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FOR IMMEDIATE RELEASE

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JT's Consolidated Financial Results for FY2014 First Quarter

Solid performance despite a one-off slowdown in the Japanese Domestic Tobacco Business following the April tax hike

Results for FY2014 First Quarter

- Revenue grew 1.6% driven by robust price/mix in the International Tobacco Business and depreciation of the Japanese Yen against the US Dollar, despite the temporary slowdown in the Japanese Domestic Tobacco Business following the April consumption tax (VAT) hike.

- Adjusted operating profit at constant FX declined 2.8% as the price/mix in the International Tobacco Business could not completely offset the temporary slowdown in the Japanese Domestic Tobacco Business. Operating profit on a reported basis grew 1.2% due to higher gains from real estate asset disposals.

- Profit attributable to owners of the parent increased 8.2% as a result of higher operating profit and a lower effective corporate tax rate.

- International Tobacco Business: steadily delivered revenue and double-digit earnings growth driven by robust price/mix. Core revenue and adjusted operating profit at constant FX in US Dollars grew 5.1% and 14.4% respectively. In Japanese Yen, the growth was 12.5% and 16.4% respectively due to the depreciation of the currency against the US Dollar.

- Japanese Domestic Tobacco Business: Total sales volume declined 15.6% affected by a one-off increase in demand preceding the April tax hike. Mevius, which was significantly affected by the temporary slowdown in April, recovered to achieve gains in overall market share.

Forecast for FY2014

The Company maintains the current forecast for the fiscal year 2014.

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

"Our International Tobacco Business continued to demonstrate solid earnings growth, underpinned by enhanced brand equity and pricing opportunities. This underlines the strength of our business fundamentals at a time when the industry is contracting. In Japan, after the temporary slowdown caused by the April VAT hike, Mevius is once again driving our growth in market share. Although the overall business environment remains challenging I firmly believe we can achieve the targets set out in our Business Plan 2014."

Consolidated Financial Results for FY2014 First Quarter

(billions of Yen)	Apr-Jun		Difference	Net Change
	2013	2014		
Revenue	547.9	556.4	8.5	1.6%
Adjusted operating profit	151.4	148.9	-2.5	-1.7%
Operating profit	146.5	148.2	1.7	1.2%
Profit attributable to owners of the parent	98.1	106.2	8.1	8.2%

At constant FX:

Adjusted operating profit	151.4	147.1	-4.3	-2.8%

- **Revenue**
  Despite the one-off negative effect of the higher demand preceding the April tax hike in the Japanese Domestic Tobacco Business, revenue increased 1.6% driven by strong price/mix in the International Tobacco Businesses and the depreciation of the Japanese currency.

- **Adjusted Operating Profit**
  Affected by the temporary slowdown in the Japanese Domestic Tobacco Business adjusted operating profit at constant FX declined 2.8%. On a reported basis operating profit grew 1.2% due to higher gains from real estate asset disposals.

- **Profit Attributable to Owners of the Parent**
  Profit attributable to owners of the parent grew 8.2%, due to higher operating profit as well as a lower effective corporate tax rate.

Results by Business Segment

International Tobacco Business (Financial results for January 1 – March 31, 2014)

(billions of units, billions of Yen)	Jan-Mar		Net Change
	2013	2014	
Total shipment volume[1]	92.8	87.7	-5.4%
GFB shipment volume[1]	58.5	55.3	-5.5%
Core revenue	252.3	283.7	12.5%
Adjusted operating profit	90.2	105.1	16.4%

Total and GFB shipment volumes declined 5.4% and 5.5% respectively. This was due to industry contraction in several key markets, notably in France, Russia, Spain and the UK, as well as trade inventory adjustments coupled with downtrading from increased competition in the Value segment in Turkey. Year-on-year market share was flat or increased in most key markets namely France, Italy, Spain, Turkey and the UK. In Russia, share of value and GFB share of market continued to grow.

In US Dollars at constant FX, core revenue and adjusted operating profit grew 5.1% and 14.4% respectively driven by strong price/mix, more than offsetting the 5.4% overall volume decline. On a reported basis, core revenue and adjusted operating profit increased 1.2% and 4.7% respectively. In Japanese Yen, core revenue and adjusted operating profit grew 12.5% and 16.4% respectively, as a result of the currency depreciation against the US Dollar.

Japanese Domestic Tobacco Business

(billions of units, billions of Yen)	Apr-Jun		Net Change
	2013	2014	
Total sales volume	29.3	24.7	-15.6%
Core revenue	165.2	144.2	-12.7%
Adjusted operating profit	64.6	51.3	-20.7%

Total sales volume declined 15.6% affected by a temporary slowdown following the tax hike in April. As a result, core revenue also decreased 12.7%. Adjusted operating profit decreased 20.7% partly offset by continuous cost reduction.

Following a temporary slowdown immediately after the April tax hike, Mevius quickly returned to delivering steady growth through a number of brand equity strengthening initiatives aimed at retaining consumers. Market share which decreased to 30.0% in April, grew to 31.6% in May and to 32.0% in June. A strong performance by Mevius also helped regain the overall share of market, which grew from 59.1% in April to 59.7% in May and to 60.0% in June.

Pharmaceutical Business

(billions of Yen)	Apr-Jun		Difference
	2013	**2014**	
Revenue	16.8	13.1	-3.7
Adjusted operating profit	-0.9	-3.8	-2.8

Revenue declined ¥3.7 billion to ¥13.1 billion, with an adjusted operating profit of -¥3.8 billion. Comparable figures for last year included milestone revenue related to progress in R&D of original JT compounds that have been out-licensed. The decline was also attributed to the temporary slowdown in demand for Torii Pharmaceutical products after the April tax hike.

Key achievements since April 2014:

- JT
  JTT-252 (type 2 diabetes) and JTK-351 (anti-HIV): entered clinical trials
- Torii Pharmaceutical
  Riona Tablets 250mg (Hyperphosphatemia): launched in Japan in May
- Out-licensed to partners
  Mekinist (melanoma): in July partner announced the receipt of the European Medicines Agency's approval

Beverage Business

(billions of Yen)	Apr-Jun		Difference
	2013	**2014**	
Revenue	45.9	44.9	-1.0
Adjusted operating profit	-1.6	-1.4	0.2

The beverage business has continued to take marketing initiatives focusing on the "Roots" and "Momono Tennen-sui" brands. However, there was a decline in total sales volume of the Company's beverage products and revenue declined ¥1.0 billion. Adjusted operating profit improved to -¥1.4 billion due to lower expenses.

Processed Food Business

(billions of Yen)	Apr-Jun		Difference
	2013	**2014**	
Revenue	37.4	37.3	-0.1
Adjusted operating profit	0.1	0.0	-0.1

The revenue in the processed food business remained flat. As a result of higher raw materials costs due to the depreciation of the Japanese Yen offset by lower expenditure, adjusted operating profit also maintained its level.

Consolidated Forecast for the 12 month period ending December 31, 2014

The Company maintains its current financial outlook for this fiscal year.

(billions of Yen)	Jan-Dec		Difference	Net Change
	2013 Actual	2014 Forecast		
Revenue	2,372.2	2,430.0	57.8	2.4%
Adjusted operating profit	613.0	623.0	10.0	1.6%
Operating profit	643.3	554.0	-89.3	-13.9%
Profit attributable to owners of the parent	443.6	370.0	-73.6	-16.6%

At constant FX:

Adjusted operating profit	613.0	650.0	37.0	6.0%

Please note that JT Group will change the closing date of its accounting period from March 31 to December 31. Consequently, the fiscal year 2014 on a reported basis is a transitional period for the change, and will cover only nine months from April 1, 2014 to December 31, 2014. The change does not affect the international affiliates, as they are already operating on a January 1 to December 31 accounting period basis.

For the purpose of fair comparison, in its forecast the Company refers to the fiscal year 2014 as a full calendar year from January 1 to December 31, 2014.

Reference: Results for the January-June period in 2014

The figures below are intended solely for comparison purposes following a change in the company's financial year-end to December 31. They have been compiled using a simplified calculation method and have not been audited.

(billions of Yen)	Jan-Jun		Net Change
	2013	2014	
Revenue	1126.9	1172.3	4.0%

At constant FX:

Adjusted operating profit	293.3	325.4	10.9%

The figures for Jan-Jun 2014:

- are a combination of FY2013 fourth quarter (Jan-Mar 2014) and FY2014 first quarter (Apr-Jun 2014) results
- exclude International Tobacco Business results for the corresponding period (Oct–Dec 2013, and Jan–Mar 2014)
- include preliminary International Tobacco Business results for Jan–Jun 2014 on a Japanese Yen basis

*Different calculation method to be used at the time of FY2014 full year results disclosure.

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Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.400 trillion (US$23,318 million(*)) in the fiscal year ended March 31, 2014.

**Translated at the rate of ¥102.92 per $1, as of March 31, 2014*

Notes:

[1] Following a recent assessment of fine cut consumption, the conversion rate from tons to cigarette equivalent units for High Volume Tobacco has been adjusted since 2014. 2013 figures for Total and GFB shipment volume have been restated accordingly.

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

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Results for FY2014 First Quarter

(April 1, 2014 through June 30, 2014)

1. Summary of Business Performance

(unit: JPY billion,%)

	FY2013 Q1	FY2014 Q1	Change	Rates of Change
Revenue	547.9	556.4	+8.5	+1.6%
Operating profit	146.5	148.2	+1.7	+1.2%
Profit before income taxes	141.6	147.5	+5.9	+4.2%
Profit	99.9	107.8	+7.9	+7.9%
Profit(attributable to owners of parent company)	98.1	106.2	+8.1	+8.2%
Adjusted Operating profit*1	151.4	148.9	-2.5	- 1.7%

(Reference) (unit: JPY billion,%)

	FY2013 Q1	FY2014 Q1	Change	Rates of Change
Adjusted Operating profit at constant rates of exchange*2	151.4	147.1	-4.3	- 2.8%

*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 :FY2013Q1-Actual
FY2014Q1- Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as FY2013

2.Breakdown of Revenue

(unit: JPY billion,%)

	FY2013 Q1	FY2014 Q1	Change	Rates of Change
Revenue	547.9	556.4	+8.5	+1.6%
Japanese domestic tobacco	173.0	152.5	-20.5	- 11.8%
Core revenue*1	165.2	144.2	-20.9	- 12.7%
International tobacco*2	271.1	305.1	+34.1	+12.6%
Core revenue*3	252.3	283.7	+31.4	+12.5%
Pharmaceutical	16.8	13.1	-3.7	- 22.2%
Beverage	45.9	44.9	-1.0	- 2.2%
Processed foods	37.4	37.3	-0.1	- 0.2%
Others	3.7	3.4	-0.2	- 6.0%

(Reference) (unit: USD million,%)

	2013 Jan-Mar	2014 Jan-Mar	Change	Rates of Change
International tobacco Core revenue*3	2,729	2,761	+32	+1.2%
International tobacco Core revenue at constant rates of exchange*3*4	2,729	2,868	+139	+5.1%

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

*2 :International tobacco business: 3M ended Mar. 2013 and 3M ended Mar .2014

*3 :Includes revenue from waterpipe tobacco, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.

*4 :2013 Jan-Mar -Actual
2014 Jan-Mar -Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as 2013

3.Adjusted Operating profit by business segment*1

(unit: JPY billion,%)

	FY2013 Q1	FY2014 Q1	Change	Rates of Change
Consolidated Operating profit	146.5	148.2	+1.7	+1.2%
Adjustment*3	4.9	0.6	-4.2	- 86.8%
Adjusted Operating profit*1	151.4	148.9	-2.5	- 1.7%
Japanese domestic tobacco Operating profit	65.7	51.2	-14.5	- 22.0%
Adjustment*3	-1.0	0.0	+1.1	-
Adjusted Operating profit*1	64.6	51.3	-13.4	- 20.7%
International tobacco Operating profit*2	83.9	97.8	+14.0	+16.6%
Adjustment*2*3	6.4	7.2	+0.9	+13.6%
Adjusted Operating profit*1*2	90.2	105.1	+14.8	+16.4%
Pharmaceutical Operating profit	-0.9	-3.8	-2.8	-
Adjustment*3	–	–	–	-
Adjusted Operating profit*1	-0.9	-3.8	-2.8	-
Beverage Operating profit	-1.6	-1.4	+0.2	-
Adjustment*3	–	–	–	-
Adjusted Operating profit*1	-1.6	-1.4	+0.2	-
Processed Foods Operating profit	0.2	0.4	+0.3	+189.7%
Adjustment*3	-0.1	-0.4	-0.4	-
Adjusted Operating profit*1	0.1	0.0	-0.1	- 67.2%
Other/Elimination Operating profit	-0.7	3.9	+4.6	-
Adjustment*3	-0.4	-6.2	-5.8	-
Adjusted Operating profit*1	-1.1	-2.4	-1.3	-

(Reference) (unit: USD million,%)

	2013 Jan-Mar	2014 Jan-Mar	Change	Rates of Change
International tobacco Adjusted Operating profit*1	976	1,022	+46	+4.7%
International tobacco Adjusted Operating profit at constant rates of exchange*1*4	976	1,117	+141	+14.4%

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

	FY2013 Q1	FY2014 Q1	Change	Rates of Change
Depreciation and amotization	32.2	34.2	+2.1	+6.4%
Japanese domestic tobacco	11.1	11.2	+0.1	+0.6%
International tobacco*2	15.1	16.8	+1.7	+11.2%
Pharmaceutical	0.9	1.0	+0.1	+15.3%
Beverage	2.6	2.7	+0.1	+4.9%
Processed foods	1.7	1.6	-0.1	- 5.1%
Others/Elimination	0.8	0.9	+0.1	+14.8%

*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 : International tobacco business: 3M ended Mar. 2013 and 3M ended Mar .2014

3 :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

*4 :2013 Jan-Mar -Actual
2014 Jan-Mar -Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as 2013

4.Consolidated financial position data

(unit: JPY billion)

	As of end of Mar.2014	As of end of Jun.2014	Change
Total Assets	4,616.8	4,399.2	-217.6
Total Equity	2,596.1	2,481.0	-115.1
Equity attributable to owners of the parent company	2,505.6	2,396.2	-109.4
BPS(attributable to owners of parent company) (yen)	1,378.57	1,318.38	-60.19

5.Liquidity*

(unit: JPY billion)

	As of end of Mar.2014	As of end of Jun.2014	Change
Liquidity	259.3	144.5	-114.7

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

6.Interest-bearing debt*

(unit: JPY billion)

	As of end of Mar.2014	As of end of Jun.2014	Change
Interest-bearing debt	375.9	436.8	61.0

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

7.Consolidated cash flows data

(unit: JPY billion,%)

	FY2013 Q1	FY2014 Q1	Change	Rates of Change
Cash flows from operating activities	3.9	-27.1	-31.0	–
Cash flows from investing activities	-15.3	-27.4	-12.1	–
Cash flows from financing activities	-4.1	-51.9	-47.8	–
Cash and cash equivalents, beginning of the year	142.7	253.2	+110.5	+77.4%
Foreign currency translation adjustments on cash and cash equivalents	3.7	-8.1	-11.7	–
Cash and cash equivalents, end of the year*1	130.8	138.7	+7.8	+6.0%
FCF*2	-19.5	-55.3	-35.8	–

*1 Included in "Cash and cash equivalents" at the end of this quarter is ¥46.0 billion (IRR 13,462.0 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,%)

	FY2013 Q1	FY2014 Q1	Change	Rates of Change
Capital expenditures	26.6	28.6	+2.0	+7.5%
Japanese domestic tobacco	8.9	8.0	-1.0	-10.7%
International tobacco*	10.1	15.0	+4.9	+49.2%
Pharmaceutical	0.4	0.7	+0.2	+51.5%
Beverage	4.6	3.1	-1.5	-32.0%
Processed foods	0.6	0.6	+0.0	+7.0%
Other/Elimination and corporate	2.0	1.2	-0.8	-40.0%

* : International tobacco business: 3M ended Mar. 2013 and 3M ended Mar .2014

9.Business data

【Japanese domestic tobacco business】	FY2013 Q1	FY2014 Q1	Change	Rates of Change	
JT sales volume*	29.3	24.7	-4.6	- 15.6%	BNU
Total demand	48.4	41.5	-7.0	- 14.4%	BNU
JT market share	60.5%	59.6%	-0.8%pt		
JT net sales after tax per 1,000 cigarettes	5,491	5,652	+161	+2.9%	JPY

* :Sales volume of domestic duty-free and China business is excluded, which was 0.9 billion for FY2013Q1 and 0.8 billion for FY2014Q1, respectively.

【International tobacco business】	2013 Jan-Mar	2014 Jan-Mar	Change	Rates of Change	
Total shipment volume*	92.8	87.7	-5.0	- 5.4%	BNU
GFB shipment volume	58.5	55.3	-3.2	- 5.5%	BNU
JPY/USD rate for consolidation	92.46	102.77	+10.31	-10.0%	JPY
RUB/USD rate for consolidation	30.40	34.97	+4.57	-13.1%	RUB
GBP/USD rate for consolidation	0.64	0.60	-0.04	+6.5%	GBP
EUR/USD rate for consolidation	0.76	0.73	-0.03	+3.8%	EUR
CHF/USD rate for consolidation	0.93	0.89	-0.04	+4.1%	CHF
TWD/USD rate for consolidation	29.47	30.27	+0.80	-2.6%	TWD

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

(unit: JPY billion,%)

<Pharmaceutical business>	FY2013 Q1	FY2014 Q1	Change	Rates of Change
R&D expenses	7.5	7.0	-0.5	- 7.1%

(unit: million case,%)

<Beverage business>	FY2013 Q1	FY2014 Q1	Change	Rates of Change
Sales of JT products	7.99	7.66	-0.33	- 4.2%
Roots	4.04	3.68	-0.36	- 8.9%

	As of end of Mar.2014	As of end of Jun.2014	Change
Number of beverage vending machines*	266,000	268,000	+2,000
JT-owned	44,000	44,000	+0
Combined	82,000	83,000	+1,000
Others	140,000	141,000	+1,000

* :Beverage vending machines include vending machines for cans and packs, etc. and for cups owned by other companies and operated by our subsidiary. "JT-owned" vending machines are owned by JT. "Combined" vending machines are owned by our subsidiaries or affiliates ,and focus on selling JT brand Beverage but also sell non-JT brand Beverage.

2014 Forecasts
【Jan-Dec Like for Like basis】
(as of April 24, 2014)

-FY2014, a transitional period for the change in accounting period, will cover nine months from April 1, 2014 to December 31, 2014. The same change in the accounting period will be applied to those of the Company's consolidated subsidiaries whose current closing date is other than December 31.
-Based on the assumption that the fiscal year of the Company and all of its consolidated subsidiaries is 12 months from January to December, consolidated earnings forecasts for the year ending December 31, 2014 (on Jan-Dec Like for Like basis) will be as follows.

1. Summary of Business Performance

(unit: JPY billion,%)

	2013 Jan-Dec basis	2014 Jan-Dec basis	Change	Rates of Change
Revenue	2,372.2	2,430.0	+57.8	+2.4%
Operating profit	643.3	554.0	-89.3	- 13.9%
Profit(attributable to owners of the parent)	443.6	370.0	-73.6	- 16.6%
Basic EPS(yen)*1	242.12	203.57	-38.5	- 15.9%
Adjusted Operating profit*2	613.0	623.0	+10.0	+1.6%

(参考)

	2013 Jan-Dec basis	2014 Jan-Dec basis	Change	Rates of Change
Adjusted Operating profit at constant rates of exchange*3	613.0	650.0	+37.0	+6.0%

*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 :FY2013-Actual
FY2014- Regarding international tobacco business, at the same foreign exchange rates between local currency vs USD and JPY vs USD as FY2013

2.Breakdown of Revenue

(unit: JPY billion,%)

	2013 Jan-Dec basis	2014 Jan-Dec basis	Change	Rates of Change
Revenue	2,372.2	2,430.0	+57.8	+2.4%
Japanese domestic tobacco	690.5	681.0	-9.5	- 1.4%
Core revenue*1	656.3	646.0	-10.3	- 1.6%
International tobacco	1,270.0	1,319.0	+49.0	+3.9%
Core revenue*2	1,200.7	1,247.0	+46.3	+3.9%
Pharmaceutical	58.2	63.0	+4.8	+8.3%
Beverage	183.8	188.0	+4.2	+2.3%
Processed Food	157.2	165.0	+7.8	+5.0%
Others	12.6	12.5	-0.1	- 0.4%

(Reference) (unit: USD million,%)

	2013	2014	Change	Rates of Change
International tobacco Core revenue*2	12,273	12,400	+127	+1.0%
International tobacco Core revenue at constant rates of exchange*2*3	12,273	12,800	+527	+4.3%

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

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

*3 :2013-Actual
2014-at the same foreign exchange rates between local currency vs USD at 2013

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

(unit: JPY billion,%)

	2013 Jan-Dec basis	2014 Jan-Dec basis	Change	Rates of Change
Consolidated Operating profit	643.3	554.0	-89.3	- 13.9%
Japanese domestic tobacco	235.6	181.0	-54.6	- 23.2%
International tobacco	376.4	398.0	+21.6	+5.7%
Pharmaceutical	-13.7	-13.0	+0.7	–
Beverage	-2.1	-1.5	+0.6	–
Processed Food	0.7	3.0	+2.3	+306.5%
Other/Elimination	46.3	-14.5	-60.8	- 131.3%
Adjusted Operating profit*1	613.0	623.0	+10.0	+1.6%
Japanese domestic tobacco*1	234.6	234.5	-0.1	- 0.1%
International tobacco*1	410.8	425.0	+14.2	+3.4%
Pharmaceutical*1	-13.7	-13.0	+0.7	–
Beverage*1	-2.1	-1.5	+0.6	–
Processed Food*1	0.6	3.0	+2.4	+387.8%
Other/Elimination*1	-17.3	-26.0	-8.7	–

(Reference) (unit: USD million,%)

	2013	2014	Change	Rates of Change
International tobacco Adjusted Operating profit*1	4,206	4,230	+24	+0.6%
International tobacco Adjusted Operating profit at constant rates of exchange*1*2	4,206	4,630	+424	+10.1%

*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 :2013-Actual
2014-at the same foreign exchange rates between local currency vs USD at 2013

4.Business data

【Japanese domestic tobacco business】	2013 Jan-Dec basis	2014 Jan-Dec basis	Change	Rates of Change	
JT sales volume*	116.5	112.5	-4.0	- 3.5%	BNU

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

【International tobacco business】	2013	2014	Change	Rates of Change	
Total shipment volume*1	417.5	405.0	-12.5	- 3.0%	BNU
GFB shipment volume	267.5	263.0	-4.5	- 1.7%	BNU
JPY/USD rate for consolidation	97.73	100.00	+2.27	-2.3%	JPY
RUB/USD rate for consolidation	31.84	36.00	+4.16	-11.6%	RUB
GBP/USD rate for consolidation	0.64	0.60	-0.04	6.6%	GBP
EUR/USD rate for consolidation	0.75	0.72	-0.03	4.6%	EUR
CHF/USD rate for consolidation	0.93	0.88	-0.05	5.3%	CHF
TWD/USD rate for consolidation	29.68	30.30	+0.62	-2.0%	TWD

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

2014 Forecasts

【Reported basis】

（as of April 24, 2014）

-FY2014, a transitional period for the change in accounting period, will cover nine months from April 1, 2014 to December 31, 2014. The same change in the accounting period will be applied to those of the Company's consolidated subsidiaries whose current closing date is other than December 31.
-For its consolidated subsidiaries whose current closing date is December 31, the accounting period will remain unchanged, covering the twelve months from January 1, 2014 to December 31, 2014.

1. Summary of Business Performance

(unit: JPY billion,%)

	FY2013	FY2014
Revenue	2,399.8	2,150.0
Operating profit	648.3	482.0
Profit(attributable to owners of the parent)	428.0	344.0
Basic EPS(yen)*1	235.48	189.27
Adjusted Operating profit*2	641.8	552.0
DPS(yen)	96.00	100.00
Payout ratio*3	40.8%	52.8%
ROE(attributable to owners of the parent)*4	19.9%	13.8%

*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 :Payout ratio=Dividend per share/Basic EPS

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

2.Breakdown of Revenue

(unit: JPY billion,%)

	FY2013	FY2014
Revenue	2,399.8	2,150.0
Japanese domestic tobacco	710.3	501.0
Core revenue*1	676.2	475.0
International tobacco*2	1,270.0	1,319.0
Core revenue*3	1,200.7	1,247.0
Pharmaceutical	64.4	45.0
Beverage	184.5	146.0
Processed Food	156.9	130.0
Others	13.6	10.5

（Reference） (unit: USD million,%)

	2013	2014	Change	Rates of Change
International tobacco Core revenue*2*3	12,273	12,400	+127	+1.0%
International tobacco Core revenue at constant rates of exchange*2*3*4	12,273	12,800	+527	+4.3%

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

*2 :International tobacco business: Year ended 2013 and year ending 2014

*3 :Includes revenue from waterpipe tobacco, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.

*4 :2013-Actual
2014-at the same foreign exchange rates between local currency vs USD at 2013

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

(unit: JPY billion,%)

	FY2013	FY2014
Consolidated Operating profit	648.3	482.0
Japanese domestic tobacco	258.1	115.0
International tobacco*2	376.4	398.0
Pharmaceutical	-9.0	-12.5
Beverage	-2.1	-1.0
Processed Food	-0.2	3.0
Other/Elimination	25.0	-21.5
Adjusted Operating profit*1	641.8	552.0
Japanese domestic tobacco*1	257.7	168.0
International tobacco*1*2	410.8	425.0
Pharmaceutical*1	-9.0	-12.5
Beverage*1	-2.1	-1.0
Processed Food*1	0.6	3.0
Other/Elimination*1	-16.2	-31.5

（Reference） (unit: USD million,%)

	2013	2014	Change	Rates of Change
International tobacco Adjusted Operating profit*1*2	4,206	4,230	+24	+0.6%
International tobacco Adjusted Operating profit at constant rates of exchange*1*2*3	4,206	4,630	+424	+10.1%

*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 :International tobacco business: Year ended 2013 and year ending 2014

*3 :2013-Actual
2014-at the same foreign exchange rates between local currency vs USD at 2013

4.Consolidated cash flows data

(unit: JPY billion,%)

	FY2013	FY2014
FCF*	212.6	364.0

*: 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).

*: The number of FY2014 does not include acquisition of Zandera Ltd.

5.Capital expenditures

(unit: JPY billion,%)

	FY2013	FY2014
Capital expenditures	156.2	154.0
Japanese domestic tobacco	49.1	41.0
International tobacco*	78.5	89.0
Pharmaceutical	3.9	3.0
Beverage	14.6	9.0
Processed Food	4.9	6.0
Other/Elimination and corporate	5.1	6.0

*: International business: Year ended 2013 and year ending 2014

6.Business data

【Japanese domestic tobacco business】	FY2013	FY2014	
JT sales volume*	120.1	82.0	BNU

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

【International tobacco business】*1	2013	2014	Change	Rates of Change	
Total shipment volume*2	417.5	405.0	-12.5	- 3.0%	BNU
GFB shipment volume	267.5	263.0	-4.5	- 1.7%	BNU
JPY/USD rate for consolidation	97.73	100.00	+2.27	-2.3%	JPY
RUB/USD rate for consolidation	31.84	36.00	+4.16	-11.6%	RUB
GBP/USD rate for consolidation	0.64	0.60	-0.04	6.6%	GBP
EUR/USD rate for consolidation	0.75	0.72	-0.03	4.6%	EUR
CHF/USD rate for consolidation	0.93	0.88	-0.05	5.3%	CHF
TWD/USD rate for consolidation	29.68	30.30	+0.62	-2.0%	TWD

*1: International business: Year ended 2013 and year ending 2014

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

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)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	294	302	298	268	1,162
FY 03/2014	293	303	301	304	1,201
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	268	293	303	301	1,165
2014	304	247			

2. Quarterly Retail Price Sales

(billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	5,967	6,129	6,052	5,442	23,589
FY 03/2014	5,933	6,141	6,085	6,156	24,315
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	5,442	5,933	6,141	6,085	23,601
2014	6,156	5,204			

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

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

(JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	5,508	5,505	5,499	5,498	5,503
FY 03/2014	5,491	5,485	5,481	5,483	5,485
	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			

* 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

(%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	59.4	59.7	59.6	59.5	59.6
FY 03/2014	60.5	60.7	61.1	61.5	61.0
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2013	59.5	60.5	60.7	61.1	
2014	61.5	59.6			

Market Share in Growing Segments

1. 1mg Tar

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	14.4	14.2	14.3	14.4	14.3
FY 03/2014	14.7	14.7	14.7	14.8	14.7
	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			

(2) 1mg Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	24.5	24.2	24.4	24.5	24.4
FY 03/2014	24.5	24.5	24.4	24.6	24.5
	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			

2. Menthol

(1) JT Menthol Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	7.5	7.6	7.4	7.7	7.6
FY 03/2014	8.3	8.8	9.0	9.0	8.8
	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			

(2) Menthol Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	25.6	25.7	25.6	26.2	25.8
FY 03/2014	26.3	26.3	26.4	26.1	26.3
	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			

3. JPY 450 or above*

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	14.7	14.8	14.5	14.5	14.6
FY 03/2014	14.5	14.4	14.7	14.7	14.6
	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			

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2013	36.6	36.9	39.5	36.6	36.7
FY 03/2014	36.1	35.9	36.0	35.9	36.0
	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			

Japan Tobacco Inc. Clinical Development as of July 30, 2014

＜In-house development＞

Code （Generic Name）	Potential Indication/Dosage form	Mechanism		Phase	Note
JTK303(elvitegravir)/ cobicistat/emtricitabine/ tenofovir alafenamide	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.	Phase3 (Japan) Global Study*	<u>New Single Tablet Regimen</u> JTK-303(elvitegravir); In-house Cobicistat, Emtricitabine, Tenofovir Alafenamide; 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.	Phase1(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.	Preparing to file (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
JTT-252	Type 2 diabetes mellitus /Oral	SGLT1 inhibitor	Decreases blood glucose by inhibition of sodium glucose co-transporter 1 (SGLT1) in small intestine.	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.

*Part of global study conducted by Gilead Sciences.
**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	Licensee	Mechanism		Note
elvitegravir	Gilead Sciences	HIV Integrase inhibitor	Suppresses blood HIV levels by inhibiting the activity of integrase, an enzyme involved in the replication of HIV.	<u>Elvitegravir</u> U.S. marketing approval submitted <u>New Single Tablet Regimen</u> (elvitegravir/cobicistat/emtricitabine/tenofovir alafenamide) Phase3
trametinib	GlaxoSmithKline	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK Kinase (MEK1/2).	<u>Metastatic melanoma, trametinib+dabrafenib</u> Phase3
Anti-ICOS monoclonal antibody	MedImmune	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.	

Updates since the previous announcement on April 24, 2014:

<In-house development>
・JTT-252 has entered into the clinical trial stage (Phase1) overseas.
・JTK-351 has entered into the clinical trial stage (Phase1) in Japan.
・Development of JTK-303 (standalone-agent) in Japan has been terminated.

<Licensed compounds>
・GlaxoSmithKline announced on July 4, 2014 that Mekinist (trametinib) has been approved for patients with unresectable or metastatic melanoma with a BRAF V600 mutation in the EU.