Supplementary Document

Tokyo, May 2, 2016
Japan Tobacco Inc.

Japan Tobacco International (JTI)
Results for the 3-month period ended March 31, 2016

Solid performance driven by shipment volume growth and strong pricing

(billions of units, millions of US$)	Jan-Mar 2016	Jan-Mar 2015	Change vs. prior year
Total shipment volume[1]	94.4	88.1	7.1%
GFB shipment volume[1]	66.4	60.0	10.7%
Core revenue[2]	2,468	2,369	4.2%
Core revenue at constant FX	2,696	2,369	13.8%
Adjusted operating profit	863	881	-2.1%
Adjusted operating profit at constant FX	1,067	881	21.1%

Highlights

3 months quarter-to-date 2016 (January-March)

- Total and GFB shipment volumes increased 7.1% and 10.7%, respectively, driven by continued market share momentum, contributions from recent acquisitions and favorable comparisons due to trade inventory adjustments in the quarter. Excluding these favorable factors, underlying total and GFB shipment volumes grew.
- In fine cut, total and GFB shipment volumes grew 17.3% and 32.8%, respectively.
- The strong GFB performance in both cigarettes and fine cut was primarily driven by Winston, Camel and LD.
- Year-on-year market share[3] increased in the key markets of France, Italy, Spain, Taiwan and the UK. In Russia, GFB market share continued to grow driven by LD.
- Core revenue at constant FX increased 13.8%, and 4.2% on a reported basis, driven by volume growth, robust price/mix and recent acquisitions.
- Adjusted operating profit at constant FX grew 21.1% driven by strong top-line growth. On a reported basis, adjusted operating profit declined 2.1% due to negative currency impacts.

Performance review

Core revenue and adjusted operating profit

3 months quarter-to-date 2016 (January-March)

Core revenue at constant FX grew 13.8% or US$327 million to US$2,696 million, driven by positive volume of US$138 million, including recent acquisitions, and US$189 million in price/mix contribution.

Adjusted operating profit at constant FX increased 21.1% or US$186 million to US$1,067 million driven by a positive price/mix of US$177 million and the impact of favorable volume net of additional investments towards emerging products and emerging markets.

On a reported basis, total core revenue grew 4.2% while adjusted operating profit declined 2.1% due to negative currency impacts.

Total shipment volume

(billions of units)	Jan-Mar		Change vs. prior
Cluster	**2016**	**2015**	**year**
South & West Europe	17.0	15.1	12.2%
North & Central Europe	13.2	12.6	4.5%
CIS+	31.1	31.3	-0.6%
Rest-of-the-World	33.2	29.1	13.9%
Total JTI	**94.4**	**88.1**	**7.1%**

3 months quarter-to-date 2016 (January-March)

Total shipment volume grew 7.1% to 94.4 billion cigarette equivalent units, driven by market share momentum and organic volume growth notably in the Benelux, Canada, France, Germany, Iran, Italy, Kazakhstan, Middle East and Africa, the Philippines and Spain. The positive performance was also due to favorable comparisons to prior year, including trade inventory adjustments, and recent acquisitions. Fine cut shipment volume increased 17.3%, led by the Benelux, France, Germany, Hungary, Italy and Spain.

GFB shipment volume

(billions of units)	Jan-Mar		Change vs. prior
Cluster	**2016**	**2015**	**year**
South & West Europe	15.2	13.3	14.3%
North & Central Europe	8.0	6.9	15.6%
CIS+	23.7	23.0	3.1%
Rest-of-the-World	19.4	16.7	16.3%
Total JTI	**66.4**	**60.0**	**10.7%**

3 months quarter-to-date 2016 (January-March)

GFB shipment volume grew 10.7% to 66.4 billion cigarette equivalent units driven by all clusters, with notably South & West Europe, North & Central Europe and Rest-of-the-World securing double-digit growth. The solid performance was driven by continued organic growth, favorable comparisons to prior year including trade inventory adjustments and the addition of Natural American Spirit. GFB fine cut shipment volume increased 32.8%, primarily led by the Benelux, France, Germany, Hungary, Italy and Spain. GFBs represented 70.3% of total shipment volume, up 2.3ppt from last year.

Winston: Shipment volume grew 10.3% to 31.6 billion cigarette equivalent units, primarily driven by the Benelux, France, Germany, Iran, Italy, Middle East and Africa, the Philippines, Poland, Russia, Taiwan and Turkey. Fine cut shipment volume increased 29.7%, led by the Benelux, France, Germany and Spain.

Camel: Shipment volume grew 8.8% to 12.8 billion cigarette equivalent units, reflecting growth in the Benelux, the Caucasus markets, France, Italy, Korea and the Philippines. Fine cut shipment volume increased 19.4%, led by the Benelux, France, Italy and Spain.

Mevius: Shipment volume increased 8.9% to 4.3 billion cigarette equivalent units driven by a positive performance in Korea – after a large industry decline in 2015 – as well as South East Asia.

LD: Shipment volume increased 9.2% to 11.3 billion cigarette equivalent units, primarily driven by growth in Canada, Kazakhstan, Romania, Russia, Turkey and Ukraine. Fine cut shipment volume grew 8.8%, led by Hungary and Poland.

Cluster review

3 months quarter-to-date 2016 (January-March)

South and West Europe

Total and GFB shipment volumes grew 12.2% and 14.3%, respectively, primarily driven by positive organic performance in the Benelux, France, Italy, Spain and Switzerland combined with favorable trade inventory adjustments in the quarter and the addition of Natural American Spirit. Market share increased in the Benelux, France, Italy, Greece, Spain and Switzerland. Core revenue at constant FX increased 14.8% to US$517 million, driven by the ongoing market share momentum combined with a price/mix contribution of US$16 million.

In France, Winston and Camel drove an increase in total and GFB shipment volumes of 7.4% and 8.2%, respectively, supported by industry volume growth. Fine cut shipment volume increased 17.0% led by Winston, Camel and Fleur du Pays. Market share grew 0.5ppt to 21.4%, driven by Winston, Camel and Fleur du Pays.

In Italy, Camel and Winston drove strong total and GFB shipment volume growth of 29.2% and 29.9%, respectively, supported by industry volume growth and favorable trade inventory adjustments. Fine cut shipment volume increased 56.7% driven by Winston, Camel and the addition of Natural American Spirit. Market share grew 1.9ppt to 21.6%, driven by Camel, Winston and Benson & Hedges.

In Spain, total and GFB shipment volumes increased 4.6% and 3.6%, respectively, mainly driven by Winston as well as favorable trade inventory adjustments. Fine cut shipment volume increased 31.9% driven by Winston. Market share grew 0.4ppt to 22.4%, primarily led by Winston, Camel and Amber Leaf.

North and Central Europe

Total and GFB shipment volumes increased 4.5% and 15.6%, respectively, mainly driven by Austria, Czech Republic, Germany, Hungary and Ireland. Market share grew in Austria, Czech Republic, Germany, Hungary, Ireland, Poland, Sweden and the UK. Core revenue at constant FX increased 6.4% to US$596 million, driven by positive volume and the acquisition of Natural American Spirit, combined with a price/mix contribution of US$22 million.

In Austria, total and GFB shipment volumes grew 3.4% and 15.8%, respectively, driven by Benson & Hedges, Winston, Camel and favorable trade inventory movements. Market share increased 0.4ppt to 31.5%, led by Winston, Benson & Hedges and Camel.

In Poland, total and GFB shipment volumes grew 0.4% and 1.4%, respectively, driven by Winston. Market share increased 0.2ppt to 16.3%, led by Winston.

In the UK, GFB shipment volume grew 24.8%, driven by Benson & Hedges and the addition of Natural American Spirit. Total shipment volume declined 4.2%, mainly due to industry contraction. Fine cut shipment volume increased 2.4% driven by Sterling and Natural American Spirit. Market share increased 0.6ppt to 42.1% consolidating our number one position.

CIS+

GFB shipment volume increased 3.1% mainly driven by Kazakhstan, Romania, Russia and Ukraine. Total shipment volume declined 0.6%, primarily due to the Caucasus and Central Asian markets. Market share grew in Romania and Ukraine. Core revenue at constant FX grew 13.9% to US$628 million as a result of US$83 million of price/mix.

In Romania, total and GFB shipment volumes increased 3.2% and 26.2%, respectively, following the migration of More to LD as well as growth from Sobranie and Winston. Market share increased 0.3ppt to 25.8%.

In Russia, GFB shipment volume grew 4.5% driven by Winston, LD and Sobranie. Underpinned by favorable trade inventory adjustments, total shipment volume remained almost flat (-0.1%) despite continued industry contraction[4] estimated at 4.4% for the quarter and competitive pressure at the low-end of the market. Excluding favorable trade inventory adjustments, total shipment volume would have declined by approximately 7%. Share of market and share of value declined 0.9ppt to 33.5% and 1.0ppt to 34.5%, respectively, while GFB market share grew 0.3ppt to 24.2%, led by LD.

Rest-of-the-World

Total and GFB shipment volumes increased 13.9% and 16.3%, respectively, mainly driven by Canada, Iran, Middle East and Africa, Myanmar, the Philippines and South East Asia, together with a favorable comparison in Korea. Total shipment volume growth was also supported by the acquisition of Arian Tobacco Industry in Iran. Market share grew in several markets including Canada, Korea, Malaysia and Taiwan. Core revenue at constant FX increased 18.3% to US$954 million, driven by organic momentum, recent acquisitions and a positive price/mix of US$68 million.

In Taiwan, despite the positive volume performance of Winston and LD, total and GFB shipment volumes declined 3.3% and 2.2%, respectively, due to unfavorable comparisons to prior year. Share of market and share of value increased 0.7ppt to 39.3% and 1.1ppt to 45.5%, respectively, driven by Winston and LD.

In Turkey, where industry volume grew, total and GFB shipment volumes increased 4.9% and 4.5%, respectively, driven by Winston and LD. Market share declined 0.2ppt to 29.9% despite growth from Camel, which held its number one position.

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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 March 2016. The Benelux, France, Greece, Germany, Ireland, Malaysia, Russia, Spain and Switzerland are on a 12-month rolling average at the end of February 2016. 12-month share of market growth for February 2016 markets is calculated against a 12-month share of market at the end of March 2015.

[4] Source: JTI estimates based on Jan-Feb 2016 data versus the same period last year.