



Japan market
Continue to be a strong earnings base

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Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations 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. .

This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group's strategy or performance to our investors. They are not to be used for any other purpose.

Japan, a highly competitive platform of profitability

Business environment

- The 5th largest market in volume, 3rd in value⁽¹⁾
- Moderate industry contraction
- Increasingly tightening, but manageable regulations

Performance

- Share of market: Retained over 60%
- MEVIUS: Strengthened its position as the No.1 brand
- Seven Stars: Enhanced brand equity by new product launches
- JT owns nine of the top 10 SKUs in the Japanese market

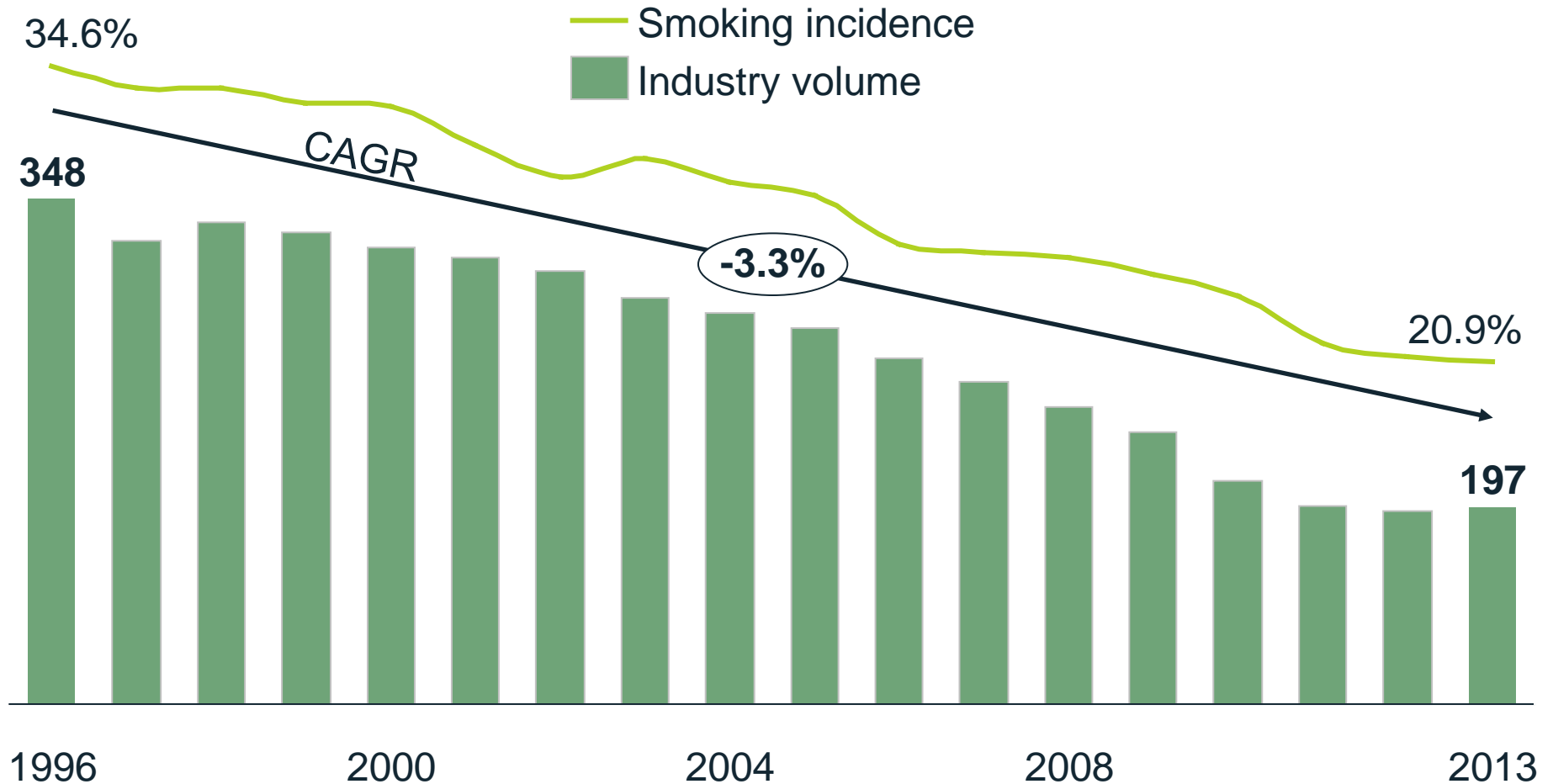
1) Including China



Business environment

Moderate industry contraction

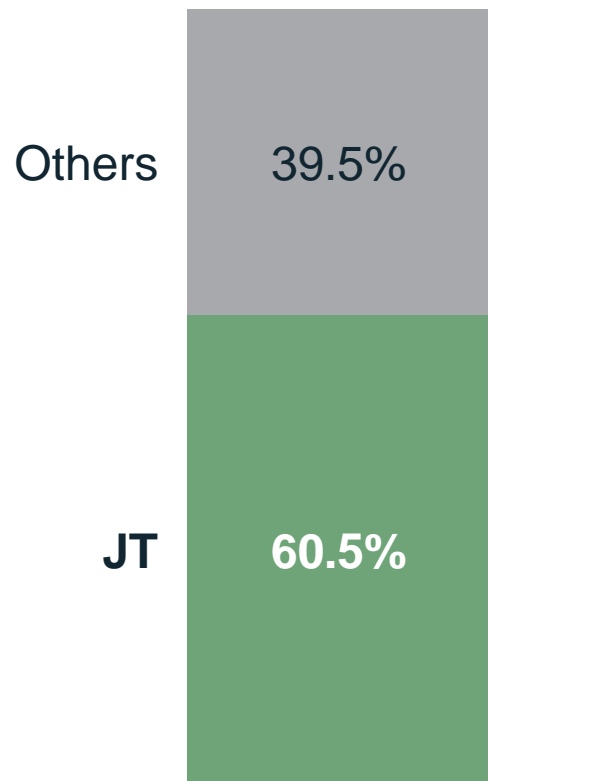
Industry volume and smoking incidence evolution (BnU, %)



Source: JT estimates

Share of market: Retained over 60%

JT Share of market



2013

Source: JT estimates

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JT Share of segment and key brands, 2013

Prestige
480yen & above

6.9%



Premium
450-470yen

42.6%



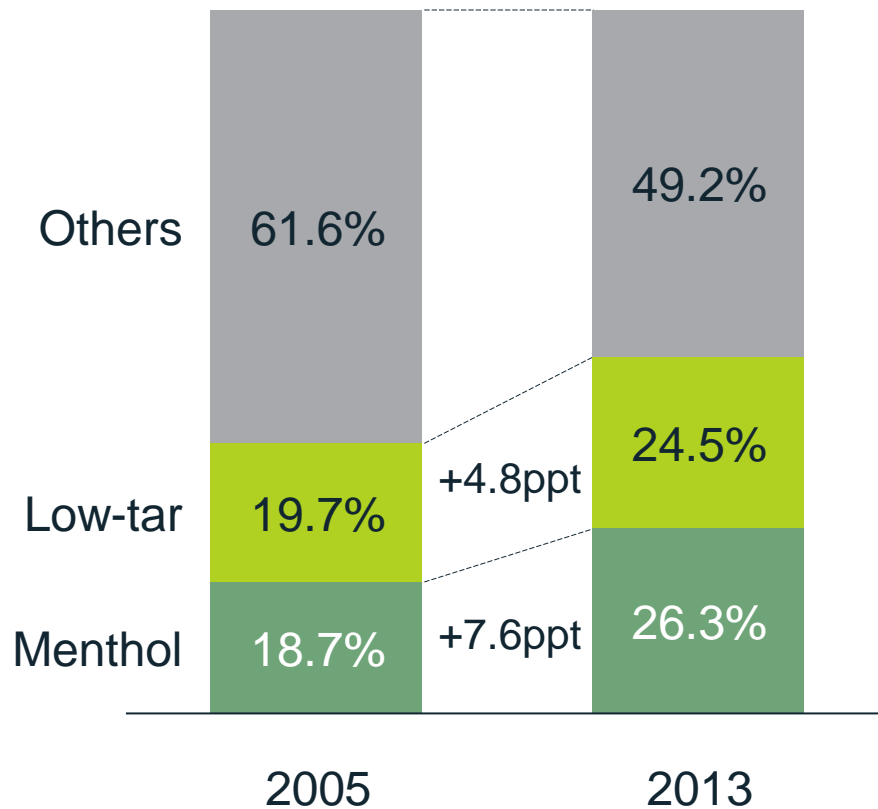
Sub-Premium
420-440yen

70.4%



Growing segments : Menthol and Low-tar

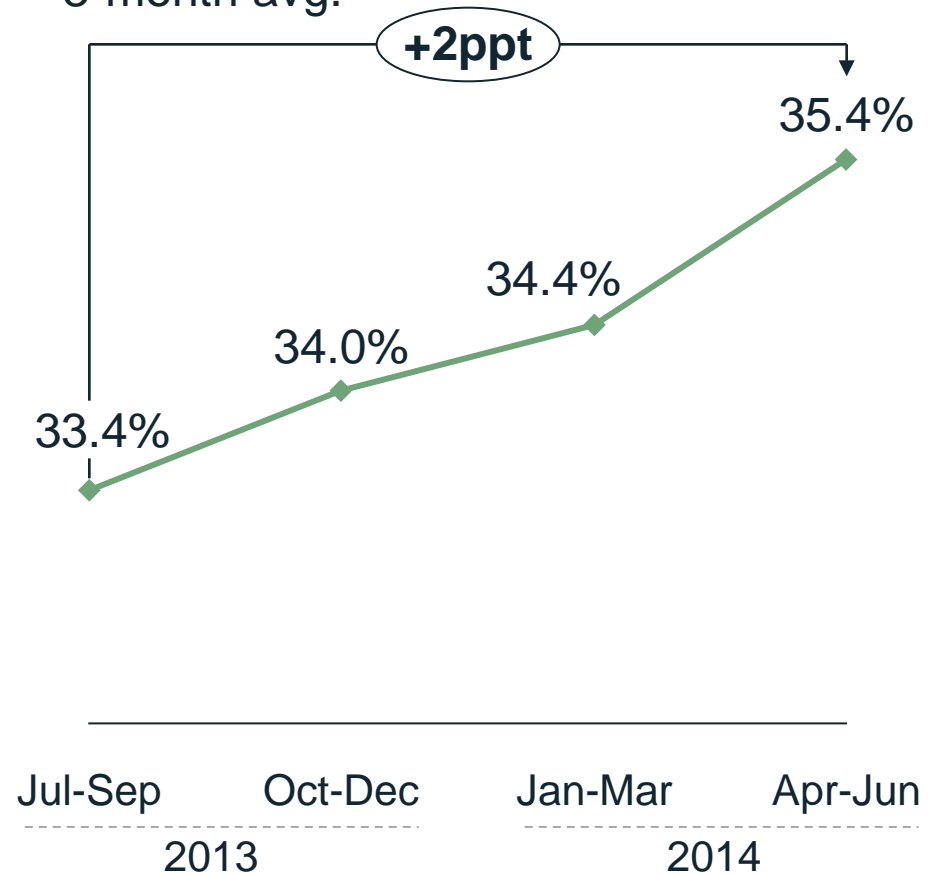
Market configuration



Source: JT estimates

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JT Share of menthol segment 3-month avg.



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Increasingly tightening, but manageable regulations

- Regulations focusing mainly on smoking in public places
- JT to improve environment for smokers and non-smokers to co-exist



Relevant laws

Japan Tobacco Inc. Act

- The JT Act stipulates that the Japanese Government must continue to hold over one-third of JT's issued shares

Tobacco Business Act

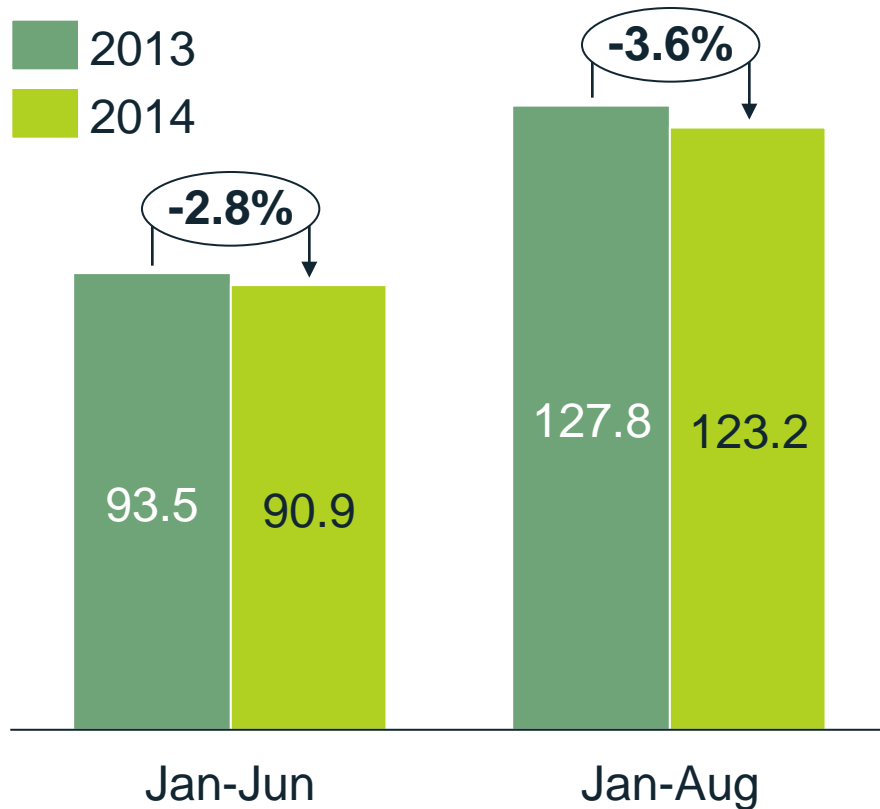
- JT must purchase all tobacco leaf produced in Japan and usable for tobacco production
- Tobacco products shall not be manufactured by any other manufacturer than Japan Tobacco Inc.
- Retailers need to obtain permission to sell tobacco products from the Minister of Finance
- Retail price of a tobacco product must be approved by the Minister of Finance and the product must be sold at the approved retail price



Market trend after the consumption tax hike in 2014

Industry contraction within our expectation

Industry volume evolution (BnU)

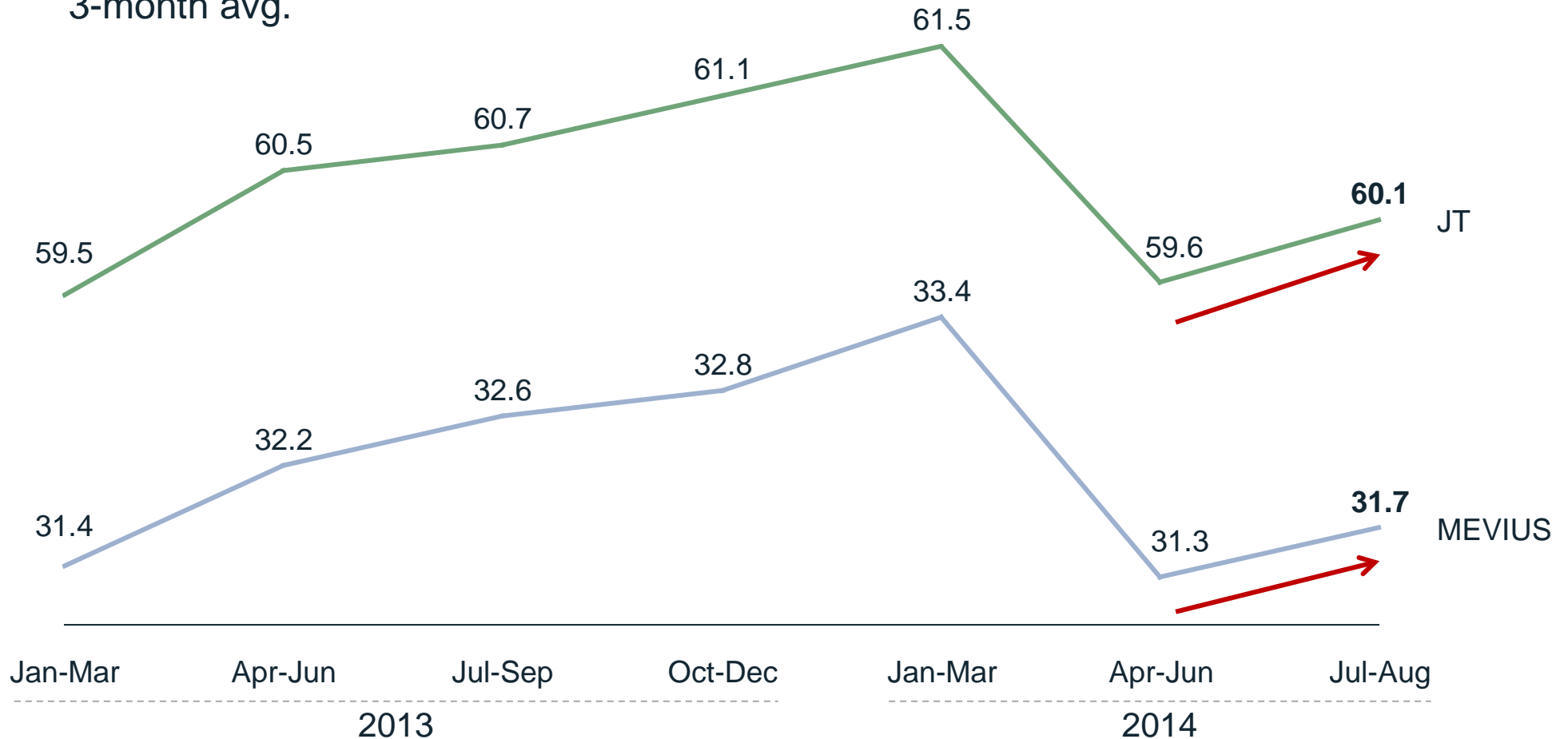


- January to December 2014 decline expected to be -3% to -4%

Source: JT estimates

Strong share of market performance

JT Share of market 3-month avg.



Source: JT estimates

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Vigorous promotional activities



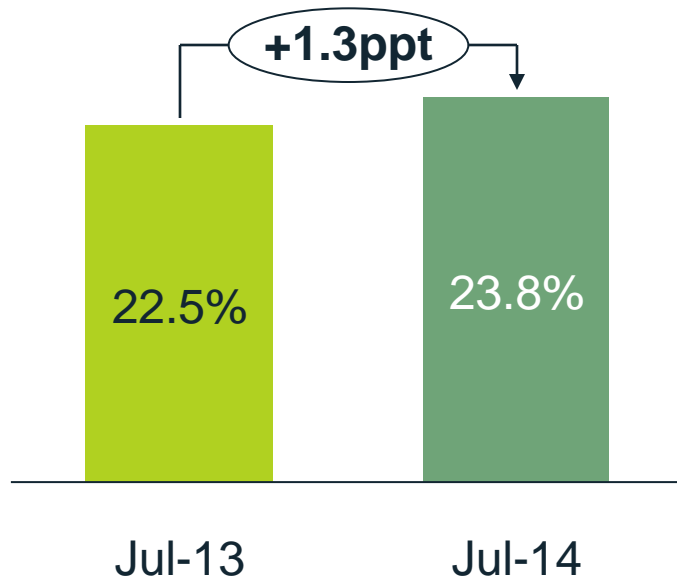


Brands

MEVIUS : Strengthened its position as the No.1 brand

- Share gains among young adult smokers
- MEVIUS now claiming No. 2 position in menthol segment

SOM among young adult smokers
1-month avg.



Source: JT estimates

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An advertisement for MEVIUS Premium Menthol Option cigarettes. The top text reads 'カプセルで、香るメンソールへ。' (With capsules, towards menthol that smells). Below this, three packs of cigarettes are shown: 'MEVIUS PREMIUM MENTHOL OPTION' (8 cigarettes), 'MEVIUS PREMIUM MENTHOL OPTION' (5 cigarettes), and 'MEVIUS PREMIUM MENTHOL OPTION' (10 cigarettes). A 'NEW' badge indicates a price of 'all 410円'. The bottom text reads 'MEVIUS プレミアムメンソールOPTION'. At the very bottom, a disclaimer in Japanese states: '喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。未成年者の喫煙は、健康に対する悪影響やたばこへの依存をより強めます。周りの人から勧められても決して吸ってはいけません。妊娠中の喫煙は、胎児の発育障害や早産の原因の一つとなります。'

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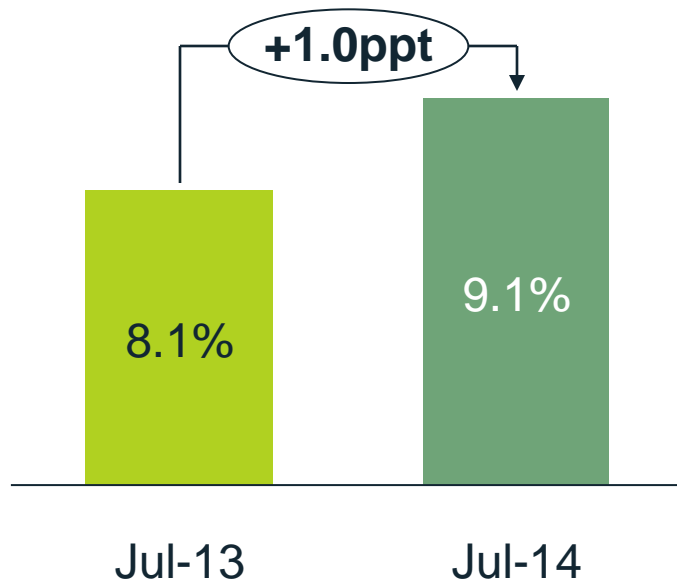
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Seven Stars : No. 1 SKU in the market

- No.1 SKU in the Premium segment
- Strengthened its menthol offering in April and expanded its line-up in July

Share of value

1-month avg.



Source: JT estimates

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Emerging Products actively introduced

- Smokeless tobacco, “Stix”
- Launched Ploom in December, 2013





Further strengthen competitiveness

Initiatives to strengthen our competitiveness

- Adapt to market changes by reforming sales operations
- Further optimize cost through consolidation of tobacco manufacturing-related factories
- Redesign organizations to enhance their agility and adaptability to changes





Summary

Continued to be a highly competitive platform for the Group's profitability

- Quality top-line growth
 - Continued to strengthen our brands' equity
 - Further grew market share of No.1 brand MEVIUS
 - Leveraged the brand equity of Seven Stars
- Further strengthened competitiveness
 - Reorganization of sales operations
 - Cost optimization
 - Delegation of authority to regional sales headquarters and factories