Financial Highlights

ADJUSTED OPERATING PROFIT

586.8

(JPY BN)

-6.4%

YEAR-ON-YEAR CHANGE

+11.3%

YEAR-ON-YEAR CHANGE AT CONSTANT EXCHANGE RATES

DIVIDEND PER SHARE

130

(JPY)

+10.2%

YEAR-ON-YEAR CHANGE

Results of FY2016 and FY2015

In FY2015, the JT Group withdrew from beverage business, which has been classified as discontinued operations accordingly. Consequently, profit (loss) and some items from continuing operations and discontinued operations are presented separately for the results of FY2015.

To provide a fair business performance comparison with the results of FY2016, we offer the figures and analysis with a focus on the continuing operations of FY2015.

Factsheets available at:
www.jt.com/investors/results/fact_sheet/index.html

At a Glance
Our businesses

FY2016: Results for the fiscal year ended December 31, 2016

The JT Group is a leading international tobacco company with operations in over 70 countries. Our products are sold in over 120 countries and our internationally recognized brands include Winston, Camel, MEVIUS and LD.

We are also active in pharmaceutical and processed food businesses and we expect them to establish a foundation for future profit contribution, as we strive for sustainable growth.

International Tobacco Business

The international tobacco business is the JT Group's profit growth engine, generating around 60% of the consolidated profit[1]. Going forward, we expect it will further increase its contribution, enabling the JT Group to continue delivering sustainable profit growth in the mid- to long-term.

Our brand portfolio is competitive and well-balanced, allowing us to capture down-traders and up-traders. We have structured our portfolio into three broad categories including ready-made cigarettes, fine cut and emerging products.

Results for FY2016:
Double-digit profit growth at constant exchange rates while delivering on committed investments toward seeding initiatives and emerging products.

Key drivers:
- Total and GFB volume growth
- Market share gains across our footprint
- Contribution from acquisitions
- Robust pricing
- Long-term commitment to investing in
  a. Brand equity
  b. Emerging Markets, and
  c. Emerging Products
- Approximately 27,000 dedicated employees

1. Consolidated profit: consolidated adjusted operating profit.

GLOBAL BRAND RANKING*

Winston	MEVIUS	CAMEL	LD
#2	#6	#12	#13

* By brand owner
Source: JT estimate (2016 data, as of July 2017);
Excluding China National Tobacco Corp

Japanese Domestic Tobacco Business

We are the market leader in Japan, which is one of the largest markets in the world, with more than 60% ready-made cigarette market share mainly driven by MEVIUS.

Our Japanese domestic tobacco business continues to be a significant profit contributor to the JT Group, generating about 40% of our consolidated profit[1].

During 2016, we have further enhanced our brand portfolio through the acquisition of Natural American Spirit business outside the United States. In addition, we launched Ploom TECH in Fukuoka and through our on-line store for test marketing in March. Moreover, the retail price of MEVIUS was revised in April.

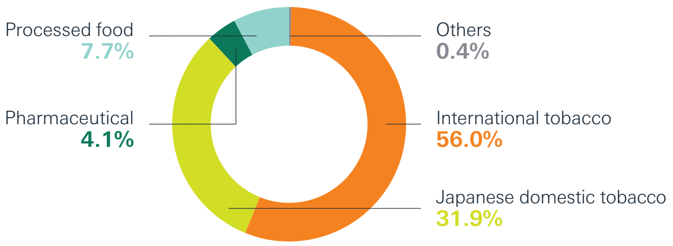
Results for FY2016:
Achieved 2.4% year-on-year profit growth.

FURTHER STRENGTHENED BRAND PORTFOLIO
Share of Price Segment** for JT Key brands

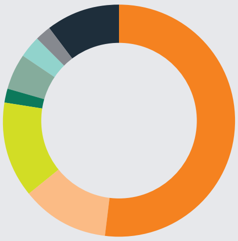
Natural American Spirit	Seven Stars
Prestige	Premium
#1	#1

Management

Revenue breakdown by business segment



Composition of JT SOM[2] as of 2016



- MEVIUS
- Winston
- Seven Stars
- Natural American Spirit
- Pianissimo
- Peace
- HOPE
- Others

2. SOM: Share of market.

Sub-premium+
#1

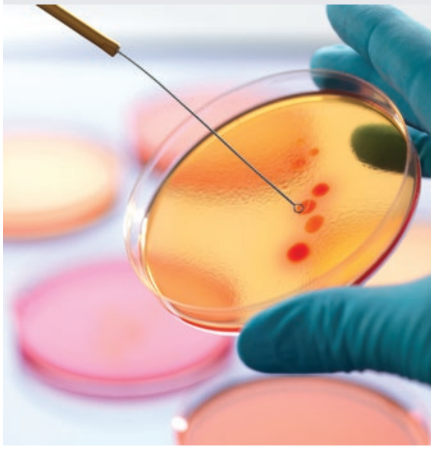
Sub-premium
#2

** 2016 results

Pharmaceutical Business

JT Group's pharmaceutical business focuses on the research and development, production and sale of prescription pharmaceutical products. Its mission is to build world-class, unique research and development capabilities and reinforce its market presence through innovative drugs.
JT concentrates on research and development activities mainly on the fields of metabolic diseases; viral infection; and autoimmune/ inflammatory diseases, while Torii Pharmaceutical Co., Ltd. is in charge of manufacturing as well as sales and promotion in the domestic market.

Results for FY2016:
Earnings increased and achieved a record high profit.



Processed Food Business

With Group company TableMark Co., Ltd. taking a central role, the processed food business is primarily engaged in business concerning frozen and ambient processed food, mainly staple food products such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread, and seasonings including yeast extracts and oyster sauce.

We have solidified its No. 3 position in the frozen food industry with several top-selling products within respective categories, such as frozen Udon noodles and frozen Okonomiyaki.

Results for FY2016:
Achieved profit growth for the fourth consecutive year.

Consolidated Five-Year Financial Summary
Japan Tobacco Inc. and Consolidated Subsidiaries

FY2016: Results for the fiscal year ended December 31, 2016

In FY2015, the JT Group withdrew from beverage business, which has been classified as discontinued operations accordingly. Consequently, profit (loss) and some items from continuing operations and discontinued operations are presented separately for the results of FY2015.

To provide a fair business performance comparison with the results of FY2016, we offer the figures with a focus on the continuing operations of FY2015.

					Billions of yen
	FY2012 (IFRS)	FY2013 (IFRS)	2014 (Jan-Dec)	FY2015 (IFRS)	**FY2016 (IFRS)**
For the year:			(Continuing operations)		
Revenue (Note 1)	2,120.2	2,399.8	2,259.2	2,252.9	**2,143.3**
International Tobacco	1,010.7	1,270.0	1,328.0	1,317.2	**1,199.2**
Japanese Domestic Tobacco	687.1	710.3	687.4	677.3	**684.2**
Pharmaceutical	53.2	64.4	65.8	75.6	**87.2**
Beverage	185.5	184.5	–	–	**–**
Processed Food	168.7	156.9	161.2	165.8	**164.1**
Others	15.0	13.6	16.9	17.0	**8.6**
Core revenue (Note 2)					
International Tobacco	943.1	1,200.7	1,258.2	1,252.5	**1,138.8**
Japanese Domestic Tobacco	654.0	676.2	649.8	642.2	**649.7**
Operating profit (Note 3)	532.2	648.3	572.6	565.2	**593.3**
International Tobacco	289.4	376.4	379.5	346.9	**301.8**
Japanese Domestic Tobacco	241.3	258.1	181.5	249.2	**244.1**
Pharmaceutical	(16.2)	(9.0)	(7.3)	(2.3)	**9.7**
Beverage	2.3	(2.1)	–	–	**–**
Processed Food	(5.8)	(0.2)	(1.2)	3.2	**5.0**
Others	21.2	25.0	20.2	(31.8)	**32.7**
Adjusted EBITDA/Adjusted Operating Profit (Note 3)	622.0	641.8	661.0	626.7	**586.8**
International Tobacco	343.2	410.8	447.1	394.4	**336.2**
Japanese Domestic Tobacco	281.3	257.7	238.7	254.1	**260.2**
Pharmaceutical	(12.7)	(9.0)	(7.3)	(2.3)	**9.7**
Beverage	12.4	(2.1)	–	–	**–**
Processed Food	7.4	0.6	1.4	2.7	**5.0**
Others	(9.6)	(16.2)	(18.9)	(22.2)	**(24.4)**
Depreciation and amortization (Note 3)	116.5	132.9	128.6	133.1	**140.8**
Profit (attributable to owners of the parent company) (Note 4)	343.6	428.0	391.4	398.5	**421.7**
Free cash flow (FCF)* (Note 5)	316.0	212.6	455.4*	386.7*	**(316.2)**

* Results from continuing operations and discontinued operations combined for both FY2015 and Jan-Dec 2014.

FY2016: Results for the fiscal year ended December 31, 2016

Consolidated (Continuing and discontinued operations combined)	FY2012 (IFRS)	FY2013 (IFRS)	FY2014 (IFRS)	FY2015 (IFRS)	FY2016 (IFRS)
					Billions of yen
At year-end:					
Assets	3,852.6	4,616.8	4,704.7	4,558.2	**4,744.4**
Interest-bearing Debts (Note 6)	327.2	375.9	228.2	255.3	**555.3**
Liabilities	1,960.1	2,020.7	2,082.2	2,036.7	**2,216.3**
Equity	1,892.4	2,596.1	2,622.5	2,521.5	**2,528.0**
Major Financial Ratios					
ROE (Note 7)	20.0%	19.9%	14.4%	19.5%	**17.2%**
ROA (Note 8)	13.5%	15.0%	10.8%	14.8%	**12.4%**
Amounts per share: (in yen)					
Diluted EPS (Notes 9/10)	180.98	235.35	199.56	270.37	**235.33**
Book value per share (attributable to owners of the parent company) (Note 10)	993.98	1,378.57	1,395.74	1,369.06	**1,371.39**
Dividend per share (Note 10)	68	96	100	118	**130**
Dividend payout ratio (Note 11)	37.6%	40.8%	50.1%	53.2%**	**55.2%**

** Payout ratio for FY2015 is based on basic EPS from continuing operations.

Notes:

1. Excluding tobacco excise taxes and revenue from agent transactions.
2. Excluding revenue from distribution business of imported tobacco, among others, in the Japanese domestic tobacco business, in addition to the distribution, private label, contract manufacturing, and other peripheral businesses in the International tobacco business.
3. (FY2012) Adjusted EBITDA = Operating profit + depreciation and amortization ± adjusted items (income and costs)*
   *adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
   (Since FY2013) 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
4. Under IFRS, profit is presented before deducting non-controlling interests. For comparison, we show the profit attributable to the owners of the parent company.
5. FCF = (cash flows from operating activities + cash flows from investing activities) excluding the following items:
   From "cash flows from operating activities": Interests and dividends received, and their tax effect/interest paid and its tax effect.
   From "cash flows from investing activities": Purchase of securities/proceeds from sale and redemption of securities/payments into time deposits/Proceeds from withdrawal of time deposits/others (but not business-related investment securities, which are included in the investment securities item).
6. Including lease obligation.
7. ROE = Return on equity (attributable to owners of the parent company).
8. ROA = (Profit before income taxes)/Total assets (average of beginning and ending balance of the period.)
9. Based on profit (attributable to owners of the parent company).
10. A 200-for-one share split is done, effective as of July 1, 2012.
11. Based on profit (attributable to owners of the parent company).
12. Financial data disclosed herein are basically rounded.

Message from the Chairman and CEO

Yasutake Tango
Chairman of the Board

Mitsuomi Koizumi
President, CEO and Representative Director

All Businesses Contributed to the Profit Growth of the JT Group

We are very pleased to inform you that the JT Group achieved profit growth again. 2016 was a year in which we experienced various unforeseen developments around the world, including the U.K. referendum on Brexit and the U.S. presidential election. Looking at our industry, our operating environment was challenged, influenced by underlying economic stagnation and huge currency volatility, as well as tighter regulations, repeated excise tax hikes and intensifying competition in various countries. Despite these difficulties, all businesses – the tobacco, pharmaceutical and processed food businesses – grew profit in 2016. In particular, the pharmaceutical and processed food businesses combined made meaningful contributions to the Group's profit growth. We have implemented the business portfolio strategy with a long-term view, and it proves to be effective.

In the international tobacco business, our business base was reinforced with shipment volume increases, notably in Europe and seeding markets driven by share of market increase as well as contribution from acquired then well-integrated businesses. Our success in starting to build or enhancing our presence in markets where we have been seeding represents solid progress in our strategic pursuit of geographical expansion. These new markets will complement existing markets such as Europe and Russia where we have already established our foundation. As our key strategy to ensure future profit expansion, we remain committed to investing in geographical expansion, brand equity enhancement and emerging products development.

In the Japanese domestic tobacco business, we increased our profit mainly driven by pricing of MEVIUS, while building a complete brand portfolio through the acquisition of Natural American Spirit business outside the United States. With regards to T-Vapor initiatives, we have launched Ploom TECH and have been making steady progress in taking advantage of this promising opportunity.

The JT Group grew adjusted operating profit at constant currency by 11.3%, exceeding the mid- to long-term target of mid to high single-digit growth rate. We are proud of this robust result, and even more so as the strong performance was accomplished despite the challenges and without compromising investment for the future.

Shareholder Return

In allocating resources, the JT Group seeks a balance between investment in our business for sustainable future profit growth and shareholder return. Under this approach, we will strive to improve our shareholder return based on the mid- to long-term profit growth outlook while maintaining a solid balance sheet that will allow us to respond to various changes in our operating environment. Specifically, we aim to deliver a sustainable and stable increase in dividend per share. Our dividend for 2016 was 130 yen per share, up by two yen from the initial forecast, and we plan to pay 140 yen for 2017, representing a 10 yen rise. This robust dividend increase reflects our confidence in the Group profit growth confirmed in our Business Plan 2017, a three-year business plan through 2019.

As for share buyback, we will decide whether to implement it or not after reviewing the mid-term outlook for the Group's operating environment and financial position.

4S Model

Our management principle is based on the 4S model. Under the 4S model, we strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.

As part of our pursuit of the 4S model, we continue to carry out a variety of sustainability initiatives. In 2016 the JT Group made notable achievements in this area. Reinforcing corporate governance has been and will continue to be prioritized as an engagement by the management. In February, we clarified our approach on this matter by setting out JT Corporate Governance Policies. Moreover, in September, we announced the JT Group Human Rights Policy, further promoting our human rights due diligence process.

Meanwhile, the JT Group was selected as a member of the Dow Jones Sustainability Asia/Pacific Index, which is a worldwide index for socially responsible investment, for the third consecutive year. In addition, the JT Group was identified by the CDP, an international NGO, as a global leader for its actions and strategies in response to climate change and was put on the A-list of the highest performers for the first time. We have been encouraged by the fact that our CSR activities are increasingly recognized, and reaffirm our future contribution to realize a sustainable society.

Toward Further Growth

We firmly believe that another strong profit growth in 2016 was built on the business investments we have continuously and aggressively made. Looking forward, we will continue to invest in our businesses with the aim of delivering profit growth over the mid- to long-term.

We will face uncertainty given the tightening regulations in Europe, intensifying competition in CIS+ and unpredictable foreign exchange movements. However, the JT Group is well prepared and will respond to changes in the operating environment with the aim to further grow profit.

CEO Business Review

Mitsuomi Koizumi
President, CEO and Representative Director

"We delivered strong business performance in 2016, as all businesses contributed to the profit growth of the JT Group. We will continue our business investment and achieve mid- to long-term profit growth."

Strong business performance

The JT group has set the goal of achieving a mid to high single-digit growth rate in adjusted operating profit at constant currency over the mid- to long-term. So far, we have consistently exceeded this profit growth target.

In 2016, we also achieved growth of 11.3% year-on-year in adjusted operating profit excluding the foreign exchange impact, higher than the target of mid to high single-digit growth rate. As expected, all businesses — the tobacco, pharmaceutical and processed food businesses — grew their profits, leading to the strong Group performance.

Business results by segment

In the tobacco business, we continued to emphasize three strategic pillars — quality top-line growth, competitive cost base and robust business foundation — amid drastic changes in the operating environment. Thus, the international and Japanese domestic tobacco businesses together drove the Group's profit growth.

In the international tobacco business, total shipment volume and shipment volume of Global Flagship Brands (GFBs) recorded year-on-year growth of 1.2% and 3.7% respectively, driven by the increases in European markets, including Italy, France and Spain, and seeding markets where our nascent business is growing through intensive investment as well as contribution from acquired then well-integrated businesses. The expanded business scale in new and seeding markets and their incremental contributions are evidence that our continuous efforts toward geographical expansion are starting to pay off. As for the performance of our brands, our global shipment volume of Winston reached a record high last year. Aiming to further reinforce our business, we will continue investment in brand equity building. Pricing continued to drive the profit growth in the international tobacco business, supported by the shipment volume increase. As a result, currency-neutral adjusted operating profit grew 13.4% year-on-year. Our 2016 undertakings were not limited to top-line performance, but we also addressed optimization of our manufacturing footprints in anticipation of changes in the operating environment. We moved on the restructuring of factories in Europe and Russia as planned, and a new factory in Taiwan started its operation. We will continuously strive to strengthen cost competitiveness.

In the Japanese domestic tobacco business, we achieved profit growth in line with our expectation despite a steep decrease in ready-made cigarette demand due to the impact of T-Vapor category as well as a general declining trend. In January 2016, we completed the acquisition of Natural American Spirit business outside the United States, and since then, we have been executing the strategy based on the business plan for this brand. During the year, Natural American Spirit grew both volume and market share as its momentum remained strong. The addition of Natural American Spirit has allowed us to offer a well-balanced and compelling brand portfolio to our consumers. In April 2016, we increased the price of MEVIUS. After a temporary drop triggered by the price increase, MEVIUS market share has been steadily recovering, reaffirming the strong brand equity of the brand. Driven by these initiatives, our adjusted operating profit of this business increased 2.4% year-on-year, overcoming the difficult situations.

The pharmaceutical and processed food businesses have been expected to complement the JT Group's profit growth, and we have been consistently investing in these businesses for them to fulfill this role. In the pharmaceutical business, the increase in royalty revenue related to anti-HIV drugs Stribild and Genvoya made significant contributions to a substantial profit improvement. As a result, the pharmaceutical business reported a profit in 2016, and more importantly has established a foundation which enables sustainable profit generation. The processed food business also made a contribution to the Group, growing its profit for the fourth consecutive year. With the strong performance and contribution by the pharmaceutical and processed food businesses, we are increasingly confident in our business portfolio strategy.

Toward mid- to long-term profit growth

In 2017, the operating environment will continue to be uncertain and challenging. The international tobacco business will face a full introduction of new regulations in Europe and intensifying competition in the low price segment, mainly in CIS+, while the increasing presence of the T-Vapor category and accelerated cigarette industry contraction will affect our performance in Japan.

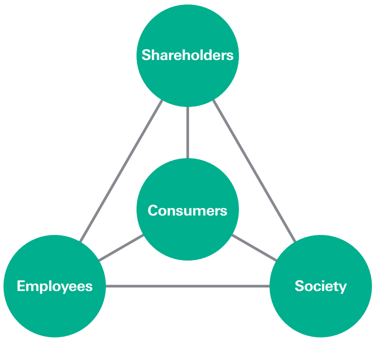
Nonetheless, the JT Group plans to grow its adjusted operating profit on a currency neutral basis. Reflecting the harsh situation of the Japanese domestic tobacco business, the projected growth rate of 3.4% represents a slow-down compared to the historical trajectory, but there will be no change in our goal of achieving mid to high single-digit profit growth rate over the mid- to long-term. In particular, we will focus on strengthening the business foundation of our T-Vapor operations in Japan including the production capacity expansion for Ploom TECH so that we can fight back in 2018 and beyond.

Over the next three years, we may enter a new era in which conventional business wisdom does not apply. However, we have a history of weathering difficulties and achieving sustainable growth, which leverages our ability to respond to change and to commit to business investment. Our track record speaks volumes. Thus, we will prioritize business investment for the future and continue to strive for sustainable growth.

Management Principle, Strategic Framework and Resource Allocation

Management Principle

The "4S" model, our management principle, is the most shared value among JT Group employees across businesses and countries.



The ''4S'' model – We strive to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.

The "4S" model is JT Group's core competency. Our decision-making has been and will continue to be based on this management principle. To strive to fulfill our responsibilities to our valued stakeholders and exceed their expectations;

- For our consumers, we will offer superior products which meet or even go beyond their evolving needs. To achieve that, we will make the most of JT Group's diversity to enhance our capacity in innovation.
- For our shareholders, we intend to strike an optimal balance between profit growth and shareholder returns. This means that we will enhance our shareholder returns based on our profit growth outlook in the mid- to long-term.
- For our employees, we will further evolve to become an attractive and respected company so that employees feel proud to be a part of it. For that, we will highly value the employees with a strong sense of commitment to deliverables and properly reward their accomplishments.
- The growth of the JT Group is dependent on sustainability of society. We will continue to contribute to society and in doing so enhance our company value.

Strategic Framework

Our track record proves that our strategy is right, and we believe that it will continue to underpin the strong performance of the JT Group.

Quality top-line growth

Among the strategic pillars, the JT Group places a particular emphasis on quality top-line growth, which is indispensable for sustainable growth. We aim to grow top-line by consistently offering innovative products.

Competitive cost base

We continue to strive for further cost base improvement, while investing for future sustainable growth.

Robust business foundation

The business environment surrounding the JT Group has been changing fast. In order to respond to and even take advantage of the changes, we encourage each employee and organization to challenge the status quo for continuous improvement.

Resource Allocation

**First, we grow profit through business investment.
Then, use this profit to return cash to our shareholders.**

Business investment and capital policy

The JT Group is a growth company. Investing for both external and organic growth, we historically increased profit, and eventually corporate value. We believe that opportunities exist to expand the earnings base, especially for tobacco business. Our investment will mainly focus on this core business to fuel its growth. As we expect pharmaceutical and processed food businesses to further contribute to the Group profit in the future, we will allocate our funds to best utilize existing assets and further improve their profitability.

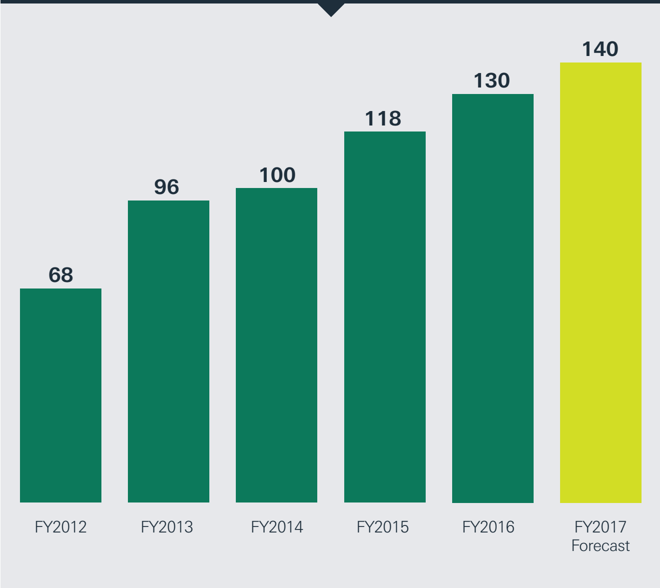
Under the Japan Tobacco Inc. law, we are subject to the restriction in issuing new shares. Given the circumstance, we plan to maintain a strong balance sheet for debt financing and not to cancel treasury stock. With sufficient debt capacity, we can consider share repurchase when the Government, who holds over one-third of our outstanding shares, releases them, in whole or in part, in the future.

Shareholder Return

We believe that maintaining a solid balance sheet is essential for the JT Group as it will provide us the ground to continue aggressively pursuing business investment opportunities and cope with any adversity arising out of the volatile environment. At the same time, as we already mentioned, we intend to strike an optimal balance between profit growth and shareholder returns. This means that we will enhance our shareholder returns based on our profit growth outlook in the mid-to long-term. In particular, we will deliver sustainable and steady increase of dividend per share. Dividend payout ratio is not an indicator for our management target, although it will be taken into consideration when deciding the dividend amounts. As for share buy-back, we will consider it after scrutinizing the mid- to long-term expectations on the Company's business environment as well as financial achievements and position, among other factors.

We will continue to monitor the trend amongst the global FMCG companies that have a stakeholder model similar to our 4S model and that have achieved strong business growth.

Dividend Per Share (JPY)



Business Plan 2017

The JT Group's Business Plan covers a three-year period, and is rolled over annually to reflect the changes in our business environment including economics, geopolitics and competition. By leveraging and enhancing our ability to adapt to changes, we will achieve sustainable profit growth.

Group profit target:

- Annual average growth rate of adjusted operating profit at constant currency over mid- to long-term:
  - Mid to high single-digit

Shareholder return policy:

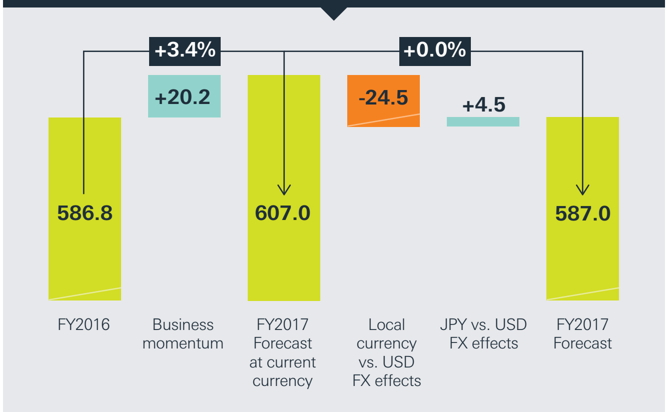
- Aim to enhance shareholder returns considering the Company's mid- to long-term profit growth trend, while maintaining a solid balance sheet*
  - Deliver consistent dividend per share growth
  - Consider implementing share buy-back, which takes into account the Company's mid-term operating environment and financial outlook
  - Continue to closely monitor shareholder returns of global FMCG companies**

* As its financial policy, the Company maintains strong financial base that secures stability in case of changes in business environment such as economic crises, and flexibility enabling expeditious responses to business investment opportunities.
** The Company monitors global FMCG companies which have a stakeholder model similar to our "4S"model, and have realized strong business growth.

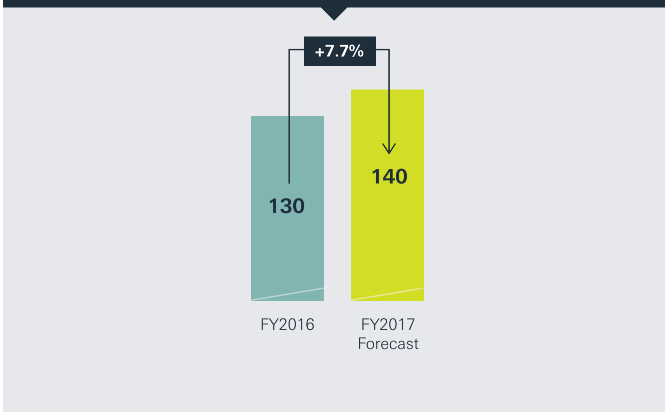
Forecast for FY2017

- Adjusted operating profit is forecast to grow 3.4% at constant currency. International tobacco business, the profit growth engine, is expected to grow its currency neutral adjusted operating profit at 9.1%, driven by initiatives for cost competitiveness resulting mainly from the optimization of the manufacturing footprint. Top-line will remain almost the same as previous year, but the initiatives for cost competitiveness will pay off and contribute to our profit growth of 9.1%. Japanese domestic tobacco business is projected to decrease adjusted operating profit at 6.2% due to cigarette industry volume decline by continuing expansion of T-Vapor category.
- On a reported basis, adjusted operating profit is forecast to be the same level as the previous year. We expect the negative exchange impact to continue, although it will ease compared to 2016. The stronger Russian ruble and the depreciation of Japanese yen will have positive impact, while weaker local currencies such as the British pound, the Euro and the Turkish lira will have a negative impact.
- Based on the shareholder return policy, we plan to offer annual dividend per share of 140 yen, representing 7.7% increase year-on-year.

Adjusted Operating Profit (JPY BN)



Dividend Per Share (JPY)



Role and Target of Each Business

In view of Business Plan 2017, the mid-to long-term role and target of each business are as follows.

Tobacco Business
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.

Continue to strengthen its role as the Group's profit growth engine.

Maintain its highly competitive platform of profitability.

- 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 the cost base
- Strengthen the business base
  - Broaden geographical earnings base
  - Develop emerging products category

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.

Achieve operating profit margin on par with industry average, aiming to make further profit contribution to the JT Group.

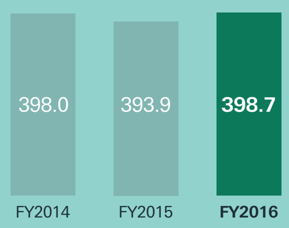
Performance Measures

FY2016: Results for the fiscal year ended December 31, 2016

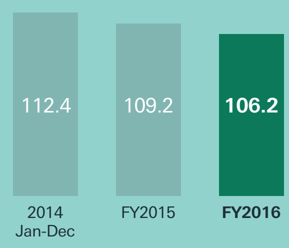
In our Business Plan 2017, target is set for adjusted Operating Profit growth rate at constant exchange rates. While it is a mid- to long-term target, we also monitor the performance measures annually.

Tobacco Sales Volume

International tobacco (BnU)



Japanese domestic tobacco (BnU)



+1.2%

to 398.7 BnU

For the international tobacco business, total shipment volume includes fine cut, cigars, pipe tobacco and snus, but excludes contract manufactured products, waterpipe tobacco products and emerging products.

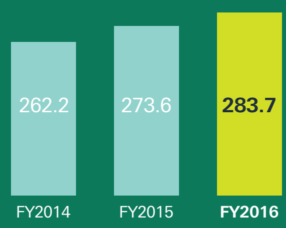
-2.8% year-on-year

106.2BnU

For Japanese domestic tobacco, total sales volume excludes sales volume of Japanese domestic duty free, the Chinese business and emerging products.

GFB Shipment Volume

GFB Shipment Volume (BnU)



+3.7%

to 283.7 BnU

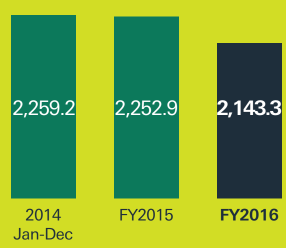
Shipment volume of GFBs, namely Winston, Camel, MEVIUS, LD, B&H, Silk Cut, Glamour, Sobranie and Natural American Spirit in the international tobacco business.

In our strategic framework to achieve adjusted Operating Profit growth, the JT Group places a particular emphasis on “quality top-line growth”, while, at the same time, focusing on building a “competitive cost base” and “robust business foundation”.

In line with our strategic emphasis, the measures to review our business performance are skewed towards top-line related indicators. As for shareholder return, we will deliver sustainable and steady increase of dividend per share.

Revenue

Revenue (JPY BN)



-4.9% to

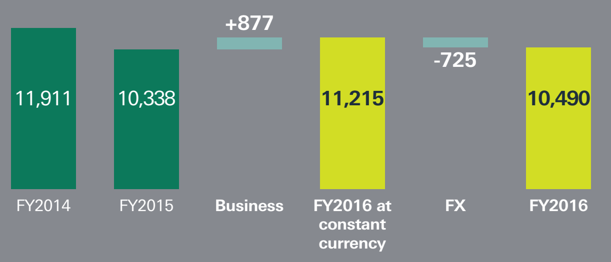
JPY2,143.3BN

Revenue on a consolidated basis which, for the avoidance of doubt, excludes excise and other similar taxes, as well as sales from transactions in which the JT Group acts as an agent.

Note: The figures were the results from continuing operations only.

Core Revenue

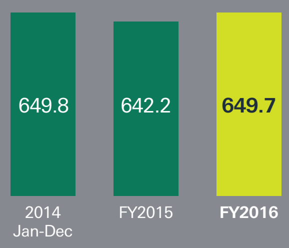
International tobacco (US$ MM)



+**8.5**%
at constant exchange rates to US$11,215MM

For the international tobacco business, US dollar-based core revenue includes revenue from waterpipe tobacco products and emerging products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.

Japanese domestic tobacco (JPY BN)

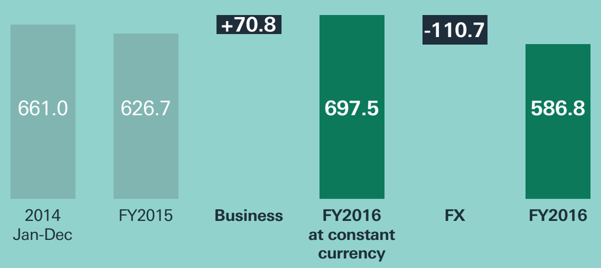


+**1.2**%
to JPY 649.7BN

For the Japanese domestic tobacco business, core revenue excludes revenue from distribution of imported tobacco in Japan, among others, but includes revenue from domestic duty free, the China business and emerging products such as Ploom TECH device and capsules.

Adjusted Operating Profit

Adjusted Operating Profit (JPY BN)



+**11.3**%
at constant exchange rates to JPY 697.5 BN

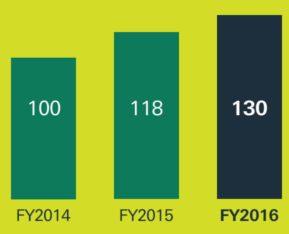
-6.4% including currency impact to
JPY**586.8**BN

Adjusted operating profit is calculated as follows: Adjusted operating profit = Operating profit + Amortization cost of acquired intangibles arising from business acquisitions + Adjustment items (income and costs)*

* Adjustment items (income and costs) are impairment losses on goodwill, restructuring related income and costs and others.

Dividend Per Share

Dividend Per Share (JPY)



+12 yen to
130yen

The sum of interim and year-end dividends per share, the record dates of which fall in the relevant fiscal year.

Note: The figures were the results from continuing operations only.