acquired intangibles + Adjusted items (income and costs)
*Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

*3 :Jan-Jun, 2014 -Actual
Jan-Jun, 2015 -Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD as Jan-Jun, 2014

Results for FY2015 Second Quarter

(Jan-Jun Like-for-Like basis)

・Revenue, operating profit, adjusted operating profit and profit attributed to owners of the parent company for January - June, 2014 would be disclosed in the Quarterly Securities Report, which will be subject to auditor's review.

4.Consolidated financial position data

(unit: JPY billion)

	As of end of Dec. 2014	As of end of Jun. 2015	Change
Total Assets	4,704.7	4,538.9	-165.8
Total Equity	2,622.5	2,586.9	-35.6
Equity attributable to owners of the parent company	2,536.8	2,500.3	-36.5
BPS(attributable to owners of the parent company) (JPY)	1,395.74	1,396.31	+0.57

5.Liquidity*

(unit: JPY billion)

	As of end of Dec. 2014	As of end of Jun. 2015	Change
Liquidity	389.5	347.0	-42.4

＊: Liquidity＝cash and deposits＋marketable securities＋securities purchased under repurchase agreements

6.Interest-bearing debt*

(unit: JPY billion)

	As of end of Dec. 2014	As of end of Jun. 2015	Change
Interest-bearing debt	228.2	390.4	162.2

＊: Interest-bearing debt = short-term bank loans + CP + bonds + long-term borrowings ＋ lease obligation

7.Consolidated cash flows data

(unit: JPY billion,%)

	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change
Cash flows from operating activities	–	43.1	–	–
Cash flows from investing activities	–	-66.6	–	–
Cash flows from financing activities	–	-23.0	–	–
Cash and cash equivalents, beginning of the year	–	385.8	–	–
Foreign currency translation adjustments on cash and cash equivalents	–	4.3	–	–
Cash and cash equivalents, end of the quarter*1	–	343.6	–	–
FCF*2	17.5	-33.0	-50.5	–

＊1 Included in "Cash and cash equivalents" at the end of this quarter is ¥ 58.2 billion (IRR 15,679.5 billion) held by the Group's Iranian subsidiary, JTI Pars PJS Co.. Due to international sanctions and other factors imposed on Iran, the subsidiary's ability to remit funds outside of Iran is restricted.

＊2 :FCF is total of cash flows from operating activities and investing activities excluding the following items;
Cash flows from interest and dividends received and its tax effect / interest paid and its tax effect in operating activities.
Cash flows from purchase of short-term investment securities, proceeds from sale and redemption of short-term investment securities, purchase of investment securities, proceeds from sale of investment securities, payments into time deposits, proceeds from withdrawal of time deposits and others in investing activities (those from purchase/sale of securities held for business operation are not included here).

8.Capital expenditures

(unit: JPY billion)

	2014 Jan-Jun	2015 Jan-Jun	Change
Capital expenditures	71.3	61.2	-10.0
Japanese domestic tobacco	21.0	23.1	+2.1
International tobacco	37.4	26.7	-10.7
Pharmaceutical	2.5	1.6	-1.0
Processed food	1.9	2.4	+0.5
Beverage	5.5	5.4	-0.1
Others/Elimination	2.9	2.1	-0.8

9.Business data

【Japanese domestic tobacco business】	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change	
JT sales volume*	55.1	53.1	-2.0	- 3.7%	BNU
Total demand	90.9	88.5	-2.3	- 2.5%	BNU
JT market share	60.7%	60.0%	-0.7%pt	–	
JT net sales after tax per 1,000 cigarettes	5,559	5,666	+107	+1.9%	JPY

＊ :Sales volume of domestic duty-free and China business is excluded, which was 1.7 billion for Jan-Jun, 2014 and 1.9 billion for Jan-Jun, 2015, respectively.

【International tobacco business】	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change	
Total shipment volume*	190.6	191.2	+0.6	+0.3%	BNU
GFB shipment volume	123.0	131.9	+8.9	+7.2%	BNU
JPY/USD rate for consolidation	102.46	120.30	+17.84	+17.4%	JPY
RUB/USD rate for consolidation	34.98	57.47	+22.49	-39.1%	RUB
GBP/USD rate for consolidation	0.60	0.66	+0.06	-8.7%	GBP
EUR/USD rate for consolidation	0.73	0.90	+0.17	-18.5%	EUR
CHF/USD rate for consolidation	0.89	0.95	+0.06	-6.0%	CHF
TWD/USD rate for consolidation	30.19	31.20	+1.01	-3.2%	TWD
TRY/USD rate for consolidation	2.16	2.56	+0.40	-15.5%	TRY

＊ :Total shipment volume includes fine cut, cigars, pipe tobacco and snus but excludes contract manufactured products, waterpipe tobacco products and Emerging Products

(unit: JPY billion,%)

<Pharmaceutical business>	2014 Jan-Jun	2015 Jan-Jun	Change	Rates of Change
R&D expenses	14.5	14.6	+0.0	+0.1%

FY2015 Revised Forecasts
(as of August 3, 2015)

1. Summary

(unit: JPY billion,%)

	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change
Revenue	2,433.5	2,350.0	-83.5	- 3.4%
Operating profit	571.8	668.0	+96.2	+16.8%
Profit(attributable to owners of the parent company)	389.1	471.0	+81.9	+21.1%
Basic EPS(JPY) *1	214.06	262.36	+48.30	+22.6%
Adjusted Operating profit *2	660.1	613.0	-47.1	- 7.1%
DPS(JPY)	–	108.00	–	–
ROE(attributable to owners of the parent company) *3	–	18.3%	–	–

(Reference)

	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change
Adjusted Operating profit at constant rates of exchange *2*4	660.1	705.0	+44.9	+6.8%

*1 :Based on profit attributable to owners of the parent

*2 :Adjusted Operating profit
= Operating profit + Amortization cost of acquired intangibles + Adjusted items (income and costs)*
*Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

*3 :Based on Profit attributable to owners of the parent company and Equity attributable to owners of the parent company

*4 :2014 Jan-Dec -Actual
FY2015 Forecasts- Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as 2014 Jan-Dec

2.Breakdown of Revenue

(unit: JPY billion,%)

	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change
Revenue	2,433.5	2,350.0	-83.5	- 3.4%
Japanese domestic tobacco	685.9	676.0	-9.9	- 1.4%
Core revenue *1	649.8	638.0	-11.8	- 1.8%
International tobacco	1,328.0	1,324.0	-4.0	- 0.3%
Core revenue *2	1,258.2	1,261.0	+2.8	+0.2%
Pharmaceutical	65.8	75.0	+9.2	+14.0%
Processed food	161.2	168.0	+6.8	+4.2%
Beverage	181.3	97.0	-84.3	- 46.5%
Others	11.3	9.0	-2.3	- 20.2%

(Reference) (unit: USD million,%)

	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change
International tobacco Core revenue *2	11,911	10,400	-1,511	- 12.7%
International tobacco Core revenue at constant rates of exchange *2*3	11,911	12,500	+589	+4.9%

*1 :Excluding revenue from the distribution business of imported tobacco

*2 :Includes revenue from waterpipe tobacco and emerging products, but excludes revenue from distribution, contract manufacturing and other peripheral businesses.

*3 :2014 Jan-Dec -Actual
FY 2015 Forecasts -at the same foreign exchange rates between local currency vs USD as 2014 Jan-Dec

FY2015 Revised Forecasts
(as of August 3, 2015)

3.OP & Adjusted Operating profit by business segment*1

(unit: JPY billion,%)

	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change
Consolidated Operating profit	571.8	668.0	+96.2	+16.8%
Japanese domestic tobacco	181.5	247.0	+65.5	+36.1%
International tobacco	379.5	347.0	-32.5	- 8.6%
Pharmaceutical	-7.3	-4.5	+2.8	–
Processed food	-1.2	2.5	+3.7	–
Beverage	-0.5	114.0	+114.5	–
Others/Elimination	19.9	-37.0	-56.9	–
Adjusted Operating profit*1	660.1	613.0	-47.1	- 7.1%
Japanese domestic tobacco*1	238.7	250.0	+11.3	+4.7%
International tobacco*1	447.1	390.0	-57.1	- 12.8%
Pharmaceutical*1	-7.3	-4.5	+2.8	–
Processed food*1	1.4	2.5	+1.1	+76.2%
Beverage*1	-0.5	-2.0	-1.5	–
Others/Elimination*1	-19.3	-25.0	-5.7	–

(Reference) (unit: USD million,%)

	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change
International tobacco Adjusted Operating profit*1	4,253	3,230	-1,023	- 24.1%
International tobacco Adjusted Operating profit at constant rates of exchange*1*2	4,253	4,595	+342	+8.0%

＊1 :Adjusted Operating profit
= Operating profit + Amortization cost of acquired intangibles + Adjusted items (income and costs)*
*Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

＊2 :2014 Jan-Dec -Actual
FY 2015 Forecasts -at the same foreign exchange rates between local currency vs USD as 2014 Jan-Dec

4.Consolidated cash flows

(unit: JPY billion,%)

	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change
FCF*	455.4	401.0	-54.4	-11.9%

＊ :FCF is total of cash flows from operating activities and investing activities excluding the following items;
Cash flows from interest and dividends received and its tax effect / interest paid and its tax effect in operating activities.
Cash flows from purchase of short-term investment securities, proceeds from sale and redemption of short-term investment securities, purchase of investment securities, proceeds from sale of investment securities, payments into time deposits, proceeds from withdrawal of time deposits and others in investing activities (those from purchase/sale of securities held for business operation are not included here).

5.Capital expenditures

(unit: JPY billion)

	2014 Jan-Dec	FY2015 Revised Forecasts	Change
Capital expenditures	140.9	156.0	+15.2
Japanese domestic tobacco	41.0	40.0	-1.0
International tobacco	74.2	89.0	+14.8
Pharmaceutical	4.7	6.0	+1.3
Processed food	4.7	7.0	+2.3
Beverage	10.7	6.0	-4.7
Others/Elimination	5.5	6.0	+0.5

6.Business data

【Japanese domestic tobacco business】	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change	
JT sales volume*	112.4	109.0	-3.4	- 3.0%	BNU

＊: Sales volume of domestic duty-free and China business is excluded

【International tobacco business】	2014 Jan-Dec	FY2015 Revised Forecasts	Change	Rates of Change	
Total shipment volume*	398.0	392.0	-6.0	- 1.5%	BNU
GFB shipment volume	262.2	267.0	+4.8	+1.8%	BNU
JPY/USD rate for consolidation	105.79	121.00	+15.21	+14.4%	JPY
RUB/USD rate for consolidation	38.40	57.50	+19.10	-33.2%	RUB
GBP/USD rate for consolidation	0.61	0.66	+0.05	-8.0%	GBP
EUR/USD rate for consolidation	0.75	0.90	+0.15	-16.3%	EUR
CHF/USD rate for consolidation	0.91	0.95	+0.04	-3.7%	CHF
TWD/USD rate for consolidation	30.31	31.10	+0.79	-2.6%	TWD
TRY/USD rate for consolidation	2.19	2.65	+0.46	-17.5%	TRY

＊: Total shipment volume includes fine cut, cigars, pipe tobacco and snus, but excludes contract manufactured products, waterpipe tobacco and emerging products

FY2015 Forecasts
Initial Forecasts vs Revised Forecasts
(as of August 3, 2015)

1. Summary

(unit: JPY billion,%)

	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change
Revenue	2,380.0	2,350.0	- 30.0	- 1.3%
Operating profit	539.0	668.0	+129.0	+23.9%
Profit(attributable to owners of the parent company)	387.0	471.0	+84.0	+21.7%
Basic EPS(JPY)*1	212.92	262.36	+49.44	+23.2%
Adjusted Operating profit*2	585.0	613.0	+28.0	+4.8%
DPS(JPY)	108.00	108.00	—	—
ROE(attributable to owners of the parent company)*3	15.0%	18.3%	+3.3ppt	—

(Reference)

	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change
Adjusted Operating profit at constant rates of exchange*2*4	705.0	705.0	—	—

*1 :Based on profit attributable to owners of the parent company

*2 :Adjusted Operating profit
= Operating profit + Amortization cost of acquired intangibles + Adjusted items (income and costs)*
*Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

*3 :Based on Profit attributable to owners of the parent company and Equity attributable to owners of the parent company

*4 :Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as 2014 Jan-Dec

2.Breakdown of Revenue

(unit: JPY billion,%)

	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change
Revenue	2,380.0	2,350.0	-30.0	- 1.3%
Japanese domestic tobacco	669.0	676.0	+7.0	+1.0%
Core revenue*1	635.0	638.0	+3.0	+0.5%
International tobacco	1,277.0	1,324.0	+47.0	+3.7%
Core revenue*2	1,219.0	1,261.0	+42.0	+3.4%
Pharmaceutical	74.0	75.0	+1.0	+1.4%
Processed food	168.0	168.0	—	—
Beverage	184.0	97.0	-87.0	- 47.3%
Others	8.0	9.0	+1.0	+12.5%

(Reference) (unit: USD million,%)

	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change
International tobacco Core revenue*2	10,600	10,400	-200	- 1.9%
International tobacco Core revenue at constant rates of exchange*2*3	12,500	12,500	—	—

*1 :Excluding revenue from the distribution business of imported tobacco

*2 :Includes revenue from waterpipe tobacco and emerging products, but excludes revenue from distribution, contract manufacturing and other peripheral businesses.

*3 :At the same foreign exchange rates between local currency vs USD as 2014 Jan-Dec

FY2015 Forecasts
Initial Forecasts vs Revised Forecasts
(as of August 3, 2015)

3.OP & Adjusted Operating profit by business segment*1

(unit: JPY billion,%)

	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change
Consolidated Operating profit	539.0	668.0	+129.0	+23.9%
Japanese domestic tobacco	247.0	247.0	–	–
International tobacco	325.0	347.0	+22.0	+6.8%
Pharmaceutical	-4.5	-4.5	–	–
Processed food	1.5	2.5	+1.0	+66.7%
Beverage	0.0	114.0	+114.0	–
Others/Elimination	-30.0	-37.0	-7.0	–
Adjusted Operating profit*1	585.0	613.0	+28.0	+4.8%
Japanese domestic tobacco*1	250.0	250.0	–	–
International tobacco*1	362.0	390.0	+28.0	+7.7%
Pharmaceutical*1	-4.5	-4.5	–	–
Processed food*1	1.5	2.5	+1.0	+66.7%
Beverage*1	0.0	-2.0	-2.0	–
Others/Elimination*1	-25.0	-25.0	–	–

(Reference) (unit: USD million,%)

	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change
International tobacco Adjusted Operating profit*1	3,150	3,230	+80	+2.5%
International tobacco Adjusted Operating profit at constant rates of exchange*1*2	4,595	4,595	–	–

*1 :Adjusted Operating profit
= Operating profit + Amortization cost of acquired intangibles + Adjusted items (income and costs)*
*Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
*2 :At the same foreign exchange rates between local currency vs USD as 2014 Jan-Dec

4.Consolidated cash flows

(unit: JPY billion,%)

	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change
FCF*	282.0	401.0	+119.0	+42.2%

* :FCF is total of cash flows from operating activities and investing activities excluding the following items;
Cash flows from interest and dividends received and its tax effect / interest paid and its tax effect in operating activities.
Cash flows from purchase of short-term investment securities, proceeds from sale and redemption of short-term investment securities, purchase of investment securities, proceeds from sale of investment securities, payments into time deposits, proceeds from withdrawal of time deposits and others in investing activities (those from purchase/sale of securities held for business operation are not included here).

5.Capital expenditures

(unit: JPY billion)

	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change
Capital expenditures	161.0	156.0	-5.0
Japanese domestic tobacco	41.0	40.0	-1.0
International tobacco	85.0	89.0	+4.0
Pharmaceutical	6.5	6.0	-0.5
Processed food	7.0	7.0	–
Beverage	13.0	6.0	-7.0
Others/Elimination	7.0	6.0	-1.0

6.Business data

【Japanese domestic tobacco business】	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change	
JT sales volume*	109.0	109.0	–	–	BNU

*: Sales volume of domestic duty-free and China business is excluded

【International tobacco business】	FY2015 Initial Forecasts	FY2015 Revised Forecasts	Change	Rates of Change	
Total shipment volume*	392.0	392.0	–	–	BNU
GFB shipment volume	265.0	267.0	+2.0	+0.8%	BNU
JPY/USD rate for consolidation	115.00	121.00	+6.00	+5.2%	JPY
RUB/USD rate for consolidation	65.00	57.50	-7.50	+13.0%	RUB
GBP/USD rate for consolidation	0.64	0.66	+0.02	-3.0%	GBP
EUR/USD rate for consolidation	0.90	0.90	-	-	EUR
CHF/USD rate for consolidation	0.90	0.95	+0.05	-5.3%	CHF
TWD/USD rate for consolidation	31.15	31.10	-0.05	+0.2%	TWD
TRY/USD rate for consolidation	2.25	2.65	+0.40	-15.1%	TRY

*: Total shipment volume includes fine cut, cigars, pipe tobacco and snus, but excludes contract manufactured products, waterpipe tobacco and emerging products

Data of JT products in Japanese market

* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

Japanese Domestic Tobacco Business Results

1. Quarterly Sales Volume

(billions of cigarettes)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	26.8	29.3	30.3	30.1	116.5
2014	30.4	24.7	28.8	28.4	112.4
2015	25.5	27.6			

2. Quarterly Retail Price Sales

(billions of JPY)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	544.2	593.3	614.1	608.5	2,360.1
2014	615.6	520.4	607.0	598.4	2,341.3
2015	536.1	581.5			

* Retail price sales = sales volume × fixed retail price.

3. Quarterly Net Sales Excluding Excise Tax / Revenue Per Thousand Cigarettes

(JPY)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	5,498	5,491	5,485	5,481	5,488
2014	5,483	5,652	5,675	5,670	5,617
2015	5,671	5,662			

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

4. Quarterly JT Market Share

(%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	59.5	60.5	60.7	61.1	60.5
2014	61.5	59.6	60.1	60.0	60.4
2015	59.9	60.0			

Market Share in Growing Segments

1. 1mg Tar

(1) JT 1mg Tar Product Share (%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	14.4	14.7	14.7	14.7	14.6
2014	14.8	14.5	14.4	14.3	14.5
2015	14.5	14.6			

(2) 1mg Market Share (%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	24.5	24.5	24.5	24.4	24.5
2014	24.6	25.0	24.7	24.8	24.8
2015	24.9	25.1			

2. Menthol

(1) JT Menthol Product Share (%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	7.7	8.3	8.8	9.0	8.5
2014	9.0	9.6	9.4	9.5	9.4
2015	10.1	10.1			

(2) Menthol Market Share (%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	26.2	26.3	26.3	26.4	26.3
2014	26.1	27.3	26.7	27.1	26.8
2015	27.7	27.8			

3. JPY 450 or above

(1) JT JPY 450 or above Product Share (%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	14.5	14.5	14.4	14.7	14.5
2014	14.7	14.3	14.7	14.5	14.6
2015	14.2	14.2			

(2) JPY 450 or above Product Market Share (%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	36.6	36.1	35.9	36.0	36.1
2014	35.9	35.5	35.8	35.6	35.7
2015	35.3	35.0			

Japan Tobacco Inc. Clinical Development as of August 3, 2015

＜In-house development＞

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase	Note
JTK303(elvitegravir)/ cobicistat/emtricitabine/ tenofovir alafenamide fumarate	HIV infection /Oral	HIV integrase inhibitor/ Nucleoside reverse transcriptase inhibitor	Suppresses blood HIV levels by inhibiting the activities of integrase and reverse transcriptase, enzymes involved in the replication of HIV.	Preparing to file (Japan)	JTK-303(elvitegravir); In-house Cobicistat, Emtricitabine, Tenofovir Alafenamide; In-license (Gilead Sciences)
emtricitabine/ tenofovir alafenamide fumarate	HIV infection /Oral	Nucleoside reverse transcriptase inhibitor	Suppresses blood HIV levels by inhibiting the activity of reverse transcriptase, an enzyme involved in the replication of HIV.	Preparing to file (Japan)	In-license (Gilead Sciences)
JTT-851	Type 2 diabetes mellitus /Oral	G protein-coupled receptor 40 agonist	Decreases blood glucose by stimulation of glucose-dependent insulin secretion.	Phase2 (Japan) Phase2 (Overseas)	In-house
JTZ-951	Anemia associated with chronic kidney disease /Oral	HIF-PHD inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PHD.	Phase2(Japan) Phase1(Overseas)	In-house
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.	Phase1(Overseas)	In-house
JTE-052	Autoimmune/allergic diseases /Oral, Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase2(Japan)	In-house
JTE-151	Autoimmune/allergic diseases /Oral	RORγ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1(Overseas)	In-house
JTE-350* (histamine dihydrochloride)	Diagnostic product /Positive control solution in the skin prick test	Histamine receptor agonist	Induces wheal and flare as histamine reactions on the epidermis in the skin prick test.	NDA filed (Japan)	In-license （ALK-Abelló） Co-development with Torii
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
JTK-351	HIV infection /Oral	HIV integrase inhibitor	Suppresses blood HIV levels by inhibiting the activity of integrase, an enzyme involved in the replication of HIV.	Phase1(Japan)	In-house

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

*One of the medical products publicly offered for a development company by the Study Group on Unapproved and Off-label Drugs of High Medical Need, set up by the Ministry of Health, Labour and Welfare.

＜Licensed compounds＞

Compound （JT's code）	Licensee	Mechanism		Note
elvitegravir (JTK-303)	Gilead Sciences	HIV Integrase inhibitor	Suppresses blood HIV levels by inhibiting the activity of integrase, an enzyme involved in the replication of HIV.	elvitegravir/cobicistat/emtricitabine/tenofovir alafenamide U.S. and EU marketing approvals submitted
trametinib	Novartis	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK Kinase (MEK1/2).	Melanoma Japan and EU marketing approvals submitted
Anti-ICOS monoclonal antibody	MedImmune	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.	
JTE-052	LEO Pharma	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	

Updates since the previous announcement on April 30, 2015:

<In-house development>

・JTE-052: advanced to Phase 2 in Japan
・JTT-252: terminated