Announcement ： February 5, 2015
Investors' Meeting：February 6, 2015

Business Plan 2015

Mitsuomi Koizumi
President and CEO

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.

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Mid-to Long-term

Sustainable Profit Growth

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Agenda

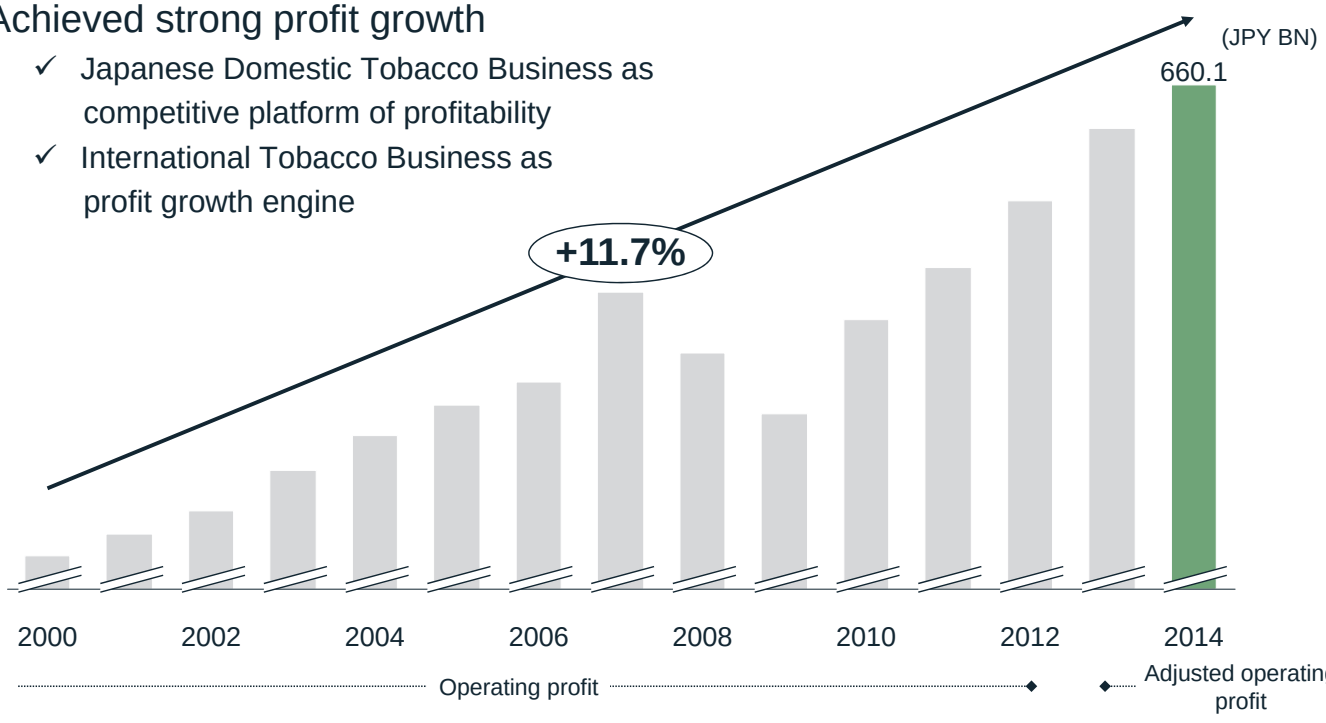
- Our track record of profit growth
- Strategy for future growth
- Business Plan 2015
- Closing remarks

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Our Track Record of Profit Growth

Profit growth exceeding mid to high single-digit rate

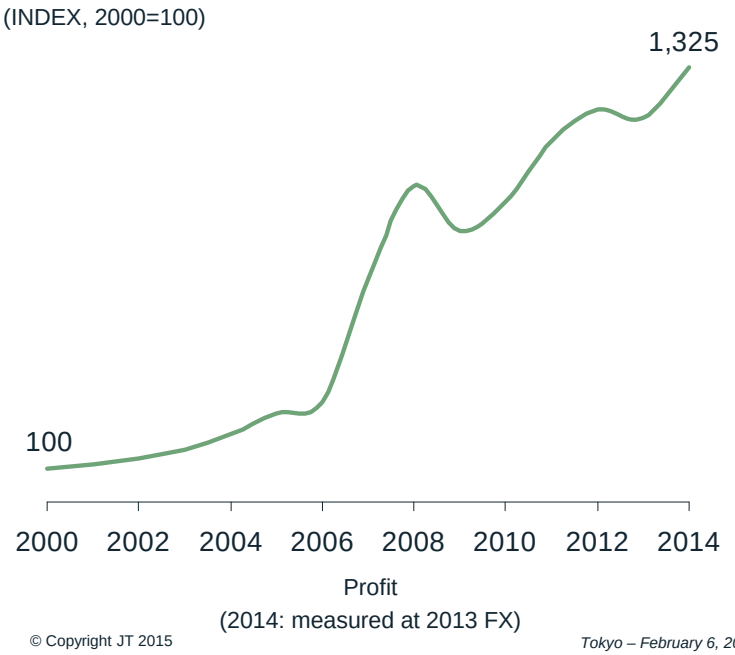
- Achieved strong profit growth
  - ✓ Japanese Domestic Tobacco Business as competitive platform of profitability
  - ✓ International Tobacco Business as profit growth engine



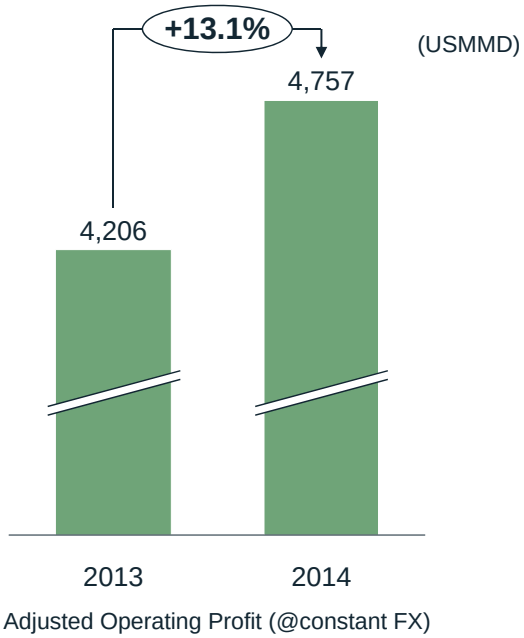
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Our international tobacco business has achieved the fastest growth in the tobacco industry

Fastest profit growth in the industry



Another year of double-digit profit growth



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Continuous business investments leading to profit growth

1999：RJR International

2007：Gallaher

2009：Kannenberg, Tribac Leaf

2011：Haggar Cigarette & Tobacco Factory（Sudan）

2012：Gryson

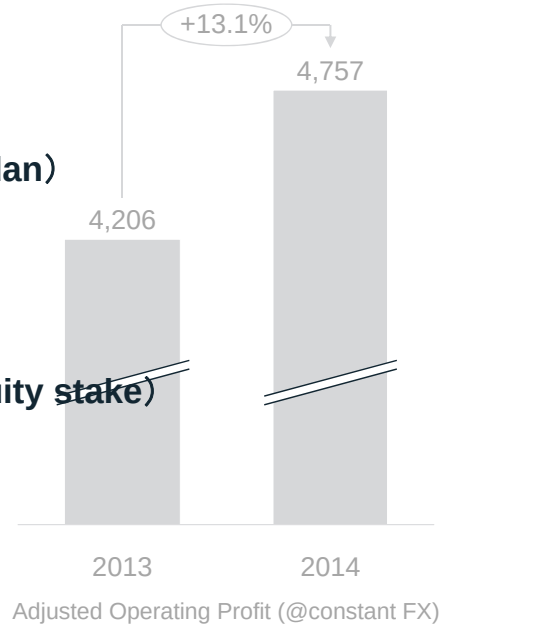
2013：Nakhla（Egypt）

2013 : Megapolis（Russia, acquisition of an equity stake）

2014 : Zandera (UK, E-cigarette “E-Lites”)



Another year of double-digit profit growth



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Strategy for future growth

Strong brand and market portfolios

Superior brands with strong equity

Winston # 2

MEVIUS imagineering the future # 5

9

L&D # 13

Solid presence in geographically diversified markets

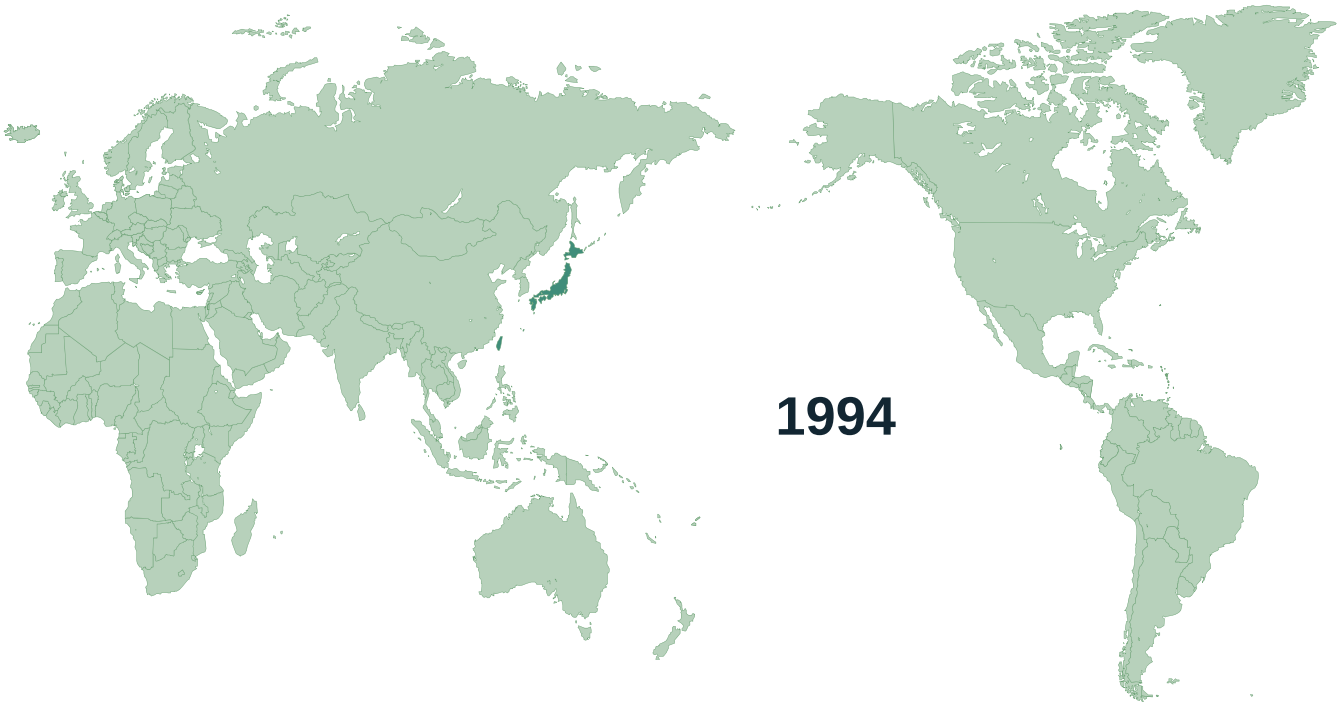
Key markets	Industry value* rankings	JTG's position (SOM)
Japan	# 2	# 1 (60.4%)
Russia	# 3	# 1 (34.9%)
Italy	# 5	# 2 (19.9%)
UK	# 6	# 2 (41.3%)
France	# 7	# 3 (20.8%)
Turkey	# 8	# 2 (29.0%)
Spain	# 10	# 3 (21.7%)
Taiwan	# 27	# 1 (38.4%)

※Retail price basis; excluding China

Source : Euromonitor

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Geographic Expansion

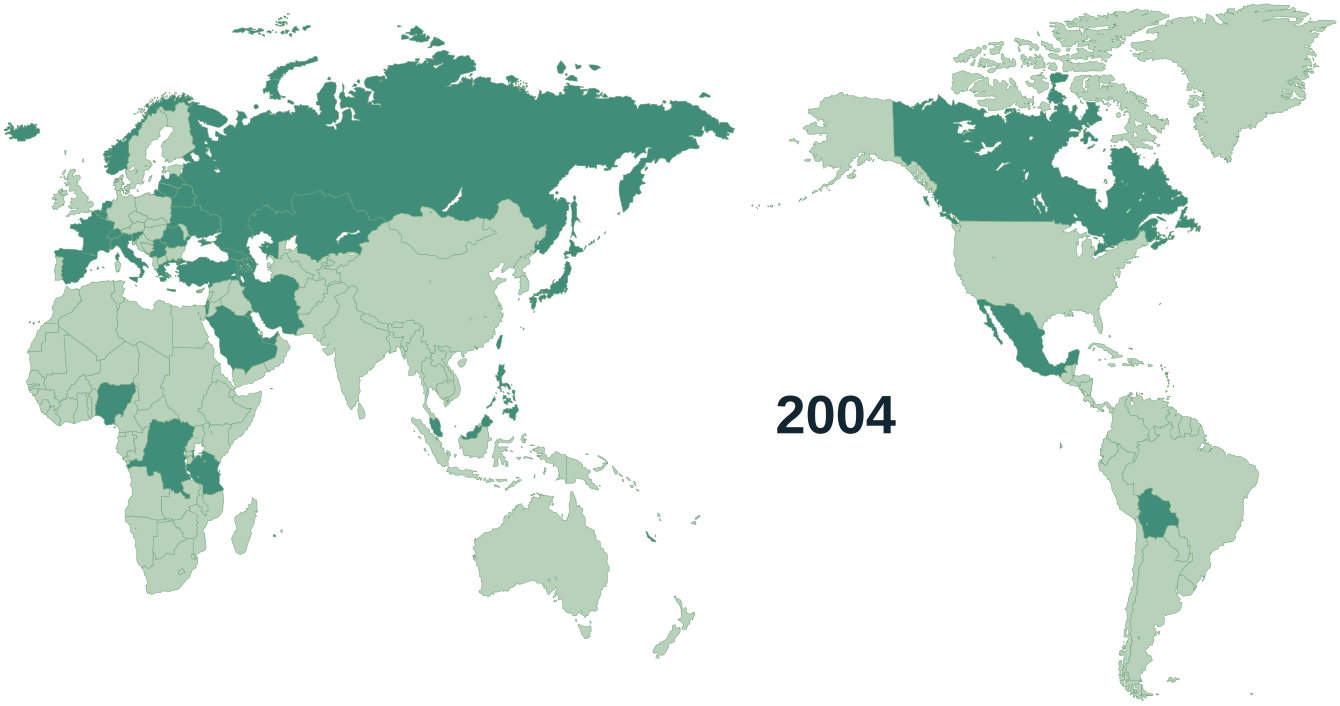


Source : JT Estimate

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Markets where JTG's SOM is 5% or higher

Geographic Expansion

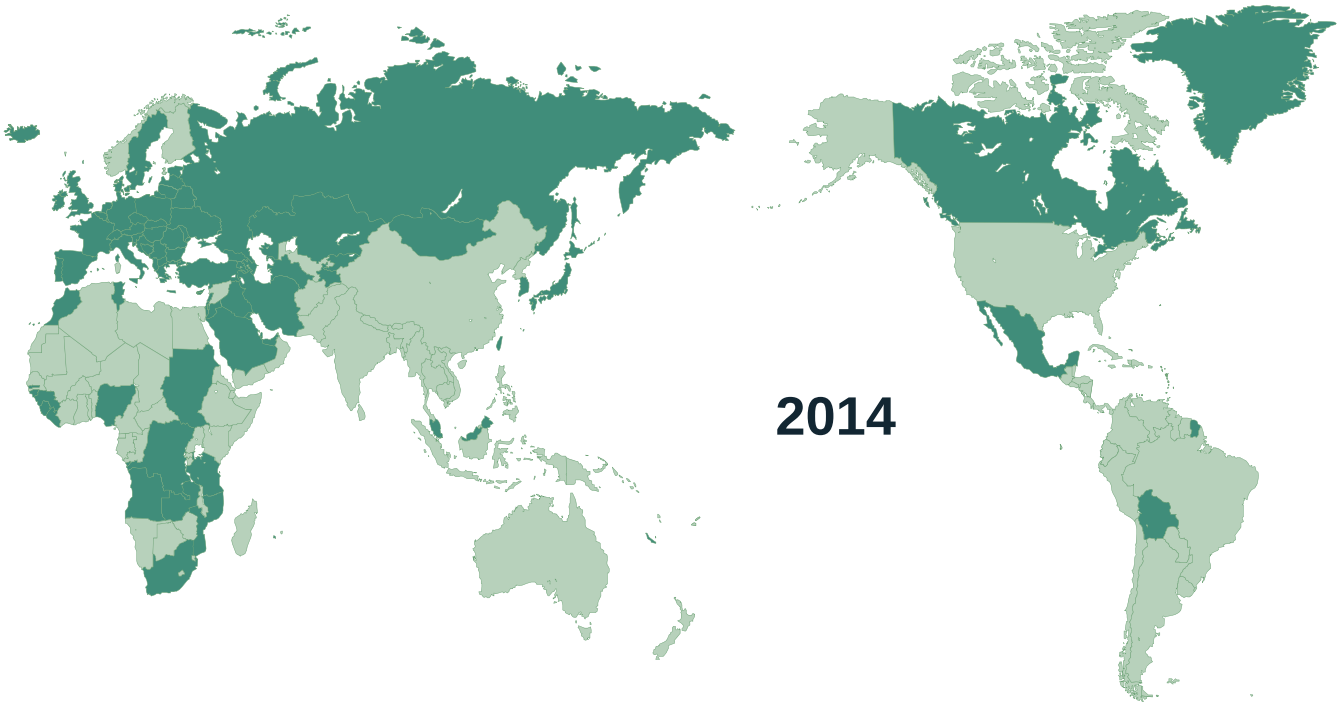


Source : Euromonitor, JTI Estimate

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Markets where JTG's SOM is 5% or higher

Geographic Expansion



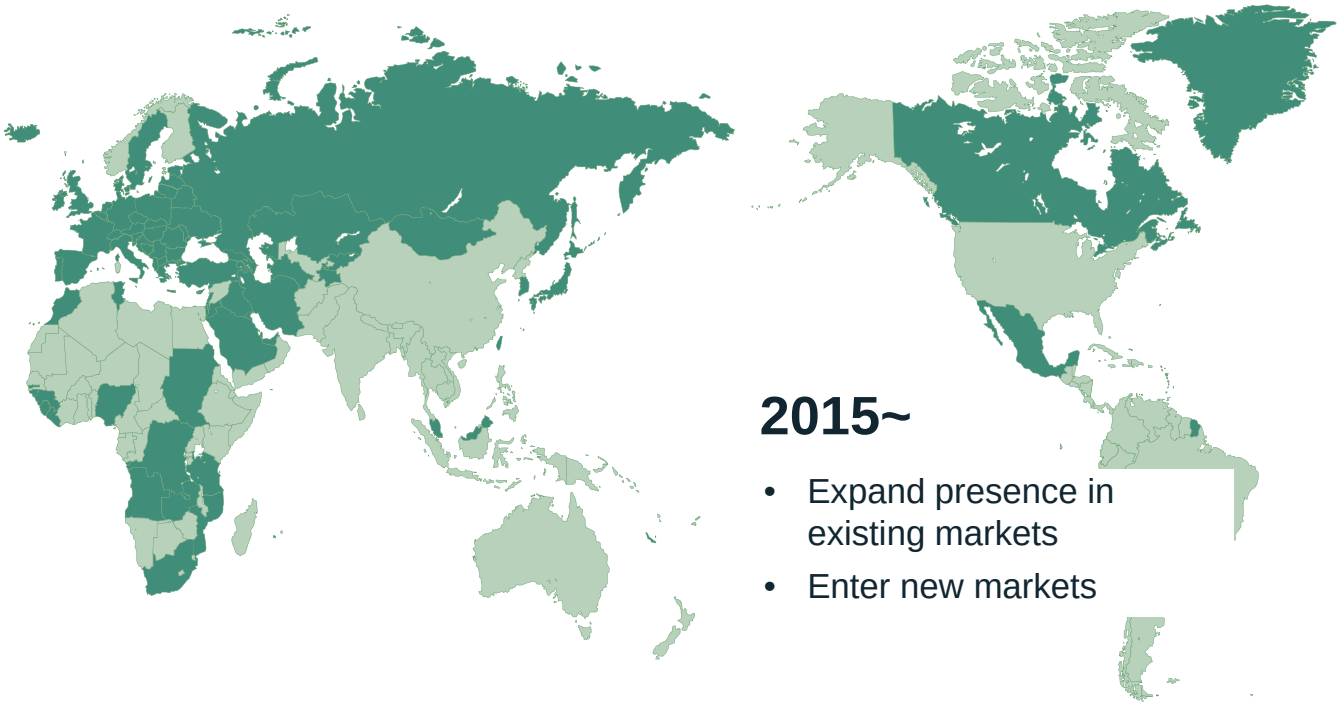
2014

Markets where JTG's SOM is 5% or higher

Source : Euromonitor, JTI Estimate

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Geographic Expansion



2015~

- Expand presence in existing markets
- Enter new markets

Markets where JTG's SOM is 5% or higher

Source : Euromonitor, JTI Estimate

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Product Portfolio Expansion

	Cigarette	Snus	RYO/MYO	Water pipe
Traditional				
	1999 : RJRI	2007 : Gallaher	2012 : Gryson	2013 : Nakhla

	Alternative	Tobacco Vapor	E-cigarettes
Innovative			
	2010 : STIX	2011 : Ploom	2014 : Zandera

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

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Japanese domestic tobacco business to enhance competitiveness

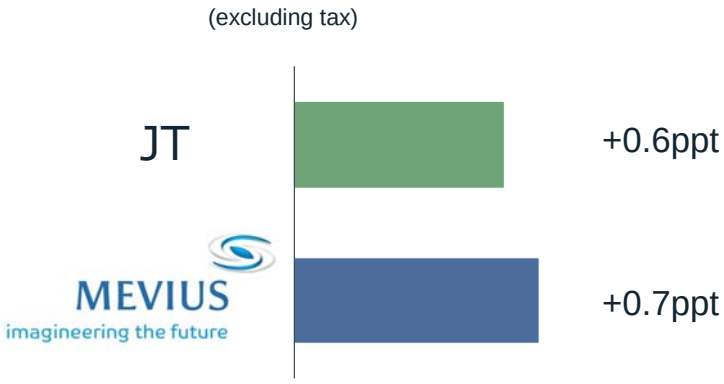
Expanded share of value

- Retained MEVIUS consumers
- Strengthened premium segment offerings

Focus for further growth

- Ensure execution excellence under realigned organizations
- Continue to build brand equity

Share of value (2014 vs 2013)



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Aim mid to high single-digit profit growth in the tobacco business*

Business investments for future growth

- Expand geographic base
- Build brand equity
- Reinforce emerging product initiative

Cost optimization

- Proposed restructuring of manufacturing facilities in Europe
- Consolidation of manufacturing facilities in Japan

* Currency neutral adjusted operating profit growth of Japanese domestic tobacco business and international tobacco business combined

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Role of Pharmaceutical and Food Businesses

- Decided to withdraw from manufacture and sale of JT beverage products

- Pharmaceutical and processed food businesses continue to complement JTG's profit growth in the mid-to long-term

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Business Plan 2015

Business Plan 2015 – Mid- to long-term target

Mid- to long-term growth target
(Adjusted operating profit at constant currency)

Mid to high single-digit

Forecast for 2015
Adjusted operating profit +6.8% growth (at constant currency)

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Business Plan 2015 – Mid- to long-term target

Consolidated dividend payout ratio

- **Dividend payout ratio level comparable to global FMCG players and no less than 50%**
- **Achieve 50% in FY2015**

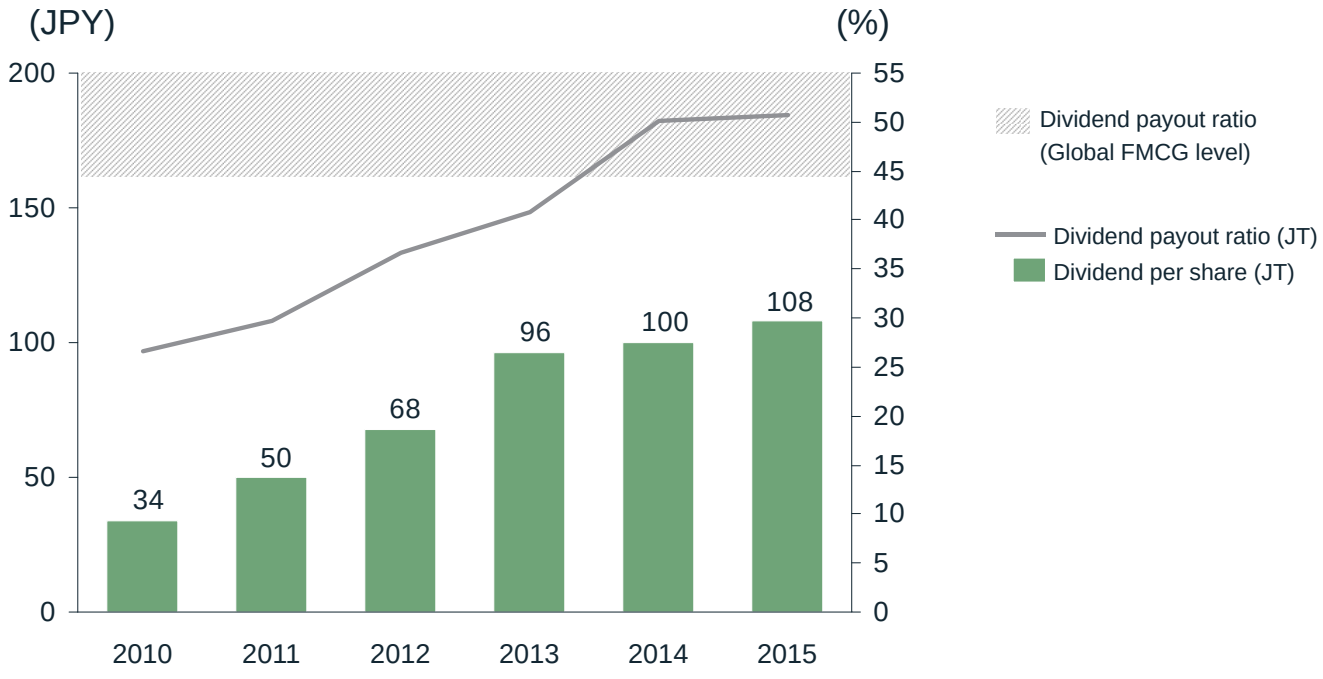
Adjusted EPS growth (at constant currency)

- **High single-digit**（target for average annual growth rate over the mid- to long-term）
- **Consider share repurchase to complement the EPS growth**

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Attain shareholder return comparable to global FMCG players

Consolidated dividend payout ratio



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Business Plan 2015 – Shareholder return targets in 2015

Per-share dividend

108 yen

Dividend payout ratio

50%

Share repurchase up to

100 billion yen

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Seek an optimal balance between profit growth through business investment and shareholder return

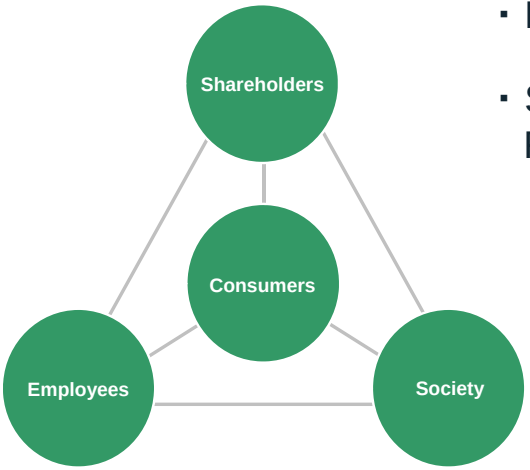
- Sustainable profit growth in the mid- to long-term through business investment
- Shareholder return comparable to global FMCG players

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Closing remarks

Closing remarks

4S model



Aim sustainable profit growth in the mid- to long-term

- Prioritize business investment
- Shareholder return comparable to global FMCG players

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