Announcement : August 1, 2016
Investor's Meeting : August 2, 2016

JTG consolidated financial results for 2016 Second Quarter (January 1, 2016 – June 30, 2016)

Naohiro Minami
CFO and Senior Vice President

*Please note that the figures shown in this presentation may differ from those shown in the financial statements as they are intended to facilitate the reader's understanding of our individual businesses.
*For details of each term, please refer to definitions 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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<Definitions>

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, the China business and Emerging Products
Core revenue: (Japanese domestic tobacco business)	Excludes revenue from distribution of imported tobacco in the Japanese domestic tobacco business, among others, includes revenue from domestic duty free, the China business and emerging products such as Ploom TECH devices and capsules.

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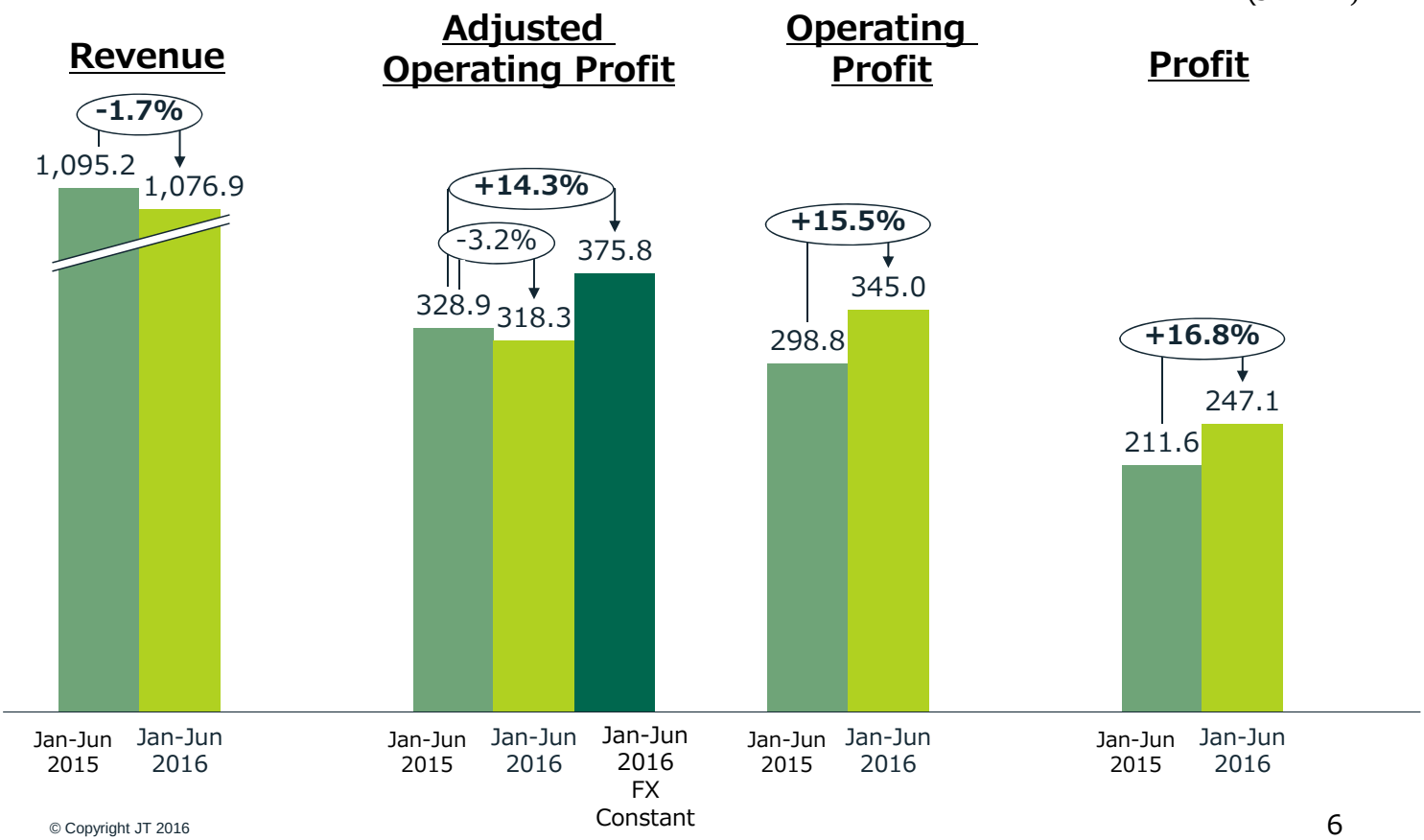
Consolidated financial results January-June 2016

※ 2015 results for comparison with 2016 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

Solid performance and steady profit growth at constant FX

(JPY BN)



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Results by business segment
January – June 2016

International Tobacco Business

Strong business momentum and robust pricing drive profit growth at constant FX

(BNU, US$ MM)

	Jan-Jun 2015	**Jan-Jun 2016**	**vs. PY**
Total Shipment Volume	191.2	**199.7**	**+4.4%**
GFB Shipment Volume	131.9	**140.7**	**+6.7%**
At Constant FX			
Core Revenue	5,061	**5,700**	**+12.6%**
Adjusted Operating Profit	1,770	**2,083**	**+17.7%**
Reported			
Core Revenue	5,061	**5,239**	**+3.5%**
Adjusted Operating Profit	1,770	**1,729**	**-2.3%**
JPY Basis (JPY BN)			
Core Revenue	609.2	**584.1**	**-4.1%**
Adjusted Operating Profit	212.9	**193.1**	**-9.3%**

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Year-on-year evolution by cluster

Change vs. PY

	Jan-Mar 2016	Apr-Jun 2016	Jan-Jun 2016
South & West Europe			
Total Shipment Volume	**12.2%**	**4.0%**	**7.9%**
GFB Shipment Volume	**14.3%**	**6.6%**	**10.2%**
Core Revenue at constant FX	**14.8%**	**5.6%**	**9.9%**
North & Central Europe			
Total Shipment Volume	**4.5%**	**4.5%**	**4.5%**
GFB Shipment Volume	**15.6%**	**14.0%**	**14.8%**
Core Revenue at constant FX	**6.4%**	**8.7%**	**7.5%**

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International Tobacco Business

Year-on-year evolution by cluster

Change vs. PY

	Jan-Mar 2016	Apr-Jun 2016	Jan-Jun 2016
CIS+			
Total Shipment Volume	**-0.6%**	**-7.2%**	**-4.4%**
GFB Shipment Volume	**3.1%**	**-6.0%**	**-2.1%**
Core Revenue at constant FX	**13.9%**	**5.9%**	**9.1%**
Rest-of-the-World			
Total Shipment Volume	**13.9%**	**13.0%**	**13.4%**
GFB Shipment Volume	**16.3%**	**12.3%**	**14.2%**
Core Revenue at constant FX	**18.3%**	**22.8%**	**20.6%**

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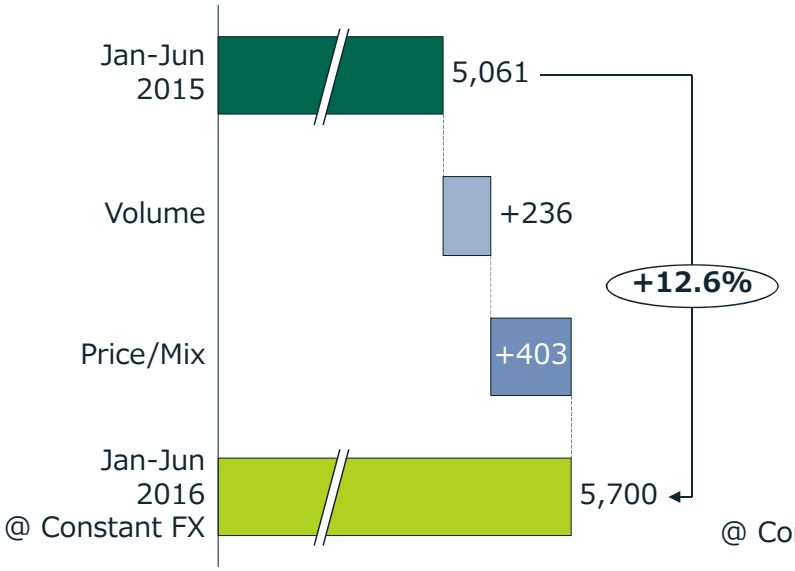
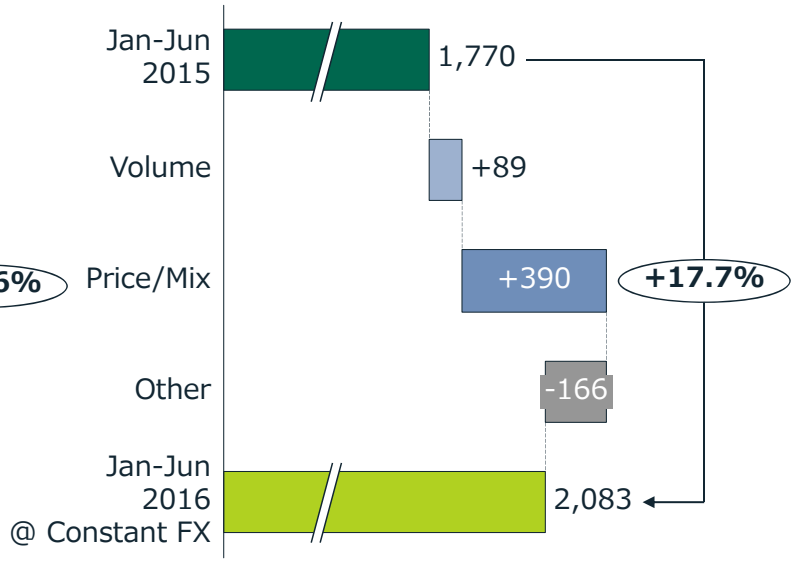
Top-line drove strong profit growth while investment accelerated

(US$ MM, Constant FX)

Core Revenue



Adjusted Operating Profit



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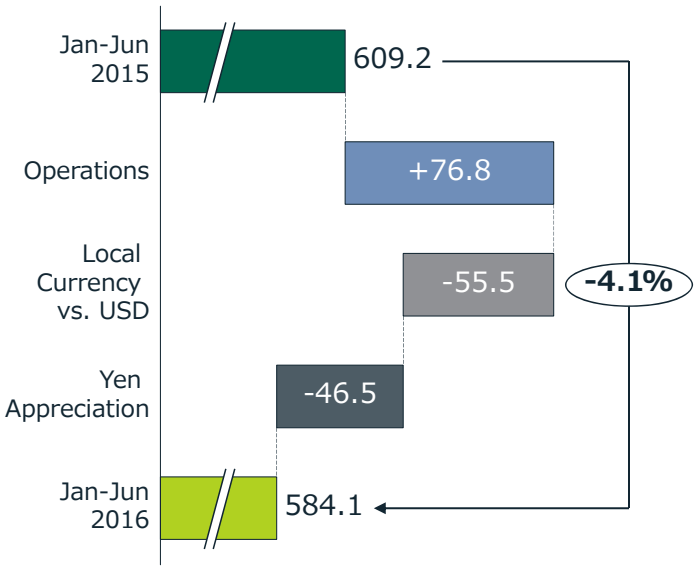
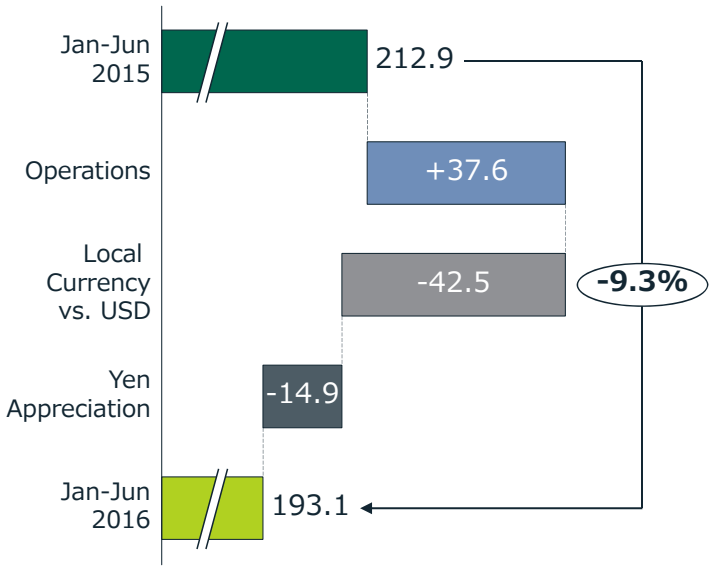
Currency headwinds continued

(JPY BN)

Core Revenue



Adjusted Operating Profit



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Steady top-line and profit growth despite difficult business environment

(BNU, JPY BN)

	Jan-Jun 2015	**Jan-Jun 2016**	**Change vs. PY Change (%pt)**
JT Sales Volume	53.1	**52.7**	**-0.7%**
JT Share	60.0%	**61.1%**	**+1.2%pt**
MEVIUS Share	32.2%	**31.5%**	**-0.7%pt**
Core Revenue	312.2	**318.6**	**+2.1%**
Adjusted Operating Profit	125.8	**129.6**	**+3.0%**

※ JT Sales Volume : Excludes sales vollume of domestic duty free, the China business and Emerging Products. Core revenue includes revenue from emerging products such as Plooo TECH devices and capsules.

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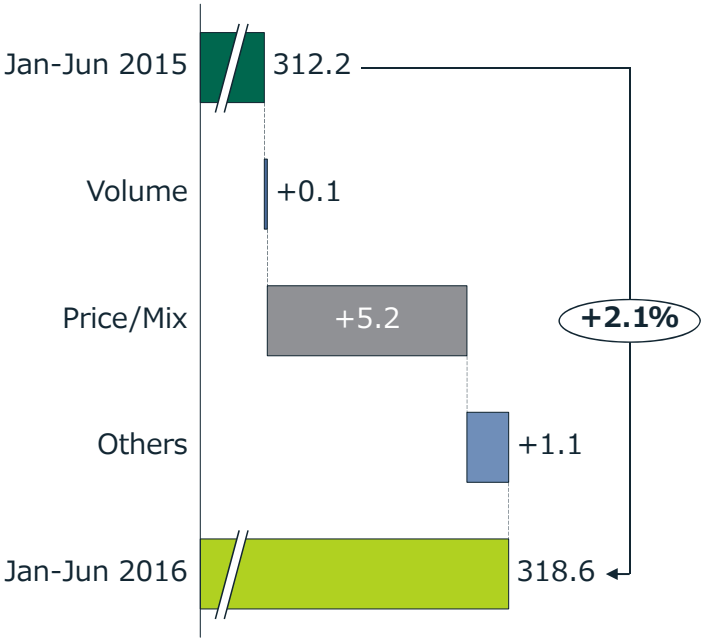
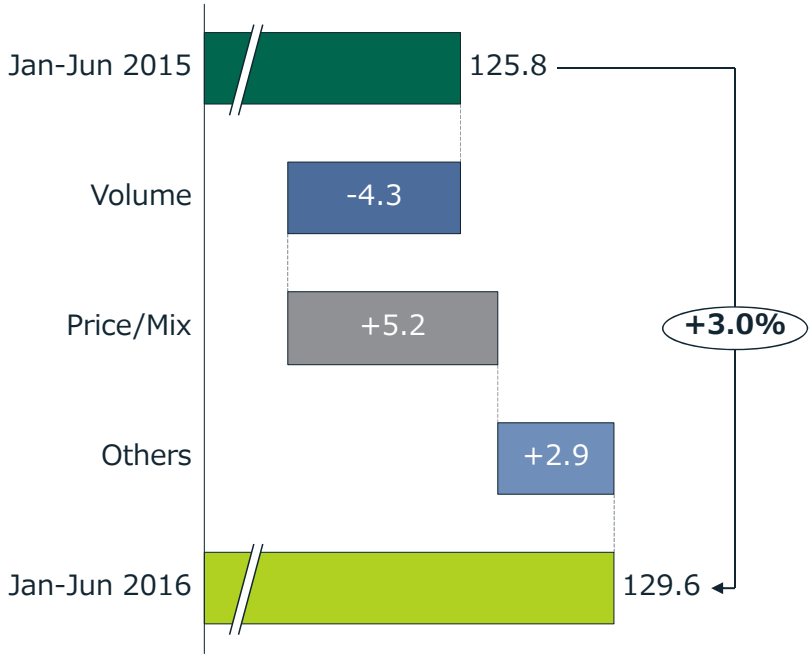
Acquisition and pricing drive top-line and profit growth

(JPY BN)

Core Revenue



Adjusted Operating Profit



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Revenue and profit increased steadily for pharmaceutical and processed food

(JPY BN)

	Jan-Jun 2015	**Jan-Jun 2016**	**vs. PY**
Pharmaceutical Business			
Revenue	34.8	**40.3**	**+5.5**
Adjusted Operating Profit	-2.1	**2.8**	**+4.9**
Processed Food Business			
Revenue	79.5	**79.9**	**+0.4**
Adjusted Operating Profit	1.1	**3.1**	**+2.0**

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2016 Revised forecast

Consolidated Financial Forecast

Strong performance of international tobacco drive upward revision of profit

(JPY BN)

	Initial Forecast	Revised Forecast	Change vs. Initial Forecast	% Change vs. PY
Adjusted Operating Profit @ constant FX	673.0	**680.0**	**+7.0**	**+8.5%**
Revenue	2,200.0	**2,120.0**	**-80.0**	**-5.9%**
Adjusted Operating Profit	562.0	**569.0**	**+7.0**	**-9.2%**
Operating Profit	566.0	**572.0**	**+6.0**	**+1.2%**
Profit	399.0	**409.0**	**+10.0**	**+2.6%**

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Targeting profit growth at constant FX in excess of 11%, while investment is accelerated for sustainable growth

(BNU, US$ MM)

	Initial Forecast	Revised Forecast	Change vs. Initial Forecast	% Change vs. PY
Total Shipment Volume	394.0	**402.0**	**+8.0**	**+2.0%**
GFB Shipment Volume	279.0	**285.0**	**+6.0**	**+4.2%**
At Constant FX				
Core Revenue	10,900	**11,180**	**+280**	**+8.1%**
Adjusted Operating Profit	3,550	**3,630**	**+80**	**+11.4%**
Reported				
Core Revenue	10,000	**10,580**	**+580**	**+2.3%**
Adjusted Operating Profit	2,700	**3,080**	**+380**	**-5.4%**
JPY Basis (JPY BN)				
Core Revenue	1,180.0	**1,118.0**	**-62.0**	**-10.7%**
Adjusted Operating Profit	319.0	**328.0**	**+9.0**	**-16.8%**

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Adjusted operating profit target remains unchanged, while sales volume was revised down

(BNU, JPY BN)

	Initial Forecast	Revised Forecast	Change vs. Initial Forecast	% Change vs. PY
Sales Volume	108.0	**107.0**	**-1.0**	**-2.1%**
Core Revenue	659.0	**655.0**	**-4.0**	**+2.0%**
Adjusted Operating Profit	261.0	**261.0**	**-**	**+2.7%**

※ JT Sales Volume : Excludes sales volume of domestic duty free, the China business and Emerging Products. Core revenue includes revenue from emerging products such as Ploom TECH devices and capsules.

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Tobacco-Vapor Category: Our approach

- T-Vapor category: strategic assessment
  - One of the essential categories in capturing diversifying consumer needs (odor, health concerns, etc)
  - Japanese Tobacco-vapor market in full-fledged creation
  - Within a few years, our aim is to also be the market leader in this category

- Ploom TECH
  - A product with potential to fulfill a variety of needs that ready-made-cigarette is unable to capture
    - Sound response in Fukuoka and from our on-line store
  - Product supply to be resolved swiftly, with a view to unfolding the product to other areas and to overseas markets
    - Investment decision has been made for several ten billions of yen in capital expenditure
  - JT's own technology and appeal:
    - Innovation originating in Japan, inspired by steam distillation
    - No fire is used, no combustion producing smoke smell or ashes
    - A clear tobacco taste provided by our own technology, which does not involve direct heating of tobacco leaf

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Steady performance by pharmaceutical despite currency headwinds, profit revised up for processed food reflecting mostly cost reduction and positive currency impact

(JPY BN)

	Initial Forecast	**Revised Forecast**	**Change from initial forecast**
Pharmaceutical Business			
Revenue	85.0	**82.0**	**-3.0**
Adjusted Operating Profit	7.0	**4.0**	**-3.0**
Processed Food Business			
Revenue	172.0	**169.0**	**-3.0**
Adjusted Operating Profit	3.0	**4.5**	**+1.5**

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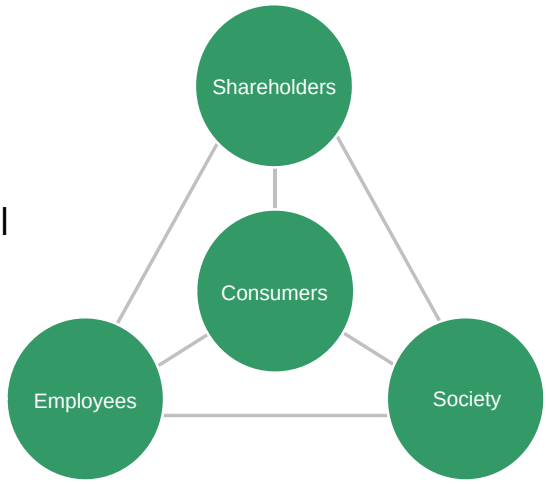
Closing

Closing Remarks

Solid business performance in 1H 2016
Targeting sustainable growth despite uncertainties

- Adjusted operating profit at constant FX revised up, reflecting solid performance
- Accelerate investment for quality top-line and sustainable growth
  - ✓ Further geographic expansion
  - ✓ Brand equity enhancement
  - ✓ Intensify emerging product initiatives
- Dividend per share of JPY 128, same as initial forecast



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