



FOR IMMEDIATE RELEASE

Tokyo, August 3, 2015

JT's Consolidated Financial Results for FY2015 Second Quarter

Steady profit growth confirmed through solid business performance

Results for January 1 – June 30, 2015 on a Like-for-Like basis¹

- Revenue remained almost flat from the same period previous year, as the strong price/mix was offset by unfavorable local currency movements in the international tobacco business.
- Adjusted operating profit at constant FX increased 14.1%, mainly driven by robust price/mix in the international tobacco business and the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business. On a reported basis, adjusted operating profit growth was 1.9% due to the unfavorable local currency movements.
- Profit attributable to owners of the parent grew 4.7% due to lower income taxes. This was in spite of lower operating profit affected by losses on real estate asset disposals, and expenses relating to the withdrawal from the manufacture and sale of JT beverage products.
- International Tobacco Business delivered a strong performance at constant FX with adjusted operating profit growing 14.6% in US Dollars, driven by a robust price/mix and positive GFB momentum. On a reported basis, adjusted operating profit declined 17.5% due to local currency fluctuations against the US Dollar. In Japanese Yen, adjusted operating profit declined 3.2%, partially offset by the appreciation of the US Dollar.
- Japanese Domestic Tobacco Business: While total sales volume declined 3.7%, adjusted operating profit grew 6.8% due to improved price/mix effect and the effect of the measures to strengthen the competitiveness of the business.

Forecast for FY2015

- The revenue forecast has been revised downwards as the beverage vending machine operation business will not be incorporated into JT's consolidated financial results from August.
- The Company has maintained the original forecast for adjusted operating profit at constant FX to increase 6.8% from the previous year.
- The forecasts for operating profit and profit attributable to owners of the parent have been revised upwards due to the gains from the transfer of shares JT held in its subsidiaries conducting the vending machine operation business. The upwards revisions are partially offset by expenses relating to the withdrawal from the manufacture and sale of JT beverage products.

Mitsuomi Koizumi, President and Chief Executive Officer of JT, commented:

“Our international tobacco business has shown solid first half-year results amid a continuously challenging operating environment. In the second half of the year, we will accelerate our investments to further strengthen brand equity, geographic reach and emerging product portfolio. Domestically, we witnessed steady progress toward our full year target, despite increasingly intensifying market competition. Looking ahead, the solid business performance and profit growth have laid a firm foundation for achieving our annual goals.”



Consolidated Financial Results for January 1 – June 30, 2015

(billions of Yen)	January - June		Difference	Net Change
	2014	2015		
Revenue	1,172.0	1,171.7	-0.2	-0.0%
Adjusted operating profit	321.8	327.9	6.0	1.9%
Operating profit	310.7	290.0	-20.7	-6.7%
Profit attributable to owners of the parent	202.0	211.5	9.5	4.7%

At constant FX:

Adjusted operating profit	321.8	367.1	45.3	14.1%
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- Revenue**
 Revenue remained almost flat as the robust price/mix was offset by unfavorable local currency movements against the US Dollar in the international tobacco business.
- Adjusted Operating Profit**
 Adjusted operating profit at constant FX increased by 14.1% driven by robust price/mix in the international tobacco business as well as the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business. On a reported basis, adjusted operating profit growth was 1.9% due to the unfavorable exchange rates of local currency against the US Dollar in the international tobacco business. The negative impact was partly offset by the appreciation of the US Dollar against the Japanese Yen.
- Operating Profit**
 Operating profit decreased by 6.7% due to the losses on real estate asset disposals and costs related to the withdrawal from manufacture and sale of JT beverage products.
- Profit Attributable to Owners of the Parent**
 Profit attributable to owners of the parent grew 4.7% as a result of lower income taxes compared to the same period in the previous year despite lower operating profit.
- Dividend**
 As stated in the “Business Plan 2015”, the Company announces a first half-year dividend of ¥54 per share and forecasts a second half-year dividend of ¥54 per share, resulting in an annual forecast dividend of ¥108 per share this fiscal year.



Results by Business Segment

International Tobacco Business

(billions of units, billions of Yen)	January - June		Net Change
	2014	2015	
Total shipment volume²	190.6	191.2	0.3%
GFB shipment volume	123.0	131.9	7.2%
Core revenue³	602.0	609.2	1.2%
Adjusted operating profit	219.9	212.9	-3.2%

Total and GFB shipment volume grew 0.3% and 7.2%, respectively, reflecting positive performance in the Benelux markets, Czech Republic, France, Germany, Italy, Spain, Taiwan and Turkey, as well as a favorable impact of the last year's trade inventory adjustments in the Middle East and Turkey. Market share⁴ grew in most of the key markets, namely France, Spain, Taiwan, Turkey and the UK.

In US Dollars, core revenue and adjusted operating profit at constant FX grew 6.7% and 14.6%, respectively, driven by a robust price/mix and positive GFB momentum. On a reported basis, core revenue and adjusted operating profit declined 13.9% and 17.5%, respectively, as a result of currency fluctuations against the US Dollar. Core revenue in Japanese Yen increased 1.2% while adjusted operating profit in Japanese Yen decreased 3.2% due to the appreciation of the US Dollar.

Japanese Domestic Tobacco Business

(billions of units, billions of Yen)	January - June		Net Change
	2014	2015	
Total sales volume	55.1	53.1	-3.7%
Core revenue	315.3	312.2	-1.0%
Adjusted operating profit	117.7	125.8	6.8%

Total sales volume decreased 3.7%, affected by the industry volume decline. Core revenue declined 1.0%, as the decrease in total sales volume was partly offset by the improved price/mix effect that mainly occurred in the first quarter. Adjusted operating profit grew 6.8% due to the price/mix effect, as well as the effects of the measures to strengthen the competitiveness of the Japanese domestic tobacco business that accrued from the second quarter.

The Company continued to undertake marketing and sales initiatives primarily focused on Mevius. The continued popularity of Premium Menthol Option products, an extension to the Premium Menthol line, drove further the growth of the Mevius family's overall share, which has been consistently improving to reach 32.3% in April-June 2015 from 31.3% in the same quarter previous year, when the brand was significantly affected by the temporary slowdown that followed the consumption tax hike.



Pharmaceutical Business

(billions of Yen)	January - June		Difference
	2014	2015	
Revenue	31.4	34.8	3.4
Adjusted operating profit	-4.1	-2.1	2.0

Revenue increased 10.9% due to royalty revenue growth and higher sales at Torii Pharmaceutical, reaching ¥34.8 billion. Adjusted operating profit improved ¥2.0 billion to -¥2.1 billion as a result of revenue increase.

Processed Food Business

(billions of Yen)	January - June		Difference
	2014	2015	
Revenue	76.0	79.3	3.4
Adjusted operating profit	0.3	1.1	0.8

The processed food business has continued to focus on staple food such as frozen noodles, frozen rice, packed cooked rice and frozen baked bread. Primarily driven by the improved sales of frozen and ambient processed food products, revenue grew ¥3.4 billion to ¥79.3 billion. Adjusted operating profit increased ¥0.8 billion as a result of higher revenue.

Beverage Business

(billions of Yen)	January - June		Difference
	2014	2015	
Revenue	86.7	82.0	-4.7
Adjusted operating profit	-2.0	-0.8	1.2

As announced in the February 2015 statement, the Company has decided to withdraw from the manufacture and sale of JT beverage products, targeting the end of September 2015. On July 7 the Company concluded a definitive agreement with Suntory Beverage & Food Limited to transfer all shares JT held in its subsidiaries conducting vending machine operation business, Japan Beverage Holdings Inc. and JT A-Star Co., Ltd. The agreement also includes the transfer of JT's beverage brands "Roots" and "Momono Tennensui". The transfer date was July 31, 2015.



Consolidated Forecast for FY2015

(billions of Yen)	FY2014 Actual	FY2015 Initial Forecast	FY2015 Revised Forecast	Change from FY2015 Initial Forecast	Change from FY2014 Actual
Revenue	2,433.5	2,380.0	2,350.0	-30.0	-83.5 (-3.4%)
Adjusted operating profit	660.1	585.0	613.0	28.0	-47.1 (-7.1%)
Operating profit	571.8	539.0	668.0	129.0	96.2 (16.8%)
Profit attributable to owners of the parent	389.1	387.0	471.0	84.0	81.9 (21.1%)

At constant FX:

Adjusted operating profit	660.1	705.0	705.0	0.0	44.9 (6.8%)
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- The forecast for revenue has been revised downwards by ¥30.0 billion as the vending machine operation business in the beverage business will not be incorporated into JT's consolidated financial results from August this year.
- The adjusted operating profit forecast on a reported basis has been revised upwards by ¥28.0 billion due to the revision of exchange rate assumptions⁵ reflecting the positive movements of the Russian Ruble and the Japanese Yen against the US Dollar. The forecast for adjusted operating profit at constant FX has remained unchanged.
- The forecasts for operating profit and profit attributable to owners of the parent have been revised upwards by ¥129.0 billion and ¥84.0 billion respectively. The upward revisions are due to the gains relating to the transfer of shares the Company held in its subsidiaries conducting vending machine operations, partially offset by expenditure relating to the withdrawal from the manufacture and sale of JT beverage products.

Forecasts by Business Segment

- International Tobacco Business⁵: The forecast for GFB shipment volume has been revised upwards by 2.0 billion cigarette equivalent units to grow 1.8% for this fiscal year, given strong momentum in Turkey and market share gains for the first half-year in Europe. The forecast for total shipment volume remains unchanged, reflecting underlying lower non-GFB shipment volume. Due to the lower than expected depreciation of the Russian Ruble against the US Dollar, the forecast for reported adjusted operating profit has been positively revised by US\$80 million. At constant FX, the forecast for adjusted operating profit growth in US Dollars remains unchanged at 8%.
- Japanese Domestic Tobacco Business: While the forecast for the total sales volume remains unchanged, the forecast for core revenue has been revised upwards by ¥3.0 billion due to strong volume growth in the Japanese domestic duty free products. The forecast for adjusted operating profit remains unchanged, reflecting higher raw materials costs following further appreciation of the US Dollar against the Japanese Yen and higher sales promotion expenses in the second half-year.



- **Pharmaceutical Business:** The forecast for revenue has been revised upwards by ¥1.0 billion to ¥75.0 billion. The forecast for adjusted operating profit remains unchanged at -¥4.5 billion.
- **Processed Food Business:** The forecast for adjusted operating profit is revised upwards by ¥1.0 billion as a result of top line growth in frozen and ambient processed food products. The forecast for revenue remains unchanged.
- **Beverage Business:** The vending machine operation business will no longer be incorporated into JT's consolidated financial results from August this year, as the all shares JT held in its subsidiaries conducting vending machine operation business (Japan Beverage Holdings Inc. and JT A-Star Co., Ltd.) were transferred to Suntory Beverage & Food Limited. Accordingly, the forecasts for revenue and adjusted operating profit have been revised downwards by ¥87.0 billion and ¥2.0 billion respectively.

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Japan Tobacco Inc. is a leading international tobacco company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius and LD. With diversified operations, JT is also actively present in pharmaceuticals and processed foods. The company's revenue was ¥2.154 trillion (US\$17,867 million^()) in the fiscal year ended December 31, 2014^(**).*

**Translated at the rate of ¥120.55 per \$1, as of December 31, 2014*

***Due to a change in the accounting period from March 31 to December 31, the fiscal year 2014 covered nine months for Japanese domestic businesses and 12 months for the consolidated subsidiaries which operate the Group's international tobacco business. On a comparable full calendar year basis, revenue was ¥2.433 trillion (US\$20,186 million^(*)).*

Notes

¹ Fiscal year 2014 was a transitional year for JT Group after changing its accounting period from March 31 to December 31. On a reported basis fiscal year 2014 covered nine months for Japanese domestic business and 12 months for the consolidated subsidiaries which operate the Group's international tobacco business. In order to present fiscal year 2015 results on a comparable basis, the Company refers to fiscal year 2014 as a full calendar year from January 1 to December 31.

² Including fine cut, cigars, pipe tobacco and snus, but excluding contract manufactured products, waterpipe tobacco and emerging products.

³ Revenue including waterpipe tobacco and emerging products, but excluding revenue from distribution, contract manufacturing and other peripheral businesses.

⁴ 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 2015. France, Spain and the UK are on 12-month rolling average at the end of May 2015. 12-month share of market growth for May 2015 markets is calculated against a 12-month share of market at the end of June 2014.

⁵ The exchange rate assumptions for US \$1.00 are: Ruble 57.50, UK Sterling 0.66, Euro 0.90, Swiss Franc 0.95, Taiwan Dollar 31.10, Turkish Lira 2.65 and ¥121.00. Appreciation of the Japanese Yen and the Swiss Franc against the US Dollar negatively affects the consolidated financial result numbers. Conversely, appreciation of the other currencies against the US Dollar has a positive effect.

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

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