The JT Group tobacco business
Strategic focus and investment for sustainable growth

Mutsuo Iwai
Executive Vice President,
President of Tobacco Business
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 intended to be used for any other purpose.
Sustainable profit growth through continuous business investment
Strong earnings performance driven by focused investments

Tobacco Business

The core business and profit growth engine of the JT Group

+9.1%*

International Tobacco Business

The Group’s profit growth engine

+10.8%*

Japan Domestic Tobacco Business

Competitive platform of profitability

+6.4%

* 2015 adjusted operating profit growth rate at constant currency
The strategic framework for sustainable growth

Vision
To be the No.1 global tobacco company

Strategic Framework

Quality top-line growth
- Brand equity enhancement
- Emerging products development
- Geographic expansion

Competitive cost base
- Cost optimization

Robust business foundations
- Human resources / Organizational capabilities

Resource Allocation Policy
Prioritize business investment for sustainable growth
Operating environment
- Key challenges & future opportunities
Global cigarette industry volume contraction gradually moderates

Global cigarette industry volume evolution

<table>
<thead>
<tr>
<th>Year</th>
<th>Europe</th>
<th>CIS+</th>
<th>Other</th>
<th>Total</th>
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</thead>
<tbody>
<tr>
<td>2011</td>
<td>-5.8%</td>
<td>-1.5%</td>
<td></td>
<td>-1.6%</td>
</tr>
<tr>
<td>2012</td>
<td>-7.9%</td>
<td>-5.7%</td>
<td></td>
<td>-3.9%</td>
</tr>
<tr>
<td>2013</td>
<td>-3.9%</td>
<td>-6.9%</td>
<td></td>
<td>-2.0%</td>
</tr>
<tr>
<td>2014</td>
<td>-1.8%</td>
<td>-6.1%</td>
<td></td>
<td>-1.8%</td>
</tr>
<tr>
<td>2015</td>
<td></td>
<td></td>
<td></td>
<td>Total -2.3%</td>
</tr>
</tbody>
</table>

CAGR 2011-15
-4.9%
-5.1%

Source: Internal estimates (China excluded)
Growth opportunities in emerging markets

Cigarette industry volume in emerging markets\(^{(1)}\)

\[\begin{array}{c|c}
\text{Year} & \text{Volume} \\
\hline
2011 & \text{Green Bar}
\hline
2015 & \text{Green Bar}
\end{array}\]

\[+2.5\%\]

Main growth areas
(Industry volume, 2015 vs. 2011)

- **Middle East**: +6.9%
- **Asia Pacific**: +3.4%
- **Africa**: +2.9%

\(^{(1)}\) Asia Pacific, Latin America, Middle East & Africa. Emerging markets classification based on World Bank's income group.
Solid pricing environment

Global industry value evolution

+3.6%
CAGR 2001-2015

Source: Internal estimates (China excluded, US$ at constant currency)
Accelerating investment for sustainable growth
Three investment priorities for quality top-line growth

- **Brand equity enhancement**: Assure mid-term profitability and maximize long-term profit growth.
- **Geographic expansion in emerging markets**: Secure sustainable future growth through seeding investments.
- **Emerging products development**: Achieve leadership position in the emerging products category.
Investment in brands is the cornerstone of quality top-line growth

Share of market, 2015 vs. 2011 (pp)

- +0.2
- +0.1
- +0.4
- +0.3

Source: Internal estimates (China excluded)
Expansion of our geographic footprint for future growth

Broaden earnings base and enhance profitability in emerging markets

New market entries

- NPL
- BGD
- DOP
- ETH

Strengthen JTG presence

- IRN
- EGY
- HUN
- BGR

Distribution expansion

- BRA
- THA
- MMR

- PHL
- KOR
- VNM
Emerging Products: Vapor market opportunities

Still dominated by E-Vapor while T-Vapor is emerging

Vapor industry value evolution

Vapor industry value by category

E-Vapor SoV by market in 2015

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Source: Internal estimates (Vapor includes E-Vapor and T-Vapor)
Emerging Products: JT Group’s vision and strategic goals

Become the most trusted global leader in Emerging Products (both E & T-vapor)

**Build**
world class product portfolio & brand mix

**Achieve**
a sustainable global footprint

**Develop**
potential for reduced-risk claims

**Obtain public certification by accelerating investment in capability enhancement**
Confident to deliver sustainable profit growth

JTG tobacco business

Mid to high single-digit profit growth in the mid- to long-term
Closing Remarks

Mutsuo Iwai
Executive Vice President,
President of Tobacco Business
In closing

- Confidence in achieving sustainable profit growth in the mid- to long-term
- Prioritize investment to pursue quality top-line growth
- Japan domestic market will continue to be a solid profit contributor
- Strong position in Western Europe and the UK, with further opportunities to grow ahead
- Fulfill our commitment toward our stakeholders as core business and profit growth engine of the JT Group