

[This is an English translation prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.]

Overview of Business and Trends in Principal Management Benchmarks

1. Overview of Business

The Group's management principles are based on the pursuit of the "4S" model. The model requires the Group to fulfill our responsibilities to our valued consumers, shareholders, employees and the wider society, carefully considering the respective interests of these four key stakeholder groups, and exceeding their expectations wherever we can.

The Group created its vision and mission based on the "4S" model. The vision is to become a company committed to global growth by providing diversified value that is uniquely available from JT Group. The mission is to create, develop and nurture the Group's unique brands to win consumer trust, while understanding and respecting the environment and the diversity of societies and individuals.

The Group has also adopted "The JT Group Way" as a code of conduct which all members of the Group should follow. The JT Group Way requires that the Group fulfills the expectations of the Group's consumers and behaves responsibly, strives for quality in everything we do through continuous improvement, and leverages diversity across the Group.

The Group, consisting of the Company, its 199 consolidated subsidiaries and 12 companies accounted for by the equity method as of June 30, 2017, is a global company operating the Domestic and International Tobacco Businesses, Pharmaceutical Business and Processed Food Business. The main business activities operated by the Group and the relationship of each affiliates to the Group's business activities are stated below.

Domestic Tobacco Business

The Domestic Tobacco Business consists of the manufacture and sale of tobacco products. The Company manufactures and sells tobacco products, and TS Network Co., Ltd. conducts distribution-related operations such as distribution of the Company's tobacco products and wholesale of foreign tobacco products (imported tobacco products). Japan Filter Technology Co., Ltd. and other subsidiaries manufacture materials. Moreover, some of the operations related to Natural American Spirit products are carried out by TRUE SPIRIT TOBACCO COMPANY.

Major subsidiaries and affiliates

TS Network Co., Ltd., JT Logistics Co., Ltd., Japan Filter Technology Co., Ltd., Fuji Flavor Co., Ltd., JT Engineering Inc., TRUE SPIRIT TOBACCO COMPANY

Besides the companies named above, there are 7 consolidated subsidiaries and 2 companies accounted for by the equity method.

International Tobacco Business

The International Tobacco Business consists of the manufacture and sale of tobacco products with JT International S.A. as the core company.

Major subsidiaries and affiliates

JT International S.A., LLC JTI Russia, Gallaher Ltd., LLC Petro, JT International Germany GmbH, JTI Polska Sp. z o. o., JTI Tütün Urunleri Sanayi A.S.

Besides the companies named above, there are 139 consolidated subsidiaries and 5 companies accounted for by the equity method.

Pharmaceutical Business

The Pharmaceutical Business consists of research and development, and the manufacture and sale of prescription drugs. The Company concentrates on research and development while Torii Pharmaceutical Co., Ltd. manufactures and promotes sales of drugs (including the Company's products).

Major subsidiaries and affiliates

Torii Pharmaceutical Co., Ltd., Akros Pharma Inc.

Processed Food Business

In the Processed Food Business, TableMark Co., Ltd. and certain other subsidiaries are engaged in manufacture and sale of frozen and ambient processed foods, bakery and seasonings.

Major subsidiaries and affiliates

TableMark Co., Ltd.

Besides the companies named above, there are 27 consolidated subsidiaries and 3 companies accounted for by the equity method.

In addition to the reportable segments mentioned above, the Group runs businesses, including business relating to the rent of real estate. There are 10 consolidated subsidiaries and 2 companies accounted for by equity method deemed as subsidiaries and affiliates not affiliated to any reportable segment.

2. Trends in principal management benchmarks

(1) Management benchmarks (consolidated)

Term	International Financial Reporting Standards					
	27th term	28th term	29th term	30th term	31st term	32nd term
Accounting period	From April 1, 2011 to March 31, 2012	From April 1, 2012 to March 31, 2013	From April 1, 2013 to March 31, 2014	From April 1, 2014 to December 31, 2014	From January 1, 2015 to December 31, 2015	From January 1, 2016 to December 31, 2016
Revenue (Millions of yen)	2,033,825	2,120,196	2,399,841	2,019,745	2,252,884	2,143,287
Profit before income taxes (Millions of yen)	441,355	509,355	636,203	502,526	565,113	578,237
Profit for the year (Millions of yen)	328,559	351,448	435,291	368,626	490,242	425,773
Profit attributable to owners of the parent company (Millions of yen)	320,883	343,596	427,987	362,919	485,691	421,695
Comprehensive income (loss) for the year (Millions of yen)	192,143	544,407	850,261	244,868	207,708	235,250
Total equity (Millions of yen)	1,714,626	1,892,431	2,596,091	2,622,503	2,521,524	2,528,041
Total assets (Millions of yen)	3,667,007	3,852,567	4,616,766	4,704,706	4,558,235	4,744,374
Equity attributable to owners of the parent company per share (Yen)	858.09	993.98	1,378.57	1,395.74	1,369.06	1,371.39
Basic earnings per share (Yen)	168.50	181.07	235.48	199.67	270.54	235.47
Diluted earnings per share (Yen)	168.44	180.98	235.35	199.56	270.37	235.33
Ratio of equity attributable to owners of the parent company to total assets (%)	44.56	46.89	54.27	53.92	53.78	51.77
Ratio of profit to equity attributable to owners of the parent company (%)	20.31	19.97	19.85	14.39	19.47	17.19
Price earnings ratio (PER) (Times)	13.83	16.57	13.76	16.67	16.53	16.32
Net cash flows from operating activities (Millions of yen)	551,573	466,608	396,496	543,696	468,432	376,549
Net cash flows from investing activities (Millions of yen)	(103,805)	(147,928)	(163,473)	(49,110)	(63,271)	(687,509)
Net cash flows from financing activities (Millions of yen)	(279,064)	(569,473)	(145,189)	(388,859)	(254,852)	91,318
Cash and cash equivalents at the end of the year (Millions of yen)	404,740	142,713	253,219	385,820	526,765	294,157
Number of employees [Separately, average number of temporary employees] (Person)	48,529 [10,702]	49,507 [9,313]	51,563 [9,130]	51,341 [8,700]	44,485 [7,858]	44,667 [7,904]

- Notes: 1. Effective from the 27th term, the consolidated financial statements are prepared in accordance with International Financial Reporting Standards (hereinafter, "IFRS").
2. The yen amounts are rounded to the nearest million.
 3. Revenue does not include consumption taxes.
 4. The Company conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date. Consequently, equity attributable to owners of the parent company per share, basic earnings per share and diluted earnings per share are calculated on the assumption that this share split was conducted at the beginning of the 27th term.
 5. The Group made a partial change to its accounting policies effective from the 29th term. Related principal management benchmarks for the 28th term have been adjusted retrospectively to reflect the change.
 6. The Group made a partial change to its accounting policies effective from the 30th term. Related principal management benchmarks for the 29th term have been adjusted retrospectively to reflect the change.
 7. The Company changed its fiscal year end from March 31 to December 31 effective from the 30th term. The same change was made to consolidated subsidiaries with fiscal year ends other than December 31. As a consequence of this change, the 30th term was the 9-month period from April 1, 2014 to December 31, 2014, for the Company and its main consolidated subsidiaries that do not belong to the International Tobacco Business segment. For consolidated subsidiaries that belong to the International Tobacco Business segment, the 30th term was the 12-month period from January 1, 2014 to December 31, 2014.
 8. The Group has classified "Beverage Business" as discontinued operations from the 31st term, and the figures presented for the 30th term have been restated. Consequently, only revenue and profit before income taxes from continuing operations are presented for the 30th and 31st terms.

Term	Japanese GAAP
	27th term
Accounting period	From April 1, 2011 to March 31, 2012
Net sales (Millions of yen)	2,547,060
Ordinary income (Millions of yen)	362,728
Income before income taxes and minority interests (Millions of yen)	345,028
Profit attributable to owners of the parent company (Millions of yen)	227,399
Comprehensive income (loss) (Millions of yen)	117,047
Net assets (Millions of yen)	1,610,535
Total assets (Millions of yen)	3,472,612
Net assets per share (Yen)	160,570.98
Net income per share (Yen)	23,882.77
Diluted net income per share (Yen)	23,873.42
Equity ratio (%)	44.03
Return on equity (ROE) (%)	15.04
Price earnings ratio (PER) (Times)	19.51
Net cash flows from operating activities (Millions of yen)	551,617
Net cash flows from investing activities (Millions of yen)	(104,530)
Net cash flows from financing activities (Millions of yen)	(278,383)
Cash and cash equivalents at the end of the year (Millions of yen)	404,740
Number of employees [Separately, average number of temporary employees] (Person)	48,529 [10,702]

Notes: 1. Audits pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act have not been conducted for the figures for the 27th term.

- Foreign subsidiaries classified under the Group's International Tobacco Business apply IFRS effective from the first quarter of the 27th term. As a consequence, the figures for the 27th term presented above are consolidated closing figures in accordance with Japanese GAAP that include the portion of the International Tobacco Business to which IFRS is applied.
- The yen amounts are rounded to the nearest million.
- Net sales do not include consumption taxes.
- As a consequence of applying "Revised Accounting Standard for Business Combinations" (ASBJ Statement No. 21 of September 13, 2013) etc. to the Japanese GAAP financial statements, "Net income" is referred to as "Profit attributable to owners of the parent company" from this fiscal year onward.

(2) Filing company's management benchmarks (non-consolidated)

Term	27th term	28th term	29th term	30th term	31st term	32nd term
Accounting period	From April 1, 2011 to March 31, 2012	From April 1, 2012 to March 31, 2013	From April 1, 2013 to March 31, 2014	From April 1, 2014 to December 31, 2014	From January 1, 2015 to December 31, 2015	From January 1, 2016 to December 31, 2016
Net sales (Millions of yen)	734,902	781,067	809,967	572,323	732,483	729,286
Ordinary income (Millions of yen)	198,071	210,568	230,900	159,746	371,989	203,242
Net income (Millions of yen)	142,726	149,773	168,779	108,656	345,009	173,607
Capital stock (Millions of yen)	100,000	100,000	100,000	100,000	100,000	100,000
Total number of shares issued (Thousands of shares)	10,000	2,000,000	2,000,000	2,000,000	2,000,000	2,000,000
Net assets (Millions of yen)	1,924,739	1,714,529	1,734,379	1,649,151	1,713,068	1,663,675
Total assets (Millions of yen)	3,016,651	2,784,914	2,732,637	2,729,270	2,756,785	2,849,913
Net assets per share (Yen)	1,010.20	942.65	953.45	906.45	955.56	927.93
Cash dividends per share (Yen)	10,000	68	96	100	118	130
[Interim dividends per share] (Yen)	[4,000]	[30]	[46]	[50]	[54]	[64]
Net income per share (Yen)	74.95	78.93	92.86	59.78	192.18	96.94
Diluted net income per share (Yen)	74.92	78.89	92.81	59.75	192.06	96.88
Equity ratio (%)	63.8	61.5	63.4	60.4	62.1	58.3
Return on equity (ROE) (%)	7.56	8.24	9.80	6.43	20.54	10.29
Price earnings ratio (PER) (Times)	31.09	38.01	34.89	55.67	23.26	39.65
Dividend payout ratio (%)	66.7	82.5	103.4	167.3	61.4	134.1
Number of employees [Separately, average number of temporary employees] (Person)	8,936 [1,393]	8,925 [1,390]	8,774 [1,377]	8,915 [1,272]	7,549 [1,125]	7,298 [1,117]

Notes: 1. The financial statements of the filing company are prepared in accordance with Japanese GAAP.

2. The yen amounts are rounded to the nearest million.

3. Net sales do not include consumption taxes.

4. The Company conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date. Consequently, net assets per share, net income per share and diluted net income per share are calculated on the assumption that this share split was conducted at the beginning of the 27th term. However, total number of shares issued and cash dividends per share are not calculated with the impact of the share split taken into consideration.

5. The Company changed its fiscal year end from March 31 to December 31 effective from the 30th term. As a consequence of this change, the 30th term is the 9-month period from April 1, 2014 to December 31, 2014.