



FOR IMMEDIATE RELEASE

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JT's Consolidated Financial Results for FY2016 First Quarter

First quarter demonstrated solid progress toward full year target

Results for FY2016 First Quarter

- Revenue and adjusted operating profit increased, supported by top line growth in all businesses and a number of favorable one off factors.
- Revenue increased 3.4% supported by top line growth in all businesses namely the international and Japanese domestic tobacco businesses, the pharmaceutical business and the processed food business, despite the negative impact of exchange rates.
- Adjusted operating profit at constant currency grew 20.6% driven by the strong performance of each business and favorable one off factors in the tobacco businesses and the pharmaceutical business. On a reported basis, the growth rate in adjusted operating profit was 3.2% due to unfavorable currency movements against the US Dollar in the international tobacco business.
- Operating profit grew 41.3% as a result of higher gains from the sale of real estate assets. Profit attributable to owners of the parent increased 38.4%.
- International Tobacco Business: Total and GFB shipment volumes increased 7.1% and 10.7% respectively driven by continued market share momentum contributions from recent acquisitions and favorable one off factors. With volume growth and robust pricing, US dollars adjusted operating profit at constant currency grew 21.1%. Reported adjusted operating profit in Japanese Yen decreased 5.2%.
- Japanese Domestic Tobacco Business: Adjusted operating profit grew 15.4% due to a one off increase in demand ahead of retail price amendment of certain products and a recent acquisition of Natural American Spirit as well as the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business.

Forecast for FY2016

The Company maintains the current forecast for the fiscal year 2016.

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

“Although the significant volume growth reported by the international tobacco business in this quarter is favorably impacted by recent acquisitions, our business momentum remains solid and we are making steady progress towards our year-end target. Domestically, sales volume and market share have increased in line with our expectations, supported by the acquisition of Natural American Spirit as well as a one off increase in demand ahead of the retail price amendment in April 2016. I'm pleased to confirm that we are on track to realize our full year target.”



Consolidated Financial Results for FY2016 First Quarter

(billions of Yen)	January – March		Difference	Net Change
	2015	2016		
Revenue	516.7	534.1	17.4	3.4%
Adjusted operating profit	159.2	164.4	5.1	3.2%
Operating profit	144.1	203.7	59.6	41.3%
Profit attributable to owners of the parent¹	105.1	145.4	40.4	38.4%
At constant currency:				
Adjusted operating profit	159.2	192.0	32.7	20.6%

- **Revenue**

Revenue increased 3.4% due to a one off increase in demand ahead of the retail price amendment of certain products in April 2016 and the impact of the Natural American Spirit acquisition in the Japanese domestic tobacco business. The Group also benefitted from a one off milestone revenue relating to the R&D progress of JT's original compound that has been out-licensed in the pharmaceutical business.

- **Adjusted Operating Profit**

Adjusted operating profit at constant currency increased 20.6% mainly driven by higher revenue in all businesses and the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business. On a reported basis, adjusted operating profit grew 3.2%, affected by unfavorable currency movements in the international tobacco business.

- **Operating Profit**

Operating profit increased 41.3% as a result of higher gains from the sale of real estate assets.

- **Profit attributable to owners of the parent**

Profit attributable to owners of the parent grew 38.4% due to higher operating profit.



Results by Business Segment

International Tobacco Business

(billions of units, billions of Yen)	January - March		Net Change
	2015	2016	
Total shipment volume²	88.1	94.4	7.1%
GFB shipment volume	60.0	66.4	10.7%
Core revenue³	282.3	284.7	0.9%
Adjusted operating profit	105.0	99.5	-5.2%

Total shipment volume increased 7.1% driven by organic volume growth notably in the Benelux, Canada, France, Germany, Iran, Italy, Kazakhstan, Middle East and Africa, the Philippines and Spain. The positive performance was also due to favorable comparisons to prior year, including trade inventory adjustments, and contributions from recent acquisitions. Even excluding those favorable one off factors, shipment volume showed solid growth. GFB shipment volume grew strongly by 10.7%, driving continued market share gains⁴ in the key markets of France, Italy, Spain, Taiwan and the UK. In Russia, GFB market share gains continued.

In US Dollars, core revenue and adjusted operating profit at constant currency increased 13.8% and 21.1% respectively, driven by volume growth and robust price/mix. On a reported basis, due to unfavorable local currency movements against the US Dollar, core revenue increased 4.2% while adjusted operating profit declined 2.1%. In Japanese Yen, core revenue increased 0.9% and adjusted operating profit decreased 5.2% due to the appreciation of the Japanese Yen.

Japanese Domestic Tobacco Business

(billions of units, billions of Yen)	January - March		Net Change
	2015	2016	
Total sales volume	25.5	27.2	6.7%
Core revenue	149.6	160.6	7.4%
Adjusted operating profit	57.0	65.7	15.4%

Total sales volume showed a solid performance in line with our expectations mainly supported by a one off increase in demand ahead of retail price amendment of certain products including Mevius in April 2016, and the acquisition of Natural American Spirit, while excluding one off factors, our sales volumes has been continuing to perform well. The growth of total sales volume positively affected core revenue and adjusted operating profit, which grew 7.4% and 15.4% respectively. The adjusted operating profit growth was additionally supported by the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business.

Amid intensified competition, the Company continued to undertake marketing and sales initiatives and brand equity investment. The acquisition of Natural American Spirit has strengthened our brand portfolio and it has been enhancing our competitiveness in the domestic market. JT's overall market share reached 62.4% in January – March 2016.



Pharmaceutical Business

(billions of Yen)	January – March		Difference
	2015	2016	
Revenue	16.6	21.5	4.9
Adjusted operating profit	-0.8	3.2	4.0

Revenue increased ¥4.9 billion to ¥21.5 billion due to a one off milestone revenue related to R&D progress of an original JT compound that has been out-licensed, and higher royalty revenue. Adjusted operating profit grew ¥4.0 billion to 3.2 billion as a result of the revenue increase.

Processed Food Business

(billions of Yen)	January – March		Difference
	2015	2016	
Revenue	38.9	39.4	0.5
Adjusted operating profit	0.9	1.2	0.3

The processed food business has continued to focus on staple food products such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread. Revenue increased ¥0.5 billion to ¥39.4 billion, driven by the improved sales of frozen and ambient processed food products as well as seasoning products. Adjusted operating profit increased ¥0.3 billion to ¥1.2 billion as a result of higher revenue, partly offset by higher expenses.



Consolidated Forecast for FY2016

The Company maintains the current forecast for the fiscal year 2016.

(billions of Yen)	Jan-Dec 2015 Actual (A)	Jan-Dec 2016 Forecast (B)	Change from 2015 Actual (B)-(A)
Revenue	2252.9	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 ¹	398.5	399.0	0.5 (0.1%)

Forecast at constant currency

Adjusted operating profit	626.7	673.0	46.3 (7.4%)
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Japan Tobacco Inc. is a leading international tobacco company. Its products are sold in over 120 countries and its globally recognized brands include Winston, Camel, Mevius, LD and Natural American Spirit. With diversified operations, JT is also actively present in pharmaceuticals and processed foods. The company's revenue was ¥2.253 trillion (US\$18,679 million()) in the fiscal year ended December 31, 2015.*

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

Notes:

- ¹ Profit in 2015 is from continuing operations.
- ² Including fine cut, cigars, pipe tobacco and snus, but excluding contract manufactured products, waterpipe tobacco and emerging products.
- ³ Revenue including waterpipe tobacco and emerging products, but excluding revenue from distribution, contract manufacturing and other peripheral businesses.
- ⁴ Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut at the end of March 2016. France, Russia and Spain on a 12-month rolling average at the end of February 2016. 12-month share of market growth for February 2016 markets is calculated against a 12-month share of market at the end of March 2015.

Additional definitions are provided at <https://www.jt.com/media/definitions/index.html>.

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