Supplementary Document

Tokyo, August 1, 2016
Japan Tobacco Inc.

Japan Tobacco International (JTI)
Results for the 3-month period ended June 30, 2016

Strong business momentum and pricing drive solid financials

(billions of units, millions of US$)	Apr-Jun		Change vs. prior	Jan-Jun		Change vs. prior
	2016	2015	year	2016	2015	year
Total shipment volume[1]	105.3	103.1	2.2%	199.7	191.2	4.4%
GFB shipment volume[1]	74.4	71.9	3.4%	140.7	131.9	6.7%
Core revenue[2]	2,771	2,693	2.9%	5,239	5,061	3.5%
Core revenue at constant FX	3,004	2,693	11.6%	5,700	5,061	12.6%
Adjusted operating profit	866	889	-2.6%	1,729	1,770	-2.3%
Adjusted operating profit at constant FX	1,016	889	14.3%	2,083	1,770	17.7%

Highlights

3 months quarter-to-date 2016 (April-June)

- Adjusted operating profit at constant FX grew 14.3%, driven by robust price/mix and shipment volume growth, offsetting the cost increase due to ongoing investments. On a reported basis, adjusted operating profit declined 2.6%, due to currency fluctuations.
- Core revenue increased 11.6% at constant FX and 2.9% on a reported basis driven by strong business momentum and pricing.
- Total and GFB shipment volumes grew 2.2% and 3.4%, respectively, reflecting continued market share momentum and contributions from recent acquisitions. In fine cut, GFB shipment volume increased 22.0% resulting in total fine cut shipment volume growing 9.6%.
- 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 and solid Winston performance.

6 months year-to-date 2016 (January-June)

- Core revenue and adjusted operating profit grew 12.6% and 17.7% at constant FX, respectively, led by strong price/mix and positive GFB performance. Investments accelerated, particularly in seeding markets and emerging products.
- Reported core revenue increased 3.5% driven by strong business momentum offsetting currency fluctuations. Reported adjusted operating profit declined 2.3% due to currency fluctuations.
- Total and GFB shipment volumes increased 4.4% and 6.7%, respectively, driven by market share gains, contributions from acquisitions and favorable trade inventory adjustments in the first quarter. In fine cut, total and GFB shipment volumes grew 13.3% and 27.1%, respectively.

Performance review

Core revenue and adjusted operating profit

3 months quarter-to-date 2016 (April-June)

Core revenue at constant FX grew 11.6% or US$312 million to US$3,004 million, driven by US$214 million in price/mix contribution and positive volume.

Adjusted operating profit at constant FX increased 14.3% or US$127 million to US$1,016 million, reflecting a positive price/mix of US$213 million and ongoing investments.

On a reported basis, total core revenue was up 2.9% as strong business momentum offset currency fluctuations, while adjusted operating profit declined 2.6% due to currency fluctuations.

6 months year-to-date 2016 (January-June)

Core revenue at constant FX grew 12.6% or US$639 million to US$5,700 million, driven by price/mix contribution of US$403 million and positive volume.

Adjusted operating profit at constant FX increased 17.7% or US$313 million to US$2,083 million, driven by robust price/mix of US$390 million and volume growth. Investments also increased, particularly in seeding markets and emerging products.

On a reported basis, core revenue grew 3.5%, while adjusted operating profit declined 2.3% due to currency fluctuations.

Total shipment volume

(billions of units)	Apr-Jun		Change vs. prior	Jan-Jun		Change vs. prior
Cluster	**2016**	**2015**	**year**	**2016**	**2015**	**year**
South & West Europe	17.5	16.9	4.0%	34.5	32.0	7.9%
North & Central Europe	13.8	13.2	4.5%	27.0	25.8	4.5%
CIS+	39.2	42.2	-7.2%	70.3	73.5	-4.4%
Rest-of-the-World	34.7	30.8	13.0%	67.9	59.9	13.4%
Total JTI	**105.3**	**103.1**	**2.2%**	**199.7**	**191.2**	**4.4%**

3 months quarter-to-date 2016 (April-June)

Total shipment volume increased 2.2% to 105.3 billion cigarette equivalent units. Acquisitions and positive volume performance in the Caucasus markets, Germany, Iran, Italy, Korea, the Philippines, South East Asia markets, Taiwan and Turkey offset declines mainly caused by industry contraction in Russia. In fine cut, shipment volume also grew 9.6%, led by France, Germany, Hungary, Italy and the UK.

6 months year-to-date 2016 (January-June)

Total shipment volume grew 4.4% mainly driven by the Caucasus markets, France, Germany, Iran, Italy, Kazakhstan, Korea, the Philippines, Romania, South East Asia markets and Turkey, as well as inventory adjustments and acquisitions. In fine cut, shipment volume increased 13.3%, led by the growth momentum in the European clusters.

GFB shipment volume

(billions of units)	Apr-Jun		Change vs. prior	Jan-Jun		Change vs. prior
Cluster	**2016**	**2015**	**year**	**2016**	**2015**	**year**
South & West Europe	15.8	14.8	6.6%	31.0	28.2	10.2%
North & Central Europe	8.7	7.6	14.0%	16.7	14.6	14.8%
CIS+	29.1	30.9	-6.0%	52.8	54.0	-2.1%
Rest-of-the-World	20.8	18.5	12.3%	40.2	35.2	14.2%
Total JTI	**74.4**	**71.9**	**3.4%**	**140.7**	**131.9**	**6.7%**

3 months quarter-to-date 2016 (April-June)

GFB shipment volume grew 3.4% to 74.4 billion cigarette equivalent units, mainly driven by Brazil, Canada, Germany, Iran, Italy, the Philippines, Romania, South East Asia markets, Taiwan, Turkey, the UK and the inclusion of Natural American Spirit. Over the quarter, GFB fine cut shipment volume increased 22.0%, primarily led by growth in the Benelux, France, Germany, Hungary, Italy and the UK.

Winston: Shipment volume grew 2.8% to 35.8 billion cigarette equivalent units, primarily driven by Brazil, Germany, Iran, Italy, the Philippines, South East Asia markets, Taiwan and Turkey. The Benelux, Germany and Portugal drove a 13.0% increase in fine cut shipment volume.

Camel: Shipment volume grew 3.7% to 13.7 billion cigarette equivalent units, reflecting growth in Brazil, Czech Republic, France, Italy, the Philippines, South Africa and Spain. Fine cut shipment volume increased 11.9%, led by the Benelux, France and Italy.

Mevius: Shipment volume increased 8.3% to 4.7 billion cigarette equivalent units driven by growth in South East Asia markets, and in Korea following the significant excise tax increase in 2015.

LD: Despite strong growth in Canada, Kazakhstan, Romania and Turkey, shipment volume declined 2.1% to 13.1 billion cigarette equivalent units, primarily due to the Caucasus markets, Russia and Ukraine. Fine cut shipment volume grew 7.8%, mainly led by Hungary.

6 months year-to-date 2016 (January-June)

GFB shipment volume grew 6.7%, mainly driven by the Benelux, France, Germany, Iran, Italy, Korea, the Philippines, Romania, South East Asia markets, Turkey and the UK, as well as inventory adjustments and acquisitions. In fine cut, GFB shipment volume increased 27.1% primarily driven by the Benelux, France, Germany, Hungary, Italy and Spain

GFBs represented 70.5% of total shipment volume, up 1.5ppt from the same period last year.

Cluster review

3 months quarter-to-date 2016 (April-June)

South and West Europe

(billions of units, millions of US$)	Apr-Jun		Change
	2016	2015	vs. prior year
Total shipment volume	17.5	16.9	4.0%
GFB shipment volume	15.8	14.8	6.6%
Core revenue at constant FX	531	503	5.6%

Core revenue at constant FX increased 5.6%, driven by positive volume and price/mix of US$6 million.

Total and GFB shipment volumes grew 4.0% and 6.6%, respectively, primarily driven by positive performance in France, Italy and Switzerland, as well as trade inventory adjustments. Market share increased in the Benelux, France, Greece, Italy, Spain and Switzerland.

In France, total shipment volume grew 0.7% and GFB shipment volume grew 3.0% driven by Winston, Camel and Natural American Spirit. Fine cut shipment volume increased 3.7% led by Winston and Camel. Market share grew 0.5ppt to 21.6%, driven by Winston, Camel and Fleur du Pays.

In Italy, Winston, Camel, Benson & Hedges and Natural American Spirit, as well as inventory adjustments, drove strong total and GFB shipment volumes growth of 14.4% and 14.6%, respectively. Fine cut shipment volume grew 60.4% mainly driven by Camel and Natural American Spirit. Market share increased 2.0ppt to 22.0%, driven by Winston, Camel and Benson & Hedges.

In Spain, GFB shipment volume grew 0.6%, mainly driven by Camel and Natural American Spirit while total shipment volume declined 0.7%. Fine cut shipment volume was down 2.4%. Market share grew 0.4ppt to 22.5%, primarily led by Winston and Camel.

North and Central Europe

(billions of units, millions of US$)	Apr-Jun		Change
	2016	2015	vs. prior year
Total shipment volume	13.8	13.2	4.5%
GFB shipment volume	8.7	7.6	14.0%
Core revenue at constant FX	601	553	8.7%

Core revenue at constant FX increased 8.7%, driven by strong volume performance and price/mix of US$23 million.

Total and GFB shipment volumes increased 4.5% and 14.0%, respectively, mainly driven by Austria, Czech Republic, Germany, Hungary and Sweden, as well as the inclusion of Natural American Spirit. Market share grew in Austria, Czech Republic, Germany, Hungary, Ireland, Sweden and the UK.

In Austria, total and GFB shipment volumes grew 5.8% and 19.0%, respectively, driven by Winston and Benson & Hedges. Market share increased 0.7ppt to 31.7%, led by Winston, Camel and Benson & Hedges.

In Poland, total and GFB shipment volumes declined 4.3% and 3.6%, respectively, due to Winston and LD. Market share decreased 0.2ppt to 16.2% due to LD.

In the UK, GFB shipment volume grew 36.4%, driven by Benson & Hedges. Total shipment volume slightly declined 0.6%, mainly due to industry contraction and downtrading. Fine cut shipment volume increased 6.5% driven by Amber Leaf, Sterling and Natural American Spirit. Market share grew 0.6 ppt to 42.1%, with Amber Leaf and Sterling strengthening their number one position in total tobacco and cigarettes, respectively.

CIS+

(billions of units, millions of US$)	Apr-Jun		Change
	2016	2015	vs. prior year
Total shipment volume	39.2	42.2	-7.2%
GFB shipment volume	29.1	30.9	-6.0%
Core revenue at constant FX	859	811	5.9%

Core revenue at constant FX grew 5.9% as a result of US$101 million of price/mix.

Total and GFB shipment volumes declined 7.2% and 6.0%, respectively, mainly due to industry contraction in Russia. GFB market share increased in Romania and Russia.

In Romania, total and GFB shipment volumes increased 3.5% and 26.3%, respectively, driven by Winston, LD and Sobranie. GFB shipment volume growth was supported by the successful migration of More to LD. Market share increased 0.5ppt to 25.9%.

In Russia, total and GFB shipment volumes declined 8.6% and 3.2%, respectively. This was mainly due to quarterly industry contraction[4] estimated at 5.4%, as well as competitive pressure at the low-end of the market. Share of value and share of market declined 0.7ppt to 34.4% and 0.8ppt to 33.4%, respectively, on a 12-month rolling average basis. Over the last 9 months, quarterly market share stabilized. GFB market share grew 0.3ppt to 24.4%, led by LD and supported by Winston gaining market share consistently since January.

Rest-of-the-World

(billions of units, millions of US$)	Apr-Jun		Change
	2016	2015	vs. prior year
Total shipment volume	34.7	30.8	13.0%
GFB shipment volume	20.8	18.5	12.3%
Core revenue at constant FX	1,013	825	22.8%

Core revenue at constant FX increased 22.8%, led by positive volume and price/mix of US$84 million.

Total and GFB shipment volumes increased 13.0% and 12.3%, respectively, mainly driven by Brazil, Canada, Iran (including the acquisition of Arian Tobacco Industry), Korea, Myanmar, the Philippines, South Africa, South East Asia markets, Taiwan and Turkey. Market share grew in Canada, Korea and Taiwan.

In Taiwan, total and GFB shipment volumes grew 2.7% and 4.7%, respectively, and share of market increased 0.4ppt to 39.3% driven by Winston and LD. Share of value grew 0.9ppt to 45.7%.

In Turkey, total and GFB shipment volumes increased 2.7% and 2.1%, respectively, primarily driven by Winston and LD. Market share declined 0.9ppt to 29.9% on a 12-month basis. Quarterly share of market remained flat for the last 9 months.

###

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 June 2016. The Benelux, Germany, Russia, Spain, Switzerland and Turkey are on a 12-month rolling average at the end of May 2016. 12-month share of market growth for May 2016 markets is calculated against a 12-month share of market at the end of June 2015.
[4] Source: JTI estimates based on April-June 2016 data versus the same period last year.

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

Contacts: Ryohei Sugata, General Manager
Masahito Shirasu, Associate General Manager
Media and Investor Relations Division
Japan Tobacco Inc. Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com