Supplementary Document

Tokyo, February 4, 2016
Japan Tobacco Inc.

Japan Tobacco International (JTI)
Results for the 12-month period ended December 31, 2015

Robust GFBs and pricing drive double-digit profit growth

(billions of units, millions of US$)	Jan-Dec		Change vs. prior year	Oct-Dec		Change vs. prior year
	2015	2014		2015	2014	
Total shipment volume[1]	393.9	398.0	-1.0%	98.4	101.4	-3.0%
GFB shipment volume[1]	273.6	262.2	4.3%	68.2	67.9	0.5%
Core revenue[2]	10,338	11,911	-13.2%	2,516	2,809	-10.5%
Core revenue at constant FX	12,739	11,911	7.0%	2,976	2,809	5.9%
Adjusted operating profit	3,257	4,253	-23.4%	543	799	-32.1%
Adjusted operating profit at constant FX	4,712	4,253	10.8%	797	799	-0.2%

Highlights

Full year 2015 (January-December)

- Adjusted operating profit at constant currency grew 10.8%, driven by robust price/mix and GFB shipment volume growth. On a reported basis, adjusted operating profit declined 23.4%, due to unfavorable currency movements.
- Core revenue at constant currency increased 7.0%, while it declined 13.2% on a reported basis.
- GFB shipment volume grew 4.3%, reflecting strong growth of Winston, Camel, LD, Benson & Hedges and Sobranie. GFB fine cut shipment volume increased 30.8% resulting in total fine cut shipment volume growth of 13.1%. Despite significant industry contraction in Russia and a volatile operating environment in the Middle East, total shipment volume only declined 1.0%.
- Year-on-year market share[3] increased in key markets including France, Italy, Spain, Taiwan, Turkey and the UK. In Russia, GFB market share continued to grow driven by LD.

3 months quarter-to-date 2015 (October-December)

- Core revenue grew 5.9% at constant currency led by strong price/mix and positive GFB performance. Adjusted operating profit at constant currency declined 0.2% due to increased investments in the quarter partially offset by strong price/mix.
- On a reported basis, core revenue and adjusted operating profit declined 10.5% and 32.1%, respectively, due to unfavorable currency movements.
- GFB shipment volume increased 0.5%, driven by Winston, LD, Benson & Hedges and Sobranie. GFB fine cut shipment volume grew 24.8% resulting in total fine cut shipment volume growth of 12.1%. Total shipment volume decreased 3.0%, mainly due to industry contraction and trade inventory adjustments in Russia, as well as a volatile operating environment in the Middle East.

Performance review

Full year 2015 (January-December)

Core revenue at constant currency grew 7.0% or US$829 million to US$12,739 million, driven by US$997 million in price/mix contribution.

Adjusted operating profit at constant currency increased 10.8% or US$458 million to US$4,712 million. Positive price/mix of US$973 million offset total volume decline and increased investments.

On a reported basis, core revenue and adjusted operating profit declined 13.2% and 23.4%.

Total shipment volume

Total shipment volume decreased 1.0% to 393.9 billion cigarette equivalent units. Positive volume performance in the Benelux, Czech Republic, France, Germany, Iran, Italy and Turkey was offset by industry contraction in Kazakhstan and Russia as well as a volatile operating environment in the Middle East. Fine cut shipment volume increased 13.1%, led by the Benelux, France, Germany, Hungary, Spain and the UK.

(billions of units)	Jan-Dec		Change
Cluster	**2015**	**2014**	**vs. prior year**
South & West Europe	63.2	59.8	5.7%
North & Central Europe	53.0	51.6	2.6%
CIS+	152.5	165.7	-7.9%
Rest-of-the-World	125.2	120.8	3.6%
Total JTI	**393.9**	**398.0**	**-1.0%**

GFB shipment volume

GFB shipment volume grew 4.3% to 273.6 billion cigarette equivalent units, mainly driven by the Benelux, Canada, Czech Republic, France, Germany, Iran, Italy, Romania, Spain, Turkey and Ukraine. GFB fine cut shipment volume increased 30.8%, primarily led by growth in the Benelux, France, Germany, Hungary, Italy and Spain. GFBs represented 69.4% of total shipment volume, up 3.6ppt from last year.

Winston: Shipment volume grew 1.9% to 132.1 billion cigarette equivalent units, primarily driven by the Benelux, Czech Republic, France, Germany, Iran, Poland and Turkey. Fine cut shipment volume increased 39.4%, led by the Benelux, France, Germany and Spain.

Camel: Shipment volume grew 9.7% to a historical level of 50.9 billion cigarette equivalent units, increasing notably in the Benelux, Czech Republic, France, Italy, Korea, Spain and Turkey. Fine cut shipment volume increased 23.0%, led by the Benelux and France.

Mevius: Shipment volume declined 3.5% to 17.1 billion cigarette equivalent units. Positive performance in Kazakhstan, Malaysia and South East Asia was mainly offset by Korea where the January 2015 excise tax increase negatively impacted industry volume.

LD: Shipment volume increased 10.2% to a record high 49.5 billion cigarette equivalent units, primarily driven by growth in Canada, Kazakhstan, Romania and Ukraine. Fine cut shipment volume grew 5.5%, led by Hungary and Poland.

Cluster results

South and West Europe

(billions of units, millions of US$)	Jan-Dec 2015	Jan-Dec 2014	Change vs. prior year
Total shipment volume	63.2	59.8	5.7%
GFB shipment volume	55.8	51.4	8.5%
Core revenue at constant FX	2,228	2,064	8.0%

In an improving economic environment, total and GFB shipment volumes grew 5.7% and 8.5%, respectively, primarily driven by positive performance in the Benelux, France, Italy and Spain. Market share increased in the Benelux, France, Greece, Italy, Spain and Switzerland.

Core revenue at constant currency increased 8.0%, driven by strong volume performance and price/mix of US$55 million.

In France, total and GFB shipment volumes grew 6.4% and 9.4%, respectively, driven by Winston and Camel. Fine cut shipment volume increased 13.8% led by Winston, Camel and Fleur du Pays. Market share grew 0.6ppt to 21.4%, driven by Winston, Camel and Fleur du Pays.

In Italy, Camel, Winston and Benson & Hedges drove strong total and GFB shipment volume growth of 9.3% and 9.7%, respectively. Fine cut shipment volume grew 16.0% driven by Winston. Market share increased 1.2ppt to 21.1%, driven by all GFBs.

In Spain, total and GFB shipment volumes increased 1.9% and 4.4%, respectively, driven by all GFBs. Fine cut shipment volume grew 18.9% mainly driven by Winston. Market share grew 0.6ppt to 22.3%, led by Winston, Camel and Benson & Hedges.

North and Central Europe

(billions of units, millions of US$)	Jan-Dec 2015	Jan-Dec 2014	Change vs. prior year
Total shipment volume	53.0	51.6	2.6%
GFB shipment volume	30.5	27.8	9.5%
Core revenue at constant FX	2,588	2,381	8.7%

Total and GFB shipment volumes increased 2.6% and 9.5%, respectively, mainly driven by Czech Republic, Germany and Hungary. Market share grew in Czech Republic, Germany, Hungary, Ireland, Poland, Sweden and the UK.

Core revenue at constant currency increased 8.7%, driven by positive volume and price/mix of US$178 million.

In Austria, GFB shipment volume grew 5.4% despite total shipment volume declining 2.2%. Winston and Camel both gained market share and were the key brands driving GFB volume. Share of market declined 0.2ppt to 31.2%.

In Poland, total and GFB shipment volumes increased 1.0% and 1.7%, respectively, driven by Winston. Market share increased 0.5ppt to 16.4%.

In the UK, we achieved market leadership with a market share of 42.0% (+0.7ppt). Amber Leaf and Sterling continued to lead in total tobacco and cigarettes, respectively. Total and GFB shipment volumes declined 2.9% and 1.8%, respectively, due to industry contraction and downtrading. Fine cut shipment volume increased 2.9% led by Amber Leaf and Sterling.

CIS+

(billions of units, millions of US$)	Jan-Dec		Change
	2015	2014	vs. prior year
Total shipment volume	152.5	165.7	-7.9%
GFB shipment volume	113.3	115.7	-2.1%
Core revenue at constant FX	4,261	4,005	6.4%

Total and GFB shipment volume declined 7.9% and 2.1% respectively, due to industry contraction across the cluster and trade inventory adjustments in Kazakhstan and Russia. Market share increased in Romania and Ukraine.

Core revenue at constant currency grew 6.4% as a result of US$628 million of price/mix.

In Romania, total and GFB shipment volumes increased 3.7% and 30.8%, respectively, driven by Winston, LD and Sobranie. Market share grew 0.1ppt to 25.4% driven by Winston and Sobranie.

In Russia, total and GFB shipment volumes declined 11.4% and 8.1%, respectively. This was mainly due to industry contraction estimated at 6.3%[4], trade inventory adjustments and competitive pressure at the low-end of the market impacting non-GFB performance. Share of market and share of value declined 1.2ppt to 33.6% and 1.2ppt to 34.6%, respectively. GFB market share grew 0.2ppt to 24.1%, led by LD. Winston, the leading tobacco brand, maintained a stable market share.

Rest-of-the-World

(billions of units, millions of US$)	Jan-Dec		Change
	2015	2014	vs. prior year
Total shipment volume	125.2	120.8	3.6%
GFB shipment volume	74.0	67.2	10.0%
Core revenue at constant FX	3,662	3,461	5.8%

Total and GFB shipment volumes increased 3.6% and 10.0%, respectively, mainly driven by Iran, South East Asia and Turkey. Market share grew in Canada, Korea, Taiwan and Turkey.

Core revenue at constant currency increased 5.8%, led by positive volume and price/mix of US$136 million.

In Taiwan, total and GFB shipment volumes grew 1.3% and 1.6%, respectively, led by Winston and LD. Share of market and share of value increased 0.8ppt to 39.2% and 1.1ppt to 45.3%, respectively, driven by Mevius, Winston and LD, consolidating our leadership position.

In Turkey, total and GFB shipment volumes increased strongly by 18.1% and 19.5%, respectively, driven by Camel and Winston. Share gains by Camel and Winston drove total market share to 30.2% (+1.1ppt).

Performance review
3 months quarter-to-date 2015 (October-December)

Core revenue at constant currency grew 5.9% or US$166 million to US$2,976 million, driven by a strong price/mix contribution of US$258 million.

Adjusted operating profit at constant FX was US$797 million, declining 0.2% or US$2 million due to increased investments offsetting a robust price/mix of US$256 million.

GFB shipment volume grew 0.5%, mainly driven by the Benelux, Canada, Czech Republic, Germany, Hungary, Iran, Italy, Romania, Spain and Ukraine. Total shipment volume declined 3.0%, mainly due to industry contraction and trade inventory adjustments in Russia, as well as a volatile operating environment in the Middle East. Fine cut shipment volume grew 12.1%, led by the strong GFB growth momentum in the European clusters.

Shipment volume

(billions of units)	Total Oct-Dec		Change vs. prior year	GFB Oct-Dec		Change vs. prior year
Cluster	**2015**	**2014**		**2015**	**2014**	
South & West Europe	14.4	13.7	5.6%	12.8	11.9	7.7%
North & Central Europe	12.9	12.6	2.5%	7.6	6.8	11.0%
CIS+	37.6	42.3	-11.1%	28.4	30.2	-6.0%
Rest-of-the-World	33.4	32.8	1.9%	19.5	19.0	2.6%
Total JTI	**98.4**	**101.4**	**-3.0%**	**68.2**	**67.9**	**0.5%**

Core revenue at constant FX

(millions of US$)	Oct-Dec		Change vs. prior year
Cluster	**2015**	**2014**	
South & West Europe	471	445	6.0%
North & Central Europe	614	580	5.9%
CIS+	942	898	4.9%
Rest-of-the-World	948	886	7.0%
Total JTI	**2,976**	**2,809**	**5.9%**

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Notes:

[1] Including fine cut, cigars, pipe tobacco and snus, but excluding contract manufactured products, waterpipe tobacco and emerging products.
[2] Revenue including waterpipe tobacco and emerging products, but excluding revenue from distribution, contract manufacturing and other peripheral businesses.
[3] Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut at the end of December 2015. The Benelux, Germany, Greece, Spain and Switzerland are on a 12-month rolling average at the end of November 2015. 12-month share of market growth for November 2015 markets is calculated against a 12-month share of market at the end of December 2014.
[4] Source: JTI estimates based on Jan-Dec 2015 data versus the same period last year.

Additional definitions are provided at http://www.jt.com/media/definitions/index.html.

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