Announcement : April 24, 2014
Investors' Meeting : April 25, 2014

Business Plan 2014

President and CEO
Mitsuomi Koizumi

Caution concerning Forward-Looking Statements

FORWARD-LOOKING STATEMENTS

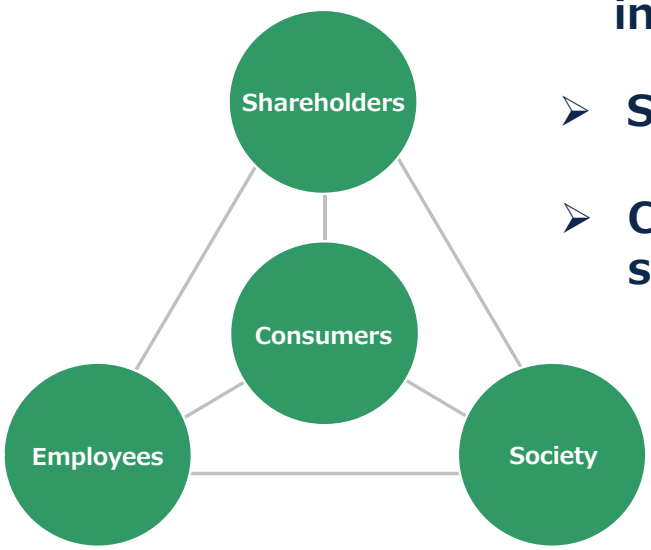
This presentation contains forward-looking statements. These statements appear in a number of places in this presentation and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. 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.

JT Group's Strengths

The management principle is a 4S model with a particular focus on consumers



- Top priority on business investments
- Sustainable profit growth
- Competitive shareholder return

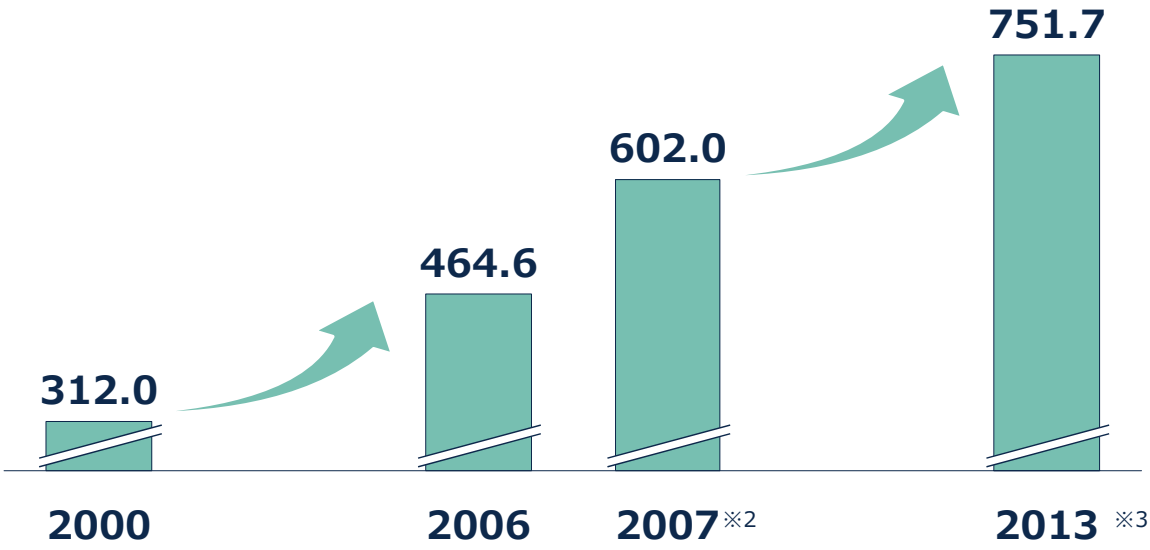
Business investments and capability to adapt to changes have been driving profit growth

Changes in EBITDA

(Fiscal year)

(JPY BN)

CAGR※1 = 7.0%



※1. The figure is an annual average growth rate for the period between FY2000 and FY2013.

※2. The figure for FY2007 includes the results of Gallaher for the period between April 18 and December 31, 2007.

※3. IFRS Based Adjusted EBITDA

5

Growth driven by business investments

Expanding the business foundation by exploiting M&A opportunities

Changes in EBITDA of the international tobacco business

(US$MM)

1999 : RJR International

2007 : Gallaher

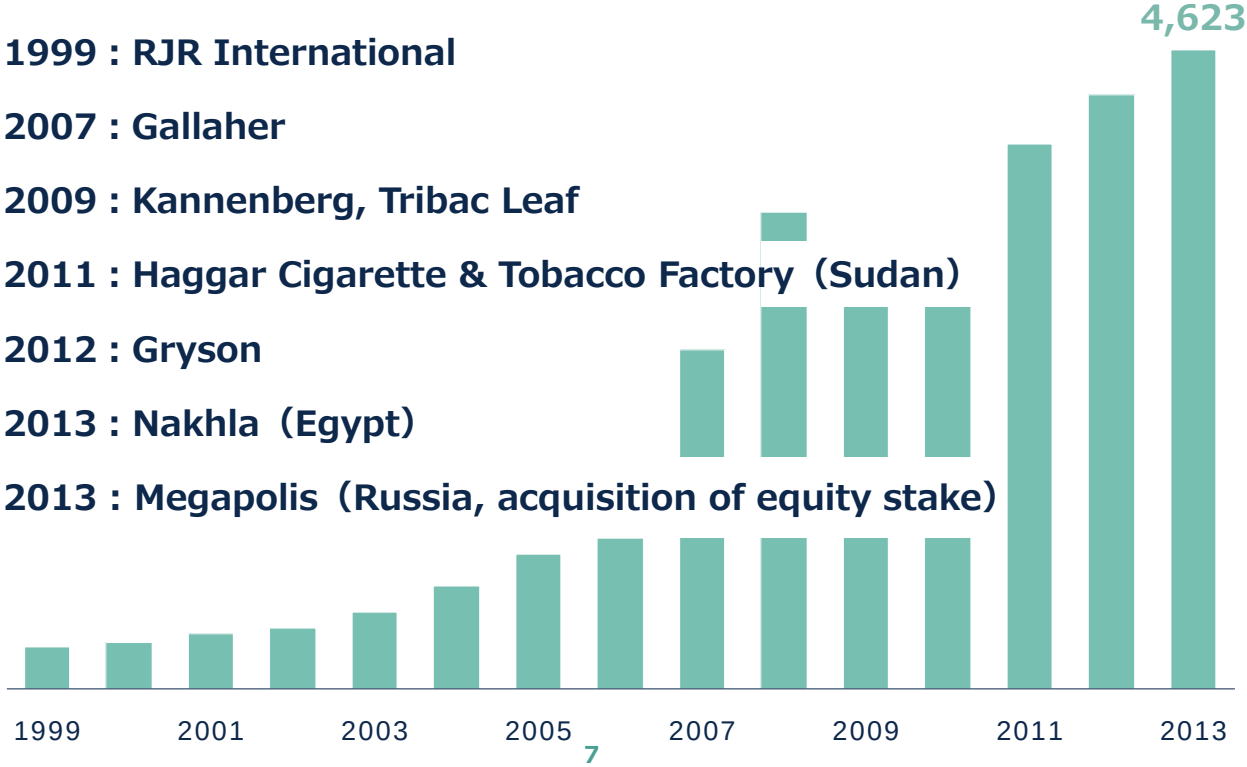
2009 : Kannenberg, Tribac Leaf

2011 : Haggar Cigarette & Tobacco Factory (Sudan)

2012 : Gryson

2013 : Nakhla (Egypt)

2013 : Megapolis (Russia, acquisition of equity stake)



7

Competitive product portfolio



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 INDUCE SMOKING

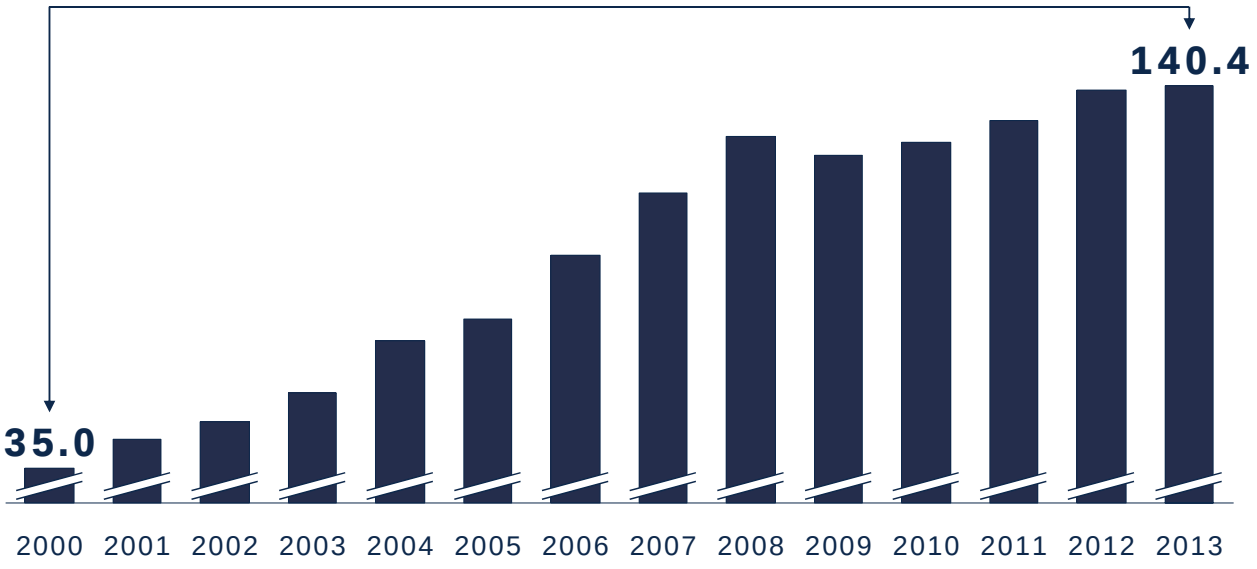
8

Enhancing brand equity through investments

Shipment volume

(BNU)

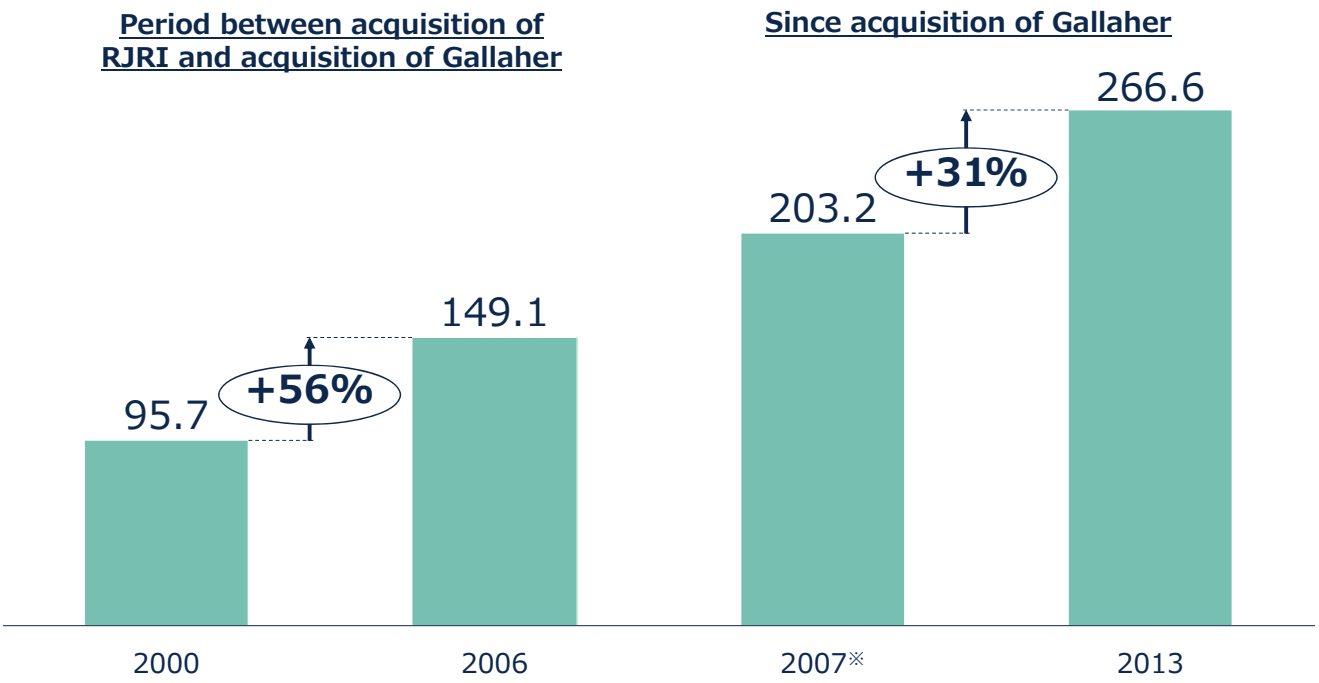
Winston = 4X



Making the most of business foundations – Organic growth 1

GFB shipment volume

(BNU)



※ Figures for FY2007 include the results of Gallaher for the period between April 18 and December 31, 2007.

Making the most of business foundations - Organic growth 2

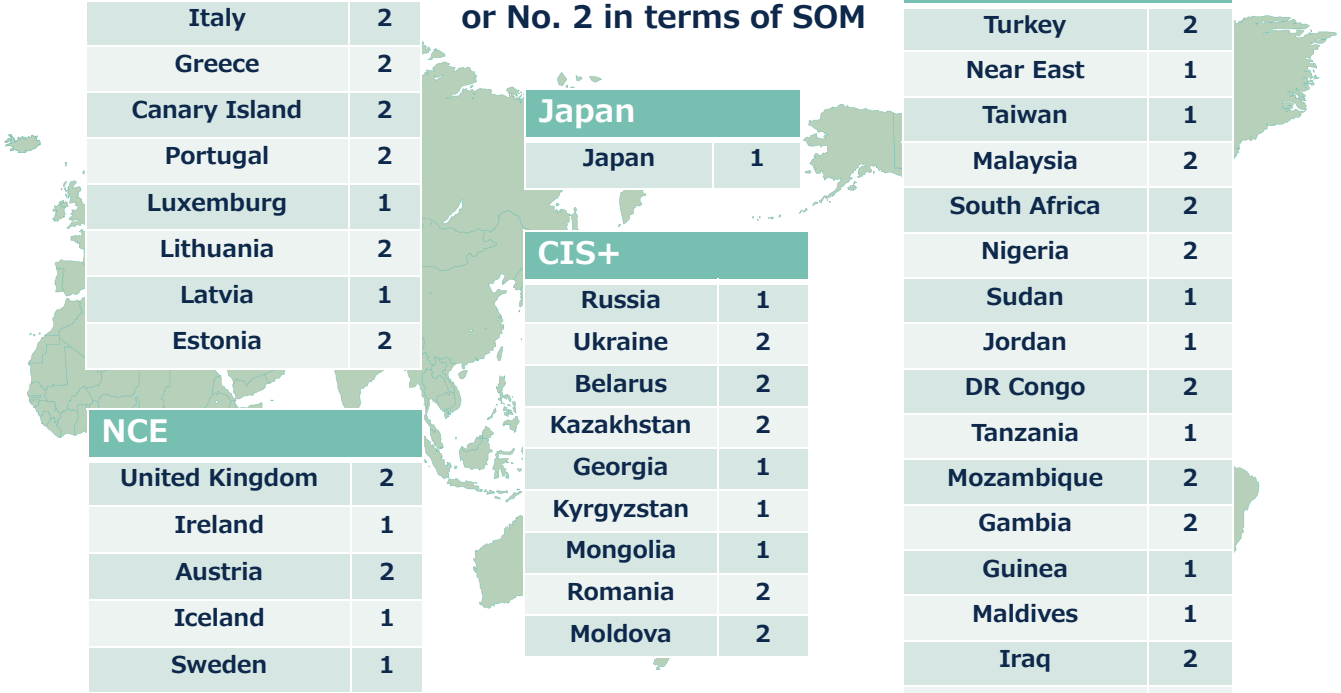
SOM growth in key markets

	Share changes (2007 vs. 2013)	
France		+6.7 %pt
Italy		+5.6 %pt
Russia (GFB)		+7.3 %pt
Taiwan		+3.4 %pt
UK		+2.1 %pt

Source: Logista, Nielsen, JTI Estimate

Robust business foundation comprised of attractive markets

Markets where JT is No. 1 or No. 2 in terms of SOM



SWE	
Italy	2
Greece	2
Canary Island	2
Portugal	2
Luxemburg	1
Lithuania	2
Latvia	1
Estonia	2

NCE	
United Kingdom	2
Ireland	1
Austria	2
Iceland	1
Sweden	1

Japan	
Japan	1

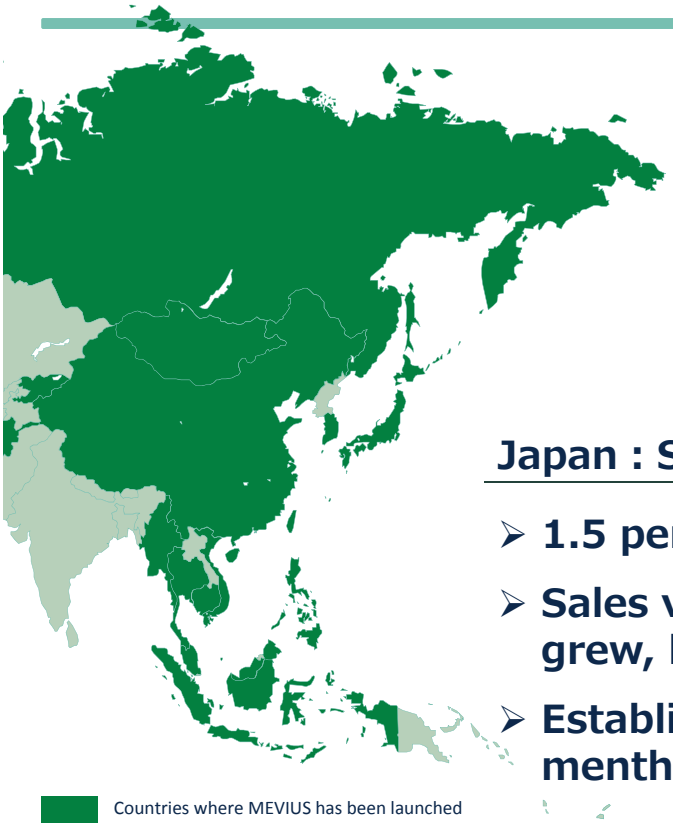
CIS+	
Russia	1
Ukraine	2
Belarus	2
Kazakhstan	2
Georgia	1
Kyrgyzstan	1
Mongolia	1
Romania	2
Moldova	2

RoW	
Turkey	2
Near East	1
Taiwan	1
Malaysia	2
South Africa	2
Nigeria	2
Sudan	1
Jordan	1
DR Congo	2
Tanzania	1
Mozambique	2
Gambia	2
Guinea	1
Maldives	1
Iraq	2
Guinea-Bissau	2
Zambia	2

Source : JTI Estimate, FY2013

Initiatives toward Further Growth

Rebranding to MEVIUS and further expansion



Countries where MEVIUS has been launched

Successful rebranding

- MEVIUS has already been launched in 18 markets
- To be launched in more markets in 2014

Japan : Strong share growth

- 1.5 percentage-point growth in SOM
- Sales volume for overall JT products grew, led by MEVIUS※
- Established a solid presence in the menthol segment

※ Sales volume for the Japanese domestic tobacco business in the one-year period (from February 2013 to January 2014) after the rebranding to MEVIUS, adjusted for the effects of difference in the number of distribution dates.

Expansion of the portfolio
Aiming to become the Global Leader in the Emerging Products category







PAX by ploom

Ploom launched in four countries

- Launched in Austria, Italy, South Korea and Japan
- Launched in France in April and to be launched in several more markets by the end of 2014.

"PAX" the new device designed by Ploom

- To be launched within one year.
- Special tobacco leaf, rather than pods, will be used.

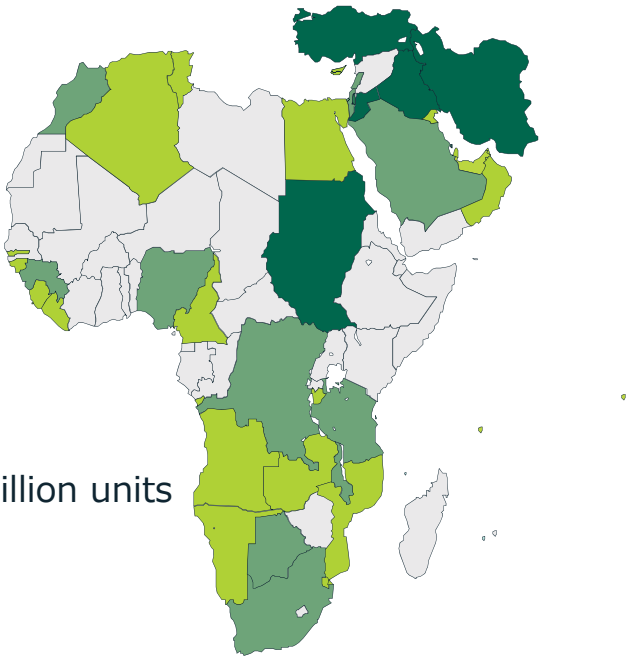
E-cigarette initiative

- Potentially attractive category
- Verified our capability on the assumption of entering the e-cigarette segment.

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 INDUCE SMOKING

Seeking further geographic expansion and broadening the earnings base

JTI shipment volume



- < 1 billion units
- between 1 and 5 billion units
- > 5 billion units

NOTES: Shipment volume is yearly basis and excludes WWDF
No cigarette activity in Egypt currently

Toward further growth

Enhancing brand equity

MEVIUS

Expanding product portfolio

Ploom, PAX, e-cigarette

Fine-cut, Shisha

Geographic expansion

Egypt, Sudan, Myanmar

Expanding the business foundation

Investment in Megapolis

17

Entering a new stage with a view to turning the pharmaceutical business into a profit generator.

		US	Europe	Japan
JTK-303※1 (Stribild, Vitekta)	Single-tablet regimen	☆	☆	☆
	Stand-alone agent	○	◎	○
MEK inhibitor※2 (Mekinist)		☆	○	-
JTT-751※3 (Riona)		-	-	☆※5
TO-194SL※4 (CEDARTOLEN)		-	-	◎

※1 Out-licensed to Gilead Sciences
※2 Out-licensed to GlaxoSmithKline
※3 Licensed from Keryx Biopharmaceuticals
※4 Developed by Torii Pharmaceutical
※5 To be launched in May

☆ : Launched ◎ : Approved
○ : Applying for approval or preparing to apply

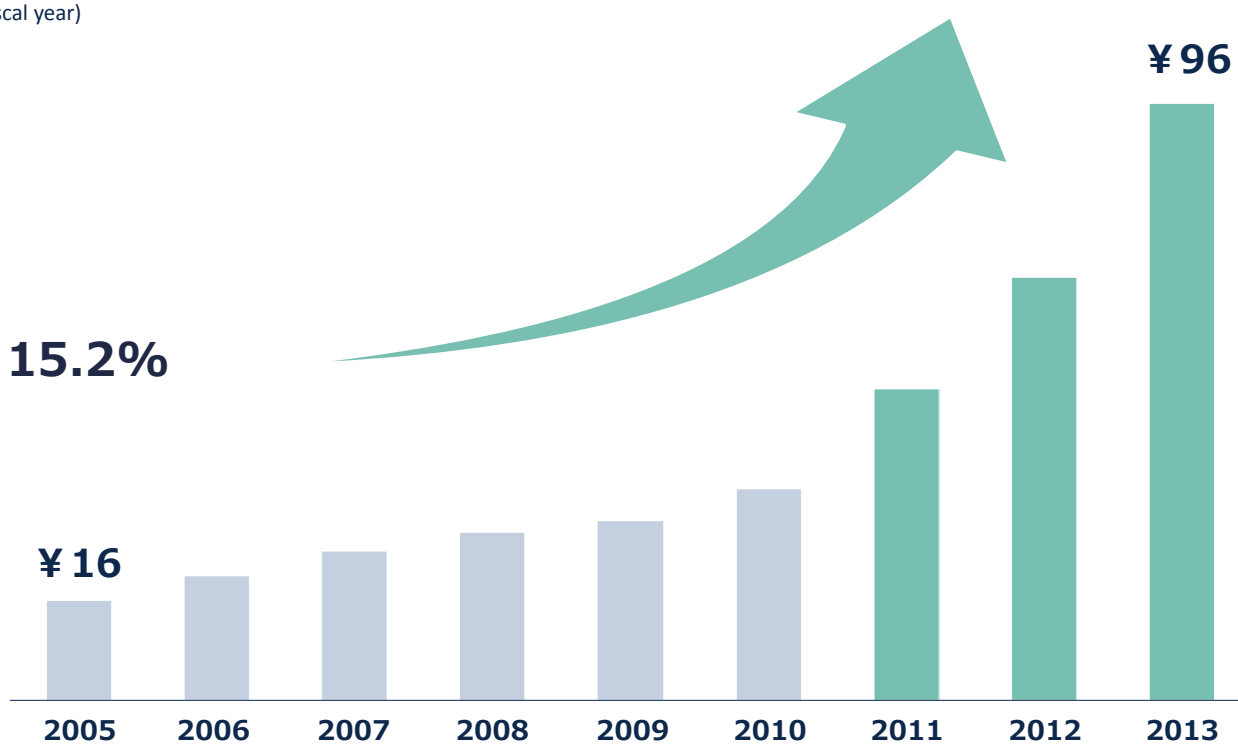
18

Shareholder Return

Enhancing the shareholder return through profit growth

Consolidated dividend payout ratio, per-share dividend

(Fiscal year)

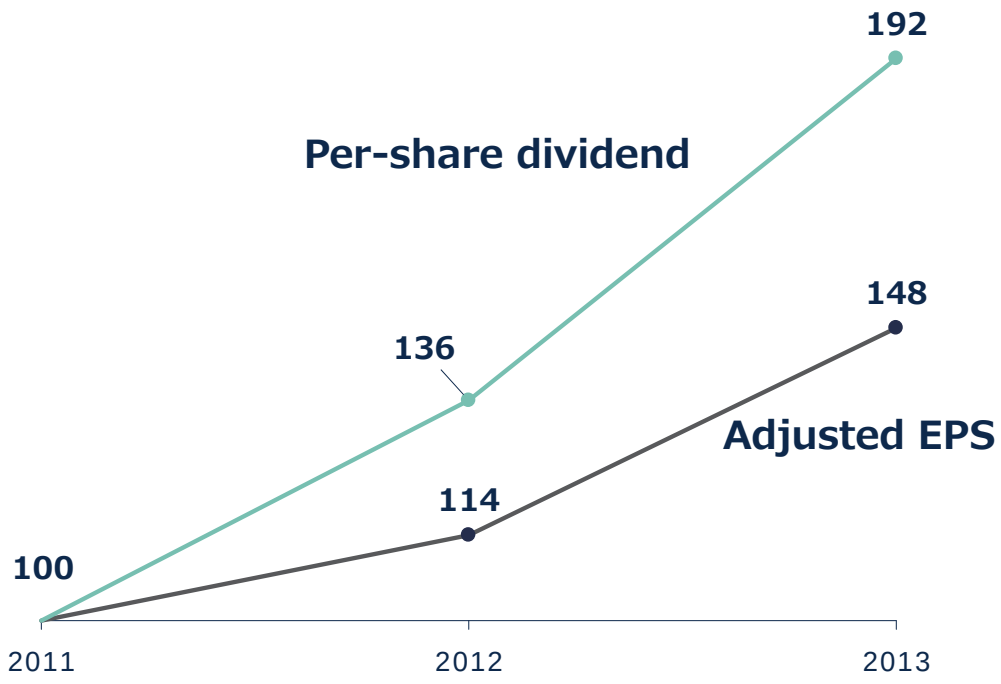


Enhancing the shareholder return through profit growth

INDEX: Per-share dividend, adjusted EPS

(Fiscal year)

INDEX, FY2011=100



Society and Employees

CSR initiatives to contribute to sustainability of society

a



b



c



d



a. Achieving Reduction of Child Labor in Support of Education Program(ARISE)
b. Forest preservation activity (Japan, abroad)
c. Disaster relief (Planting of "Takata no yume" rice)
d. Environmental protection (Recycle Plaza JB)

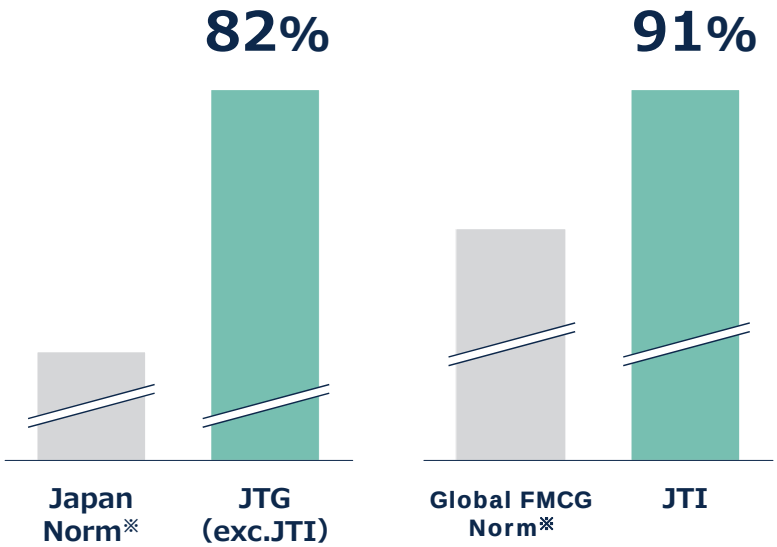
23

Diverse, highly motivated personnel

Employee Engagement Survey

I believe strongly in the goals and objectives of this organization.

(Ratios of favorable replies)



※ Source: Towers Watson

24

Business Plan 2014

JT Group profit target
(adjusted operating profit at constant currency)

Mid- to long-term average annual growth target

Mid to high single digit

Targets for the shareholder return

Consolidated dividend payout ratio

- Consolidated dividend payout ratio of 50% in FY2015
- A competitive level of dividend payout ratio in comparison with global FMCG players of no less than 50%

Adjusted EPS growth (at constant currency)

- High single-digit (Mid- to long-term average annual growth target)
- Consider repurchasing own shares in order to complement the EPS growth

Forecasts of the consolidated results in FY2014

Adjusted operating profit※1

¥650.0 Billion （+6.0% (VS PY)）

Shareholder return※2

Per-share dividend : ¥100 （+¥4 (VS PY)）

※1 : January-December for domestic businesses and January-December for the international tobacco business (at constant currency), on a like-for-like basis (at constant currency).

※2 : April-December for domestic businesses and January-December for the international tobacco business, on a reported basis

Committed to achieving further growth through continuous business investments and ability to adapt to changes

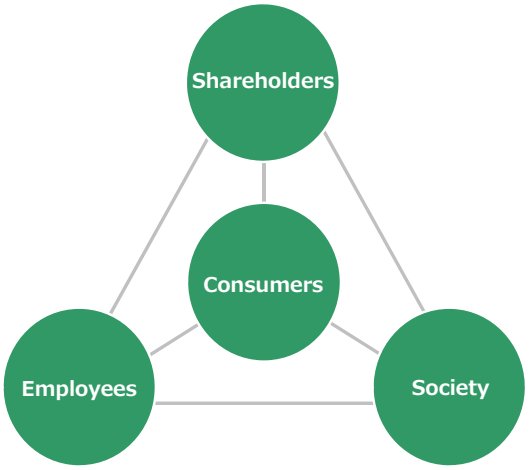
Diverse, highly motivated personnel

Profit growth driven by business investments

Management principle : 4Smodel

Achieving attractive shareholder return through profit growth

Contributing to society as the foundation of JT Group's sustainable growth



29