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JT's Consolidated Financial Results for FY2015

FY2015 demonstrated solid profit growth from continuing operations despite currency headwinds

Results for January 1 – December 31, 2015 on a Like-for-Like basis[1]

- Adjusted operating profit at constant currency grew 9.9% mainly driven by strong performance in the international and Japanese domestic tobacco businesses. On a reported basis, the profit declined 5.2% due to unfavorable local currency movements against the US Dollar in the international tobacco business.

- Profit from continuing operations grew 1.8% despite the unfavorable impact of exchange rates, due to robust profit growth at constant currency, lower one-off expenses and lower income taxes. These positive factors were partially offset by the losses related to the disposal of real estate assets and lower gains from the sale of real estate assets.

- Profit attributable to owners of the parent, which combines profits from continuing and discontinued operations, grew 24.8% due to the gains relating to the transfer of shares JT held in its subsidiaries conducting vending machine operations.

- International Tobacco Business: Adjusted operating profit increased 10.8% in US Dollars at constant currency driven by a robust price/mix together with positive GFB performance. On a reported basis, adjusted operating profit declined 23.4% due to unfavorable local currency movements against the US Dollar. In Japanese Yen, adjusted operating profit decreased 11.8%, partially offset by the appreciation of the US Dollar.

- Japanese Domestic Tobacco Business: Adjusted operating profit grew 6.4% driven by improved price/mix effect as well as the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business.

- The Company's Board is recommending a total dividend per share of ¥118, including a first half-year dividend per share of ¥54.

"Business Plan 2016"

- Adjusted operating profit at constant currency is forecast to grow 7.4%, driven by strong business momentum in all businesses.

- Profit attributable to owners of the parent is expected to remain flat from FY2015 despite the unfavorable exchange rate assumptions, driven by strong business performance at constant currency as well as higher gains from the sales of real estate assets.

- For the FY2016, the Company intends to increase the total dividend per share to ¥128.

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

"Our international tobacco business has remained the profit growth engine of the JT Group. We delivered another year of double-digit profit growth in US Dollars at constant currency, while increasing investments for long-term sustainable growth. Domestically, our market share has remained stable, underpinned by marketing and sales initiatives focusing on Mevius as well as the integration of the Caster and Cabin brands with Winston."

"Even though we face a highly volatile operating environment, our priorities remain the same. We will continue to actively invest in our business with the aim of accelerating future growth."

Consolidated Financial Results for January 1 – December 31, 2015[1]

(billions of Yen)	January - December		Difference	Net Change
	2014	2015		
Revenue	2,259.2	2,252.9	-6.4	-0.3%
Adjusted operating profit	661.0	626.7	-34.3	-5.2%
Operating profit	572.6	565.2	-7.4	-1.3%
Profit from continuing operations (attributable to owners of the parent)	391.4	398.5	7.0	1.8%
Profit from discontinued operations (attributable to owners of the parent)	-2.4	87.2	89.6	-
Profit attributable to owners of the parent	389.1	485.7	96.6	24.8%
At constant currency:				
Adjusted operating profit	661.0	726.5	65.5	9.9%

Note: From the nine months ended September 30, 2015, continuing operations and discontinued operations have been presented separately. To reflect the changes in the method of presentation, the consolidated statement of income for the comparable period has been changed accordingly.

- **Revenue**
  Revenue remained almost flat. The impact of unfavorable local currency movements against the US Dollar in the international tobacco business was fully offset by improved price/mix effects in the international and Japanese domestic tobacco businesses as well as revenue growth in the pharmaceutical and processed food businesses.

- **Adjusted Operating Profit**
  Adjusted operating profit at constant currency increased 9.9% driven by the strong business momentum of the tobacco businesses, top-line growth in the pharmaceutical and processed food businesses, and the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business. On a reported basis, adjusted operating profit declined 5.2% due to the negative exchange rate impact.

- **Operating Profit**
  Operating profit declined only 1.3% due to lower one-off expenses relating to the measures to strengthen the competitiveness of the Japanese domestic tobacco business and the optimization of manufacturing facilities in the international tobacco business. The positive impact was partially offset by the losses related to the disposal of real estate assets and lower gains from the sale of real estate assets.

- **Profit from continuing operations**
  Profit from continuing operations increased 1.8% as a result of lower income taxes.

- **Profit from discontinued operations**
  Profit from discontinued operations was ¥87.2 billion due to the gains relating to the transfer of shares the Company held in its subsidiaries conducting vending machine operations, partially offset by expenses relating to the withdrawal from the manufacture and sale of JT beverage products.

- **Profit Attributable to Owners of the Parent**
  Profit attributable to owners of the parent, which combines profits from continuing and discontinued operations, increased 24.8%.

Results by Business Segment

International Tobacco Business

(billions of units, billions of Yen)	January - December		Net Change
	2014	2015	
Total shipment volume[2]	398.0	393.9	-1.0%
GFB shipment volume	262.2	273.6	4.3%
Core revenue[3]	1,258.2	1,252.5	-0.5%
Adjusted operating profit	447.1	394.4	-11.8%

GFB shipment volume grew 4.3%, reflecting strong growth in the Benelux, Canada, Czech Republic, France, Germany, Iran, Italy, Romania, Turkey and Ukraine. Total shipment volume declined 1.0% due to industry contraction in Russia as well as a volatile operating environment in the Middle East, partly offset by positive volume performance in the Benelux, Czech Republic, France, Germany, Iran, Italy and Turkey. Market share[4] increased in key markets including France, Italy, Spain, Taiwan, Turkey and the UK. In Russia, GFB market share continued to grow.

In US Dollars, core revenue and adjusted operating profit at constant currency increased 7.0% and 10.8% respectively, driven by a robust price/mix and positive GFB performance. As a result of unfavorable local currency movements against the US Dollar, on a reported basis, core revenue and adjusted operating profit declined 13.2% and 23.4% respectively. In Japanese Yen, core revenue and adjusted operating profit decreased 0.5% and 11.8% respectively due to the appreciation of the US Dollar.

Japanese Domestic Tobacco Business

(billions of units, billions of Yen)	January - December		Net Change
	2014	2015	
Total sales volume	112.4	109.2	-2.8%
Core revenue	649.8	642.2	-1.2%
Adjusted operating profit	238.7	254.1	6.4%

Core revenue declined 1.2% with total sales volume 2.8% lower, mainly due to the industry volume decline. The decline in core revenue was partially offset by the improved price/mix effect, which mainly occurred in the first quarter, and higher domestic sales of duty-free products. Adjusted operating profit increased 6.4% driven by the price/mix effect, the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business that accrued from the second quarter, as well as a one-off expenditure in the previous year.

Amid intensified competition, the Company continued to undertake marketing and sales initiatives and brand equity investment, primarily focused on Mevius. In addition, it has actively launched new products from Winston following the integration with the Caster and Cabin brands in August. As a result, JT's overall market share has remained stable at 59.9% for the twelve-month period.

Pharmaceutical Business

(billions of Yen)	January - December		Difference
	2014	2015	
Revenue	65.8	75.6	9.8
Adjusted operating profit	-7.3	-2.3	5.0

Revenue increased ¥9.8 billion due to higher royalty revenue related to an increase in sales of original JT compounds that have been out licensed, and sales growth of Torii Pharmaceutical. Adjusted operating profit improved ¥5.0 billion to -¥2.3 billion as a result of the revenue increase.

Processed Food Business

(billions of Yen)	January – December		Difference
	2014	2015	
Revenue	161.2	165.8	4.7
Adjusted operating profit	1.4	2.7	1.3

The processed food business has continued to focus on staple food such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread. Revenue increased ¥4.7 billion to ¥165.8 billion, driven by the improved sales of frozen and ambient processed food products. Adjusted operating profit increased ¥1.3 billion to ¥2.7 billion as a result of higher revenue.

Beverage Business

The Company withdrew from the manufacture and sale of JT beverage products at the end of September 2015. In addition, the sale of shares JT held in its subsidiaries conducting vending machine operation business, Japan Beverage Holdings Inc. and JT A-Star Co., Ltd, and the sale of certain JT beverage brands were completed on July 31, 2015. Consequently, the beverage business is classified as discontinued operations from the third quarter 2015.

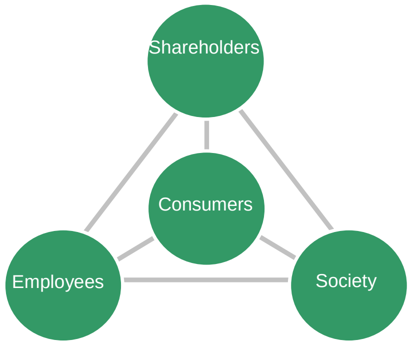
”Business Plan 2016”

- **Management Principle**

Under the “4S” model, the Company will balance the interests of consumers, shareholders, employees and the wider society, and fulfil its responsibilities towards them, aiming to exceed their expectations. The 4S model has allowed us to achieve sustainable profit growth in the past years. The Company firmly believes that the 4S model will increase the Company’s value in the mid- to long-term, and consequently is in the best interests of all stakeholders.

The Company will continue to prioritize business investments for sustainable profit growth in the mid- to long-term, and will continue to seek an optimal balance between profit growth through business investment and shareholder returns.

“4S” model



- **Mid- to Long-Term Target:** Achieve mid to high single-digit annual average growth rate in adjusted operating profit at constant currency.

- **Shareholder Return Policy:** Aim to enhance shareholder returns considering the Company’s mid- to long-term profit growth trend, while maintaining a solid balance sheet*.

✓ Deliver consistent dividend per share growth
✓ Consider implementing share buy-back, which takes into account the Company’s mid-term operating environment and financial outlook
✓ Continue to closely monitor shareholder returns of global FMCG companies**

* As its financial policy, the Company maintains a solid balance sheet. This provides the capacity to withstand any adversity arising out of a volatile environment, such as economic crisis. It also allows for sufficient flexibility to capture attractive investment opportunities.

** The Company monitors global FMCG companies which have a stakeholder model similar to our “4S” model, and have realized strong business growth.

- **Mid- to Long-Term Directional Guidance**

The tobacco business will grow adjusted operating profit at the mid to high single-digit rate per annum in the mid- to long-term. It will remain the core business and profit growth engine of the JT Group. The international tobacco business will continue to strengthen its role as the Group’s profit growth engine, while the Japanese domestic tobacco business will continue to maintain its highly competitive platform of profitability.

The pharmaceutical business aims to make a stable profit contribution to the Group through R&D promotion for next generation of strategic compounds and value maximization of each product.

The processed food business strives to achieve operating profit margin on par with the industry average, aiming to make further profit contribution to the Group.

Consolidated Forecast for FY2016

Unit: Billions of Yen

	Jan-Dec 2015 Actual (A)	Jan-Dec 2016 Forecast (B)	Change from 2015 Actual (B)-(A)
Revenue	2,252.9	2,200.0	-52.9 (-2.3%)
Adjusted operating profit	626.7	562.0	-64.7 (-10.3%)
Operating profit	565.2	566.0	0.8 (0.1%)
Profit attributable to owners of the parent[5]	398.5	399.0	0.5 (0.1%)

Forecast at constant currency

Adjusted operating profit	626.7	673.0	46.3 (7.4%)

- Revenue and adjusted operating profit are forecast to decline 2.3% and 10.3% respectively due to unfavorable exchange rate assumptions[6]. Adjusted operating profit at constant currency is expected to grow 7.4% driven by improved price/mix effects in the international and Japanese domestic tobacco businesses and higher royalty revenue in the pharmaceutical business.

- Operating profit and profit attributable to owners of the parent are expected to remain flat despite the unfavorable exchange rate assumptions, due to the strong business performance at constant currency as well as higher gains from the sales of real estate assets. The positive impacts were partially offset by amortization of trademark of Natural American Spirit.

Forecasts by Business Segment

- **International Tobacco Business:** In US Dollars, adjusted operating profit at constant currency is expected to grow 9.0% driven by robust pricing and GFB[7] volume growth, while the business will continue increasing investments for the future. The profit on a reported basis is forecast to decline 17.1% due to unfavorable local currency movements against the US Dollar. In Japanese Yen, adjusted operating profit is expected to decline 19.1% due to the appreciation of the currency against the US Dollar.

- **Japanese Domestic Tobacco Business[8]:** Total sales volume is forecast to decline 1.1% due to lower overall demand, and a decrease in market share caused by the retail price amendment of Mevius and former third class cigarettes as of April 1, 2016. The decline will be partially offset by the integration of Natural American Spirit from this fiscal year. Core revenue is forecast to grow 2.6% driven by improved price/mix effect and Natural American Spirit. Adjusted operating profit is expected to increase 2.7% as a result of higher core revenue as well as effects of the measures to strengthen competitiveness which should be recognized mainly in the first quarter. The growth will be partially offset by increased investments in core brands.

- **Pharmaceutical Business:** Revenue is forecast to grow by ¥9.4 billion to ¥85.0 billion due to higher royalty revenue. Accordingly, the forecast for adjusted operating profit is ¥7.0 billion. Based on the foundation for stable profit generation through royalty income from out licensed compounds, the business is expected to start contributing to the Group's profit in FY2016, and aims to generate profits continuously in 2017 and beyond.

- **Processed Food Business:** As a result of sales growth in staple food products driven by introduction of higher added value products, revenue is forecast to grow ¥6.2 billion to ¥172.0 billion. Despite higher raw materials costs, adjusted operating profit is forecast to improve by ¥0.3 billion to ¥3.0 billion due to an increase in revenue.

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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] 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 and Nielsen on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut at the end of December 2015. Spain is on a 12-month rolling average at the end of November 2015. 12-month share of market growth for November 2015 markets is calculated against a 12-month share of market at the end of December 2014.
[5] Profit in 2016 is a comparison with profit from continuing operations
[6] The exchange rate assumptions for US $1.00 are: Ruble 80.00, UK Sterling 0.68, Euro 0.93, Swiss Franc 1.00, Taiwan Dollar 32.70, Turkish Lira 3.00 and ¥118.00. 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.
[7] Following the completion of the acquisition of the Natural American Spirit business outside the U.S. in January 2016, the brand has been newly added to the JT Group's Global Flagship Brands from the FY2016.
[8] The forecast is based on a hypothesis that JT's application on January 22, 2016 to amend the retail prices of certain tobacco products will be approved by the Minister of Finance.

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

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FY2015 Act [Like-for-Like basis]

Please refer to notes in page 1 to 4 regarding the change in accounting period from December 2014 and separation of continuing operations and discontinued operations due to the withdrawal from Beverage Business in 2015.

1. Consolidated results highlight

(Unit: JPY billion)

	2014	FY2015	Variance (abs)	Variance (%)
Continuing operations				
Revenue	2,259.2	2,252.9	-6.4	-0.3%
Operating profit	572.6	565.2	-7.4	-1.3%
Adjusted operating profit	661.0	626.7	-34.3	-5.2%
Profit before income tax	574.6	565.1	-9.5	-1.6%
Profit	397.5	402.7	5.3	+1.3%
Profit (attributable to owners of the parent)	391.4	398.5	7.0	+1.8%
Adjusted profit (attributable to owners of the parent)	410.3	421.0	10.7	+2.6%
Discontinued operations				
Profit	-1.8	87.5	+89.3	-
Profit (attributable to owners of the parent)	-2.4	87.2	+89.6	-
Continuing and discontinued operations combined				
Profit	395.7	490.2	+94.5	+23.9%
Profit (attributable to owners of the parent)	389.1	485.7	+96.6	+24.8%

● [reference] Consolidated results (continuing operations)

(Unit: JPY billion)

	2014	FY2015	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	661.0	726.5	+65.5	+9.9%

2. EPS, DPS, Payout Ratio, ROE

(Unit: JPY)

	2014	FY2015	Variance (abs)	Variance (%)
Continuing operations				
Basic EPS (JPY)	215.36	221.95	+6.59	+3.1%
Diluted EPS (JPY)	215.24	221.81	+6.57	+3.1%
Adjusted diluted EPS (JPY)	240.31	234.35	-5.96	-2.5%
Continuing and discontinued operations combined				
Basic EPS (JPY)	214.06	270.54	+56.48	+26.4%
Diluted EPS (JPY)	213.94	270.37	+56.43	+26.4%

● [reference] Consolidated results (continuing operations)

(Unit: JPY)

	2014	FY2015	Variance (abs)	Variance (%)
Adjusted diluted EPS at constant FX	240.31	279.44	39.13	+16.3%

Reported Basis*

(Unit: JPY)

	FY2014	FY2015	Variance (abs)	Variance (%)
Continuing and discontinued operations combined				
Basic EPS (JPY)	199.67	270.54	+70.87	+35.5%
Diluted EPS (JPY)	199.56	270.37	+70.81	+35.5%
DPS	100.00	118.00	+18.00	+18.0%
ROE (attributable to owner of the parent company)	14.4%	19.5%	5.1%pt	-

* FY2014 includes results of domestic business from April to December and results of international business from January to December, 2014

Payout Ratio

	FY2014	FY2015	Variance (abs)
Payout ratio	50.1%	53.2%	3.1%pt

*Payout ratio for FY2015 is based on basic EPS from continuing operations.

FY2015 Act [Like-for-Like basis]

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

	2014	FY2015	Variance (abs)	Variance (%)
Revenue	2,259.2	2,252.9	-6.4	-0.3%
Japanese domestic tobacco	687.4	677.3	-10.0	-1.5%
Core revenue *1	649.8	642.2	-7.6	-1.2%
International tobacco	1,328.0	1,317.2	-10.8	-0.8%
Core revenue *2	1,258.2	1,252.5	-5.7	-0.5%
Pharmaceutical	65.8	75.6	+9.8	+14.8%
Processed food	161.2	165.8	+4.7	+2.9%
Others	16.9	17.0	+0.1	+0.6%

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

	2014	FY2015	Variance (abs)	Variance (%)
Core revenue *2	11,911	10,338	-1,572	-13.2%
Core revenue *2 at constant FX	11,911	12,739	+829	+7.0%

*1: Excludes revenue from distribution business for imported tobacco products

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

4. Adjusted operating profit by business segment (continuing operations) (Unit: JPY billion)

	2014	FY2015	Variance (abs)	Variance (%)
Consolidated: operating profit	572.6	565.2	-7.4	-1.3%
Adjustments, total	88.3	61.4	-26.9	
Amortization of acquired intangibles	29.5	31.9	+2.4	
Adjustments (income)	-46.1	-10.3	+35.8	
Adjustments (costs)	105.0	39.9	-65.1	
Consolidated: adjusted operating profit	661.0	626.7	-34.3	-5.2%
Japanese domestic tobacco: operating profit	181.5	249.2	+67.7	+37.3%
Adjustments, total	57.2	4.8	-52.4	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-0.2	-0.1	+0.1	
Adjustments (costs)	57.4	4.9	-52.4	
Japanese domestic tobacco: adjusted operating profit	238.7	254.1	+15.3	+6.4%
International tobacco: operating profit	379.5	346.9	-32.5	-8.6%
Adjustments, total	67.6	47.5	-20.1	
Amortization of acquired intangibles	29.5	31.9	+2.4	
Adjustments (income)	-4.2	-3.5	+0.7	
Adjustments (costs)	42.4	19.1	-23.2	
International tobacco: adjusted operating profit	447.1	394.4	-52.7	-11.8%
Pharmaceutical: operating profit	-7.3	-2.3	+5.0	-
Adjustments, total	-	-	-	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-	-	-	
Adjustments (costs)	-	-	-	
Pharmaceutical: adjusted operating profit	-7.3	-2.3	+5.0	-
Processed food: operating profit	-1.2	3.2	+4.4	-
Adjustments, total	2.6	-0.5	-3.1	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-	-0.5	-0.5	
Adjustments (costs)	2.6	-	-2.6	
Processed food: adjusted operating profit	1.4	2.7	+1.3	+92.2%
Others / Elimination: operating profit	20.2	-31.8	-52.0	-
Adjustments, total	-39.1	9.6	+48.7	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-41.7	-6.2	+35.5	
Adjustments (costs)	2.6	15.8	+13.2	
Others / Elimination: adjusted operating profit	-18.9	-22.2	-3.3	-

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

	2014	FY2015	Variance (abs)	Variance (%)
Adjusted operating profit (USD basis)	4,253	3,257	-996	-23.4%
Adjusted operating profit at constant FX (USD basis)	4,253	4,712	+458	+10.8%

FY2015 Act [Like-for-Like basis]

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

	2014 Dec. end	2015 Dec. end	Variance (abs)
Total assets	4,704.7	4,558.2	-146.5
Total equity	2,622.5	2,521.5	-101.0
Equity attributable to owners of the parent	2,536.8	2,451.6	-85.2
BPS (attributable to owners of the pare) (JPY)	1,395.74	1,369.06	-27.00

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

	2014 Dec. end	2015 Dec. end	Variance (abs)
Liquidity *1	389.5	529.0	+139.5
Interest-bearing debt *2	228.2	255.3	+27.1

*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)

	2014	FY2015	Variance (abs)
Cash flows from operating activities		468.4	
Cash flows from investing activities		-63.3	
Cash flows from financing activities		-254.9	
Cash and cash equivalents, beginning of the year		385.8	
Foreign currency translation adj. on cash & cash equivalents		-9.4	
Cash and cash equivalents, end of the year		526.8	
FCF *	455.4	386.7	-68.7

*: 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

8. Capital expenditures (continuing operations) (Unit: JPY billion)

	2014	FY2015	Variance (abs)
Consolidated	130.2	129.8	-0.5
Japanese domestic tobacco	41.0	37.4	-3.6
International tobacco	74.2	77.2	+3.0
Pharmaceutical	4.7	6.2	+1.5
Processed food	4.7	5.7	+0.9
Others/Elimination	5.5	3.3	-2.3

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

	2014	FY2015	Variance (abs)
Consolidated	128.6	133.1	+4.5
Japanese domestic tobacco	44.7	43.7	-1.0
International tobacco	69.9	76.0	+6.1
Pharmaceutical	4.2	4.6	+0.4
Processed food	6.6	6.5	-0.2
Others/Elimination	3.1	2.4	-0.7

10. Business data

● Japanese domestic tobacco business

	2014	FY2015	Variance (abs)	Variance (%)	
JT sales volume *	112.4	109.2	-3.1	-2.8%	BNU
Industry volume	186.2	182.3	-3.9	-2.1%	BNU
JT market share	60.4%	59.9%	-0.4%pt		
JT revenue per 1,000 cigarettes	5,617	5,661	+44	+0.8%	JPY

*: Excludes volumes of duty-free in Japan and China business (3.4 BNU in 2014 and 3.8 BNU in 2015, respectively)

● International tobacco business

	2014	FY2015	Variance (abs)	Variance (%)	
Total shipment volume *	398.0	393.9	-4.1	-1.0%	BNU
GFB shipment volume	262.2	273.6	+11.4	+4.3%	BNU
JPY/USD	105.79	121.10	+15.31	+14.5%	JPY
RUB/USD	38.40	60.98	+22.58	-37.0%	RUB
GBP/USD	0.61	0.65	+0.05	-7.2%	GBP
EUR/USD	0.75	0.90	+0.15	-16.4%	EUR
CHF/USD	0.91	0.96	+0.05	-5.0%	CHF
TWD/USD	30.31	31.76	+1.45	-4.6%	TWD
TRY/USD	2.19	2.72	+0.53	-19.5%	TRY

*: Includes fine cut, cigars, pipe tobacco and snus, but excludes contract manufactured products, waterpipe tobacco products and emerging products

● Pharmaceutical business (Unit: JPY billion)

	2014	FY2015	Variance (abs)	Variance (%)
R&D expenses	28.9	30.7	+1.8	+6.4%

11. Number of employees *

	2014 Dec. end	2015 Dec. end	Variance (abs)
Consolidated	51,341	44,485	-6,856
Japanese domestic tobacco	11,648	9,470	-2,178
International tobacco	25,829	26,200	+371
Pharmaceutical	1,840	1,839	-1
Beverage	5,122	-	-5,122
Processed food	5,968	5,798	-170
Others / Corporate	934	1,178	+244
Parent company	8,915	7,549	-1,366

*: Excludes employees taking a leave of absence

12. Consolidated statement of income (continuing operations)

(Unit: JPY billion)

	2014	FY2015	Variance (abs)	Variance (%)
Revenue	2,259.2	2,252.9	-6.4	-0.3%
Cost of sales	904.9	920.1	+15.2	+1.7%
Gross profit	1,354.3	1,332.8	-21.5	-1.6%
Other operating income	50.1	15.4	-34.7	-69.3%
Gains on sale of PP&E, intangibles and investment properties	42.7	7.3	-35.5	-83.0%
Other	7.3	8.1	+0.7	+10.2%
Share of profit in investments accounted for using the equity method	7.8	6.4	-1.4	-18.3%
SG & A	839.6	789.3	-50.3	-6.0%
Advertising expenses	23.1	25.6	+2.5	+11.0%
Promotion expenses	117.7	120.3	+2.6	+2.2%
Shipping and warehousing expenses	24.7	26.9	+2.1	+8.7%
Commission	50.0	51.3	+1.3	+2.7%
Employee benefit expenses	321.8	264.7	-57.1	-17.7%
R&D expenses	56.0	57.8	+1.8	+3.2%
Depreciation and amortization	60.9	66.0	+5.1	+8.4%
Impairment losses other than financial assets	22.3	9.5	-12.8	-57.4%
Losses on sale and disposal of PP&E, intangible assets and investment properties	15.4	19.2	+3.8	+24.4%
Other	147.6	148.1	+0.4	+0.3%
Operating profit	572.6	565.2	-7.4	-1.3%
Amortization of acquired intangibles	29.5	31.9	+2.4	+8.2%
Adjustments (income)	-46.1	-10.3	+35.8	-
Adjustments (costs)	105.0	39.9	-65.1	-62.0%
Adjusted operating profit	661.0	626.7	-34.3	-5.2%
Financial income	14.7	15.0	+0.3	+1.9%
Dividend income	1.6	1.8	+0.2	+14.0%
Interest income	12.9	13.0	+0.1	+0.9%
Foreign exchange gain	-	-	-	-
Other	0.3	0.2	-0.1	-18.1%
Financial costs	12.8	15.1	+2.3	+18.4%
Interest expenses	5.3	3.9	-1.4	-26.9%
Employee benefit expenses	5.9	4.0	-1.9	-32.5%
Foreign exchange loss	0.6	6.0	+5.4	+882.2%
Other	1.0	1.3	+0.3	+31.4%
Profit before income taxes	574.6	565.1	-9.5	-1.6%
Income taxes	177.1	162.4	-14.7	-8.3%
Profit for the period	397.5	402.7	+5.3	+1.3%
Attributable to owners of the parent	391.4	398.5	+7.0	+1.8%
Attributable to non-controlling interests	6.0	4.3	-1.8	-29.1%

FY2015 Act [Like-for-Like basis]

13. Consolidated financial position (continuing & discontinued operations combined)

(Unit: JPY billion)

	2014 Dec. end	2015 Dec. end	Variance (abs)
Current assets	1,696.9	1,798.2	+101.3
Cash and cash equivalents	385.8	526.8	+140.9
Trade and other receivables	448.4	406.4	-42.0
Inventories	587.8	563.8	-24.0
Other financial assets *1	43.9	17.8	-26.1
Other current assets	230.5	280.5	+50.0
Non-current assets held-for-sale	0.4	2.9	+2.5
Non-current assets	3,007.8	2,760.0	-247.8
Property, plant & equipment	756.1	681.9	-74.3
Goodwill *2	1,539.4	1,429.3	-110.1
Intangible assets *3	364.9	332.5	-32.4
Investment property	17.9	23.6	+5.7
Retirement benefit assets	35.4	39.0	+3.6
Investments accounted for using the equity method	76.8	59.5	-17.3
Other financial assets *1	92.0	101.7	+9.8
Deferred tax assets	125.4	92.6	-32.8
Total assets	4,704.7	4,558.2	-146.5

	2014 Dec. end	2015 Dec. end	Variance (abs)
Current liabilities	1,360.1	1,265.9	-94.2
Trade and other payables	419.8	373.0	-46.7
Bonds and borrowings *4	107.6	31.0	-76.6
Income tax payables	54.9	106.4	+51.4
Other financial liabilities *4	14.5	6.5	-8.0
Provisions	9.2	19.3	+10.1
Other current liabilities *5	754.2	729.8	-24.4
Non-current liabilities	722.1	770.8	+48.7
Bonds and borrowings *4	101.0	215.9	+114.9
Other financial liabilities *4	18.6	10.1	-8.5
Retirement benefit liabilities	351.9	333.6	-18.4
Provisions	25.4	9.2	-16.2
Other non-current liabilities *5	121.8	114.0	-7.8
Deferred tax liabilities	103.4	88.0	-15.4
Total liabilities	2,082.2	2,036.7	-45.5
Equity	2,622.5	2,521.5	-101.0
Share capital	100.0	100.0	-
Capital surplus	736.4	736.4	-
Treasury shares	-344.4	-444.3	-99.9
Other components of equity	142.4	-137.1	-279.5
Retained earnings	1,902.5	2,196.7	+294.2
Non-controlling interests	85.7	69.9	-15.7
Total liabilities and equity	4,704.7	4,558.2	-146.5

*1: Other financial assets (current & non-current combined)

Other financial assets	135.9	119.6	-16.3
Derivative assets	31.8	7.1	-24.7
Equity securities	59.4	72.8	+13.4
Debt securities	8.8	6.6	-2.2
Time deposits	1.0	1.0	-
Other	43.5	39.6	-3.9
Allowance for doubtful accounts	-8.7	-7.5	+1.2

*2: Goodwill ~ Cash-generating unit

International tobacco	1,496.8	1,387.6	-109.2
Processed food	25.4	25.4	-

*3: Intangible assets ~ Trademarks

International tobacco	299.5	266.5	-33.0

*4: Bonds and borrowings and other financial liabilities
(current & non-current combined)

Total financial liabilities	241.6	263.5	+21.9
Derivative liabilities	10.0	5.6	-4.4
Short-term borrowings	27.6	30.8	+3.2
Current portion of long-term borrowings	39.9	0.1	-39.8
Current portion of bonds	40.0	-	-40.0
Long-term borrowings	1.0	0.9	-0.2
Bonds	100.0	215.1	+115.1
Other	23.1	11.0	-12.1

*5: Other liabilities (current & non-current combined)

Total other liabilities	876.0	843.7	-32.2
Tobacco excise tax payables	325.2	334.6	+9.4
Tobacco special excise tax payables	14.8	14.5	-0.2
Tobacco local excise tax payables	186.2	183.5	-2.7
Consumption tax payables	138.8	103.9	-34.9
Bonus to employees	46.0	34.0	-12.0
Employee's unused paid vacations liabilities	21.2	18.8	-2.3
Other	143.9	154.3	+10.5

FY2016 Forecasts

Please refer to notes in page 1 to 4 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	Variance (abs)	Variance (%)
Revenue	2,252.9	2,200.0	-52.9	-2.3%
Operating profit	565.2	566.0	+0.8	+0.1%
Adjusted operating profit	626.7	562.0	-64.7	-10.3%
Profit (attributable to owners of the parent)	398.5	399.0	+0.5	+0.1%

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

	FY2015	FY2016	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	626.7	673.0	+46.3	+7.4%

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

	FY2015	FY2016	Variance (abs)	Variance (%)
Basic EPS (JPY)	221.95	222.82	+0.87	0.4%
DPS	118.00	128.00	+10.00	+8.5%
ROE (attributable to owner of the parent company)	19.5%	16.1%	-3.4%pt	-

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

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

	FY2015	FY2016	Variance (abs)	Variance (%)
Revenue	2,252.9	2,200.0	-52.9	-2.3%
Japanese domestic tobacco	677.3	692.0	+14.7	+2.2%
Core revenue *1	642.2	659.0	+16.8	+2.6%
International tobacco	1,317.2	1,247.0	-70.2	-5.3%
Core revenue *2	1,252.5	1,180.0	-72.5	-5.8%
Pharmaceutical	75.6	85.0	+9.4	+12.5%
Processed food	165.8	172.0	+6.2	+3.7%
Others	17.0	8.0	-9.0	-52.9%

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

	FY2015	FY2016	Variance (abs)	Variance (%)
Core revenue *2	10,338	10,000	-338	-3.3%
Core revenue *2 at constant FX	10,338	10,900	+562	+5.4%

*1: Excludes revenue from distribution business for imported tobacco products

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

FY2016 Forecasts

4. Adjusted operating profit by business segment (continuing operations) (Unit: JPY billion)

	FY2015	FY2016	Variance (abs)	Variance (%)
Consolidated: operating profit	565.2	566.0	+0.8	+0.1%
Japanese domestic tobacco	249.2	245.0	-4.2	-1.7%
International tobacco	346.9	278.0	-68.9	-19.9%
Pharmaceutical	-2.3	7.0	+9.3	-
Processed food	3.2	3.0	-0.2	-5.7%
Others	-31.8	31.0	+62.8	-
Adjusted operating profit	626.7	562.0	-64.7	-10.3%
Japanese domestic tobacco	254.1	261.0	+6.9	+2.7%
International tobacco	394.4	319.0	-75.4	-19.1%
Pharmaceutical	-2.3	7.0	+9.3	-
Processed food	2.7	3.0	+0.3	+10.0%
Others	-22.2	-29.0	-6.8	-

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

	FY2015	FY2016	Variance (abs)	Variance (%)
Adjusted operating profit (USD basis)	3,257	2,700	-557	-17.1%
Adjusted operating profit at constant FX (USD basis)	3,257	3,550	+293	+9.0%

5. Free cash flow (Unit: JPY billion)

	FY2015	FY2016	Variance (abs)
FCF *	386.7	-235.0	-621.7

*: 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	Variance (abs)
Consolidated	129.8	122.0	-7.8
Japanese domestic tobacco	37.4	32.0	-5.4
International tobacco	77.2	73.0	-4.2
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	Variance (abs)	Variance (%)	
JT sales volume *	109.2	108.0	-1.2	-1.1%	BNU

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

● International tobacco business

	FY2015	FY2016	Variance (abs)	Variance (%)	
Total shipment volume *	393.9	394.0	+0.1	+0.0%	BNU
GFB shipment volume	273.6	279.0	+5.4	+2.0%	BNU
JPY/USD	121.10	118.00	-3.10	-2.6%	JPY
RUB/USD	60.98	80.00	+19.02	-23.8%	RUB
GBP/USD	0.65	0.68	+0.03	-3.8%	GBP
EUR/USD	0.90	0.93	+0.03	-3.2%	EUR
CHF/USD	0.96	1.00	+0.04	-3.7%	CHF
TWD/USD	31.76	32.70	+0.94	-2.9%	TWD
TRY/USD	2.72	3.00	+0.28	-9.4%	TRY

*: Includes fine cut, cigars, pipe tobacco and snus, but excludes contract manufactured products, waterpipe tobacco products 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
2014	30.4	24.7	28.8	28.4	112.4
2015	25.5	27.6	28.2	28.0	109.2

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

(JPY)

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

* Net sales excluding excise tax

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

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

2. Winston

(%)

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

*"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

4. Natural American Spirit (JT estimates)

(%)

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

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

(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

Japan Tobacco Inc. Clinical Development as of February 4, 2016

＜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-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
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
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.

＜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).	Melanoma Japan marketing approval 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 November 4, 2015:

＜Licensed compounds＞

・ Gilead Sciences announced that an anti-HIV single-tablet regimen Genvoya (elvitegravir/cobicistat/emtricitabine/tenofovir alafenamide) has been approved by the U.S. FDA and the European Comission. (November 5 and 23, 2015)