



**Financial Results
Supplemental Material
FY2016 Second Quarter**

[This page intentionally left blank]

【2015 results for comparison】

- From FY2015, Beverage Business has been classified as discontinued operations. Consequently, profit (loss) and some items from continuing operations and discontinued operations are presented separately for 2015 results.
 - In the continuing operations, transactions with Beverage Business are now treated as if they were transactions with a third party. As a result, financial results from discontinued operations (which is compiled by subtracting ‘results from continued operation’ from ‘result of combined operations’) are not equal to the financial results of Beverage Business.
 - Adjusted operating profit is disclosed on continuing basis.

[Abbreviations]

Continuing: Results from continuing operations Discontinued: Results from discontinued operations

Combined: Results from continuing and discontinued operations combined

Profits: Profit, Profit attributable to owners of the parent company

2015 Results for Comparison		
BS		Combined
PL	From Revenue to Profit before Tax	Continuing
	Profits	Continuing, Discontinued, Combined
Basic EPS		Continuing, Combined
Consolidated Statement of Comprehensive Income		Combined
Consolidated Statement of Changes in Equity		Combined
CF		Combined, Discontinued
Others		CAPEX : Continuing

*All 2016 results are on continuing basis

Definitions of the terms in this supplemental material are as follows:

Terms	Definitions
Adjusted Operating Profit	Operating profit + Amortization cost of acquired intangibles + Adjusted items (income and costs)*
Total Shipment Volume : (International Tobacco Business)	Includes fine cut, cigars, pipe tobacco and snus but excludes contract manufactured products, waterpipe tobacco, and emerging products
Core Revenue (International Tobacco Business)	Includes revenue from waterpipe tobacco and emerging products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses
Core Revenue/ Adjusted Operating Profit at Constant FX	The same foreign exchange rates between local currencies vs USD as previous fiscal year are applied.
Core Revenue (Japanese Domestic Tobacco Business)	Excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others, includes revenue from domestic duty free, the China business and emerging products such as Ploom TECH device and capsules.
Consolidated Adjusted Operating Profit at Constant FX	For International Tobacco Business, the same foreign exchange rates between local currencies vs USD and JPY vs USD as previous fiscal year are applied

*Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others



Data Sheets

Results for 2016 Second Quarter

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

1. Consolidated results highlight

(Unit: JPY billion)

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

*Based on profit attributable to owners of the parent company

• [reference] Consolidated results (continuing operations)

(Unit: JPY billion)

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

2. Revenue by business segment (continuing operations)

(Unit: JPY billion)

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

• [reference] International tobacco business

(Unit: USD million)

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

Results for 2016 Second Quarter

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

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

• [reference] International tobacco business

(Unit: USD million)

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

4. Depreciation and amortization (continuing operations)

(Unit: JPY billion)

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

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

(Unit: JPY billion)

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

6. Liquidity and interest-bearing debt (continuing & discontinued operations combined)

(Unit: JPY billion)

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

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

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

Results for 2016 Second Quarter

7. Consolidated cash flow (continuing & discontinued operations combined) (Unit: JPY billion)

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

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;

- From operating CF: interest received, dividends received, interest paid and income taxes related to these items
- From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes

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

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

9. Business data

● Japanese domestic tobacco business

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

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

● International tobacco business

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

● Pharmaceutical business

(Unit: JPY billion)

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

FY2016 Revised Forecasts (as of August 1, 2016)

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

1. Summary of consolidated forecasts

(Unit: JPY billion)

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

• [reference] Consolidated forecast

(Unit: JPY billion)

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

2. EPS, DPS, ROE

(Unit: JPY)

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

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

3. Revenue by business segment

(Unit: JPY billion)

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

• [reference] International tobacco business

(Unit: USD million)

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

FY2016 Revised Forecasts
(as of August 1, 2016)

4. Operating profit and adjusted operating profit by business segment

(Unit: JPY billion)

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

• [reference] International tobacco business

(Unit: USD million)

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

5. Free cash flow

(Unit: JPY billion)

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

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;

- From operating CF: interest received, dividends received, interest paid and income taxes related to these items
- From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes

6. Capital expenditures

(Unit: JPY billion)

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

7. Business data

• Japanese domestic tobacco business

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

BNU

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

• International tobacco business

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

BNU

BNU

JPY

RUB

GBP

EUR

CHF

TWD

TRY

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

1. Summary of consolidated forecasts

(Unit: JPY billion)

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

• [reference] Consolidated forecast

(Unit: JPY billion)

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

2. EPS, DPS, ROE

(Unit: JPY)

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

3. Revenue by business segment

(Unit: JPY billion)

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

• [reference] International tobacco business

(Unit: USD million)

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

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

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

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

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

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

5. Free cash flow (Unit: JPY billion)

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

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;
- From operating CF: interest received, dividends received, interest paid and income taxes related to these items
- From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes

6. Capital expenditures (Unit: JPY billion)

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

7. Business data

• Japanese domestic tobacco business

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

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

• International tobacco business

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

Data of JT products in Japanese market

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

Japanese Domestic Tobacco Business Results

1. Quarterly Sales Volume

(billions of cigarettes)

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

2. Quarterly Revenue Per Thousand Cigarettes

(JPY)

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

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

3. Quarterly JT Market Share

(%)

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

Quarterly Market Share of Brands

1. MEVIUS

(%)

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

2. Winston

(%)

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

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

3. Seven Stars

(%)

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

4. Natural American Spirit

(%)

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

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

Market Share in Growing Segments

1. Menthol

(1) JT Menthol Product Share

(%)

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

(2) Menthol Market Share

(%)

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

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

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase	Note
emtricitabine/ tenofovir alafenamide	HIV infection /Oral	Nucleoside reverse transcriptase inhibitor	Suppresses blood HIV levels by inhibiting the activity of reverse transcriptase, an enzyme involved in the replication of HIV.	Preparing to file (Japan)	In-license (Gilead Sciences)
JTT-851	Type 2 diabetes mellitus /Oral	G protein-coupled receptor 40 agonist	Decreases blood glucose by stimulation of glucose-dependent insulin secretion.	Phase2 (Japan) Phase2 (Overseas)	In-house
JTZ-951	Anemia associated with chronic kidney disease /Oral	HIF-PHD inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PHD.	Phase2(Japan) Phase1(Overseas)	In-house
JTE-052	Autoimmune/allergic diseases /Oral, Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase2(Japan)	In-house
JTE-051	Autoimmune/allergic diseases /Oral	Interleukin-2 inducible T cell kinase inhibitor	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response.	Phase1(Overseas)	In-house
JTT-251	Type 2 diabetes mellitus /Oral	PDHK inhibitor	Decreases blood glucose by activation of pyruvate dehydrogenase (PDH) related to carbohydrate metabolism.	Phase1(Overseas)	In-house
JTK-351	HIV infection /Oral	HIV integrase inhibitor	Suppresses blood HIV levels by inhibiting the activity of integrase, an enzyme involved in the replication of HIV.	Phase1(Japan)	In-house
JTE-451	Autoimmune/allergic diseases /Oral	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1(Overseas)	In-house
JTT-751 (ferric citrate)	Iron-deficiency anemia/Oral	Oral iron replacement	Corrects iron-deficiency anemia by using absorbed Iron for synthesis of hemoglobin.	Phase2(Japan)	In-license (Keryx Biopharmaceuticals) Co-development with Torii *additional indication

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

<Licensed compounds>

Compound (JT's code)	Licensee	Mechanism		Note
trametinib	Novartis	MEK inhibitor	Inhibits cellular growth by specifically inhibiting the activity of MAPK/ERK Kinase (MEK1/2).	
Anti-ICOS monoclonal antibody	MedImmune	ICOS antagonist	Suppresses overactive immune response via inhibition of ICOS which regulates activation of T cells.	
JTE-052	LEO Pharma	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	

Updates since the previous announcement on May 2, 2016:

<In-house development

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



Appendix



International Tobacco Business Jan-Jun 2016 Results

Definitions

Term	Definition
Total Shipment Volume	Includes fine cut, cigars, pipe tobacco and snus but excludes contract manufactured products, waterpipe tobacco, and emerging products
Core Revenue	Includes revenue from waterpipe tobacco and emerging products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses
Core Revenue at Constant FX	The same foreign exchange rates between local currencies vs USD as previous fiscal year are applied.

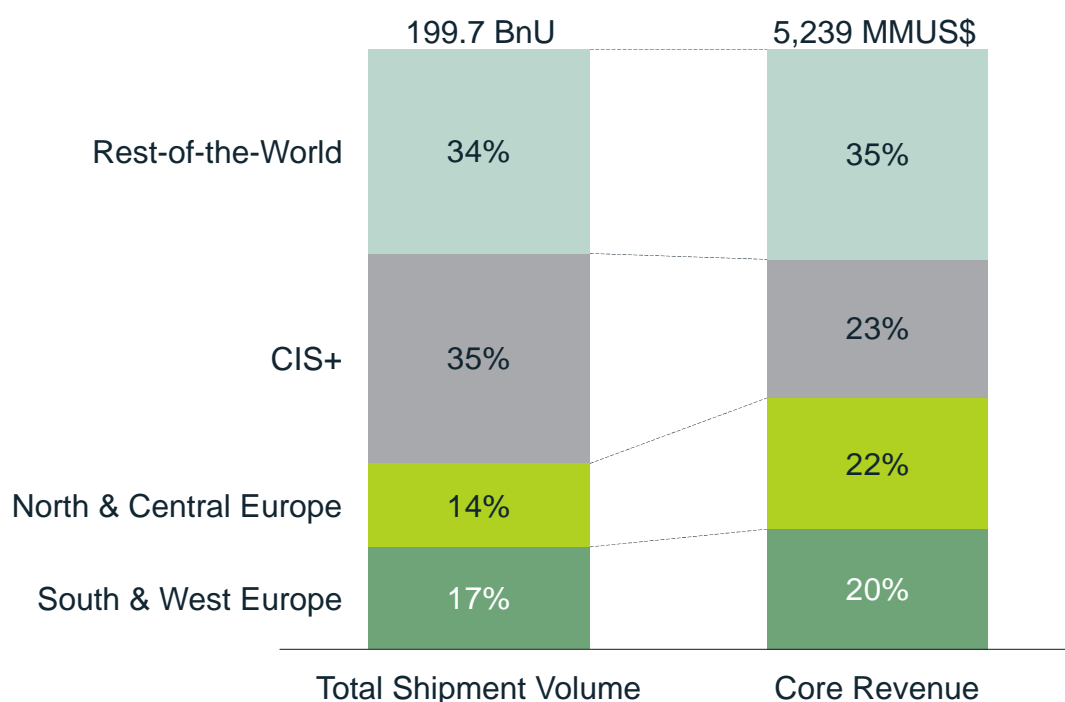
International Tobacco Business (Jan-Jun 2016) Cluster results

2016 Jan-Jun	Total shipment volume (BnU)		GFB shipment volume (BnU)		Core revenue (US\$ MM)	
	Actual	vs. 2015	Actual	vs. 2015	at constant FX	vs. 2015
South & West Europe	34.5	7.9%	31.0	10.2%	1,049	9.9%
North & Central Europe	27.0	4.5%	16.7	14.8%	1,197	7.5%
CIS+	70.3	-4.4%	52.8	-2.1%	1,487	9.1%
Rest-of-the-World	67.9	13.4%	40.2	14.2%	1,967	20.6%

© Copyright JT 2016

International Tobacco Business (Jan-Jun 2016) Cluster split

Contribution to Volume, Core revenue, reported



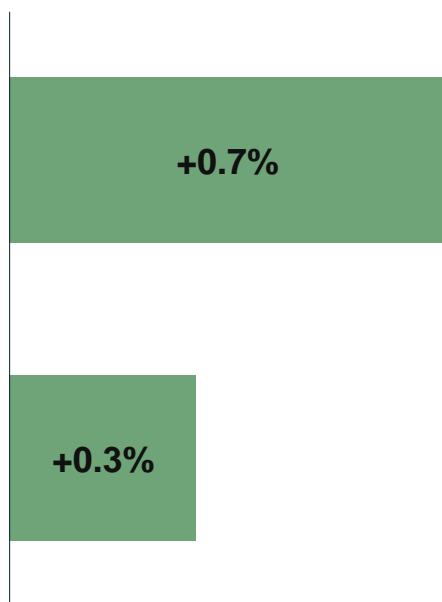
© Copyright JT 2016

International Tobacco Business

Industry size & share of market variance in S&WE and N&CE cluster

Industry size variance (%)

12 month May 16 vs. 12 month May 15



Share of Market variance (ppt)

12 month moving ave. May 16 vs. 12 month moving ave. May 15



Source: JTI estimate










© Copyright JT 2016

International Tobacco Business (Jan-Jun 2016)

Total shipment volume evolution vs. PY

	<u>2016</u> Jan-Mar	<u>2016</u> Apr-Jun	<u>2016</u> Jan-Jun
JTI	7.1%	2.2%	4.4%
South & West Europe	12.2%	4.0%	7.9%
France	7.4%	0.7%	3.9%
Italy	29.2%	14.4%	21.1%
Spain	4.6%	-0.7%	1.9%
Switzerland	16.5%	6.4%	11.1%
North & Central Europe	4.5%	4.5%	4.5%
Austria	3.4%	5.8%	4.6%
Ireland	7.5%	-10.2%	-1.8%
Poland	0.4%	-4.3%	-2.0%
Sweden	2.1%	6.2%	4.3%
UK	-4.2%	-0.6%	-2.4%
CIS+	-0.6%	-7.2%	-4.4%
Kazakhstan	20.1%	-1.3%	6.9%
Romania	3.2%	3.5%	3.4%
Russia	-0.1%	-8.6%	-5.0%
Ukraine	2.7%	-12.3%	-5.8%
Rest of the World	13.9%	13.0%	13.4%
Canada	17.6%	3.2%	9.4%
Malaysia	-30.1%	-24.7%	-27.6%
Taiwan	-3.3%	2.7%	-0.2%
Turkey	4.9%	2.7%	3.8%

International Tobacco Business (Jan-Jun 2016) GFB shipment volume and evolution vs. PY

	(BnU)	<u>2016</u> <u>Jan-Mar</u>	<u>2016</u> <u>Apr-Jun</u>	<u>2016</u> <u>Jan-Jun</u>
	GFB Total	66.4 10.7%	74.4 3.4%	140.7 6.7%
	Winston	31.6 10.3%	35.8 2.8%	67.5 6.2%
	Camel	12.8 8.8%	13.7 3.7%	26.5 6.1%
	MEVIUS	4.3 8.9%	4.7 8.3%	9.0 8.6%
	LD	11.3 9.2%	13.1 -2.1%	24.3 2.8%
	B&H	3.3 20.8%	3.6 16.5%	6.8 18.5%
	Glamour	1.4 0.5%	1.6 -7.7%	3.0 -4.0%
	Sobranie	0.7 24.9%	0.7 1.5%	1.4 11.7%
	Silk Cut	0.6 -2.5%	0.6 -8.8%	1.3 -5.8%
	Natural American Spirit	0.4 -	0.6 -	1.0 -

© Copyright JT 2016

International Tobacco Business (Jan-Jun 2016) GFB shipment volume evolution vs. PY in key markets

	<u>2016</u> <u>Jan-Mar</u>	<u>2016</u> <u>Apr-Jun</u>	<u>2016</u> <u>Jan-Jun</u>
France	8.2%	3.0%	5.5%
Italy	29.9%	14.6%	21.5%
Russia	4.5%	-3.2%	0.1%
Spain	3.6%	0.6%	2.1%
Taiwan	-2.2%	4.7%	1.3%
Turkey	4.5%	2.1%	3.2%
UK	24.8%	36.4%	30.4%

© Copyright JT 2016

International Tobacco Business Share of key markets (12 month moving average)

	<u>2015</u> <u>Jun</u>	<u>2016</u> <u>Jun</u>	<u>Change</u>
France	21.1%	21.6%	+0.5ppt
Italy	20.0%	22.0%	+2.0ppt
Russia	34.2%	33.4%*	-0.8ppt
(GFB)	24.1%	24.4%*	+0.3ppt
Spain	22.1%	22.5%*	+0.4ppt
Taiwan	39.0%	39.3%	+0.4ppt
Turkey	30.8%	29.9%*	-0.9ppt
UK	41.6%	42.1%	+0.6ppt

* 12 month moving average as of May 2016
Source: IRI, Nielsen, Logista

© Copyright JT 2016

International Tobacco Business Share of key markets (3 month average)

	<u>2015</u> <u>Apr-Jun</u>	<u>2015</u> <u>Jul-Sep</u>	<u>2015</u> <u>Oct-Dec</u>	<u>2016</u> <u>Jan-Mar</u>	<u>2016</u> <u>Apr-Jun</u>
France	21.3%	21.5%	21.5%	21.6%	21.7%
Italy	21.0%	21.6%	21.7%	22.1%	22.6%
Russia	33.8%	33.6%	33.3%	33.3%	33.2%*
GFB	24.2%	24.2%	24.2%	24.5%	24.9%*
Spain	22.3%	22.2%	22.5%	22.3%	23.0%*
Taiwan	39.5%	39.3%	38.9%	39.6%	39.6%
Turkey	30.3%	29.9%	29.9%	29.9%	29.9%*
UK	41.7%	41.8%	42.4%	42.2%	42.1%

* 2 month average as of May 2016
Source: IRI, Nielsen, Logista

© Copyright JT 2016

International Tobacco Business

Tax and price increase

	Excise Tax Change	Price Increase
France	-	-
Italy	Jan 2015	Jan 2015 May 2016
Russia	Jan 2015 Jan 2016	Jan, Apr, Jul, Nov 2015 Jan, Apr, Jul 2016
Spain	-	Jan 2015
Taiwan	-	Aug 2015 ¹⁾ Feb 2016 ¹⁾
Turkey	Jan, Jul 2015 Jan 2016	Jan 2015 Jan, Jul 2016
UK	Mar 2015 Mar 2016	Mar, Sep 2015 Mar 2016

i) Price increase for some brands

© Copyright JT 2016

FX actual vs. PY

	<u>2016</u> <u>Jan-Mar</u>	<u>2016</u> <u>Apr-Jun</u>	<u>2016</u> <u>Jan-Jun</u>
RUB/\$	74.68	65.89	70.29
	(-16.6%)	(-20.1%)	(-18.2%)
GBP/\$	0.70	0.70	0.70
	(-5.5%)	(-6.0%)	(-5.8%)
EUR/\$	0.91	0.88	0.90
	(-2.3%)	(+2.2%)	(-0.1%)
CHF/\$	0.99	0.97	0.98
	(-4.0%)	(-2.9%)	(-3.4%)
TWD/\$	33.09	32.41	32.75
	(-4.6%)	(-4.8%)	(-4.7%)
TRY/\$	2.94	2.89	2.92
	(-16.5%)	(-8.0%)	(-12.3%)
JPY/\$	115.35	108.04	111.70
	(-3.2%)	(-11.0%)	(-7.1%)

*JPY vs USD change rates: (Local currency exchange rates of current period / Local currency exchange rates of same period in previous year) -1
Local currency vs USD change rates: (Local currency exchange rates of same period in previous year / Local currency exchange rates of current period) -1

© Copyright JT 2016

FY2016 Forecast & Reference Information

FX assumption (Revised)

	<u>2016 Initial assumptions</u>	<u>2016 Revised assumptions</u>	<u>Change</u>	<u>Impact on earnings vs. initial assumptions</u>
RUB/\$	80.00	67.50	+18.5%	positive
GBP/\$	0.68	0.72	-5.6%	negative
EUR/\$	0.93	0.90	+3.3%	positive
CHF/\$	1.00	0.98	+2.0%	negative
TWD/\$	32.70	32.50	+0.6%	positive
TRY/\$	3.00	2.90	+3.4%	positive
JPY/\$	118.00	105.80	+10.3%	negative

FX assumption & sensitivity

(Reference Information)

	<u>2016 Revised Assumption</u>
RUB/\$	67.50
GBP/\$	0.72
EUR/\$	0.90
CHF/\$	0.98
TWD/\$	32.50
TRY/\$	2.90
IRR/\$	35,000.00
JPY/\$	105.80

FX Sensitivity Guidance for FX impact on 2016 adjusted operating profit of US\$ 3,080 MM based on the current assumptions:

Local currency vs. US\$

1% deviation from the assumed rates against US\$ by all the currencies in the same direction (excluding Yen) leads to slightly less than US\$ 50MM (initial guidance: US\$ 40MM+) impact on US\$ based adjusted operating profit

US\$ 50MM composed of:

RUB 30%+, GBP 20%+, TWD 15%, EUR 10%+,

IRR 5%+, TRY 5%, CHF -10%

(Initial guidance: Approx. US\$ 40MM+)

RUB 30%, GBP 25%, TWD 15%,

EUR 10%+, TRY 5%, CHF -10%+

US\$ vs. Yen

Yen/\$ move of 1 yen from the assumption leads to approx. 3.0 billion yen impact on Yen-based adjusted operating profit (initial guidance 2.7 billion yen) .

© Copyright JT 2016

[This slide intentionally left blank]