



**Financial Results
Supplemental Material**

FY2017 Third Quarter

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
Total Shipment Volume (International Tobacco Business)	Includes fine cut, cigars, pipe tobacco and snus but excludes contract manufactured products, waterpipe tobacco, and emerging products
Core Revenue (International Tobacco Business)	Includes revenue from waterpipe tobacco and emerging products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses
Core Revenue/ Adjusted Operating Profit at Constant FX	The same foreign exchange rates between local currencies vs USD as same period in previous fiscal year are applied
Core Revenue (Japanese Domestic Tobacco Business)	Includes revenue from domestic duty free, the China business and emerging products such as Ploom TECH devices and capsules but excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among 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
GFB	Global Flagship Brands: Winston, Camel, MEVIUS, LD, B&H, Glamour, Sobranie, Silk Cut, Natural American Spirit

Results for 2017 Third Quarter

1. Consolidated results highlight

(Unit: JPY billion)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)
Revenue	1,618.5	1,592.9	-25.6	-1.6%
Operating profit	494.6	469.7	-24.9	-5.0%
Adjusted operating profit	476.5	486.1	+9.5	+2.0%
Profit before income tax	484.3	453.9	-30.3	-6.3%
Profit	353.3	336.3	-17.0	-4.8%
Profit (attributable to owners of the parent)	350.0	333.7	-16.3	-4.7%
Interim dividend (JPY)	64.00	70.00	+6.00	+9.4%
Basic EPS*(JPY)	195.44	186.32	-9.12	-4.7%

*Based on profit attributable to owners of the parent company

• [reference] Consolidated results

(Unit: JPY billion)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	476.5	489.7	+13.1	+2.8%

2. Revenue by business segment

(Unit: JPY billion)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)
Revenue	1,618.5	1,592.9	-25.6	-1.6%
Japanese domestic tobacco	511.5	468.4	-43.1	-8.4%
Core revenue	485.5	443.1	-42.4	-8.7%
International tobacco	919.2	927.5	+8.3	+0.9%
Core revenue	873.1	882.9	+9.8	+1.1%
Pharmaceutical	60.7	74.2	+13.5	+22.2%
Processed food	120.1	117.3	-2.8	-2.3%
Others	7.0	5.5	-1.5	-21.8%

• [reference] International tobacco business

(Unit: USD million)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)
Core revenue	8,062	7,895	-167	-2.1%
Core revenue at constant FX	8,062	7,941	-120	-1.5%

Results for 2017 Third Quarter

3. Adjusted operating profit by business segment

(Unit: JPY billion)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)
Consolidated: operating profit	494.6	469.7	-24.9	-5.0%
Adjustments, total	-18.0	16.4	+34.4	
Consolidated: adjusted operating profit	476.5	486.1	+9.5	+2.0%
Japanese domestic tobacco: operating profit	187.0	165.8	-21.2	-11.3%
Adjustments, total	12.0	12.2	+0.2	
Japanese domestic tobacco: adjusted operating profit	199.0	178.0	-21.0	-10.6%
International tobacco: operating profit	258.3	288.5	+30.2	+11.7%
Adjustments, total	26.7	18.6	-8.1	
International tobacco: adjusted operating profit	285.0	307.1	+22.1	+7.8%
Pharmaceutical: operating profit	4.2	15.8	+11.6	+274.4%
Adjustments, total	-	-	-	
Pharmaceutical: adjusted operating profit	4.2	15.8	+11.6	+274.4%
Processed food: operating profit	3.7	2.9	-0.8	-20.9%
Adjustments, total	0.0	-0.0	-0.0	
Processed food: adjusted operating profit	3.7	3.0	-0.8	-20.4%
Others / Elimination: operating profit	41.4	-3.3	-44.7	-
Adjustments, total	-56.8	-14.5	+42.3	
Others / Elimination: adjusted operating profit	-15.4	-17.8	-2.4	-

● [reference] International tobacco business

(Unit: USD million)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)
Adjusted operating profit	2,626	2,747	+121	+4.6%
Adjusted operating profit at constant FX	2,626	2,868	+241	+9.2%

4. Depreciation and amortization

(Unit: JPY billion)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)
Consolidated	105.6	106.2	+0.6
Japanese domestic tobacco	42.8	42.1	-0.8
International tobacco	52.2	54.3	+2.1
Pharmaceutical	3.7	3.8	+0.1
Processed food	4.5	4.6	+0.0
Others/Elimination	2.3	1.5	-0.9

5. Consolidated financial position

(Unit: JPY billion)

	2016 Dec. end	2017 Sep. end	Variance (abs)
Total assets	4,744.4	4,915.5	+171.2
Total equity	2,528.0	2,728.1	+200.0
Equity attributable to owners of the parent	2,456.1	2,654.4	+198.3
BPS (attributable to owners of the parent) (JPY)	1,371.39	1,482.10	+111.00

6. Liquidity and interest-bearing debt

(Unit: JPY billion)

	2016 Dec. end	2017 Sep. end	Variance (abs)
Liquidity ^{*1}	297.0	220.0	-77.1
Interest-bearing debt ^{*2}	555.3	554.0	-1.2

*1: Cash and deposits + marketable securities + securities purchased under repurchase agreements

*2: Short-term bank loans + CP + bonds + long-term borrowings + lease obligations

Results for 2017 Third Quarter

7. Consolidated cash flow

(Unit: JPY billion)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)
Cash flows from operating activities	79.7	334.5	+254.7
Cash flows from investing activities	-655.7	-171.3	+484.5
Cash flows from financing activities	236.8	-242.6	-479.4
Cash and cash equivalents, beginning of the year	526.8	294.2	-232.6
Foreign currency translation adj. on cash & cash equivalents	-23.3	2.2	+25.5
Cash and cash equivalents, end of the year	164.2	217.0	+52.7
FCF *	-579.9	162.4	+742.3

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;
 - From operating CF: interest received, dividends received, interest paid and income taxes related to these items
 - From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time

8. Capital expenditures

(Unit: JPY billion)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)
Consolidated	72.2	90.8	+18.6
Japanese domestic tobacco	17.7	32.7	+15.0
International tobacco	46.2	44.6	-1.6
Pharmaceutical	3.0	3.9	+0.9
Processed food	3.4	7.3	+3.9
Others/Elimination	1.9	2.2	+0.3

9. Business data

● Japanese domestic tobacco business

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)	
JT Cigarette sales volume *1	79.7	70.3	-9.4	-11.8%	BNU
Cigarette industry volume *2	130.8	115.3	-15.5	-11.8%	BNU
JT cigarettes market share	61.0%	61.0%	+0.0%pt		
JT revenue per 1,000 cigarettes	5,851	5,947	+96	+1.6%	JPY

*1: Excludes volumes of duty-free in Japan, China business (3.0 BNU in Jan-Sep, 2016 and 3.0 BNU in Jan-Sep, 2017, respectively) and emerging products

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

● International tobacco business

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)	
Total cigarettes shipment volume	304.2	298.0	-6.2	-2.0%	BNU
GFB shipment volume	216.3	216.8	+0.5	+0.2%	BNU
JPY/USD	108.57	111.89	+3.32	+3.1%	JPY
RUB/USD	68.40	58.32	-10.08	+17.3%	RUB
GBP/USD	0.72	0.78	+0.07	-8.5%	GBP
EUR/USD	0.90	0.90	+0.00	-0.5%	EUR
CHF/USD	0.98	0.98	+0.00	-0.4%	CHF
TWD/USD	32.41	30.55	-1.86	+6.1%	TWD
TRY/USD	2.93	3.59	+0.66	-18.5%	TRY
IRR/USD	35,224	38,081	+2,857	-7.5%	IRR

● Pharmaceutical business

(Unit: JPY billion)

	2016 Jan-Sep	2017 Jan-Sep	Variance (abs)	Variance (%)
R&D expenses	22.3	23.7	+1.4	+6.4%

FY2017 Revised Forecasts
(as of November 1, 2017)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,143.3	2,130.0	-13.3	-0.6%
Operating profit	593.3	565.0	-28.3	-4.8%
Adjusted operating profit	586.8	591.0	+4.2	+0.7%
Profit (attributable to owners of the parent)	421.7	402.0	-19.7	-4.7%

• [reference] Consolidated forecast

(Unit: JPY billion)

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit at constant FX	586.8	592.0	+5.2	+0.9%

2. EPS, DPS, ROE

(Unit: JPY)

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Basic EPS	235.47	224.46	-11.01	-4.7%
DPS	130.00	140.00	+10.00	+7.7%
ROE (attributable to owners of the parent)	17.2%	15.7%	-1.5%pt	

3. Revenue by business segment

(Unit: JPY billion)

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Revenue	2,143.3	2,130.0	-13.3	-0.6%
Japanese domestic tobacco	684.2	626.0	-58.2	-8.5%
Core revenue	649.7	591.0	-58.7	-9.0%
International tobacco	1,199.2	1,230.0	+30.8	+2.6%
Core revenue	1,138.8	1,170.0	+31.2	+2.7%
Pharmaceutical	87.2	103.0	+15.8	+18.1%
Processed food	164.1	163.0	-1.1	-0.7%
Others	8.6	7.0	-1.6	-18.6%

• [reference] International tobacco business

(Unit: USD million)

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Core revenue	10,490	10,510	+20	+0.2%
Core revenue at constant FX	10,490	10,440	-50	-0.5%

FY2017 Revised Forecasts
(as of November 1, 2017)

4. Operating profit and adjusted operating profit by business segment

(Unit: JPY billion)

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Consolidated: operating profit	593.3	565.0	-28.3	-4.8%
Japanese domestic tobacco	244.1	209.0	-35.1	-14.4%
International tobacco	301.8	336.0	+34.2	+11.3%
Pharmaceutical	9.7	24.0	+14.3	+147.0%
Processed food	5.0	5.5	+0.5	+10.2%
Others/Elimination	32.7	-10.5	-43.2	-
Adjusted operating profit	586.8	591.0	+4.2	+0.7%
Japanese domestic tobacco	260.2	225.0	-35.2	-13.5%
International tobacco	336.2	365.0	+28.8	+8.6%
Pharmaceutical	9.7	24.0	+14.3	+147.0%
Processed food	5.0	5.5	+0.5	+10.1%
Others/Elimination	-24.4	-29.0	-4.6	-

● [reference] International tobacco business

(Unit: USD million)

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Adjusted operating profit	3,095	3,280	+185	+6.0%
Adjusted operating profit at constant FX	3,095	3,375	+280	+9.1%

5. Free cash flow

(Unit: JPY billion)

	FY2016	FY2017 Revised Forecasts	Variance (abs)
FCF*	-316.2	215.0	+531.2

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;

- From operating CF: interest received, dividends received, interest paid and income taxes related to these items
- From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes

6. Capital expenditures

(Unit: JPY billion)

	FY2016	FY2017 Revised Forecasts	Variance (abs)
Consolidated	113.0	143.0	+30.0
Japanese domestic tobacco	29.8	54.0	+24.2
International tobacco	70.6	65.0	-5.6
Pharmaceutical	3.8	7.5	+3.7
Processed food	5.7	11.5	+5.8
Others/Elimination	3.1	4.0	+0.9

7. Business data

● Japanese domestic tobacco business

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
JT cigarette sales volume*	106.2	92.0	-14.2	-13.4%

BNU

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

● International tobacco business

	FY2016	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Total shipment volume	398.7	398.0	-0.7	-0.2%
GFB shipment volume	283.7	286.0	+2.3	+0.8%
JPY/USD	108.78	111.42	+2.64	+2.4%
RUB/USD	67.07	58.00	-9.07	+15.6%
GBP/USD	0.74	0.78	+0.04	-5.2%
EUR/USD	0.90	0.90	-0.00	+0.4%
CHF/USD	0.98	0.98	-0.00	+0.5%
TWD/USD	32.24	30.50	-1.74	+5.7%
TRY/USD	3.02	3.60	+0.58	-16.2%
IRR/USD	35,814	38,000	+2,186	-5.8%

BNU

BNU

JPY

RUB

GBP

EUR

CHF

TWD

TRY

IRR

FY2017 Revised Forecasts
Previous Forecasts vs Revised Forecasts
(as of November 1, 2017)

1. Summary of consolidated forecasts

(Unit: JPY billion)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
Revenue	2,125.0	2,130.0	+5.0
Operating profit	565.0	565.0	-
Adjusted operating profit	589.0	591.0	+2.0
Profit (attributable to owners of the parent)	402.0	402.0	-

• [reference] Consolidated forecast

(Unit: JPY billion)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
Adjusted operating profit at constant FX	597.0	592.0	-5.0

2. EPS, DPS, ROE

(Unit: JPY)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
Basic EPS	224.46	224.46	-
DPS	140.00	140.00	-
ROE (attributable to owners of the parent)	15.9%	15.7%	-0.2%pt

3. Revenue by business segment

(Unit: JPY billion)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
Revenue	2,125.0	2,130.0	+5.0
Japanese domestic tobacco	642.0	626.0	-16.0
Core revenue	602.0	591.0	-11.0
International tobacco	1,210.0	1,230.0	+20.0
Core revenue	1,152.0	1,170.0	+18.0
Pharmaceutical	102.0	103.0	+1.0
Processed food	165.0	163.0	-2.0
Others	7.0	7.0	-

• [reference] International tobacco business

(Unit: USD million)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
Core revenue	10,370	10,510	+140
Core revenue at constant FX	10,440	10,440	-

FY2017 Revised Forecasts
Previous Forecasts vs Revised Forecasts
(as of November 1, 2017)

4. Operating profit and adjusted operating profit by business segment (Unit: JPY billion)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
Consolidated: operating profit	565.0	565.0	-
Japanese domestic tobacco	213.0	209.0	-4.0
International tobacco	336.0	336.0	-
Pharmaceutical	23.0	24.0	+1.0
Processed food	6.0	5.5	-0.5
Others/Elimination	-14.0	-10.5	+3.5
Adjusted operating profit	589.0	591.0	+2.0
Japanese domestic tobacco	230.0	225.0	-5.0
International tobacco	359.0	365.0	+6.0
Pharmaceutical	23.0	24.0	+1.0
Processed food	6.0	5.5	-0.5
Others/Elimination	-29.0	-29.0	-

• [reference] International tobacco business (Unit: USD million)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
Adjusted operating profit	3,230	3,280	+50
Adjusted operating profit at constant FX	3,375	3,375	-

5. Free cash flow (Unit: JPY billion)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
FCF*	327.0	215.0	-112.0

*: FCF is sum of cash flows from operating activities and investing activities, but excludes the following items;
 - From operating CF: interest received, dividends received, interest paid and income taxes related to these items
 - From investing CF: purchase of investment securities (for both short-term and long-term), payments into time deposits, proceeds from sale or redemption of investment securities (for both short-term and long-term), proceeds from withdrawal of time deposits and other investing activities not for business operation purposes

6. Capital expenditures (Unit: JPY billion)

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
Consolidated	139.0	143.0	+4.0
Japanese domestic tobacco	46.0	54.0	+8.0
International tobacco	69.0	65.0	-4.0
Pharmaceutical	6.0	7.5	+1.5
Processed food	13.0	11.5	-1.5
Others/Elimination	5.0	4.0	-1.0

7. Business data

• Japanese domestic tobacco business

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)
JT cigarette sales volume*	93.0	92.0	-1.0

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

• International tobacco business

	FY2017 Previous Forecasts	FY2017 Revised Forecasts	Variance (abs)	Variance (%)
Total shipment volume	391.0	398.0	+7.0	+1.8%
GFB shipment volume	288.0	286.0	-2.0	-0.7%
JPY/USD	111.16	111.42	+0.26	+0.2%
RUB/USD	60.00	58.00	-2.00	+3.4%
GBP/USD	0.80	0.78	-0.02	+2.6%
EUR/USD	0.90	0.90	-	-
CHF/USD	1.00	0.98	-0.02	+2.0%
TWD/USD	30.50	30.50	-	-
TRY/USD	3.65	3.60	-0.05	+1.4%
IRR/USD	37,700	38,000	+300	-0.8%

Data of JT products in Japanese market

* Excludes sales from the China, Hong Kong, and Macau markets, domestic duty-free sales and emerging products.

Japanese Domestic Tobacco Business Results

1. Quarterly Sales Volume

(billions of cigarettes)

	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Total
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		

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		

* 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		

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		

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		

*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		

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		

*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		

*The source of Natural American Spirit market share before completing

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		

Japan Tobacco Inc. Clinical Development as of November 1, 2017

<In-house development>

Code (Generic Name)	Potential Indication/Dosage form	Mechanism		Japan/Overseas	Phase			Note
					1	2	3	
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.	Phase2(Japan)		○		In-house Co-development with Torii
				Phase1(Overseas)	○			
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
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
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 August 2, 2017

<In-house development>

- JTZ-951: started co-development with Torii Pharmaceutical Co.,Ltd.



International Tobacco Business January-September 2017 results

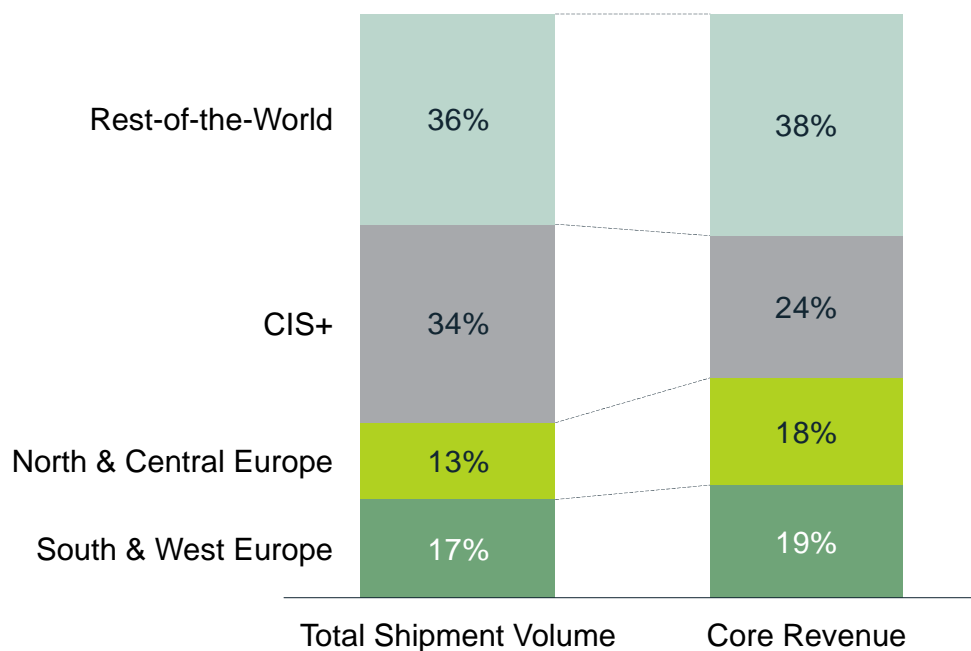
JTI Results by cluster

Shipment Volume and Core Revenue at Constant FX

2017 Jan-Sep	Total Shipment Volume (BnU)		GFB Shipment Volume (BnU)		Core Revenue (US\$ MM)	
	Actual	vs. 2016	Actual	vs. 2016	at constant FX	vs. 2016
South & West Europe	50.4	-1.8%	45.5	-1.3%	1,528	-2.7%
North & Central Europe	39.1	-5.5%	24.6	-4.5%	1,527	-12.5%
CIS+	100.1	-7.4%	78.1	-4.5%	1,755	-8.6%
Rest-of-the- World	108.4	4.8%	68.5	9.4%	3,131	10.7%
JTI Total	298.0	-2.0%	216.8	0.2%	7,941	-1.5%

JTI Contribution by cluster

Total Shipment Volume and Core Revenue at Reported



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Total shipment volume evolution 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>Jan-Sep</u>
JTI	-2.9%	-3.6%	0.3%	-2.0%
South & West Europe	-6.4%	0.9%	0.1%	-1.8%
France	-5.1%	5.4%	-7.8%	-2.5%
Italy	-7.6%	-4.7%	4.5%	-2.9%
Spain	-10.1%	8.3%	8.7%	2.1%
Switzerland	1.6%	9.2%	-2.4%	2.8%
North & Central Europe	-5.0%	-5.0%	-6.4%	-5.5%
Austria	2.2%	-9.7%	-2.6%	-3.6%
Germany	-2.2%	-6.4%	-14.5%	-8.0%
Ireland	-12.2%	0.1%	-0.5%	-4.4%
Poland	-1.1%	-4.0%	-5.7%	-3.7%
Sweden	-16.2%	-6.1%	-10.8%	-10.7%
UK	-7.2%	-5.4%	-7.4%	-6.7%
CIS+	-6.7%	-10.8%	-4.3%	-7.4%
Kazakhstan	-3.1%	-9.4%	-2.9%	-5.3%
Romania	-7.0%	5.3%	-2.6%	-1.3%
Russia	-6.5%	-9.9%	-4.4%	-7.0%
Ukraine	-12.2%	-16.7%	-10.4%	-13.2%
Rest of the World	3.4%	2.9%	8.0%	4.8%
Canada	-5.1%	-4.6%	-5.2%	-5.0%
Iran	23.1%	20.9%	6.1%	16.5%
Malaysia	-7.3%	0.5%	-2.6%	-3.2%
Taiwan	8.6%	15.7%	-7.3%	5.5%
Turkey	-1.3%	-9.8%	-4.2%	-5.2%

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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>Jan-Sep</u>
GFB Total	66.0 -0.5%	74.8 0.5%	76.0 0.5%	216.8 0.2%
Winston	33.1 4.7%	37.2 3.9%	37.9 1.3%	108.3 3.2%
Camel	12.6 -1.5%	13.7 0.2%	14.3 3.1%	40.6 0.7%
MEVIUS	4.5 4.8%	5.0 6.8%	4.5 -1.4%	14.0 3.4%
LD	9.9 -11.9%	12.1 -7.3%	12.5 -1.2%	34.5 -6.6%
B&H	3.0 -8.8%	3.3 -6.8%	3.3 -6.2%	9.6 -7.2%
Glamour	1.2 -12.4%	1.4 -10.8%	1.4 -7.7%	4.1 -10.2%
Sobranie	0.6 -9.9%	0.8 9.6%	0.9 9.3%	2.3 3.6%
Silk Cut	0.6 -8.0%	0.6 -3.6%	0.5 -12.3%	1.7 -7.9%
Natural American Spirit	0.5 12.2%	0.6 -4.0%	0.5 8.2%	1.6 4.7%

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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>Jan-Sep</u>
France	-6.9%	6.3%	-7.6%	-2.7%
Italy	-7.4%	-4.8%	4.2%	-2.9%
Russia	-5.8%	-7.4%	-1.2%	-4.7%
Spain	-10.7%	7.8%	11.1%	2.4%
Taiwan	25.1%	33.5%	-9.2%	14.6%
Turkey	-0.2%	-7.4%	-1.3%	-3.0%
UK	-13.6%	-0.6%	-6.7%	-6.9%

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Share of market in key markets (12 month moving average)

	<u>2016</u> <u>Sep</u>	<u>2017</u> <u>Sep</u>	<u>Change</u>
France	21.8%	22.0%	+0.2ppt
Italy	22.9%	23.2%	+0.3ppt
Russia	33.2%	32.7%	-0.5ppt
(GFB)	24.6%	25.0%	+0.4ppt
Spain	22.7%	23.8%	+1.1ppt
Taiwan	39.5%	41.8%	+2.3ppt
Turkey	29.7%	29.0%	-0.7ppt
UK	42.1%	40.5%	-1.5ppt

Source: IRI, Nielsen, Logista

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Share of market in key markets (3 month average)

	<u>2016</u> <u>Jul-Sep</u>	<u>2016</u> <u>Oct-Dec</u>	<u>2017</u> <u>Jan-Mar</u>	<u>2017</u> <u>Apr-Jun</u>	<u>2017</u> <u>Jul-Sep</u>
France	22.2%	22.1%	22.1%	21.9%	22.0%
Italy	23.9%	23.3%	23.2%	23.2%	23.0%
Russia	32.7%	31.8%	32.1%	33.1%	33.8%
(GFB)	24.9%	24.4%	24.4%	24.9%	26.1%
Spain	22.9%	23.0%	23.6%	24.2%	24.3%
Taiwan	39.7%	40.7%	41.5%	42.1%	42.7%
Turkey	29.2%	28.9%	29.4%	29.0%	28.8%
UK	41.7%	41.0%	41.0%	40.1%	40.1%

Source: IRI, Nielsen, Logista

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Tax and price increase

(as of October 31, 2017)

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

i) Price increase for some brands

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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>Jan-Sep</u>
RUB/\$	58.82	57.14	59.01	58.32
	(+27.0%)	(+15.3%)	(+9.5%)	(+17.3%)
GBP/\$	0.81	0.78	0.76	0.78
	(-13.5%)	(-11.1%)	(-0.5%)	(-8.5%)
EUR/\$	0.94	0.91	0.85	0.90
	(-3.4%)	(-2.8%)	(+5.2%)	(-0.5%)
CHF/\$	1.00	0.99	0.96	0.98
	(-1.1%)	(-1.6%)	(+1.4%)	(-0.4%)
TWD/\$	31.12	30.25	30.27	30.55
	(+6.3%)	(+7.1%)	(+4.8%)	(+6.1%)
TRY/\$	3.69	3.58	3.51	3.59
	(-20.3%)	(-19.1%)	(-15.8%)	(-18.5%)
IRR/\$	38,283	37,540	38,419	38,081
	(-7.2%)	(-7.5%)	(-7.8%)	(-7.5%)
JPY/\$	113.60	111.09	111.00	111.89
	(-1.5%)	(+2.8%)	(+8.4%)	(+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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FY2017 Forecast Reference Information

FX assumption (Revised)

	<u>2017 Previous assumptions</u>	<u>2017 Revised assumptions</u>	<u>Change</u>	<u>Impact on earnings vs. previous assumptions</u>
RUB/\$	60.00	58.00	+3.4%	positive
GBP/\$	0.80	0.78	+2.6%	positive
EUR/\$	0.90	0.90	-	-
CHF/\$	1.00	0.98	+2.0%	negative
TWD/\$	30.50	30.50	-	-
TRY/\$	3.65	3.60	+1.4%	positive
IRR/\$	37,700	38,000	-0.8%	negative
JPY/\$	111.16	111.42	+0.2%	positive

Revised FX assumption & sensitivity

(Reference Information)

	<u>2017 Revised assumptions</u>
RUB/\$	58.00
GBP/\$	0.78
EUR/\$	0.90
CHF/\$	0.98
TWD/\$	30.50
TRY/\$	3.60
IRR/\$	38,000
<hr/>	
JPY/\$	111.42

FX Sensitivity Guidance for FX impact on 2017 adjusted operating profit of US\$ 3,280 MM (previous guidance: US\$ 3,230MM) **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 above US\$ 50MM (no change from previous guidance) **impact on US\$ based adjusted operating profit**

US\$ 50MM composed of:

RUB 30%-, GBP 15%, TWD 15%, EUR 15%,

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

US\$ vs. Yen

Yen/\$ move of 1 yen from the assumption leads to approx. 3.3 billion yen impact on Yen-based adjusted operating profit (previous guidance: approx. 3.2 billion yen)

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