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Japanese Domestic Tobacco Business to Further Strengthen its Competitiveness

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Caution concerning Forward-Looking Statements

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.

Japanese Domestic Tobacco business: A highly competitive platform of the JT Group's profitability

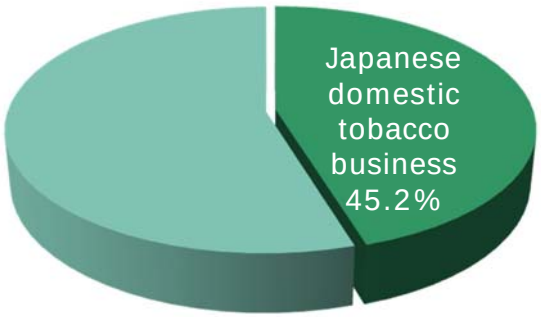
Tobacco Business

Mid- to long-term target and role

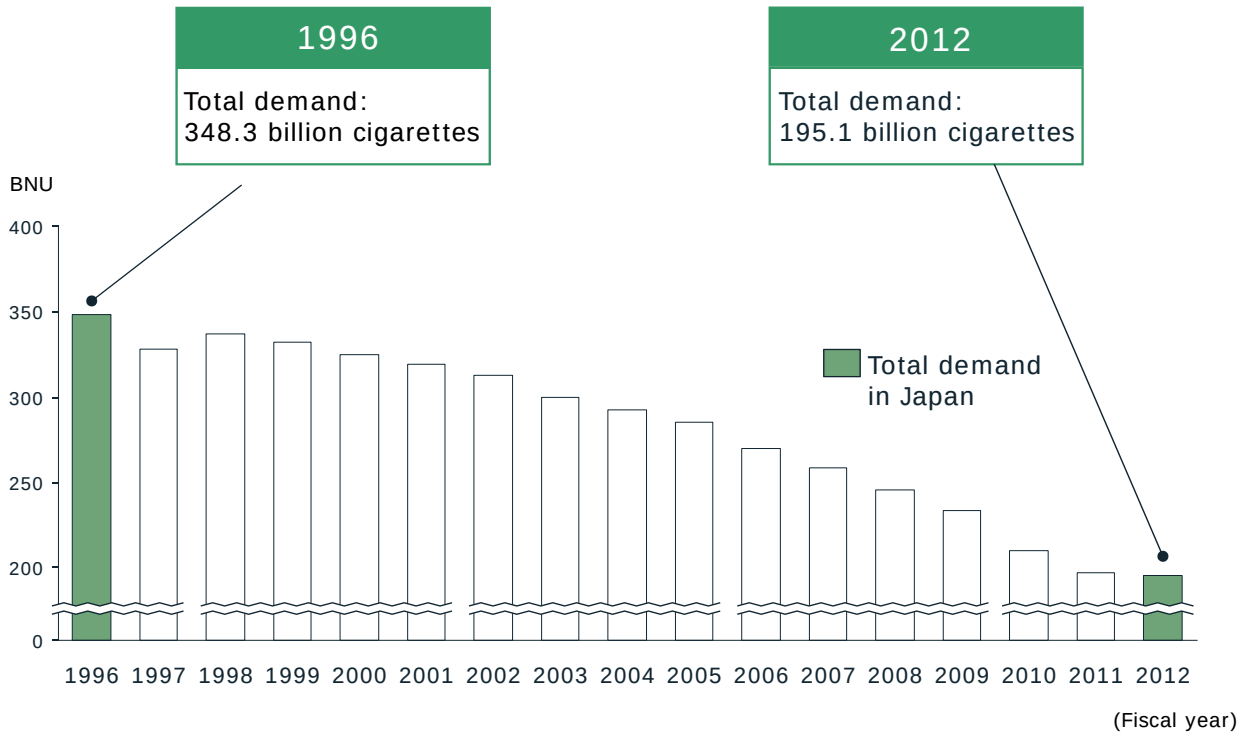
- Grow adjusted EBITDA at mid to high single-digit rate per annum over the mid- to long-term as the core business and profit and growth engine of the JT Group
  - ✓ Japanese domestic: highly competitive platform of profitability
  - ✓ International: strengthen its role as the Group's profit growth engine

FY2012
Adjusted EBITDA (consolidated)

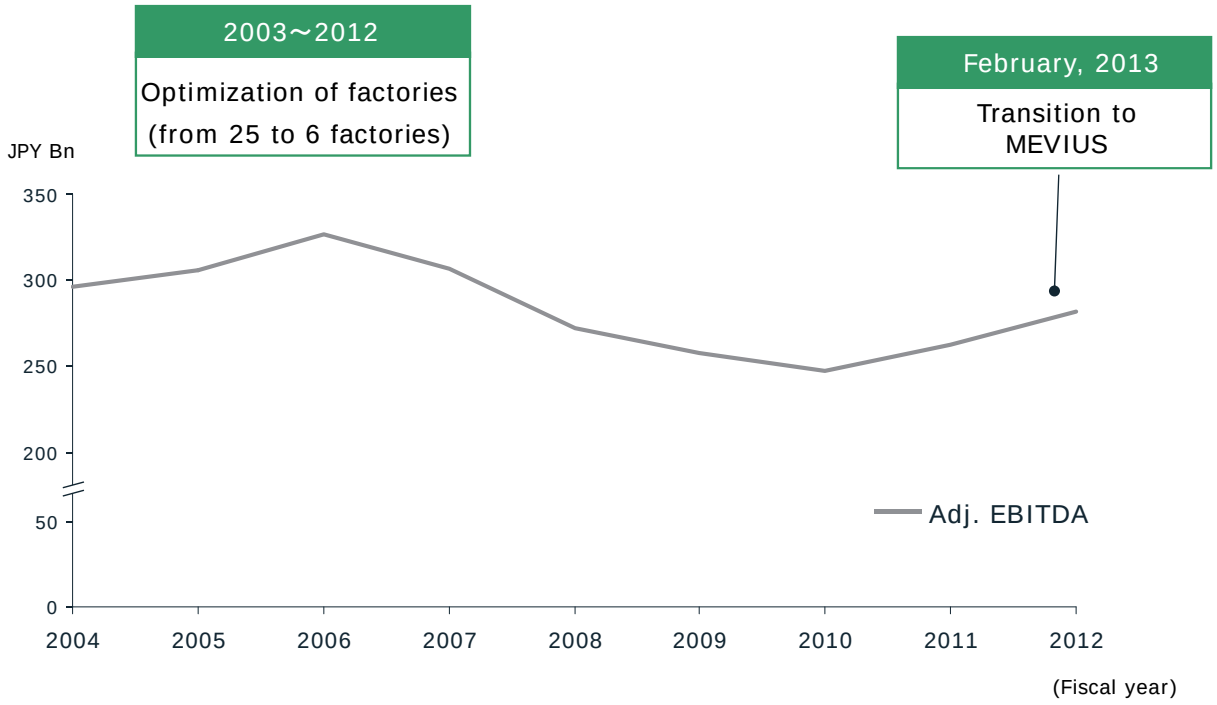
622.0 JPY Bn



Challenging operating environment due to industry contraction



Significant profit contributor attributed to quality top-line growth and continuous cost improvement



FY2010- : Adjusted EBITDA (IFRS basis)

Further strengthen competitiveness to achieve sustainable growth in the mid- to long-term

Quality top-line growth

- Transition to a more agile sales operation by enhancing its regional adaptability

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Competitive cost base

- Continuous cost improvement and optimization of operating structure

Robust business foundations

- Redesign of organizations to enhance their agility and adaptability to changes

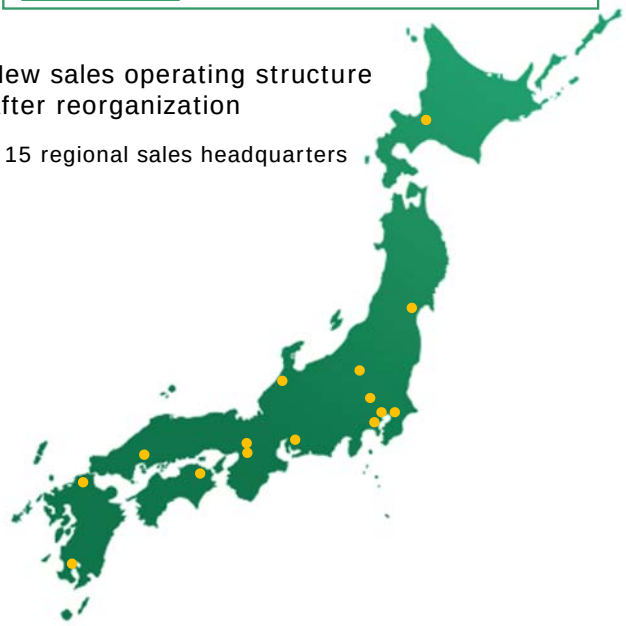
Reorganization of sales operations

Strategic framework

Quality top-line growth × Competitive cost base × Robust business foundation

New sales operating structure after reorganization

15 regional sales headquarters



Transition to a more agile sales operations by enhancing its regional adaptability

- Transition from the current 25 area branch offices to 15 regional sales headquarters, which will be responsible for regionalized marketing strategies relevant to local characteristics

Cost Optimization

Strategic framework

Quality top-line growth × Cost competit-iveness × Robust business foundation

Location of Cigarette manufacturing factories and regional leaf tobacco headquarters after consolidation

4 cigarette manufacturing facilities
- › Kita-Kanto factory
- › Tokai factory
- › Kansai factory
- › Kyusyu factory

2 regional leaf tobacco headquarters



Closure of two cigarette manufacturing factories

Koriyama factory

Hamamatsu factory

Closure of two other tobacco-related factories

Hiratsuka factory

Okayama printing factory

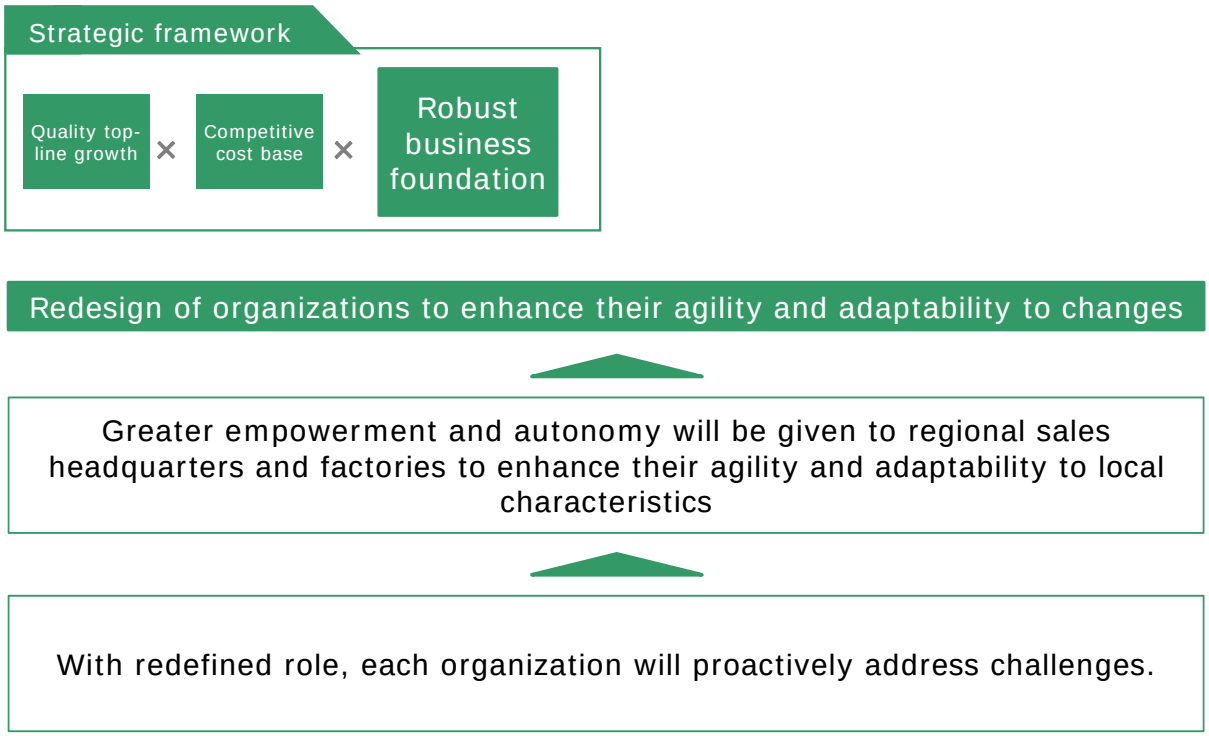
Closure of other operations

East-Japan Regional Leaf Tobacco Headquarters' leaf processing operation

Vending Machinery division

Note: These factories and operations are scheduled to be closed in March 2015 excluding Hiratsuka factory. Hiratsuka factory is scheduled to be closed in March 2016.

Redesign organizations to enhance their agility and adaptability to changes



Closing

- Further strengthen competitiveness of the Japanese domestic tobacco business
  - Adaptability to a changing environment is critical to achieving sustainable growth amid a challenging operating environment
  - Initiatives to strengthen competitiveness
    - ✓ Transition from the current 25 area branch office to 15 regional sales headquarters to enhance their agility and adaptability to changes
    - ✓ Further cost optimization through consolidation of tobacco manufacturing-related factories
    - ✓ Redesign of organizations to enhance their agility and adaptability to changes, giving greater empowerment and autonomy to regional sales headquarters and factories
    - ✓ Voluntary retirement program to rightsize the workforce (the impact is estimated to be approximately 1,600 jobs)
  - Establish further robust business foundations through these measures
  - Continue to be a highly competitive platform of the JT Group's profitability

Note: The Company will not expect any financial impact of these initiatives in the fiscal year 2013, as it will implement these initiatives from the fiscal year 2014 onwards. The cost reduction effects for these initiatives will be realized from April, 2015 onwards.