

Business Plan 2016

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President and CEO

FORWARD-LOOKING STATEMENTS

This presentation contains forward-looking statements. These statements appear in a number of places in this presentation 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) decrease in demand for tobacco products in key markets;
- (2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate;
- (3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;
- (4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products ;
- (5) our ability to realize anticipated results of our acquisition or other similar investments;
- (6) competition in markets in which we operate or into which we seek to expand;
- (7) deterioration in economic conditions in areas that matter to us;
- (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.

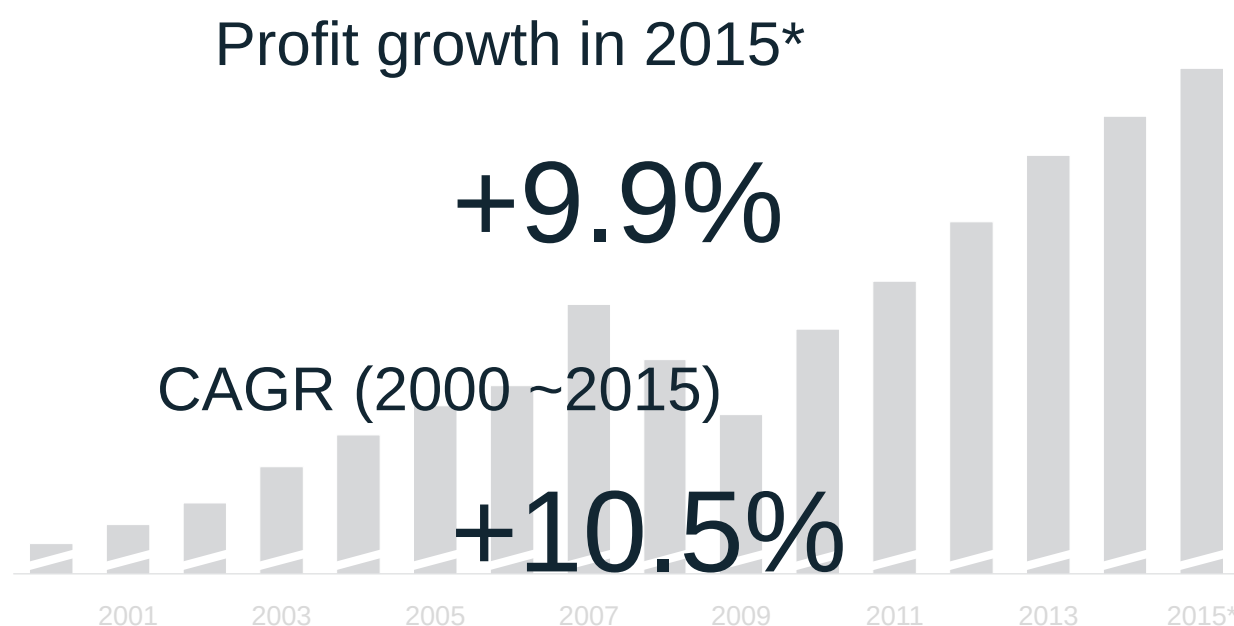
Agenda

- Our track record of profit growth
- Strategy for future growth
- Business Plan 2016
- Closing remarks



Our track record of profit growth

Continued to deliver profit growth exceeding mid to high single-digit rate



* Adjusted operating profit at constant FX (continuing operations basis)
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Robust business foundation through investment and initiatives for cost competitiveness

Broadening business foundation		
1999: RJR International 2007: Gallaher		
Geographic expansion	Portfolio expansion	Emerging product development
2011: Haggar Cigarette & Tobacco Factory (Sudan) 2015: Arian Tobacco Industries (Iran)	2012: Gryson 2016: Natural American Spirit (Outside US)	2014: Zandera (E-Lites) 2015: Intellectual property rights from Ploom 2015: Logic
2013: Nakhla (Waterpipe tobacco business in Egypt)		
Competitive cost base		
2015: Optimization of manufacturing facilities and sales operations in Japan 2016 and beyond: Restructuring of manufacturing facilities in Europe and Russia. etc.		

Strategy for future growth

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Aim to achieve sustainable profit growth in the mid- to long-term by investing in Tobacco Business

Continue to accelerate investments in 2016

Quality top-line growth

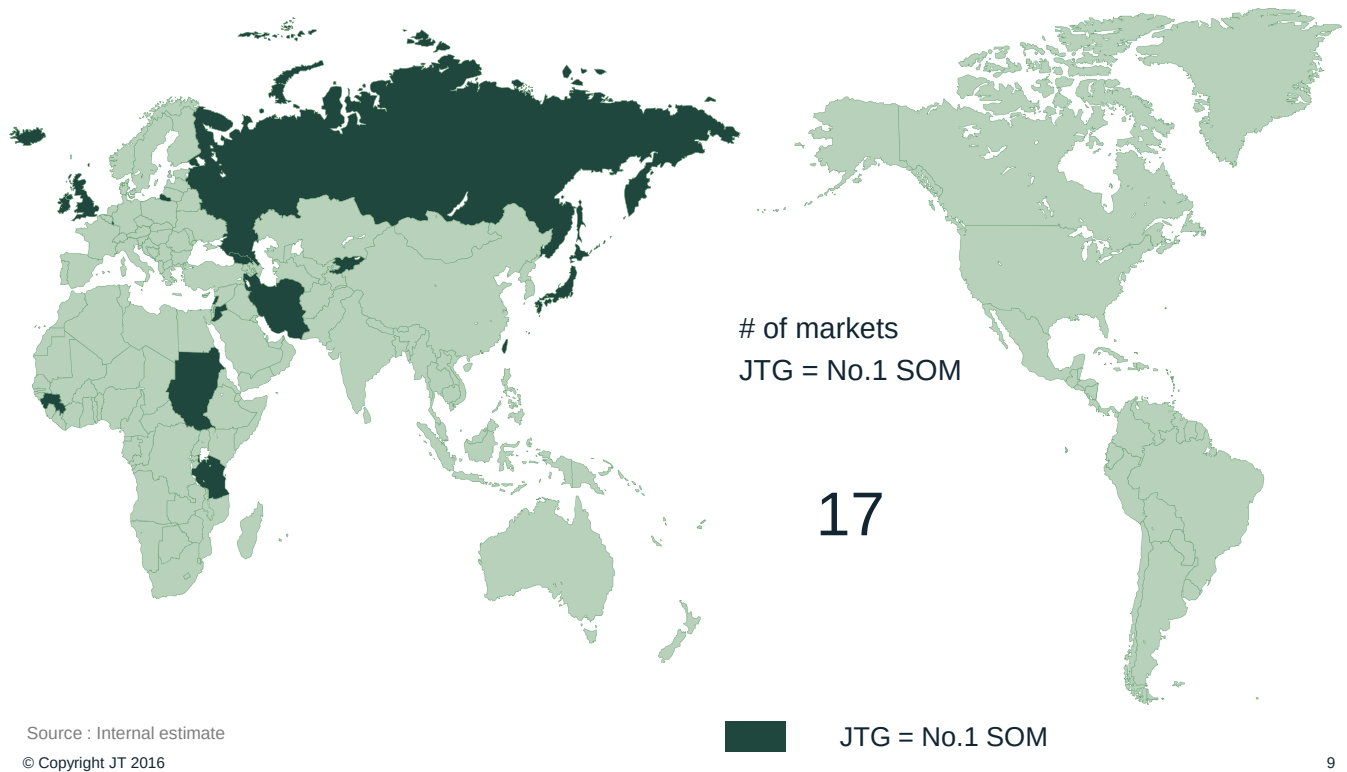
- Expand geographically
- Build brand equity
- Strengthen emerging products

Competitive cost base

- Optimize manufacturing footprint

Robust business foundations

Expanding geographic footprint



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Investing for future growth in a number of markets



To become the global leader in emerging product category



■ E-Vapor

- Aim to become a major player in the US, the largest e-vapor market, by implementing aggressive growth strategy
- Broaden geographical footprint

■ Tobacco-Vapor

- Enhance product portfolio by introducing unique and innovative propositions
- ✓ Launch Ploom TECH in Japan

This slide has been developed to explain JT's performance to our investors. It is not intended to promote the purchase of our products or to induce smoking.
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Ploom TECH : Tobacco -vapor with a newly developed concept



■ JTG's unique vapor technology:

No combustion and no direct heating of tobacco

■ Encouraging consumer feedbacks:

Better flavor and aroma than existing products

■ Rolled-out in March:

Via online and exclusively in a certain area

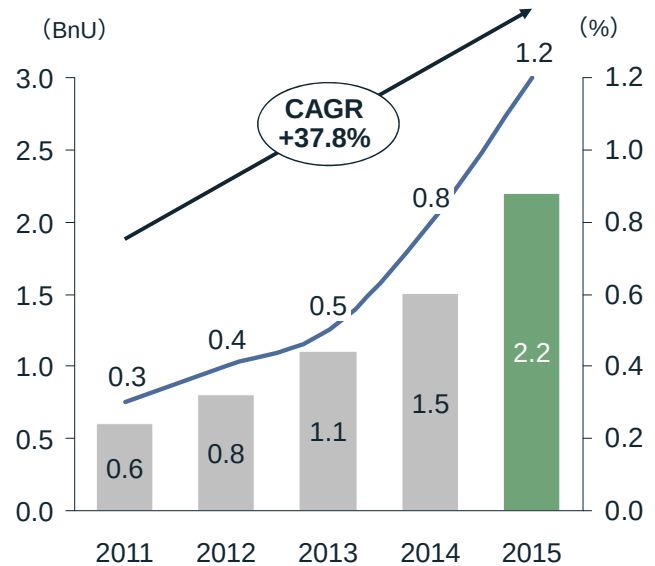
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High potential of Natural American Spirit confirmed

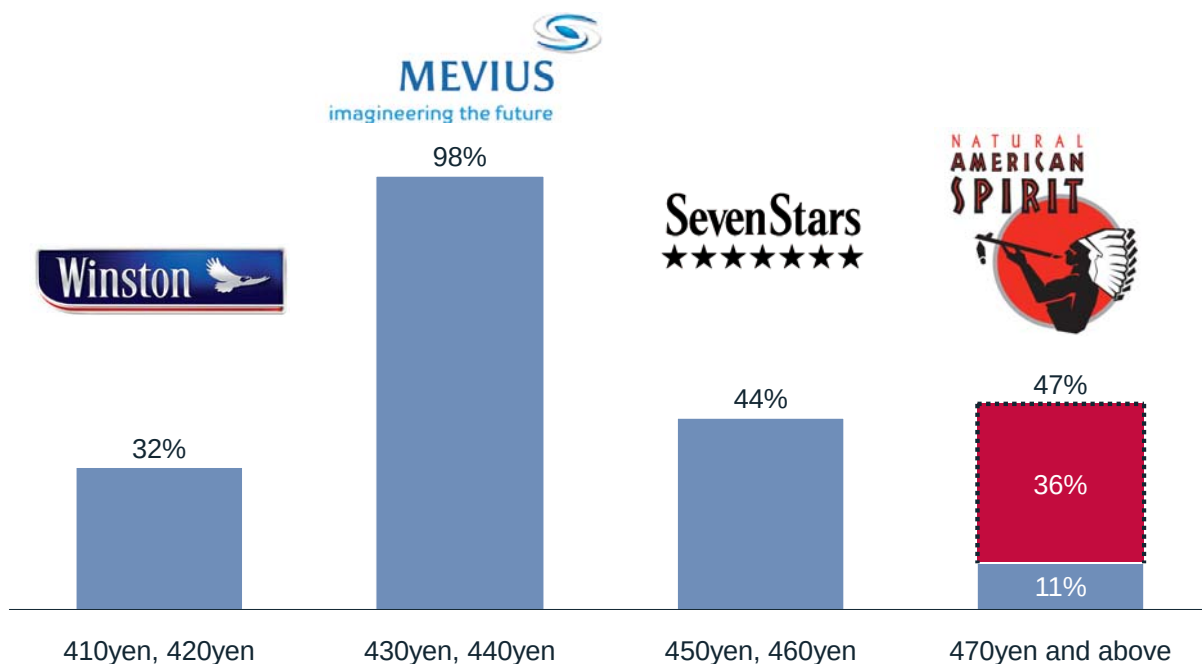
- High potential as the growth driver in the Japanese market
- Strong growth momentum
 - Volume grew at CAGR of approx. 40%
 - SOM more than doubled during the past 3 years

Shipment Volume/SOM in Japan



Further enhance brand portfolio for the Japanese Domestic Tobacco Business

Share of price segment for JT key brands

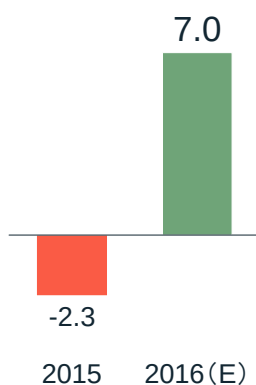


Pharmaceutical Business and Processed Food Business

Pharmaceutical Business

- Turn to a profitable business through top-line growth in 2016 and will continue to contribute to the Group's profit

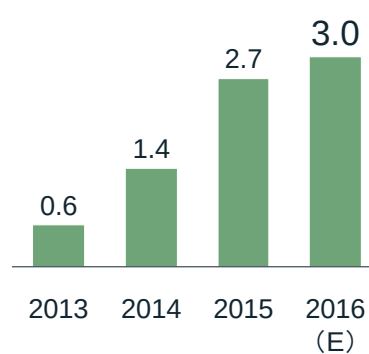
Adjusted Operating Profit (JPY BN)



Processed Food Business

- Pursue continuous profit growth

Adjusted Operating Profit (JPY BN)



Business Plan 2016

Operating environment

- Industry volume continues to decline*
- International: remain uncertain
 - Moderate market contraction is expected in Europe driven by ongoing economic recovery
 - In CIS+ including Russia, operating environment continues to be difficult due to weak macroeconomic conditions
 - Pricing environment remains solid
- Japan: softer industry contraction
- Need to stay alert to regulatory development, geopolitical risks in the Middle East and FX volatility

* Exclude China market

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Business Plan 2016 – Mid- to long-term target

Mid- to long-term growth target
(Adjusted operating profit at constant FX)

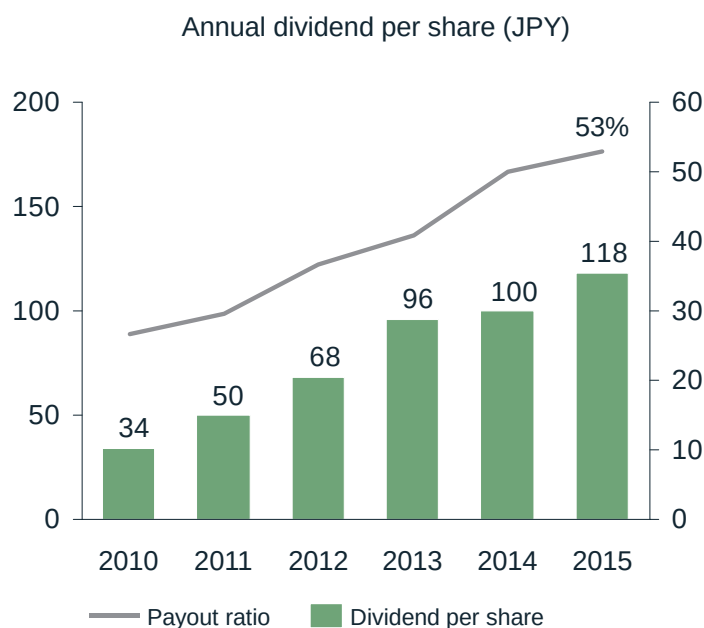
Mid to high single-digit

The “4S” model guides our resource allocation

- Prioritize business investments for sustainable profit growth in the mid- to long-term
- Pursue an optimal balance between profit growth underpinned by business investments and shareholder returns

Business Plan 2016 – 2015 shareholder returns

- Deliver 50% payout ratio, as committed
- Achieve competitive shareholder returns



*2015 payout ratio: based on profit from continuing operations

Business Plan 2016 – Shareholder return policy

Aim to enhance shareholder returns considering the Company's mid- to long-term profit growth trend, while maintaining a solid balance sheet*

- Deliver consistent dividend per share growth
- Consider implementing share buy-back, which takes into account the Company's mid-term operating environment and financial outlook
- Continue to closely monitor shareholder returns of global FMCG companies**

* As its financial policy, the Company maintains a solid balance sheet. This provides the capacity to withstand any adversity arising out of a volatile environment, such as economic crisis. It also allows for sufficient flexibility to capture attractive investment opportunities.

**The Company monitors global FMCG companies which have a stakeholder model similar to our "4S" model, and have realized strong business growth.

Business Plan 2016 – 2016 forecasts

Adjusted operating profit at constant currency

JPY 673.0 BN (+7.4% YoY)

Dividend per share

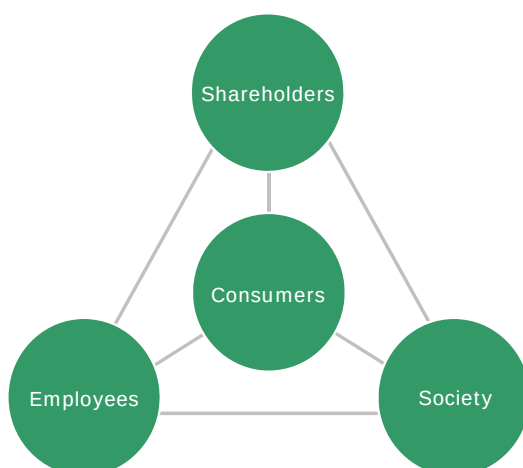
JPY 128 (+8.5% YoY)

Closing remarks

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Closing remarks

4S model



Aim to achieve sustainable profit growth in the mid- to long-term

- Prioritize business investment
- Seek optimal balance between profit growth through investment and shareholder return