



JT Group Consolidated Financial Results 2018 First Quarter Results

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*Please be reminded that the figures shown on these slides may differ from those shown in the financial statements as they are intended to facilitate the reader's understanding of individual businesses.

*For details of each term, please refer to annotations on slide 17 and 18.

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. These statements appear in a number of places in this document and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) increase in awareness of health concerns related to smoking;
- (2) regulatory developments; including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;
- (3) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products;
- (4) our ability to further diversify our business beyond the traditional tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition and changing consumer preferences;
- (7) our ability to manage impacts derived from business diversification or business expansion;
- (8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;
- (9) fluctuations in foreign exchange rates and the costs of raw materials; and
- (10) catastrophes, including natural disasters.

2018 First Quarter Results Highlights

Tokyo – May 2, 2018

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Q1, 2018: Highlights of Consolidated Financial Results

Adjusted Operating Profit at constant FX (+0.5%)

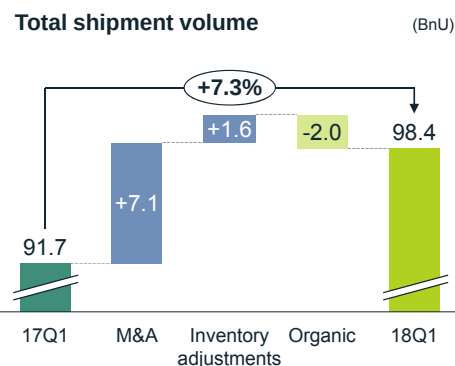
- International Tobacco : Profit increased fueled by pricing-driven top-line growth
- Japanese Domestic Tobacco: Profit decreased due to cigarette volume decline partially offset by Ploom TECH sales growth
- Pharmaceutical: Profit increased mainly driven by the continuous growth in royalty revenue
- Processed Food: Profit decreased mainly due to higher raw material costs

Operating Profit and Profit (-1.5%; -1.4%)

- Decreased mainly due to the yen appreciation

Strong GFB performance; total shipment volume growth fueled by acquisitions

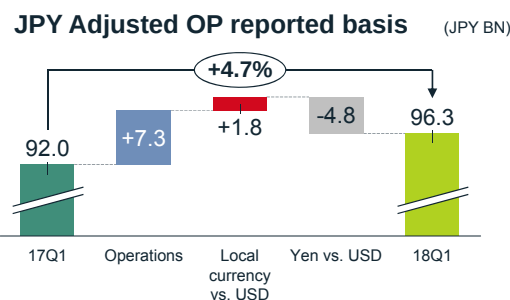
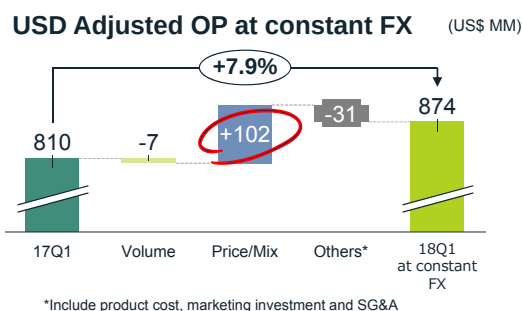
- GFB shipment volume increased 3.1%, supported by share gains in several key markets
- Acquisitions in the Philippines, Indonesia and Ethiopia
- Favorable inventory adjustments
- Excluding the acquisitions and inventory adjustments, total shipment volume decreased 2.2%



Top-line growth driving profit increase

Pricing drove the adjusted operating profit growth

- Core revenue and adjusted operating profit at constant FX increased 7.5% and 7.9%, respectively
- Driven by pricing gains in key markets, notably Iran, Russia and Taiwan
- Yen-based adjust operating profit increased 4.7%, impacted by the yen appreciation



Market Update : Russia and the UK



Russia

- Realized pricing benefits in the first quarter
- Winston and LD driving a record high GFB share
- Agreed to acquire Donskoy Tabak to strengthen our portfolio and geographic capabilities



UK

- Signs of operating environment stabilization
- Share improved for six consecutive months from last October
- Manufacturer price increase in March

Market Update : M&A in 2017



the Philippines

- Price increased across the portfolio since last November
- Expanded distribution network leading to GFB volume growth



Indonesia

- Prioritizing the business integration post acquisition



Ethiopia

- Continue to focus on the capability building for the supply chain and sales force

Continue to focus on strengthening cigarette SOM and expanding RRP sales areas

Cigarette : Share remained solid despite decrease in volume

- Market share increased 0.5%pt to 61.4%
- Sales volume declined 15.0% year-on-year

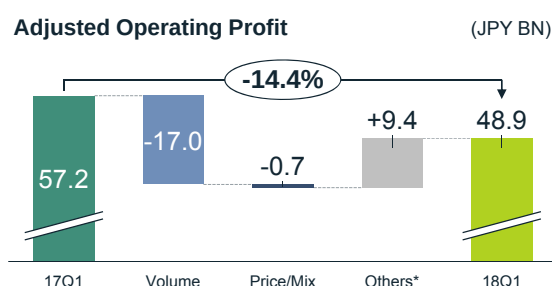
RRP : Increased due to Ploom TECH sales area expansion

- 18Q1 RRP sales volume: 0.3 billion cigarette equivalent units
- 18Q1 RRP related revenue: 8.3 billion yen
- 18Q1 Estimated CVS share in current sales areas: 3~4%

Profit decreased due to cigarette volume decline despite Ploom TECH sales increase

18Q1 Japan tobacco market (vs. 17Q1)

- Industry volume: a decline of c. 2.5%
- Cigarette industry volume: a decline of 15.6%
- RRP market share: c. 20% on average in 18Q1



*Include Ploom TECH, marketing investment, SG&A, product costs and etc.
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Reconfirmed the potential of Ploom TECH

Ploom TECH consumer base

- Reduced smell and influence to the surroundings - the benefits unique to Ploom TECH with the low-temperature tobacco heating technology
- Consumers fully converted Ploom TECH, and
 - Many dual users - Ploom TECH and other tobacco products – depending on occasion
- Reconfirm the potential of Ploom TECH to be accepted by a wide range of tobacco users
- Accumulated sales volume of Ploom TECH device since its launch exceeded two million units in April 2018

To realize the potential of Ploom TECH

- Develop and establish a new category of low-temperature tobacco heating technology which is different from other RRP, with a mid-term perspective
- Enhance the understanding of the benefits unique to the low-temperature tobacco heating
- Continue to focus on increasing the facilities where Ploom TECH is allowed to use

Ploom TECH national launch

- National roll-out in certain tobacco stores to start in June and expand to convenience stores in July
- Respond to the requests from potential consumers across the country as early as possible
- With continuous efforts to increase manufacturing capacity, current capsules manufacturing machines running with improved efficiency
 - Stable outputs from the high-speed machines in the second half are essential to reach the annual target for manufacturing capability
- No change to full-year sales target as the capsule supply continues to be under constraint
- Assumptions of Japan domestic market remain the same
 - Cigarette industry volume to decline c. 17.5% vs. 2017 and RRP market share to be c. 23% on average in 2018
- Strengthen the sales force and marketing investment and to achieve full-year sales target

Position on regulations regarding Heated Tobacco

Characteristics of Heated Tobacco

- We believe health risks of exposure to RRP vapor should not be argued as the same way with exposure to Environmental Tobacco Smoke (ETS), as when using RRP products such as heated tobacco products, there is no combustion of tobacco leaves and no generation of ETS.

Position on regulation to prevent exposure to ETS

- We support the measures to prevent unintended exposure to ETS and have been advocating to develop designated smoking areas and improve smoking manner.
- There are regulations regarding prevention on exposure to ETS that treat Heated Tobacco and conventional cigarettes in the same way but we believe it shouldn't and regulations regarding health risks on Heated Tobacco should be carefully examined based on scientific evidence.
- We will continue to provide information to relative stakeholders.

The characteristics of Ploom TECH

Ploom TECH is a category of Tobacco Infused Vapor products with low-temperature heating technology, and there are no burning nor high-temperature heating of tobacco. Ploom TECH tobacco vapor shows following characteristics:

- There is approximately a 99% average reduction in the levels of potentially harmful constituents*¹ measured in the Ploom TECH vapor compared to cigarette smoke.
- The use of Ploom TECH does not affect surrounding air quality, we therefore believe that there is no substantial health risks to bystanders associated with its use*².
 - Our studies have shown that there is no significant difference with and without use of Ploom TECH in the indoor air concentration of 3 potentially harmful constituents detected in Ploom TECH vapor*³ and 4 substances defined in the Japan act on Maintenance of Sanitation in Bldgs*⁴
 - Above study results have been published as scientific articles in peer-reviewed academic journals  JT Science

<https://www.jt-science.com/>

*¹ Based on the comparison of 9 harmful constituents, recommended as a priority for reduction by the World Health Organization in Cigarette Smoke, measured in 1 puff of smoke of our representative brand of cigarette (Meivius 6mg) versus 1 puff of the vapor from Ploom TECH.

*² "there is no substantial health risks" is stated based on the concept that it is substantially safe and socially acceptable in case the estimated health risks from exposure to toxicants are sufficiently low.

*³ Formaldehyde, Ammonia and Acetone

*⁴ SPM; Suspended particulate matter, Carbon monoxide, Carbon dioxide and Formaldehyde

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Closing Remarks

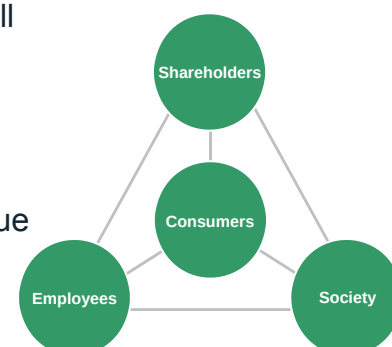
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Closing Remarks: Aim to achieve full-year profit target

- International Tobacco Business:
Deliver profit growth by resuming top-line expansion through pricing
- Japanese Domestic Tobacco Business:
Cigarette – Maintain and enhance our strong position
RRP – Strengthen the Ploom TECH manufacturing capability as well
as the sales force and marketing investment
- Pharmaceutical Business:
Contribute to Group's profit growth through increased royalty revenue
- Processed Food Business: Strive to achieve annual target



<Definitions>

Adjusted operating profit: Adjusted OP:	Adjusted operating profit = operating profit + amortization cost of acquired intangibles arising from business acquisitions + adjusted items (income and costs)* * Adjusted items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
Consolidated adjusted operating profit at constant FX:	For International tobacco business, the same foreign exchange rates between local currencies vs USD and JPY vs USD as same period in previous fiscal year are applied
Profit:	Profit attributable to owners of the parent company
Reduced-Risk Products (RRP):	Products with potential to reduce the risks associated with smoking
GFB:	Global Flagship Brands: From 2018: Winston, Camel, MEVIUS and LD (4 brands) Until 2017: Winston, Camel, MEVIUS, LD, Benson & Hedges, Glamour, Sobranie, Silk Cut, Natural American Spirit (9 brands)
Shipment volume: (International tobacco business)	Includes fine cut, cigars, pipe tobacco, snus and kretek but excludes contract manufactured products, waterpipe tobacco and Reduced-Risk Products
Core revenue: (International tobacco business)	Includes revenue from waterpipe tobacco and Reduced-Risk Products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.

<Definitions>

Core revenue / Adjusted operating profit at constant FX (International tobacco business)	The same foreign exchange rates between local currencies vs USD as same period in previous fiscal year are applied
Industry volume: (Japanese domestic tobacco business)	Industry volume of tobacco products in Japan market (including Reduced-Risk Products, etc.)
Cigarette industry volume: (Japanese domestic tobacco business)	Industry volume of cigarettes in Japan market (excluding Reduced-Risk Products, etc.)
Cigarette sales volume: (Japanese domestic tobacco business)	Excludes sales volume of domestic duty free, the China business and Reduced-Risk Products
RRP sales volume: (Japanese domestic tobacco business)	1 pack corresponds to 20 cigarettes. (excluding RRP devices, RRP related accessories, etc.)
Core revenue: (Japanese domestic tobacco business)	Excluding revenue from distribution of imported tobacco in the Japanese Domestic Tobacco Business, among others, but including revenue from domestic duty free and the China business, as well as RRP related revenue.
RRP related revenue: (Japanese domestic tobacco business)	RRP related revenue, as a part of core revenue, represents the sale of RRP including principally the device and the related accessories.