



**Financial Results
Supplemental Material**

FY2016 Third Quarter

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【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 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%

Results for 2016 Third Quarter

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

Results for 2016 Third Quarter

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%
GFB shipment volume	273.6	285.0	+11.4	+4.2%
JPY/USD	121.10	106.45	-14.65	-12.1%
RUB/USD	60.98	67.00	+6.02	-9.0%
GBP/USD	0.65	0.74	+0.09	-11.6%
EUR/USD	0.90	0.90	-0.00	+0.1%
CHF/USD	0.96	0.98	+0.02	-1.8%
TWD/USD	31.76	32.30	+0.54	-1.7%
TRY/USD	2.72	2.95	+0.23	-7.9%

BNU

BNU

JPY

RUB

GBP

EUR

CHF

TWD

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

*: 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	-	-
GFB shipment volume	285.0	285.0	-	-
JPY/USD	105.80	106.45	+0.65	+0.6%
RUB/USD	67.50	67.00	-0.50	+0.7%
GBP/USD	0.72	0.74	+0.02	-2.7%
EUR/USD	0.90	0.90	-	-
CHF/USD	0.98	0.98	-	-
TWD/USD	32.50	32.30	-0.20	+0.6%
TRY/USD	2.90	2.95	+0.05	-1.7%

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	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).	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 anemic associated with chronic kidney disease (CKD) in Republic of Korea. (October 14, 2016)



Appendix



International Tobacco Business Jan-Sep 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.

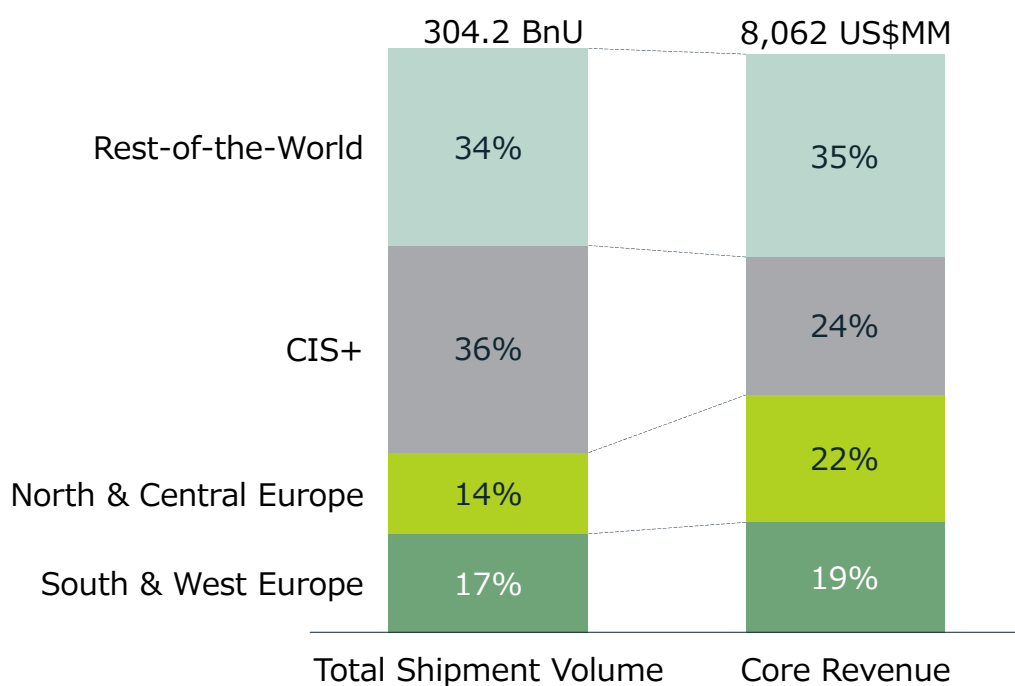
International Tobacco Business (Jan-Sep 2016) Cluster results

2016 Jan-Sep	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	51.3	5.1%	46.1	7.1%	1,569	8.0%
North & Central Europe	41.4	3.2%	25.8	12.6%	1,851	6.5%
CIS+	108.1	-5.9%	81.8	-3.7%	2,267	6.2%
Rest-of-the-World	103.4	12.7%	62.6	14.9%	2,989	19.7%

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International Tobacco Business (Jan-Sep 2016) Cluster split

Contribution to Volume, Core revenue, reported



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International Tobacco Business

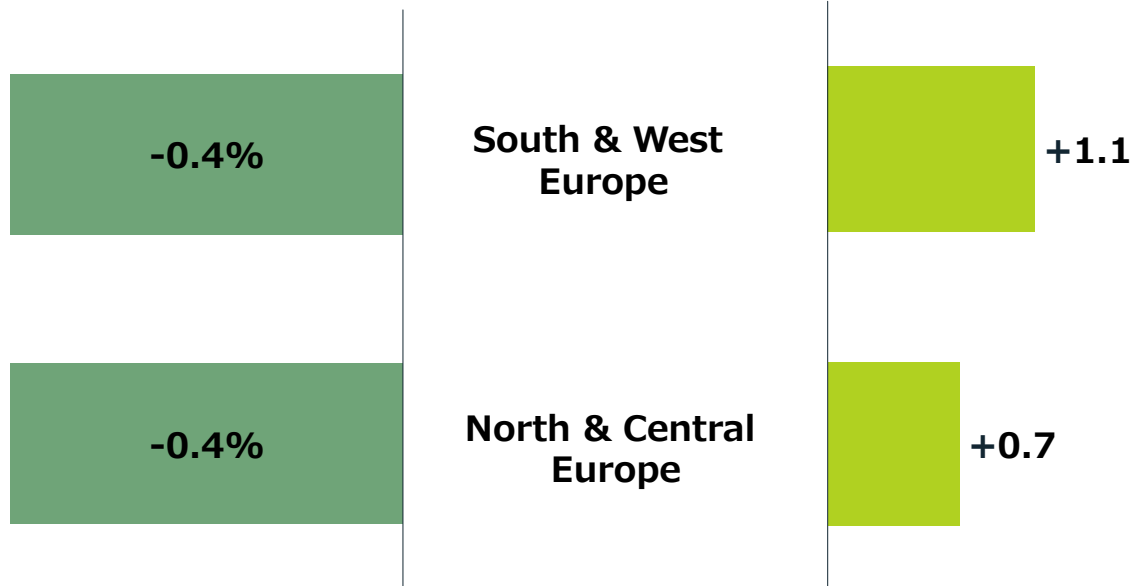
Industry size & share of market variance in S&WE and N&CE clusters

Industry size variance (%)

12 month Aug 16 vs. 12 month Aug 15

Share of Market variance (ppt)

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



Source: JTI estimate

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International Tobacco Business (Jan-Sep 2016)

Total shipment volume evolution vs. PY

	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Jan-Sep
JTI	7.1%	2.2%	0.1%	2.9%
South & West Europe	12.2%	4.0%	-0.1%	5.1%
France	7.4%	0.7%	2.4%	3.4%
Italy	29.2%	14.4%	-6.1%	11.2%
Spain	4.6%	-0.7%	4.9%	2.8%
Switzerland	16.5%	6.4%	12.1%	11.5%
North & Central Europe	4.5%	4.5%	0.9%	3.2%
Austria	3.4%	5.8%	-3.9%	1.6%
Ireland	7.5%	-10.2%	-6.0%	-3.2%
Poland	0.4%	-4.3%	-1.2%	-1.7%
Sweden	2.1%	6.2%	2.9%	3.8%
UK	-4.2%	-0.6%	-4.1%	-3.0%
CIS+	-0.6%	-7.2%	-8.7%	-5.9%
Kazakhstan	20.1%	-1.3%	9.4%	7.8%
Romania	3.2%	3.5%	4.5%	3.8%
Russia	-0.1%	-8.6%	-10.3%	-7.0%
Ukraine	2.7%	-12.3%	-14.3%	-8.7%
Rest of the World	13.9%	13.0%	11.3%	12.7%
Canada	17.6%	3.2%	-1.1%	5.5%
Malaysia	-30.1%	-24.7%	-25.5%	-26.9%
Taiwan	-3.3%	2.7%	2.6%	0.7%
Turkey	4.9%	2.7%	4.4%	4.0%

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

(BnU)	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Jan-Sep
 GFB Total	66.4 10.7%	74.4 3.4%	75.5 2.8%	216.3 5.3%
 Winston	31.6 10.3%	35.8 2.8%	37.4 6.5%	104.9 6.3%
 Camel	12.8 8.8%	13.7 3.7%	13.8 1.2%	40.3 4.4%
 MEVIUS	4.3 8.9%	4.7 8.3%	4.6 0.6%	13.6 5.8%
 LD	11.3 9.2%	13.1 -2.1%	12.7 -6.9%	37.0 -0.7%
 B&H	3.3 20.8%	3.6 16.5%	3.5 7.1%	10.3 14.3%
 Glamour	1.4 0.5%	1.6 -7.7%	1.6 -11.3%	4.6 -6.6%
 Sobranie	0.7 24.9%	0.7 1.5%	0.8 11.5%	2.2 11.6%
 Silk Cut	0.6 -2.5%	0.6 -8.8%	0.6 -12.9%	1.9 -8.3%
Natural American Spirit	0.4 -	0.6 -	0.5 -	1.5 -

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

	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Jan-Sep
France	8.2%	3.0%	3.5%	4.8%
Italy	29.9%	14.6%	-5.6%	11.6%
Russia	4.5%	-3.2%	-4.4%	-1.6%
Spain	3.6%	0.6%	4.7%	2.9%
Taiwan	-2.2%	4.7%	21.4%	8.2%
Turkey	4.5%	2.1%	3.2%	3.2%
UK	24.8%	36.4%	23.9%	28.0%

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

	<u>2015</u> <u>Sep</u>	<u>2016</u> <u>Sep</u>	<u>Change</u>
France	21.4%	21.8%	+0.5ppt
Italy	20.5%	22.4%	+1.8ppt
Russia	33.9%	33.2%	-0.7ppt
(GFB)	24.1%	24.6%	+0.5ppt
Spain	22.2%	22.6%*	+0.4ppt
Taiwan	39.2%	39.5%	+0.3ppt
Turkey	30.6%	29.7%	-0.9ppt
UK	41.8%	42.1%	+0.3ppt

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

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

	<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>	<u>2016</u> <u>Jul-Sep</u>
France	21.6%	21.5%	21.7%	21.8%	22.2%
Italy	21.6%	21.7%	22.1%	22.6%	23.0%
Russia	33.7%	33.5%	33.4%	33.2%	32.7%
(GFB)	24.2%	24.2%	24.5%	24.8%	24.9%
Spain	22.2%	22.5%	22.3%	22.9%	22.8%*
Taiwan	39.3%	38.9%	39.6%	39.6%	39.7%
Turkey	29.9%	29.9%	29.9%	29.8%	29.2%
UK	41.9%	42.4%	42.2%	42.1%	41.7%

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

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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 ⁱ⁾ Feb 2016 ⁱ⁾
Turkey	Jan, Jul 2015 Jan 2016	Jan 2015 Jan, Jul 2016
UK	Mar 2015 Mar 2016	Mar, Sep 2015 Mar, Jul ⁱ⁾ , Sep ⁱ⁾ 2016

i) Price increase for some brands

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FX actual vs. PY

	<u>2016</u> <u>Jan-Mar</u>	<u>2016</u> <u>Apr-Jun</u>	<u>2016</u> <u>Jul-Sep</u>	<u>2016</u> <u>Jan-Sep</u>
RUB/\$	74.68	65.89	64.62	68.40
	(-16.6%)	(-20.1%)	(-2.5%)	(-13.3%)
GBP/\$	0.70	0.70	0.76	0.72
	(-5.5%)	(-6.0%)	(-15.2%)	(-9.1%)
EUR/\$	0.91	0.88	0.90	0.90
	(-2.3%)	(+2.2%)	(+0.3%)	(+0.1%)
CHF/\$	0.99	0.97	0.98	0.98
	(-4.0%)	(-2.9%)	(-1.2%)	(-2.7%)
TWD/\$	33.09	32.41	31.72	32.41
	(-4.6%)	(-4.8%)	(+0.8%)	(-2.9%)
TRY/\$	2.94	2.89	2.96	2.93
	(-16.5%)	(-8.0%)	(-3.7%)	(-9.4%)
JPY/\$	115.35	108.04	102.40	108.57
	(-3.2%)	(-11.0%)	(-16.3%)	(-10.3%)

*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

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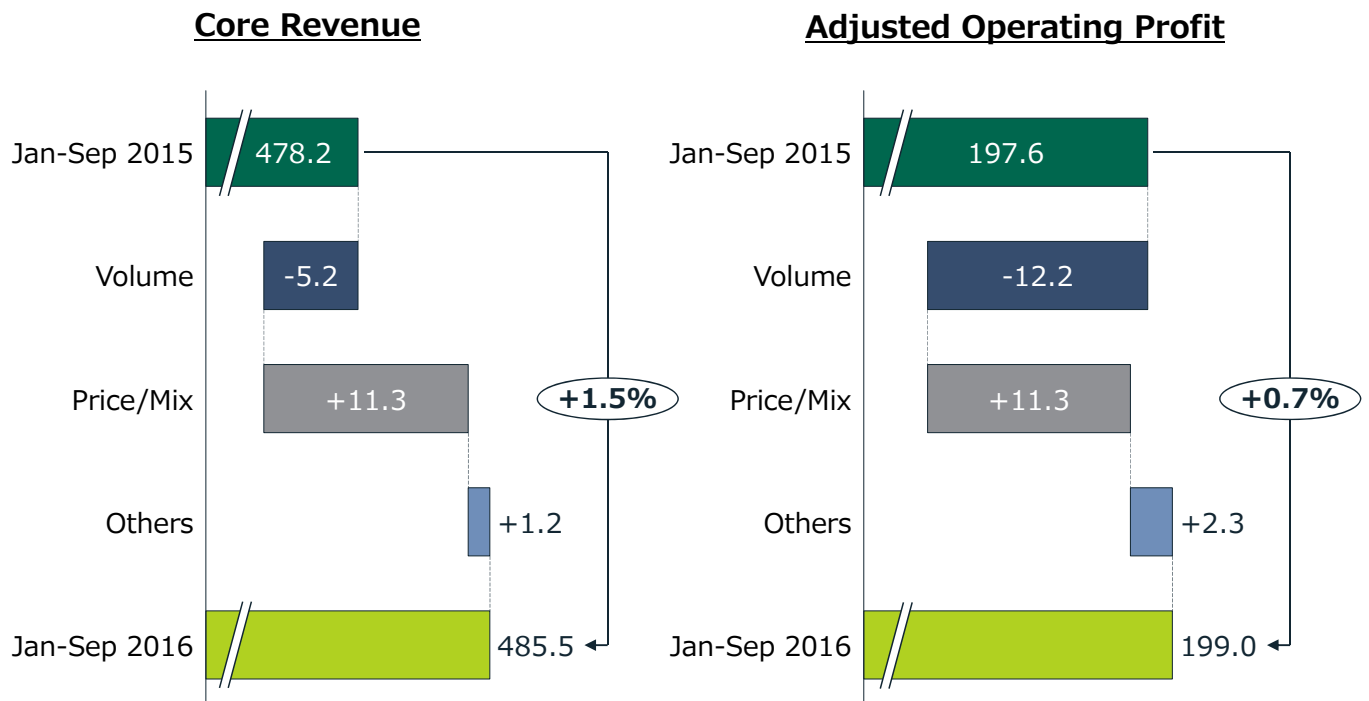
Japanese Domestic Tobacco Business Jan-Sep 2016 Results

Definitions

Term	Definition
Core Revenue	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 devices and capsules
Adjusted operating profit	Adjusted operating profit = operating profit + amortization cost of acquired intangibles + adjusted items (income and costs)* * Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others

Japanese domestic tobacco business (Jan-Sep 2016)

(JPY BN)



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FY2016 Forecast & Reference Information

FX assumption (Revised)

	<u>2016 Previous assumptions</u>	<u>2016 Revised assumptions</u>	<u>Change</u>	<u>Impact on earnings vs. previous assumptions</u>
RUB/\$	67.50	67.00	+0.7%	positive
GBP/\$	0.72	0.74	-2.7%	negative
EUR/\$	0.90	0.90	-	-
CHF/\$	0.98	0.98	-	-
TWD/\$	32.50	32.30	+0.6%	positive
TRY/\$	2.90	2.95	-1.7%	negative
JPY/\$	105.80	106.45	+0.6%	positive