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

JTG consolidated financial results for 2016 and forecasts for 2017

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*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 indicator, 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 OP:	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.
Cigarette industry volume (Japanese domestic tobacco business)	Industry volume of cigarette in Japan market (excluding Emerging Products)
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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Financial results for 2016

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

Consolidated Financial Results

(JPY BN)

	2016 Actual	Change vs. PY
At constant FX		
Adjusted OP	**697.5**	+11.3%
Reported		
Revenue	**2,143.3**	-4.9%
Adjusted OP	**586.8**	-6.4%
Operating Profit	**593.3**	+5.0%
Profit	**421.7**	+5.8%
FCF*	**-316.2**	-702.9 (JPY BN)

At constant FX

Adjusted Operating Profit

Grew 11.3% driven by all businesses

Reported

Revenue and Adjusted Operating Profit

Declined due to unfavorable FX movements

Operating Profit and Profit

Increased driven by higher gains from the sale of real estate assets

FCF

Negative due to the Natural American Spirit acquisition

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* 2015 results: continuing business + discontinued business

International tobacco business results
– Shipment volume / At constant FX

Robust pricing

Double-digit profit growth rate

	2016 Actual	Change vs. PY
Shipment volume	(BNU)	
Total	**398.7**	+1.2%
GFB	**283.7**	+3.7%
At constant FX	($MM)	
Core revenue	**11,215**	+8.5%
Adjusted OP	**3,693**	+13.4%

Adjusted Operating Profit ($MM)



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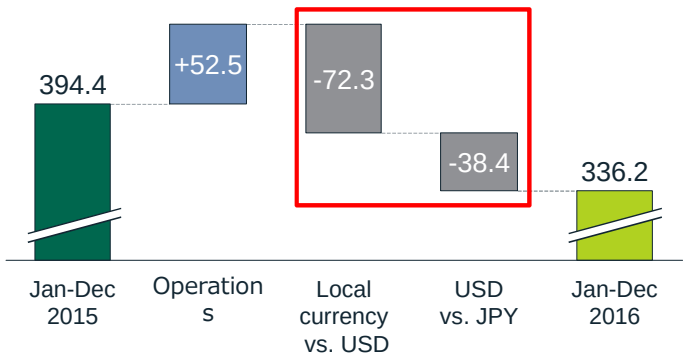
International tobacco business results
– Reported basis

	2016 Actual	Change vs. PY
Reported USD basis	($MM)	
Core revenue	**10,490**	+1.5%
Adjusted OP	**3,095**	-5.0%
Reported JPY Basis	(JPY BN)	
Core revenue	**1,138.8**	-9.1%
Adjusted OP	**336.2**	-14.7%

Actual Exchange Rates	2016	vs. PY
RUB/USD	67.07	-9.1%
GBP/USD	0.74	-11.6%
JPY/USD	108.78	-10.2%

For details, please refer to page 6 of the Financial Results Supplemental Material.

Adjusted Operating Profit (JPY BN)



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Japanese domestic tobacco business results

(BNU, JPY BN)

	2016 Actual	Change vs. PY (%, %pt)
JT Sales Volume	**106.2**	-2.8%
JT Share	**61.1%**	+1.2%pt
MEVIUS Share	**31.4%**	-0.7%pt
Core Revenue	**649.7**	+1.2%
Adjusted OP	**260.2**	+2.4%

※ 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.

Accelerated cigarette industry contraction due to T-Vapor growth

Retail price change of MEVIUS

Acquisition of Natural American Spirit

Benefits from initiatives to strengthen competitiveness

Delivered solid performance in line with latest forecast in a continuously challenging environment

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Pharmaceutical and processed food business results

(JPY BN)

	2016 Actual	Change vs. PY
Pharmaceutical		
Revenue	**87.2**	+11.6
Adjusted OP	**9.7**	+12.0
Processed food		
Revenue	**164.1**	-1.8
Adjusted OP	**5.0**	+2.3

Pharmaceutical

- Increased royalty revenues from out-licensed products
- Milestone revenue related to the progress in drug development

Processed food

- Solid sales of staple products
- Profit margin increased due to product cost improvement

Contributed to the Group profit growth

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Forecasts for 2017

Consolidated financial forecasts

(JPY BN)

	2017 Forecast	Change vs. PY
At constant FX		
Adjusted OP	**607.0**	+3.4%
Reported		
Revenue	**2,110.0**	-1.6%
Adjusted OP	**587.0**	+0.0%
Operating Profit	**560.0**	-5.6%
Profit	**402.0**	-4.7%
FCF	**355.0**	+671.2 (JPY BN)

At constant FX

Adjusted Operating Profit

Aim to grow profit despite an extremely challenging operating environment

Reported

Revenue and Adjusted Operating Profit

To decline only slightly despite the difficult environment

Operating Profit, Profit

To decline due to decreased gains from the sale of real estate assets

FCF

No specific factors expected

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International tobacco business forecasts
– Shipment volume / At constant FX

	2017 Forecast	Change vs. PY
Shipment volume	(BNU)	
Total	**395.0**	-0.9%
GFB	**288.0**	+1.5%
At constant FX	($MM)	
Core revenue	**10,440**	-0.5%
Adjusted OP	**3,375**	+9.1%

Top-line to remain essentially flat in an challenging operating environment

Materialization of significant efficiency gains

Aim for 9% profit growth while continuing to invest

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International tobacco business forecasts
– Reported basis

	2017 Forecast	Change vs. PY
Reported USD basis	($MM)	
Core revenue	**10,170**	-3.1%
Adjusted OP	**3,150**	+1.8%
Reported JPY Basis	(JPY BN)	
Core revenue	**1,118.0**	-1.8%
Adjusted OP	**347.0**	+3.2%

Exchange Rate Assumptions	2017	vs. PY
RUB/USD	60.00	11.8%
GBP/USD	0.81	-8.7%
EUR/USD	0.95	-4.9%
TRY/USD	3.65	-17.3%
JPY/USD	110	1.1%

For details, please refer to page 10 of the Financial Results Supplemental Material.

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Japanese domestic tobacco business forecasts

(BNU, JPY BN)

	2017 Forecast	Change vs. PY
JT Sales Volume	96.0	-9.6%
Core revenue	620.0	-4.6%
Adjusted OP	244.0	-6.2%

※ 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.

Cigarette industry volume to decline due to T-Vapor impact

Optimization of investments in cigarette

Effect of the 2016 retail price amendment of MEVIUS

Sales expansion of Ploom TECH

Volume decline will not be completely offset

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Pharmaceutical and processed food business forecasts

(JPY BN)

	2017 Forecast	Change vs. PY
Pharmaceutical		
Revenue	**98.0**	+10.8
Adjusted OP	**19.0**	+9.3
Processed food		
Revenue	**165.0**	+0.9
Adjusted OP	**6.0**	+1.0

Pharmaceutical

- Continuous increase in royalty revenue
- Profit increase in Torii Pharmaceutical Co., Ltd.

Processed food

- Profitability to be further enhanced
- CAPEX to expand capacity starting from 2017

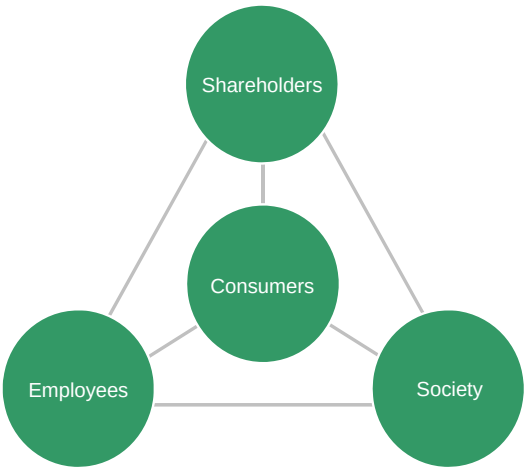
Profit increase of more than 10 billion yen in total

Continuously contribute to the Group profit growth

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Closing remarks

Closing remarks



- 2016 Results
  Adjusted Operating Profit at constant FX
  + 11.3% v.s. PY
  Shareholder return
  Dividend per share **JPY 130**
- 2017 Target
  Adjusted Operating Profit at constant FX
  + 3.4% v.s. PY
- 2017 Shareholder return commitment
  Dividend per share **JPY 140**

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