



Global Tobacco Growth Strategy

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Caution on Forward-Looking Statements

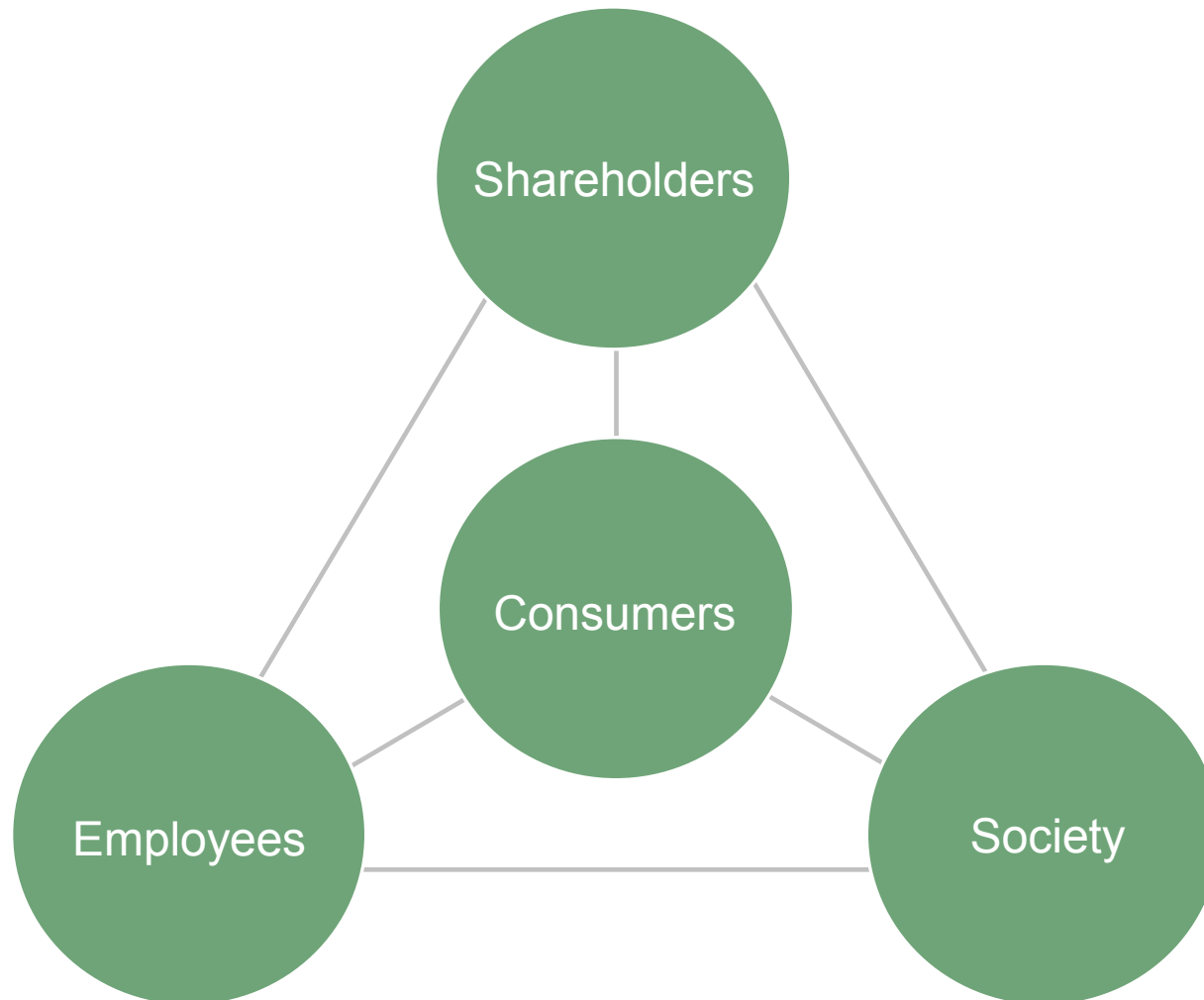
Today's presentations contain forward-looking statements. These statements appear in a number of places in these presentations and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition, and results of operations. 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.

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 to be used for any other purpose.

The 4S Model guides our management principles



Quality top line growth is a key priority to achieve our vision

Vision

To be the No.1 global tobacco company

Strategic Framework

Quality top-line
growth

×

Competitive cost
base

×

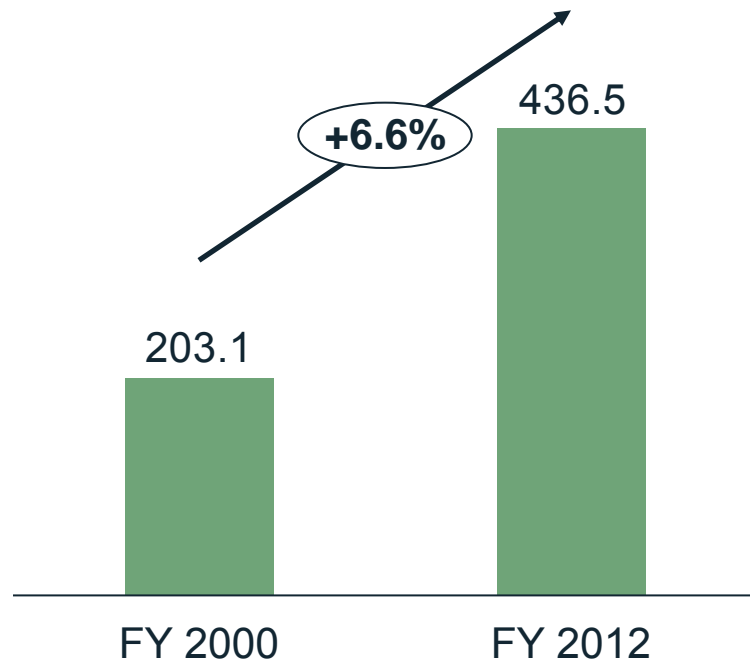
Robust business
foundations



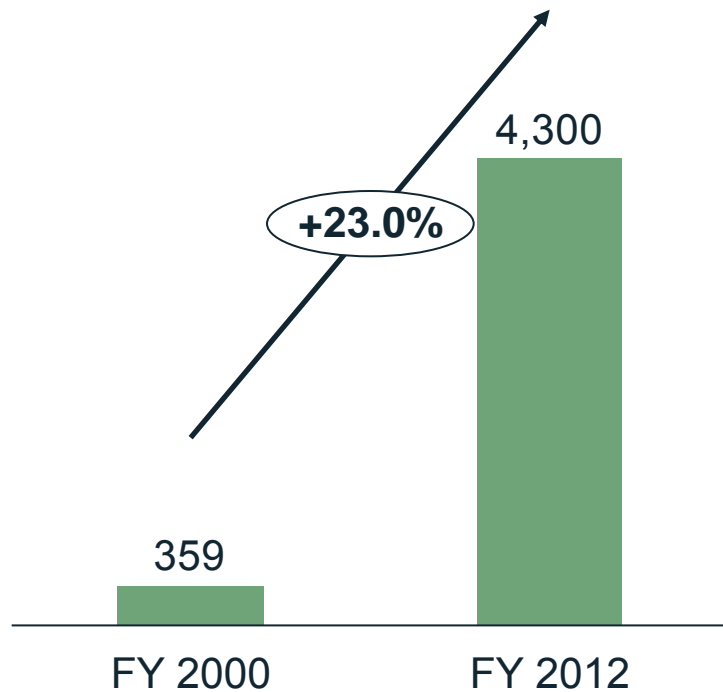
Track record of growth
in the tobacco business

International Tobacco Business: The Group's profit engine fueled by strong top-line growth

Total Volume Growth (BnU)



EBITDA Growth (\$MM)

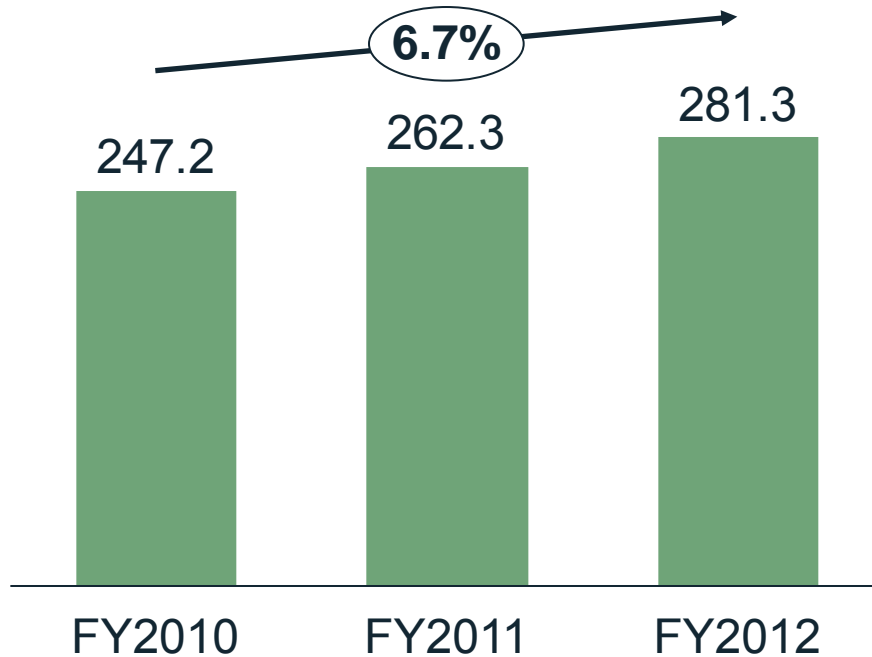


Growth rate: CAGR2000-12
2000: including China Division (China, Hong Kong, and Macau)
2012: including cigars, pipe tobacco and snus, but excluding contract manufactured products and China Division

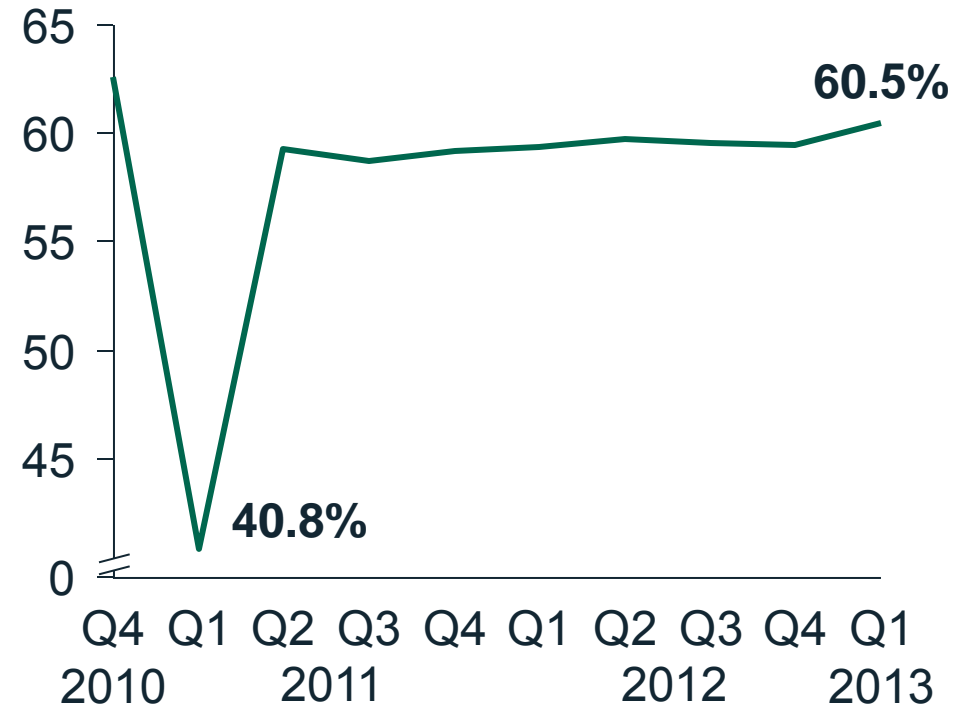
Growth rate: CAGR2000-12
2000: US GAAP base
2012: Adjusted EBITDA / IFRS base

Japanese Domestic Tobacco Business: Consolidated its strong earnings base with 60% market share

EBITDA¹ (Billions of yen)



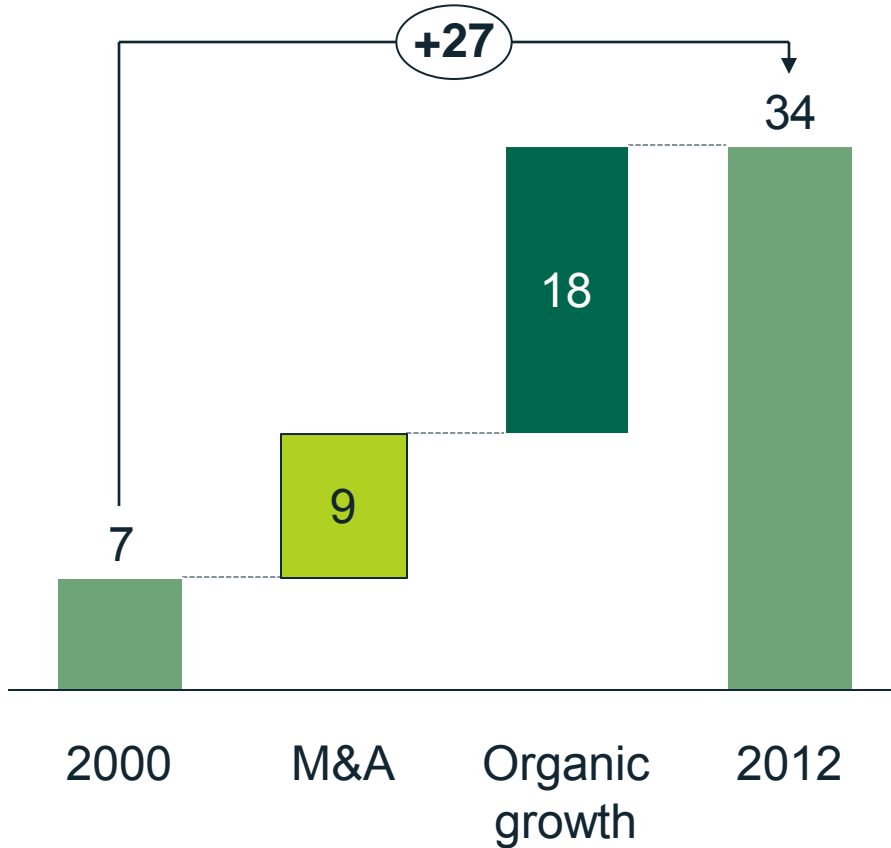
Share of Market (%)



1) IFRS based adjusted EBITDA: Operating profit + depreciation and amortization + adjustment items (income and costs)
 Adjustment items (income and costs) = impairment losses on goodwill ± restructuring income and costs ± others
 Growth rate : CAGR2010-12

Growing our footprint through M&A and organically

Number of markets above 20% SOM



- **M&A**
 - Gallaher
 - HCTF*
 - Gryson
- **Organic growth:** Continuous investment in brands and in trade capabilities

Source: JTI estimates

Note: Data after 2008 excludes contract manufactured products, includes Ciger/Pipes/Snus 2012 and Gryson & Sudan

*HCTF: Haggard Cigarette & Tobacco Factory, operating in Sudan & South Sudan

Enhancing our product portfolio to meet consumers' diverse needs



Developing emerging products with Ploom Inc.
Launched Ploom in Austria in May 2013, with additional market roll-outs planned during the year

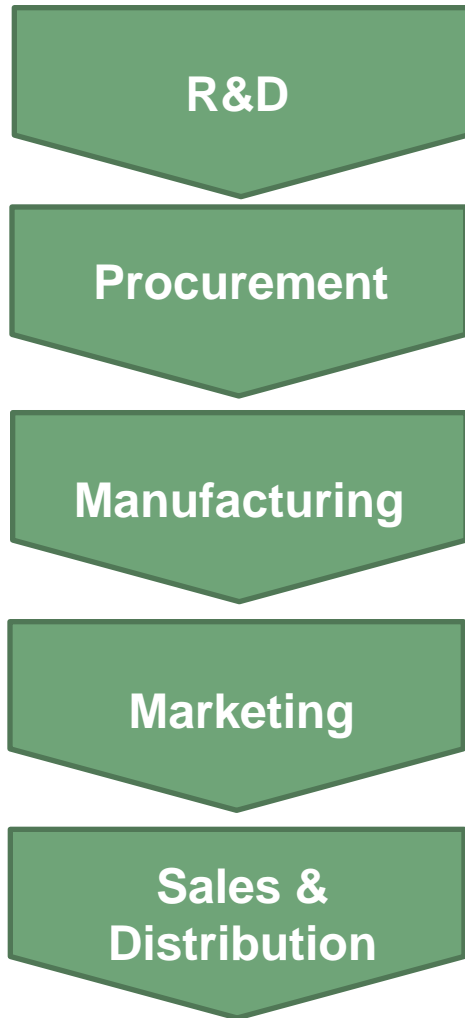


Expanding our presence in the fine cut category
Became No.2 fine cut manufacturer in Europe



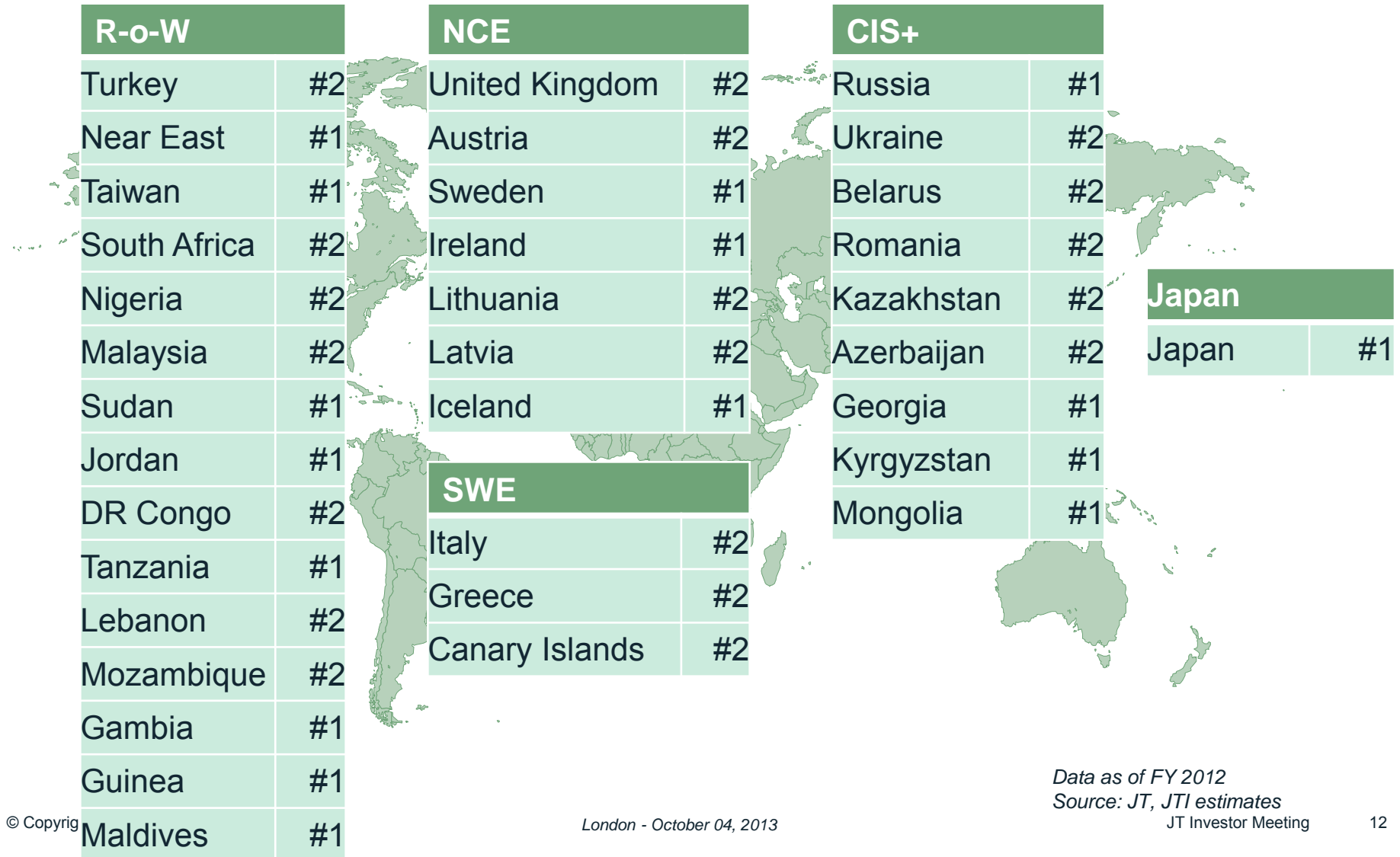
Entering Shisha, a new tobacco category for JTG
Acquired Al Nakhla in March 2013, a leading manufacturer of water pipe tobacco

Brand equity building by investing throughout the value chain



- Product innovation and quality improvement in tobacco leaf, blends, filters, printing techniques and packaging
- Greater vertical integration to ensure a stable supply of quality leaf
- Factory modernization for improved productivity, quality and flexibility

Strong market positions achieved through strategy and investment alignment



Data as of FY 2012

Source: JT, JTI estimates

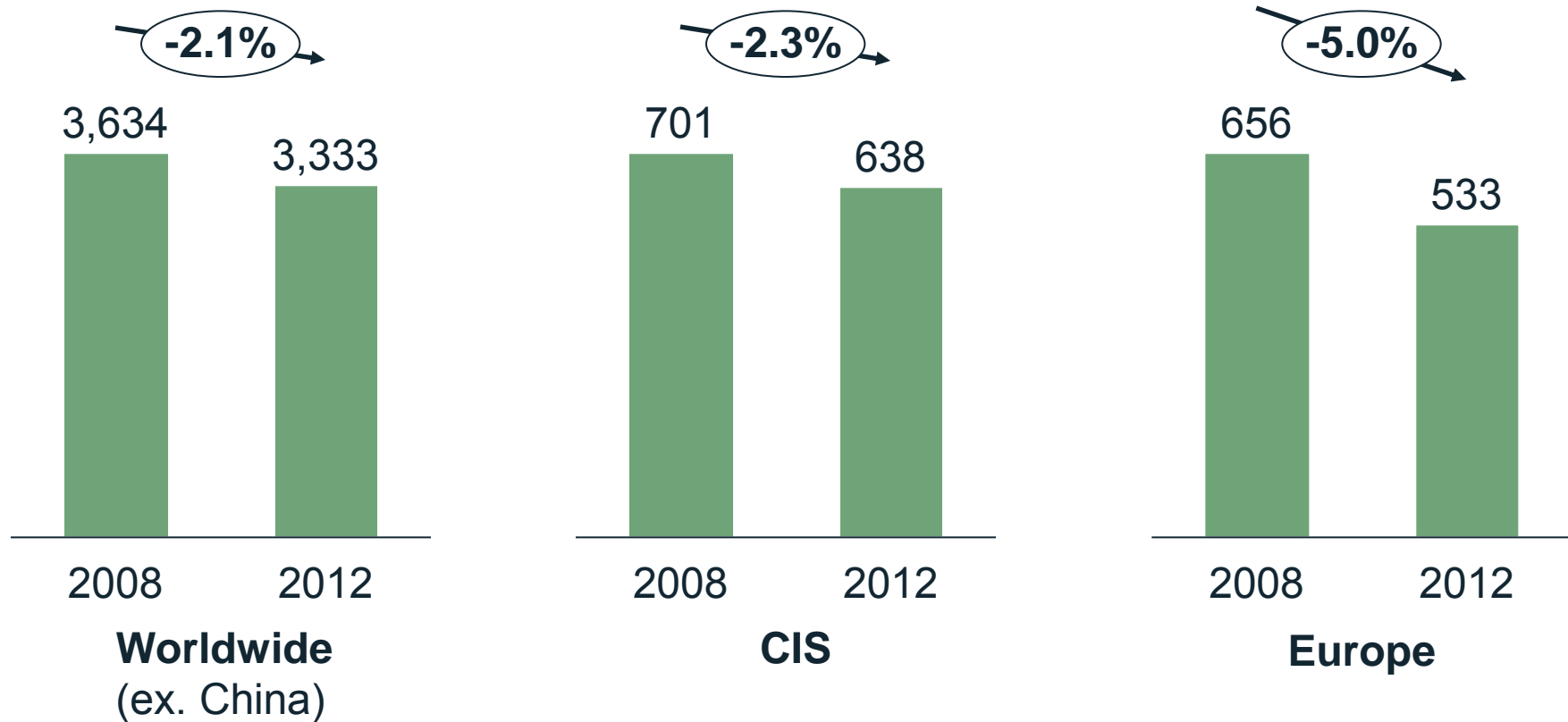
JT Investor Meeting



Operating Environment

Industry contraction continues, mainly in Europe and CIS

Cigarette industry size trend (BnU)



Growth rate: CAGR 2008-12

Source: Euromonitor

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London - October 04, 2013

JT Investor Meeting

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Regulatory update

- Increase of non-evidence based regulatory proposals:
 - Plain packaging
 - Ingredient ban
- Our position:
 - All tobacco regulation should be evidence-based, practical, enforceable and competitively neutral
 - We strongly oppose flawed, unreasonable or disproportionate regulation and reserve the right to question, and if necessary challenge it, especially when it is not evidence-based
 - We actively seek dialogue with governmental authorities around the world regarding the regulation of our products and the tobacco industry

Rational excise tax environment

- Excise tax changes in 2013 so far are largely in line with our expectations
- Governments seem more cautious not to reduce revenues by implementing disruptive tax increases
- Our policy is to pass excise tax increases on to consumers and seize additional pricing opportunities

Pricing environment remains robust

- Pricing is the main driver of our top-line growth
- Ability to take pricing remains strong across our clusters
- Well-timed and calibrated price increases are key



Key priorities for sustainable profit growth

Continued development of our key brands

Global Flagship Brands

Engine



Stronghold



Future Potential



Japanese Key Brands



Other Tobacco Products

Fine Cut



Emerging products



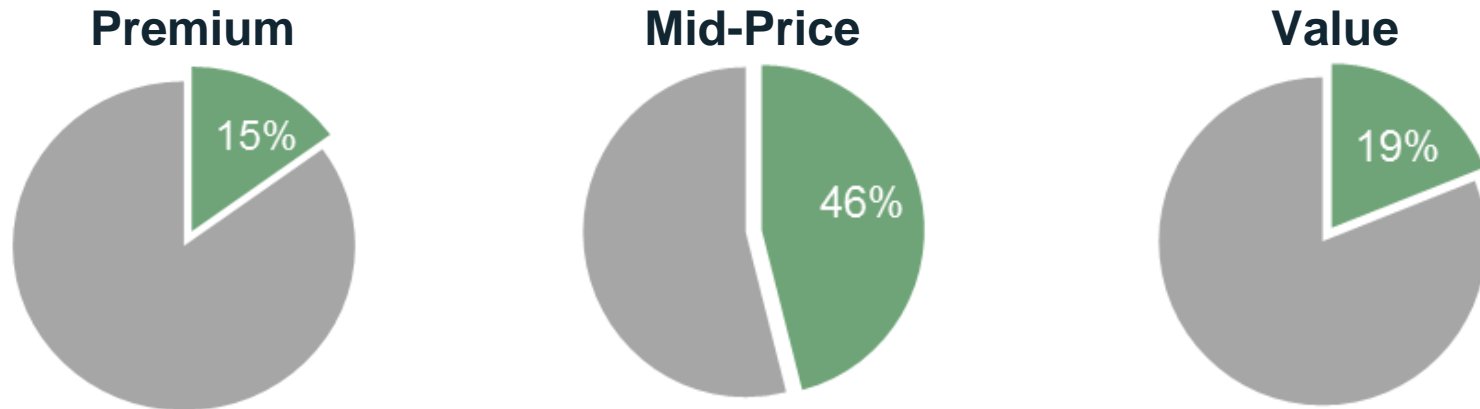
Water Pipe



ZERO STYLE

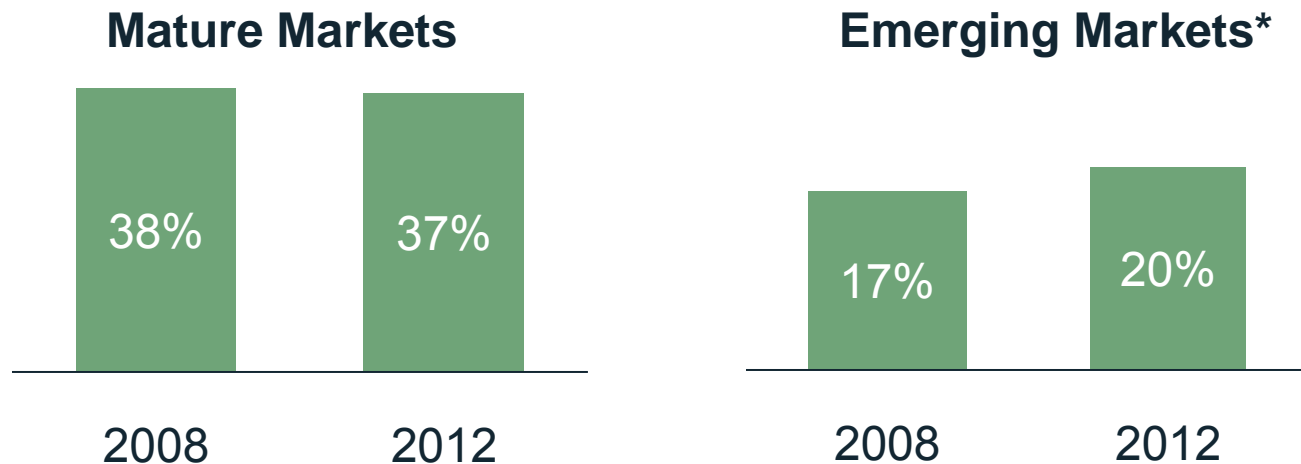
Strengthening our premium offering to capture growth potential

JTG share by price segment (2012)



Source: JT estimate, based on 42 markets data from Nielsen

Premium segment evolution

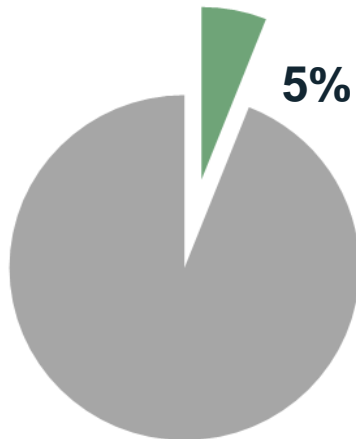


*Excluding China
Source: Euromonitor

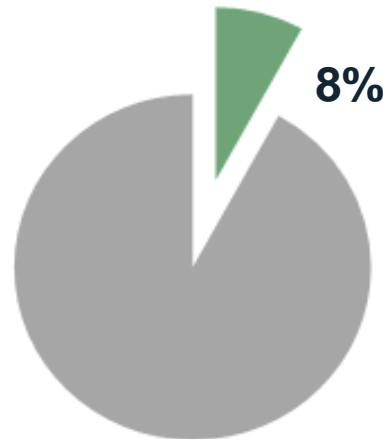
Expanding our presence in emerging markets where we are under-represented

JTG share in emerging regions (2012)

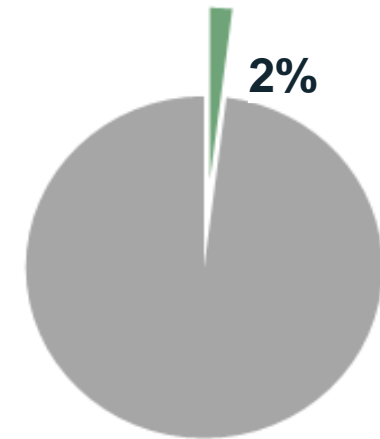
Asia-Pacific
(excl. China/Japan)



Middle East & Africa



Latin America



Growth forecast
RMC industry
(CAGR12-17)

+0.3%

+1.6%

-1.1%

The emerging products opportunity: a complex environment

- Regulation remains to be defined
 - EU Tobacco Products Directive
 - USA Food & Drug Administration (FDA)
 - UK Medicines and Healthcare products Regulatory Agency (MHRA)
- Taxation is often ambiguous or non-existent
- Consumer needs and interests keep evolving
- Potential change in the tobacco industry landscape

JT Group emerging products vision & approach

Vision

To become the global leader in the emerging products category by offering alternative tobacco experiences to adult smokers through new innovative technologies

Approach

- Offering satisfaction and pleasure to consumers
- Developing a portfolio and pipeline approach focusing on 3 areas:
 - Tobacco vapor
 - E-vapor (non-tobacco based)
 - Other emerging products
- Pioneering with early commercial launches, and learning:
 - Ploom
 - Zero style
- Engaging with regulators
- Conducting scientific studies for potential future health claims



Concluding Remarks

Akira Saeki

Executive Deputy President,
President of the Tobacco Business

In closing

- Although the business environment remains challenging, we will continue to achieve robust performance as demonstrated in the past
- Our objective is to continue delivering sustainable profit growth over the mid- to long-term by prioritizing business investments for:
 - Brand equity enhancement
 - Geographic expansion
 - Product portfolio enhancement