



# 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

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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

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## Tobacco Business

*The core business and profit growth engine of the JT Group*

+9.1%\*

## International Tobacco Business

*The Group's profit growth engine*

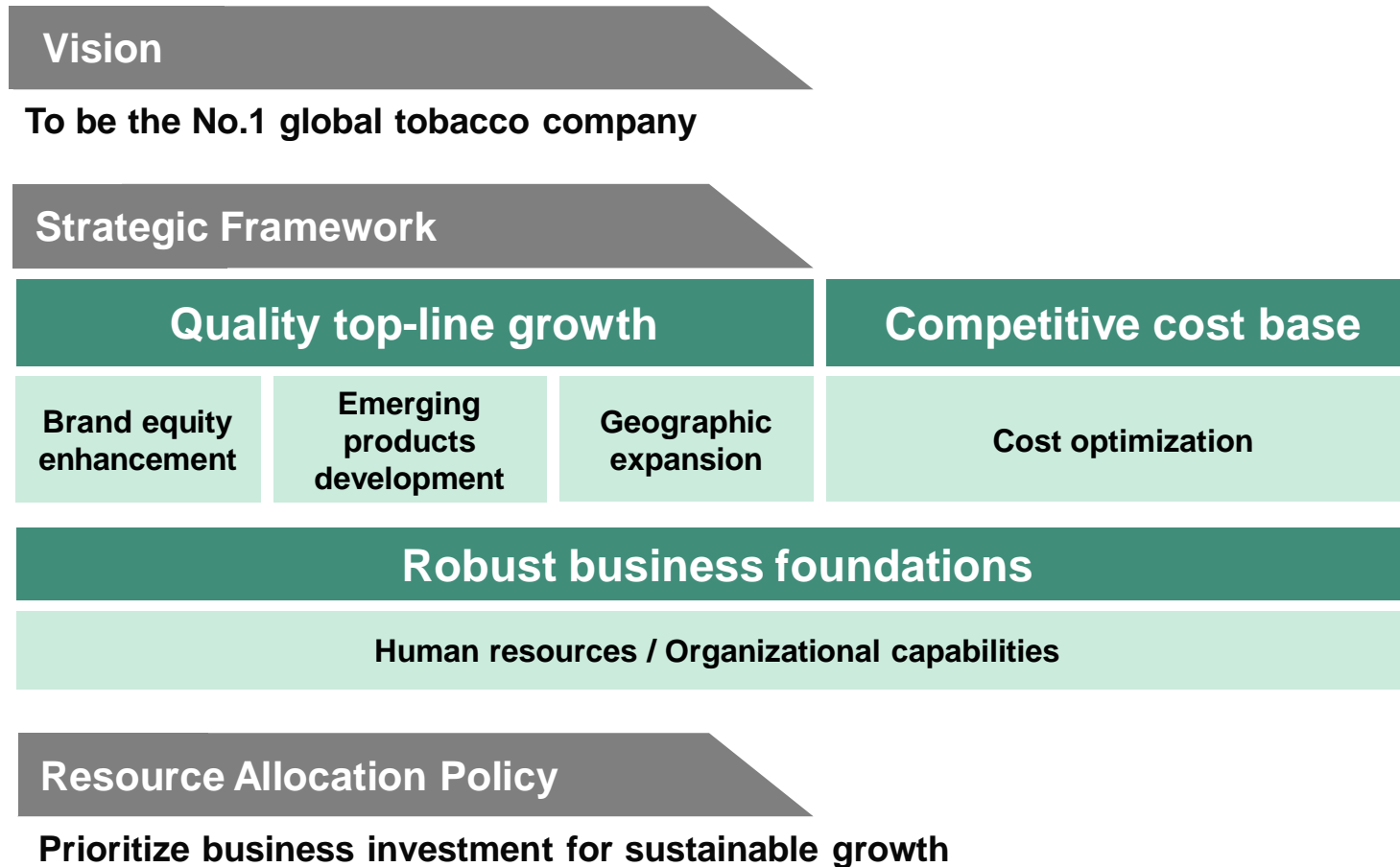
+10.8%\*

## Japan Domestic Tobacco Business

*Competitive platform of profitability*

+6.4%

# The strategic framework for sustainable growth



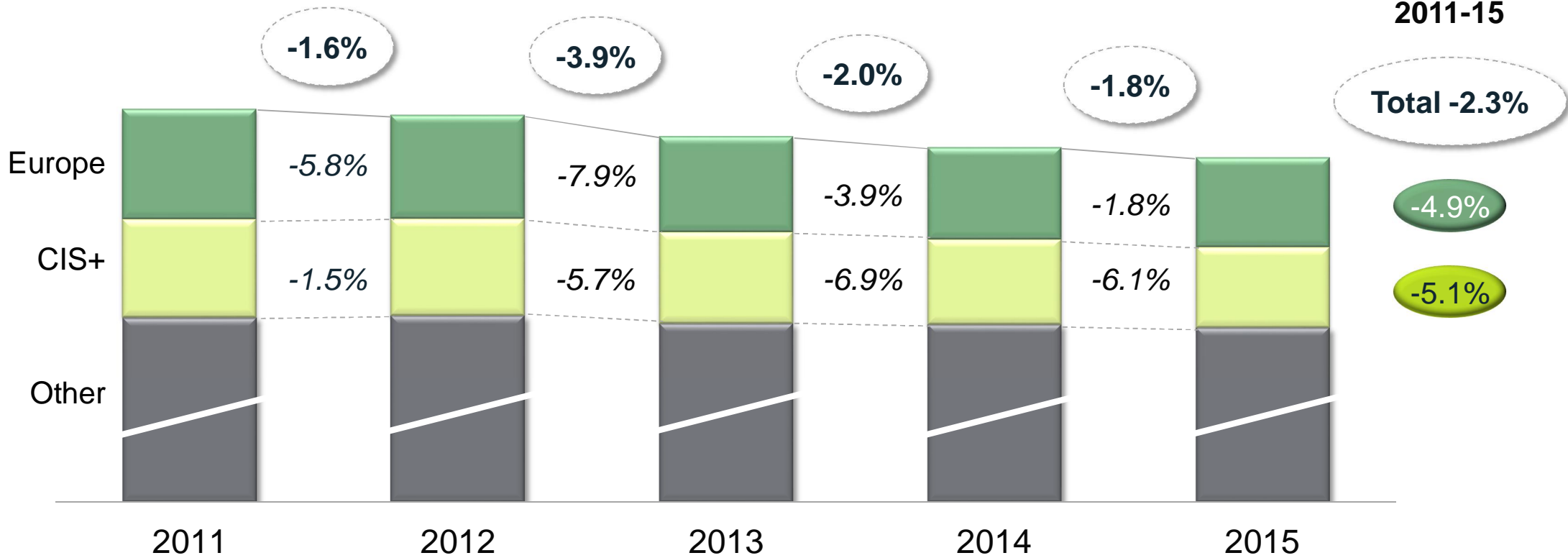


# Operating environment

- Key challenges & future opportunities

# Global cigarette industry volume contraction gradually moderates

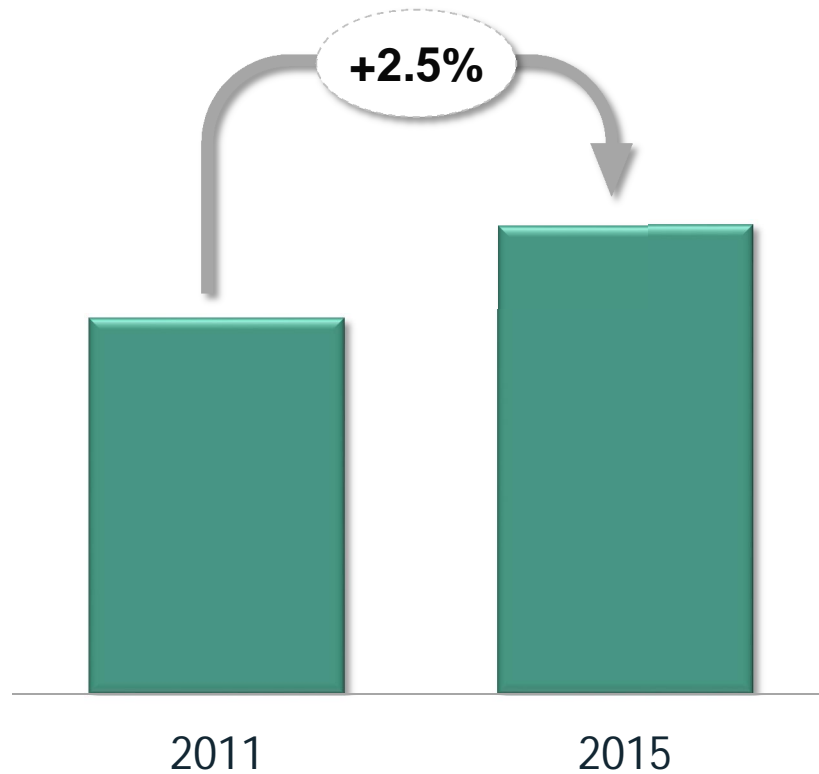
## Global cigarette industry volume evolution





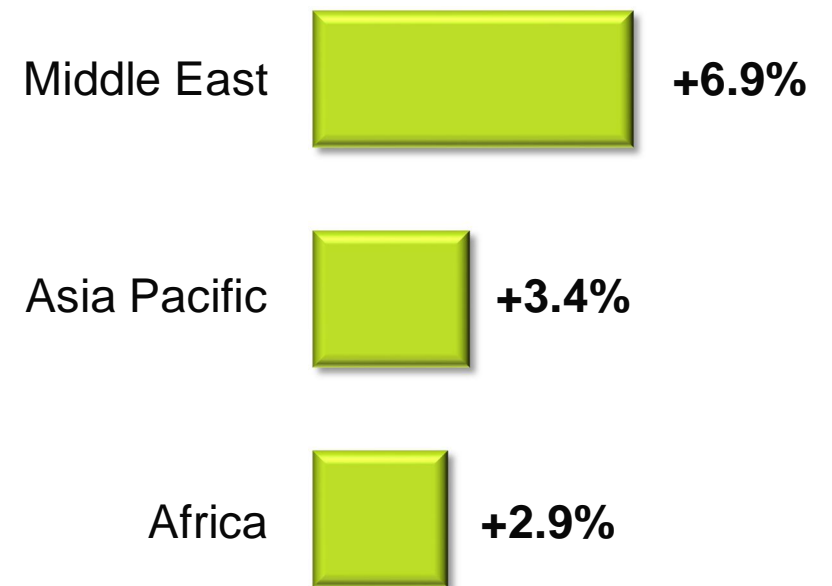
# Growth opportunities in emerging markets

## Cigarette industry volume in emerging markets<sup>(1)</sup>



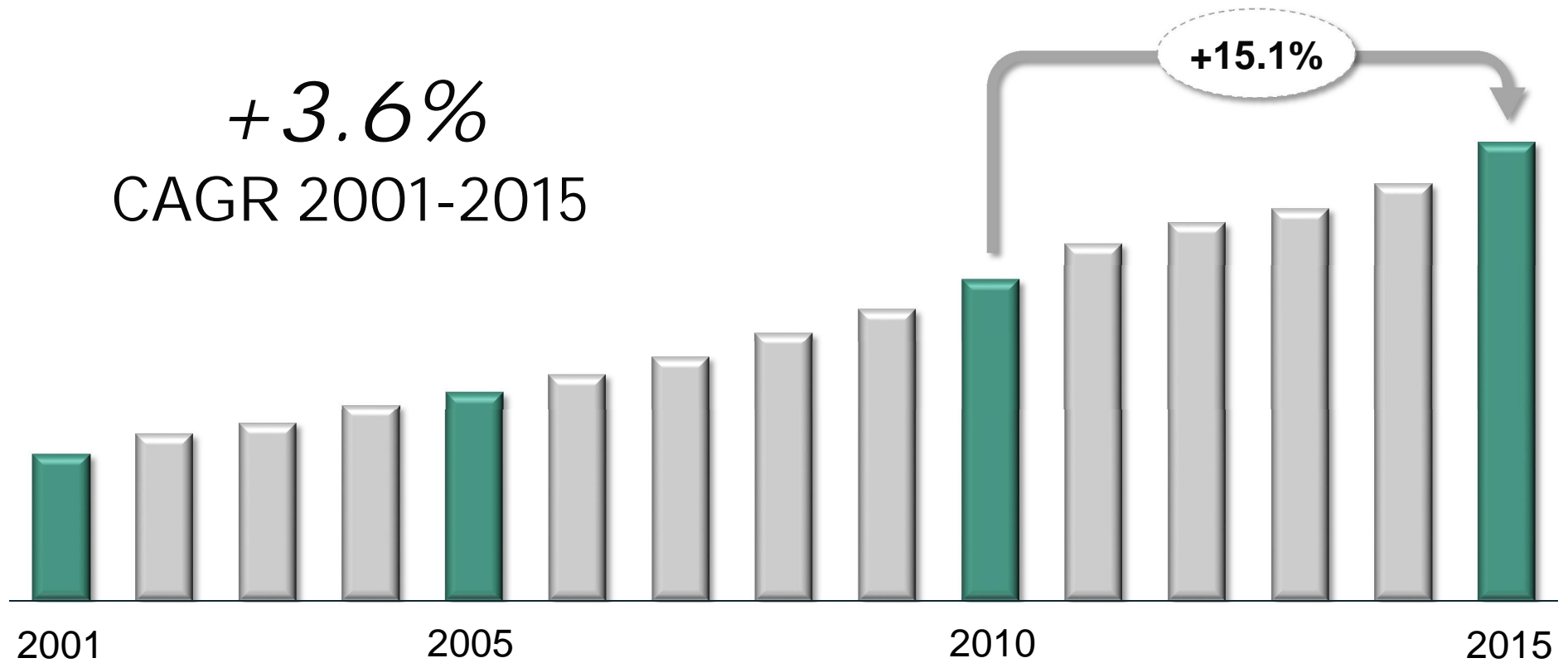
## Main growth areas

(Industry volume, 2015 vs. 2011)



# Solid pricing environment

## Global industry value evolution





# Accelerating investment for sustainable growth

## Three investment priorities for quality top-line growth

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**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**

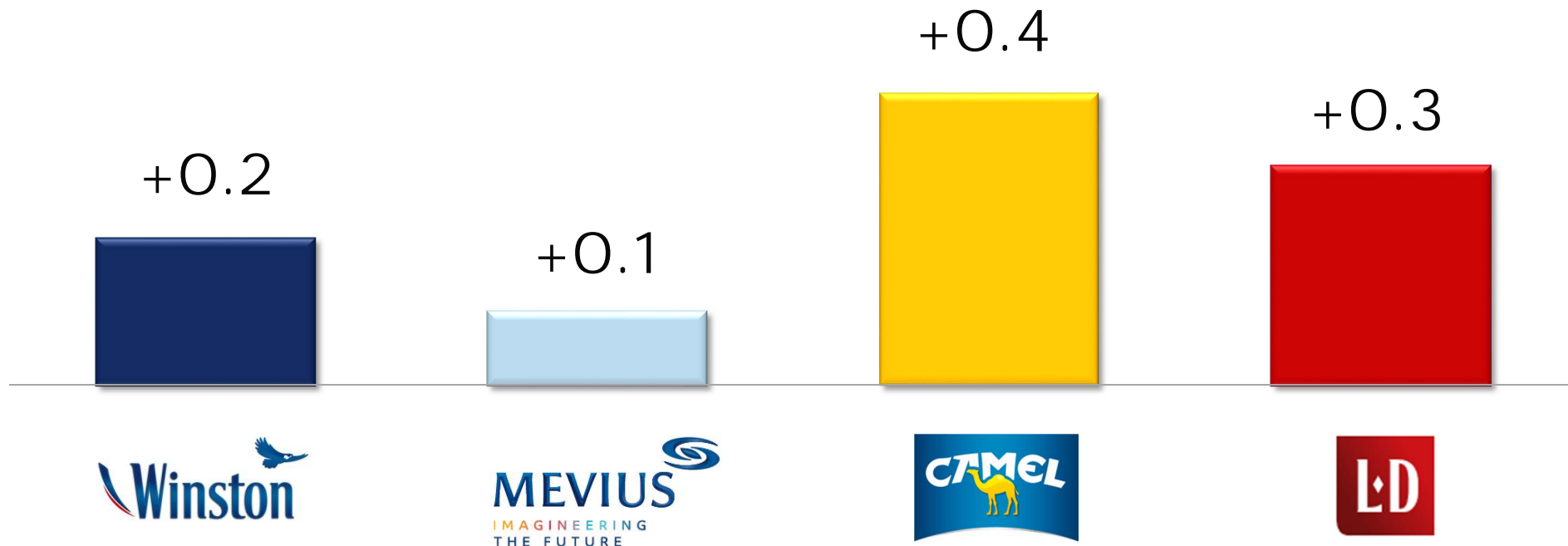
**Emerging products  
development**



**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)



# 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

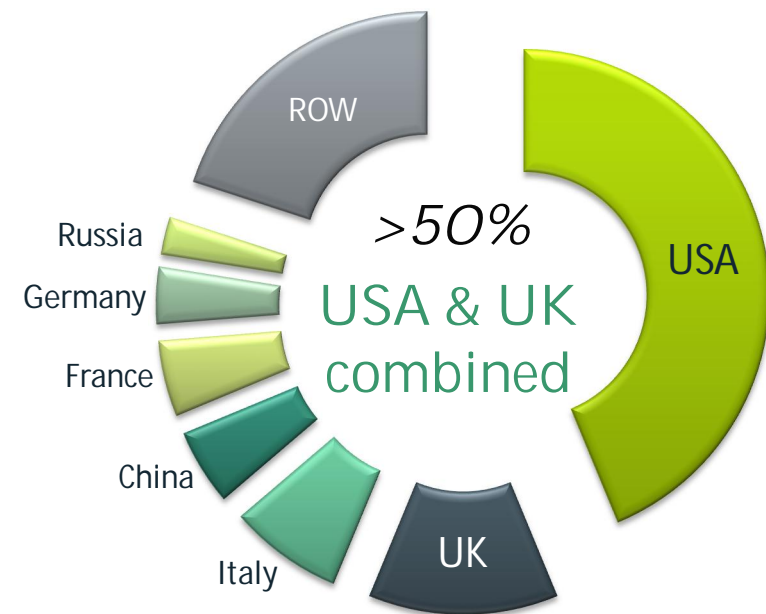
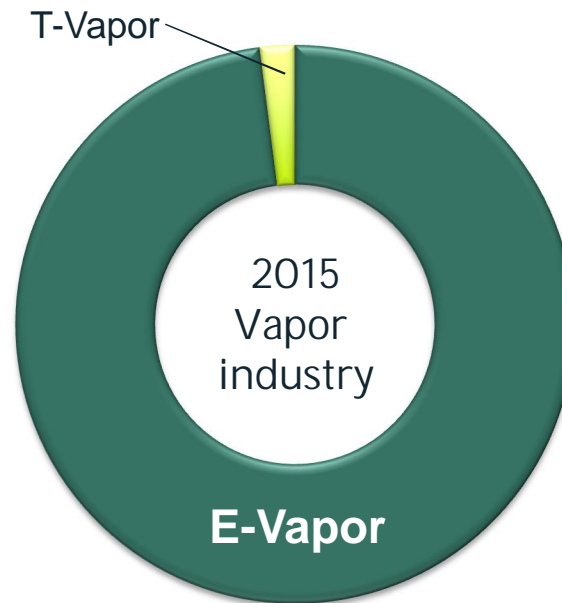
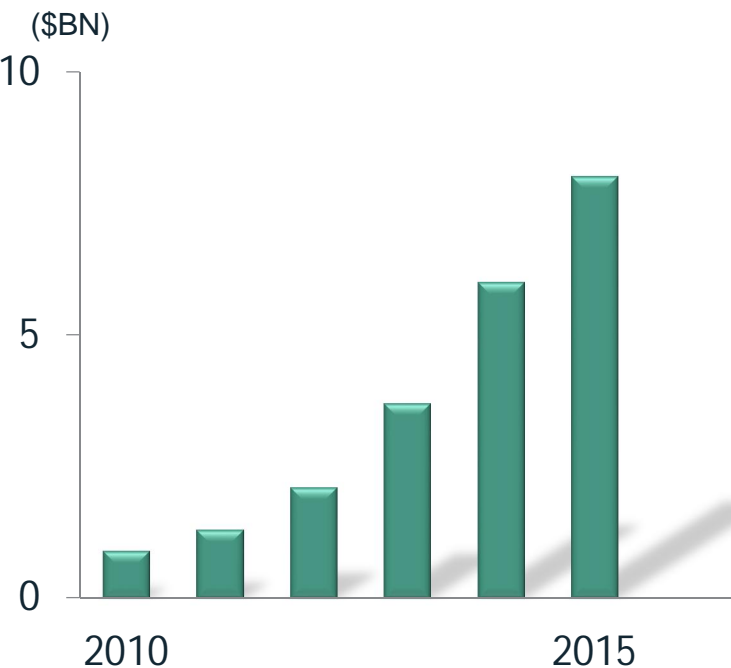
# Emerging Products: Vapor market opportunities

*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**

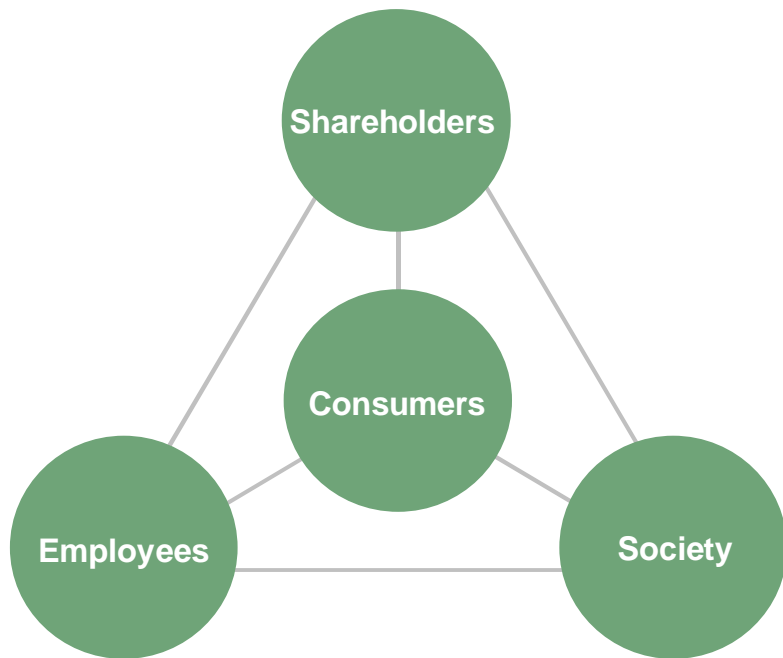
potential for reduced-risk claims

Obtain public certification by accelerating investment in capability enhancement



Confident to deliver sustainable profit growth

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JTG tobacco business

**Mid to high single-digit**

profit growth in the mid- to long-term



## Closing Remarks

Mutsuo Iwai

*Executive Vice President,  
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## In closing

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- 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