Announcement ：May 2, 2016
Investor's Meeting：May 2, 2016

JTG consolidated financial results for 2016 First Quarter (January 1, 2016 – March 31, 2016)

Naohiro Minami
CFO and Senior Vice President

*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 term, please refer to annotations on slide 3.

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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<Annotation>

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
Profit:	Profit attributable to owners of the parent company
Shipment volume: (International tobacco business)	Includes fine cut, cigars, pipe tobacco and snus but excludes contract manufactured products, waterpipe tobacco and emerging products
Core revenue: (International tobacco business)	Includes revenue from waterpipe tobacco and emerging products, but excludes revenues from distribution, contract manufacturing and other peripheral businesses.
Sales volume: (Japanese domestic tobacco business)	Excludes sales volume of domestic duty free and the China business
Core revenue: (Japanese domestic tobacco business)	Excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others

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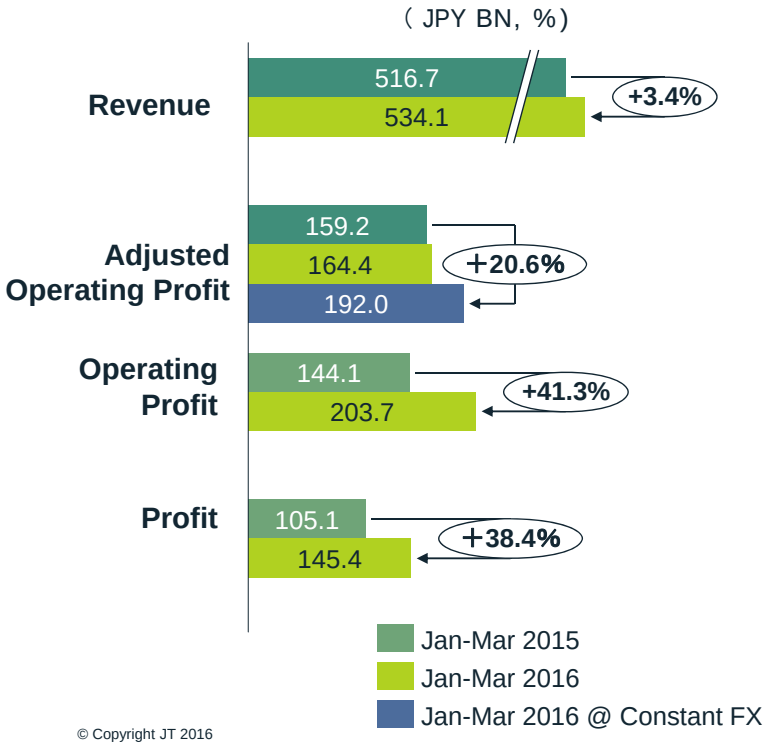
Consolidated financial results for 2016 First Quarter (Jan-March 2016)

※ 2015Q1 results for comparison with 2016Q1 results are shown on continuing business basis within this presentation.
For details of continuing business or discontinued business, please refer to page 1 of the Financial Results Supplemental Material.

Consolidated Financial Results

Revenue and profit increased driven by top-line growth in all businesses, combined with favorable one off factors



- Solid business momentum
  - Volume growth in the tobacco business
  - Royalty revenue increase in the pharmaceutical business
- Key one off factors
  - Favorable inventory adjustments in the tobacco business
  - Profit from sale of properties

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Results by business segment
January – March 2016

International Tobacco Business

Solid performance driven by volume growth and strong pricing, combined with some favorable inventory adjustment in the quarter

(BNU, US$ MM, %)

	Jan-Mar 2015	**Jan-Mar 2016**	**vs. PY**
Total Shipment Volume	88.1	**94.4**	**7.1%**
GFB Shipment Volume	60.0	**66.4**	**10.7%**
At Constant FX			
Core Revenue	2,369	**2,696**	**13.8%**
Adjusted Operating Profit	881	**1,067**	**21.1%**
Reported			
Core Revenue	2,369	**2,468**	**4.2%**
Adjusted Operating Profit	881	**863**	**-2.1%**
JPY Basis (JPY BN)			
Core Revenue	282.3	**284.7**	**0.9%**
Adjusted Operating Profit	105.0	**99.5**	**-5.2%**

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Year-on-year growth by cluster

(%)

	Jan-Mar 2016 vs. PY
South & West Europe	
Total Shipment Volume	**12.2%**
GFB Total Shipment Volume	**14.3%**
Core Revenue at constant FX	**14.8%**
North & Central Europe	
Total Shipment Volume	**4.5%**
GFB Total Shipment Volume	**15.6%**
Core Revenue at constant FX	**6.4%**

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Year-on-year growth by cluster

(%)

	Jan-Mar 2016 vs. PY
CIS＋	
Total Shipment Volume	**-0.6%**
GFB Total Shipment Volume	**3.1%**
Core Revenue at constant FX	**13.9%**
Rest-of-the-World	
Total Shipment Volume	**13.9%**
GFB Total Shipment Volume	**16.3%**
Core Revenue at constant FX	**18.3%**

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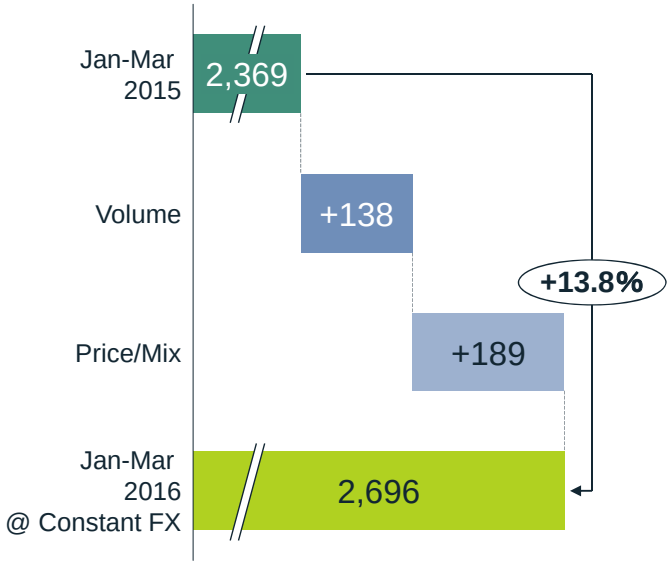
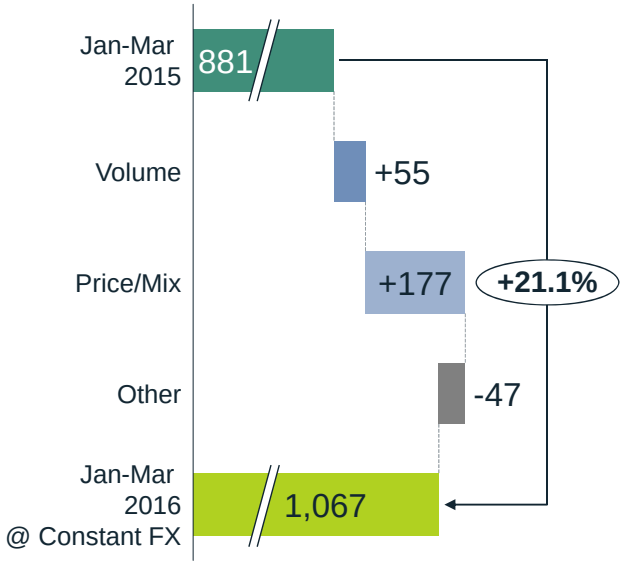
Top-line and profit growth driven by volume increase and robust pricing

(US$ MM, At constant FX)

Core Revenue



Adjusted Operating Profit



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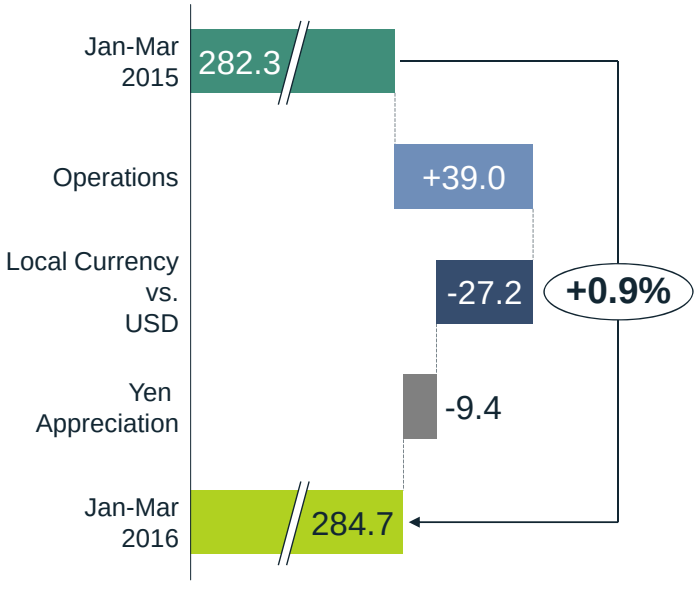
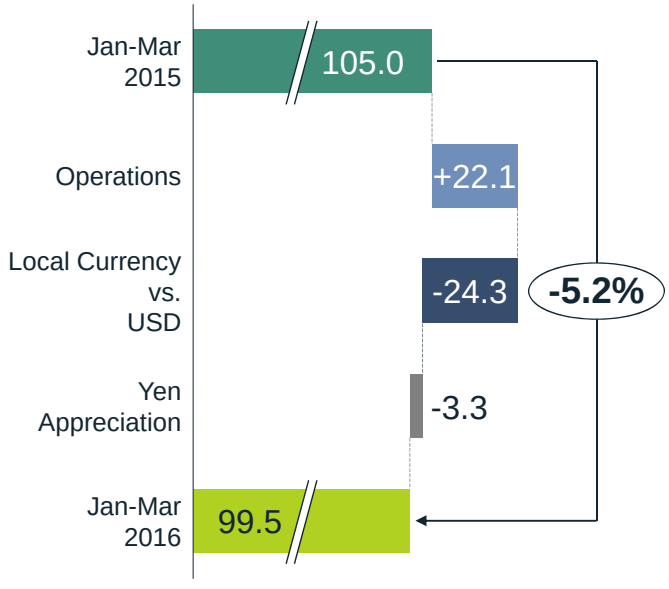
Negative FX impacts due to local currency depreciation and strong yen

(JPY BN)

Core Revenue



Adjusted Operating Profit



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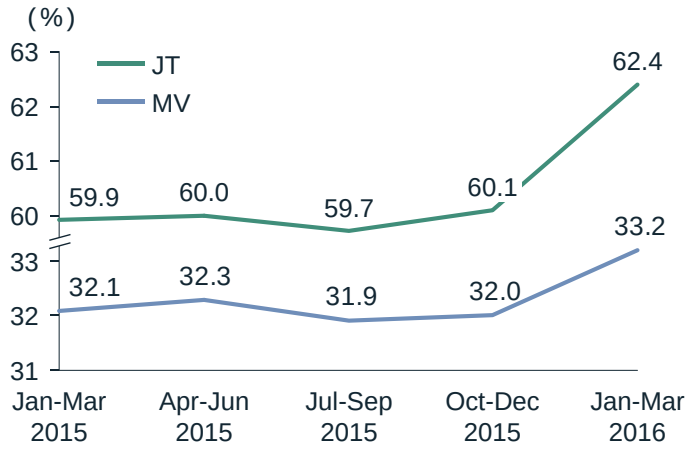
Volume and share on track with steady progress

Sales Volume (BNU)

Jan-Mar 2015	**Jan-Mar 2016**	**vs. PY**
25.5	**27.2**	**+6.7%**

Quarterly Market Share Evolution



- One-off increase in demand ahead of April price amendment
- Natural American Spirit acquisition
- Including these factors, on track and making steady progress with our forecast

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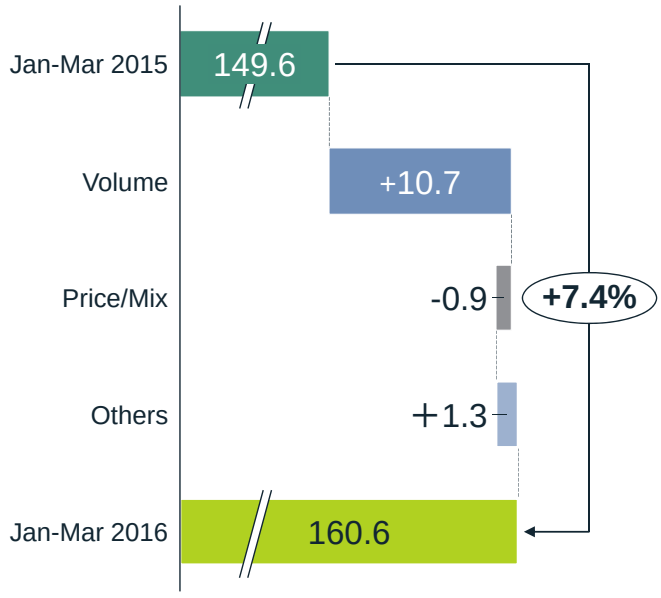
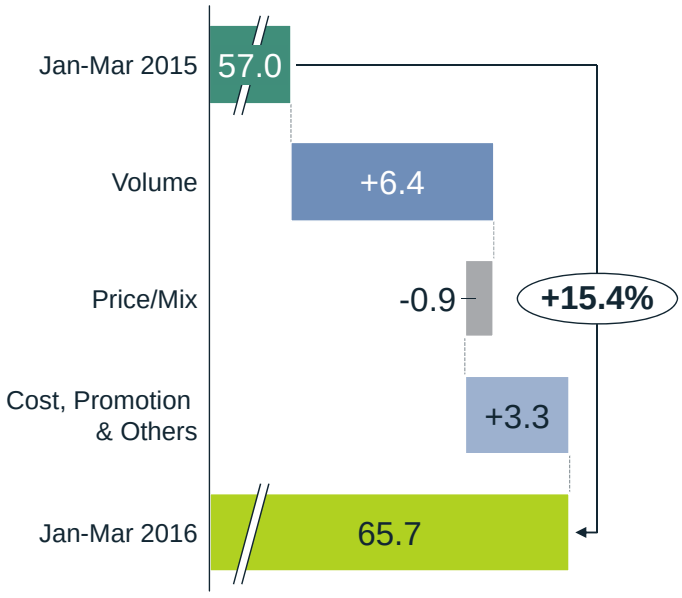
Revenue and profit growth driven by volume increase and initiatives to strengthen competitiveness

Core Revenue (JPY BN)



Adjusted Operating Profit (JPY BN)



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Natural American Spirit
Growth exceeding the original expectation

- Even more confident to achieve the original milestone, which is 'to generate FCF equivalent to JPY 30 billion* by 2020 from Japan alone'
  - From Japan and international markets combined, forecasted to generate a level of FCF that exceeds the hurdle rate by 2019

- In the business plan:
  - Top-line synergy is newly incorporated
    - ✓ Japan: Growth to accelerate from cooperation with JT
    - ✓ International: Proactive initiatives in existing and new markets
  - Cost reductions confirmed as originally expected
    - ✓ Provided promotional spending to be stepped up for NAS

- Once the milestone is achieved, profit growth to continue

* Against the purchase price of approximately JPY 600 billion, this annual level, with tax benefits, exceeds the hurdle rate of 5%.

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Proactive initiatives to generate top-line synergies

- Japanese market: Top-line growth

  Sales volume expected to reach 3 billion units in 2017 driven by synergies, with a view to reaching 5 billion units by 2020

  - Initiatives to elevate presence
    - ✓ Support to be provided to NAS brand by JT sales force
    - ✓ Enhance presence where the brand is already present & enter new channels
  - Extend promotions in city areas where NAS has advantage
  - Promote one-to-one marketing

- International markets: Growth plan exceeding original expectations
  - Growth to accelerate in existing markets
  - Launched in Ireland in April

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NAS acquisition - Strategic significance

- **Strategic options are significantly enhanced in Japan**
  - Position strong brand in each price category
  - Strategic options significantly enhanced for the total portfolio

420 yen and below	430, 440 yen	450, 460 yen	470 yen and above
Winston	MEVIUS IMAGINEERING THE FUTURE	SevenStars	NATURAL AMERICAN SPIRIT

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Sound profit growth achieved driven by top-line expansion

(JPY BN)

	Jan-Mar 2015	**Jan-Mar 2016**	**vs. PY**
Pharmaceutical Business			
Revenue	16.6	**21.5**	**+4.9**
Adjusted Operating Profit	-0.8	**3.2**	**+4.0**
Processed Food Business			
Revenue	38.9	**39.4**	**+0.5**
Adjusted Operating Profit	0.9	**1.2**	**+0.3**

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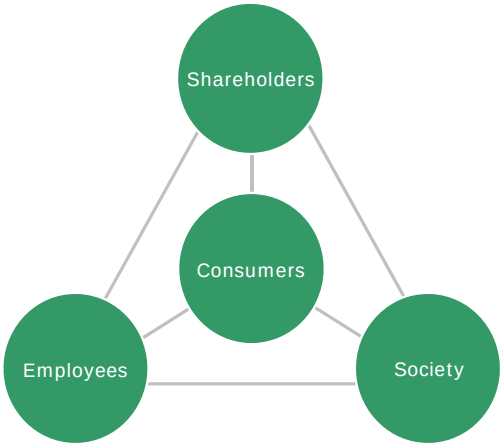
Closing

Closing Remarks

A strong start to 2016Q1

- A strong start to 2016Q1, driven by solid business momentum, coupled with one-off favorable factors
- Yet business environment remains difficult, no revision of forecast
- Investment in our business to be reinforced for sustainable mid- to long-term growth



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