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JT's Consolidated Financial Results for FY2016 Second Quarter

First Half results demonstrated solid business performance

Results for FY2016 Second Quarter : (January 1, 2016 – June 30, 2016)

- All businesses in the group delivered steady top line growth in the initial six-month period, leading to solid adjusted operating profit growth excluding currency effects.

- Revenue and adjusted operating profit declined 1.7% and 3.2% respectively due to unfavorable currency movements in the international tobacco business. Operating profit grew 15.5% as a result of gains from the sale of real estate assets in the first quarter. Profit attributable to owners of the parent increased 16.8%.

- Adjusted operating profit at constant currency grew 14.3% mainly led by strong results in the international tobacco business.

- International Tobacco Business: Total and GFB shipment volumes increased 4.4% and 6.7% respectively, driven by continued market share momentum and acquisitions. In US Dollars, adjusted operating profit at constant currency grew 17.7% driven by volume growth and robust pricing while investments were accelerated. On a reported basis, adjusted operating profit declined 2.3% due to adverse currency movements against the US Dollar. Adjusted operating profit in Japanese Yen declined 9.3% due to the appreciation of the currency against the US Dollar.

- Japanese Domestic Tobacco Business: Adjusted operating profit grew 3.0% mainly driven by the retail price amendment of certain products including Mevius and the contribution of Natural American Spirit. The profit growth was also supported by the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business.

Forecast for FY2016

- At constant currency, the forecast for adjusted operating profit is revised upwards by ¥7.0 billion reflecting strong first half performance in the international tobacco business. The profit is now forecast to grow 8.5% from the previous fiscal year.

- The revenue forecast is revised downwards by ¥80.0 billion due to a stronger than anticipated appreciation of the Japanese Yen against the US Dollar. The forecast for adjusted operating profit is increased by ¥7.0 billion, as the revision of exchange rate assumptions of local currencies against the US Dollar offsets the negative impact of Japanese Yen.

- The forecast for profit attributable to owners of the parent is revised upwards by ¥10.0 billion mainly due to the upward revision of adjusted operating profit and lower corporate income tax.

Mitsuomi Koizumi, President and Chief Executive Officer of JT, commented:
Our international tobacco business continues to deliver strong volume growth led by GFBs and market share gains. This solid business performance combined with robust pricing allows us to revise our profit forecast upwards by targeting another year of double digit profit growth at constant currency. We also continue to increase the level of investments in our business, notably in seeding markets and emerging products. Domestically, we delivered steady profit growth driven by the inclusion of Natural American Spirit and the retail price amendment of Mevius. Despite the increasingly uncertain operating environment, the strong first half performance provides a sound ground to make upward revisions to the overall group forecasts for this fiscal year.

Consolidated Financial Results for January 1 – June 30, 2016

(billions of Yen)	January – June		Difference	Net Change
	2015	2016		
Revenue	1,095.2	1,076.9	-18.3	-1.7%
Adjusted operating profit	328.9	318.3	-10.5	-3.2%
Operating profit	298.8	345.0	46.2	15.5%
Profit attributable to owners of the parent [1]	211.6	247.1	35.5	16.8%

At constant FX:

Adjusted operating profit	328.9	375.8	46.9	14.3%

- **Revenue**
  Revenue declined 1.7% due to unfavorable currency movements in the international tobacco business despite steady top line growth across all businesses.

- **Adjusted Operating Profit**
  Adjusted operating profit at constant currency increased 14.3% mainly driven by strong business momentum in the international tobacco business. On a reported basis, adjusted operating profit declined 3.2% due to unfavorable local currency movements against the US Dollar as well as the appreciation of the Japanese Yen against the US Dollar.

- **Operating Profit**
  Operating profit grew 15.5% as a result of gains from the sale of real estate assets in the first quarter.

- **Profit Attributable to Owners of the Parent**
  Profit attributable to owners of the parent grew 16.8% due to higher operating profit.

- **Dividend**
  As stated in the "Business Plan 2016", the Company announces a first half-year dividend of ¥64 per share and forecasts a second half-year dividend of ¥64 per share, resulting in an annual forecast dividend of ¥128 per share this fiscal year.

Results by Business Segment

International Tobacco Business

(billions of units, billions of Yen)	January - June		Net Change
	2015	2016	
Total shipment volume[2]	191.2	199.7	4.4%
GFB shipment volume	131.9	140.7	6.7%
Core revenue[3]	609.2	584.1	-4.1%
Adjusted operating profit	212.9	193.1	-9.3%

Total shipment volume increased 4.4% driven by solid performance in the Caucasus markets, France, Germany, Iran, Italy, Kazakhstan, Korea, the Philippines, Romania, South East Asian markets and Turkey, as well as contributions from acquisitions, and favorable comparisons in the first quarter due to trade inventory adjustments. GFB shipment volume grew 6.7% led by continued brand building initiatives, market share momentum and the inclusion of Natural American Spirit. Market share[4] continued to grow in most key markets, including France, Italy, Spain, Taiwan and the UK.

In US Dollars, core revenue and adjusted operating profit at constant currency grew 12.6% and 17.7%, respectively, driven by a robust price/mix and volume growth. Investments also increased, particularly in seeding markets and emerging products. On a reported basis, core revenue increased 3.5% driven by strong business momentum offsetting currency fluctuations. Reported adjusted operating profit declined 2.3% due to currency fluctuations. In Japanese Yen, core revenue and adjusted operating profit decreased 4.1% and 9.3% respectively, due to the appreciation of the Japanese Yen against the US Dollar.

Japanese Domestic Tobacco Business

(billions of units, billions of Yen)	January – June		Net Change
	2015	2016	
Total sales volume[5]	53.1	52.7	-0.7%
Core revenue[6]	312.2	318.6	2.1%
Adjusted operating profit	125.8	129.6	3.0%

Total sales volume slightly decreased mainly due to lower industry volume and the negative impact of the retail price amendment of certain products including Mevius, although this was partly offset by the acquisition of Natural American Spirit. Core revenue grew 2.1% driven by the retail price amendment of certain products including Mevius and the positive impact of the acquisition of Natural American Spirit. Adjusted operating profit grew 3.0% due to higher core revenue and the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business. The profit growth was partly offset by the enhancement of sales promotions.

Pharmaceutical Business

(billions of Yen)	January - June		Difference
	2015	2016	
Revenue	34.8	40.3	5.5
Adjusted operating profit	-2.1	2.8	4.9

Revenue increased ¥5.5 billion to ¥40.3 billion driven by royalty revenue growth and a one-off milestone revenue contribution in the first quarter related to the progress of an original JT compound that has been out-licensed. This revenue growth drove an adjusted operating profit improvement of ¥4.9 billion to ¥2.8 billion.

Processed Food Business

(billions of Yen)	January – June		Difference
	2015	2016	
Revenue	79.5	79.9	0.4
Adjusted operating profit	1.1	3.1	2.0

The processed food business continued to mainly focus on staple food such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread. Revenue increased ¥0.4 billion to ¥79.9 billion. Adjusted operating profit increased ¥2.0 billion as a result of higher revenue and lower raw material costs due to the appreciation of the Japanese Yen.

Consolidated Forecast for FY2016

(billions of Yen)	FY2015 Actual	FY2016 Initial Forecast	**FY2016 Revised Forecast**	Change from FY2016 Initial Forecast	Change from FY2015 Actual
Revenue	2,252.9	2,200.0	**2,120.0**	-80.0	-132.9 (-5.9%)
Adjusted operating profit	626.7	562.0	**569.0**	7.0	-57.7 (-9.2%)
Operating profit	565.2	566.0	**572.0**	6.0	6.8 (1.2%)
Profit attributable to owners of the parent	398.5	399.0	**409.0**	10.0	10.5 (2.6%)

At constant FX:

Adjusted operating profit	626.7	673.0	**680.0**	7.0	53.3 (8.5%)

- At constant currency, the forecast for adjusted operating profit is revised upwards by ¥7.0 billion, 8.5% growth from the previous fiscal year, mainly reflecting the strong first half performance in the international tobacco business.

- The revenue forecast is revised downwards by ¥80.0 billion due to the appreciation of the Japanese Yen against the US Dollar. The forecast for adjusted operating profit is revised upwards by ¥7.0 billion reflecting the strong first half performance in the international tobacco business, as the revision of exchange rate assumptions of local currencies, mainly the Russian Ruble, against the US Dollar offsets the negative impact of Japanese Yen.

- The forecast for operating profit is revised upwards by ¥6.0 billion. The revision is mainly due to stronger adjusted operating profit growth.

- The forecast for profit attributable to owners of the parent is revised upwards by ¥10.0 billion due to higher operating profit and lower effective tax rate.

Forecasts by Business Segment

- **International Tobacco Business[7]:** The forecasts for total and GFB shipment volumes are revised upwards by 8.0 billion and 6.0 billion cigarette equivalent units respectively, reflecting strong performance in the first half. In US Dollars, the forecast for adjusted operating profit at constant currency is revised upwards by US$80.0 million due to strong volume growth and price/mix effect, an increase of 11.4% from the previous year, while investments continue to accelerate. The reported adjusted operating profit forecast is also revised upwards by US$380 million mainly as a result of favorably revised exchange rate assumption of the Russian Ruble. In Japanese Yen, the forecast for adjusted operating profit is revised upwards by ¥9.0 billion despite stronger than expected Japanese Yen against the US Dollar.

- **Japanese Domestic Tobacco Business:** The industry volume is forecast to decline more than initially expected, resulting in downward revision of total sales volume by 1.0 billion. Core revenue forecast is also revised downwards by ¥4.0 billion. Nevertheless, adjusted operating profit forecast remains unchanged reflecting lower raw material costs caused by the appreciation of the Japanese Yen.

- **Pharmaceutical Business:** The forecasts for revenue and adjusted operating profit are revised downwards by ¥3.0 billion respectively, due to lower royalty revenue affected by the appreciation of Japanese Yen. Nevertheless, royalty revenue from Stribild among others has shown steady performance in line with our assumptions. There is no change in our expectations for the business to turn profitable this year.

- **Processed Food Business:** The revenue forecast is revised downwards by ¥3.0 billion due to the readjustment of the sales plan. The forecast for adjusted operating profit is revised upwards by ¥1.5 billion primarily supported by the appreciation of the Japanese Yen leading to lower material costs.

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Japan Tobacco Inc. is a leading international tobacco company. Its products are sold in over 120 countries and its globally recognized brands include Winston, Camel, Mevius, LD and Natural American Spirit. With diversified operations, JT is also actively present in pharmaceuticals and processed foods. The company's revenue was ¥2.253 trillion (US$18,679 million(*)) in the fiscal year ended December 31, 2015.

**Translated at the rate of ¥120.61 per $1, as of December 31, 2015*

Notes:

[1] Profit in 2015 is from continuing operations.
[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 2016. Russia, Spain and Turkey on a 12-month rolling average at the end of May 2016. 12-month share of market growth for May 2016 markets is calculated against a 12-month share of market at the end of May 2015.
[5] Total sales volume excluding domestic duty free, the China business and emerging products.
[6] Core revenue including domestic duty free, the China business and emerging products.
[7] The exchange rate assumptions for US $1.00 are: Ruble 67.50, UK Sterling 0.72, Euro 0.90, Swiss Franc 0.98, Taiwan Dollar 32.50, Turkish Lira 2.90 and ¥105.8. 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 https://www.jt.com/media/definitions/index.html.

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Results for 2016 Second Quarter

Please refer to notes in page 1 regarding the separation of continuing operations and discontinued operations due to the withdrawal from Beverage Business in 2015.

1. Consolidated results highlight (Unit: JPY billion)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)
Continuing operations				
Revenue	1,095.2	1,076.9	-18.3	-1.7%
Operating profit	298.8	345.0	+46.2	+15.5%
Adjusted operating profit	328.9	318.3	-10.5	-3.2%
Profit before income tax	300.2	339.4	+39.2	+13.1%
Profit	213.7	249.3	+35.6	+16.7%
Profit (attributable to owners of the parent)	211.6	247.1	+35.5	+16.8%
Interim dividend (JPY)	54.00	64.00	+10.00	+18.5%
Basic EPS* (JPY)	117.59	137.98	+20.39	+17.3%
Discontinued operations				
Profit	-0.0	-	-	-
Profit (attributable to owners of the parent)	-0.2	-	-	-
Continuing and discontinued operations combined				
Profit	213.7	249.3	+35.6	+16.7%
Profit (attributable to owners of the parent)	211.5	247.1	+35.6	+16.8%
Basic EPS* (JPY)	117.49	137.98	+20.49	+17.4%

*Based on profit attributable to owners of the parent company

● [reference] Consolidated results (continuing operations) (Unit: JPY billion)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	328.9	375.8	+46.9	+14.3%

2. Revenue by business segment (continuing operations) (Unit: JPY billion)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)
Revenue	1,095.2	1,076.9	-18.3	-1.7%
Japanese domestic tobacco	329.7	335.9	+6.3	+1.9%
Core revenue	312.2	318.6	+6.4	+2.1%
International tobacco	642.2	616.0	-26.2	-4.1%
Core revenue	609.2	584.1	-25.2	-4.1%
Pharmaceutical	34.8	40.3	+5.5	+15.9%
Processed food	79.5	79.9	+0.4	+0.5%
Others	9.1	4.7	-4.3	-47.7%

● [reference] International tobacco business (Unit: USD million)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)
Core revenue	5,061	5,239	+178	+3.5%
Core revenue at constant FX	5,061	5,700	+639	+12.6%

Results for 2016 Second Quarter

3. Adjusted operating profit (and total adjustments) by business segment (continuing operations) (Unit: JPY billion)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)
Consolidated: operating profit	298.8	345.0	+46.2	+15.5%
Adjustments, total	30.1	-26.7	-56.7	
Consolidated: adjusted operating profit	328.9	318.3	-10.5	-3.2%
Japanese domestic tobacco: operating profit	124.1	121.7	-2.4	-1.9%
Adjustments, total	1.8	8.0	+6.2	
Japanese domestic tobacco: adjusted operating profit	125.8	129.6	+3.8	+3.0%
International tobacco: operating profit	195.5	174.6	-20.9	-10.7%
Adjustments, total	17.4	18.5	+1.1	
International tobacco: adjusted operating profit	212.9	193.1	-19.8	-9.3%
Pharmaceutical: operating profit	-2.1	2.8	+4.9	-
Adjustments, total	-	-	-	
Pharmaceutical: adjusted operating profit	-2.1	2.8	+4.9	-
Processed food: operating profit	1.1	3.1	+2.0	+178.8%
Adjustments, total	-0.0	0.0	+0.0	
Processed food: adjusted operating profit	1.1	3.1	+2.0	+184.6%
Others / Elimination: operating profit	-19.8	42.8	+62.6	-
Adjustments, total	10.9	-53.1	-64.1	
Others / Elimination: adjusted operating profit	-8.9	-10.3	-1.5	-

● [reference] International tobacco business (Unit: USD million)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)
Adjusted operating profit	1,770	1,729	-41	-2.3%
Adjusted operating profit at constant FX	1,770	2,083	+313	+17.7%

4. Depreciation and amortization (continuing operations) (Unit: JPY billion)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)
Consolidated	65.3	71.7	+6.4
Japanese domestic tobacco	22.1	29.1	+7.0
International tobacco	36.7	36.0	-0.7
Pharmaceutical	2.3	2.5	+0.2
Processed food	3.2	3.0	-0.2
Others/Elimination	1.0	1.1	+0.1

5. Consolidated financial position (continuing & discontinued operations combined) (Unit: JPY billion)

	2015 Dec. end	2016 Jun. end	Variance (abs)
Total assets	4,558.2	4,360.2	-198.0
Total equity	2,521.5	2,332.1	-189.4
Equity attributable to owners of the parent	2,451.6	2,261.9	-189.7
BPS (attributable to owners of the parent) (JPY)	1,369.06	1,263.02	-106.04

6. Liquidity and interest-bearing debt (continuing & discontinued operations combined) (Unit: JPY billion)

	2015 Dec. end	2016 Jun. end	Variance (abs)
Liquidity *1	529.0	194.0	-335.0
Interest-bearing debt *2	255.3	671.4	+416.1

*1: Cash and deposits + marketable securities + securities purchased under repurchase agreements

*2: Short-term bank loans + CP + bonds + long-term borrowings + lease obligations

7. Consolidated cash flow (continuing & discontinued operations combined)

(Unit: JPY billion)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)
Cash flows from operating activities	43.1	-106.7	-149.8
Cash flows from investing activities	-66.6	-579.5	-513.0
Cash flows from financing activities	-23.0	371.4	+394.4
Cash and cash equivalents, beginning of the year	385.8	526.8	+140.9
Foreign currency translation adj. on cash & cash equivalents	4.3	-20.9	-25.2
Cash and cash equivalents, end of the period	343.6	191.0	-152.7
FCF*	-33.0	-688.3	-655.3

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;
- From operating CF: interest received, dividends received, interest paid and income taxes related to these 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

8. Capital expenditures (continuing operations)

(Unit: JPY billion)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)
Consolidated	55.9	44.3	-11.6
Japanese domestic tobacco	23.1	10.0	-13.1
International tobacco	26.7	29.5	+2.8
Pharmaceutical	1.6	1.3	-0.2
Processed food	2.4	2.3	-0.1
Others/Elimination	2.1	1.2	-0.9

9. Business data

● Japanese domestic tobacco business

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)	
JT sales volume*	53.1	52.7	-0.4	-0.7%	BNU
Industry volume	88.5	86.2	-2.3	-2.6%	BNU
JT market share	60.0%	61.1%	+1.2%pt		
JT revenue per 1,000 cigarettes	5,666	5,808	+141	+2.5%	JPY

*: Excludes volumes of duty-free in Japan, China business (1.9 BNU in Jan-Jun, 2015 and 2.0 BNU in Jan-Jun, 2016, respectively) and emerging products

● International tobacco business

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)	
Total shipment volume	191.2	199.7	+8.5	+4.4%	BNU
GFB shipment volume	131.9	140.7	+8.9	+6.7%	BNU
JPY/USD	120.30	111.70	-8.60	-7.1%	JPY
RUB/USD	57.47	70.29	+12.81	-18.2%	RUB
GBP/USD	0.66	0.70	+0.04	-5.8%	GBP
EUR/USD	0.90	0.90	+0.00	-0.1%	EUR
CHF/USD	0.95	0.98	+0.03	-3.4%	CHF
TWD/USD	31.20	32.75	+1.54	-4.7%	TWD
TRY/USD	2.56	2.92	+0.36	-12.3%	TRY

● Pharmaceutical business

(Unit: JPY billion)

	2015 Jan-Jun	2016 Jan-Jun	Variance (abs)	Variance (%)
R&D expenses	14.6	14.9	+0.4	+2.5%

FY2016 Revised Forecasts
(as of August 1, 2016)

Please refer to notes in page1 regarding the separation of continuing operations and discontinued operations due to the withdrawal from Beverage Business in 2015. FY2015 results from continuing operations are provided for the purpose of comparison of FY2016 forecasts.

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,252.9	2,120.0	-132.9	-5.9%
Operating profit	565.2	572.0	+6.8	+1.2%
Adjusted operating profit	626.7	569.0	-57.7	-9.2%
Profit (attributable to owners of the parent)	398.5	409.0	+10.5	+2.6%

● [reference] Consolidated forecast

(Unit: JPY billion)

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	626.7	680.0	+53.3	+8.5%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	221.95	228.38	+6.43	+2.9%
DPS	118.00	128.00	+10.00	+8.5%
ROE (attributable to owner of the parent)	19.5%	17.4%	-2.1%pt	

*ROE for FY2015 is based on continuing and discontinued operations.

3. Revenue by business segment

(Unit: JPY billion)

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,252.9	2,120.0	-132.9	-5.9%
Japanese domestic tobacco	677.3	690.0	+12.7	+1.9%
Core revenue	642.2	655.0	+12.8	+2.0%
International tobacco	1,317.2	1,173.0	-144.2	-10.9%
Core revenue	1,252.5	1,118.0	-134.5	-10.7%
Pharmaceutical	75.6	82.0	+6.4	+8.5%
Processed food	165.8	169.0	+3.2	+1.9%
Others	17.0	8.0	-9.0	-52.9%

● [reference] International tobacco business

(Unit: USD million)

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	10,338	10,580	+242	+2.3%
Core revenue at constant FX	10,338	11,180	+842	+8.1%

FY2016 Revised Forecasts
(as of August 1, 2016)

4. Operating profit and adjusted operating profit by business segment (Unit: JPY billion)

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Consolidated: operating profit	565.2	572.0	+6.8	+1.2%
Japanese domestic tobacco	249.2	245.0	-4.2	-1.7%
International tobacco	346.9	293.0	-53.9	-15.5%
Pharmaceutical	-2.3	4.0	+6.3	-
Processed food	3.2	4.5	+1.3	+41.4%
Others/Elimination	-31.8	25.0	+56.8	-
Adjusted operating profit	626.7	569.0	-57.7	-9.2%
Japanese domestic tobacco	254.1	261.0	+6.9	+2.7%
International tobacco	394.4	328.0	-66.4	-16.8%
Pharmaceutical	-2.3	4.0	+6.3	-
Processed food	2.7	4.5	+1.8	+65.0%
Others/Elimination	-22.2	-29.0	-6.8	-

● [reference] International tobacco business (Unit: USD million)

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit	3,257	3,080	-177	-5.4%
Adjusted operating profit at constant FX	3,257	3,630	+373	+11.4%

5. Free cash flow (Unit: JPY billion)

	FY2015	FY2016 Revised Forecasts	Variance (abs)
FCF*	386.7	-310.0	-696.7

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;
- From operating CF: interest received, dividends received, interest paid and income taxes related to these 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

6. Capital expenditures (Unit: JPY billion)

	FY2015	FY2016 Revised Forecasts	Variance (abs)
Consolidated	129.8	125.0	-4.8
Japanese domestic tobacco	37.4	32.0	-5.4
International tobacco	77.2	76.0	-1.2
Pharmaceutical	6.2	3.0	-3.2
Processed food	5.7	7.0	+1.3
Others/Elimination	3.3	6.0	+2.7

7. Business data

● Japanese domestic tobacco business

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)	
JT sales volume*	109.2	107.0	-2.2	-2.1%	BNU

*: Excludes volumes of duty-free in Japan, China business and emerging products

● International tobacco business

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)	
Total shipment volume	393.9	402.0	+8.1	+2.0%	BNU
GFB shipment volume	273.6	285.0	+11.4	+4.2%	BNU
JPY/USD	121.10	105.80	-15.30	-12.6%	JPY
RUB/USD	60.98	67.50	+6.52	-9.7%	RUB
GBP/USD	0.65	0.72	+0.07	-9.1%	GBP
EUR/USD	0.90	0.90	-0.00	+0.1%	EUR
CHF/USD	0.96	0.98	+0.02	-1.8%	CHF
TWD/USD	31.76	32.50	+0.74	-2.3%	TWD
TRY/USD	2.72	2.90	+0.18	-6.3%	TRY

FY2016 Revised Forecasts
Initial Forecasts vs Revised Forecasts
(as of August 1, 2016)

1. Summary of consolidated forecasts (Unit: JPY billion)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
Revenue	2,200.0	2,120.0	-80.0
Operating profit	566.0	572.0	+6.0
Adjusted operating profit	562.0	569.0	+7.0
Profit (attributable to owners of the parent)	399.0	409.0	+10.0

● [reference] Consolidated forecast (Unit: JPY billion)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
Adjusted operating profit at constant FX	673.0	680.0	+7.0

2. EPS, DPS, ROE (Unit: JPY)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
Basic EPS	222.82	228.38	+5.57
DPS	128.00	128.00	-
ROE (attributable to owner of the parent)	16.1%	17.4%	+1.3%pt

3. Revenue by business segment (Unit: JPY billion)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
Revenue	2,200.0	2,120.0	-80.0
Japanese domestic tobacco	692.0	690.0	-2.0
Core revenue	659.0	655.0	-4.0
International tobacco	1,247.0	1,173.0	-74.0
Core revenue	1,180.0	1,118.0	-62.0
Pharmaceutical	85.0	82.0	-3.0
Processed food	172.0	169.0	-3.0
Others	8.0	8.0	-

● [reference] International tobacco business (Unit: USD million)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
Core revenue	10,000	10,580	+580
Core revenue at constant FX	10,900	11,180	+280

FY2016 Revised Forecasts
Initial Forecasts vs Revised Forecasts
(as of August 1, 2016)

4. Operating profit and adjusted operating profit by business segment (Unit: JPY billion)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
Consolidated: operating profit	566.0	572.0	+6.0
Japanese domestic tobacco	245.0	245.0	-
International tobacco	278.0	293.0	+15.0
Pharmaceutical	7.0	4.0	-3.0
Processed food	3.0	4.5	+1.5
Others/Elimination	31.0	25.0	-6.0
Adjusted operating profit	562.0	569.0	+7.0
Japanese domestic tobacco	261.0	261.0	-
International tobacco	319.0	328.0	+9.0
Pharmaceutical	7.0	4.0	-3.0
Processed food	3.0	4.5	+1.5
Others/Elimination	-29.0	-29.0	-

● [reference] International tobacco business (Unit: USD million)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
Adjusted operating profit	2,700	3,080	+380
Adjusted operating profit at constant FX	3,550	3,630	+80

5. Free cash flow (Unit: JPY billion)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
FCF*	-235.0	-310.0	-75.0

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;
- From operating CF: interest received, dividends received, interest paid and income taxes related to these 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

6. Capital expenditures (Unit: JPY billion)

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)
Consolidated	122.0	125.0	+3.0
Japanese domestic tobacco	32.0	32.0	-
International tobacco	73.0	76.0	+3.0
Pharmaceutical	3.0	3.0	-
Processed food	7.0	7.0	-
Others/Elimination	6.0	6.0	-

7. Business data

● Japanese domestic tobacco business

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)	
JT sales volume*	108.0	107.0	-1.0	BNU

*: Excludes volumes of duty-free in Japan, China business and emerging products

● International tobacco business

	FY2016 Initial Forecasts	FY2016 Revised Forecasts	Variance (abs)	Variance (%)	
Total shipment volume	394.0	402.0	+8.0	+2.0%	BNU
GFB shipment volume	279.0	285.0	+6.0	+2.2%	BNU
JPY/USD	118.00	105.80	-12.20	-10.3%	JPY
RUB/USD	80.00	67.50	-12.50	+18.5%	RUB
GBP/USD	0.68	0.72	+0.04	-5.6%	GBP
EUR/USD	0.93	0.90	-0.03	+3.3%	EUR
CHF/USD	1.00	0.98	-0.02	+2.0%	CHF
TWD/USD	32.70	32.50	-0.20	+0.6%	TWD
TRY/USD	3.00	2.90	-0.10	+3.4%	TRY

Data of JT products in Japanese market

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

Japanese Domestic Tobacco Business Results

1. Quarterly Sales Volume

(billions of cigarettes)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2014	30.4	24.7	28.8	28.4	112.4
2015	25.5	27.6	28.2	28.0	109.2
2016	27.2	25.5			

2. Quarterly Revenue Per Thousand Cigarettes

(JPY)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2014	5,483	5,652	5,675	5,670	5,617
2015	5,671	5,662	5,666	5,647	5,661
2016	5,672	5,952			

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

3. Quarterly JT Market Share

(%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2014	61.5	59.6	60.1	60.0	60.4
2015	59.9	60.0	59.7	60.1	59.9
2016	62.4	59.8			

Quarterly Market Share of Brands

1. MEVIUS

(%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	32.1	32.3	31.9	32.0	32.1
2016	33.2	29.8			

2. Winston

(%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	7.5	7.5	7.5	8.0	7.6
2016	7.6	8.4			

*"Cabin" and "Caster" which integrated into "Winston" in Aug, 2015, is retrospectively reflected.

3. Seven Stars

(%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	7.4	7.4	7.6	7.4	7.5
2016	7.3	7.7			

4. Natural American Spirit

(%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	1.0	1.1	1.3	1.3	1.2
2016	1.4	1.6			

*The source of market share before completing the acquisition is JT estimate

Market Share in Growing Segments

1. Menthol

(1) JT Menthol Product Share (%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2014	9.0	9.6	9.4	9.5	9.4
2015	10.1	10.1	10.3	10.5	10.2
2016	10.7	10.5			

(2) Menthol Market Share (%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2014	26.1	27.3	26.7	27.1	26.8
2015	27.7	27.8	28.2	28.1	28.0
2016	27.9	28.8			

Japan Tobacco Inc. Clinical Development as of August 1, 2016

＜In-house development＞

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase	Note
emtricitabine/ tenofovir alafenamide	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-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-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
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
JTE-451	Autoimmune/allergic diseases /Oral	RORγ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1(Overseas)	In-house
JTT-751 （ferric citrate）	Iron-deficiency anemia/Oral	Oral iron replacement	Corrects iron-deficiency anemia by using absorbed Iron for synthesis of hemoglobin.	Phase2(Japan)	In-license （Keryx Biopharmaceuticals） Co-development with Torii *additional indication

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

＜Licensed compounds＞

Compound （JT's code）	Licensee	Mechanism		Note
trametinib	Novartis	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK Kinase (MEK1/2).	
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 May 2, 2016:

＜In-house development

・JT obtained manufacturing and marketing approval of Genvoya® Combination Tablets in Japan on June 17, 2016.
・JTE-451 has entered the clinical trial stage (Phase1) overseas.
・JTT-751（ferric citrate）has entered the clinical trial stage (Phase2) in Japan.