Announcement ：November 4, 2015
Investor's Meeting：November 5, 2015

Consolidated Financial Results for FY2015 Third Quarter
(January 1, 2015 through September 30, 2015)

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*Please be reminded that the figures shown on these slides may differ from those shown in the financial statements as they are intended to facilitate the reader's understanding of individual businesses.
*For details of each indicator, please refer to annotations on slide 26.

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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Results and forecasts for Beverage Business to be disclosed in "Profit from discontinued operations" column

- **From FY2015 Q3, Beverage Business has been classified as discontinued operations**
  - Income Statement：
    - Results from discontinued operations are presented separately from those from continuing operations for both reported and like-for-like basis
    - For a fair comparison, 2014 results from continuing operations are presented
  - Other financial statements：Combined results of Continuing and Discontinued operations are provided
  - Forecasts are disclosed based on the same standard

- **Consolidated periods for 2014 results on reported basis and like-for-like basis are as shown in the below table**
  - Please note that, on a reported basis, fiscal year 2014 full-year results are presented for comparable information since the condensed interim consolidated financial statements for the nine-month ended December 31, 2014 were not prepared.

Income Statement	Reported basis	Like-for-Like basis
Beverage Business	• Classified as discontinued operations for 2015 results • 2014 results on both reported and like-for-like basis are also provided as discontinued operations	
Results for fiscal year 2015 third quarter	Domestic：Jan - Sep International：Jan - Sep	
2014 results for comparison	Domestic：Apr - Dec International：Jan - Dec	Domestic：Jan - Sep International：Jan - Sep

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Consolidated financial results (Reported basis)

FY2014 figures in the below chart are composed of;
Domestic businesses : Apr 1st - Dec 31st, 2014; International business : Jan 1st - Dec 31st, 2014

(JPY BN)

	FY2014	**FY2015 Third Quarter**
Revenue	2,019.7	**1,688.5**
Adjusted Operating Profit[1]	588.7	**510.3**
Operating Profit	499.9	**455.9**
Profit from continuing operations[2]	364.5	**317.1**
Profit from discontinued operations[2]	-1.6	**87.3**
Profit[2]	362.9	**404.4**

* Revenue, adjusted operating profit, operating profit are from continuing operations.

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Consolidated financial results L-f-L basis (Jan-Sep 2015)

Confirmed robust growth momentum

(JPY BN,%)

	2014 Jan-Sep	**2015 Jan-Sep**	**change**
Revenue	1,677.0	**1,688.5**	**0.7%**
Adjusted Operating Profit[1]	523.9	**510.3**	**-2.6%**
Adjusted Operating Profit[1] @ constant FX	523.9	**584.9**	**11.6%**
Operating Profit	491.1	**455.9**	**-7.2%**
Profit from continuing operations[2]	334.4	**317.1**	**-5.2%**
Profit from discontinued operations[2]	-1.5	**87.3**	**-**
Profit[2]	333.0	**404.4**	**21.5%**

* Revenue, adjusted operating profit, operating profit are from continuing operations.

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Results by segment
L-f-L basis (Jan-Sep 2015)

Solid financial performance driven by GFBs and pricing

(BNU,MMUS$,%)

	2014 Jan-Sep	2015 Jan-Sep	change
Total Shipment Volume[3]	296.6	295.6	-0.4%
GFB Shipment Volume	194.3	205.4	5.7%
@ constant FX			
Core Revenue[4]	9,101	9,764	7.3%
Adjusted Operating Profit[1]	3,454	3,915	13.3%
Reported			
Core Revenue[4]	9,101	7,823	-14.0%
Adjusted Operating Profit[1]	3,454	2,715	-21.4%
JPY basis (JPY BN)			
Core Revenue[4]	936.9	946.9	1.1%
Adjusted Operating Profit[1]	355.7	328.5	-7.7%

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Year-on-year growth by cluster

(%)

	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Sep	2015 Jan-Sep
South & West Europe				
Total Shipment Volume[3]	8.2%	5.0%	4.4%	5.8%
GFB Shipment Volume	12.3%	8.0%	6.4%	8.7%
Core Revenue[4] @ constant FX	12.8%	7.3%	6.1%	8.5%
North & Central Europe				
Total Shipment Volume[3]	2.1%	2.0%	3.8%	2.7%
GFB Shipment Volume	5.9%	7.8%	12.8%	9.0%
Core Revenue[4]@ constant FX	11.0%	7.4%	10.4%	9.6%

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Year-on-year growth by cluster

(%)

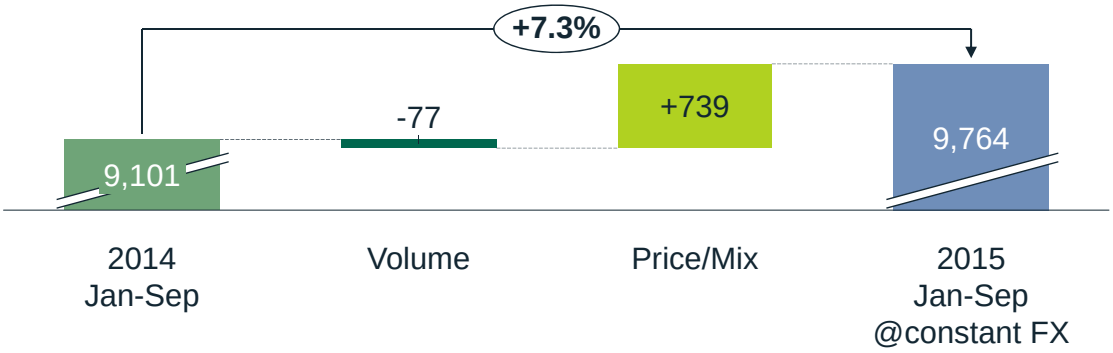
	2015 Jan-Mar	2015 Apr-Jun	2015 Jul-Sep	2015 Jan-Sep
CIS+				
Total Shipment Volume[3]	-13.5%	-2.3%	-5.9%	-6.9%
GFB Shipment Volume	-5.3%	2.4%	-0.1%	-0.7%
Core Revenue[4] @ constant FX	-4.2%	12.3%	11.0%	6.8%
Rest-of-the-World				
Total Shipment Volume[3]	15.4%	0.3%	-0.9%	4.2%
GFB Shipment Volume	32.6%	11.2%	1.6%	13.0%
Core Revenue[4]@ constant FX	12.4%	0.1%	4.8%	5.4%

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Top and bottom line growth driven by pricing

Core Revenue[4]

(MMUS$, %)



Adjusted Operating Profit[1]

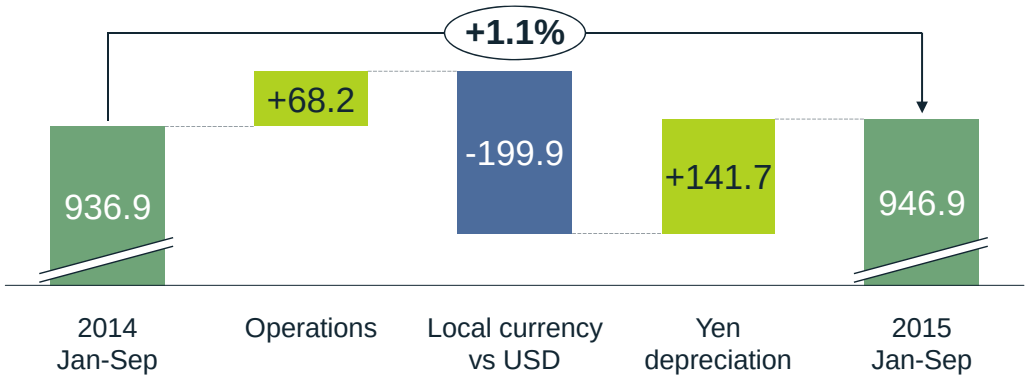


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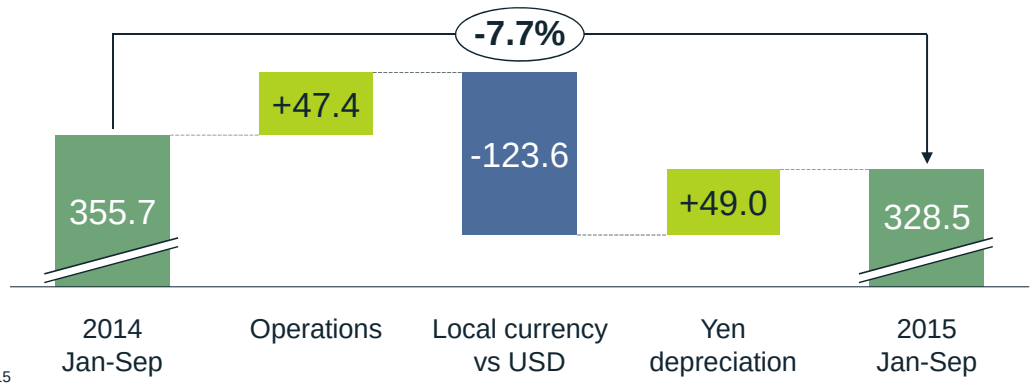
FX impacts

Core Revenue[4]

(JPY BN, %)

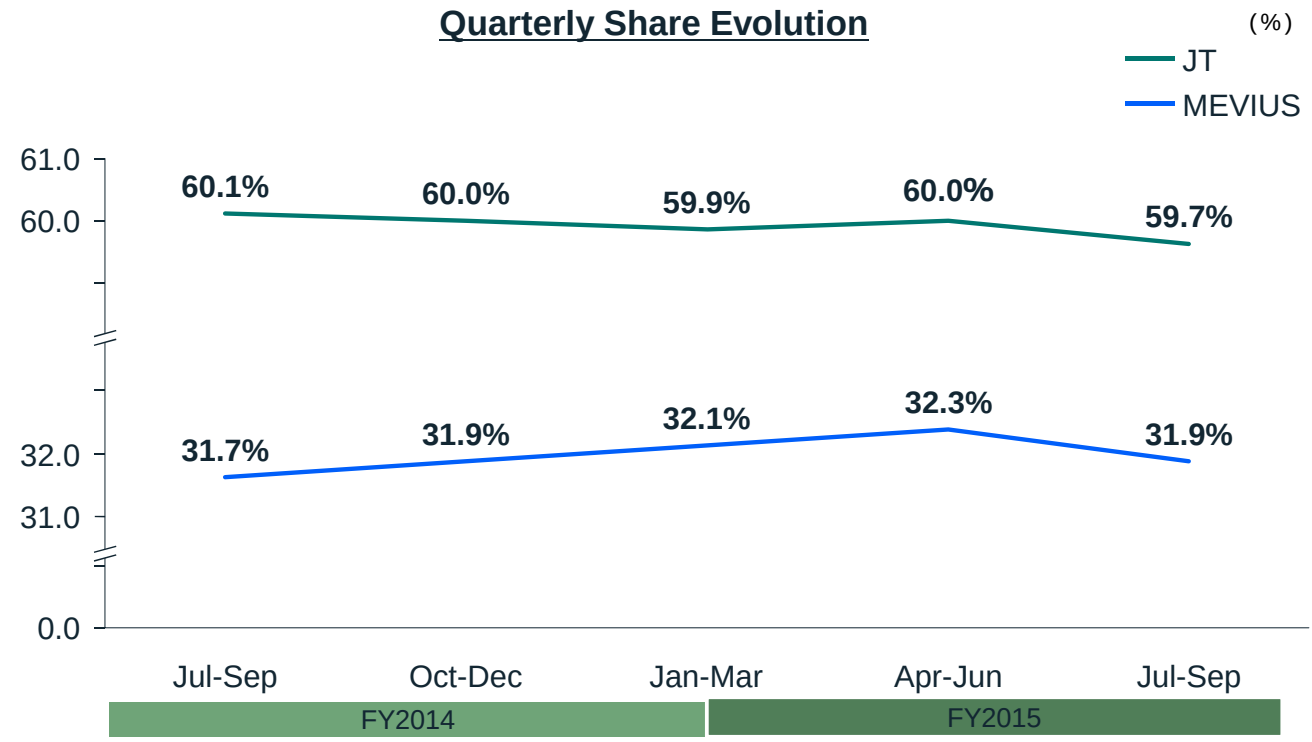


Adjusted Operating Profit[1]



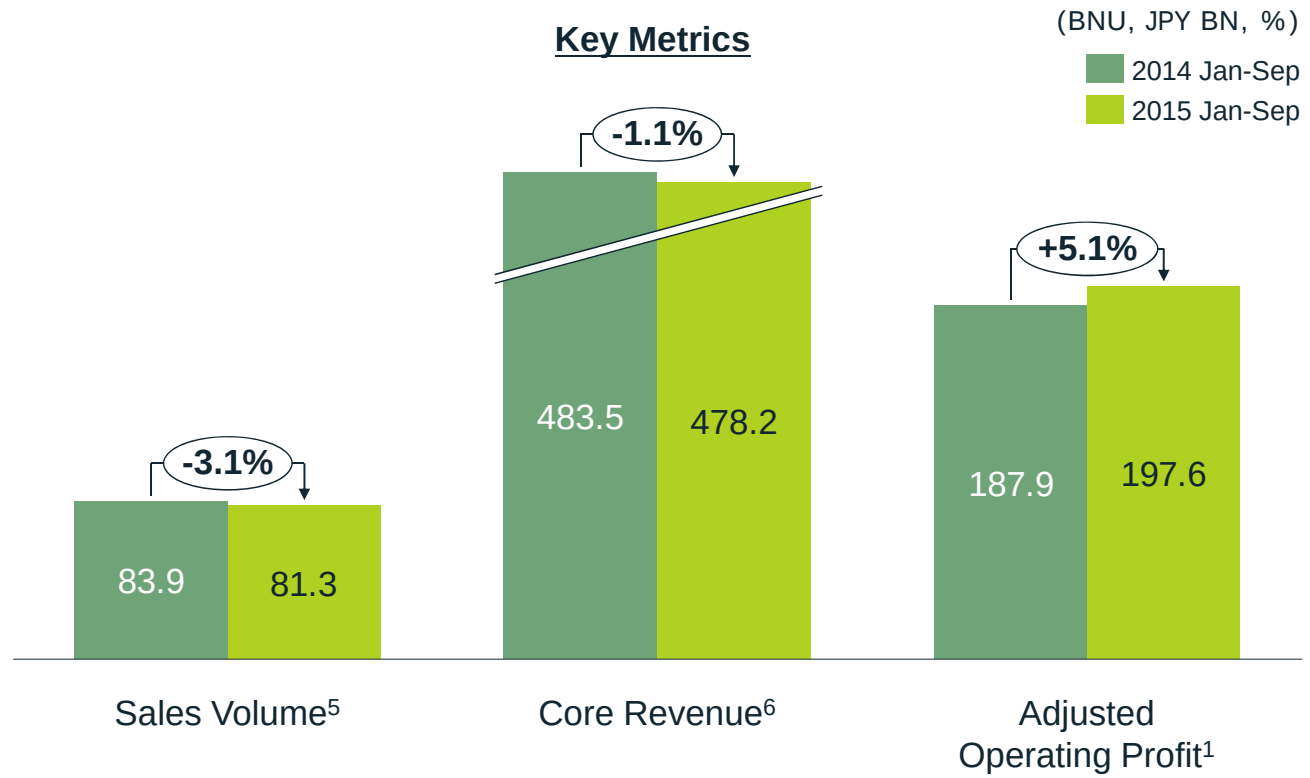
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Resilient share performance despite intensified competition



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Achieved profit growth driven by price/mix and cost decrease



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Continued top-line growth by Pharmaceutical and Processed food businesses

(JPY BN)

	2014 Jan-Sep	**2015 Jan-Sep**	**Change**
Pharmaceutical Business			
Revenue	46.7	**53.4**	**6.7**
Adjusted Operating Profit[1]	-6.8	**-3.3**	**3.5**
Processed Food Business			
Revenue	116.2	**120.5**	**4.3**
Adjusted Operating Profit[1]	-0.1	**1.3**	**1.4**

*We withdrew from the manufacture and sale of JT beverage products at the end of September 2015.
**On July 31, 2015, the sale of shares JT held in the vending machine operation companies and the sale of certain JT beverage brands were completed. Consequently, the beverage business is classified as discontinued operations starting in the third quarter 2015.

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2015 Revised forecasts

Forecast for adjusted operating profit at constant FX revised upward, reflecting strong business momentum

(JPY BN, %)

	Previous forecasts	Revised forecasts	Change	Change from Previous year
Adjusted Operating Profit[1] @constant FX	707.0	**718.0**	**11.0**	**8.6%**
Revenue	2,260.0	**2,250.0**	**-10.0**	**-0.4%**
Adjusted Operating Profit[1]	614.0	**618.0**	**4.0**	**-6.5%**
Operating Profit	554.0	**554.0**	**-**	**-3.3%**
Profit from continuing operations[2]	387.0	**387.0**	**-**	**-1.1%**
Profit from discontinued operations[2]	84.0	**87.0**	**3.0**	**-**
Profit[2]	471.0	**474.0**	**3.0**	**21.8%**

* Revenue, adjusted operating profit , operating profit are from continuing operations

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Robust top-line drives confidence to deliver double-digit profit growth

(BNU, MMUS$,%)

	Previous forecasts	Revised forecasts	Change from previous forecasts	Change from previous year
Total Shipment Volume[3]	392.0	**392.0**	**-**	**-1.5%**
GFB Shipment Volume	267.0	**270.0**	**3.0**	**3.0%**
@constant FX				
Core Revenue[4]	12,500	**12,700**	**200**	**6.6%**
Adjusted Operating Profit[1]	4,595	**4,680**	**85**	**10.0%**
Reported basis				
Core Revenue[4]	10,400	**10,400**	**-**	**-12.7%**
Adjusted Operating Profit[1]	3,230	**3,230**	**-**	**-24.1%**
Yen basis (JPY BN)				
Core Revenue[4]	1,261.0	**1,254.0**	**-7.0**	**-0.3%**
Adjusted Operating Profit[1]	390.0	**390.0**	**-**	**-12.8%**

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Revenue and profit revised upward, reflecting underlying performance

(BNU, JPY BN, %)

	Previous forecasts	**Revised forecasts**	**Change from previous forecasts**	**Change from previous year**
Sales Volume	109.0	**109.0**	**-**	**-3.0%**
Core Revenue	638.0	**640.0**	**2.0**	**-1.5%**
Adjusted Operating Profit[1]	250.0	**253.0**	**3.0**	**6.0%**

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Pharmaceutical business forecasts higher profit. Processed food business aims to achieve the existing targets.

(JPY BN)

	Previous forecasts	**Revised forecasts**	**Change from previous forecasts**
Pharmaceutical Business			
Revenue	75.0	**75.0**	**-**
Adjusted Operating Profit[1]	-4.5	**-3.0**	**1.5**
Processed Food Business			
Revenue	168.0	**168.0**	**-**
Adjusted Operating Profit[1]	2.5	**2.5**	**-**

*We withdrew from the manufacture and sale of JT beverage products at the end of September 2015.
**On July 31, 2015, the sale of shares JT held in the vending machine operation companies and the sale of certain JT beverage brands were completed. Consequently, the beverage business is classified as discontinued operations starting in the third quarter 2015.

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Closing

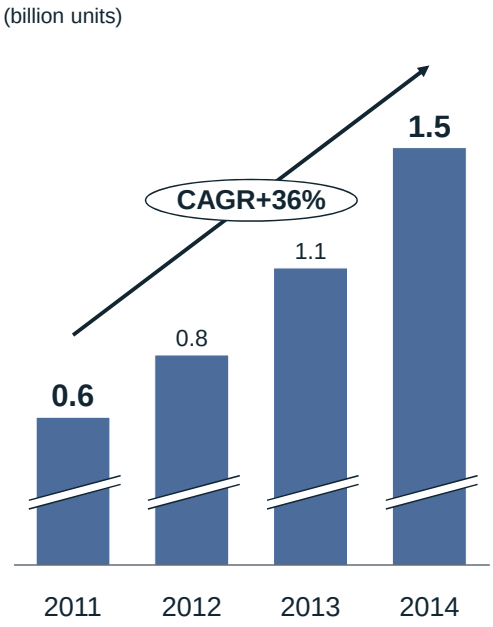
Acquisition of Natural American Spirit business outside the US

With an aim to underpin top-line growth in the long-term

Strategic rationale:

- Strengthen brand portfolio
  - Unique value proposition for consumers at premium price
  - Proven brand equity enabling significant growth in Japan
- Acquire energetic and experienced talents
- Seize the opportunity to grow top-line in matured Japanese market
  - Ongoing growth momentum beyond industry norm
  - Future potential to become one of the leading brands in the market
- Complement mid- to long-term top-line growth of our international tobacco business

Sales volume in Japan



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Natural American Spirit – potential for profit growth –

Returns from the Japanese market alone can validate the economic rationale

Assumptions: **Purchase price of USD 5,000MM or approx. JPY 600BN**

Hurdle rate of five percent ca.

Tax benefits of JPY 130BN

- **Expect to generate an annual return exceeding the hurdle rate in the fifth year after closing, which is approx. JPY 20BN* operating profit, equivalent of JPY 30BN FCF**
  - ➢ **Maintain volume growth momentum to attain sales volume of three to four billion units (stand-alone basis)**
  - ➢ **Realize marginal profit of JPY 5.5 to 6.0 per unit**
  - ➢ **Save marketing expenses by high single-digit billion yen out of new cost base combined with JT through initiatives including resource re-allocation**
    - ✓ **Marketing investment in Natural American Spirit to increase**
  - ➢ **On top of that,**
    - ✓ **Gain additional volume in Japan, leveraging JT's resources**
    - ✓ **Increase volume outside Japan**
- **Will continue to grow profit in the year six and beyond**

* Operating profit level necessary to generate 30BN FCF after taking tax benefits into account

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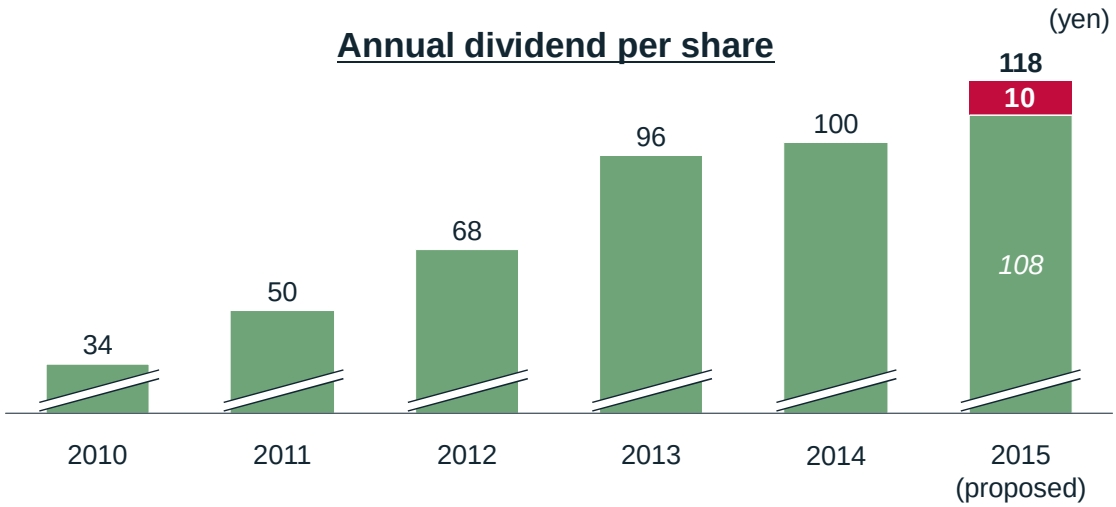
Year-end dividend per share raised by 10 yen

- ➢ **New proposal for annual DPS for FY2015:**

  118 yen (previously 108 yen)

- ➢ **Our policy towards dividend:**

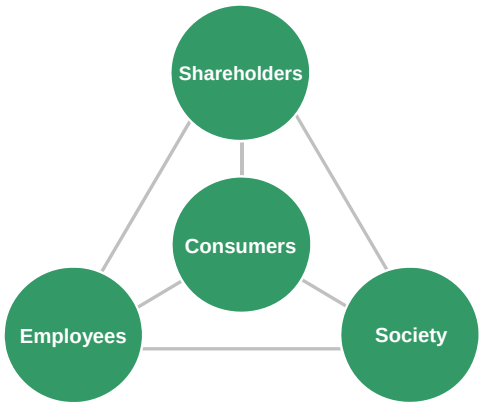
  Increase annual DPS in a stable and sustainable manner



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Confident in delivering strong profit growth while accelerating business investments

- **Confirmed strong profit growth driven by business performance**
- **Confident in achieving mid to high single-digit profit growth***
- **International tobacco business- Remain committed to investments for future profit growth**
- **Proposed annual DPS increase of 10 yen**



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<Annotation>

1 Adjusted operating profit:	Adjusted Operating Profit = Operating profit + Amortization cost of acquired intangibles + Adjusted items (income and costs)* *Adjusted items (income and costs) = impairment losses on goodwill ±restructuring income and costs ± others
2 Profit:	Profit attributable to owners of the parent company
3 Total shipment volume: (International tobacco business)	Includes fine cut, cigars, pipe tobacco and snus but excludes contract manufactured products, waterpipe tobacco and emerging products
4 Core revenue: (International tobacco business)	Includes revenue from waterpipe tobacco and emerging products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.
5 Sales volume: (Japanese domestic tobacco business)	Excludes sales volume of domestic duty free and the China business
6 Core revenue: (Japanese domestic tobacco	Excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others

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