Announcement : October 31, 2016
Investor's Meeting : November 1, 2016

JTG consolidated financial results for 2016 Third Quarter (January 1, 2016 – September 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-September 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 profit growth in excess of 11% at constant currency

(JPY BN)

	Jan-Sep 2015	**Jan-Sep 2016**	**vs. PY**
Adjusted Operating Profit at constant FX	510.3	**570.6**	**+11.8%**
Revenue	1,688.5	**1,618.5**	**-4.1%**
Adjusted Operating Profit	510.3	**476.5**	**-6.6%**
Operating Profit	455.9	**494.6**	**+8.5%**
Profit	317.1	**350.0**	**+10.4%**

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Results by business segment
January – September 2016

International Tobacco Business

GFBs and pricing drive robust financial performance

(BNU, US$ MM)

	Jan-Sep 2015	**Jan-Sep 2016**	**vs. PY**
Total Shipment Volume	295.6	**304.2**	**+2.9%**
GFB Shipment Volume	205.4	**216.3**	**+5.3%**
At Constant FX			
Core Revenue	7,823	**8,676**	**+10.9%**
Adjusted Operating Profit	2,715	**3,134**	**+15.4%**
Reported			
Core Revenue	7,823	**8,062**	**+3.1%**
Adjusted Operating Profit	2,715	**2,626**	**-3.3%**
JPY Basis (JPY BN)			
Core Revenue	946.9	**873.1**	**-7.8%**
Adjusted Operating Profit	328.5	**285.0**	**-13.2%**

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Year-on-year evolution by cluster

Change vs. PY

	Jan-Mar 2016	Apr-Jun 2016	**Jul-Sep 2016**	**Jan-Sep 2016**
South & West Europe				
Total Shipment Volume	12.2%	4.0%	**-0.1%**	**5.1%**
GFB Shipment Volume	14.3%	6.6%	**1.2%**	**7.1%**
Core Revenue at constant FX	14.8%	5.6%	**4.2%**	**8.0%**
North & Central Europe				
Total Shipment Volume	4.5%	4.5%	**0.9%**	**3.2%**
GFB Shipment Volume	15.6%	14.0%	**8.9%**	**12.6%**
Core Revenue at constant FX	6.4%	8.7%	**4.7%**	**6.5%**

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International Tobacco Business

Year-on-year evolution by cluster

Change vs. PY

	Jan-Mar 2016	Apr-Jun 2016	**Jul-Sep 2016**	**Jan-Sep 2016**
CIS+				
Total Shipment Volume	-0.6%	-7.2%	**-8.7%**	**-5.9%**
GFB Shipment Volume	3.1%	-6.0%	**-6.4%**	**-3.7%**
Core Revenue at constant FX	13.9%	5.9%	**1.1%**	**6.2%**
Rest-of-the-World				
Total Shipment Volume	13.9%	13.0%	**11.3%**	**12.7%**
GFB Shipment Volume	16.3%	12.3%	**16.2%**	**14.9%**
Core Revenue at constant FX	18.3%	22.8%	**18.0%**	**19.7%**

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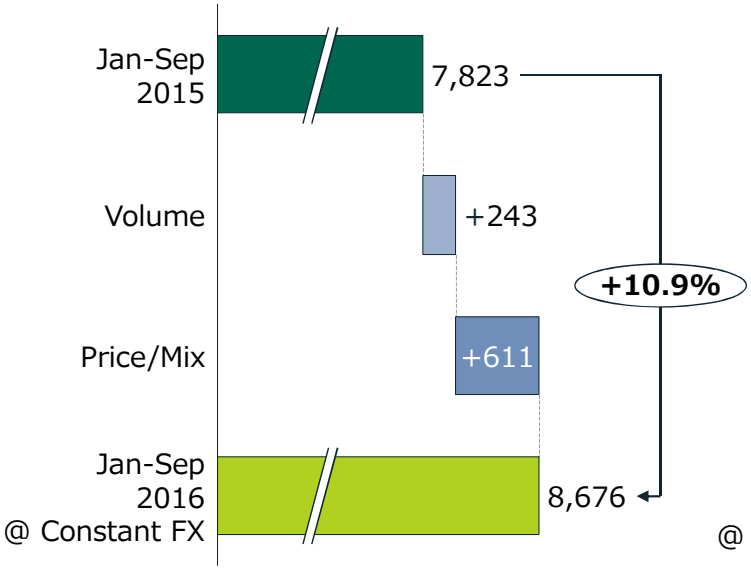
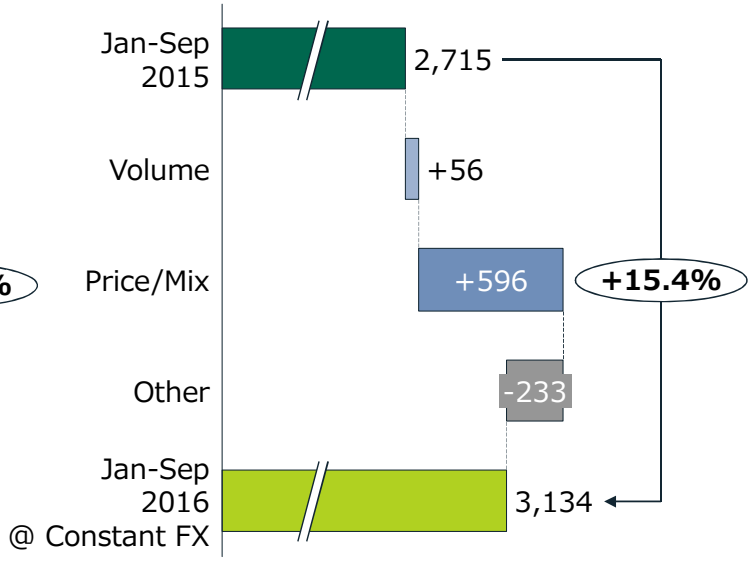
Strong top-line performance drives double digit profit growth

(US$ MM, Constant FX)

Core Revenue



Adjusted Operating Profit



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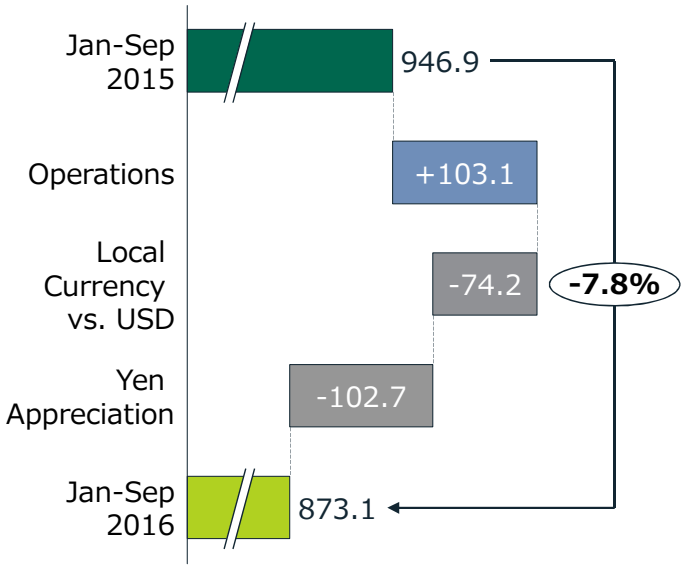
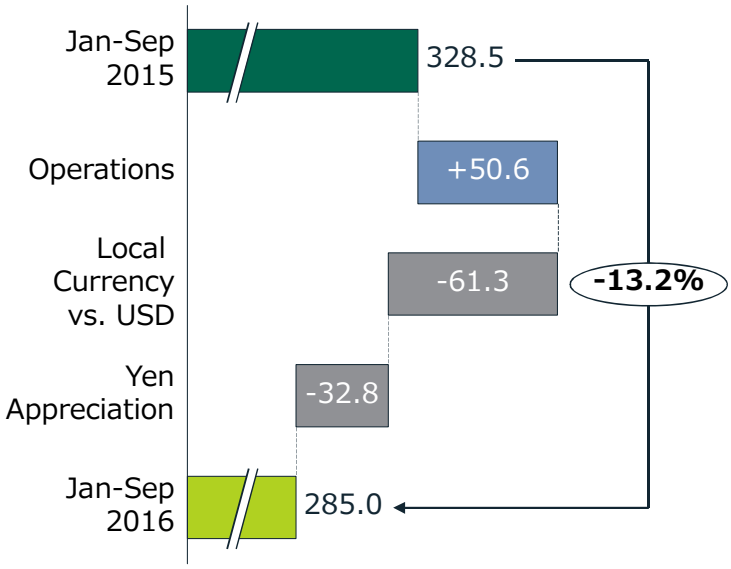
Currency headwinds prevail

(JPY BN)

Core Revenue



Adjusted Operating Profit



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Top-line and profit remained solid while sales volume declined

(BNU, JPY BN)

	Jan-Sep 2015	**Jan-Sep 2016**	**Change vs. PY Change (%pt)**
JT Sales Volume	81.3	**79.7**	**-1.9%**
JT Share	59.9%	**61.0%**	**+1.1%pt**
MEVIUS Share	32.1%	**31.4%**	**-0.7%pt**
Core Revenue	478.2	**485.5**	**+1.5%**
Adjusted Operating Profit	197.6	**199.0**	**+0.7%**

※ 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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Pharmaceutical and processed food business both delivered profit growth for the group

(JPY BN)

	Jan-Sep 2015	**Jan-Sep 2016**	**vs. PY**
Pharmaceutical Business			
Revenue	53.4	**60.7**	**+7.3**
Adjusted Operating Profit	-3.3	**4.2**	**+7.5**
Processed Food Business			
Revenue	120.5	**120.1**	**-0.4**
Adjusted Operating Profit	1.3	**3.7**	**+2.4**

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2016 Revised forecast

Consolidated Financial Forecast

Adjusted operating profit at constant currency revised up by JPY 10 billion

(JPY BN)

	Previous Forecast	**Revised Forecast**	**Change vs. Previous Forecast**	**Change vs. PY**
Adjusted Operating Profit @ constant FX	680.0	**690.0**	**+10.0**	**+10.1%**
Revenue	2,120.0	**2,120.0**	**-**	**-5.9%**
Adjusted Operating Profit	569.0	**576.0**	**+7.0**	**-8.1%**
Operating Profit	572.0	**580.0**	**+8.0**	**+2.6%**
Profit	409.0	**414.0**	**+5.0**	**+3.9%**

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Strong on-going performance leads to forecast adjustments

(BNU, US$ MM)

	Previous Forecast	**Revised Forecast**	**Change vs. Previous Forecast**	**Change vs. PY**
Total Shipment Volume	402.0	**402.0**	**-**	**+2.0%**
GFB Shipment Volume	285.0	**285.0**	**-**	**+4.2%**
At Constant FX				
Core Revenue	11,180	**11,200**	**+20**	**+8.3%**
Adjusted Operating Profit	3,630	**3,660**	**+30**	**+12.4%**
Reported				
Core Revenue	10,580	**10,530**	**-50**	**+1.9%**
Adjusted Operating Profit	3,080	**3,060**	**-20**	**-6.1%**
JPY Basis (JPY BN)				
Core Revenue	1,118.0	**1,120.0**	**+2.0**	**-10.6%**
Adjusted Operating Profit	328.0	**328.0**	**-**	**-16.8%**

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Profit forecast remains unchanged while sales volume is revised down to reflect recent trend

(BNU, JPY BN)

	Previous Forecast	**Revised Forecast**	**Change vs. Previous Forecast**	**Change vs. PY**
Sales Volume	107.0	**106.0**	**-1.0**	**-3.0%**
Core Revenue	655.0	**649.0**	**-6.0**	**+1.1%**
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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T-vapor: Our approach & Ploom TECH update

T-Vapor

- Focus on this category as an opportunity to ascertain future growth for our tobacco business
  - ✓ One of the essential categories in fulfilling diverse consumer needs
  - ✓ Contribute further to the growth of the expanding T-vapor market
  - ✓ Within the next 3 to 5 years, aim to be the market leader in Japan in this category

Ploom TECH

- Confidence in the product appeal
  - ✓ Retention rate increasing steadily since product launch
- Initiatives to expand production capacity is duly underway
  - ✓ Supply capacity has more than quadrupled since product launch, development and installation of high-speed machines progressing smoothly
- Sales expansion and our approach
  - ✓ Product launch in selected major cities starting from early 2017, by looking at consumer purchasing behavior and frequency of use
- Expectation for potential to reduce health risk associated with the use of tobacco products

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Upward revision for pharmaceutical business reflecting increase in royalty income, processed food business confident to deliver another year of profit growth

(JPY BN)

	Previous Forecast	**Revised Forecast**	**Change from Previous forecast**	**Change from PY**
Pharmaceutical Business				
Revenue	82.0	**86.0**	**+4.0**	**+10.4**
Adjusted Operating Profit	4.0	**8.5**	**+4.5**	**+10.8**
Processed Food Business				
Revenue	169.0	**166.0**	**-3.0**	**+0.2**
Adjusted Operating Profit	4.5	**4.5**	**-**	**+1.8**

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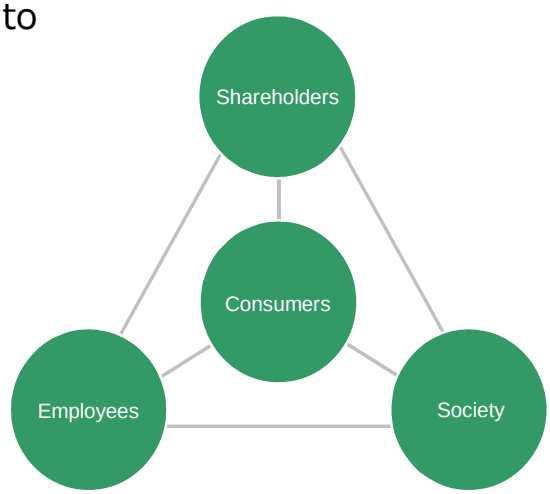
Closing

Closing Remarks

Confident to achieve strong profit growth despite challenging conditions

- Upward revision of adjusted operating profit at constant currency by JPY 10 billion, forecasting double digit profit growth for the year
- Aim for sustainable profit growth over the mid- to long-term while business investment is accelerated
  - ✓ Further expand geographic reach
  - ✓ Enhance brand equity
  - ✓ Engage in emerging products
- Forecast for dividend per share remains unchanged at JPY 128



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