



**Financial Results
Supplemental Material
FY2017 Fourth Quarter**

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Data Sheets

Terms	Definitions
Adjusted Operating Profit	Operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjusted items (income and costs)* *Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
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 same period in previous fiscal year are applied
Total Shipment Volume (International Tobacco Business)	Includes fine cut, cigars, pipe tobacco, snus and kretek but excludes contract manufactured products, waterpipe tobacco, and Reduced-Risk Products
Core Revenue (International Tobacco Business)	Includes revenue from waterpipe tobacco and Reduced-Risk Products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses
Core Revenue/ Adjusted Operating Profit at Constant FX (International Tobacco Business)	The same foreign exchange rates between local currencies vs USD as same period in previous fiscal year are applied
Core Revenue (Japanese Domestic Tobacco Business)	Includes revenue from domestic duty free, the China business and Reduced-Risk Products such as Ploom TECH devices and capsules but excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others
Japanese Domestic Tobacco Industry Volume (Japanese Domestic Tobacco Business)	Industry volume of tobacco products in Japan market (including Reduced-Risk Products)
Cigarette Sales Volume (Japanese Domestic Tobacco Business)	Excludes sales volume of domestic duty free, the China business and Reduced-Risk Products
RMC	Ready made cigarette
Reduced-Risk Products (RRP)	Products with potential to reduce the risks associated with smoking
GFB	Global Flagship Brands: 9 Brands Winston, Camel, MEVIUS, LD, B&H, Glamour, Sobranie, Silk Cut, Natural American Spirit From 2018: 4 Brands (Winston, Camel, MEVIUS, LD)

Results for FY2017

1. Consolidated results highlight

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Revenue	2,143.3	2,139.7	-3.6	-0.2%
Operating profit	593.3	561.1	-32.2	-5.4%
Adjusted operating profit	586.8	585.3	-1.5	-0.3%
Profit before income tax	578.2	538.5	-39.7	-6.9%
Profit	425.8	396.7	-29.0	-6.8%
Profit (attributable to owners of the parent company)	421.7	392.4	-29.3	-6.9%
Dividend per share (JPY)	130.00	140.00	+10.00	+7.7%
Basic EPS* (JPY)	235.47	219.10	-16.37	-7.0%
ROE (attributable to owners of the parent company)	17.2%	15.0%	-2.1%pt	

*Based on profit attributable to owners of the parent company

• [reference] Consolidated results

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	586.8	583.2	-3.6	-0.6%

2. Revenue by business segment

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Revenue	2,143.3	2,139.7	-3.6	-0.2%
Japanese domestic tobacco	684.2	626.8	-57.5	-8.4%
Core revenue	649.7	590.6	-59.1	-9.1%
International tobacco	1,199.2	1,237.6	+38.4	+3.2%
Core revenue	1,138.8	1,177.0	+38.2	+3.4%
Pharmaceutical	87.2	104.7	+17.5	+20.1%
Processed food	164.1	163.1	-0.9	-0.6%
Others	8.6	7.5	-1.1	-13.2%

• [reference] International tobacco business

(Unit: USD million)

	FY2016	FY2017	Variance (abs)	Variance (%)
Core revenue	10,490	10,498	+8	+0.1%
Core revenue at constant FX	10,490	10,457	-33	-0.3%

Results for FY2017

3. Adjusted operating profit (and total adjustments) by business segment

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Consolidated: operating profit	593.3	561.1	-32.2	-5.4%
Adjustments, total	-6.6	24.2	+30.8	
Amortization of acquired intangibles	46.8	50.4	+3.6	
Adjustments (income)	-65.2	-37.6	+27.6	
Adjustments (costs)	11.9	11.4	-0.5	
Consolidated: adjusted operating profit	586.8	585.3	-1.5	-0.3%
Japanese domestic tobacco: operating profit	244.1	215.8	-28.3	-11.6%
Adjustments, total	16.1	16.4	+0.3	
Amortization of acquired intangibles	16.2	16.2	-	
Adjustments (income)	-0.3	-0.0	+0.3	
Adjustments (costs)	0.1	0.2	+0.1	
Japanese domestic tobacco: adjusted operating profit	260.2	232.3	-27.9	-10.7%
International tobacco: operating profit	301.8	325.6	+23.8	+7.9%
Adjustments, total	34.4	25.7	-8.7	
Amortization of acquired intangibles	30.5	34.2	+3.6	
Adjustments (income)	-0.0	-16.7	-16.7	
Adjustments (costs)	4.0	8.3	+4.3	
International tobacco: adjusted operating profit	336.2	351.3	+15.1	+4.5%
Pharmaceutical: operating profit	9.7	24.1	+14.4	+148.0%
Adjustments, total	-	-	-	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-	-	-	
Adjustments (costs)	-	-	-	
Pharmaceutical: adjusted operating profit	9.7	24.1	+14.4	+148.0%
Processed food: operating profit	5.0	5.4	+0.4	+7.7%
Adjustments, total	0.0	0.0	+0.0	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-0.0	-	+0.0	
Adjustments (costs)	0.0	0.0	+0.0	
Processed food: adjusted operating profit	5.0	5.4	+0.4	+8.0%
Others / Elimination: operating profit	32.7	-9.8	-42.5	-
Adjustments, total	-57.1	-18.0	+39.1	
Amortization of acquired intangibles	-	-	-	
Adjustments (income)	-64.9	-20.8	+44.1	
Adjustments (costs)	7.8	2.9	-4.9	
Others / Elimination: adjusted operating profit	-24.4	-27.8	-3.4	-

● [reference] International tobacco business

(Unit: USD million)

	FY2016	FY2017	Variance (abs)	Variance (%)
Adjusted operating profit	3,095	3,138	+44	+1.4%
Adjusted operating profit at constant FX	3,095	3,219	+125	+4.0%

4. Depreciation and amortization

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)
Consolidated	140.8	145.4	+4.6
Japanese domestic tobacco	58.0	56.0	-2.0
International tobacco	69.1	76.1	+7.0
Pharmaceutical	4.9	5.1	+0.2
Processed food	6.4	6.1	-0.3
Others/Elimination	2.3	2.1	-0.3

Results for FY2017

5. Consolidated financial position

(Unit: JPY billion)

	2016 Dec. end	2017 Dec. end	Variance (abs)
Total assets	4,744.4	5,221.5	+477.1
Total equity	2,528.0	2,842.0	+314.0
Equity attributable to owners of the parent company	2,456.1	2,761.7	+305.6
BPS (attributable to owners of the parent company) (JPY)	1,371.39	1,541.94	+170.6

6. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2016 Dec. end	2017 Dec. end	Variance (abs)
Liquidity ^{*1}	297.0	291.8	-5.2
Interest-bearing debt ^{*2}	555.3	755.8	+200.5

*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

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)
Cash flows from operating activities	376.5	419.2	+42.7
Cash flows from investing activities	-687.5	-352.6	+334.9
Cash flows from financing activities	91.3	-77.0	-168.3
Cash and cash equivalents, beginning of the year	526.8	294.2	-232.6
Foreign currency translation adj. on cash & cash equivalents	-13.0	1.8	+14.7
Cash and cash equivalents, end of the period	294.2	285.5	-8.7
FCF*	-316.2	72.6	+388.8

*: 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

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)
Consolidated	113.0	140.9	+27.9
Japanese domestic tobacco	29.8	51.5	+21.7
International tobacco	70.6	68.4	-2.2
Pharmaceutical	3.8	6.2	+2.4
Processed food	5.7	10.4	+4.7
Others/Elimination	3.1	4.3	+1.2

Results for FY2017

9. Business data

● Japanese domestic tobacco business

	FY2016	FY2017	Variance (abs)	Variance (%)	
JT sales volume ^{*1}	106.2	92.9	-13.3	-12.5%	BNU
Ready made cigarettes industry volume ^{*2}	173.8	151.4	-22.4	-12.9%	BNU
JT market share	61.1%	61.3%	+0.3%pt		
JT revenue per 1,000 cigarettes	5,870	5,946	+76	+1.3%	JPY

*1: Excludes volumes of duty-free in Japan, China business (3.9 BNU in FY2016 and 4.0 BNU in FY2017, respectively) and

Reduced-Risk Products

*2: Industry volume of cigarettes in Japan market (excluding Reduced-Risk Products)

● International tobacco business

	FY2016	FY2017	Variance (abs)	Variance (%)	
Total shipment volume	398.7	398.5	-0.2	-0.1%	BNU
GFB shipment volume	283.7	285.9	+2.2	+0.8%	BNU
JPY/USD	108.78	112.16	+3.38	+3.1%	JPY
RUB/USD	67.07	58.35	-8.72	+15.0%	RUB
GBP/USD	0.74	0.78	+0.04	-4.8%	GBP
EUR/USD	0.90	0.89	-0.02	+1.8%	EUR
CHF/USD	0.98	0.98	-0.00	+0.0%	CHF
TWD/USD	32.24	30.44	-1.81	+5.9%	TWD
TRY/USD	3.02	3.64	+0.63	-17.2%	TRY
IRR/USD	35,814	38,811	2,997	-7.7%	IRR

● Pharmaceutical business

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
R&D expenses	30.7	32.6	+1.9	+6.2%

Results for FY2017

10. Consolidated statement of income

(Unit: JPY billion)

	FY2016	FY2017	Variance (abs)	Variance (%)
Revenue	2,143.3	2,139.7	-3.6	-0.2%
Cost of sales	872.4	843.6	-28.9	-3.3%
Gross profit	1,270.9	1,296.1	+25.2	+2.0%
Other operating income	70.1	45.7	-24.4	-34.8%
Share of profit in investments accounted for using the equity method	6.5	6.2	-0.3	-4.5%
SG & A	754.1	786.9	+32.8	+4.3%
Advertising expenses	26.1	24.4	-1.7	-6.5%
Promotion expenses	124.8	112.2	-12.6	-10.1%
Shipping and warehousing expenses	26.8	26.9	+0.2	+0.6%
Commission	50.9	54.5	+3.6	+7.1%
Employee benefit expenses	241.8	254.0	+12.3	+5.1%
R&D expenses	58.2	60.6	+2.4	+4.1%
Depreciation and amortization	79.1	81.3	+2.2	+2.8%
Other	146.6	172.9	+26.4	+18.0%
Operating profit	593.3	561.1	-32.2	-5.4%
Amortization of acquired intangibles	46.8	50.4	+3.6	+7.8%
Adjustments (income)	-65.2	-37.6	+27.6	-
Adjustments (costs)	11.9	11.4	-0.5	-4.5%
Adjusted operating profit	586.8	585.3	-1.5	-0.3%
Financial income	6.6	4.8	-1.8	-27.8%
Dividend income	1.7	1.8	+0.1	+6.3%
Interest income	4.7	2.6	-2.1	-45.0%
Foreign exchange gain	-	-	-	-
Other	0.2	0.4	+0.2	+61.2%
Financial costs	21.7	27.3	+5.6	+26.0%
Interest expenses	8.7	11.6	+2.9	+33.7%
Employee benefit expenses	3.5	3.6	+0.1	+3.3%
Foreign exchange loss	9.2	11.3	+2.1	+22.6%
Other	0.4	0.9	+0.5	+148.2%
Profit before income taxes	578.2	538.5	-39.7	-6.9%
Income taxes	152.5	141.8	-10.7	-7.0%
Profit for the period	425.8	396.7	-29.0	-6.8%
Attributable to owners of the parent company	421.7	392.4	-29.3	-6.9%
Attributable to non-controlling interests	4.1	4.3	+0.3	+6.4%

Results for FY2017

11. Consolidated financial position

(Unit: JPY billion)

	2016 Dec. end	2017 Dec. end	Variance (abs)
Current assets	1,606.0	1,707.8	+101.8
Cash and cash equivalents	294.2	285.5	-8.7
Trade and other receivables	396.9	431.2	+34.3
Inventories	558.8	613.0	+54.1
Other financial assets *1	14.9	14.0	-0.9
Other current assets	340.3	361.7	+21.4
Non-current assets held-for-sale	0.8	2.4	+1.6
Non-current assets	3,138.4	3,513.7	+375.3
Property, plant & equipment	680.8	745.6	+64.8
Goodwill *2	1,602.0	1,891.2	+289.2
Intangible assets *3	424.0	479.2	+55.2
Investment property	18.2	16.7	-1.5
Retirement benefit assets	23.7	51.4	+27.7
Investments accounted for using the equity method	123.8	81.3	-42.5
Other financial assets *1	99.4	115.0	+15.6
Deferred tax assets	166.6	133.4	-33.2
Total assets	4,744.4	5,221.5	+477.1

	2016 Dec. end	2017 Dec. end	Variance (abs)
Current liabilities	1,356.6	1,478.6	+122.0
Trade and other payables	377.9	395.7	+17.8
Bonds and borrowings *4	208.5	398.2	+189.7
Income tax payables	54.9	46.5	-8.5
Other financial liabilities *4	13.0	6.9	-6.1
Provisions	12.5	13.0	+0.5
Other current liabilities *5	689.6	618.3	-71.3
Liabilities directly associated with non-current assets held-for-sale	-	-	-
Non-current liabilities	859.8	900.8	+41.1
Bonds and borrowings *4	339.0	347.0	+7.9
Other financial liabilities *4	9.0	11.0	+2.0
Retirement benefit liabilities	333.4	330.8	-2.6
Provisions	4.4	4.0	-0.4
Other non-current liabilities *5	102.2	120.8	+18.6
Deferred tax liabilities	71.7	87.3	+15.7
Total liabilities	2,216.3	2,379.5	+163.1
Equity	2,528.0	2,842.0	+314.0
Share capital	100.0	100.0	-
Capital surplus	736.4	736.4	-
Treasury shares	-443.8	-443.6	+0.2
Other components of equity	-303.6	-167.3	+136.2
Retained earnings	2,367.1	2,536.3	+169.2
Non-controlling interests	71.9	80.3	+8.4
Total liabilities and equity	4,744.4	5,221.5	+477.1

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

	2016 Dec. end	2017 Dec. end	Variance (abs)
Other financial assets	114.3	129.0	+14.7
Derivative assets	11.8	6.0	-5.8
Equity securities	65.5	77.6	+12.0
Debt securities	4.6	11.4	+6.8
Time deposits	1.0	1.0	+0.0
Other	38.3	39.7	+1.3
Allowance for doubtful accounts	-6.9	-6.6	+0.4

*2: Goodwill ~ Cash-generating unit

	2016 Dec. end	2017 Dec. end	Variance (abs)
Japanese domestic tobacco	265.9	265.9	-
International tobacco	1,310.7	1,600.0	+289.2
Processed food	25.4	25.4	-

*3: Intangible assets ~ Trademarks

	2016 Dec. end	2017 Dec. end	Variance (abs)
Japanese domestic tobacco	148.3	131.8	-16.4
International tobacco	216.6	269.5	+52.8

*4: Bonds and borrowings and other financial liabilities (current & non-current combined)

	2016 Dec. end	2017 Dec. end	Variance (abs)
Total financial liabilities	569.6	763.1	+193.5
Derivative liabilities	12.5	5.4	-7.1
Short-term borrowings	187.9	274.2	+86.3
Commercial paper	-	66.8	+66.8
Current portion of long-term borrowings	0.6	0.7	+0.1
Current portion of bonds	20.0	56.5	+36.5
Long-term borrowings	0.9	71.2	+70.3
Bonds	338.2	275.8	-62.4
Other	9.5	12.5	+3.0

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

	2016 Dec. end	2017 Dec. end	Variance (abs)
Total other liabilities	791.8	739.1	-52.7
Tobacco excise tax payables	306.8	265.3	-41.5
Tobacco special excise tax payables	13.9	12.0	-1.9
Tobacco local excise tax payables	180.8	167.4	-13.4
Consumption tax payables	105.5	103.5	-2.0
Bonus to employees	33.8	31.4	-2.4
Employee's unused paid vacations liabilities	18.8	18.7	-0.1
Other	132.2	140.7	+8.5

FY2018 Forecasts

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2017 Results	FY2018 Forecast	Variance (abs)	Variance (%)
Revenue	2,139.7	2,220.0	+80.3	+3.8%
Operating profit	561.1	561.0	-0.1	-0.0%
Adjusted operating profit	585.3	600.0	+14.7	+2.5%
Profit (attributable to owners of the parent company)	392.4	394.0	+1.6	+0.4%

• [reference] Consolidated forecast

(Unit: JPY billion)

	FY2017 Results	FY2018 Forecast	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	585.3	607.0	+21.7	+3.7%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2017 Results	FY2018 Forecast	Variance (abs)	Variance (%)
Basic EPS	219.10	219.98	+0.88	+0.4%
DPS	140.00	150.00	+10.00	+7.1%
ROE (attributable to owner of the parent company)	15.0%	14.0%	-1.1%pt	

3. Revenue by business segment

(Unit: JPY billion)

	FY2017 Results	FY2018 Forecast	Variance (abs)	Variance (%)
Revenue	2,139.7	2,220.0	+80.3	+3.8%
Japanese domestic tobacco	626.8	608.0	-18.8	-3.0%
Core revenue	590.6	573.0	-17.6	-3.0%
International tobacco	1,237.6	1,320.0	+82.4	+6.7%
Core revenue	1,177.0	1,265.0	+88.0	+7.5%
Pharmaceutical	104.7	109.0	+4.3	+4.1%
Processed food	163.1	165.0	+1.9	+1.1%
Others	7.5	6.5	-1.0	-12.9%

• [reference] International tobacco business

(Unit: USD million)

	FY2017 Results	FY2018 Forecast	Variance (abs)	Variance (%)
Core revenue	10,498	11,500	+1,002	+9.5%
Core revenue at constant FX	10,498	11,350	+852	+8.1%

FY2018 Forecasts

4. Operating profit and adjusted operating profit by business segment

(Unit: JPY billion)

	FY2017 Results	FY2018 Forecast	Variance (abs)	Variance (%)
Consolidated: operating profit	561.1	561.0	-0.1	-0.0%
Japanese domestic tobacco	215.8	186.0	-29.8	-13.8%
International tobacco	325.6	356.0	+30.4	+9.3%
Pharmaceutical	24.1	25.0	+0.9	+3.8%
Processed food	5.4	5.5	+0.1	+2.3%
Others/Elimination	-9.8	-13.0	-3.2	-
Adjusted operating profit	585.3	600.0	+14.7	+2.5%
Japanese domestic tobacco	232.3	202.0	-30.3	-13.0%
International tobacco	351.3	396.0	+44.7	+12.7%
Pharmaceutical	24.1	25.0	+0.9	+3.8%
Processed food	5.4	5.5	+0.1	+1.9%
Others/Elimination	-27.8	-29.0	-1.2	-

● [reference] International tobacco business

(Unit: USD million)

	FY2017 Results	FY2018 Forecast	Variance (abs)	Variance (%)
Adjusted operating profit	3,138	3,600	+462	+14.7%
Adjusted operating profit at constant FX	3,138	3,600	+462	+14.7%

5. Free cash flow

(Unit: JPY billion)

	FY2017 Results	FY2018 Forecast	Variance (abs)
FCF*	72.6	300.0	+227.4

* 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)

	FY2017 Results	FY2018 Forecast	Variance (abs)
Consolidated	140.9	199.0	+58.1
Japanese domestic tobacco	51.5	76.0	+24.5
International tobacco	68.4	90.0	+21.6
Pharmaceutical	6.2	12.0	+5.8
Processed food	10.4	15.0	+4.6
Others/Elimination	4.3	5.5	+1.2

7. Business data

● 2018 Japanese domestic tobacco business

- Industry volume : a decline of over 4.5% (vs. 2017: 172.0 BnU)
- Cigarette industry volume : a decline of c. 17.5% (vs. 2017: 151.4 BnU)
- JT cigarette sales volume : a decrease of over 16.5% (vs. 2017: 92.9 BnU)
- RRP market share in tobacco industry : about 23% (2017: 12%, JT estimate)

● 2018 International tobacco business

- Total shipment volume : an increase of c.4% (vs. 2017: 398.5 BnU)
- GFB* shipment volume : an increase of c.2% (vs. 2017: 260.4 BnU)

* Since 2018 we changed GFB from 9 brands to 4 brands (Winston, Camel, MEVIUS, LD)

Above volume is based on 4 brands.

<FX assumptions>

	FY2017 Results	FY2018 Forecast	Variance (abs)	Variance (%)
JPY/USD	112.16	110.00	-2.16	-1.9%
RUB/USD	58.35	58.00	-0.35	+0.6%
GBP/USD	0.78	0.74	-0.04	+5.0%
EUR/USD	0.89	0.83	-0.06	+6.9%
CHF/USD	0.98	0.98	-0.00	+0.5%
TWD/USD	30.44	29.50	-0.94	+3.2%
TRY/USD	3.64	3.80	+0.16	-4.1%
IRR/USD	38,811	43,600	+4,789	-11.0%

Data of JT products in Japanese market

* Excludes sales from the China, Hong Kong, and Macau markets, domestic duty-free sales and Reduced-Risk Products.

Japanese Domestic Tobacco Business Results

1. Quarterly Sales Volume

(billions of cigarettes)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	25.5	27.6	28.2	28.0	109.2
2016	27.2	25.5	27.0	26.5	106.2
2017	23.0	23.8	23.5	22.6	92.9

2. Quarterly Revenue Per Thousand Cigarettes

(JPY)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	5,671	5,662	5,666	5,647	5,661
2016	5,672	5,952	5,935	5,930	5,870
2017	5,931	5,987	5,922	5,944	5,946

* 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
2015	59.9	60.0	59.7	60.1	59.9
2016	62.4	59.8	60.7	61.4	61.1
2017	61.0	61.0	61.1	62.4	61.3

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
2017	30.5	31.6	31.3	32.1	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
2017	8.1	8.1	8.1	8.1	8.1

*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
2017	7.5	7.6	7.6	7.8	7.6

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
2017	1.8	1.8	1.8	2.0	1.8

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

Quarterly Market Share in Growing Segment

1. JT Menthol Product Share

(%)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
2015	10.1	10.1	10.3	10.5	10.2
2016*	11.3	11.2	11.2	11.3	11.3
2017	11.3	11.6	11.4	11.5	11.4

*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
2015	27.7	27.8	28.2	28.1	28.0
2016	27.9	28.8	28.6	28.1	28.4
2017	28.4	28.4	28.1	27.2	28.0

Japan Tobacco Inc. Clinical Development as of February 6, 2018

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Phase	Note
JTZ-951	Anemia associated with chronic kidney disease /Oral	HIF-PH inhibitor	Increases red blood cells by stimulating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PHD.	Phase3(Japan) Phase1(Overseas)	In-house Co-development with Torii
JTE-052	Autoimmune/allergic diseases /Oral, Topical *Atopic dermatitis/Topical	JAK inhibitor	Suppresses overactive immune response via inhibition of Janus kinase (JAK) related to immune signal.	Phase3(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	ROR γ antagonist	Suppresses overactive immune response via inhibition of ROR γ related to Th 17 activation.	Phase1(Overseas)	In-house
JTS-661 (serlopitant)	Pruritus/Oral	NK-1antagonist	Suppresses pruritus involving the neurokinin (NK-1) receptor antagonist signalling pathway.	Phase2(Japan)	In-license (Menlo Therapeutics) Co-development with Torii
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 pathway.	NSCLC with BRAF V600E mutation, trametinib+dabrafenib Japan marketing application submitted Melanoma(adjuvant) with BRAF V600E/K mutation, trametinib+dabrafenib U.S. marketing application 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-PH 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 November 1, 2017:

<In-house development>

- JTZ-951 advanced to Phase 3 in Japan.
- JTS-661 has entered the clinical trial stage (Phase2) in Japan.

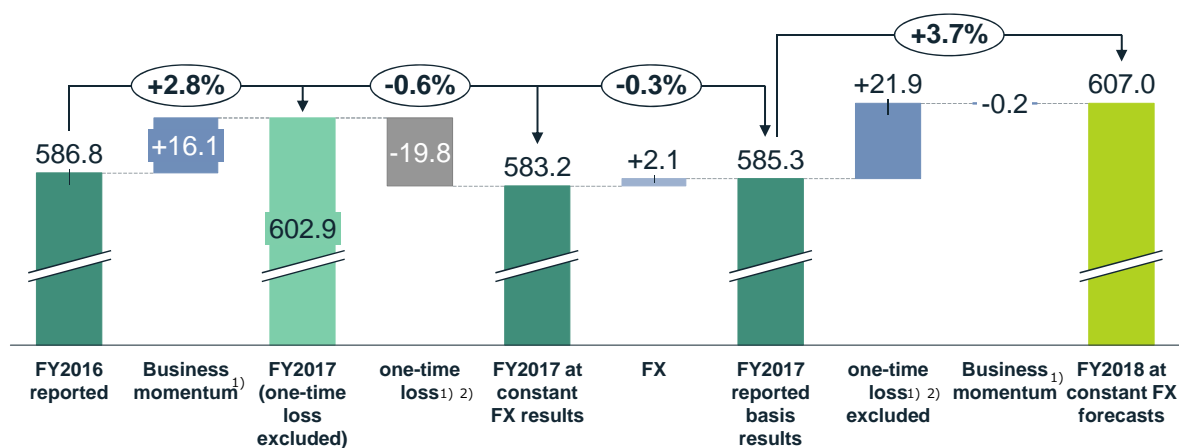
<Licensed compounds>

- Novartis announced on December 22, 2017 that Mekinist® (trametinib) has filed NDA in U.S, in combination with Tafinlar® (dabrafenib), for the adjuvant treatment of stage 3 BRAF V600E/K mutation-positive melanoma. *additional indication

Supplemental information for JTG consolidated financial results

Consolidated basis Adjusted operating profit (roadmap)

(JPY BN)



1) The same foreign exchange rates between local currencies vs USD and JPY vs USD as same period in previous fiscal year are applied

2) One-time loss: a loss related to a UK distributor going into administration



International Tobacco Business 2017 full year results

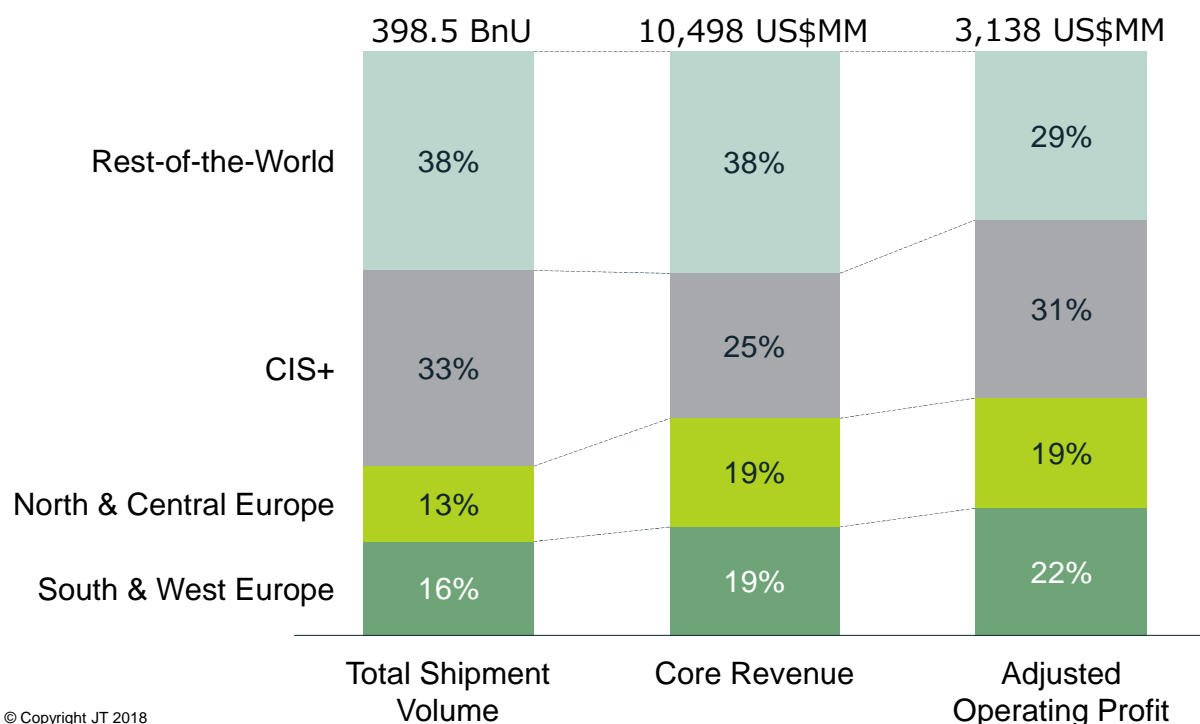
JTI Results by cluster

Shipment Volume, Core Revenue and Adjusted Operating Profit at Constant FX

FY2017	Shipment Volume (BnU)		Core Revenue (US\$ MM)		Adjusted Operating Profit (US\$ MM)	
	Total	GFB	at constant FX	vs. 2016	at constant FX	vs. 2016
South & West Europe	64.2	57.9	1,932	-2.4%	698	+7.4%
North & Central Europe	51.8	32.7	1,986	-11.9%	658	-31.2%
CIS+	133.0	104.3	2,403	-5.1%	863	+7.6%
Rest-of-the- World	149.5	91.0	4,136	+11.1%	1,000	+45.7%
JTI Total	398.5	285.9	10,457	-0.3%	3,219	+4.0%

JTI Contribution by cluster

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



Total shipment volume evolution vs. PY

	<u>2017</u> Jan-Mar	<u>2017</u> Apr-Jun	<u>2017</u> Jul-Sep	<u>2017</u> Oct-Dec	<u>2017</u> Full year
JTI	-2.9%	-3.6%	0.3%	6.3%	-0.1%
South & West Europe	-6.4%	0.9%	0.1%	-0.9%	-1.6%
France	-5.1%	5.4%	-7.8%	-5.4%	-3.1%
Italy	-7.6%	-4.7%	4.5%	0.0%	-2.3%
Spain	-10.1%	8.3%	8.7%	-0.6%	1.5%
Switzerland	1.6%	9.2%	-2.4%	5.1%	3.3%
North & Central Europe	-5.0%	-5.0%	-6.4%	-1.3%	-4.5%
Austria	2.2%	-9.7%	-2.6%	3.0%	-2.0%
Germany	-2.2%	-6.4%	-14.5%	-5.3%	-7.3%
Ireland	-12.2%	0.1%	-0.5%	-12.6%	-6.6%
Poland	-1.1%	-4.0%	-5.7%	10.8%	-0.8%
Sweden	-16.2%	-6.1%	-10.8%	-2.8%	-8.8%
UK	-7.2%	-5.4%	-7.4%	-4.3%	-6.1%
CIS+	-6.7%	-10.8%	-4.3%	-1.1%	-5.9%
Kazakhstan	-3.1%	-9.4%	-2.9%	-10.2%	-6.5%
Romania	-7.0%	5.3%	-2.6%	4.8%	0.2%
Russia	-6.5%	-9.9%	-4.4%	1.8%	-5.0%
Ukraine	-12.2%	-16.7%	-10.4%	-10.4%	-12.6%
Rest of the World	3.4%	2.9%	8.0%	19.3%	8.4%
Canada	-5.1%	-4.6%	-5.2%	0.5%	-3.6%
Iran	23.1%	20.9%	6.1%	8.0%	14.3%
Malaysia	-7.3%	0.5%	-2.6%	7.5%	-0.9%
Taiwan	8.6%	15.7%	-7.3%	-23.7%	-2.0%
Turkey	-1.3%	-9.8%	-4.2%	2.4%	-3.4%

GFB shipment volume and evolution vs. PY

(BnU)	<u>2017</u> <u>Jan-Mar</u>	<u>2017</u> <u>Apr-Jun</u>	<u>2017</u> <u>Jul-Sep</u>	<u>2017</u> <u>Oct-Dec</u>	<u>2017</u> <u>Full year</u>
GFB Total	66.0 -0.5%	74.8 0.5%	76.0 0.5%	69.1 2.5%	285.9 0.8%
Winston	33.1 4.7%	37.2 3.9%	37.9 1.3%	36.0 4.4%	144.3 3.5%
Camel	12.6 -1.5%	13.7 0.2%	14.3 3.1%	12.1 2.4%	52.7 1.1%
MEVIUS	4.5 4.8%	5.0 6.8%	4.5 -1.4%	3.8 -14.2%	17.8 -0.9%
LD	9.9 -11.9%	12.1 -7.3%	12.5 -1.2%	11.1 4.3%	45.6 -4.2%
B&H	3.0 -8.8%	3.3 -6.8%	3.3 -6.2%	3.0 0.6%	12.7 -5.4%
Glamour	1.2 -12.4%	1.4 -10.8%	1.4 -7.7%	1.2 -8.3%	5.3 -9.8%
Sobranie	0.6 -9.9%	0.8 9.6%	0.9 9.3%	0.9 33.0%	3.2 10.5%
Silk Cut	0.6 -8.0%	0.6 -3.6%	0.5 -12.3%	0.5 -17.8%	2.2 -10.3%
Natural American Spirit	0.5 12.2%	0.6 -4.0%	0.5 8.2%	0.5 8.7%	2.1 5.7%

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GFB shipment volume evolution vs. PY in key markets

	<u>2017</u> <u>Jan-Mar</u>	<u>2017</u> <u>Apr-Jun</u>	<u>2017</u> <u>Jul-Sep</u>	<u>2017</u> <u>Oct-Dec</u>	<u>2017</u> <u>Full year</u>
France	-6.9%	6.3%	-7.6%	-4.2%	-3.0%
Italy	-7.4%	-4.8%	4.2%	0.1%	-2.3%
Russia	-5.8%	-7.4%	-1.2%	6.6%	-2.1%
Spain	-10.7%	7.8%	11.1%	-0.8%	1.7%
Taiwan	25.1%	33.5%	-9.2%	-23.3%	4.3%
Turkey	-0.2%	-7.4%	-1.3%	4.0%	-1.3%
UK	-13.6%	-0.6%	-6.7%	6.2%	-3.8%

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France

Industry volume evolution (BnU)

	2016	2017	Var.
Total industry	58.7	57.4	-2.2%
- RMC industry	44.9	44.4	-1.2%
- Fine-cut industry	13.7	13.0	-5.3%

Share evolution

	2016	2017	Var.	Q1 2017	Q2 2017	Q3 2017	Q4 2017
JTI SoM	21.9%	22.0%	+0.1ppt	22.1%	21.9%	22.0%	22.0%
- GFB SoM	19.0%	19.1%	+0.1ppt	19.1%	19.0%	19.2%	19.1%
- Winston SoM	9.2%	9.3%	+0.1ppt	9.3%	9.3%	9.3%	9.4%
- Camel SoM	7.8%	7.9%	+0.1ppt	7.9%	7.9%	8.0%	7.9%
- Benson & Hedges SoM	1.9%	1.8%	-0.1ppt	1.8%	1.8%	1.8%	1.7%
- Fleur de Pays SoM	2.5%	2.6%	+0.1ppt	2.7%	2.6%	2.6%	2.6%
JTI SoV	19.8%	20.0%	+0.2ppt	19.9%	19.8%	20.2%	20.0%

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Source: IRI, Internal estimates

Italy

Industry volume evolution (BnU)

	2016	2017	Var.
Total industry	77.7	75.3	-3.1%
- RMC industry	72.0	69.3	-3.8%
- Fine-cut industry	5.7	5.9	+4.5%

Share evolution

	2016	2017	Var.	Q1 2017	Q2 2017	Q3 2017	Q4 2017
JTI SoM	23.3%	23.1%	-0.2ppt	23.2%	23.2%	23.0%	23.1%
- GFB SoM	22.9%	22.8%	-0.2ppt	22.9%	22.8%	22.6%	22.7%
- Winston SoM	7.8%	7.7%	-0.0ppt	7.8%	7.7%	7.7%	7.7%
- Camel SoM	11.0%	10.8%	-0.2ppt	10.8%	10.9%	10.7%	10.8%
- Benson & Hedges SoM	3.2%	3.2%	+0.0ppt	3.3%	3.2%	3.1%	3.1%
JTI SoV	23.1%	23.0%	-0.1ppt	23.2%	23.2%	22.9%	23.0%

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Source: Nielsen, Internal estimates

Russia

Industry volume evolution (BnU)

	2016	2017	Var.
RMC industry	278.2	257.5	-7.4%

Share evolution

	2016	2017	Var.	Q1 2017	Q2 2017	Q3 2017	Q4 2017
JTI SoM	32.8%	33.2%	+0.4ppt	32.1%	33.1%	33.8%	33.8%
- GFB SoM	24.7%	25.6%	+0.9ppt	24.4%	24.9%	26.1%	27.0%
- Winston SoM	15.6%	16.2%	+0.7ppt	15.8%	16.1%	16.5%	16.6%
- LD SoM	6.6%	6.9%	+0.3ppt	6.1%	6.3%	7.2%	7.8%
- Peter I SoM	2.8%	2.9%	+0.1ppt	2.8%	3.0%	2.9%	2.9%
JTI SoV	34.2%	34.5%	+0.3ppt	33.4%	34.3%	34.9%	35.3%

Price segments dynamics

Price segments	Q1 2017	Q2 2017	Q3 2017	Q4 2017
Premium	11.9%	11.7%	12.1%	12.3%
Sub-Premium	23.2%	22.9%	22.5%	22.2%
Mid-Price	33.3%	32.9%	32.6%	32.0%
Value	31.6%	32.5%	32.8%	33.5%

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Source: Nielsen, Internal estimates

Spain

Industry volume evolution (BnU)

	2016	2017	Var.
Total industry	55.5	53.3	-3.9%
- RMC industry	46.2	44.4	-3.8%
- Fine-cut industry	9.3	8.9	-4.5%

Share evolution

	2016	2017	Var.	Q1 2017	Q2 2017	Q3 2017	Q4 2017
JTI SoM	22.8%	24.0%	+1.3ppt	23.6%	24.2%	24.3%	24.0%
- GFB SoM	21.0%	22.2%	+1.2ppt	22.1%	22.1%	22.3%	22.4%
- Winston SoM	12.8%	13.1%	+0.3ppt	13.4%	12.9%	12.9%	13.2%
- Camel SoM	7.0%	7.9%	+0.9ppt	7.6%	7.8%	8.1%	8.0%
JTI SoV	22.4%	23.8%	+1.4ppt	23.4%	23.9%	24.0%	23.8%

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Source: Logista, Internal estimates.

Taiwan

Industry volume evolution (BnU)

	2016	2017	Var.
RMC industry	33.9	33.5	-1.2%

Share evolution

	2016	2017	Var.	Q1 2017	Q2 2017	Q3 2017	Q4 2017
JTI SoM	39.9%	41.7%	+1.8ppt	41.5%	42.1%	42.7%	40.2%
- GFB SoM	34.5%	36.1%	+1.6ppt	35.9%	36.8%	37.4%	34.3%
- Mevius SoM	21.8%	21.3%	-0.5ppt	22.0%	21.9%	21.1%	20.2%
- Winston SoM	10.7%	11.7%	+1.0ppt	11.2%	11.9%	12.7%	10.9%
- Mi-Ne SoM	3.5%	3.6%	+0.1ppt	3.6%	3.5%	3.5%	3.9%
JTI SoV	46.2%	47.6%	+1.3ppt	47.6%	48.1%	48.3%	46.2%

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

Turkey

Industry volume evolution (BnU)

	2016	2017	Var.
RMC industry	105.5	106.2	+0.7%

Share evolution

	2016	2017	Var.	Q1 2017	Q2 2017	Q3 2017	Q4 2017
JTI SoM	29.4%	28.8%	-0.6ppt	29.4%	29.0%	28.8%	28.2%
- GFB SoM	24.3%	24.2%	-0.1ppt	24.4%	24.2%	24.3%	23.8%
- Camel SoM	10.6%	10.4%	-0.2ppt	10.5%	10.4%	10.5%	10.2%
- Winston SoM	10.9%	11.2%	+0.3ppt	11.3%	11.3%	11.2%	11.1%
- LD SoM	2.8%	2.6%	-0.2ppt	2.7%	2.6%	2.6%	2.5%
- Monte Carlo SoM	5.0%	4.6%	-0.3ppt	4.8%	4.6%	4.6%	4.4%
JTI SoV	28.1%	27.8%	-0.2ppt	28.4%	28.0%	27.8%	27.3%

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Source: Tobacco Board, Nielsen, Internal estimates

UK

Industry volume evolution (BnU)

	2016	2017	Var.
Total industry	46.0	44.4	-3.5%
- RMC industry	30.3	28.4	-6.2%
- Fine-cut industry	15.7	16.0	+1.7%

Share evolution

	2016	2017	Var.	Q1 2017	Q2 2017	Q3 2017	Q4 2017
JTI SoM	41.7%	40.4%	-1.3ppt	41.0%	40.1%	40.1%	40.5%
- GFB SoM	10.0%	10.0%	+0.0ppt	9.5%	9.9%	10.2%	10.3%
- Amber Leaf SoM	12.8%	12.0%	-0.8ppt	12.6%	11.8%	11.7%	12.1%
- Sterling SoM	9.0%	8.9%	-0.0ppt	8.7%	8.9%	9.1%	9.1%
- Benson & Hedges SoM	7.2%	7.5%	+0.3ppt	6.9%	7.3%	7.8%	8.0%
- Silk Cut SoM	2.2%	1.9%	-0.3ppt	2.2%	2.0%	1.9%	1.8%
- Mayfair SoM	5.2%	4.0%	-1.2ppt	4.7%	4.1%	3.8%	3.5%
JTI SoV	42.4%	41.3%	-1.1ppt	42.1 %	41.2 %	40.9 %	41.0 %

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Source: Nielsen, Internal estimates.

Tax and price increase

(as of December 31, 2017)

	Excise Tax Change	Price Increase
France	Jan, May, Nov 2017	Feb 2017 ⁱ⁾
Italy	Jun 2017	May 2016 Aug 2017 ⁱ⁾
Russia	Jan 2016 Jan 2017	Jan, Apr, Jul, Nov 2016 Jan, Mar/Apr, Jul, Sep/Oct, Nov 2017
Spain	Dec 2016	Dec 2016 Nov 2017 ⁱ⁾
Taiwan	Jun 2017	Feb 2016 ⁱ⁾ Oct 2017
Turkey	Jan, Dec 2016	Jan, Jul, Dec 2016
UK	Mar 2016 Mar, Nov 2017	Mar, Jul ⁱ⁾ , Sep ⁱ⁾ 2016 Mar, Jul ⁱ⁾ , Nov 2017

i) Price increase for some brands

FX actual vs. PY

	<u>2017</u> <u>Jan-Mar</u>	<u>2017</u> <u>Apr-Jun</u>	<u>2017</u> <u>Jul-Sep</u>	<u>2017</u> <u>Oct-Dec</u>	<u>2017</u> <u>Full year</u>
RUB/\$	58.82 (+27.0%)	57.14 (+15.3%)	59.01 (+9.5%)	58.41 (+8.0%)	58.35 (+15.0%)
GBP/\$	0.81 (-13.5%)	0.78 (-11.1%)	0.76 (-0.5%)	0.75 (+6.8%)	0.78 (-4.8%)
EUR/\$	0.94 (-3.4%)	0.91 (-2.8%)	0.85 (+5.2%)	0.85 (+9.1%)	0.89 (+1.8%)
CHF/\$	1.00 (-1.1%)	0.99 (-1.6%)	0.96 (+1.4%)	0.99 (+1.4%)	0.98 (+0.0%)
TWD/\$	31.12 (+6.3%)	30.25 (+7.1%)	30.27 (+4.8%)	30.12 (+5.5%)	30.44 (+5.9%)
TRY/\$	3.69 (-20.3%)	3.58 (-19.1%)	3.51 (-15.8%)	3.80 (-13.7%)	3.64 (-17.2%)
IRR/\$	38,283 (-7.2%)	37,540 (-7.5%)	38,419 (-7.8%)	41,001 (-8.3%)	38,811 (-7.7%)
JPY/\$	113.60 (-1.5%)	111.09 (+2.8%)	111.00 (+8.4%)	112.98 (+3.3%)	112.16 (+3.1%)

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

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FY2018 Forecast Reference Information

FX assumption & sensitivity (Reference Information)

	<u>2018 FX assumptions</u>
RUB/\$	58.00
GBP/\$	0.74
EUR/\$	0.83
CHF/\$	0.98
TWD/\$	29.50
TRY/\$	3.80
IRR/\$	43,600
JPY/\$	110.00

FX Sensitivity Guidance for FX impact on 2018 adjusted operating profit of US\$ 3,600 MM based on the current assumptions:

Local currency vs. US\$

1% deviation from the assumed rates against US\$ by all the currencies in the same direction (excluding Yen) leads to slightly below US\$ 50MM impacting on US\$ based adjusted operating profit

US\$ 50MM composed of:

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

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

US\$ vs. Yen

Yen/\$ move of 1 yen from the assumption leads to approx. 3.6 billion yen impact on Yen-based adjusted operating profit

Business Plan 2018

Business Plan 2018 Resource allocation and shareholder return policy

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

* 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.

Mid-to long-term role and target

Tobacco Business

Mid-to long-term
role and target

- 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 the JT Group.

Pharmaceutical Business

Mid-to long-term
role and target

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

Processed Food Business

Mid-to long-term
role and target

- Aim to make further profit contribution to the JT Group through mid-to long term profit growth driven by quality top-line growth

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