Meeting at JT Tokyo headquarters:
Always striving for the best results
History of the JT Group

Before 1985

JT's history in Japan dates back to 1898, when the Government formed a monopoly bureau to operate the exclusive sale of domestic tobacco leaf.

The JT Group’s overseas history began with the founding of Austria Tabak in 1784. Roughly 70 years later, Tom Gallaher started out in business in Northern Ireland, laying the foundations for the Gallaher Group. Meanwhile, R.J. Reynolds Tobacco Co. (RJR), which would subsequently create the Camel and Winston brands, was established in 1874 in the U.S. In this manner, the current JT Group can trace its origins to many different countries and regions such as Austria, Northern Ireland, the U.S. and Japan. The JT Group has a long history and extensive experience in the tobacco business.

History in Japan from the early 20th century to 1984, when the Japan Tobacco Inc. Act was enacted.

Our history in Japan dates back to 1898, when the Government formed a monopoly bureau to undertake the exclusive sale of domestic leaf tobacco. In the early 1900s, the Japanese government extended this monopoly to all tobacco products in Japan and to the domestic salt business. On June 1, 1949, the bureau was established and duly named the Japan Tobacco and Salt Public Corporation, or JTS. This corporation helped to ensure the stable supply of tobacco and secure fiscal revenues for the Government.

The growth in demand for cigarettes in Japan began to slow in the mid-1970s as a result of demographic trends and growing concern about health risks associated with smoking. This trend continued, such that growth in industry sales essentially stopped. In addition to the structural change, the domestic tobacco market opened up substantially to foreign suppliers, triggering competition between domestic and foreign tobacco products in Japan.

Foreign countries stepped up pressure on Japan to take further measures to open the market that were difficult to implement within the framework of the monopoly tobacco sales system. Amid such pressure as well as moves toward the reform of Government-run public corporations, a Government panel was established in March 1981 to conduct research into the public corporation system. In its third report (July 30, 1982), the panel proposed drastic reform of the monopoly and public corporation systems. In response to this proposal, the Government conducted a comprehensive review of these systems and drafted bills to:

- Abolish the tobacco monopoly law to liberalize tobacco imports and establish a tobacco business law to make necessary adjustments related to the tobacco business.
- Abolish the JTS law, reorganize JTS as a joint stock corporation so as to enable it to pursue rational corporate management as much as possible and establish the Japan Tobacco Inc. Act, which provides for a necessary minimum level of regulation in light of the corporation’s need to compete with foreign tobacco companies on an equal footing in the domestic market following the liberalization of tobacco imports.

These bills were enacted on August 3, 1984 in the 101st session of the Diet and promulgated on August 10 of the same year. In April 1985, JT was founded as an entity that took over the whole of the business operations and assets of JTS.
JT is a joint stock corporation that was incorporated in April 1985 under the Commercial Code of Japan, pursuant to the Japan Tobacco Inc. Act, or the JT Act.

- **1784**: Austria Tabak is founded by Emperor Joseph II.
- **1857**: Tom Gallaher sets up his business in Londonderry, Northern Ireland.
- **1874**: RJR is founded by Richard Joshua Reynolds in Winston, North Carolina.
- **1879**: Sobranie is registered in London, to become one of the oldest cigarette brands in the world.
- **1891**: The Moscow-based Ducat factory is founded.
- **1898**: The Japanese Monopoly Bureau is established for the sale of domestic leaf tobacco.
- **1913**: Camel is launched.
- **1931**: Cellophane is introduced by RJR in order to preserve the freshness of tobacco.
- **1949**: The Monopoly Bureau becomes the Japan Tobacco and Salt Public Corporation.
- **1954**: Winston is launched.
- **1955**: Benson & Hedges is acquired by Gallaher.
- **1956**: Salem is launched.
- **1957**: HOPE (10) is launched as Japan’s first domestically produced filter cigarettes.
- **1964**: Silk Cut is launched.
- **1968**: Gallaher is acquired by the American Tobacco Company.
- **1969**: Seven Stars is launched, featuring Japan’s first domestically produced charcoal filter.
- **1977**: Mild Seven is launched (Japan).
- **1981**: Mild Seven is launched internationally.
- **1984**: Japan Tobacco Inc. Act is enacted.
History of the JT Group continued

In and after 1985

1985
April  
Japan Tobacco Inc. is established. (Japanese tobacco market opened to Foreign tobacco manufacturers).

The Business Development Division is established to promote new businesses.

The Business Development Division is later reorganized into operational divisions engaged in the food and pharmaceutical businesses, finishing in July 1990.

1987
April  
Import tariffs on imported cigarettes are abolished.

1988
October  
JT communication name is introduced.

1992
Acquisition of Manchester Tobacco Company Ltd.  
Acquisition of AS-Petro (Russia).

1993
September  
The Central Pharmaceutical Research Institute is established to enhance in-house research capabilities.

1994
October  
Government releases first tranche of outstanding JT shares for initial public offering (384,276 shares offered at ¥1,438,000 apiece).

JT stock is listed on the first sections of stock exchanges in Tokyo, Osaka and Nagoya.

November  
JT stock is listed on the stock exchanges in Kyoto, Hiroshima, Fukuoka, Niigata and Sapporo.

Acquisition of Yelets (Russia).  

1995
May  
Head office is moved back to Minato-ku from Shinagawa-ku following completion of new head office building.

Peter I is launched (Russia).  

1996
June  
Government releases second tranche of outstanding JT shares (272,380 shares offered at ¥815,000 apiece).

Acquisition of Tanzanian tobacco production facility.  

1997
April  
JT ends its salt monopoly business in line with abolition of the salt monopoly system.

The Tobacco Mutual Aid Pension scheme is integrated into the Employees’ Pension scheme.

American Brands spins off Gallaher which becomes Gallaher Group Plc and is listed on the London and New York stock exchanges.  

1998
April  
JT signs an agreement with Unimart Corporation (currently, Japan Beverage Holdings Inc.) on a tie-up regarding beverage business. JT later acquires a majority stake in Unimart.

December  
JT acquires a majority stake in Torii Pharmaceutical Co., Ltd. through a tender offer.

1999
May  
JT acquires the non-U.S. tobacco business of RJR Nabisco Inc.

July  
JT acquires the food business of Asahi Kasei Corporation, including Asahi Foods and seven other subsidiaries.

October  
Under a business tie-up between JT and Torii Pharmaceutical Co., Ltd., the two companies’ R&D operations related to medical pharmaceuticals are concentrated at JT, while their promotion operations are combined at Torii Pharmaceutical.

LD launched (Russia).  

2000
Acquisition of Liggett-Ducat (Russia).  

2001
Acquisition of Austria Tabak.  

2003
October  
JT repurchases 45,800 of its own shares to increase its management options.

2004
June  
Government releases third tranche of outstanding JT shares (289,334 shares offered at ¥843,000 apiece), reducing its stake in JT to the minimum level allowed under law.

November-March 2005  
JT repurchases 38,184 of its own shares to increase its management options.

2005
April  
JT terminates a licensing contract under which it had exclusive rights to produce and sell Marlboro brand products in Japan and use the Marlboro trademark in the country.

June  
Acquisition of CRES Neva Ltd. (Russia). Glamour is launched (Russia, Ukraine, Kazakhstan).  

2006
April  
JT implements a five-for-one stock split in order to expand the investor base, effective April 1, 2006.

May  
Acquisition of AD Duvanska Industrija Senta in Serbia.

2007
April  
JT acquires all outstanding shares of Gallaher Group Plc.

2008
January  
JT acquires a majority stake in Katokichi Co., Ltd. through a tender offer.

April  
JT acquires a majority stake in Fuji Foods Corporation.

July  
JT concentrates its processed food operations, including frozen food and seasonings operations, at the Katokichi Group.
The corporate history of JT is summarized in the table to the left. For the international tobacco business, the history before JT’s acquisitions of RJR Nabisco’s non-US tobacco operations and Gallaher is included.

The operating environment for JT changed drastically in just two years after the foundation of the Company, with the yen’s strong appreciation following the Plaza Accord in 1985, a tobacco tax hike in 1986 and the abolition of tariffs on imported cigarettes in 1987. Amid the yen’s upsurge, a price increase for JT products due to the tobacco tax hike, coupled with price cuts for imported cigarettes attributable to the tariff abolition, eliminated the price advantage of JT products over imported products, which had stood at around ¥60 to ¥80 when JT was founded in 1985. As a result, competition between JT and foreign tobacco makers intensified in the Japanese market, leading to a decline in JT’s market share from 97.6% in fiscal 1985 to 90.2% in fiscal 1987.

To cope with the rapid deterioration of the operating environment, JT implemented rationalization measures to enhance its cost-competitiveness and pursued diversification while taking measures to strengthen its marketing capability. In the 1990s, JT’s competition with foreign rivals in the Japanese market intensified further. Furthermore, overall cigarette demand in Japan peaked in the latter half of the 1990s due to a contraction of the adult population and growing concerns with health problems associated with smoking. Amid the increasingly difficult operating environment for the Japanese domestic tobacco business, JT took additional rationalization steps, pursued consolidation of operations in its areas of business diversification and expanded the international tobacco business, thereby strengthening its business foundation.

JT significantly strengthened the international tobacco business by acquiring RJR Nabisco’s non-U.S. tobacco operations in 1999 and Gallaher in 2007. With its international sales volume exceeding its domestic sales volume, the JT Group continues to grow as a global tobacco company. The international tobacco business is the engine of the JT Group’s profit growth through its comprehensive brand portfolio which includes Winston, Camel, Mild Seven – MEVIUS and LD as well as Benson & Hedges, Silk Cut, Sobranie and Glamour.

* Topics of RJR Nabisco’s non-US operations before participating in the JT Group.
** Topics of Gallaher before participating in the JT Group.
Regulation and Other Relevant Laws

Tobacco business
Regulation in the international markets
In international markets where JT Group’s tobacco products are sold, World Health Organization (WHO) adopted the Framework Convention on Tobacco Control (“FCTC”) at its 56th World Health Assembly held in May 2003. It came into force in February 2005 (Government of Japan accepted it in June 2004). Since then, there has been a rising trend in regulations regarding sales promotions, packages and outer wrappers, marketing of tobacco products and smoking.

The purpose of the FCTC is to continuously and substantively control the proliferation of smoking. Its provisions include, among others, price and tax measures to reduce tobacco demand, non-price measures to reduce the demand for tobacco (such as protection from exposure to tobacco smoke, regulation of contents and emissions of tobacco products, regulation of disclosure of tobacco products, regulations on packaging and labeling of tobacco products, regulations on tobacco advertising, promotion and sponsorship, among others), and measures relating to the reduction of the supply of tobacco (such as prevention of illicit trade, prohibition of sale of tobacco products to minors, among others). In addition, descriptive expressions such as “mild” and “light” are stipulated by some provisions as numerous steps are being taken. Moreover, in November 2012, the protocol to eliminate illicit trade in tobacco products was adopted at the fifth session of the Conference of the Parties. As general obligation, signatories to the protocol are to formulate, adopt, periodically update and review strategies, plans and programs for tobacco regulation. However, the content, scope and method of specific controls undertaken in these nations are ultimately legislated by each respective nation.

Regulation by country or region
In May 2014, the ‘EU Tobacco Product Directive (EU TPD)’, revised from the earlier Directive promulgated in July 2001, entered into force. This revised Directive includes, among others, strengthening of packaging and labeling regulations, restrictions on the use of additives including menthol for cigarettes and fine cut, and regulations related to electronic cigarettes. All EU member states are required to establish their domestic laws, regulations and ordinances to conform the revised directive. This revised Directive will be implemented except some measures such as prohibiting menthol products) by May 2017, through legislation of each EU member state by May 2016.

One of the most notable regulations adopted recently is the plain packaging legislation in Australia. In Australia, individual packages of tobacco products must be of a prescribed color, and product names must be displayed on the packages in a prescribed location, font size, color and style. In addition, visual warning labels must take up 75% of the front side and 90% of the back side of packages. The legislation was passed in 2011 and came into effect in December 2012. The plain packaging legislation in Ireland was also enacted in March 2015. A number of other countries are considering the implementation of similar measures.

In the UK, one of our key markets, the plain packaging regulation was enacted in March 2015. In addition, laws including “Restrictions on the in-store display of tobacco products” and “Ban on sale of tobacco products through vending machines” are already enforced in the UK.

In Russia, another of our key markets, legislation was passed in February 2013, which includes protection from exposure to tobacco smoke and other matters related to tobacco consumption. The legislation came into effect, starting from June 2013 and is being implemented in steps through up to 2017. It contains a number of provisions including display ban, restrictions on sales of tobacco products in certain retail stores, ban on advertising, sponsorship and promotions, introduction of minimal pricing and ban on smoking in public places.

Although it is impossible to predict the content of future laws, regulations and industry guidelines relating to sales activities, marketing and smoking, the JT Group expects regulations like the above and new regulations (including those of local governments) to diffuse across Japan and other countries where the group sells its products.
Regulation in Japan

The Tobacco Business Act, related acts and statutes and voluntary standards set forth the regulations for the sale and promotion activities of tobacco products in Japan that include the indication of warning labels on tobacco product advertisements and packages that urge caution over the relationship between the consumption of tobacco products and health.

In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised including the wording of the cautions over the relationship between the consumption of tobacco products and health indicated on tobacco product packages and, starting July 2005, all tobacco products sold in Japan have been in conformity to the revised regulations. In addition, the Japanese Minister of Finance has indicated a “Guideline for Advertising of Tobacco Products” based on the Tobacco Business Act which, in March 2004, was revised with tougher language. The Tobacco Institute of Japan has established voluntary standards regarding the advertising and sales promotion activities for tobacco products. All member companies, including JT, comply with these standards. Recently in Japan from the perspective of passive smoking prevention, cases where smoking in public areas including restaurants and office buildings has been restricted by laws and regulations and the like are on the rise. Moreover, from the perspective of labor protection, a number of initiatives are being implemented and promoted by the government and governing bodies, while revision of the law is also being considered. We expect this trend to continue in the future.

Tobacco Business Act

Importers and wholesalers of tobacco products must register with the Minister of Finance and, retailers of tobacco products must obtain the license of the Minister of Finance. The retailers of tobacco products are required to sell the tobacco products manufactured by JT and imported tobacco products at the fixed retail price which is approved by the Minister of Finance. The Minister of Finance must approve the filed retail sales prices unless otherwise considered unfairly prejudicial to consumers. The Tobacco Business Act requires JT to annually enter into purchase contracts with tobacco growers regarding the aggregate cultivation area for specific varieties of leaf tobacco and the prices for leaf tobacco by variety and grade. JT must purchase all leaf tobacco produced pursuant to such contracts, except for any not suited for the manufacture of tobacco products. When JT decides the aggregate cultivation area and the prices of leaf tobacco for its contracts with tobacco growers, it is required to respect the opinion of the Leaf Tobacco Deliberative Council (hatabako shingi kai), which consists of members appointed by JT with the approval of the Minister of Finance from among the representatives of domestic leaf tobacco growers and academic appointees. Much like many other agricultural products in Japan, production costs for domestically-grown leaf tobacco is higher than those of foreign-grown leaf tobacco to the extent that the purchasing price for the former (before re-drying) is approximately three times that of the latter (after re-drying).

In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised and the wording of warnings concerning tobacco consumption and health indicated on the tobacco product package was changed. In addition, the Ordinance stipulated that when wording like “mild” and “light” is used on the package, they must be accompanied by a warning that clarifies that such words do not mean that the risk to their health is lower than other tobacco products so as to prevent consumers from misunderstanding the relationship between the consumption of tobacco products and health. JT has been adhering to this rule since July 1, 2005.

Self-regulation on marketing

Prevention of youth smoking

Youth smoking prevention is an issue which must be addressed by society as a whole. The JT Group has a voluntary code, ‘Global Tobacco Products Marketing Standard’, to govern its business and marketing activities in support of youth smoking prevention. We are working with government and other relevant organizations to take steps towards preventing youth smoking in the countries in which we operate. For further details, please refer to the following website pages:

Initiatives taken in Japan:

Initiatives taken in the international markets:
Global Tobacco Products Marketing Standards
The JT Group complies with all the national regulation and has implemented a ‘Global Tobacco Products Marketing Standard’, a self-regulatory code, which governs the marketing of its tobacco products in every country. The key provisions include ‘Strict minimum guidelines applicable to advertise tobacco products’, and ‘Indication of health warnings in ads and other media’, ‘Restrictions on sponsorships’, among others.

Please refer to the following link for more information regarding the Global Tobacco Product Marketing Standards of JTI:

Pharmaceutical Business
The pharmaceutical industry operates in a highly regulated environment. In many countries, R&D, manufacturing and sales activities are strictly regulated. Moreover, in recent years, the approval process for new drugs has been tightening due to the increased requirements to promote public health and safety. Today, compared to the past, pharmaceutical companies are required to spend more time to examine pharmaceutical safety issues and conduct a greater number of clinical trials on subjects to collect more data on the efficacy of new pharmaceuticals. Consequently, clinical trials are growing in scale, cost and time.

In Japan, the marketing of pharmaceutical products is subject to the supervision of the Ministry of Health, Labor and Welfare, or MHLW, primarily under the Act on Securing Quality, Efficacy and Safety of Pharmaceuticals, Medical Devices, Regenerative and Cellular Therapy Products, Gene Therapy Products, and Cosmetics, while part of its supervisory authority is undertaken by the relevant prefectural governor. Under the act, in order to conduct the marketing business of pharmaceuticals, a person is required to obtain from the relevant prefectural governor a renewable, generally five-year marketing business license. In addition, under the act, in order to market pharmaceuticals, it is necessary to obtain marketing approval from the MHLW for each kind of product.

The national health insurance system covers virtually the entire Japanese population. To sell a pharmaceutical product in Japan, a marketing business license holder of pharmaceutical products must first have a new pharmaceutical product listed on the National Health Insurance Pharmaceutical Price List for coverage under the national health insurance system. Generally, prices on the price list are subject to revision once every two years as part of the government’s policy to control health-care spending.

Processed Food Business
As a producer and seller of food products, the JT Group’s processed food business is subject to regulations mainly under the Food Safety Basic Act, the Food Sanitation Act and the JAS Act.

The Food Safety Basic Act requires food-related companies to take necessary measures to ensure food safety in each process of the supply chain, as well as to make efforts to provide accurate information about foods and food-related goods in an appropriate manner. The Food Sanitation Act concentrates on prevention of sanitary problems arising from consumption of foods and beverages. This Act requires food companies to take necessary measures under their own responsibility to ensure the safety of foods, additives, appliances and packages. The measures discussed in the Act include the acquisition of knowledge and skills, assurance of the safety of raw materials and voluntary inspection. The JAS Act sets the quality labeling standards which define the labeling requirements to indicate quality-related items such as materials and the origin. Manufacturers and others must comply with the standards in preparing their product labels.

The JT Group is striving to establish a high level of food safety control from the above-mentioned four perspectives – “food safety”, “food defense”, “food quality” and “food communication” – in addition to complying with these laws and regulations and ensuring thorough awareness about them.
**Litigation**

JT and some of its subsidiaries are defendants in lawsuits filed by plaintiffs seeking damages for harm allegedly caused by smoking, the marketing of tobacco products, or exposure to tobacco smoke. As of the fiscal year-end date, there were a total of 19 smoking and health-related cases pending in which one or more members of the JT Group were named as defendant or for which JT may have certain indemnity obligations pursuant to the agreement for JT’s acquisition of RJR Nabisco Inc.’s overseas (non-U.S.) tobacco operations. We believe it is possible that other similar smoking and health-related lawsuits may be filed in the future.

In addition, JT and some of its subsidiaries are also defendants in lawsuits other than the smoking and health-related cases. Please refer to “Note 37” to the consolidated financial statements (Contingencies -Contingent Liabilities) for major lawsuits to which JT and some of its subsidiaries are named as defendants. Similar lawsuits involving us may be filed and contested in courts in the future.

To date, we have never lost a case or paid any settlement award in connection with smoking and health-related litigation. However, we are unable to predict the outcome of currently pending or future lawsuits. If a court ruling is unfavorable for us, in such cases whether lawsuits are smoking and health related or not, our financial results, production, sales and imports/exports of tobacco products may be adversely affected.

In recent decades, numerous, large-scale, smoking and health-related cases have been brought against tobacco product manufacturers in the United States of America, and some of the cases resulted in verdicts with massive damage awards. JT and its subsidiaries are not defendants in any of these lawsuits, nor are they subject to any indemnity claims. The tobacco business which JT acquired from RJR Nabisco Inc. did not include brands in the United States of America, and even now, our historic and current tobacco business scale in the United States of America remains very small. Accordingly, we consider its exposure to smoking and health-related litigation in the United States of America to be low, and we thus believe that situations under the litigation in the United States of America will not materially affect our businesses in the near future.

As of the fiscal year-end date, there are nine ongoing health-care cost recovery cases in Canada pending against JTI-Macdonald Corp. and JT’s indemnitees (RJR Nabisco Inc.’s affiliate), brought by Canadian provinces. In addition, there are eight pending class actions in Canada, in which plaintiffs are seeking damages for harm allegedly caused by smoking of cigarettes. Damages claimed in some of these cases reach sums in the multi-billion dollar range. We will continue to take all appropriate actions to defend such claims vigorously, and believe there are a number of valid defenses.

In recent decades, numerous, large-scale, smoking and health-related cases have been brought against tobacco product manufacturers in the United States of America, and some of the cases resulted in verdicts with massive damage awards. As a tobacco product manufacturer, we continue to monitor closely the developments and trends of litigation involving tobacco companies in the United States of America, Canada, and elsewhere, with particular interest and attention.
Members of the Board, Audit & Supervisory Board Members, and Executive Officers

(As of March 20, 2015)

Members of the Board
Chairman of the Board
Yasutake Tango

Representative Directors
Mitsuomi Koizumi
Yasushi Shingai
Noriaki Okubo
Akira Saeki

Members of the Board
Hideki Miyazaki
Motoyuki Oka*
Main Kohda*

* Outside Directors under the Companies Act of Japan.

Audit & Supervisory Board Members
Futoshi Nakamura
Tomotaka Kojima
Yoshinori Imai*
Hiroshi Ohbayashi*

* Outside Audit & Supervisory Board Members under the Companies Act of Japan.

Executive Officers
President
Mitsuomi Koizumi
Chief Executive Officer

Executive Deputy Presidents
Yasushi Shingai
Compliance, Strategy, HR, General Administration, Legal and Operation Review & Business Assurance

Noriaki Okubo
Pharmaceutical, Beverage, and Processed Food Business

Akira Saeki
President, Tobacco Business

Hideki Miyazaki
CSR, Finance and Communications

Senior Executive Vice Presidents
Kenji Iijima
Chief Marketing & Sales Officer, Tobacco Business

Ryoji Chijiiwa
Compliance and Chief General Affairs Officer

Mutsuo Iwai
Chief Strategy Officer

Executive Vice President
Kazuhito Yamashita
Head of China Division, Tobacco Business

Senior Vice Presidents
Junichi Fukuchi
Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business

Yasuyuki Yoneda
Chief R&D Officer, Tobacco Business

Masahiko Sato
Head of Manufacturing General Division, Tobacco Business

Kiyohide Hirowatari
Head of Tobacco Business Planning Division, Tobacco Business

Yasushi Hasegawa
Head of Domestic Leaf Tobacco General Division, Tobacco Business

Muneaki Fujimoto
President, Pharmaceutical Business

Shigenori Okhawa
Head of Central Pharmaceutical Research Institute, Pharmaceutical Business

Goichi Matsuda
Head of Beverage Business

Ryoko Nagata
CSR

Takehiko Tsutsui
Business Development and Corporate Strategy

Chito Sasaki
Chief Human Resources Officer

Naohiro Minami
Chief Financial Officer

Yuki Maeda
Chief Communications Officer

Haruhiko Yamada
Chief Legal Officer
Members of JTI Executive Committee

(As of April 1, 2015)

Thomas A. McCoy
President and Chief Executive Officer

Masamichi Terabatake
Deputy CEO, Executive Vice President
Emerging Products & Corporate Strategy

Eddy Pirard
Executive Vice President Business Development, Corporate Affairs and Corporate Communications

Jorge da Motta
Regional President Central Europe

Bruno Duguay
Senior Vice President Compliance and Corporate Social Responsibility

Stefan Fitz
Regional President Asia Pacific

Roland Kostantos
Senior Vice President Finance, Information Technology and Chief Financial Officer

Paul Neumann
Senior Vice President Global Leaf

Howard Parks
Senior Vice President Marketing & Sales

Fadoul Pekhazis
Regional President Middle East, Near East, Africa, Turkey and World Wide Duty Free

Michel Poirier
Regional President Americas

Jörg Schappei
Senior Vice President Human Resources

Bill Schulz
Senior Vice President Global Supply Chain

Takehisa Shibayama
Senior Vice President Research & Development

Kevin Tomlinson
Regional President CIS+

Vassilis Vovos
Regional President Western Europe

Wade Wright
Senior Vice President Legal & Regulatory Affairs
Glossary of Terms

Unless otherwise stated, terms and numbers reported in this glossary are in accordance with IFRS.

**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

**Adjusted EPS**: (Profit or loss attributable to owners of the parent company ± adjustment items (income and costs)* ± tax and minority interests adjustments) / (weighted-average common shares + increased number of ordinary shares under subscription rights to shares)

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

**Adjusted Profit**: Profit for the year (profit attributable to owners of the parent company) ± adjustment items (income and costs)* ± (tax and minority interests adjustments)

* Adjustment items (income and costs): impairment losses on goodwill ± restructuring income and costs ± others

**BnU**: Billion Units.

**CAGR**: Compound annual growth rate.

**Contraband**: Genuine products smuggled from abroad. Genuine products diverted from the legitimate supply chain and sold in a country different from the intended market of retail sale and without domestic duty paid in that country.

**Constant Exchange Rates**: Constant exchange rates measures are computed by restating current year results at the previous year’s foreign currency exchange rate. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

**Core revenue (International Tobacco Business)**: Includes revenues from waterpipe tobacco and emerging products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.

**Core Revenue (Japanese Domestic Tobacco Business)**: Excludes revenue from the distribution business of imported tobacco.

**Counterfeit**: Fake products appearing to be a genuine brand. Products protected by intellectual property rights which are manufactured without authorization from the rights’ owners and with the intent to copy the genuine brand to deceive the consumer, also sold without duties being paid.

**FCF (Free Cash Flow)**: Cash flow from operating activities + Cash flow from investing activities excluding the following items:

- Cash flows from interest and dividends received and its tax effect / interest paid and its tax effect in operating activities.
- Cash flows from purchase of short-term investment securities, proceeds from sale and redemption of short-term investment securities, purchase of investment securities, proceeds from sale of investment securities, payments into time deposits, proceeds from withdrawal of time deposits and others in investing activities (those from purchase/sale of securities held for business operation are not included here).

**GFB**: Global Flagship Brands (Winston, Camel, MEVIUS, LD, Benson & Hedges, Glamour, Silk Cut and Sobranie).

**FY2014**: Results for the fiscal year ended December 31, 2014.

In FY2014, the Company and its subsidiaries with fiscal year ends other than December 31 have changed their fiscal year ends to December 31.

The fiscal year end for international business continues to be December 31 as before, hence the Group consolidates financial results of international business for the twelve-month period from January 1, 2014 to December 31, 2014 into the Group’s consolidated financial results for the nine months ended December 31, 2014 (Reported basis).

For the purpose of fair comparison of business performance, we are providing figures for the twelve-month period from January 1, 2014 to December 31, 2014 (Like-for-Like basis) with regard to all business segments.
Results for Nine months ended December 31, 2014 (Reported basis)
For domestic businesses: consolidated nine-month results from April 1 to December 31, 2014.

For international business: consolidated twelve-month results from January 1 to December 31, 2014.

Results for Jan-Dec 2014 (Like-for-Like basis):
For the purpose of fair comparison of business performance, we also provide figures with regard to all business segments for January – December 2014, in comparison to results for the twelve-month period for January – December 2013.

• Revenue, operating profit, adjusted operating profit and profit attributable to owners of the parent company for January – December, 2014 would be disclosed in the Financial Statements and Notes, which would be audited.

• For the purpose of fair comparison and reference, the same accounting methods were applied to both financial results of January – December 2013 and 2014. Financial results of January – December, 2013 would not be audited.

Results for the year ended December 2015.
With regard to the forecast for FY2015, the figures are presented on a January to December basis.

Illicit whites: Legitimately manufactured brands intentionally sold on the illicit market. Brands manufactured legitimately in one country but smuggled into another country to provide consumers with cheap brands, also without duties being paid.


Restated: See ‘Constant Exchange Rates’.

Revenue: Excluding tobacco excise taxes and revenue from agent transactions.

Profit: Profit attributable to owners of the Parent.

TableMark: References to “TableMark” are to TableMark Holdings Co. Ltd., TableMark Co. Ltd.

Total Shipment Volume (International Tobacco Business): Includes fine cut, cigars, pipe tobacco and snus but excludes contract manufactured products, waterpipe tobacco and emerging products.

Total Sales Volume (Japanese Domestic Tobacco Business): Excludes sales volume of domestic duty free and the China business.

Corporate Data

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Date of Establishment

April 1, 1985

Paid-in Capital

¥100 billion

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