JAPAN TOBACCO INC.
2-1, Toranomon 2-chome, Minato-ku
Tokyo 105-8422 JAPAN
Phone:03-3582-3111

FOR IMMEDIATE RELEASE

Tokyo, September 23, 2016

Documents presented at the Investor Conference

Japan Tobacco Inc. (JT) (TSE: 2914) held an Investor Conference today in London. Company Executives made presentations on the Group's global tobacco strategic focus, the Japanese domestic tobacco business, JTI's business performance and the growth in Western Europe, with further insight into the UK market.

Documents presented:

Document 1: The JT Group tobacco business: Strategic focus and investment for sustainable growth
Document 2: Japan domestic tobacco business – Continues to be a strong earnings base
Document 3: JTI 1H 2016 Financial Results
Document 4: Growing dynamically in Western Europe
Document 5: Investing and leading through change

###

Japan Tobacco Inc. is a leading international tobacco company. Its products are sold in over 120 countries and its globally recognized brands include Winston, Camel, Mevius, LD and Natural American Spirit. With diversified operations, JT is also actively present in pharmaceuticals and processed foods. The company's revenue was ¥2.253 trillion (US$18,679 million(*)) in the fiscal year ended December 31, 2015.

**Translated at the rate of ¥120.61 per $1, as of December 31, 2015*

Contacts: Ryohei Sugata, General Manager
Sayako Takahashi, Manager
Media and Investor Relations Division
Japan Tobacco Inc.
Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com

The JT Group tobacco business

Strategic focus and investment for sustainable growth

Mutsuo Iwai
Executive Vice President,
President of Tobacco Business

Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations 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. .

© Copyright JT 2016

This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group’s strategy or performance to our investors. They are not intended to be used for any other purpose.

© Copyright JT 2016

Sustainable profit growth through continuous business investment

Strong earnings performance driven by focused investments

Tobacco Business

The core business and profit growth engine of the JT Group

+9.1%*

International Tobacco Business

The Group's profit growth engine

+10.8%*

Japan Domestic Tobacco Business

Competitive platform of profitability

+6.4%

© Copyright JT 2016

** 2015 adjusted operating profit growth rate at constant currency*

The strategic framework for sustainable growth

Vision

To be the No.1 global tobacco company

Strategic Framework

Quality top-line growth

- **Brand equity enhancement**
- **Emerging products development**
- **Geographic expansion**

Competitive cost base

- **Cost optimization**

Robust business foundations

- **Human resources / Organizational capabilities**

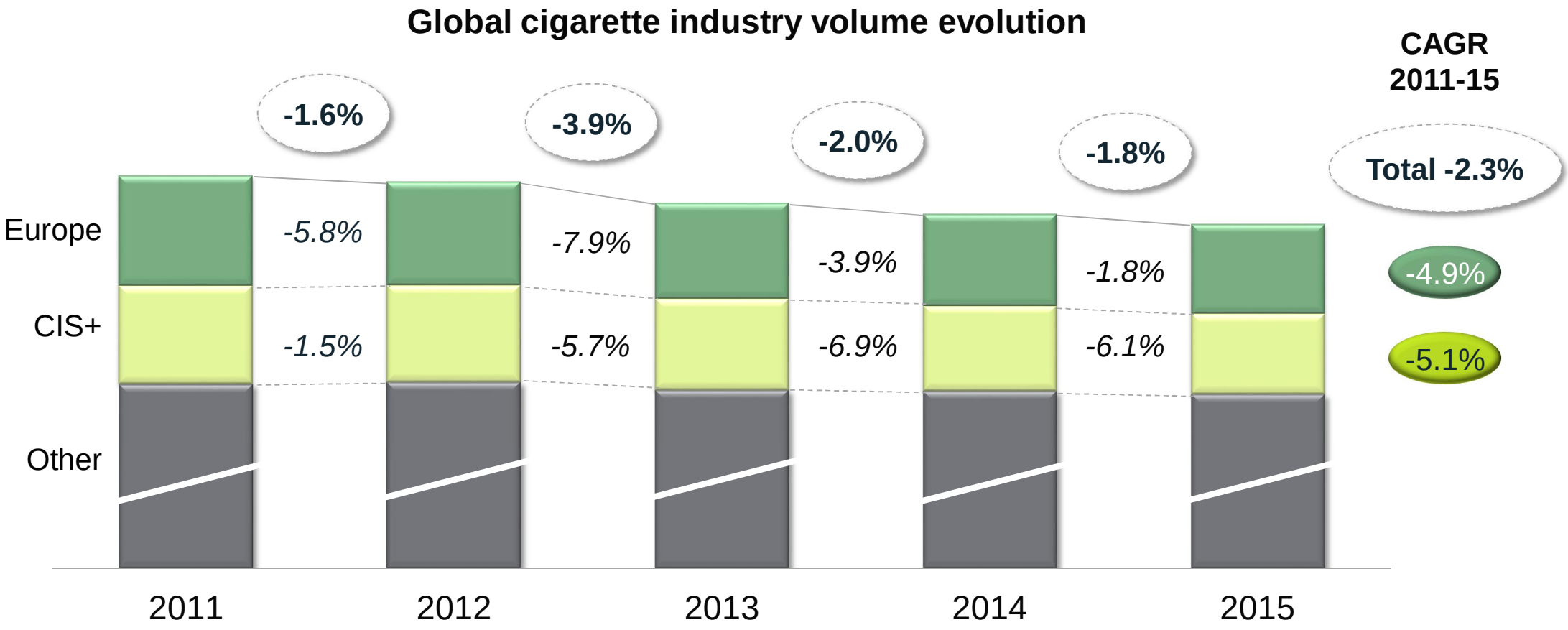
Resource Allocation Policy

Prioritize business investment for sustainable growth

© Copyright JT 2016

Operating environment
- Key challenges & future opportunities

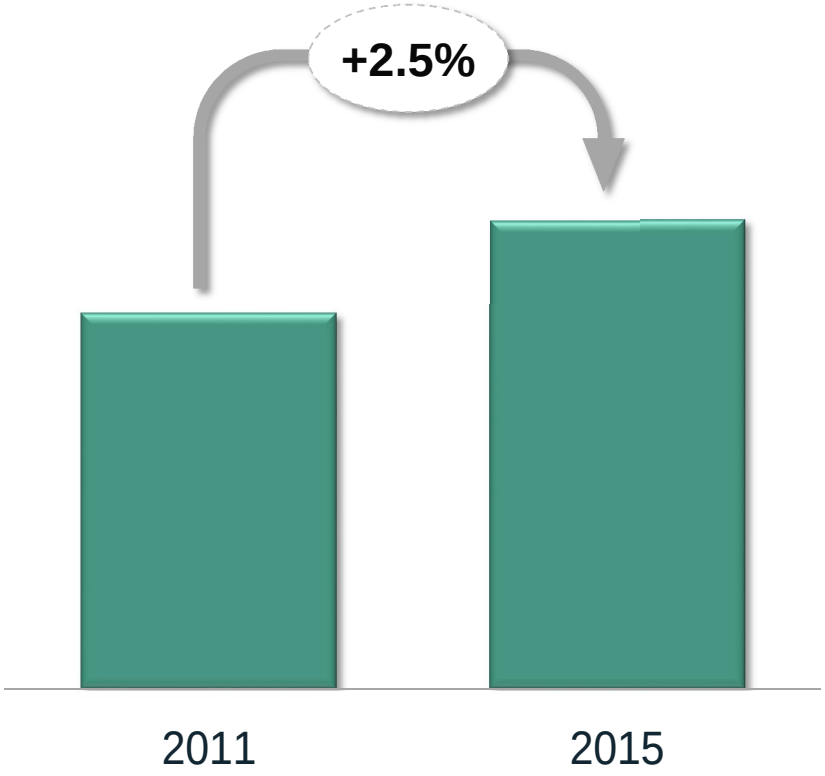
Global cigarette industry volume contraction gradually moderates



© Copyright JT 2016
Source: Internal estimates (China excluded)

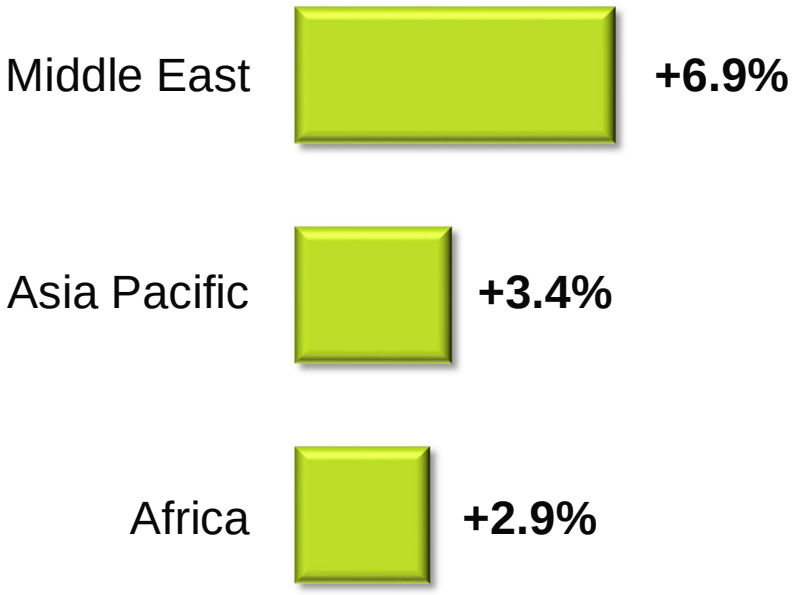
Growth opportunities in emerging markets

Cigarette industry volume in emerging markets(1)



Main growth areas

(Industry volume, 2015 vs. 2011)

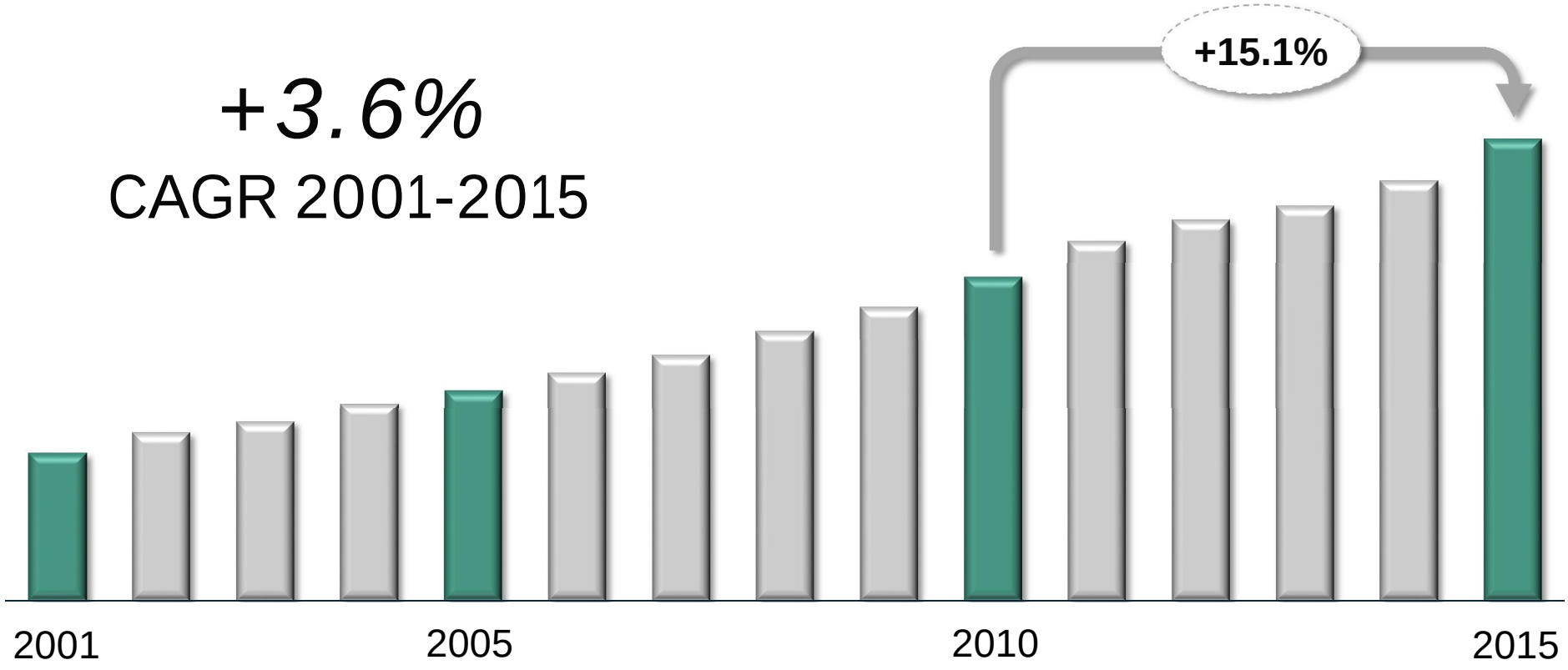


© Copyright JT 2016

Source: Internal estimates. (1) Asia Pacific, Latin America, Middle East & Africa. Emerging markets classification based on World Bank's income group

Solid pricing environment

Global industry value evolution



© Copyright JT 2016

Source: Internal estimates (China excluded, US$ at constant currency)

Accelerating investment for sustainable growth

Three investment priorities for quality top-line growth

Brand equity enhancement → **Assure mid-term profitability and maximize long-term profit growth**

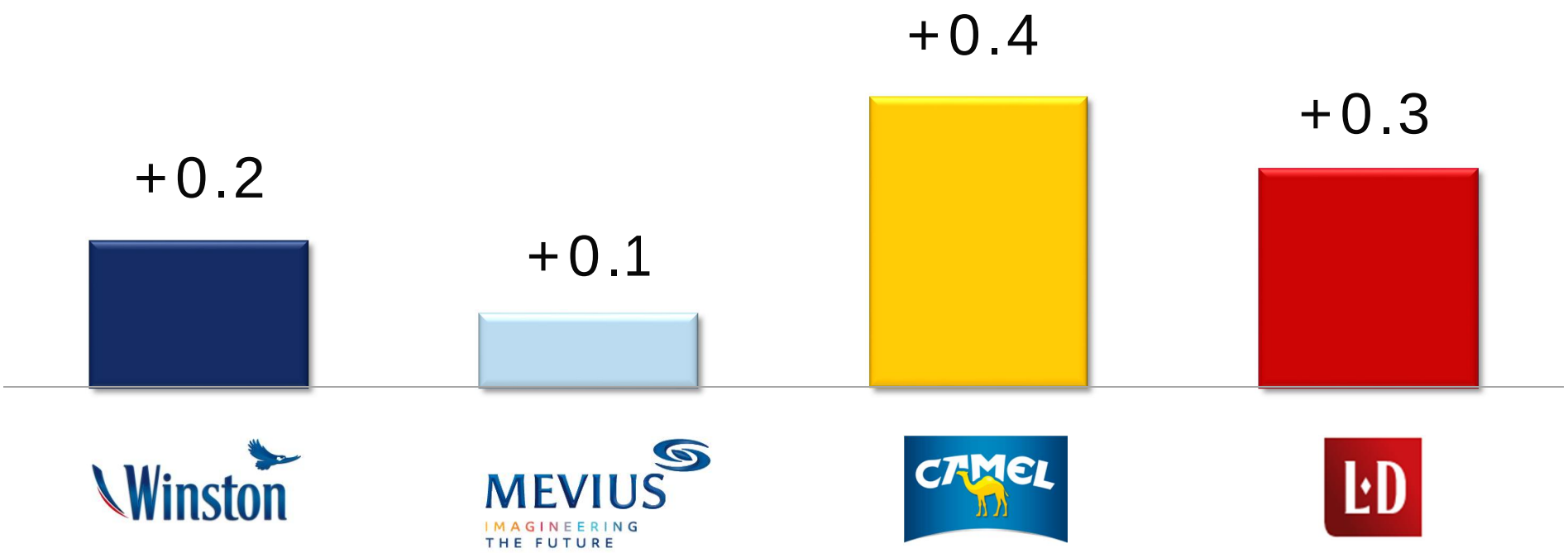
Geographic expansion in emerging markets → **Secure sustainable future growth through seeding investments**

Emerging products development → **Achieve leadership position in the emerging products category**

© Copyright JT 2016

Investment in brands is the cornerstone of quality top-line growth

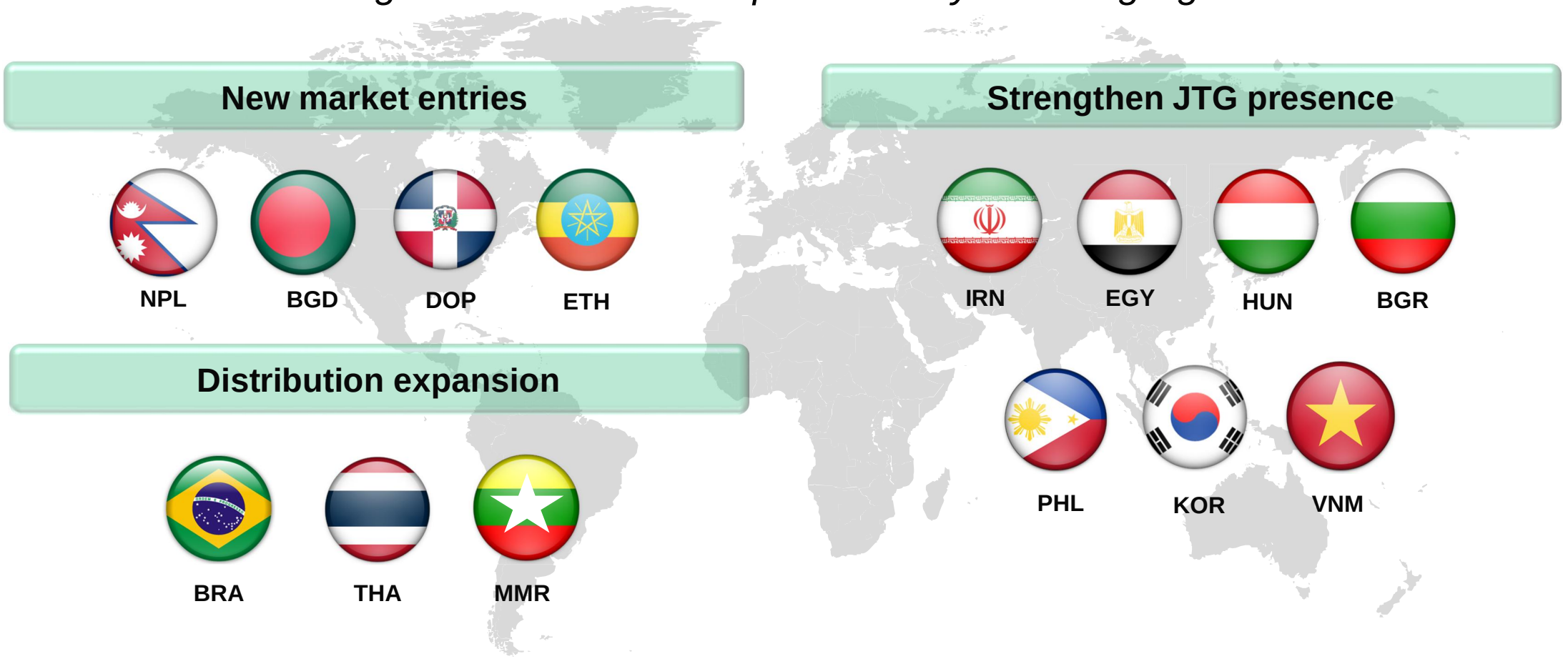
Share of market, 2015 vs. 2011 (pp)



© Copyright JT 2016
Source: Internal estimates (China excluded)

Expansion of our geographic footprint for future growth

Broaden earnings base and enhance profitability in emerging markets

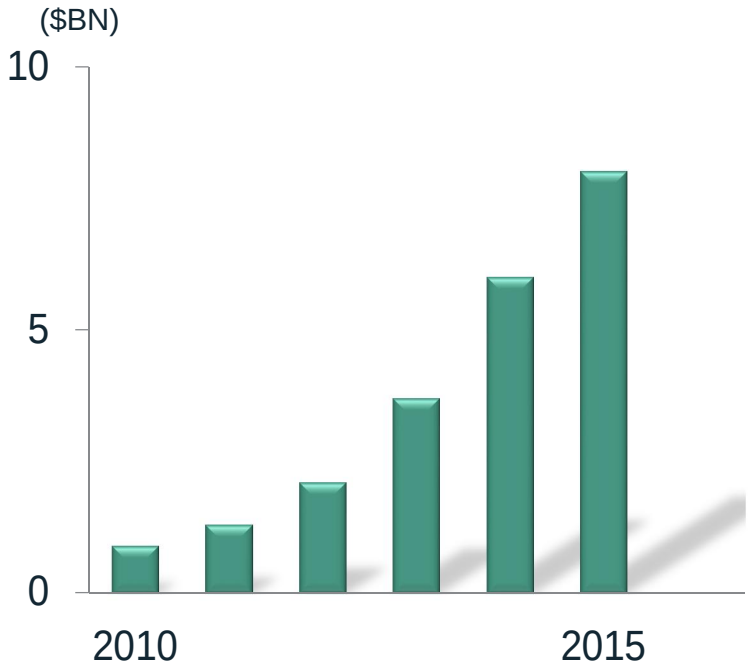


© Copyright JT 2016

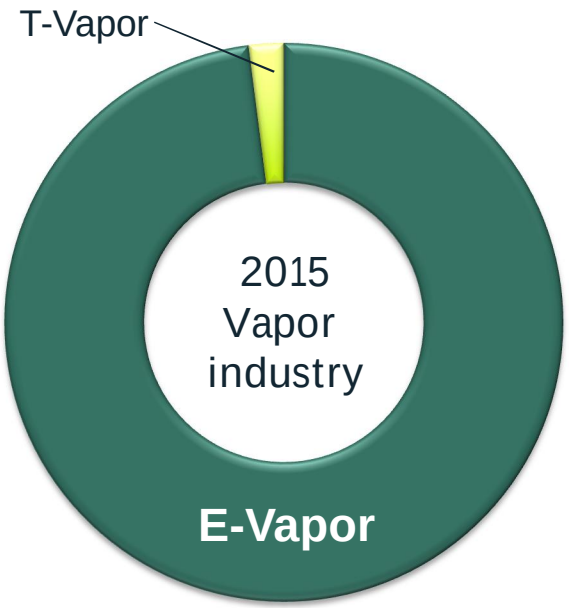
Emerging Products: Vapor market opportunities

Still dominated by E-Vapor while T-Vapor is emerging

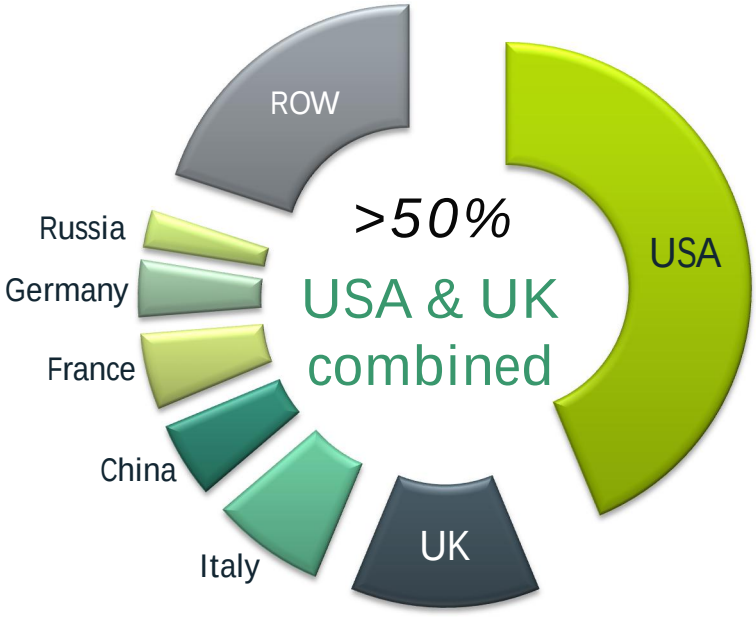
Vapor industry value evolution



Vapor industry value by category



E-Vapor SoV by market in 2015



© Copyright JT 2016

Source: Internal estimates (Vapor includes E-Vapor and T-Vapor)

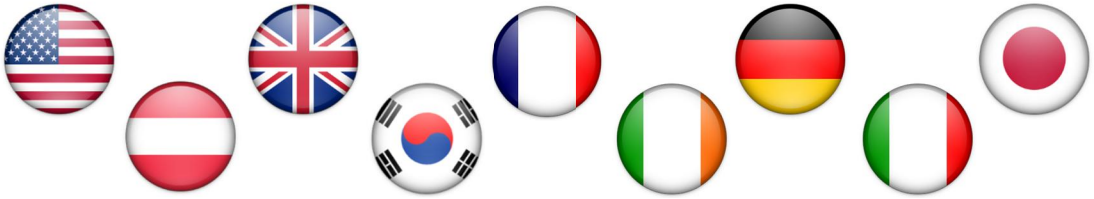
Emerging Products: JT Group's vision and strategic goals

Become the most trusted global leader in Emerging Products (both E & T-vapor)

Build
world class product portfolio
& brand mix



Achieve
a sustainable global footprint

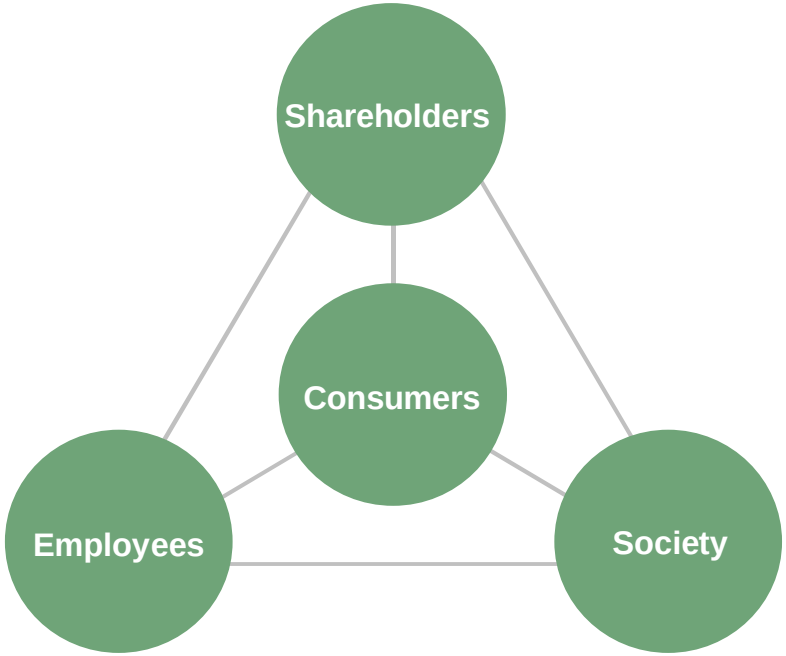


Develop
potential for reduced-risk claims

Obtain public certification by accelerating investment in capability enhancement

© Copyright JT 2016

Confident to deliver sustainable profit growth



JTG tobacco business

Mid to high single-digit

profit growth in the mid- to long-term

© Copyright JT 2016

Closing Remarks

Mutsuo Iwai
Executive Vice President,
President of Tobacco Business

In closing

- Confidence in achieving sustainable profit growth in the mid- to long-term
- Prioritize investment to pursue quality top-line growth
- Japan domestic market will continue to be a solid profit contributor
- Strong position in Western Europe and the UK, with further opportunities to grow ahead
- Fulfill our commitment toward our stakeholders as core business and profit growth engine of the JT Group

© Copyright JT 2016

Japan domestic tobacco business

Continues to be a strong earnings base

Kiyohide Hirowatari
Senior Vice President,
Head of Tobacco Business Planning

Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations 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. .

© Copyright JT 2016

This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group’s strategy or performance to our investors. They are not intended to be used for any other purpose.

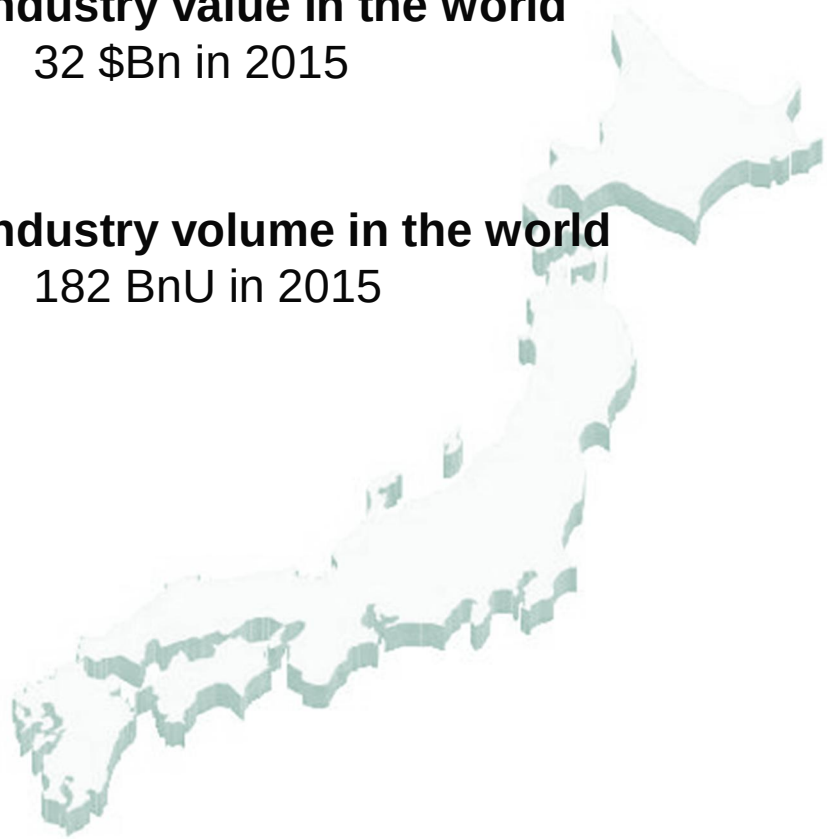
© Copyright JT 2016

Japan, utmost important market
a highly competitive platform of profitability

Japan is one of the largest markets & solid contributor to JTG's profit

#3 Industry value in the world
- 32 $Bn in 2015

#5 Industry volume in the world
- 182 BnU in 2015



JTG's strong presence in Japan (2015)
- Leading tobacco manufacturer with 59.9% SoM
- Selling 9 of top 10 SKUs
- 4 manufacturing facilities
- Approx. 9,500 employees

Japan contribution to JTG 2015 results

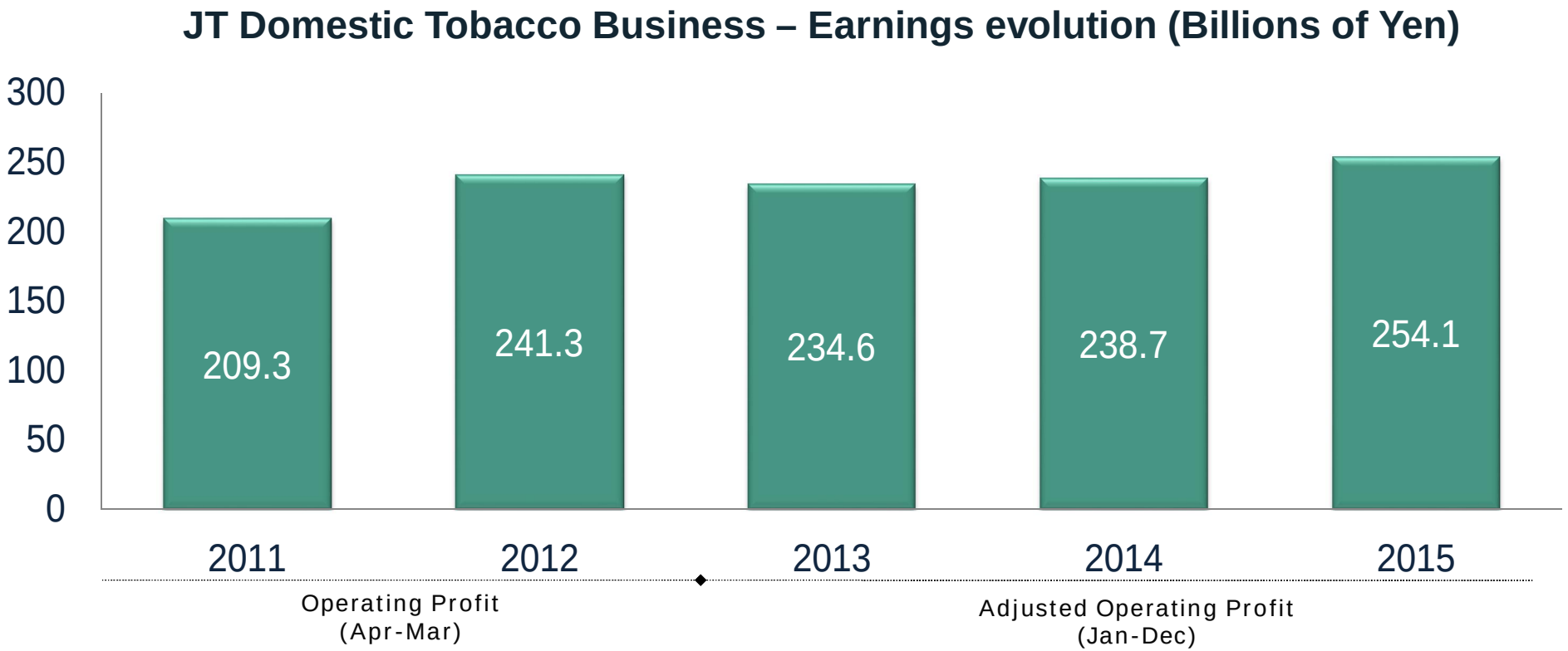


© Copyright JT 2016

Source: TIOJ and internal estimates. Financials on a reported basis

A highly competitive platform of profitability

Japan domestic tobacco business has sustained JT Group's achievements by continuous investment for quality top-line growth and its pursuit for cost optimization



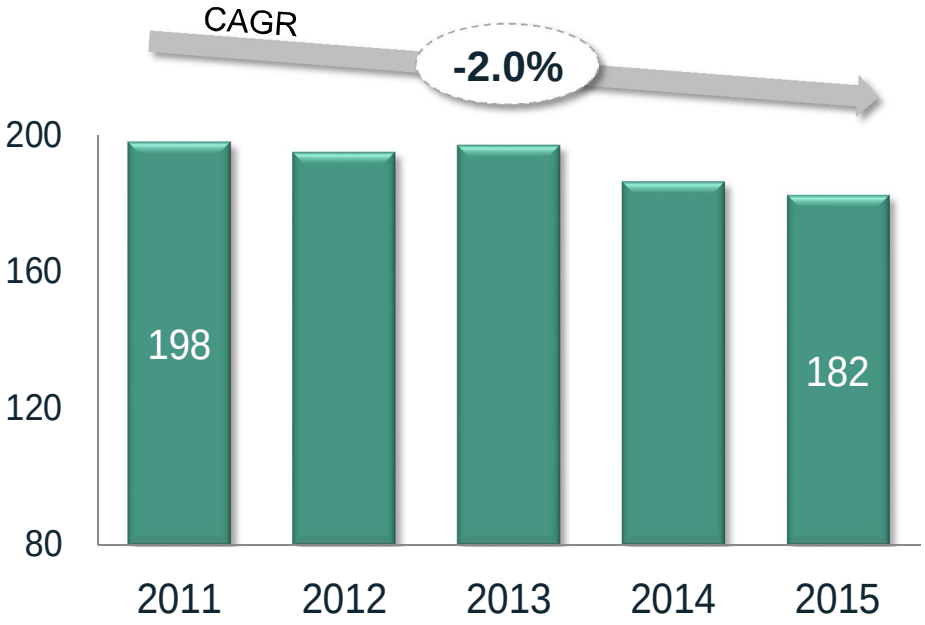
© Copyright JT 2016

Business environment

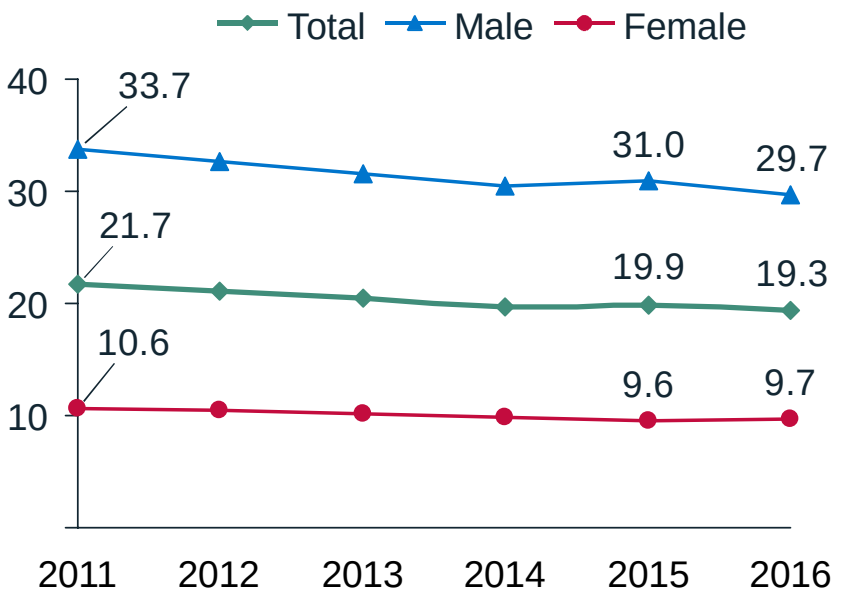
Moderate cigarette industry contraction

- Moderate cigarette industry contraction continued (peak year 1996)
  - Cigarette industry size has declined at 2.0% CAGR
- Smoking prevalence has also continuously decreased to 19.3 % in 1H 2016

Cigarette industry volume evolution (BnU / CAGR%)



Smoking prevalence (% of adult population)

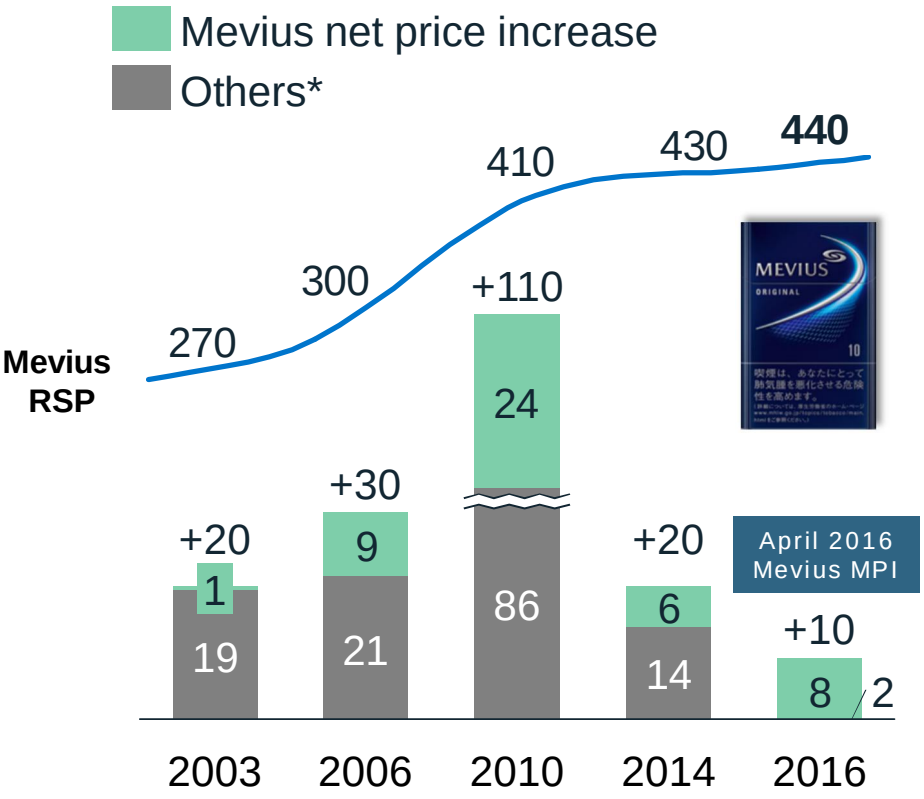


© Copyright JT 2016

Source: TIOJ and internal estimates

Pricing environment is evolving

Mevius RSP evolution (JPY/pack)



- Pricing usually taken at tax hike(1)
- In April 2016, Mevius retail price was increased without a tax hike
  - The first manufacturer price increase (MPI) of a major brand
  - Confidence in the enhanced brand equity through continuous investment
- Relatively affordable cigarette prices
  - Necessity to deliver added value for the price

(1) Retail price of tobacco product must be approved by the MOF and the product must be sold at the approved retail price

© Copyright JT 2016

** Others: tobacco excise tax + consumption tax (VAT) + retailer margin*

Tightening regulations

- Regulations focusing mainly on smoking in public places (SIPPs)
- Supporting the development of spaces where smokers and non-smokers can co-exist: ‘Bun-en’
    - Potential for tighter SIPPs regulation ahead of 2020 Tokyo Olympic & Paralympic Games

Bun-en* smoking environment at a café



Smoking Lounge in collaboration with NAS activation



© Copyright JT 2016

** Bun-en : a comfortable environment to accommodate both smokers and non-smokers in a smoking situation*

Investing in brand equity for further quality top-line growth

Achieving quality top-line growth

Powerful brand portfolio is key to increasing SoM and up-trading

Price Segment JPY/20s	JT core brand 2014	JT total SoS 2014	JT core brand SoS 1H 2016	JT total SoS 1H 2016
470 ~ above (Prestige)		10%	 Natural American Spirit (41%)	51% #1
450 ~ 460 (Premium)		43%	 Seven Stars (24%)	44% #1
430 ~ 440 (Sub-premium+)		99%	 Mevius (99%)	99% #1
410 ~ 420 (Sub-premium)		33%	 Winston (29%)	33% #2
400 ~ below (Value)	—	92%	—	85% #1

© Copyright JT 2016

Source: TIOJ and internal estimates

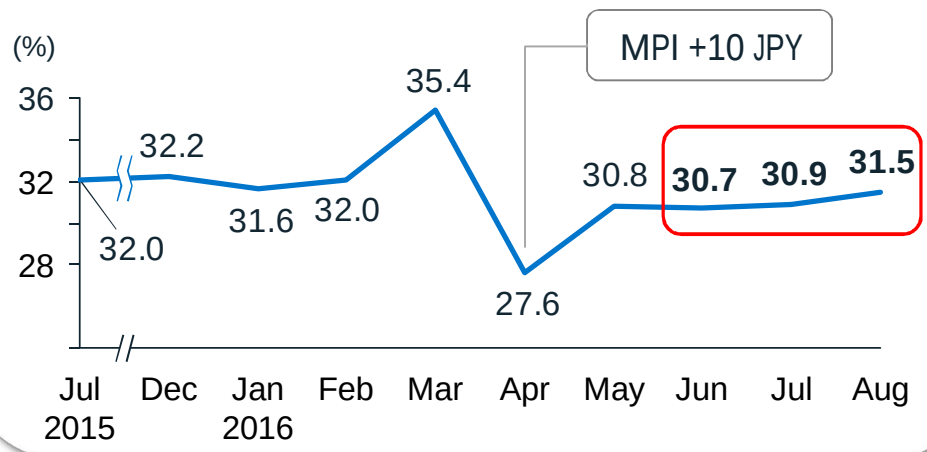
MEVIUS: The #1 brand in Japan since 1978

Driving volume & value growth



- Continuously investing in brand equity enhancement to strengthen #1 position and aim for **future premiumization**
  - **Rebranded** in 2013 from Mild Seven to Mevius
  - **Manufacturer price increase** (MPI) in Apr '16
  - **Proactively taking initiatives** for further evolution after MPI

SoM stabilization following MPI in April 2016



Initiatives after MPI



Launched 3 SKUs in May'16 (Regular Capsule)



Rejuvenation 16 SKUs in Jun'16 (Core family)



Launched 3 SKUs in Aug'16 (Menthol Capsule)

© Copyright JT 2016
Source: TIOJ and internal estimates

Winston: The #2 global brand

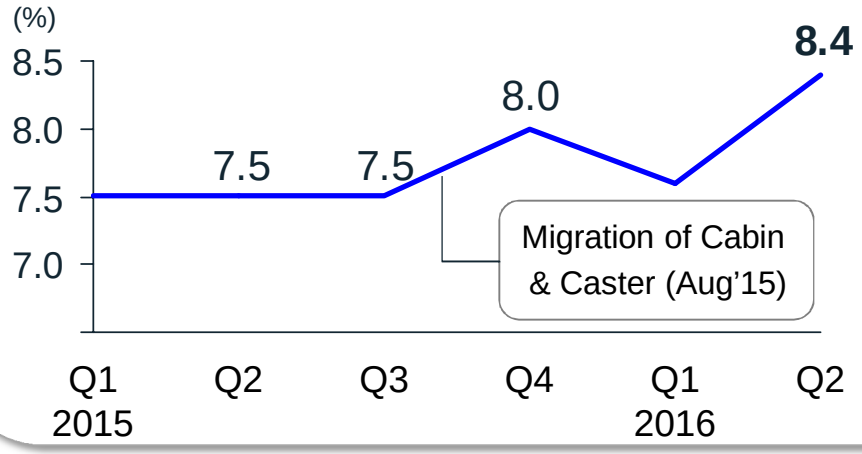
Leveraging its globally recognized equity



- **Successful migration** in August 2015
- Accelerating investment in brand equity to **seize #1 position in sub-premium**
  - **10 SKUs launched** after migration, offering 3 new taste variations
  - Essential for **future Mevius premiumization**

Quarterly SoM development post migration

(Cabin & Caster integrated into Winston in Q3'15 is retrospectively reflected)



Equity building initiatives



Straight Line
4 SKUs in Nov'15
(Regular & Menthol)



Bitter Line
3 SKUs in Dec'15
(Capsule Menthol)



Sweet Line
3 SKUs in Feb'16
(Capsule Menthol)

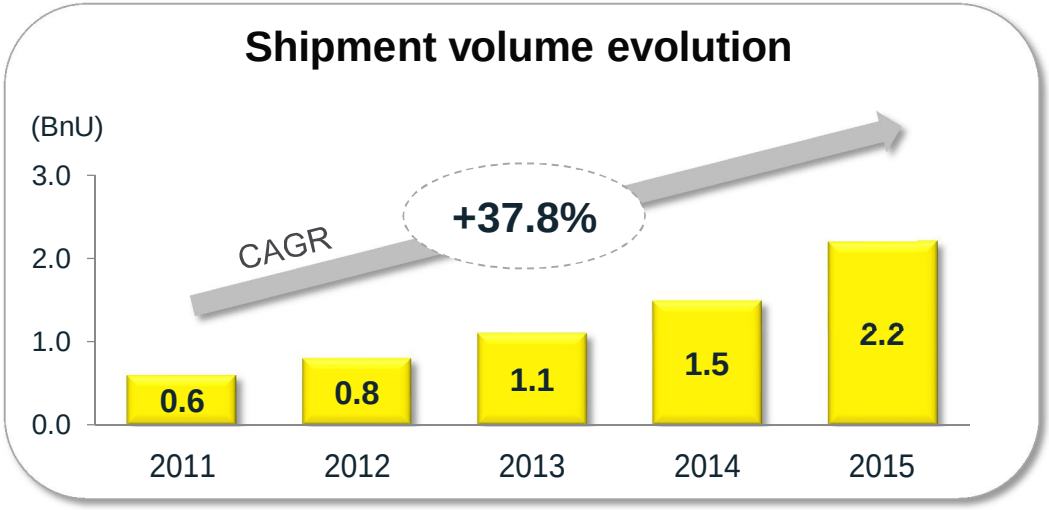
© Copyright JT 2016
Source: TIOJ and internal estimates

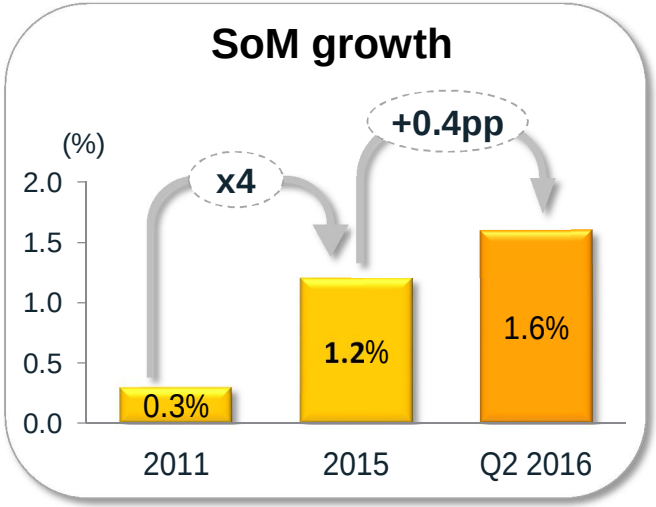
Natural American Spirit: The #1 prestige brand in Japan

Exploiting opportunity to grow in the high end



- Acquired in January 2016, the prestige brand complements JTG's brand portfolio
- Unique value proposition: **additive-free**
- SoM more than doubled in the past 3 years, **volume grew approx. 40% CAGR** since 2011
- **Ambitious business plan** finalized in April 2016, driving growth momentum





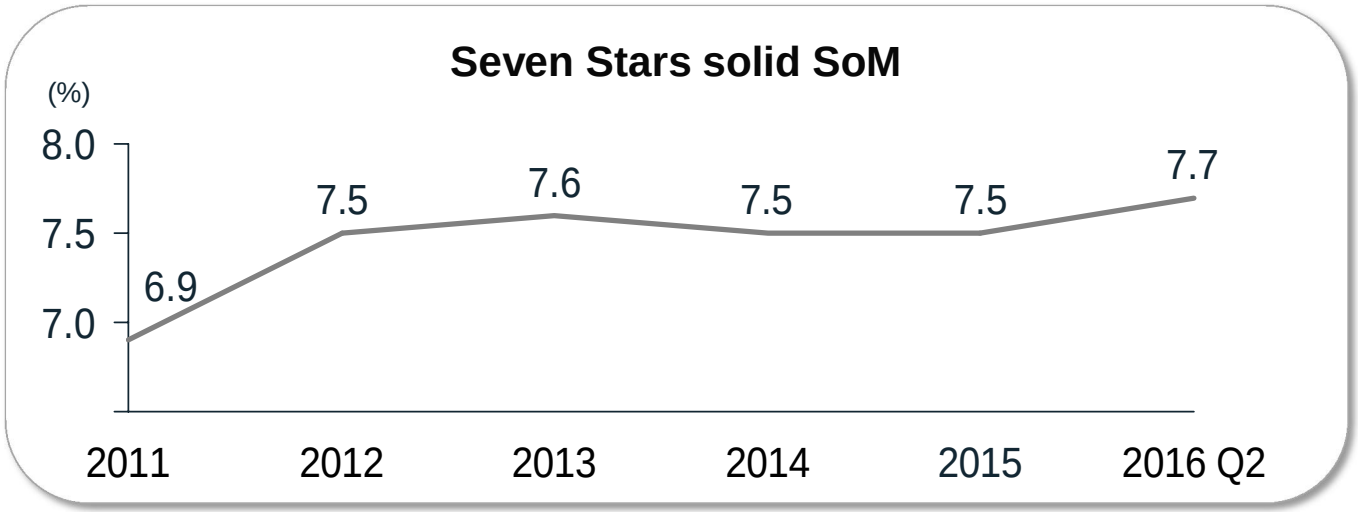
© Copyright JT 2016
Source: TIOJ and internal estimates

Seven Stars: The #1 SoM by SKU in Japan

Pursuing original value to fulfill its role as a solid profit contributor



- Launched in 1969, it remains an iconic brand in Japan
- **Highest SoM** since 2008 by SKU
- **Repositioned** from Sub-Premium+ to Premium in October 2010
- Stable SoM by offering **original value**, taste and design
- Strengthened #1 SKU position by enhancing the legacy of **its identity**



© Copyright JT 2016
Source: TIOJ and internal estimates

T-Vapor strategy for future top-line growth

become the market leader in this category

Seizing the growth opportunity of T-Vapor in Japan

- **Expansion of T-vapor market**
  - Opportunity to build our future growth

- **Our approach towards the opportunity**
  - Fulfill consumer needs by providing T-vapor products as another choice with different added-values from cigarettes
  - Foster growth of T-Vapor market through competition
  - Win the competition

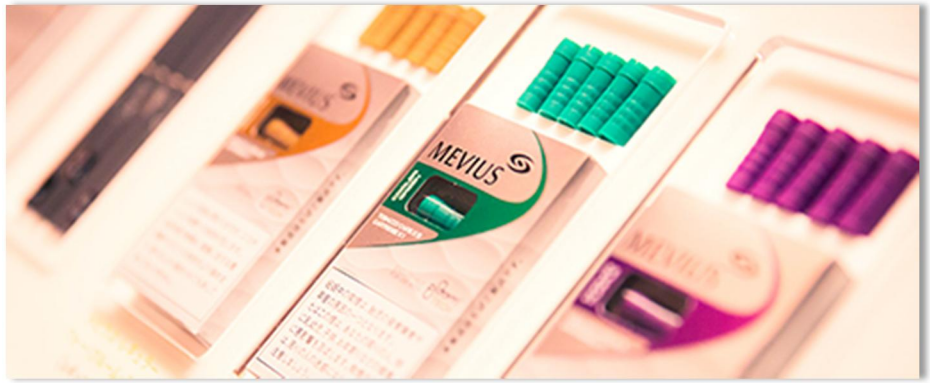


© Copyright JT 2016

Ploom TECH: Potential to fulfill diverse consumer needs



- **Product features**
  - Odorless
  - Simple to use
- **Potential for reduced-risk**
- **Current status**
  - Improve persistence-retention rate
  - Expand supply capacity
- **The future**
  - Launch in selected major cities starting from early 2017
  - Provide a diverse choice by continuous improvements and portfolio expansion
  - Accelerate investment to achieve the leadership position



© Copyright JT 2016

Summary

Remain the competitive platform of profitability for the JT Group and accelerate business investments

- Strong #1 manufacturer with leading position in all key price points
- Superior brands driving quality top-line growth
- Accelerating investment in both cigarettes and T-Vapor
- Targeting to capture leading position across all segments and categories

© Copyright JT 2016

Document 3

JTI 1H 2016 Financial Results

Roland Kostantos
Senior Vice President,
Finance and IT, Chief Financial Officer

Caution on Forward-Looking Statements

Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations 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. .

© Copyright JT 2016

This presentation contains images or packages of our brands in some slides. Those slides have been included exclusively to illustrate JT Group’s strategy or performance to our investors. They are not intended to be used for any other purpose.

© Copyright JT 2016

Agenda

- First Half 2016 Results
- First Half 2016 Performance by Cluster
- Summary and FY 2016 Outlook

© Copyright JT 2016

First half 2016 results

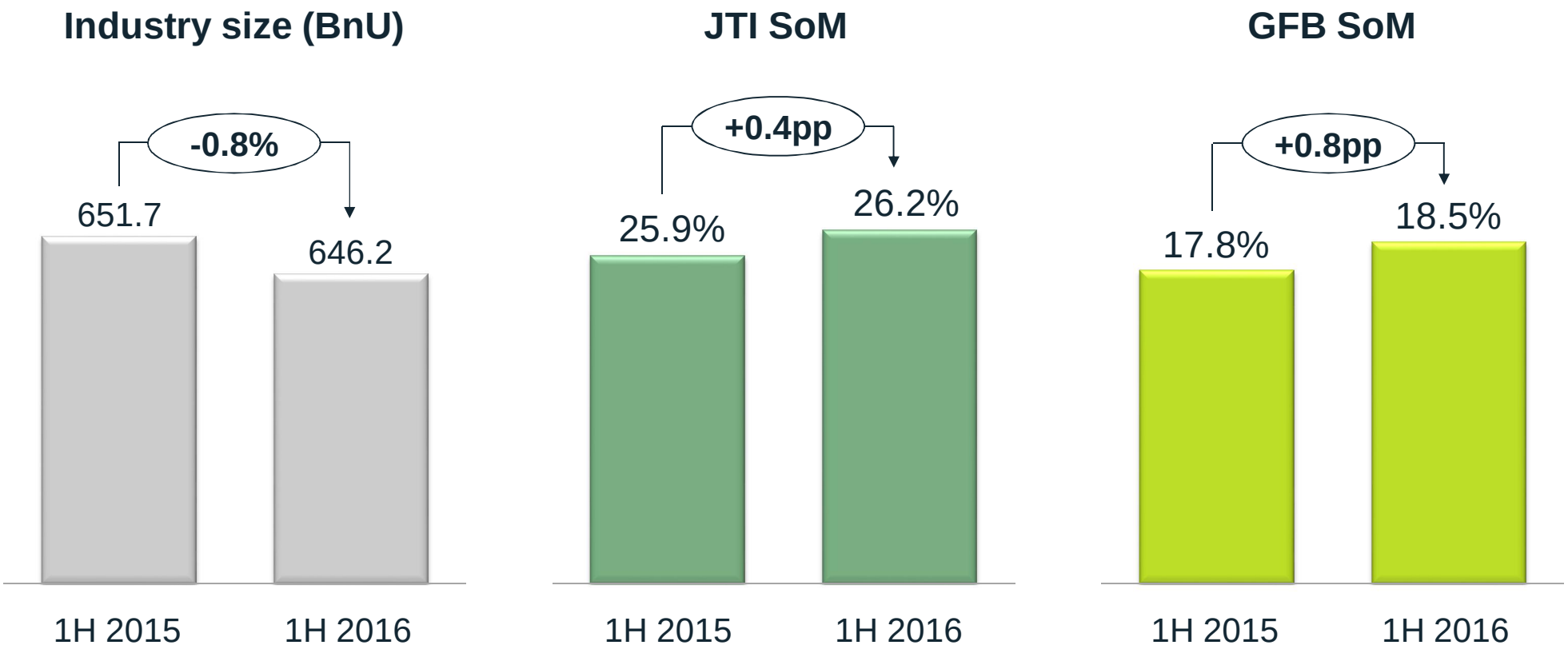
Strong 1H 2016 performance

(BnU, $MM)	**1H 2016**	**vs. 1H 2015**
Total volume	199.7	+4.4%
GFB volume	140.7	+6.7%
Core revenue	5,700	+12.6%
Adjusted operating profit	2,083	+17.7%

© Copyright JT 2016

Note: Core revenue and adjusted operating profit at constant currency

Moderate industry decline with continued share gains driven by GFBs

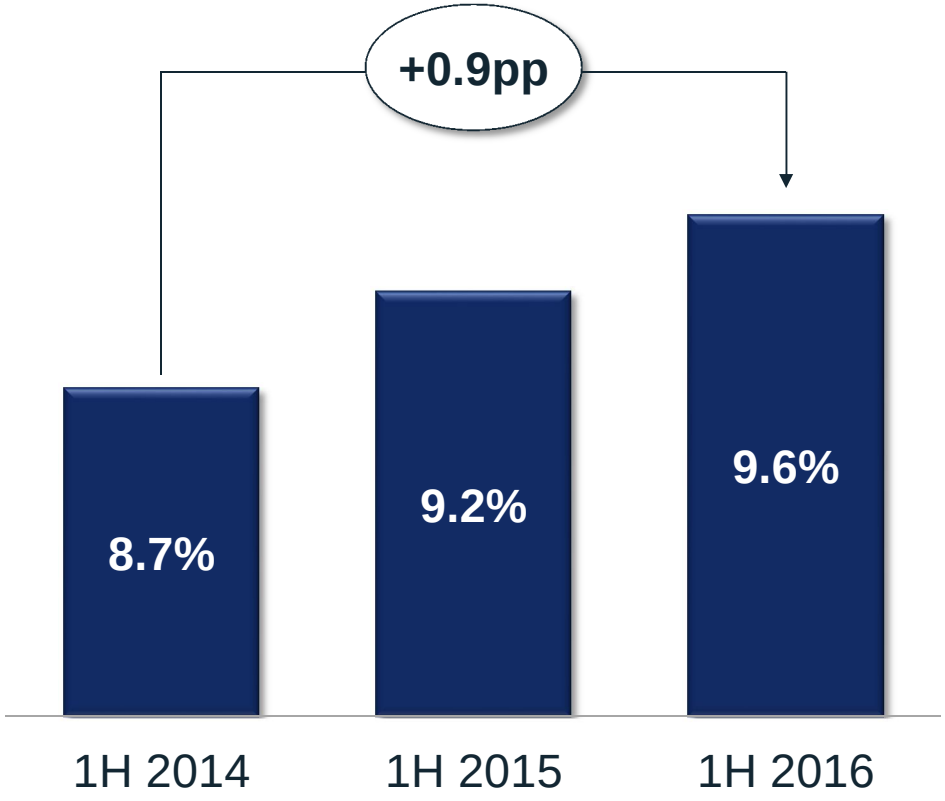


© Copyright JT 2016

Source: Internal estimates. Note: SoM on 6-month rolling average to June, including cigarettes and fine cut, based on JTI's top-40 markets (~85% of total volume)

Winston continues to drive share growth across JTI

Winston share of market



- Winston ranked #2 globally
- SoM gains in France, Germany, Iran, Italy, Philippines, Russia and Turkey
- Growth fueled by ongoing equity enhancements to RMC and fine cut





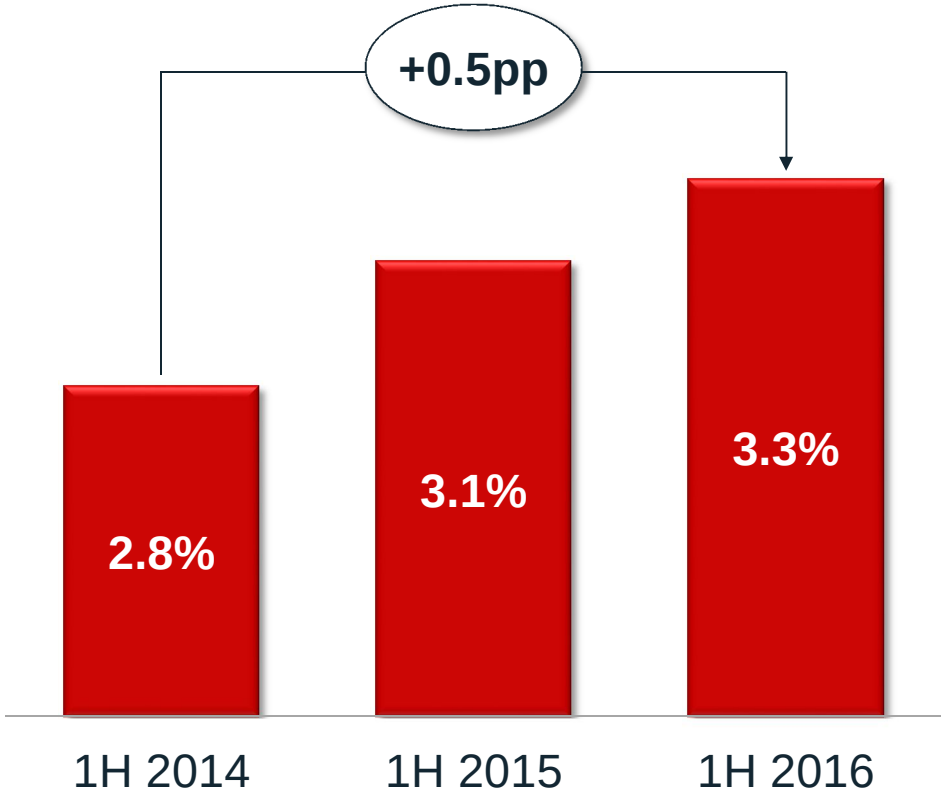


© Copyright JT 2016

Source: Internal estimates. Note: Winston SoM based on JTI's top-40 markets (over 85% of Winston volume), including cigarettes and fine cut. SoM on 6-month rolling average to June

LD growing market share

LD share of market



- Record market share achieved in Canada, Kazakhstan, Romania, Russia and Ukraine
- Innovative line extensions, such as LD Club Compact, drove 70% of volume growth over the last 2 years

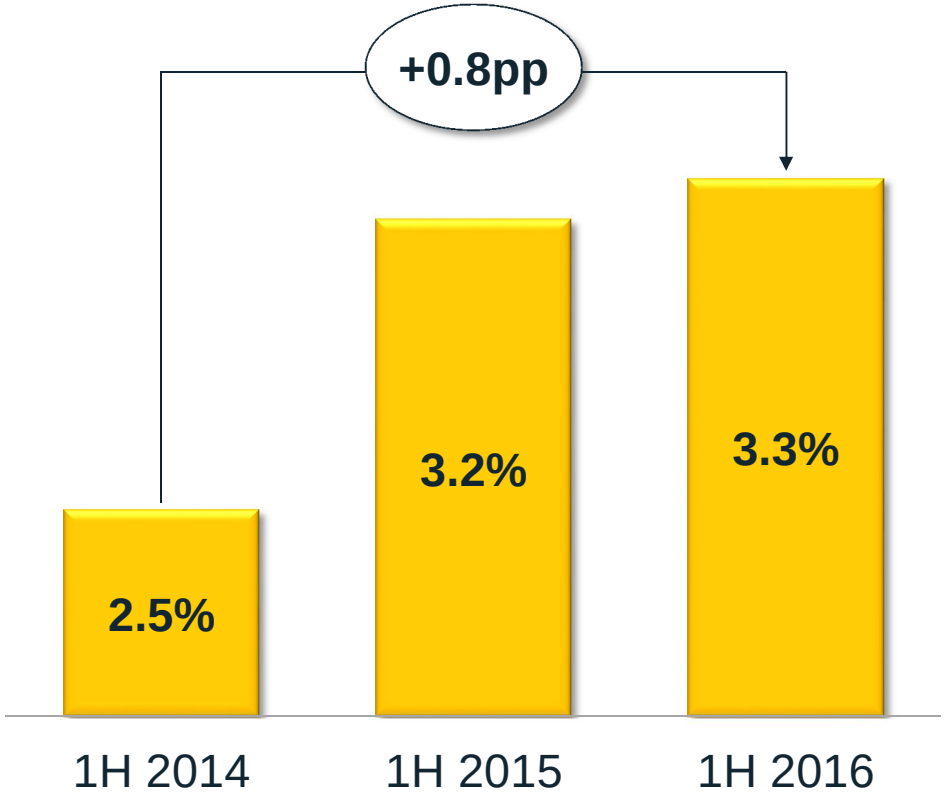


© Copyright JT 2016

Source: Internal estimates. Note: LD SoM based on JTI's top-40 markets (over 90% of LD volume), including cigarettes and fine cut. SoM on 6-month rolling average to June

Camel growing share of market and shipment volume

Camel share of market



- Third consecutive year of volume and share growth
- 2016 share gains driven by Italy, Benelux markets, Czech Republic, South Africa and the Philippines
- Volume growth further enhanced by Camel equity in seeding markets







© Copyright JT 2016

Source: Internal estimates. Note: Camel SoM based on JTI's top-40 markets (over 80% of Camel volume), including cigarettes and fine cut. SoM on 6-month rolling average to June

Solid pricing drives core revenue growth

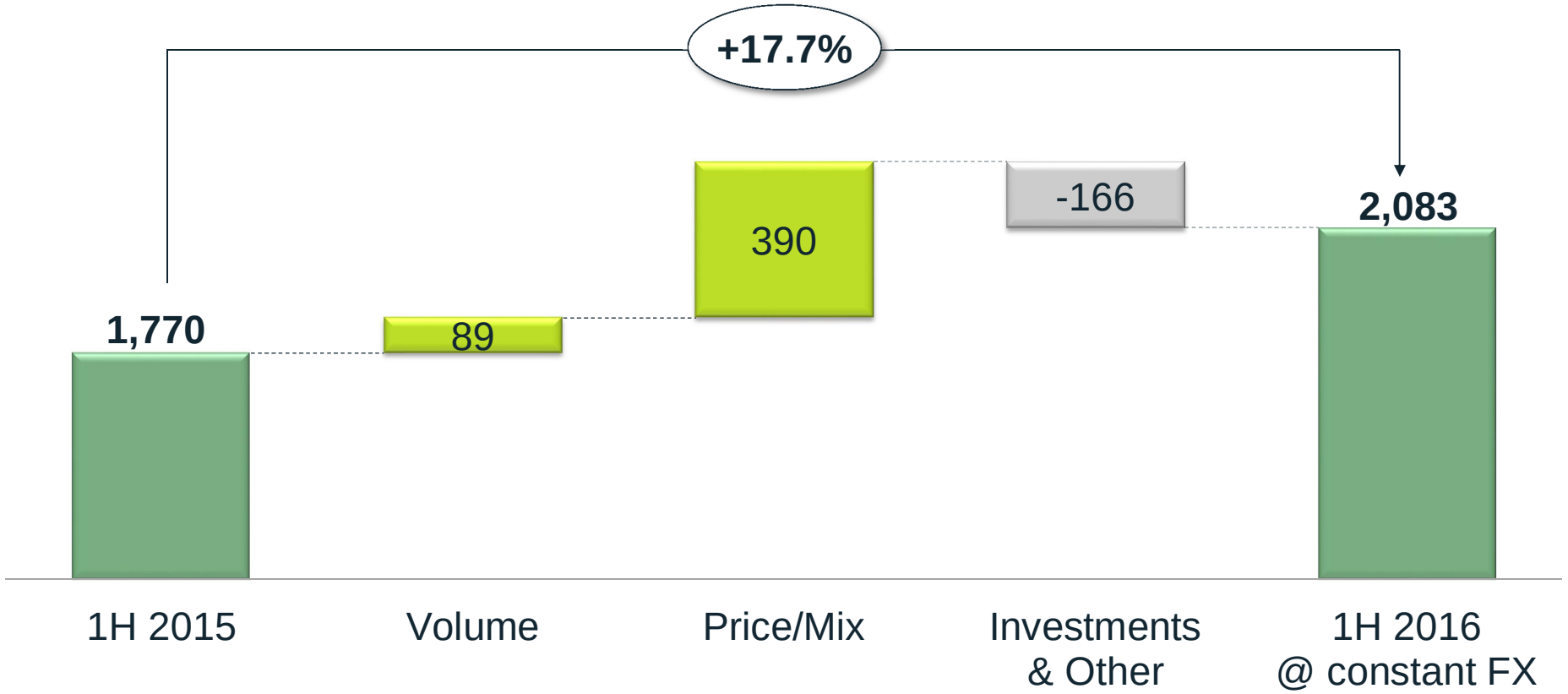
Core revenue ($MM)



© Copyright JT 2016

Growing profit and business investments

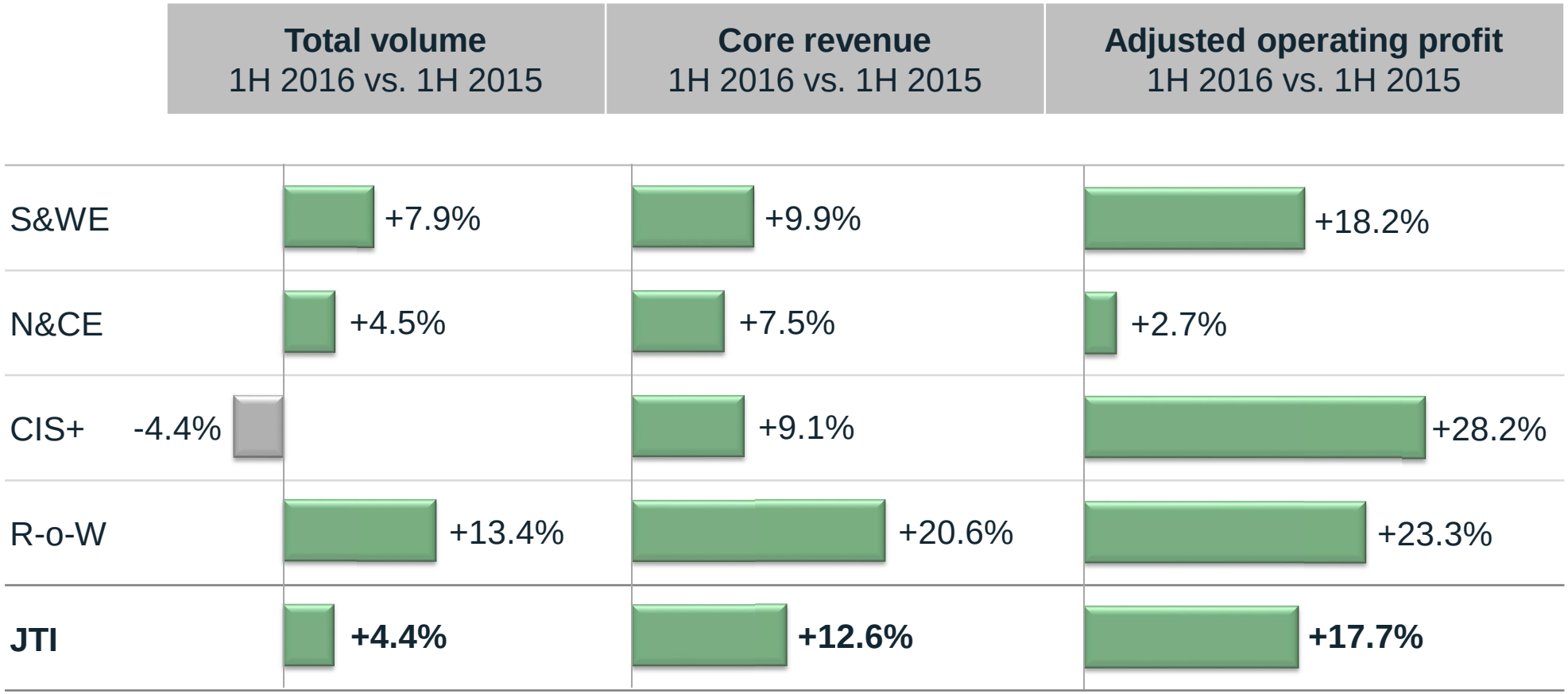
Adjusted operating profit ($MM)



© Copyright JT 2016

First half performance by cluster

Robust top and bottom line results across clusters



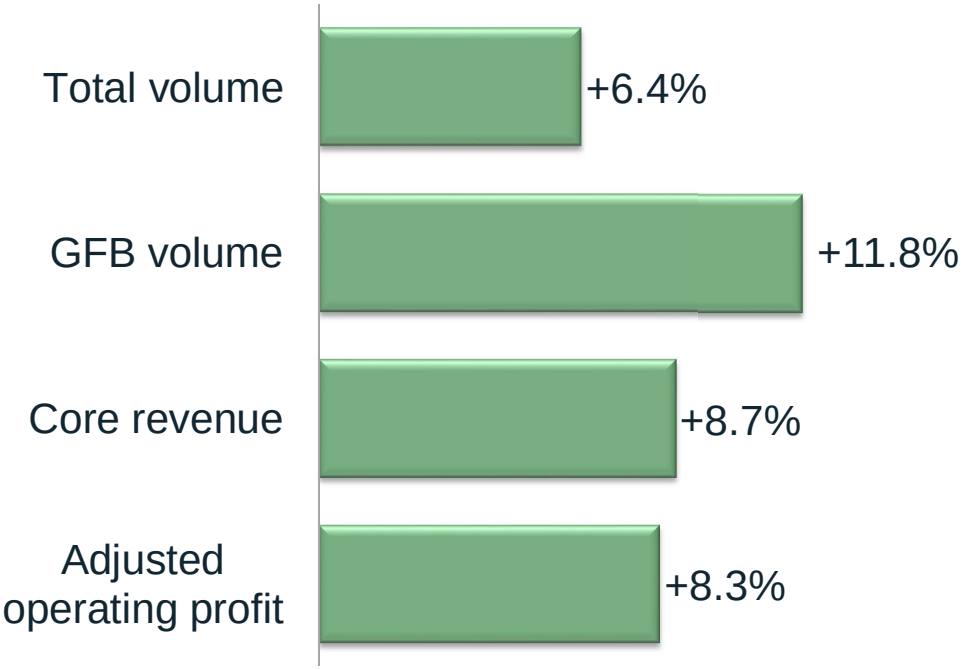
© Copyright JT 2016

Note: Core revenue and adjusted operating profit at constant currency

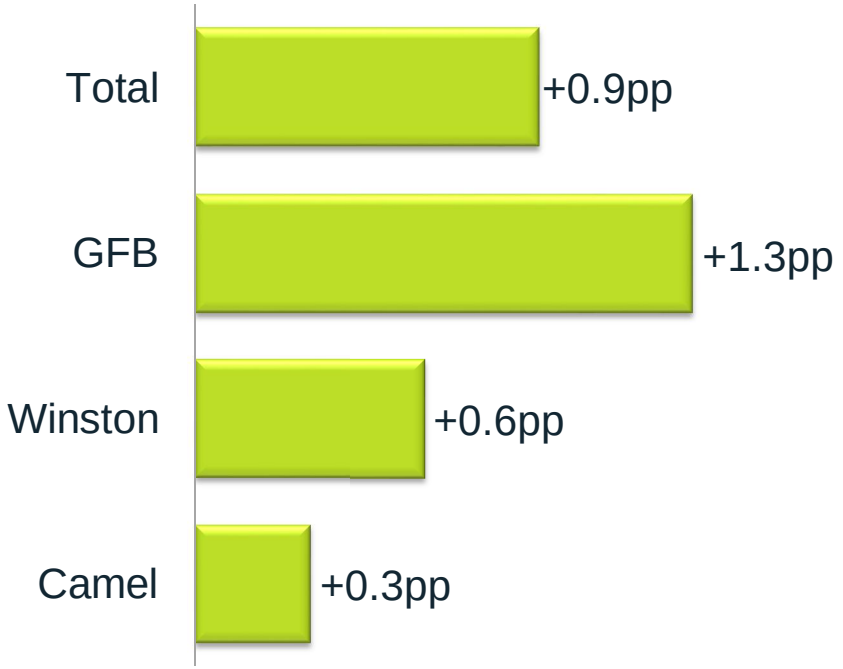
Europe: Exceptional performance led by GFBs

Europe (S&WE + N&CE)

Key Performance Indicators
1H 2016 vs. 1H 2015



JTI Share of market
1H 2016 vs. 1H 2015

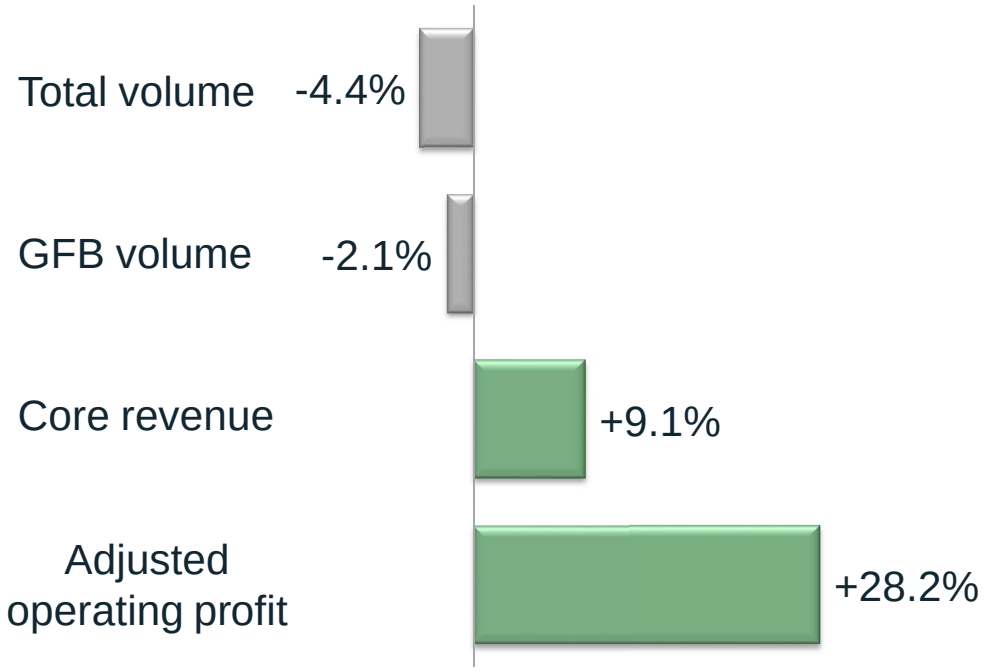


© Copyright JT 2016

Note: Core revenue and adjusted operating profit at constant currency. Source: Internal estimates. SoM on 6-month rolling average to June, including cigarettes and fine cut

CIS+: Pricing drives strong revenue and profit growth

Key Performance Indicators
1H 2016 vs. 1H 2015

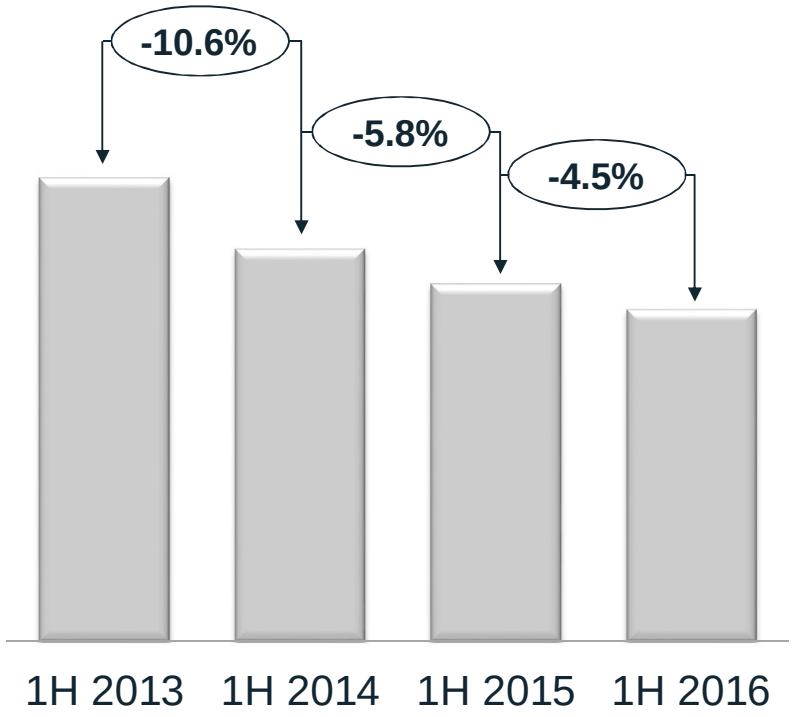


- Industry size decline results in total volume reduction
- GFB resilience driven by strong share of market performance:
  - Kazakhstan +1.4pp
  - Romania +4.5pp
  - Russia +0.5pp
  - Ukraine +0.3pp
- Strengthened #1 SoM position in Russia and Kazakhstan
- Robust pricing supports strong core revenue and earnings growth

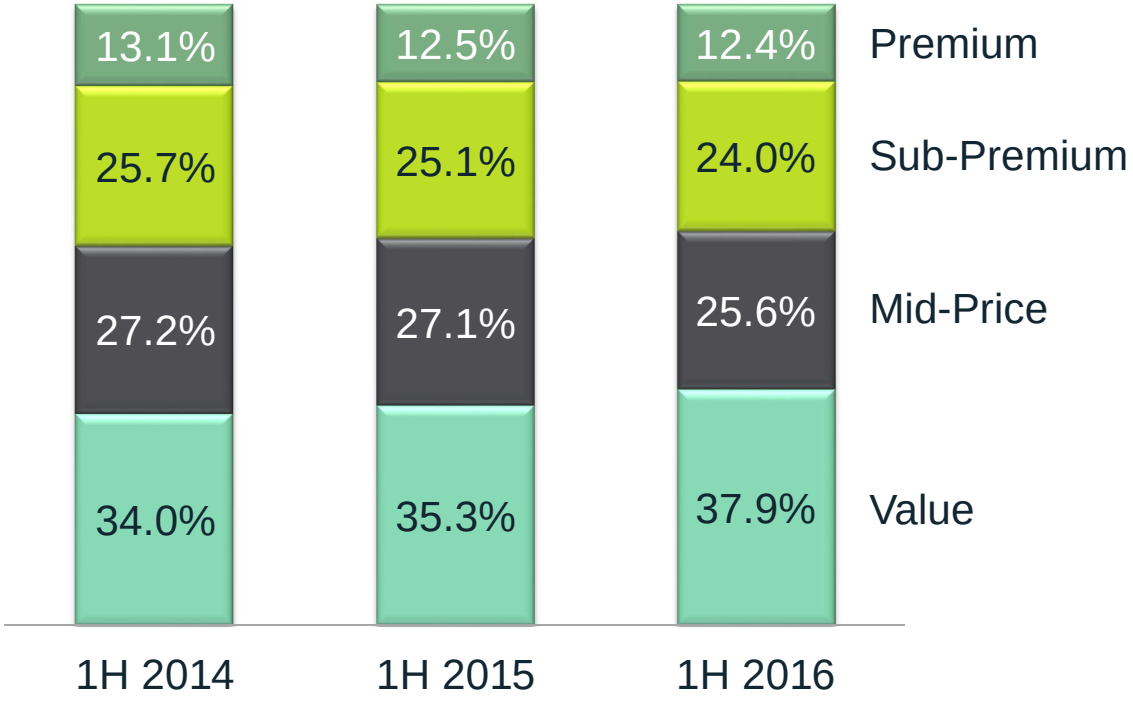
© Copyright JT 2016
Note: Core revenue and adjusted operating profit at constant currency

Russia: Market size decline moderates while downtrading continues

Industry volume evolution



Price segment dynamics



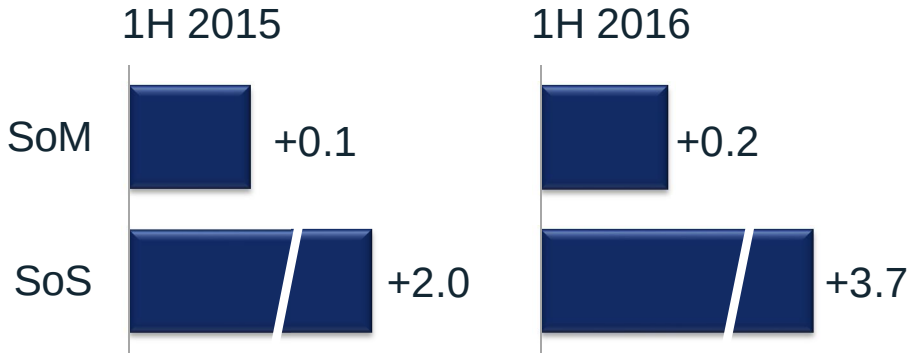
© Copyright JT 2016
Source: Internal estimates

Russia: Investment in equity drives GFB share growth and pricing

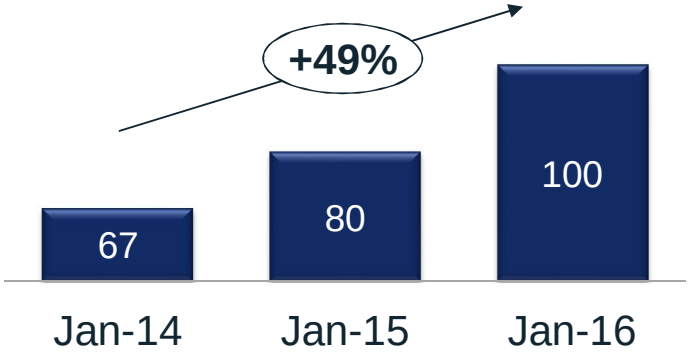
Sub-Premium



Share evolution YoY (pp)

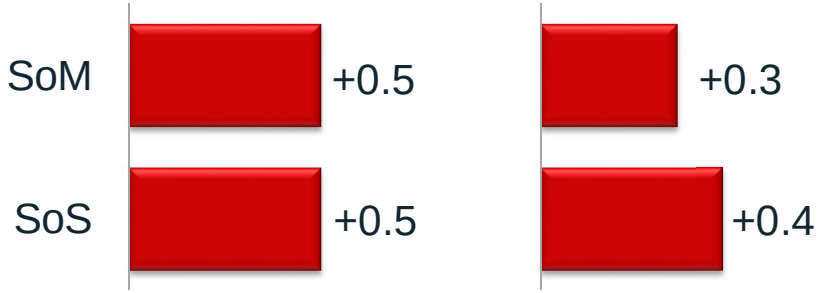


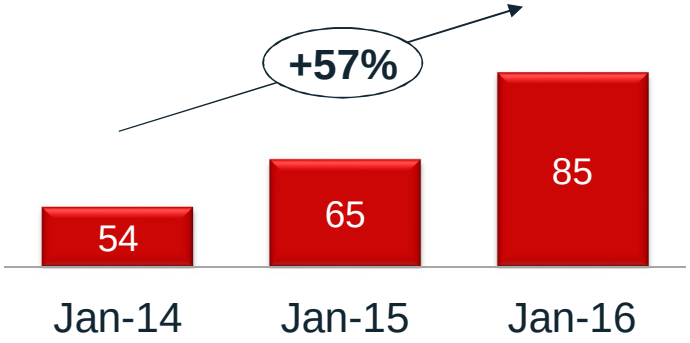
Pricing change (RUB / pack)



Mid-Price/Value





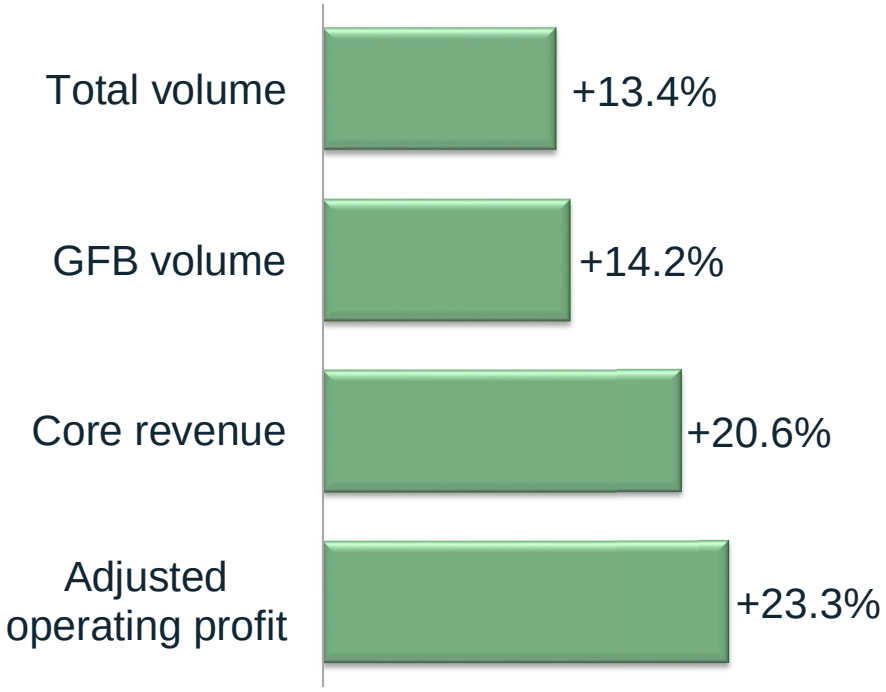


© Copyright JT 2016

Source: Internal estimates, Nielsen. SoM and SoS on 6-month rolling average to June

Rest-of-the-World: Growing profit while investing for the long-term

Key Performance Indicators
1H 2016 vs. 1H 2015



- Share of market growth across many markets including:
  - Brazil, Canada, Iran, Korea, Myanmar, Philippines and Taiwan
- Pricing in Canada, Iran, Taiwan, Turkey drives strong revenue growth
- Significant double-digit profit growth after investment in seeding markets and emerging products

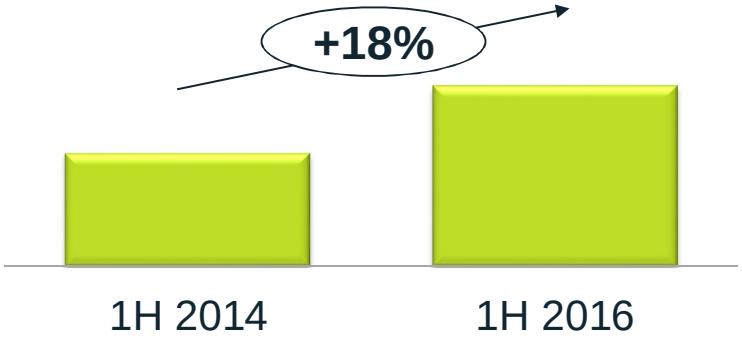
© Copyright JT 2016
Note: Core revenue and adjusted operating profit at constant currency

Turkey: Improved profitability and higher market share

JTI Share of market (%)



JTI Core revenue per M
Index (1H 2014 = 100)



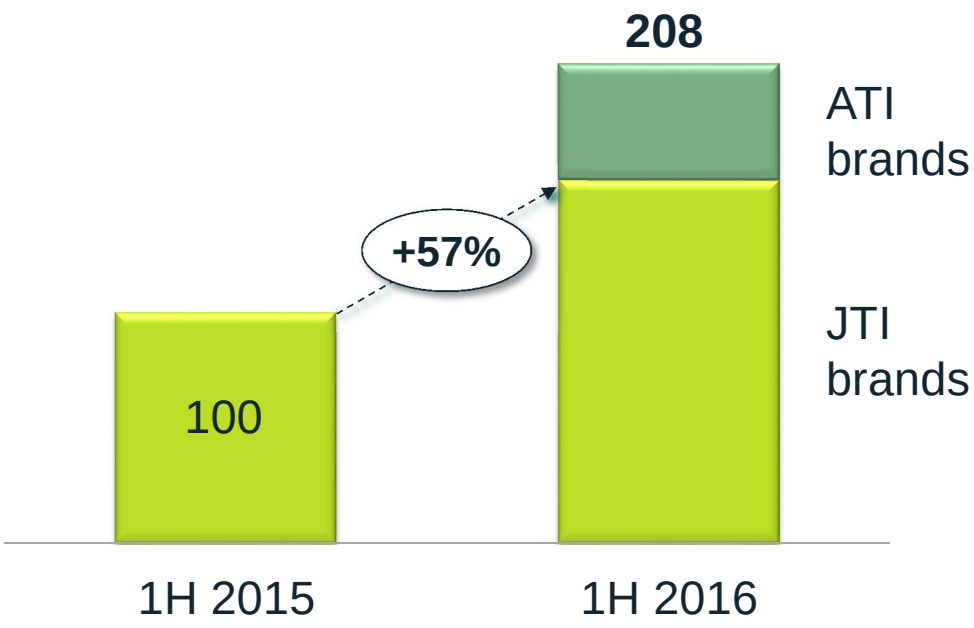
- Share of market growth following Camel price repositioning in May 2014
- Stabilization of share at 30% level
- Robust pricing drives improved profitability from the first half of 2016
- +1TRY increase across the portfolio announced in July 2016

© Copyright JT 2016

Source: Nielsen. JTI SoM on 6-month rolling average to June. Note: Core revenue per thousand cigarette equivalent units at constant currency

Iran: Strong growth led by acquisition and expanded distribution

Volume progression
(Index, 1H 2015=100)

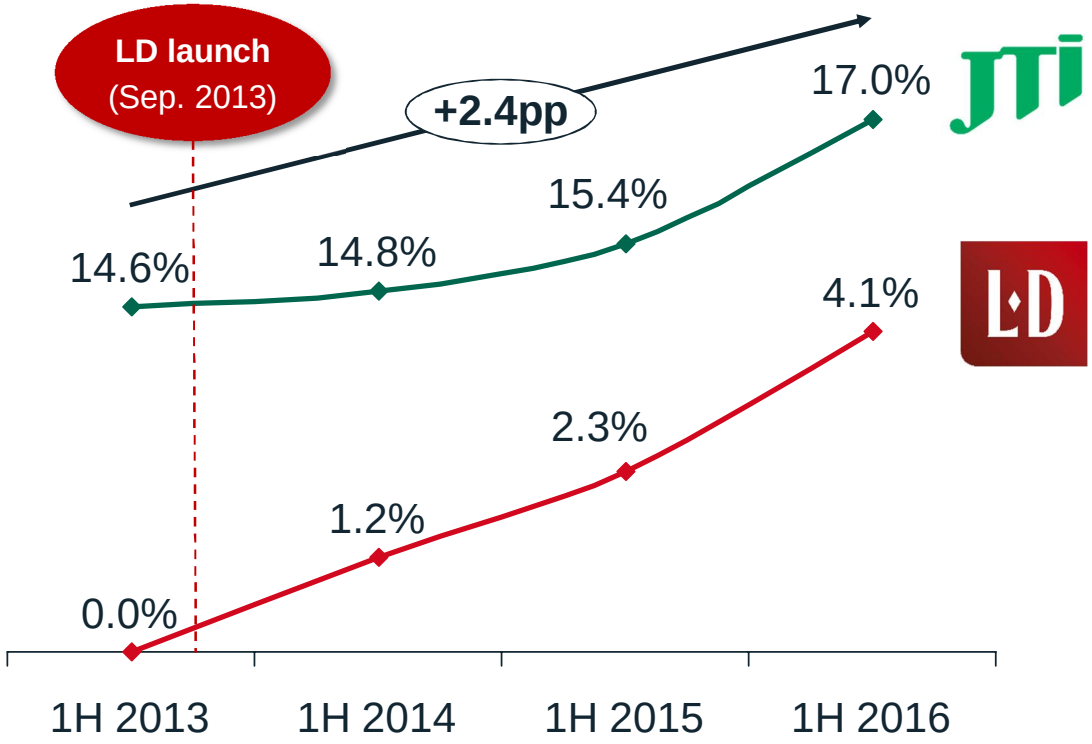


- Winston #1 brand*
- ATI acquired in September 2015
- Improved route-to-market drove JTI brands' YoY volume growth above 50%
- Significant contributor to earnings growth in 2016

© Copyright JT 2016
** JTI internal estimates*

Canada: Continued share gains in a highly regulated market

Share of market development



- Highly regulated tobacco market:
  - Retail display ban
  - SIPPs ban
  - 75% health warnings
- Strong JTI share growth of 2.4pp since 2013 driven by LD
- Robust year-on-year pricing
- JTI volume growth in 1H 2016

© Copyright JT 2016

Source: Internal estimates. SoM on 6-month rolling average to June

Summary and FY 2016 Outlook

Well positioned to achieve double-digit profit growth in FY 2016

- Strengthening business fundamentals with increased global share of market driven by GFBs
- Robust 1H performance with growth across all Key Performance Indicators
- Well positioned to achieve full year earnings growth of 11.4% in 2016:
  - Total volume and core revenue to increase 2.0% and 8.1%, respectively
  - Secured robust pricing
  - Increased investments in emerging products and seeding markets

© Copyright JT 2016
Note: Financial targets at constant currency