FOR IMMEDIATE RELEASE Tokyo, October 31, 2016

JT's Consolidated Financial Results for FY2016 Third Quarter

Double-digit profit growth at constant currency driven by all businesses

Results for January 1 – September 30, 2016

- All businesses in the group delivered solid performance leading to 11.8% growth in adjusted operating profit at constant currency.
- Revenue and adjusted operating profit declined 4.1% and 6.6% respectively due to unfavorable currency movements in the International tobacco business. Operating profit grew 8.5% as a result of higher gains from the sale of real estate assets in the first quarter. Profit attributable to owners of the parent grew 10.4%.
- International Tobacco Business: Total and GFB shipment volumes increased 2.9% and 5.3% respectively, driven by market share gains, contributions from seeding markets and acquisitions, as well as favorable trade inventory adjustments mainly in the first quarter. In US Dollars, adjusted operating profit at constant currency grew 15.4%, reflecting positive volume, robust pricing and accelerated investments. On a reported basis, adjusted operating profit declined 3.3%, due to adverse currency movements against the US Dollar. Adjusted operating profit in Japanese Yen decreased 13.2% due to appreciation of the currency against the US Dollar.
- Japanese Domestic Tobacco Business: Adjusted operating profit grew 0.7% mainly driven by the retail price amendment of Mevius and the contribution of Natural American Spirit, partly offset by increased sales promotions. 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

- The forecast for adjusted operating profit at constant currency is revised upwards by ¥10.0 billion from the previous forecast, a 10.1% growth from the FY2015, due to upward revisions in the International tobacco business and the Pharmaceutical business.
- On a reported basis, the revenue forecast remains unchanged, and the forecast for adjusted operating profit is revised upwards by ¥7.0 billion, reflecting underlying solid business performance of the Pharmaceutical business and revised exchange rate assumptions.
- The forecast for profit attributable to owners of the parent is revised upwards by ¥5.0 billion mainly due to the upward revisions of adjusted operating profit.

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

"Our International tobacco business continues to deliver strong results, led by market share gains, volume growth and robust pricing. This solid performance has allowed us to further revise our profit forecast upwards. Looking ahead, we will further accelerate investments, notably in GFBs, seeding markets and emerging products, with the aim of strengthening our business to continue achieving sustainable mid- to long-term profit growth. Domestically, our business performance remains stable and is underpinned by initiatives to strengthen our product portfolio and brand equity, leading to steady profit growth. Against the backdrop of an increasingly challenging environment surrounding the JT Group, we are confident that our solid ongoing business will deliver robust profit growth at constant currency."

Consolidated Financial Results for January 1 – September 30, 2016

(billions of Yen)	January – September		Difference	Net Change
	2015	**2016**		
Revenue	1,688.5	1,618.5	-69.9	-4.1%
Adjusted operating profit	510.3	476.5	-33.8	-6.6%
Operating profit	455.9	494.6	38.7	8.5%
Profit attributable to owners of the parent [1]	317.1	350.0	32.9	10.4%

At constant currency:

Adjusted operating profit	510.3	570.6	60.3	11.8%

- **Revenue**
  Revenue declined 4.1% due to unfavorable currency movements in the International tobacco business despite growth in both the Japanese domestic tobacco business and the Pharmaceutical business.

- **Adjusted Operating Profit**
  Adjusted operating profit at constant currency increased 11.8% mainly driven by the robust price/mix effect in the International tobacco business. Adjusted operating profit on a reported basis declined 6.6%, affected by unfavorable currency movements against the US Dollar in the International tobacco business.

- **Operating Profit**
  Operating profit grew 8.5% as a result of higher 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 10.4% due to increased operating profit.

Results by Business Segment

International Tobacco Business

(billions of units, billions of Yen)	January - September		Net Change
	2015	2016	
Total shipment volume[2]	295.6	304.2	2.9%
GFB shipment volume	205.4	216.3	5.3%
Core revenue[3]	946.9	873.1	-7.8%
Adjusted operating profit	328.5	285.0	-13.2%

Total shipment volume grew 2.9%, mainly driven by Brazil, France, Germany, Iran, Italy, Kazakhstan, Korea, Middle East markets, the Philippines, South East Asia markets and Turkey, as well as acquisitions and inventory adjustments in the first quarter. GFB shipment volume grew 5.3%, led by brand building initiatives, market share[4] gains and the addition of Natural American Spirit. Market share continued to grow in the key markets of France, Italy, Spain, Taiwan and the UK.

In US Dollars, core revenue and adjusted operating profit grew 10.9% and 15.4% at constant currency, respectively, driven by positive volume and robust pricing. Business investments also increased, particularly in seeding markets and emerging products. On a reported basis, core revenue increased 3.1%, as strong business momentum offset the impact of currency fluctuations. Reported adjusted operating profit declined 3.3%, due to unfavorable currency movements. In Japanese Yen, core revenue and adjusted operating profit decreased 7.8% and 13.2% respectively affected by the appreciation of the currency against US Dollar.

Japanese Domestic Tobacco Business

(billions of units, billions of Yen)	January – September		Net Change
	2015	2016	
Total sales volume[5]	81.3	79.7	-1.9%
Core revenue[6]	478.2	485.5	1.5%
Adjusted operating profit	197.6	199.0	0.7%

Total sales volume decreased 1.9% due to lower industry volume and the negative impact of the retail price amendment of certain products including Mevius, partly offset by the acquisition of Natural American Spirit. Despite the sales volume decline, core revenue grew 1.5% driven by the retail price amendment and the positive impact of the acquisition of Natural American Spirit. Adjusted operating profit grew 0.7% due to higher core revenue and the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business, which was partly offset by increased sales promotions.

Pharmaceutical Business

(billions of Yen)	January – September		Difference
	2015	**2016**	
Revenue	53.4	60.7	7.3
Adjusted operating profit	-3.3	4.2	7.5

Revenue increased ¥7.3 billion to ¥60.7 billion driven by royalty revenue growth from anti-HIV drugs, Stribild and Genvoya, 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 ¥7.5 billion to ¥4.2 billion.

Processed Food Business

(billions of Yen)	January – September		Difference
	2015	**2016**	
Revenue	120.5	120.1	-0.4
Adjusted operating profit	1.3	3.7	2.4

The processed food business continued to mainly focus on staple food such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread. Although sales of staple food and seasoning steadily increased, revenue slightly decreased ¥0.4 billion to ¥120.1 billion mainly due to a decrease in sales of other processed food products. Adjusted operating profit increased ¥2.4 billion to ¥3.7 billion as a result of product mix improvement and lower material cost from the appreciation of the Japanese Yen.

Consolidated Forecast for FY2016

(billions of Yen)	FY2015 Actual	FY2016 Previous Forecast	**FY2016 Revised Forecast**	Change from FY2016 Previous Forecast	Change from FY2015 Actual
Revenue	2252.9	2,120.0	**2120.0**	-	-132.9 (-5.9%)
Adjusted operating profit	626.7	569.0	**576.0**	7.0	-50.7 (-8.1%)
Operating profit	565.2	572.0	**580.0**	8.0	14.8 (2.6%)
Profit attributable to owners of the parent	398.5	409.0	**414.0**	5.0	15.5 (3.9%)

At constant currency:

Adjusted operating profit	626.7	680.0	**690.0**	10.0	63.3 (10.1%)

- At constant currency, the forecast for adjusted operating profit is revised upwards by ¥10.0 billion from the previous forecast, a 10.1% growth from the FY2015, due to the upward revisions of the International tobacco business and the Pharmaceutical business.

- On a reported basis, the revenue forecast has not been changed from the previous forecast.

- The forecast for the reported adjusted operating profit is revised upwards by ¥7.0 billion as the negative impact of unfavorable local currency movements against the US Dollar is more than offset by the solid performance of the Pharmaceutical business and the positive impact of the depreciation of the Japanese Yen against the US Dollar.

- Forecasts for operating profit and profit attributable to owners of the parent are revised upwards by ¥8.0 billion and ¥5.0 billion respectively. The revisions are mainly due to stronger adjusted operating profit growth.

Forecasts by Business Segment

- **International Tobacco Business**[7]: Strong business momentum enables an improved price/mix contribution in a number of markets. As a result, the forecast for adjusted operating profit in US Dollars at constant currency is revised upwards by US$30 million, representing an increase of 12.4% from the previous year despite accelerated business investments. The reported adjusted operating profit forecast is revised downwards by US$20 million, mainly due to revised exchange rate assumptions for the UK Sterling. In Japanese Yen, the forecast for adjusted operating profit remains unchanged due to a change in the exchange rate assumption for the Japanese Yen against the US Dollar.

- **Japanese Domestic Tobacco Business**: Total sales volume forecast has been revised downwards by 1.0 billion. This reflects the underlying business performance including lower cigarette demand affected by the T-vapor category. Core revenue forecast is also revised downwards by ¥6.0 billion. The forecast for adjusted operating profit remains unchanged at 2.7% growth from the previous year, by pursuing cost efficiencies while not compromising steady sales promotion activities.

- **Pharmaceutical Business**: The forecasts for revenue and adjusted operating profit are revised upwards by ¥4.0 billion to ¥ 86.0 billion and ¥4.5 billion to ¥8.5 billion respectively, due to stronger performance of anti-HIV drugs, Stribild and Genvoya.

- **Processed Food Business**: The revenue forecast is revised downwards by ¥3.0 billion as a result of the updates of the sales plan. The forecast for adjusted operating profit remains unchanged supported by product mix improvement and cost reduction effect.

- **Dividend:** The forecast for the fiscal year-end dividend per share remains unchanged. Accordingly, a total annual dividend per share is to be ¥128, including the interim dividend of ¥64.

###

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 September 2016. Spain is on a 12-month rolling average at the end of August 2016. 12-month share of market growth for August 2016 markets is calculated against a 12-month share of market at the end of August 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 have been revised as follows; Russian Ruble 67.00 from 67.50, UK Sterling 0.74 from 0.72, Swiss Franc remains unchanged at 0.98, Taiwan Dollar 32.30 from 32.50, Turkish Lira 2.95 from 2.90 and Japanese Yen 106.45 from 105.80. The assumption for Euro remains unchanged at 0.90. 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.

Contacts: Ryohei Sugata, General Manager
Sayako Takahashi, Manager
Media and Investor Relations Division
Japan Tobacco Inc. Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com

Results for 2016 Third 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-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)
Continuing operations				
Revenue	1,688.5	1,618.5	-69.9	-4.1%
Operating profit	455.9	494.6	+38.7	+8.5%
Adjusted operating profit	510.3	476.5	-33.8	-6.6%
Profit before income tax	457.3	484.3	+26.9	+5.9%
Profit	320.3	353.3	+33.0	+10.3%
Profit (attributable to owners of the parent company)	317.1	350.0	+32.9	+10.4%
Interim dividend (JPY)	54.00	64.00	+10.00	+18.5%
Basic EPS* (JPY)	176.46	195.44	+18.98	+10.8%
Discontinued operations				
Profit	87.6	-	-	-
Profit (attributable to owners of the parent company)	87.3	-	-	-
Continuing and discontinued operations combined				
Profit	407.9	353.3	-54.6	-13.4%
Profit (attributable to owners of the parent company)	404.4	350.0	-54.4	-13.4%
Basic EPS* (JPY)	225.07	195.44	-29.62	-13.2%

* Based on profit attributable to owners of the parent company

・ Jan-Sep 2015 results for discontinued operations included gain from share transfer of subsidiaries conducting vending machine operation business

● [reference] Consolidated results (continuing operations)

(Unit: JPY billion)

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	510.3	570.6	+60.3	+11.8%

2. Revenue by business segment (continuing operations)

(Unit: JPY billion)

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)
Revenue	1,688.5	1,618.5	-69.9	-4.1%
Japanese domestic tobacco	504.8	511.5	+6.7	+1.3%
Core revenue	478.2	485.5	+7.3	+1.5%
International tobacco	995.5	919.2	-76.4	-7.7%
Core revenue	946.9	873.1	-73.9	-7.8%
Pharmaceutical	53.4	60.7	+7.3	+13.7%
Processed food	120.5	120.1	-0.4	-0.3%
Others	14.3	7.0	-7.2	-50.7%

● [reference] International tobacco business

(Unit: USD million)

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)
Core revenue	7,823	8,062	+239	+3.1%
Core revenue at constant FX	7,823	8,676	+853	+10.9%

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

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)
Consolidated: operating profit	455.9	494.6	+38.7	+8.5%
Adjustments, total	54.4	-18.0	-72.5	
Consolidated: adjusted operating profit	510.3	476.5	-33.8	-6.6%
Japanese domestic tobacco: operating profit	194.6	187.0	-7.7	-3.9%
Adjustments, total	3.0	12.0	+9.0	
Japanese domestic tobacco: adjusted operating profit	197.6	199.0	+1.4	+0.7%
International tobacco: operating profit	289.8	258.3	-31.6	-10.9%
Adjustments, total	38.7	26.7	-11.9	
International tobacco: adjusted operating profit	328.5	285.0	-43.5	-13.2%
Pharmaceutical: operating profit	-3.3	4.2	+7.5	-
Adjustments, total	-	-	-	
Pharmaceutical: adjusted operating profit	-3.3	4.2	+7.5	-
Processed food: operating profit	1.5	3.7	+2.2	+143.2%
Adjustments, total	-0.2	0.0	+0.2	
Processed food: adjusted operating profit	1.3	3.7	+2.4	+184.0%
Others / Elimination: operating profit	-26.8	41.4	+68.3	-
Adjustments, total	13.0	-56.8	-69.8	
Others / Elimination: adjusted operating profit	-13.8	-15.4	-1.5	-

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

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)
Adjusted operating profit	2,715	2,626	-89	-3.3%
Adjusted operating profit at constant FX	2,715	3,134	+419	+15.4%

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

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)
Consolidated	99.2	105.6	+6.4
Japanese domestic tobacco	32.9	42.8	+9.9
International tobacco	56.3	52.2	-4.1
Pharmaceutical	3.4	3.7	+0.3
Processed food	4.8	4.5	-0.3
Others/Elimination	1.7	2.3	+0.6

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

	2015 Dec. end	2016 Sep. end	Variance (abs)
Total assets	4,558.2	4,258.0	-300.2
Total equity	2,521.5	2,267.4	-254.1
Equity attributable to owners of the parent company	2,451.6	2,196.6	-255.0
BPS (attributable to owners of the parent company) (JPY)	1,369.06	1,226.55	-142.51

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

	2015 Dec. end	2016 Sep. end	Variance (abs)
Liquidity *1	529.0	167.2	-361.8
Interest-bearing debt *2	255.3	642.8	+387.5

*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-Sep	2016 Jan-Sep	Variance (abs)
Cash flows from operating activities	200.1	79.7	-120.3
Cash flows from investing activities	-33.9	-655.7	-621.8
Cash flows from financing activities	-203.1	236.8	+439.9
Cash and cash equivalents, beginning of the year	385.8	526.8	+140.9
Foreign currency translation adj. on cash & cash equivalents	-12.8	-23.3	-10.5
Cash and cash equivalents, end of the period	336.1	164.2	-171.9
FCF*	154.3	-579.9	-734.3

*: 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-Sep	2016 Jan-Sep	Variance (abs)
Consolidated	89.8	72.2	-17.6
Japanese domestic tobacco	28.6	17.7	-10.9
International tobacco	50.2	46.2	-4.0
Pharmaceutical	4.3	3.0	-1.3
Processed food	4.1	3.4	-0.7
Others/Elimination	2.6	1.9	-0.7

9. Business data

● Japanese domestic tobacco business

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)	
JT sales volume*	81.3	79.7	-1.6	-1.9%	BNU
Industry volume	135.8	130.8	-5.0	-3.7%	BNU
JT market share	59.9%	61.0%	+1.1%pt		
JT revenue per 1,000 cigarettes	5,666	5,851	+185	+3.3%	JPY

*: Excludes volumes of duty-free in Japan, China business (2.9 BNU in Jan-Sep, 2015 and 3.0 BNU in Jan-Sep, 2016, respectively) and emerging products

● International tobacco business

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)	
Total shipment volume	295.6	304.2	+8.6	+2.9%	BNU
GFB shipment volume	205.4	216.3	+10.9	+5.3%	BNU
JPY/USD	120.98	108.57	-12.41	-10.3%	JPY
RUB/USD	59.32	68.40	+9.08	-13.3%	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	0.95	0.98	+0.03	-2.7%	CHF
TWD/USD	31.46	32.41	+0.95	-2.9%	TWD
TRY/USD	2.66	2.93	+0.28	-9.4%	TRY

● Pharmaceutical business (Unit: JPY billion)

	2015 Jan-Sep	2016 Jan-Sep	Variance (abs)	Variance (%)
R&D expenses	22.4	22.3	-0.1	-0.3%

FY2016 Revised Forecasts
(as of October 31, 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	580.0	+14.8	+2.6%
Adjusted operating profit	626.7	576.0	-50.7	-8.1%
Profit (attributable to owners of the parent company)	398.5	414.0	+15.5	+3.9%

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

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	626.7	690.0	+63.3	+10.1%

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

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	221.95	231.17	+9.22	+4.2%
DPS	118.00	128.00	+10.00	+8.5%
ROE (attributable to owners of the parent company)	19.5%	17.9%	-1.6%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	687.0	+9.7	+1.4%
Core revenue	642.2	649.0	+6.8	+1.1%
International tobacco	1,317.2	1,178.0	-139.2	-10.6%
Core revenue	1,252.5	1,120.0	-132.5	-10.6%
Pharmaceutical	75.6	86.0	+10.4	+13.8%
Processed food	165.8	166.0	+0.2	+0.1%
Others	17.0	7.0	-10.0	-58.7%

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

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	10,338	10,530	+192	+1.9%
Core revenue at constant FX	10,338	11,200	+862	+8.3%

FY2016 Revised Forecasts
(as of October 31, 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	580.0	+14.8	+2.6%
Japanese domestic tobacco	249.2	245.0	-4.2	-1.7%
International tobacco	346.9	294.0	-52.9	-15.3%
Pharmaceutical	-2.3	8.5	+10.8	-
Processed food	3.2	4.5	+1.3	+41.4%
Others/Elimination	-31.8	28.0	+59.8	-
Adjusted operating profit	626.7	576.0	-50.7	-8.1%
Japanese domestic tobacco	254.1	261.0	+6.9	+2.7%
International tobacco	394.4	328.0	-66.4	-16.8%
Pharmaceutical	-2.3	8.5	+10.8	-
Processed food	2.7	4.5	+1.8	+65.0%
Others/Elimination	-22.2	-27.0	-4.8	-

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

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit	3,257	3,060	-197	-6.1%
Adjusted operating profit at constant FX	3,257	3,660	+403	+12.4%

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	120.0	-9.8
Japanese domestic tobacco	37.4	31.0	-6.4
International tobacco	77.2	74.0	-3.2
Pharmaceutical	6.2	3.0	-3.2
Processed food	5.7	5.0	-0.7
Others/Elimination	3.3	5.0	+1.7

7. Business data

● Japanese domestic tobacco business

	FY2015	FY2016 Revised Forecasts	Variance (abs)	Variance (%)	
JT sales volume*	109.2	106.0	-3.2	-3.0%	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	106.45	-14.65	-12.1%	JPY
RUB/USD	60.98	67.00	+6.02	-9.0%	RUB
GBP/USD	0.65	0.74	+0.09	-11.6%	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	32.30	+0.54	-1.7%	TWD
TRY/USD	2.72	2.95	+0.23	-7.9%	TRY

FY2016 Revised Forecasts
Previous Forecasts vs Revised Forecasts
(as of October 31, 2016)

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

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
Revenue	2,120.0	2,120.0	-
Operating profit	572.0	580.0	+8.0
Adjusted operating profit	569.0	576.0	+7.0
Profit (attributable to owners of the parent company)	409.0	414.0	+5.0

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

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
Adjusted operating profit at constant FX	680.0	690.0	+10.0

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

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
Basic EPS	228.38	231.17	+2.79
DPS	128.00	128.00	-
ROE (attributable to owners of the parent company)	17.4%	17.9%	+0.5%pt

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

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
Revenue	2,120.0	2,120.0	-
Japanese domestic tobacco	690.0	687.0	-3.0
Core revenue	655.0	649.0	-6.0
International tobacco	1,173.0	1,178.0	+5.0
Core revenue	1,118.0	1,120.0	+2.0
Pharmaceutical	82.0	86.0	+4.0
Processed food	169.0	166.0	-3.0
Others	8.0	7.0	-1.0

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

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
Core revenue	10,580	10,530	-50
Core revenue at constant FX	11,180	11,200	+20

FY2016 Revised Forecasts
Previous Forecasts vs Revised Forecasts
(as of October 31, 2016)

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

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
Consolidated: operating profit	572.0	580.0	+8.0
Japanese domestic tobacco	245.0	245.0	-
International tobacco	293.0	294.0	+1.0
Pharmaceutical	4.0	8.5	+4.5
Processed food	4.5	4.5	-
Others/Elimination	25.0	28.0	+3.0
Adjusted operating profit	569.0	576.0	+7.0
Japanese domestic tobacco	261.0	261.0	-
International tobacco	328.0	328.0	-
Pharmaceutical	4.0	8.5	+4.5
Processed food	4.5	4.5	-
Others/Elimination	-29.0	-27.0	+2.0

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

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
Adjusted operating profit	3,080	3,060	-20
Adjusted operating profit at constant FX	3,630	3,660	+30

5. Free cash flow (Unit: JPY billion)

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
FCF*	-310.0	-310.0	-

*: 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 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)
Consolidated	125.0	120.0	-5.0
Japanese domestic tobacco	32.0	31.0	-1.0
International tobacco	76.0	74.0	-2.0
Pharmaceutical	3.0	3.0	-
Processed food	7.0	5.0	-2.0
Others/Elimination	6.0	5.0	-1.0

7. Business data

● Japanese domestic tobacco business

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)	
JT sales volume*	107.0	106.0	-1.0	BNU

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

● International tobacco business

	FY2016 Previous Forecasts	FY2016 Revised Forecasts	Variance (abs)	Variance (%)	
Total shipment volume	402.0	402.0	-	-	BNU
GFB shipment volume	285.0	285.0	-	-	BNU
JPY/USD	105.80	106.45	+0.65	+0.6%	JPY
RUB/USD	67.50	67.00	-0.50	+0.7%	RUB
GBP/USD	0.72	0.74	+0.02	-2.7%	GBP
EUR/USD	0.90	0.90	-	-	EUR
CHF/USD	0.98	0.98	-	-	CHF
TWD/USD	32.50	32.30	-0.20	+0.6%	TWD
TRY/USD	2.90	2.95	+0.05	-1.7%	TRY

Data of JT products in Japanese market

* Excludes sales from the China, Hong Kong, and 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	27.0		

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

(JPY)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2014	5,483	5,652	5,675	5,670	5,617
2015	5,671	5,662	5,666	5,647	5,661
2016	5,672	5,952	5,935		

* 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
2016	62.4	59.8	60.7		

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	31.1		

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	8.0		

*Market shares of "Cabin" and "Caster" which were integrated into "Winston" in Aug, 2015, are 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	7.5		

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	1.6		

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

Market Share in Growing Segment

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*	11.3	11.2	11.2		

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

(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	28.6		

Japan Tobacco Inc. Clinical Development as of October 31, 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.	NDA filed (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 Co-development with Torii
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).	NSCLC, trametinib+dabrafenib U.S. and EU marketing approvals submitted
Anti-ICOS monoclonal antibody	MedImmune	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.	
JTE-052	LEO Pharma	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	
JTZ-951	JW Pharmaceutical	HIF-PHD inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PHD.	

Updates since the previous announcement on August 1, 2016:

＜In-house development＞
・emtricitabine/tenofovir alafenamide: filed NDA for marketing approval in Japan. (August 12, 2016)
・JTE-052: started co-development with Torii Pharmaceutical Co.,Ltd.

＜Licensed compounds＞
・Licensed exclusive rights to JW Pharmaceutical for further development and marketing JTZ-951 for the treatment of anemia associated with chronic kidney disease (CKD) in Republic of Korea.(October 14, 2016)