



**Financial Results  
Supplemental Material**

**2016 full-year results  
& 2017 forecasts**

**【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 FY2016

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)

	FY2015	FY2016	Variance (abs)	Variance (%)
<b>Continuing operations</b>				
Revenue	2,252.9	2,143.3	-109.6	-4.9%
Operating profit	565.2	593.3	+28.1	+5.0%
Adjusted operating profit	626.7	586.8	-39.9	-6.4%
Profit before income tax	565.1	578.2	+13.1	+2.3%
Profit	402.7	425.8	+23.0	+5.7%
Profit (attributable to owners of the parent company)	398.5	421.7	+23.2	+5.8%
Dividend per share (JPY)	118.00	130.00	+12.00	+10.2%
Basic EPS* (JPY)	221.95	235.47	+13.52	+6.1%
<b>Discontinued operations</b>				
Profit	87.5	-	-	-
Profit (attributable to owners of the parent company)	87.2	-	-	-
<b>Continuing and discontinued operations combined</b>				
Profit	490.2	425.8	-64.5	-13.2%
Profit (attributable to owners of the parent company)	485.7	421.7	-64.0	-13.2%
Basic EPS* (JPY)	270.54	235.47	-35.07	-13.0%
ROE (attributable to owners of the parent company)	19.5%	17.2%	-2.3%pt	

\*Based on profit attributable to owners of the parent company

• FY2015 results for discontinued business included gain from share transfer of a subsidiary engaged in beverage vending machine operator business.

• [reference] Consolidated results (continuing operations)

(Unit: JPY billion)

	FY2015	FY2016	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	626.7	697.5	+70.8	+11.3%

## 2. Revenue by business segment (continuing operations)

(Unit: JPY billion)

	FY2015	FY2016	Variance (abs)	Variance (%)
<b>Revenue</b>				
Japanese domestic tobacco	677.3	684.2	+6.9	+1.0%
Core revenue	642.2	649.7	+7.5	+1.2%
International tobacco	1,317.2	1,199.2	-118.0	-9.0%
Core revenue	1,252.5	1,138.8	-113.7	-9.1%
Pharmaceutical	75.6	87.2	+11.6	+15.4%
Processed food	165.8	164.1	-1.8	-1.1%
Others	17.0	8.6	-8.4	-49.3%

• [reference] International tobacco business

(Unit: USD million)

	FY2015	FY2016	Variance (abs)	Variance (%)
Core revenue	10,338	10,490	+152	+1.5%
Core revenue at constant FX	10,338	11,215	+877	+8.5%

## Results for FY2016

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

	FY2015	FY2016	Variance (abs)	Variance (%)
Consolidated: operating profit	565.2	593.3	+28.1	+5.0%
Adjustments, total	61.4	-6.6	-68.0	
Amortization of acquired intangibles	31.9	46.8	+14.9	
Adjustments (income)	-10.3	-65.2	-54.9	
Adjustments (costs)	39.9	11.9	-28.0	
Consolidated: adjusted operating profit	626.7	586.8	-39.9	-6.4%
Japanese domestic tobacco: operating profit	249.2	244.1	-5.1	-2.0%
Adjustments, total	4.8	16.1	+11.3	
Amortization of acquired intangibles	-	16.2	+16.2	
Adjustments (income)	-0.1	-0.3	-0.2	
Adjustments (costs)	4.9	0.1	-4.8	
Japanese domestic tobacco: adjusted operating profit	254.1	260.2	+6.2	+2.4%
International tobacco: operating profit	346.9	301.8	-45.1	-13.0%
Adjustments, total	47.5	34.4	-13.0	
Amortization of acquired intangibles	31.9	30.5	-1.4	
Adjustments (income)	-3.5	-0.0	+3.5	
Adjustments (costs)	19.1	4.0	-15.2	
International tobacco: adjusted operating profit	394.4	336.2	-58.2	-14.7%
Pharmaceutical: operating profit	-2.3	9.7	+12.0	-
Adjustments, total	-	-	-	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-	-	-	
Adjustments (costs)	-	-	-	
Pharmaceutical: adjusted operating profit	-2.3	9.7	+12.0	-
Processed food: operating profit	3.2	5.0	+1.8	+56.8%
Adjustments, total	-0.5	0.0	+0.5	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-0.5	-0.0	+0.5	
Adjustments (costs)	0.0	0.0	-0.0	
Processed food: adjusted operating profit	2.7	5.0	+2.3	+83.2%
Others / Elimination: operating profit	-31.8	32.7	+64.5	-
Adjustments, total	9.6	-57.1	-66.7	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-6.2	-64.9	-58.7	
Adjustments (costs)	15.8	7.8	-8.0	
Others / Elimination: adjusted operating profit	-22.2	-24.4	-2.2	-

● [reference] International tobacco business

(Unit: USD million)

	FY2015	FY2016	Variance (abs)	Variance (%)
Adjusted operating profit	3,257	3,095	-163	-5.0%
Adjusted operating profit at constant FX	3,257	3,693	+435	+13.4%

### 4. Depreciation and amortization (continuing operations)

(Unit: JPY billion)

	FY2015	FY2016	Variance (abs)
Consolidated	133.1	140.8	+7.7
Japanese domestic tobacco	43.7	58.0	+14.3
International tobacco	76.0	69.1	-6.9
Pharmaceutical	4.6	4.9	+0.3
Processed food	6.5	6.4	-0.1
Others/Elimination	2.4	2.3	-0.0

## Results for FY2016

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

	2015 Dec. end	2016 Dec. end	Variance (abs)
Total assets	4,558.2	4,744.4	+186.1
Total equity	2,521.5	2,528.0	+6.5
Equity attributable to owners of the parent company	2,451.6	2,456.1	+4.5
BPS (attributable to owners of the parent company) (JPY)	1,369.06	1,371.39	+2.3

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

	2015 Dec. end	2016 Dec. end	Variance (abs)
Liquidity <sup>*1</sup>	529.0	297.0	-231.9
Interest-bearing debt <sup>*2</sup>	255.3	555.3	+300.0

\*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)

	FY2015	FY2016	Variance (abs)
Cash flows from operating activities	468.4	376.5	-91.9
Cash flows from investing activities	-63.3	-687.5	-624.2
Cash flows from financing activities	-254.9	91.3	+346.2
Cash and cash equivalents, beginning of the year	385.8	526.8	+140.9
Foreign currency translation adj. on cash & cash equivalents	-9.4	-13.0	-3.6
Cash and cash equivalents, end of the period	526.8	294.2	-232.6
FCF*	386.7	-316.2	-702.9

\*: 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)

	FY2015	FY2016	Variance (abs)
Consolidated	129.8	113.0	-16.8
Japanese domestic tobacco	37.4	29.8	-7.6
International tobacco	77.2	70.6	-6.6
Pharmaceutical	6.2	3.8	-2.4
Processed food	5.7	5.7	+0.1
Others/Elimination	3.3	3.1	-0.2

## Results for FY2016

### 9. Business data

#### ● Japanese domestic tobacco business

	FY2015	FY2016	Variance (abs)	Variance (%)	
JT sales volume <sup>*1</sup>	109.2	106.2	-3.1	-2.8%	BNU
Ready made cigarettes industry volume <sup>*2</sup>	182.3	173.8	-8.5	-4.6%	BNU
JT market share	59.9%	61.1%	+1.2%pt		
JT revenue per 1,000 cigarettes	5,661	5,870	+209	+3.7%	JPY

\*1: Excludes volumes of duty-free in Japan, China business (3.8 BNU in FY2015 and 3.9 BNU in FY2016, respectively) and emerging products

\*2: Industry volume of cigarettes in Japan market (excluding Emerging Products)

#### ● International tobacco business

	FY2015	FY2016	Variance (abs)	Variance (%)	
Total shipment volume	393.9	398.7	+4.8	+1.2%	BNU
GFB shipment volume	273.6	283.7	+10.2	+3.7%	BNU
JPY/USD	121.10	108.78	-12.32	-10.2%	JPY
RUB/USD	60.98	67.07	+6.09	-9.1%	RUB
GBP/USD	0.65	0.74	+0.09	-11.6%	GBP
EUR/USD	0.90	0.90	+0.00	-0.3%	EUR
CHF/USD	0.96	0.98	+0.02	-2.3%	CHF
TWD/USD	31.76	32.24	+0.49	-1.5%	TWD
TRY/USD	2.72	3.02	+0.30	-9.9%	TRY

#### ● Pharmaceutical business

(Unit: JPY billion)

	FY2015	FY2016	Variance (abs)	Variance (%)
R&D expenses	30.7	30.7	-0.0	-0.1%

### 10. Number of employees \*

	2015 Dec. end	2016 Dec. end	Variance (abs)
Consolidated	44,485	44,667	+182
Japanese domestic tobacco	9,470	9,486	+16
International tobacco	26,200	26,558	+358
Pharmaceutical	1,839	1,850	+11
Processed food	5,798	5,683	-115
Others / Corporate	1,178	1,090	-88
Parent company	7,549	7,298	-251

\*: Excludes employees taking a leave of absence

## Results for FY2016

### 11. Consolidated statement of income (continuing operations)

(Unit: JPY billion)

	FY2015	FY2016	Variance (abs)	Variance (%)
Revenue	2,252.9	2,143.3	-109.6	-4.9%
Cost of sales	920.1	872.4	-47.6	-5.2%
Gross profit	1,332.8	1,270.9	-62.0	-4.6%
Other operating income	15.4	70.1	+54.7	+356.2%
Share of profit in investments accounted for using the equity method	6.4	6.5	+0.1	+1.7%
SG & A	789.3	754.1	-35.2	-4.5%
Advertising expenses	25.6	26.1	+0.5	+1.8%
Promotion expenses	120.3	124.8	+4.5	+3.7%
Shipping and warehousing expenses	26.9	26.8	-0.1	-0.2%
Commission	51.3	50.9	-0.5	-0.9%
Employee benefit expenses	264.7	241.8	-23.0	-8.7%
R&D expenses	57.8	58.2	+0.4	+0.7%
Depreciation and amortization	66.0	79.1	+13.1	+19.8%
Other	176.7	146.6	-30.2	-17.1%
Operating profit	565.2	593.3	+28.1	+5.0%
Amortization of acquired intangibles	31.9	46.8	+14.9	+46.7%
Adjustments (income)	-10.3	-65.2	-54.9	-
Adjustments (costs)	39.9	11.9	-28.0	-70.2%
Adjusted operating profit	626.7	586.8	-39.9	-6.4%
Financial income	15.0	6.6	-8.4	-55.9%
Dividend income	1.8	1.7	-0.1	-3.6%
Interest income	13.0	4.7	-8.3	-64.1%
Foreign exchange gain	-	-	-	-
Other	0.2	0.2	+0.0	+5.2%
Financial costs	15.1	21.7	+6.6	+43.5%
Interest expenses	3.9	8.7	+4.8	+122.7%
Employee benefit expenses	4.0	3.5	-0.5	-12.1%
Foreign exchange loss	6.0	9.2	+3.2	+52.8%
Other	1.3	0.4	-0.9	-71.6%
Profit before income taxes	565.1	578.2	+13.1	+2.3%
Income taxes	162.4	152.5	-9.9	-6.1%
Profit for the period	402.7	425.8	+23.0	+5.7%
Attributable to owners of the parent company	398.5	421.7	+23.2	+5.8%
Attributable to non-controlling interests	4.3	4.1	-0.2	-4.6%



## Results for FY2016

### 12. Consolidated financial position (continuing & discontinued operations combined)

(Unit: JPY billion)

	2015 Dec. end	2016 Dec. end	Variance (abs)		2015 Dec. end	2016 Dec. end	Variance (abs)
<b>Current assets</b>	1,798.2	1,606.0	-192.2	<b>Current liabilities</b>	1,265.9	1,356.6	+90.7
Cash and cash equivalents	526.8	294.2	-232.6	Trade and other payables	373.0	377.9	+4.9
Trade and other receivables	406.4	396.9	-9.5	Bonds and borrowings *4	31.0	208.5	+177.5
Inventories	563.8	558.8	-5.0	Income tax payables	106.4	54.9	-51.5
Other financial assets *1	17.8	14.9	-2.9	Other financial liabilities *4	6.5	13.0	+6.6
Other current assets	280.5	340.3	+59.8	Provisions	19.3	12.5	-6.8
Non-current assets held-for-sale	2.9	0.8	-2.1	Other current liabilities *5	729.8	689.6	-40.1
<b>Non-current assets</b>	2,760.0	3,138.4	+378.4	Liabilities directly associated with non-current assets held-for-sale	-	-	-
Property, plant & equipment	681.9	680.8	-1.0	<b>Non-current liabilities</b>	770.8	859.8	+89.0
Goodwill *2	1,429.3	1,602.0	+172.7	Bonds and borrowings *4	215.9	339.0	+123.1
Intangible assets *3	332.5	424.0	+91.5	Other financial liabilities *4	10.1	9.0	-1.1
Investment property	23.6	18.2	-5.4	Retirement benefit liabilities	333.6	333.4	-0.2
Retirement benefit assets	39.0	23.7	-15.3	Provisions	9.2	4.4	-4.8
Investments accounted for using the equity method	59.5	123.8	+64.2	Other non-current liabilities *5	114.0	102.2	-11.7
Other financial assets *1	101.7	99.4	-2.4	Deferred tax liabilities	88.0	71.7	-16.3
Deferred tax assets	92.6	166.6	+74.0	<b>Total liabilities</b>	2,036.7	2,216.3	+179.6
<b>Total assets</b>	4,558.2	4,744.4	+186.1	<b>Equity</b>	2,521.5	2,528.0	+6.5
				Share capital	100.0	100.0	-
				Capital surplus	736.4	736.4	-
				Treasury shares	-444.3	-443.8	+0.5
				Other components of equity	-137.1	-303.6	-166.4
				Retained earnings	2,196.7	2,367.1	+170.4
				Non-controlling interests	69.9	71.9	+2.0
				<b>Total liabilities and equity</b>	4,558.2	4,744.4	+186.1

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

	2015 Dec. end	2016 Dec. end	Variance (abs)
<b>Other financial assets</b>	119.6	114.3	-5.3
Derivative assets	7.1	11.8	+4.7
Equity securities	72.8	65.5	-7.2
Debt securities	6.6	4.6	-2.0
Time deposits	1.0	1.0	-0.0
Other	39.6	38.3	-1.3
Allowance for doubtful accounts	-7.5	-6.9	+0.6

\*2: Goodwill ~ Cash-generating unit

	2015 Dec. end	2016 Dec. end	Variance (abs)
Japanese domestic tobacco	16.3	265.9	+249.6
International tobacco	1,387.6	1,310.7	-76.9
Processed food	25.4	25.4	-

\*3: Intangible assets ~ Trademarks

	2015 Dec. end	2016 Dec. end	Variance (abs)
Japanese domestic tobacco	2.3	148.3	+146.0
International tobacco	266.5	216.6	-49.9

\*4: Bonds and borrowings and other financial liabilities

(current & non-current combined)

	2015 Dec. end	2016 Dec. end	Variance (abs)
<b>Total financial liabilities</b>	263.5	569.6	+306.1
Derivative liabilities	5.6	12.5	+6.9
Short-term borrowings	30.8	187.9	+157.1
Commercial paper	-	-	-
Current portion of long-term borrowings	0.1	0.6	+0.4
Current portion of bonds	-	20.0	+20.0
Long-term borrowings	0.9	0.9	+0.0
Bonds	215.1	338.2	+123.1
Other	11.0	9.5	-1.5

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

	2015 Dec. end	2016 Dec. end	Variance (abs)
<b>Total other liabilities</b>	843.7	791.8	-51.9
Tobacco excise tax payables	334.6	306.8	-27.7
Tobacco special excise tax payables	14.5	13.9	-0.7
Tobacco local excise tax payables	183.5	180.8	-2.7
Consumption tax payables	103.9	105.5	+1.6
Bonus to employees	34.0	33.8	-0.2
Employee's unused paid vacations liabilities	18.8	18.8	+0.0
Other	154.3	132.2	-22.2

## FY2017 Forecasts

### 1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Revenue	2,143.3	2,110.0	-33.3	-1.6%
Operating profit	593.3	560.0	-33.3	-5.6%
Adjusted operating profit	586.8	587.0	+0.2	+0.0%
Profit (attributable to owners of the parent company)	421.7	402.0	-19.7	-4.7%

● [reference] Consolidated forecast

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	586.8	607.0	+20.2	+3.4%

### 2. EPS, DPS, ROE

(Unit: JPY)

	FY2016	FY2017	Variance (abs)	Variance (%)
Basic EPS	235.47	224.46	-11.01	-4.7%
DPS	130.00	140.00	+10.00	+7.7%
ROE (attributable to owner of the parent company)	17.2%	16.2%	-1.0%pt	

### 3. Revenue by business segment

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Revenue	2,143.3	2,110.0	-33.3	-1.6%
Japanese domestic tobacco	684.2	655.0	-29.2	-4.3%
Core revenue	649.7	620.0	-29.7	-4.6%
International tobacco	1,199.2	1,178.0	-21.2	-1.8%
Core revenue	1,138.8	1,118.0	-20.8	-1.8%
Pharmaceutical	87.2	98.0	+10.8	+12.4%
Processed food	164.1	165.0	+0.9	+0.6%
Others	8.6	7.0	-1.6	-18.6%

● [reference] International tobacco business

(Unit: USD million)

	FY2016	FY2017	Variance (abs)	Variance (%)
Core revenue	10,490	10,170	-320	-3.1%
Core revenue at constant FX	10,490	10,440	-50	-0.5%

## FY2017 Forecasts

### 4. Operating profit and adjusted operating profit by business segment

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Consolidated: operating profit	593.3	560.0	-33.3	-5.6%
Japanese domestic tobacco	244.1	227.0	-17.1	-7.0%
International tobacco	301.8	317.5	+15.7	+5.2%
Pharmaceutical	9.7	19.0	+9.3	+95.5%
Processed food	5.0	6.0	+1.0	+20.2%
Others/Elimination	32.7	-10.0	-42.7	-
Adjusted operating profit	586.8	587.0	+0.2	+0.0%
Japanese domestic tobacco	260.2	244.0	-16.2	-6.2%
International tobacco	336.2	347.0	+10.8	+3.2%
Pharmaceutical	9.7	19.0	+9.3	+95.5%
Processed food	5.0	6.0	+1.0	+20.1%
Others/Elimination	-24.4	-29.0	-4.6	-

● [reference] International tobacco business

(Unit: USD million)

	FY2016	FY2017	Variance (abs)	Variance (%)
Adjusted operating profit	3,095	3,150	+55	+1.8%
Adjusted operating profit at constant FX	3,095	3,375	+280	+9.1%

### 5. Free cash flow

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)
FCF*	-316.2	355.0	+671.2

\*: 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	FY2017	Variance (abs)
Consolidated	113.0	136.0	+23.0
Japanese domestic tobacco	29.8	42.0	+12.2
International tobacco	70.6	64.0	-6.6
Pharmaceutical	3.8	9.0	+5.2
Processed food	5.7	15.5	+9.8
Others/Elimination	3.1	5.0	+1.9

### 7. Business data

● Japanese domestic tobacco business

	FY2016	FY2017	Variance (abs)	Variance (%)
JT sales volume*	106.2	96.0	-10.2	-9.6%

BNU

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

● International tobacco business

	FY2016	FY2017	Variance (abs)	Variance (%)
Total shipment volume	398.7	395.0	-3.7	-0.9%
GFB shipment volume	283.7	288.0	+4.3	+1.5%
JPY/USD	108.78	110.00	+1.22	+1.1%
RUB/USD	67.07	60.00	-7.07	+11.8%
GBP/USD	0.74	0.81	+0.07	-8.7%
EUR/USD	0.90	0.95	+0.05	-4.9%
CHF/USD	0.98	1.00	+0.02	-1.5%
TWD/USD	32.24	32.00	-0.24	+0.8%
TRY/USD	3.02	3.65	+0.63	-17.3%
IRR/USD	35,814	39,500	+3,686	-9.3%

BNU

BNU

JPY

RUB

GBP

EUR

CHF

TWD

TRY

IRR

# 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	26.5	106.2

### 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	5,935	5,930	5,870

\* 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	61.4	61.1

## 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	31.5	31.4

### 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	8.0	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	7.6	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	1.7	1.5

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

## Quarterly Market Share in Menthol Segment

### 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	11.3	11.3

\*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	28.1	28.4

## Japan Tobacco Inc. Clinical Development as of February 6, 2017

### <In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase	Note
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.	Phase2(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., EU, Japan 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 October 31, 2016:

### <In-house development>

- JT obtained manufacturing and marketing approval of Descovy® Combination Tablets LT and HT in Japan on December 9, 2016
- JTE-051: advanced to Phase 2 in Overseas
- JTT-851: terminated

# Appendix



# International Tobacco Business 2016 full year results

## Definitions

Term	Definition
RMC	Ready Made Cigarettes
Fine Cut	Roll-Your-Own / Make-Your-Own tobacco products
GFB	Global Flagship Brands: Winston, Camel, LD, MEVIUS, B&H, Silk Cut, Glamour, Sobranie, Natural American Spirit
SoM	Share of Market (including cigarettes and fine cut where appropriate). Data based on a 12-month rolling average to December 2016 vs. the same period prior year, unless otherwise stated.
SoV	Share of Value (including cigarettes and fine cut where appropriate). It represents our share of the total retail value of the market. Total retail value of the market is computed by multiplying volume and retail sales price. Data based on a 12-month rolling average to December 2016 vs. the same period prior year, unless otherwise stated.

## JTI Results by cluster

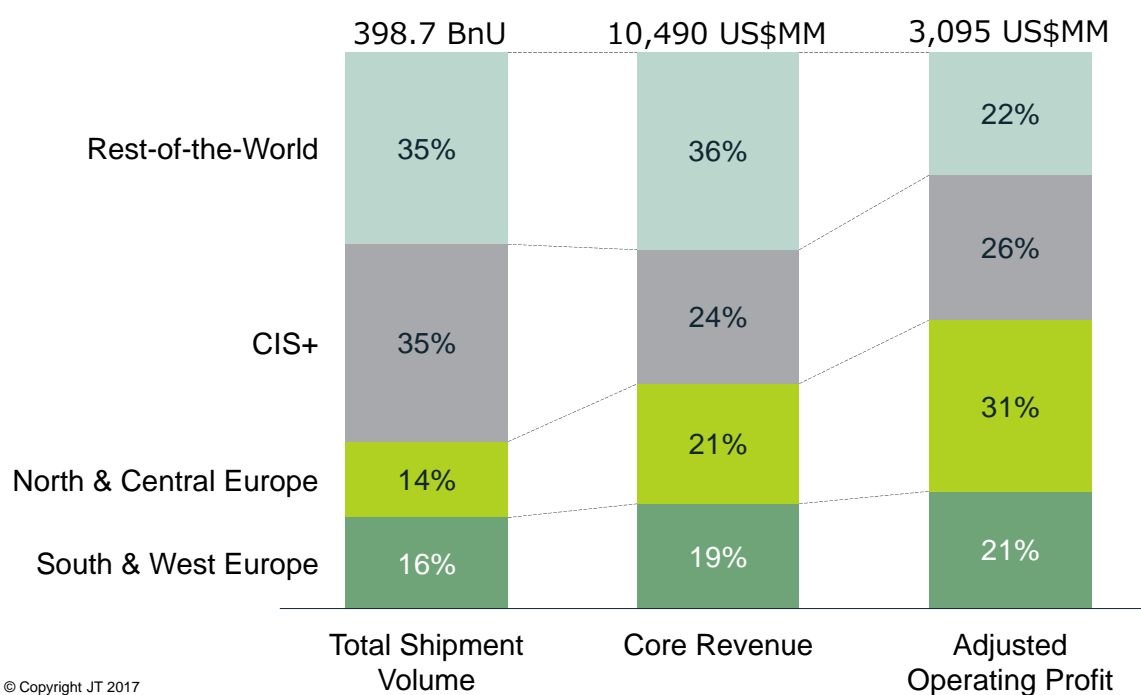
*Shipment volume, Core revenue and Adjusted operating profit at Constant FX*

FY2016	Total Shipment Volume (BnU)	GFB Shipment Volume (BnU)	Core Revenue (US\$ MM)		Adjusted Operating Profit (US\$ MM)	
			at constant FX	vs. 2015	at constant FX	vs. 2015
South & West Europe	65.2	58.6	1,982	6.0%	642	21.4%
North & Central Europe	54.2	33.6	2,427	5.3%	1,085	0.9%
CIS+	141.4	107.1	2,882	3.0%	1,158	16.0%
Rest-of-the-World	137.9	84.4	3,924	16.7%	808	23.4%

© Copyright JT 2017

## JTI Contribution by cluster

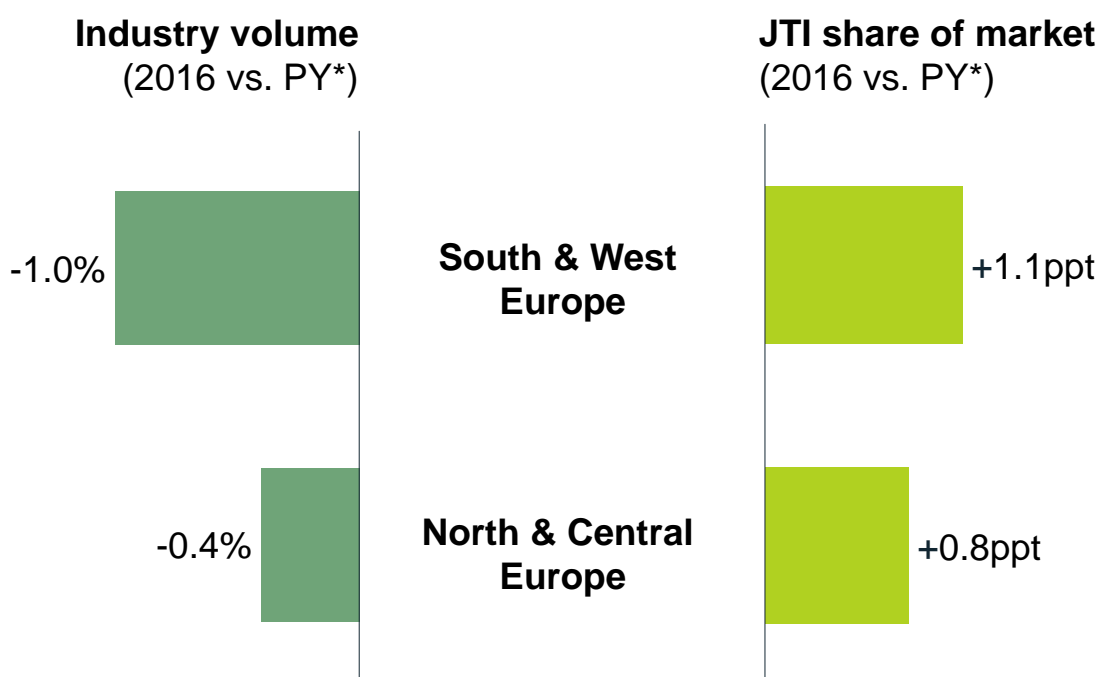
*Total shipment volume, Core revenue and Adjusted operating profit at Reported*



© Copyright JT 2017



## S&WE / N&CE: Industry volume and JTI share of market



© Copyright JT 2017










Source: Internal estimates. \* Note: Industry volume and JTI share of market on 12-month rolling average to November 2016 vs. same period prior year

## Total shipment volume evolution vs. PY

	2016 Jan-Mar	2016 Apr-Jun	2016 Jul-Sep	2016 Oct-Dec	2016 Jan-Dec
<b>JTI</b>	<b>7.1%</b>	<b>2.2%</b>	<b>0.1%</b>	<b>-3.9%</b>	<b>1.2%</b>
<b>South &amp; West Europe</b>	<b>12.2%</b>	<b>4.0%</b>	<b>-0.1%</b>	<b>-3.3%</b>	<b>3.2%</b>
France	7.4%	0.7%	2.4%	-0.9%	2.4%
Italy	29.2%	14.4%	-6.1%	-4.8%	7.6%
Spain	4.6%	-0.7%	4.9%	-0.2%	2.2%
Switzerland	16.5%	6.4%	12.1%	6.6%	10.3%
<b>North &amp; Central Europe</b>	<b>4.5%</b>	<b>4.5%</b>	<b>0.9%</b>	<b>-0.6%</b>	<b>2.3%</b>
Austria	3.4%	5.8%	-3.9%	-6.1%	-0.4%
Ireland	7.5%	-10.2%	-6.0%	0.3%	-2.3%
Poland	0.4%	-4.3%	-1.2%	-9.2%	-3.3%
Sweden	2.1%	6.2%	2.9%	0.7%	3.0%
UK	-4.2%	-0.6%	-4.1%	-1.6%	-2.7%
<b>CIS+</b>	<b>-0.6%</b>	<b>-7.2%</b>	<b>-8.7%</b>	<b>-11.6%</b>	<b>-7.3%</b>
Kazakhstan	20.1%	-1.3%	9.4%	9.6%	8.2%
Romania	3.2%	3.5%	4.5%	-0.5%	2.7%
Russia	-0.1%	-8.6%	-10.3%	-13.5%	-8.6%
Ukraine	2.7%	-12.3%	-14.3%	-13.4%	-9.8%
<b>Rest of the World</b>	<b>13.9%</b>	<b>13.0%</b>	<b>11.3%</b>	<b>3.1%</b>	<b>10.1%</b>
Canada	17.6%	3.2%	-1.1%	-4.1%	3.0%
Malaysia	-30.1%	-24.7%	-25.5%	-22.2%	-25.9%
Taiwan	-3.3%	2.7%	2.6%	3.0%	1.3%
Turkey	4.9%	2.7%	4.4%	-7.6%	1.1%

© Copyright JT 2017

## GFB shipment volume and evolution vs. PY

(BnU)	<u>2016</u> Jan-Mar	<u>2016</u> Apr-Jun	<u>2016</u> Jul-Sep	<u>2016</u> Oct-Dec	<u>2016</u> Jan-Dec
 <b>GFB Total</b>	<b>66.4</b> 10.7%	<b>74.4</b> 3.4%	<b>75.5</b> 2.8%	<b>67.4</b> -1.1%	<b>283.7</b> 3.7%
<b>Winston</b>	<b>31.6</b> 10.3%	<b>35.8</b> 2.8%	<b>37.4</b> 6.5%	<b>34.5</b> 3.0%	<b>139.3</b> 5.5%
 <b>Camel</b>	<b>12.8</b> 8.8%	<b>13.7</b> 3.7%	<b>13.8</b> 1.2%	<b>11.8</b> -3.3%	<b>52.2</b> 2.5%
 <b>MEVIUS</b>	<b>4.3</b> 8.9%	<b>4.7</b> 8.3%	<b>4.6</b> 0.6%	<b>4.4</b> 1.6%	<b>17.9</b> 4.7%
 <b>LD</b>	<b>11.3</b> 9.2%	<b>13.1</b> -2.1%	<b>12.7</b> -6.9%	<b>10.6</b> -13.5%	<b>47.6</b> -3.9%
 <b>B&amp;H</b>	<b>3.3</b> 20.8%	<b>3.6</b> 16.5%	<b>3.5</b> 7.1%	<b>3.0</b> -0.3%	<b>13.4</b> 10.7%
 <b>Glamour</b>	<b>1.4</b> 0.5%	<b>1.6</b> -7.7%	<b>1.6</b> -11.3%	<b>1.3</b> -12.5%	<b>5.9</b> -8.0%
 <b>Sobranie</b>	<b>0.7</b> 24.9%	<b>0.7</b> 1.5%	<b>0.8</b> 11.5%	<b>0.7</b> -5.6%	<b>2.9</b> 7.0%
 <b>Silk Cut</b>	<b>0.6</b> -2.5%	<b>0.6</b> -8.8%	<b>0.6</b> -12.9%	<b>0.6</b> -4.6%	<b>2.5</b> -7.4%
 <b>Natural American Spirit</b>	<b>0.4</b> -	<b>0.6</b> -	<b>0.5</b> -	<b>0.5</b> -	<b>2.0</b> -

© Copyright JT 2017

## GFB shipment volume evolution vs. PY in key markets

	<u>2016</u> Jan-Mar	<u>2016</u> Apr-Jun	<u>2016</u> Jul-Sep	<u>2016</u> Oct-Dec	<u>2016</u> Jan-Dec
<b>France</b>	<b>8.2%</b>	<b>3.0%</b>	<b>3.5%</b>	<b>-0.8%</b>	<b>3.5%</b>
<b>Italy</b>	<b>29.9%</b>	<b>14.6%</b>	<b>-5.6%</b>	<b>-5.1%</b>	<b>7.9%</b>
<b>Russia</b>	<b>4.5%</b>	<b>-3.2%</b>	<b>-4.4%</b>	<b>-8.3%</b>	<b>-3.2%</b>
<b>Spain</b>	<b>3.6%</b>	<b>0.6%</b>	<b>4.7%</b>	<b>1.0%</b>	<b>2.5%</b>
<b>Taiwan</b>	<b>-2.2%</b>	<b>4.7%</b>	<b>21.4%</b>	<b>19.4%</b>	<b>11.0%</b>
<b>Turkey</b>	<b>4.5%</b>	<b>2.1%</b>	<b>3.2%</b>	<b>-7.1%</b>	<b>0.6%</b>
<b>UK</b>	<b>24.8%</b>	<b>36.4%</b>	<b>23.9%</b>	<b>13.8%</b>	<b>24.3%</b>

© Copyright JT 2017

## JTI and GFB share of market evolution

	JTI SoM		GFB SoM			JTI SoM		GFB SoM	
	2016	vs. PY	2016	vs. PY		2016	vs. PY	2016	vs. PY
Austria	31.4%	+0.2ppt	18.3%	+1.6ppt	Russia	32.8%	-1.0ppt	24.7%	+0.5ppt
Canada	16.6%	+0.7ppt	4.5%	+1.3ppt	Spain	22.8%	+0.5ppt	21.0%	+0.5ppt
France	22.0%	+0.6ppt	19.0%	+0.7ppt	Sweden	39.6%	+0.9ppt	14.9%	+2.1ppt
Ireland	56.9%	+0.1ppt	30.8%	-1.2ppt	Switzerland	20.0%	+2.5ppt	18.7%	+2.5ppt
Italy	22.7%	+1.6ppt	22.4%	+1.7ppt	Taiwan	39.9%	+0.7ppt	34.5%	+2.9ppt
Kazakhstan	36.5%	+1.3ppt	27.5%	+2.4ppt	Turkey	29.4%	-0.9ppt	24.3%	-0.9ppt
Malaysia	21.9%	+0.9ppt	21.9%	+0.9ppt	UK	41.7%	-0.2ppt	10.0%	+1.8ppt
Romania	26.1%	+0.5ppt	20.9%	+2.8ppt	Ukraine	20.6%	-3.2ppt	18.3%	-2.4ppt

Source: Internal estimates, Logista, IRI, Nielsen, DCS.

Note: Share of market for Kazakhstan on 12-month rolling average to November 2016 vs. same period prior year

© Copyright JT 2017

## France

### Industry volume evolution (BnU)

	2015	2016	Var.
<b>Total industry</b>	59.0	58.7	-0.6%
- RMC industry	45.5	44.9	-1.2%
- Fine-cut industry	13.5	13.7	+1.4%

### Share evolution

	2015	2016	Var.	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>JTI SoM</b>	21.4%	22.0%	+0.6ppt	21.7%	21.8%	22.2%	22.2%
- GFB SoM	18.3%	19.0%	+0.7ppt	18.8%	18.9%	19.3%	19.1%
- Winston SoM	8.6%	9.2%	+0.6ppt	9.0%	9.1%	9.4%	9.3%
- Camel SoM	7.7%	7.8%	+0.2ppt	7.7%	7.8%	8.0%	7.8%
- Benson & Hedges SoM	2.0%	1.9%	-0.2ppt	2.0%	1.9%	1.9%	1.9%
- Fleur de Pays SoM	2.3%	2.5%	+0.2ppt	2.4%	2.5%	2.5%	2.7%
<b>JTI SoV</b>	19.6%	19.8%	+0.3ppt	19.7%	19.7%	20.0%	20.0%

© Copyright JT 2017

Source: IRI, Internal estimates

# Italy

## Industry volume evolution (BnU)

	2015	2016	Var.
<b>Total industry</b>	79.3	77.7	-2.0%
- RMC industry	73.8	72.0	-2.4%
- Fine-cut industry	5.5	5.7	+3.9%

## Share evolution

	2015	2016	Var.	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>JTI SoM</b>	21.1%	22.7%	+1.6ppt	22.1%	22.6%	23.0%	23.1%
- GFB SoM	20.7%	22.4%	+1.7ppt	21.8%	22.3%	22.7%	22.8%
- Winston SoM	7.4%	7.8%	+0.5ppt	7.6%	7.9%	7.9%	8.0%
- Camel SoM	10.0%	10.5%	+0.5ppt	10.3%	10.5%	10.7%	10.5%
- Benson & Hedges SoM	2.7%	3.1%	+0.4ppt	2.9%	2.9%	3.1%	3.4%
<b>JTI SoV</b>	20.9%	22.5%	+1.7ppt	21.9%	22.4%	22.8%	23.0%

© Copyright JT 2017  
Source: Nielsen, Internal estimates

# Russia

## Industry volume evolution (BnU)

	2015	2016	Var.
<b>RMC industry</b>	292.7	277.8	-5.1%

## Share evolution

	2015	2016	Var.	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>JTI SoM</b>	33.8%	32.8%	-1.0ppt	33.4%	33.2%	32.7%	31.8%
- GFB SoM	24.2%	24.7%	+0.5ppt	24.5%	24.8%	24.9%	24.4%
- Winston SoM	15.2%	15.5%	+0.4ppt	15.3%	15.5%	15.8%	15.6%
- LD SoM	6.5%	6.6%	+0.1ppt	6.7%	6.8%	6.6%	6.3%
- Peter I SoM	3.0%	2.8%	-0.2ppt	2.7%	2.8%	2.9%	2.7%
<b>JTI SoV</b>	34.8%	34.2%	-0.6ppt	34.5%	34.6%	34.4%	33.4%

## Price segments dynamics

Price segments	2015	2016	Var.	Q1 2016	Q2 2016	Q3 2016	Q4 2016
Premium	12.3%	12.3%	0.0ppt	12.2%	12.4%	12.3%	12.1%
Sub-Premium	24.7%	23.8%	-0.8ppt	24.0%	23.8%	24.0%	23.6%
Mid-Price	27.1%	26.2%	-1.0ppt	26.1%	25.5%	26.4%	26.7%
Value	35.9%	37.7%	+1.8ppt	37.7%	38.3%	37.3%	37.6%

© Copyright JT 2017  
Source: Nielsen, Internal estimates

# Spain

## Industry volume evolution (BnU)

	2015	2016	Var.
<b>Total industry</b>	55.9	55.5	-0.7%
- RMC industry	46.2	46.2	-0.2%
- Fine-cut industry	9.6	9.3	-3.5%

## Share evolution

	2015	2016	Var.	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>JTI SoM</b>	22.3%	22.8%	+0.5ppt	22.3%	22.9%	22.9%	23.0%
- GFB SoM	20.5%	21.0%	+0.5ppt	20.9%	20.7%	21.0%	21.4%
- Winston SoM	12.9%	12.8%	-0.1ppt	13.1%	12.6%	12.5%	13.0%
- Camel SoM	6.7%	7.0%	+0.3ppt	6.7%	6.9%	7.1%	7.1%
<b>JTI SoV</b>	22.0%	22.4%	+0.4ppt	21.9%	22.5%	22.5%	22.6%

© Copyright JT 2017  
Source: Logista, Internal estimates.

# Taiwan

## Industry volume evolution (BnU)

	2015	2016	Var.
<b>RMC industry</b>	34.0	33.9	-0.5%

## Share evolution

	2015	2016	Var.	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>JTI SoM</b>	39.2%	39.9%	+0.7ppt	39.6%	39.6%	39.7%	40.7%
- GFB SoM	31.7%	34.5%	+2.9ppt	34.2%	34.2%	34.4%	35.3%
- Mevius SoM	22.3%	21.8%	-0.5ppt	21.9%	21.9%	21.6%	21.9%
- Winston SoM	7.7%	10.7%	+3.0ppt	10.4%	10.6%	10.8%	11.0%
- Mine SoM	3.9%	3.5%	-0.4ppt	3.6%	3.5%	3.5%	3.5%
<b>JTI SoV</b>	45.3%	46.2%	+0.9ppt	45.9%	46.0%	46.0%	46.9%

© Copyright JT 2017  
Source: Nielsen, Internal estimates. Note: Migration of More to Winston impacting the related SoM as of Q3 2015

# Turkey

## Industry volume evolution (BnU)

	2015	2016	Var.
<b>RMC industry</b>	103.2	105.5	+2.2%

## Share evolution

	2015	2016	Var.	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>JTI SoM</b>	30.3%	29.4%	-0.9ppt	29.9%	29.8%	29.2%	28.9%
- GFB SoM	25.2%	24.3%	-0.9ppt	24.8%	24.6%	24.0%	23.8%
- Camel SoM	11.8%	10.6%	-1.2ppt	11.1%	10.9%	10.4%	10.0%
- Winston SoM	10.8%	10.9%	+0.2ppt	11.0%	10.9%	10.7%	11.1%
- LD SoM	2.7%	2.8%	+0.1ppt	2.6%	2.8%	2.9%	2.7%
- Monte Carlo SoM	4.8%	5.0%	+0.2ppt	4.9%	5.0%	5.0%	4.9%
<b>JTI SoV</b>	28.6%	28.1%	-0.5ppt	28.5%	28.4%	27.9%	27.7%

© Copyright JT 2017

Source: Tobacco Board, Nielsen, Internal estimates

# UK

## Industry volume evolution (BnU)

	2015	2016	Var.
<b>Total industry</b>	47.1	46.0	-2.4%
- RMC industry	31.8	30.3	-4.7%
- Fine-cut industry	15.3	15.7	+2.5%

## Share evolution

	2015	2016	Var.	Q1 2016	Q2 2016	Q3 2016	Q4 2016
<b>JTI SoM</b>	41.9%	41.7%	-0.2ppt	42.2%	42.1%	41.7%	41.0%
- GFB SoM	8.2%	10.0%	+1.8ppt	9.7%	10.1%	10.4%	9.7%
- Amber Leaf SoM	12.4%	12.8%	+0.5ppt	12.7%	12.9%	12.6%	13.1%
- Sterling SoM	9.7%	9.0%	-0.8ppt	9.2%	9.0%	9.0%	8.7%
- Benson & Hedges SoM	5.5%	7.2%	+1.7ppt	6.8%	7.3%	7.6%	7.1%
- Silk Cut SoM	2.4%	2.2%	-0.2ppt	2.3%	2.3%	2.2%	2.2%
- Mayfair SoM	5.9%	5.2%	-0.7ppt	5.6%	5.4%	5.1%	4.8%
<b>JTI SoV</b>	42.2%	42.4%	+0.2ppt	42.6%	42.6%	42.5%	41.9%

© Copyright JT 2017

Source: Nielsen, Internal estimates.

## 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, Nov 2016
Spain	Dec 2016	Jan 2015 Dec 2016
Taiwan	-	Aug 2015 <sup>i)</sup> Feb 2016 <sup>i)</sup>
Turkey	Jan, Jul 2015 Jan, Dec 2016	Jan 2015 Jan, Jul, Dec 2016
UK	Mar 2015 Mar 2016	Mar, Sep 2015 Mar, Jul <sup>i)</sup> , Sep <sup>i)</sup> 2016

i) Price increase for some brands

© Copyright JT 2017

## 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>Oct-Dec</u>	<u>2016</u> <u>Jan-Dec</u>
<b>RUB/\$</b>	<b>74.68</b>	<b>65.89</b>	<b>64.62</b>	<b>63.08</b>	<b>67.07</b>
	(-16.6%)	(-20.1%)	(-2.5%)	(+4.5%)	(-9.1%)
<b>GBP/\$</b>	<b>0.70</b>	<b>0.70</b>	<b>0.76</b>	<b>0.80</b>	<b>0.74</b>
	(-5.5%)	(-6.0%)	(-15.2%)	(-18.1%)	(-11.6%)
<b>EUR/\$</b>	<b>0.91</b>	<b>0.88</b>	<b>0.90</b>	<b>0.93</b>	<b>0.90</b>
	(-2.3%)	(+2.2%)	(+0.3%)	(-1.4%)	(-0.3%)
<b>CHF/\$</b>	<b>0.99</b>	<b>0.97</b>	<b>0.98</b>	<b>1.00</b>	<b>0.98</b>
	(-4.0%)	(-2.9%)	(-1.2%)	(-0.9%)	(-2.3%)
<b>TWD/\$</b>	<b>33.09</b>	<b>32.41</b>	<b>31.72</b>	<b>31.76</b>	<b>32.24</b>
	(-4.6%)	(-4.8%)	(+0.8%)	(+2.8%)	(-1.5%)
<b>TRY/\$</b>	<b>2.94</b>	<b>2.89</b>	<b>2.96</b>	<b>3.28</b>	<b>3.02</b>
	(-16.5%)	(-8.0%)	(-3.7%)	(-11.4%)	(-9.9%)
<b>JPY/\$</b>	<b>115.35</b>	<b>108.04</b>	<b>102.40</b>	<b>109.41</b>	<b>108.78</b>
	(-3.2%)	(-11.0%)	(-16.3%)	(-9.9%)	(-10.2%)

\*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 2017

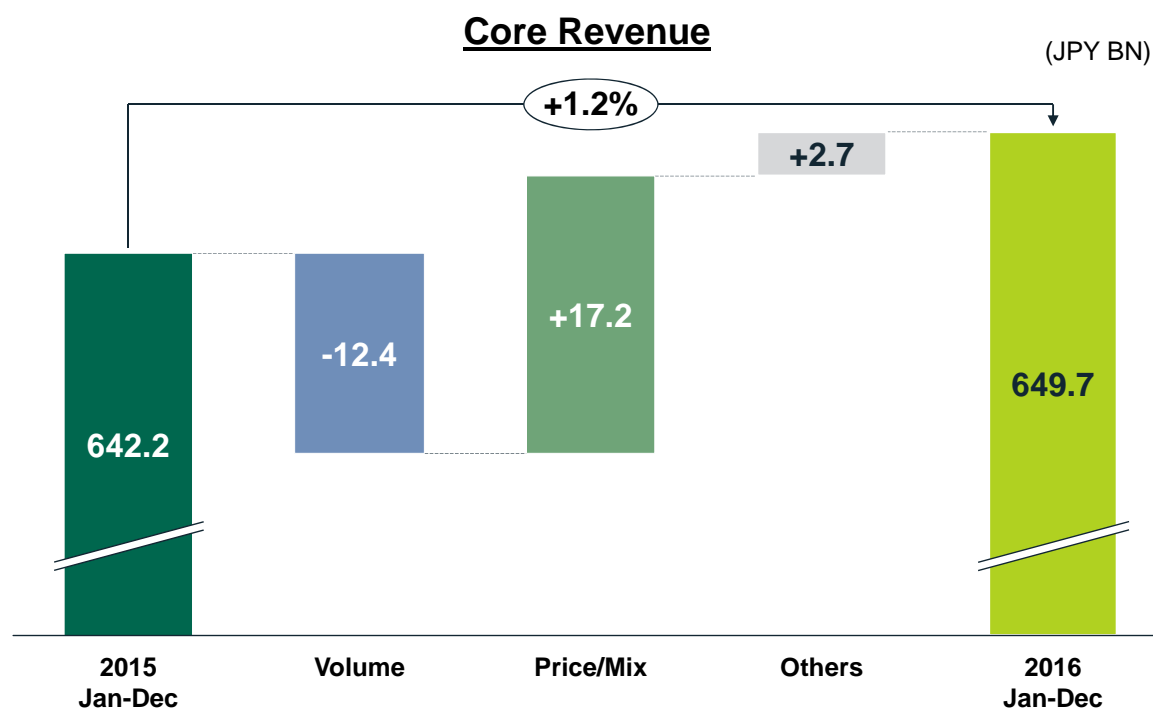


## Japanese Domestic Tobacco Business 2016 full year results

**[This slide intentionally left blank]**

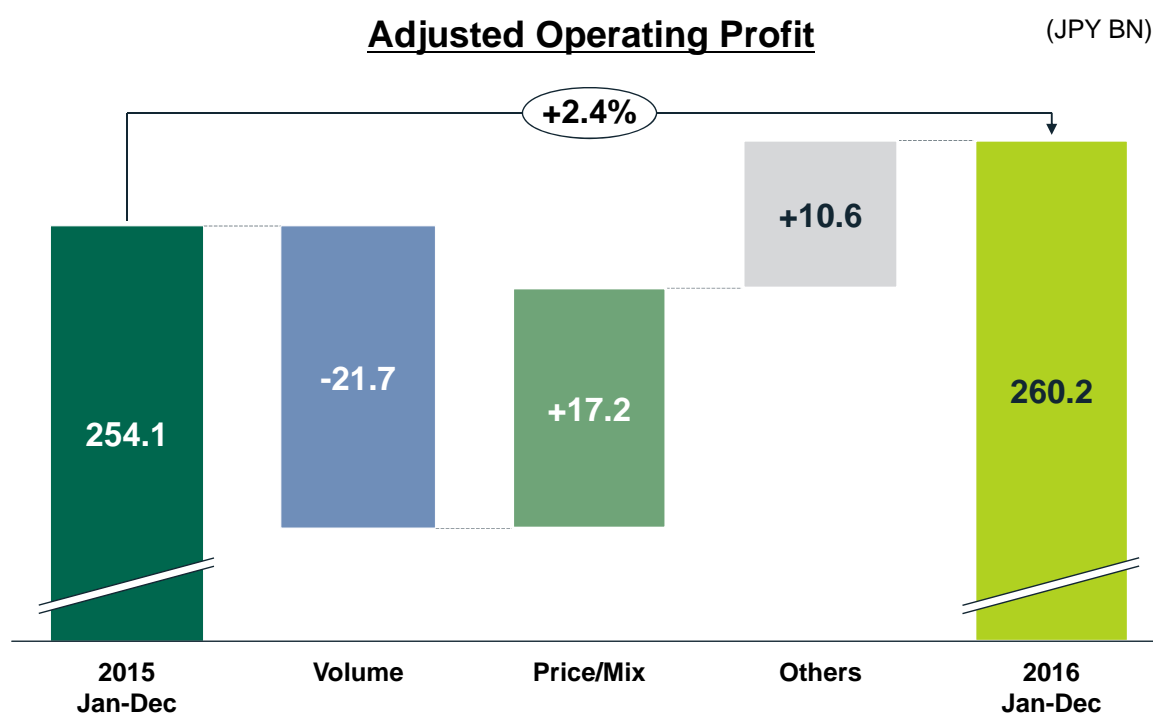


# Japanese Domestic Tobacco Business



© Copyright JT 2017

# Japanese Domestic Tobacco Business



© Copyright JT 2017

# Business Plan 2017

## Business Plan 2017

### Tobacco Business (mid-to long-term target and role)

Mid-to  
long-term  
target and  
role

- Grow adjusted operating profit at mid-to high single digit rate per annum over the mid-to long-term as the core business and profit growth engine of JT Group
  - ✓ Japan domestic: Maintain its highly competitive platform of profitability
  - ✓ International: Strengthen its role as the Group's profit growth engine

- Prioritize quality top-line growth
  - ✓ Strengthen our brand equity with focus on core brands
  - ✓ Grow or maintain market share in existing key markets
- Continue to improve cost base
- Strengthen business base
  - ✓ Broaden geographical earnings base
  - ✓ Develop emerging products categories

# Business Plan 2017

## Pharmaceutical Business and Processed Food Business

### Pharmaceutical Business

Mid-to long-term target and role

- Aim to make stable profit contribution to the JT Group through R&D promotion for next generation of strategic compounds and value maximization of each product

- Promote R&D of strategic compounds for next generation and seek optimum timing to out-license them
- Maximize the value of each product

### Processed Food Business

Mid-to long-term target and role

- Achieve operating profit margin on par with industry average and aim to make profit contribution to the JT Group

- Increase the attractiveness of our offerings with a particular emphasis on staple food products by meeting consumer needs with our own expertise
- Minimize negative impact of rising raw material costs and weak yen

© Copyright JT 2017

# Business Plan 2017

## Resource allocation and shareholder return policy

Resource allocation policy	Shareholder return policy
<ul style="list-style-type: none"> <li>■ The “4S” model guides our resource allocation                             <ul style="list-style-type: none"> <li>➢ Prioritize business investments for sustainable profit growth in the mid- to long-term</li> <li>➢ Pursue an optimal balance between profit growth underpinned by business investments and shareholder returns</li> </ul> </li> </ul>	<ul style="list-style-type: none"> <li>■ Enhance shareholder returns considering the Company’s mid- to long-term profit growth trend, while maintaining a solid balance sheet*                             <ul style="list-style-type: none"> <li>➢ Deliver consistent dividend per share growth</li> <li>➢ Consider implementing share buy-back, which takes into account the Company’s mid-term operating environment and financial outlook</li> <li>➢ Continue to closely monitor shareholder returns of global FMCG companies**</li> </ul> </li> </ul>

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

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

© Copyright JT 2017

# Reference Information

## FX Assumption & Sensitivity

### FX Assumption

	<u>2017</u>
<b>RUB/\$</b>	<b>60.00</b>
<b>GBP/\$</b>	<b>0.81</b>
<b>EUR/\$</b>	<b>0.95</b>
<b>CHF/\$</b>	<b>1.00</b>
<b>TWD/\$</b>	<b>32.00</b>
<b>TRY/\$</b>	<b>3.65</b>
<b>IRR/\$</b>	<b>39,500</b>
<b>JPY/\$</b>	<b>110.00</b>

### FX Sensitivity Guidance

FX impact on 2017 adjusted operating profit of US\$ 3,150MM 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 approx. US\$ 50MM impact on US\$ based adjusted operating profit

US\$ 50MM composed of :

RUB 30%, GBP 15%, TWD 15%, EUR 10%+, TRY 10%-,

IRR 10%-, CHF -10%+

-----  
US\$ vs. Yen :

Yen/\$ move of 1 yen from the assumption leads to approx. 3.2 billion yen impact on Yen-based adjusted operating profit