Announcement ：February 6, 2017
Investors' Meeting：February 7, 2017

Business Plan 2017

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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.

Agenda

- Our mid- to long-term business strategy
- Business Plan 2017

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Our mid- to long-term business strategy

Our mid- to long-term business strategy

Continue to invest for sustainable mid- to long-term profit growth

<Strategic framework>

Quality top-line growth	Expand geographically Build brand equity Strengthen emerging products
Competitive cost base	Optimize manufacturing footprint Continuous improvement
Robust business foundations	Develop talent Leverage diversity

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Countermeasures to the anticipated changes in the environments

	Quality top-line growth	Competitive cost base
International Tobacco Business	■ Invest in seeding markets ■ Expand geographically notably through acquisitions ■ Build an E-Vapor foundation	■ Optimize the factory in Russia ■ Optimize the manufacturing footprint in Europe ■ Build Taiwan factory
Japanese Domestic Tobacco Business	■ Rebrand to MEVIUS ■ Acquire Natural American Spirit ■ Invest in T-Vapor category	■ Change sourcing of Natural American Spirit to our own factory
	■ Measures to strengthen the competitiveness	
Robust business foundations		

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Investments in all the businesses lead to strong results
- High confidence in our business strategy

Group Profit Growth in 2016*

+11.3%

* Adjusted operating profit at constant FX

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Business Plan 2017

Operating environment for 2017-2019

- Global: Cigarette industry volume* declines gradually **
  Emerging product market expands but remains limited in size
- International: uncertainties remain
  - Europe
    - ➢ Overall economy gradually recovers
    - ➢ Regulations continue to tighten with plain packaging and TPD2
  - CIS+
    - ➢ Economy remains uncertain
    - ➢ Competition intensifies in lower-priced products
  - Geopolitical risks and FX volatility continue
- Japan: Cigarette industry volume declines and T-Vapor category expands

* Industry volume of cigarette (excluding Emerging Products)
** Exclude China market

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Business Plan 2017 – Mid- to long-term target

Mid- to long-term growth target
(Adjusted operating profit at constant FX)

Mid to high single-digit

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No change in the roles of each business

- **Tobacco Business:**

  As our core business, aim for mid to high single-digit profit growth in the mid- to long-term

  （Japan domestic） Maintain its highly competitive platform of profitability
  Strengthen cigarette and T-Vapor foundations

  （International） The Group's profit growth engine
  Continue to invest in brand equity, seeding markets, and emerging products

- **Pharmaceutical and Processed Food Businesses:**

  Complement the JT Group profit growth

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International Tobacco Business – Enhance business investments

Build brand equity

Winston MEVIUS IMAGINEERING THE FUTURE CAMEL L&D

Invest in seeding markets

BD BR EG ID KP

MN MX PH TH VN

Pursue cost competitiveness

UK RU

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Emerging Products

To be the most trusted global leader

- Develop the next generation products
- Conduct scientific research related to reduced risk
- Engage in development of operating environment regarding emerging products





This slide has been developed to explain JT's performance to our investors.
It is not intended to promote the purchase of our products or to induce smoking.

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Japanese Domestic Tobacco Business
- Moving aggressively with Ploom TECH





- **Robust value chain**
  - ➢ Production capacity at the end of 2017: 20 million packs per month
  - ➢ Complete the planned production capacity increase in 2018 (one year ahead of original schedule)
- ✓ Marketing and sales measures
  - ➢ Expand points of use, leveraging our experience in Fukuoka city
  - ➢ Make the most of the sales force with competitive quality and scale
  - ➢ Accumulate and effectively communicate the scientific evidence
- **Sales schedule**
  - ✓ Start to expand in Tokyo from June 2017
  - ✓ Start to expand nationwide in the first half of 2018

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Japanese Domestic Tobacco Business - Enhance brand portfolio

Segment	Key brand	JT total Share of Segment*
Prestige	NATURAL AMERICAN SPIRIT	52.5%（+6.1%pt）
Premium	SevenStars	44.3%（+0.7%pt）
Sub-premium+	MEVIUS IMAGINEERING THE FUTURE	99.6%（+1.2%pt）
Sub-premium	Winston	32.5%（+0.1%pt）

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* 2016 results ( ): Change vs. PY

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Pharmaceutical and Processed Food Businesses - Complement the JT Group profit growth

Aim to achieve over JPY 10 billion combined contributions to the Group's profit* growth in 2017

Pharmaceutical Business

- Develop the next generation strategic compounds
- Maximize the value of each product

Processed Food Business

- Focus on the staple food
- Capital expenditures for further growth

* Adjusted operating profit

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Business Plan 2017 – Resource allocation and Shareholder return policies

The “4S” model guides our resource allocation

- Prioritize business investments for sustainable profit growth in the mid- to long-term
- Pursue an optimal balance between profit growth underpinned by business investments and shareholder returns

Aim to enhance shareholder returns considering the Company’s mid- to long-term profit growth trend, while maintaining a solid balance sheet*

- Deliver consistent dividend per share growth
- Consider implementing share buy-back, which takes into account the Company’s mid-term operating environment and financial outlook
- Continue to closely monitor shareholder returns of global FMCG companies**

* As its financial policy, the Company maintains a solid balance sheet. This provides the capacity to withstand any adversity arising out of a volatile environment, such as economic crisis. It also allows for sufficient flexibility to capture attractive investment opportunities.

**The Company monitors global FMCG companies which have a stakeholder model similar to our “4S” model, and have realized strong business growth.

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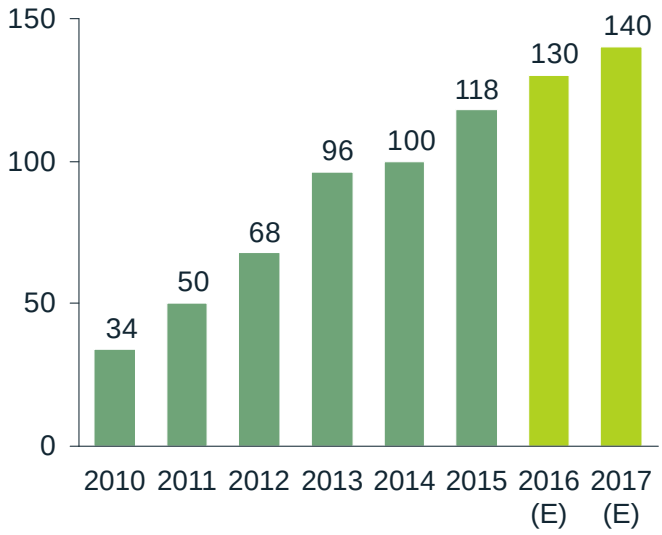
Business plan 2017 – Shareholder return

- Continuous dividend growth
  2016：Dividend per share JPY 130
  (JPY 2 increase vs. initial forecast)

  2017：Dividend per share JPY 140
  (JPY 10 increase vs. 2016)
- Confident in achieving mid to high single-digit profit growth at constant currency over the next three years

Dividend per share (JPY)



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Business plan 2017 – 2017 forecasts

Adjusted operating profit at constant currency

JPY 607.0 BN (+3.4%)

Dividend per share

JPY 140 (+7.7%)

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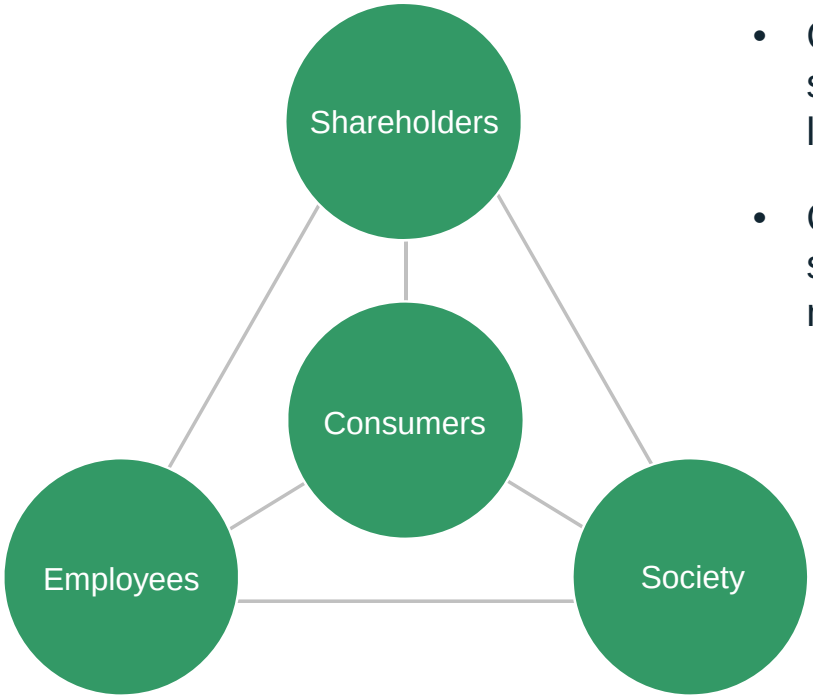
Closing remarks



- Confident of achieving mid to high single-digit profit growth in mid- to long-term
- Committed to paying a dividend per share considering the Company's mid- to long-term profit growth

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