



2014年9月19日

各 位

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当社は、本日、ロンドンにおいてインベスター・カンファレンスを開催しております。各担当役員より、グローバルベースでのたばこ事業の成長戦略に加え、JT International (以下「JTI」) の1月～6月の実績速報及び日本市場、Central Europe 地域の状況につきましてご説明することとしております。

本カンファレンスにおいて使用する資料は、以下のとおりです。

- 資料1 : Tobacco business strategic focus and source for sustainable growth
- 資料2 : Japan market Continue to be a strong earnings base
- 資料3 : JTI 1H 2014 Financial Results
- 資料4 : Expanding our presence in Central Europe

以上

# Tobacco business strategic focus and source for sustainable growth

**Akira Saeki**

Executive Deputy President,  
President of the Tobacco Business

# Caution on Forward-Looking Statements

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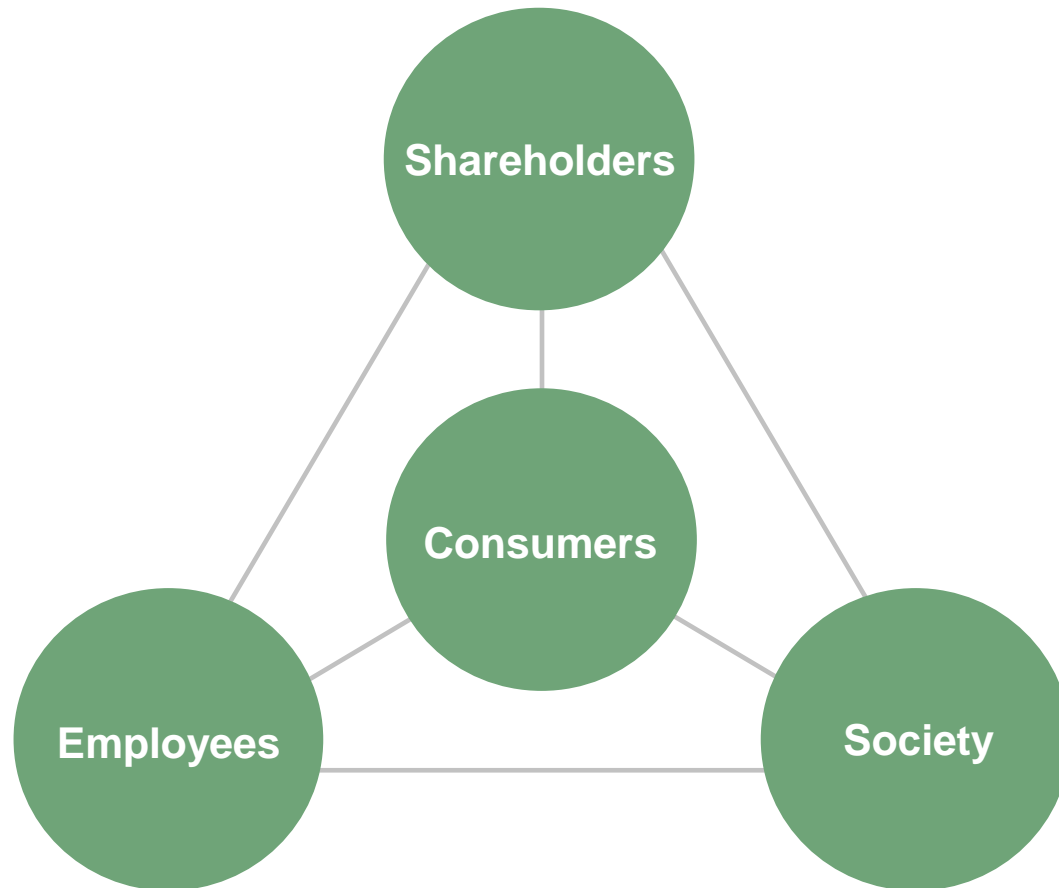
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# The 4S Model continues driving our sustainable growth

## Management Principles



# Our vision and strategic framework remain unchanged

## Our Vision

**To be the No.1 global tobacco company**

## Strategic Framework

**Quality top-line  
growth**

**Broadening the  
earnings base**

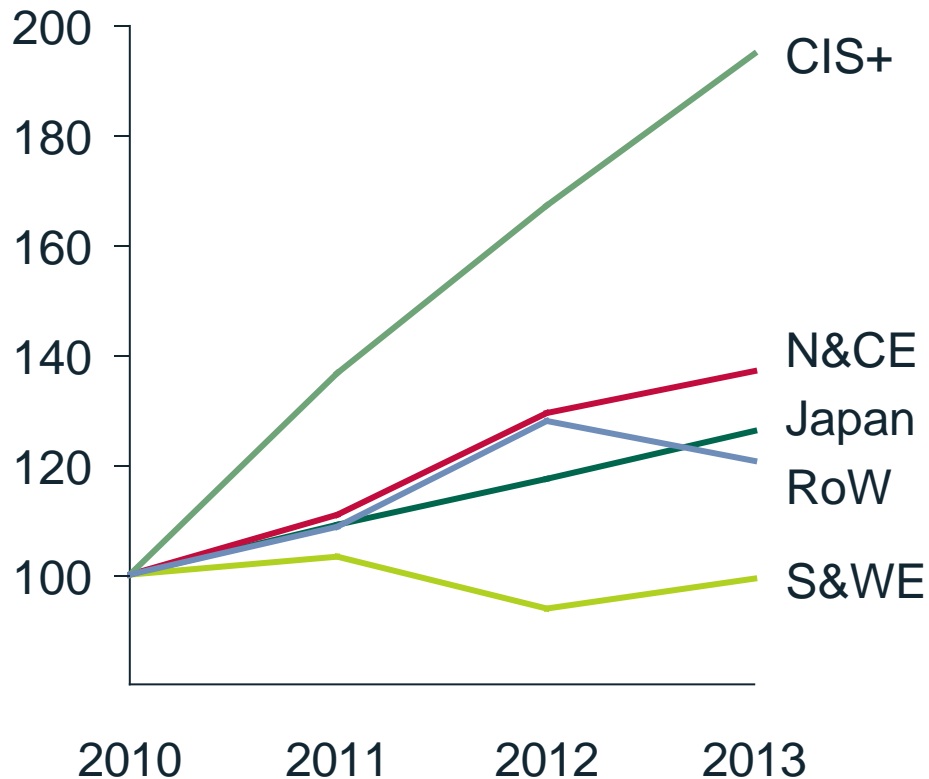
**Robust business  
foundations**



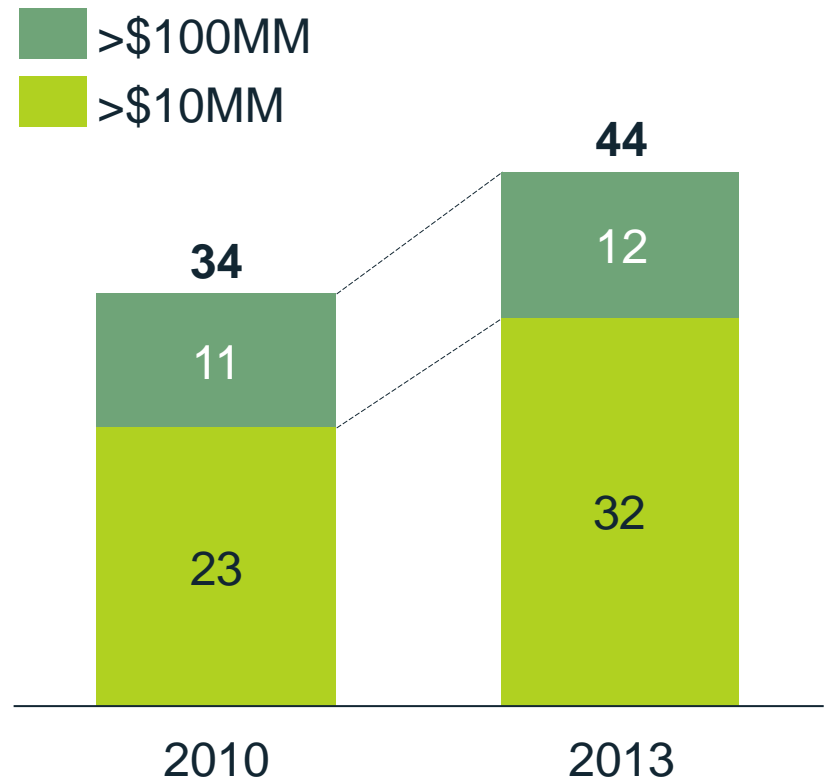
# Performance track record

# Delivered continuous profit growth by enhancing market profitability through investment

**Profit growth by cluster**  
(Index, 2010=100)



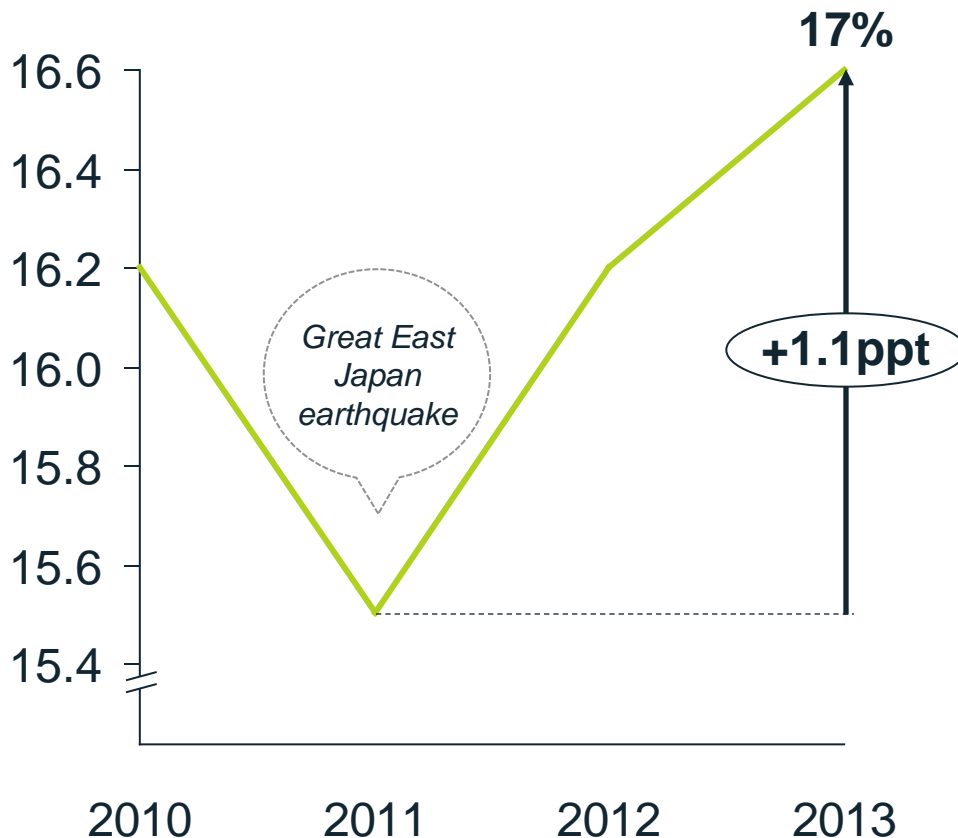
**# of markets over \$10MM EBITA**





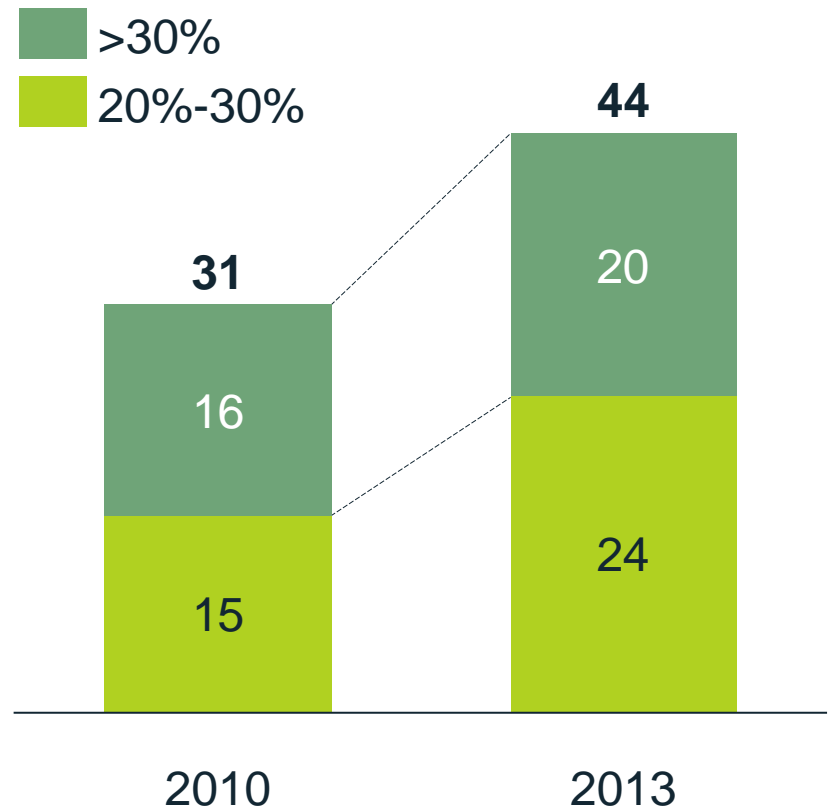
# Strengthened presence through share of market increase

## JTG Share of market evolution (%)



Source: Euromonitor (China excluded)

## # of markets over 20% SOM



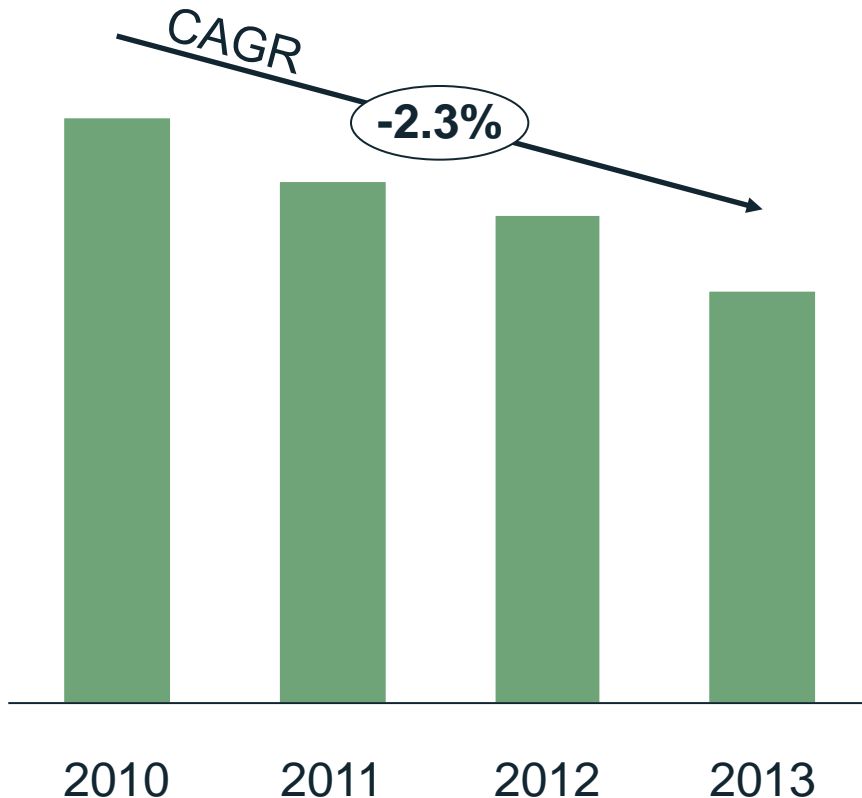
Source: JTG estimates



# Operating environment

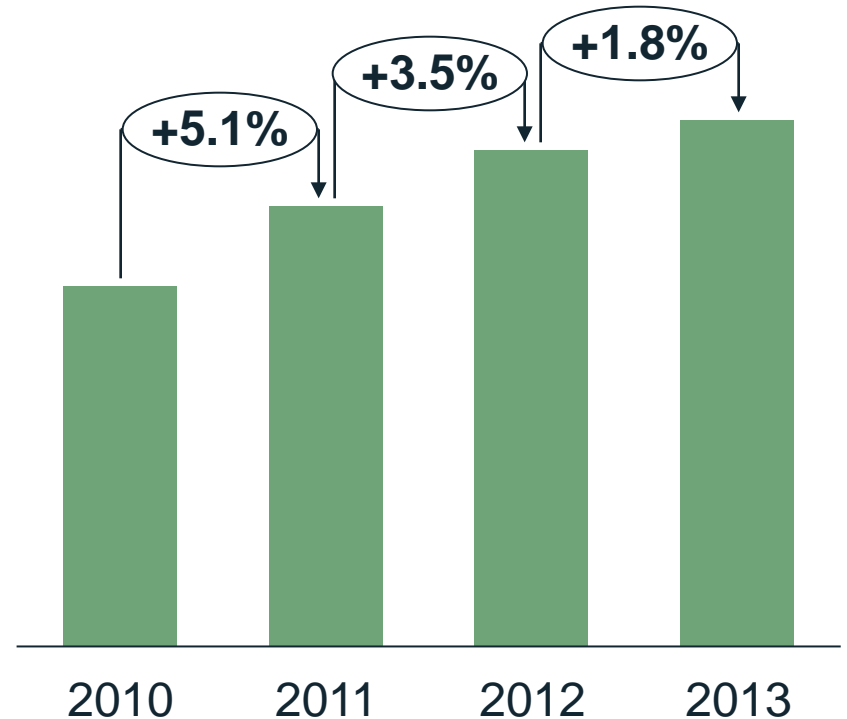
# Cigarette market contraction continued, while fine cut growth slowed down

## Cigarette global industry evolution



Source: Euromonitor (China excluded)

## Fine cut global industry evolution



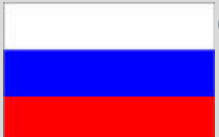




Source: Euromonitor

# Solid pricing environment

- Pricing environment continued to be solid
- Pricing remained a key driver of our top- and bottom-line growth
- Tactical pricing in certain markets led to fierce competition, but overall picture has not changed

# Regulatory environment continues to be manageable

	2014	2015	2016
<b>Extended Health Warning</b>			EU TPD2  Q2
<b>Ingredients Restriction</b>			EU TPD2  Q2
<b>Display Ban</b>	 Q2	 Q2 Incl. small shops	
<b>SIPPs</b>	 Q2 Incl. HoReCa		




# Confidence in sustainable growth

# Continuously building strong brands and product portfolio

## Global Flagship Brands


















## Other Tobacco Products



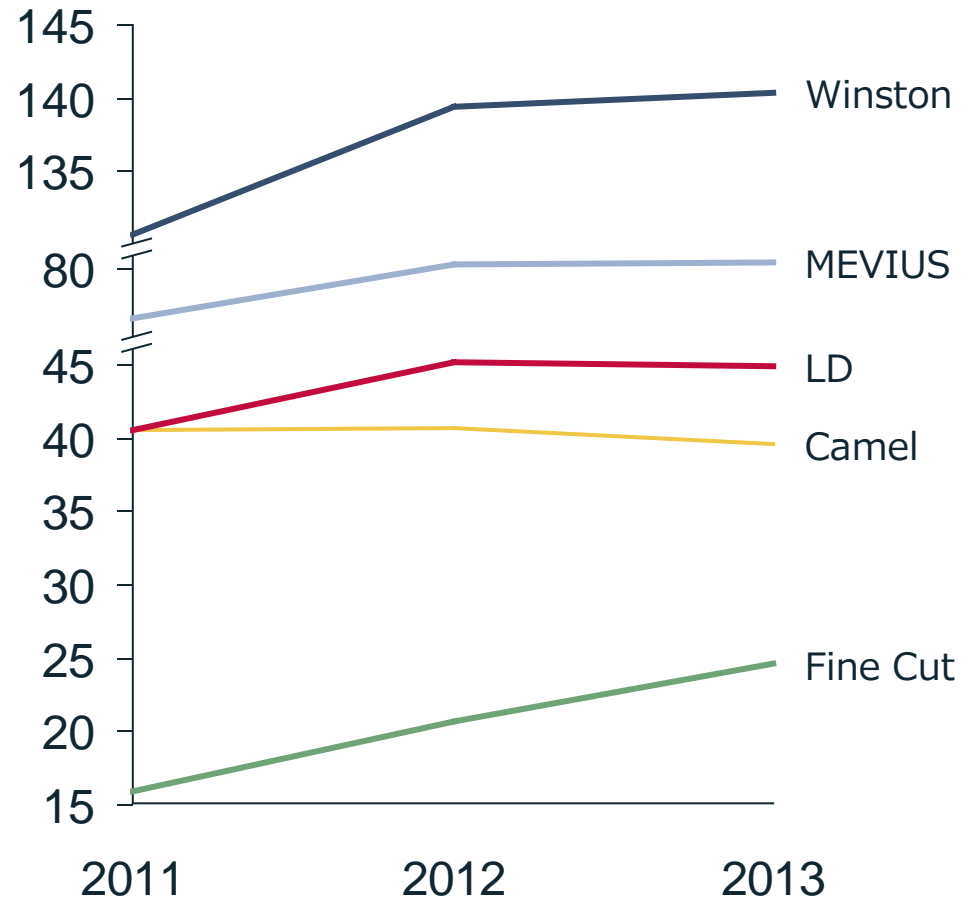


## Emerging Products

**ZERO STYLE**

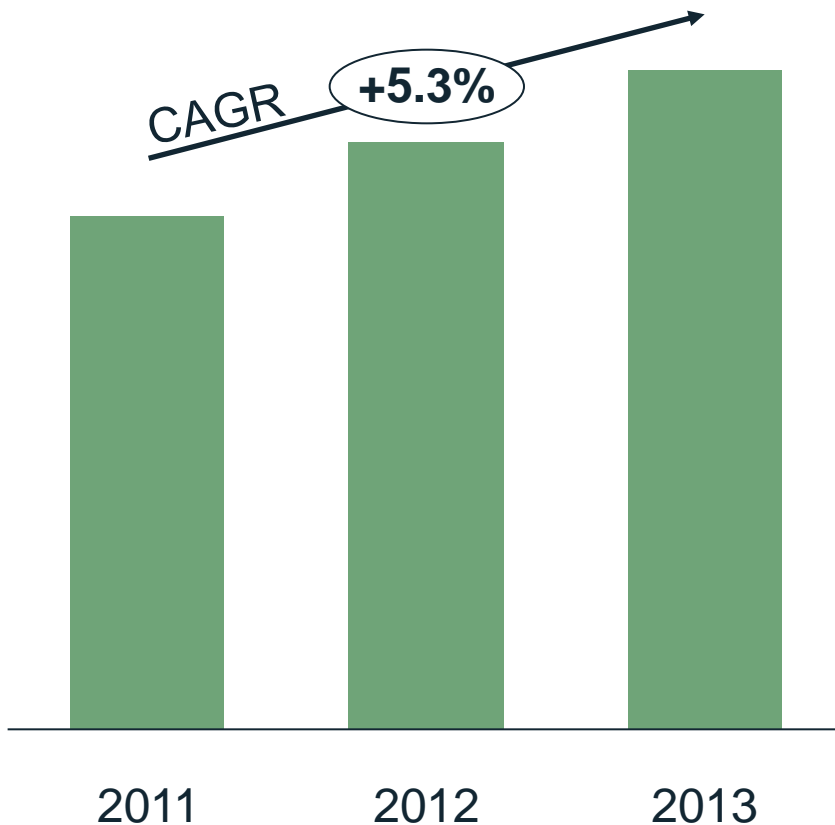


### JTG volume evolution (BnU)



# Resilient industry with continuous value creation and potential for value increase

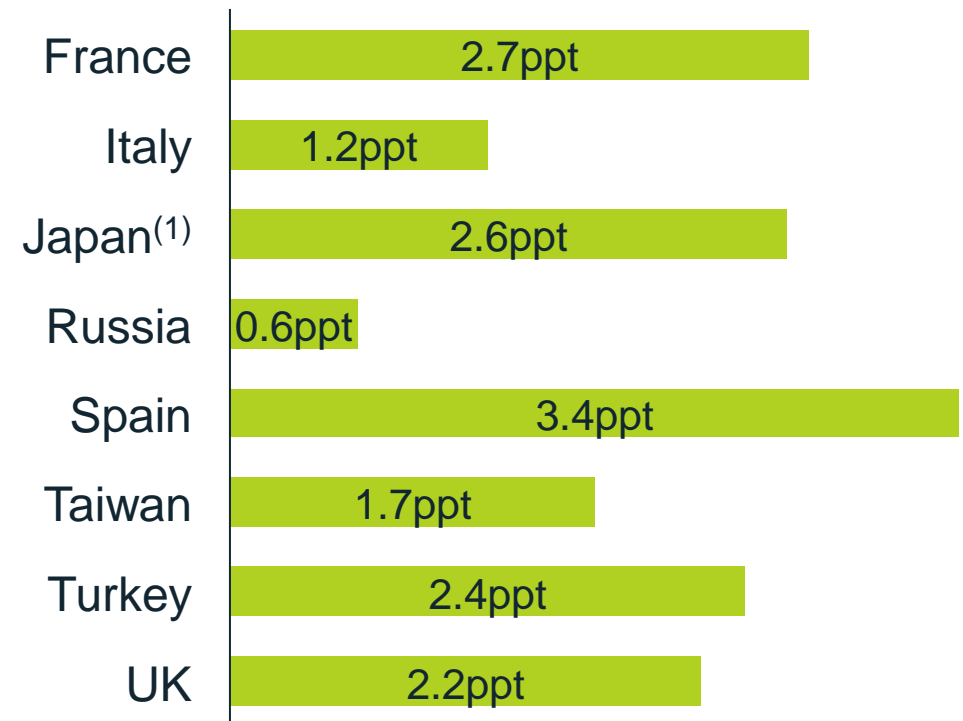
## Industry value evolution



Source: Euromonitor

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## JTG Share of value growth, 2013 vs. 2011



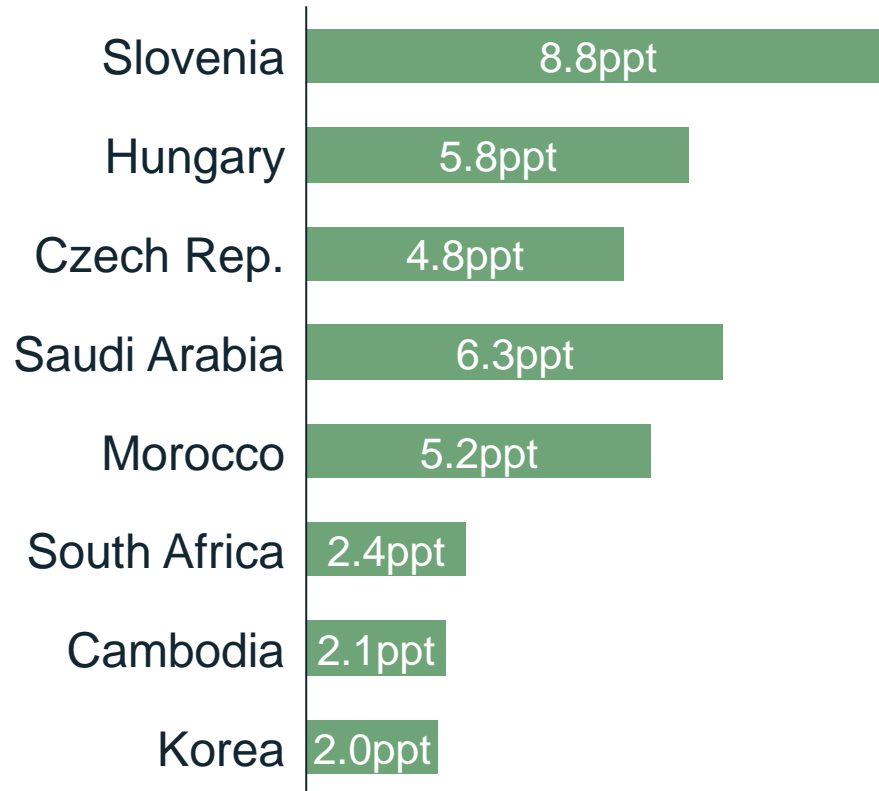
(1) Earthquake impact excluded

Source: JTG estimates

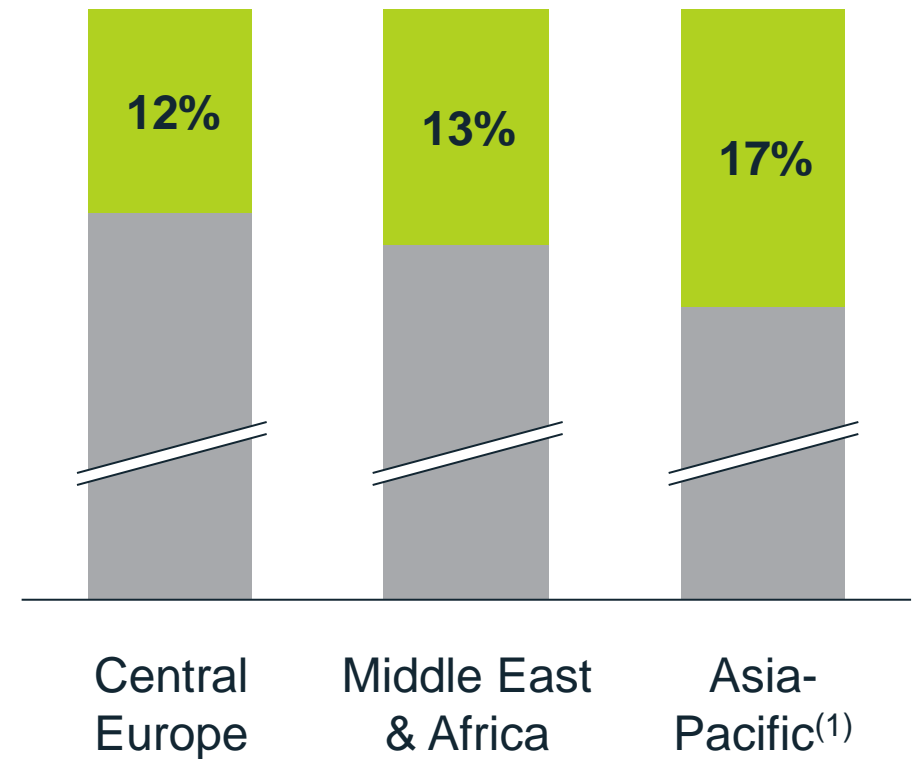


# Potential for further geographic expansion

## JTG Share of market growth, 2013 vs. 2008



## 2013 JTG Share of market by area



(1) China and India excluded  
Source: Euromonitor, JTG estimates

Source: JTG estimates

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# Building a leading portfolio in the new emerging products category

- Pioneer with early commercial launches and fully leverage lessons learned
- Continue market roll-out of Ploom: France and the UK
- Several new products in the pipeline
- E-Lites acquisition in progress
  - One of the most renowned brands in the UK
  - 3<sup>rd</sup> largest UK e-cig company in retail sales, with approx. 20% market share
  - Product offer centered on instant usage, cartomizers and rechargeables
  - Presence in 20,000 retail outlets

Continuously deliver on our commitment

**Mid to high single digit**  
profit growth in the mid- to long-term



## Closing Remarks

**Akira Saeki**

Executive Deputy President,  
President of the Tobacco Business

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# In closing

- Confidence in sustainable growth
  - Strong brands and product portfolio building capabilities
  - Potential for further share of value increase
  - Potential for further geographic expansion
  - Emerging product business
- Based on 4S model, we will continue to pursue quality top-line growth by leveraging sources of business
- Aim to achieve sustainable profit growth in the mid- to long-term

Japan market  
Continue to be a strong earnings base

Junichi Fukuchi  
Senior Vice President &  
Head of Tobacco Business Planning

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# Japan, a highly competitive platform of profitability

## Business environment

- The 5th largest market in volume, 3rd in value<sup>(1)</sup>
- Moderate industry contraction
- Increasingly tightening, but manageable regulations

## Performance

- Share of market: Retained over 60%
- MEVIUS: Strengthened its position as the No.1 brand
- Seven Stars: Enhanced brand equity by new product launches
- JT owns nine of the top 10 SKUs in the Japanese market

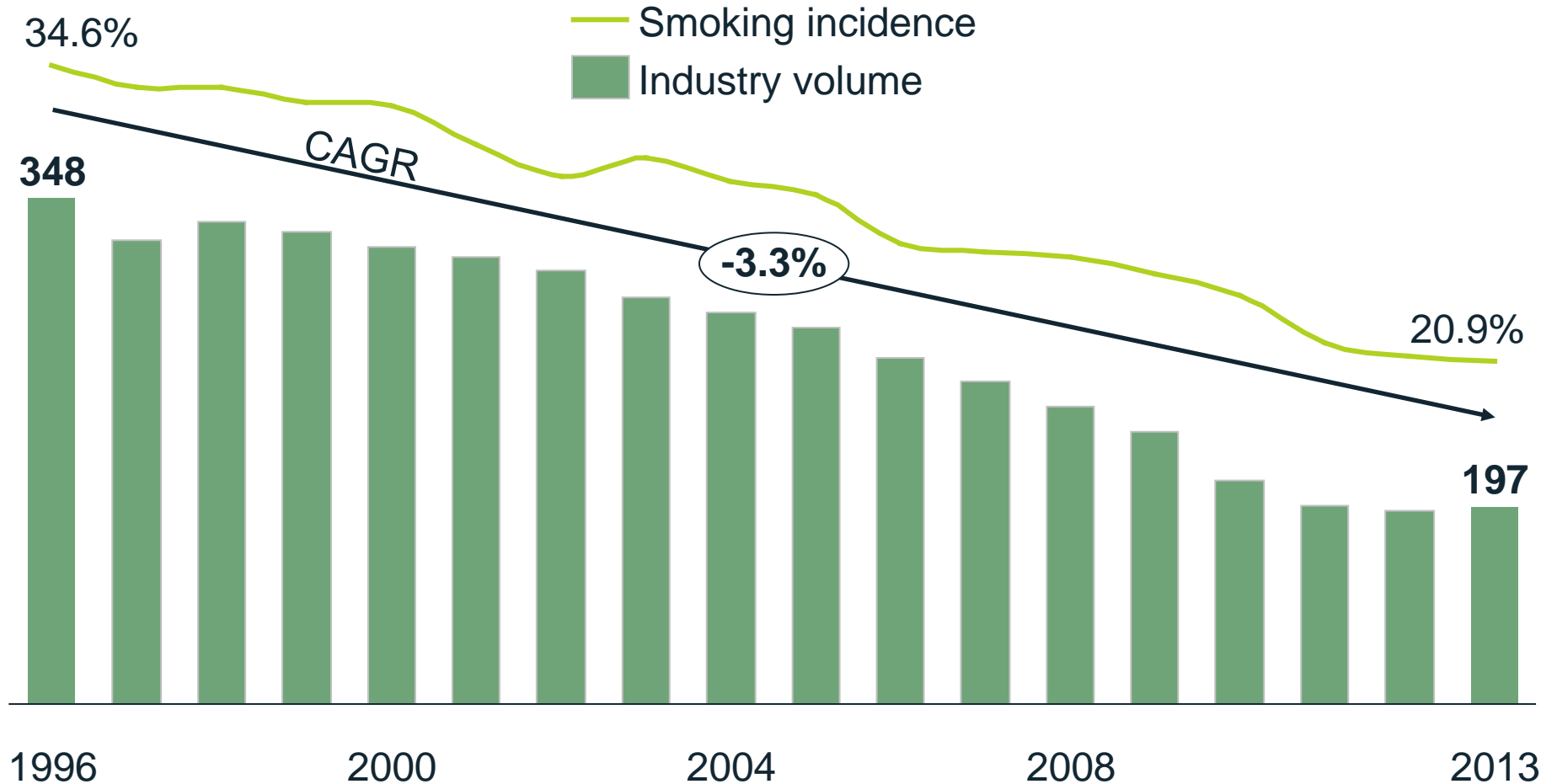
1) Including China



# Business environment

# Moderate industry contraction

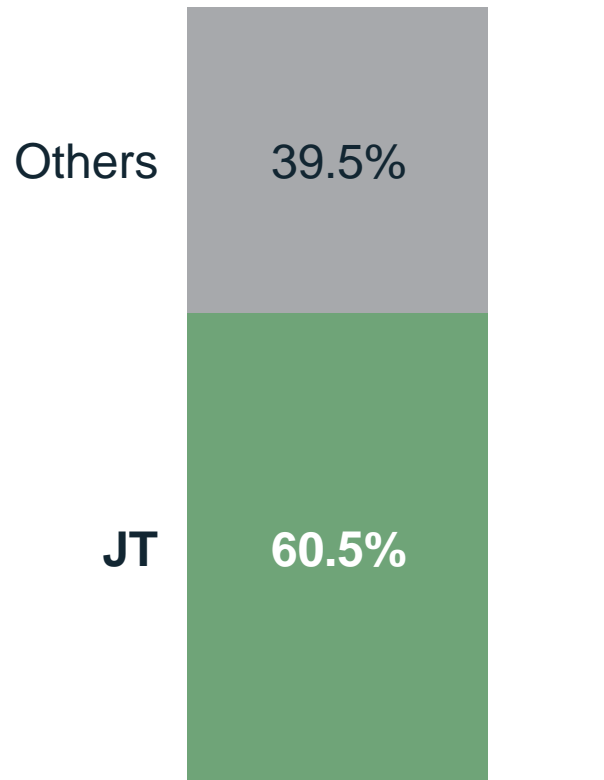
## Industry volume and smoking incidence evolution (BnU, %)



Source: JT estimates

# Share of market: Retained over 60%

## JT Share of market



2013

Source: JT estimates

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## JT Share of segment and key brands, 2013

**Prestige** 6.9%  
480yen & above



**Premium** 42.6%  
450-470yen

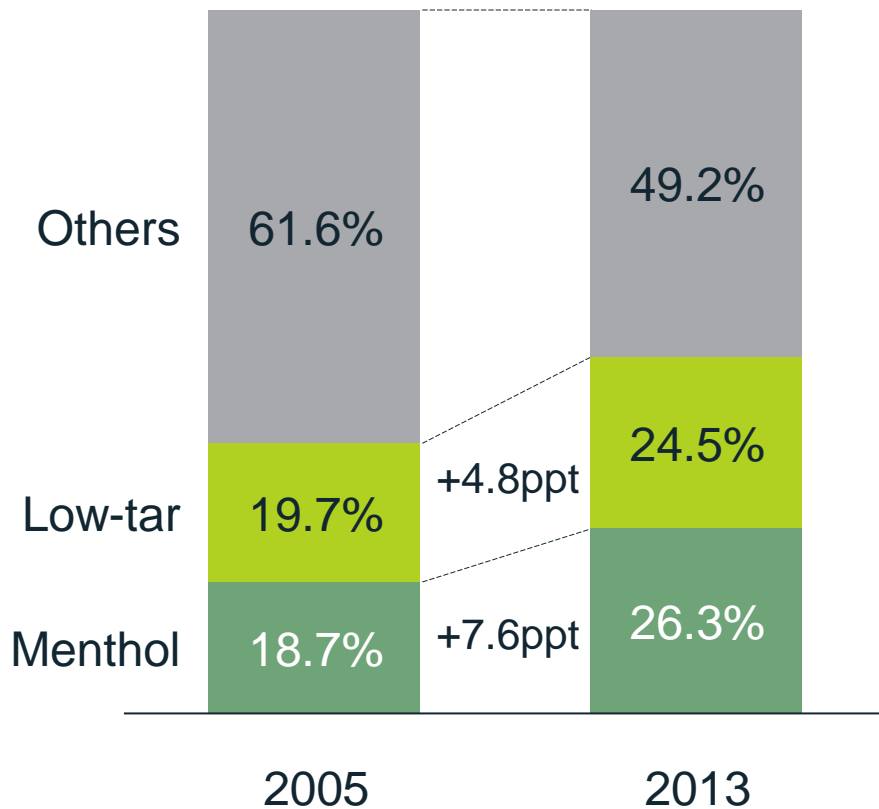


**Sub-Premium** 70.4%  
420-440yen

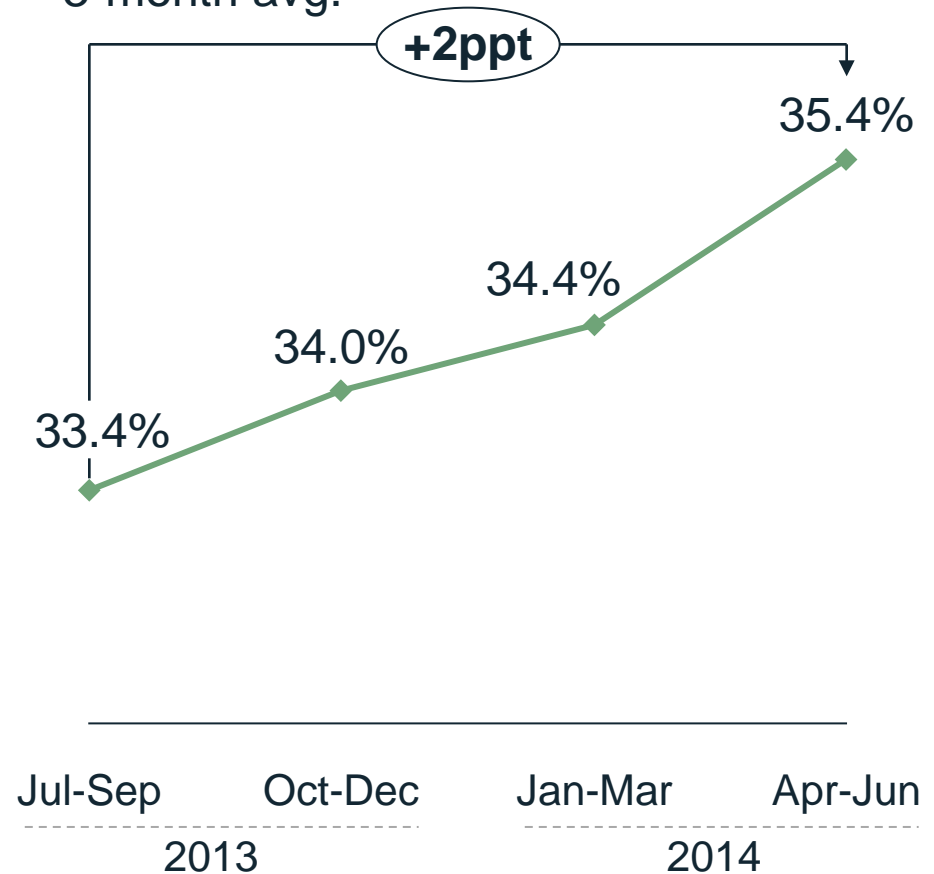


# Growing segments : Menthol and Low-tar

## Market configuration



## JT Share of menthol segment 3-month avg.



Source: JT estimates

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# Increasingly tightening, but manageable regulations

- Regulations focusing mainly on smoking in public places
- JT to improve environment for smokers and non-smokers to co-exist



# Relevant laws

## Japan Tobacco Inc. Act

- The JT Act stipulates that the Japanese Government must continue to hold over one-third of JT's issued shares

## Tobacco Business Act

- JT must purchase all tobacco leaf produced in Japan and usable for tobacco production
- Tobacco products shall not be manufactured by any other manufacturer than Japan Tobacco Inc.
- Retailers need to obtain permission to sell tobacco products from the Minister of Finance
- Retail price of a tobacco product must be approved by the Minister of Finance and the product must be sold at the approved retail price

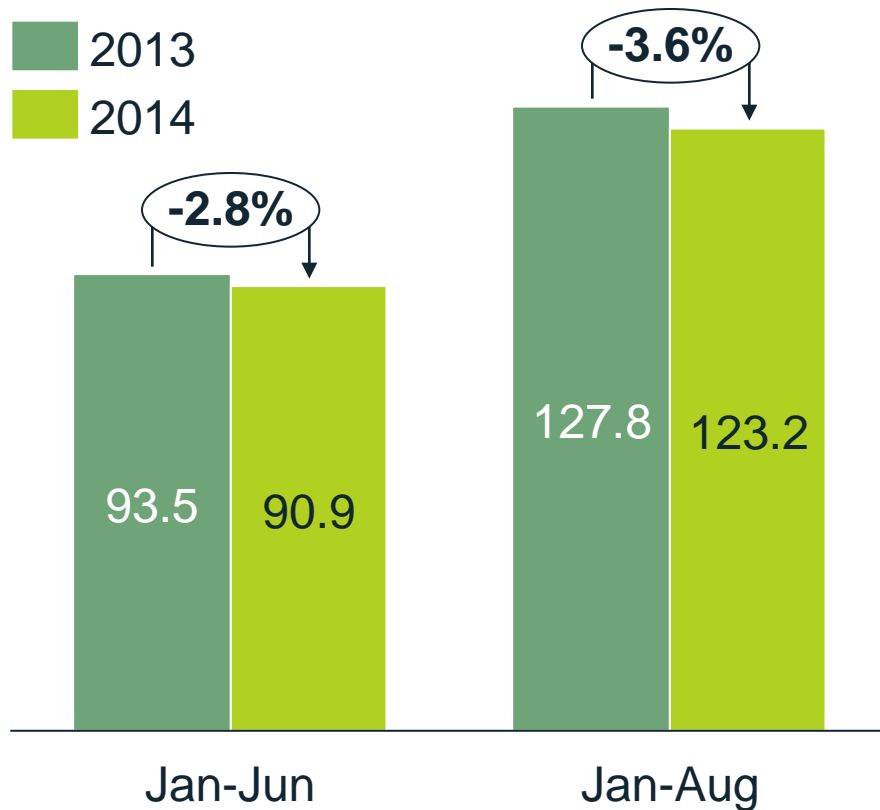




# Market trend after the consumption tax hike in 2014

# Industry contraction within our expectation

## Industry volume evolution (BnU)

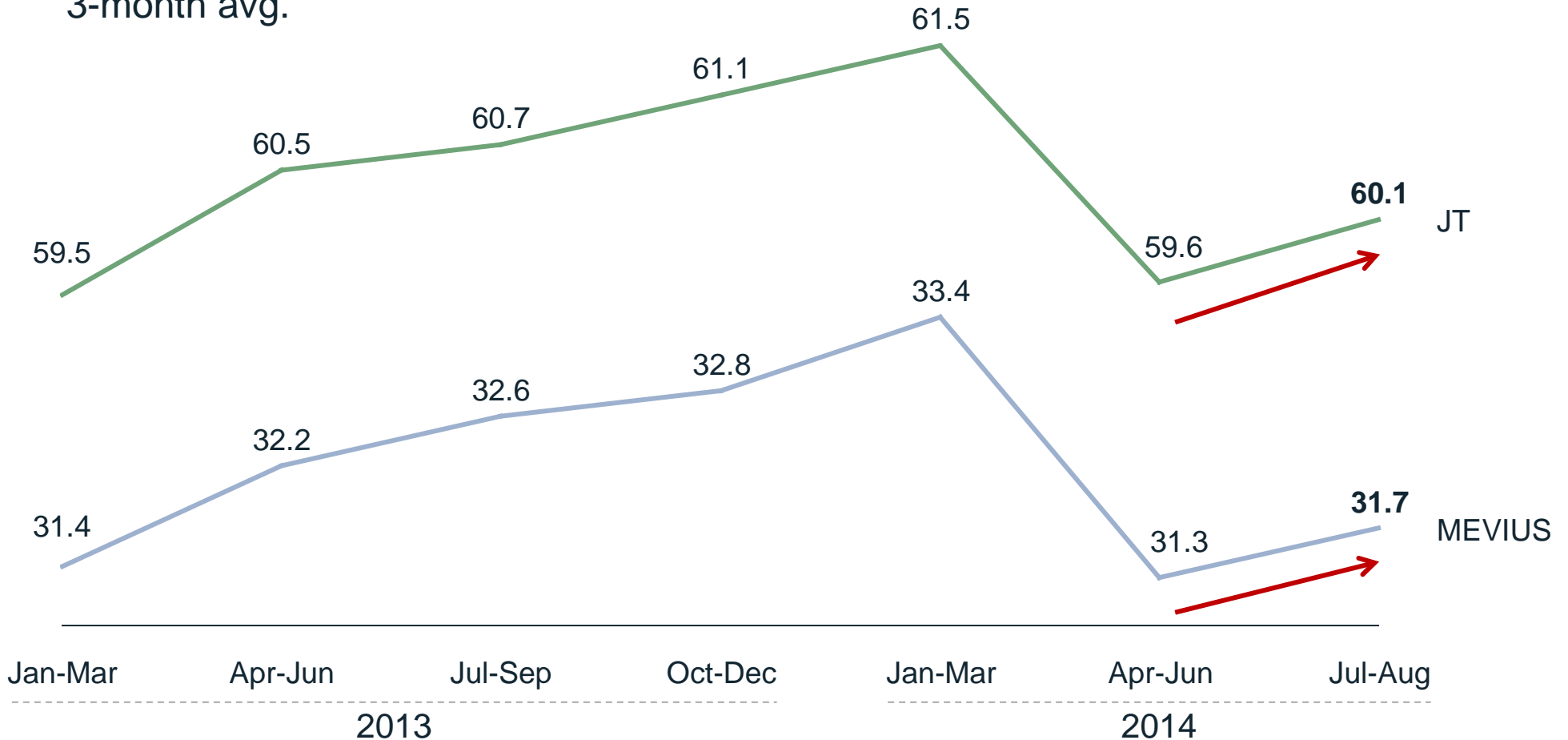


- January to December 2014 decline expected to be -3% to -4%

Source: JT estimates

# Strong share of market performance

## JT Share of market 3-month avg.



Source: JT estimates

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# Vigorous promotional activities



選ばれ続ける、美味さがある。

国内外およそ100種類の葉たばこをバランス良くブレンドする。  
熟練のブレンダーが丁寧に丹精に味わいを調えていく。  
チャコールフィルターが煙から雑味を取り除き甜さをかけていく。  
プレミアム・スムーズテイスト、それが、MEVIUSの美味さ。

もっと、No.1のたばこへ。  
MEVIUSはその美味さを、さらに高め続ける。

喫煙は、あなたにとって肺がんの  
原因の一つとなります。  
疫学的な統計によると、喫煙者は肺がんに  
より死亡する危険性が非喫煙者に比べて  
約5倍から4倍高くなります。  
(詳細については、厚生労働省のホームページ  
[www.mhlw.go.jp/topics/tobacco/main.html](http://www.mhlw.go.jp/topics/tobacco/main.html)をご覧ください。)

**No.1**  
Leading Brand

©2013 年4ピュス・ファミリーの国内販売実態 (株式会社)

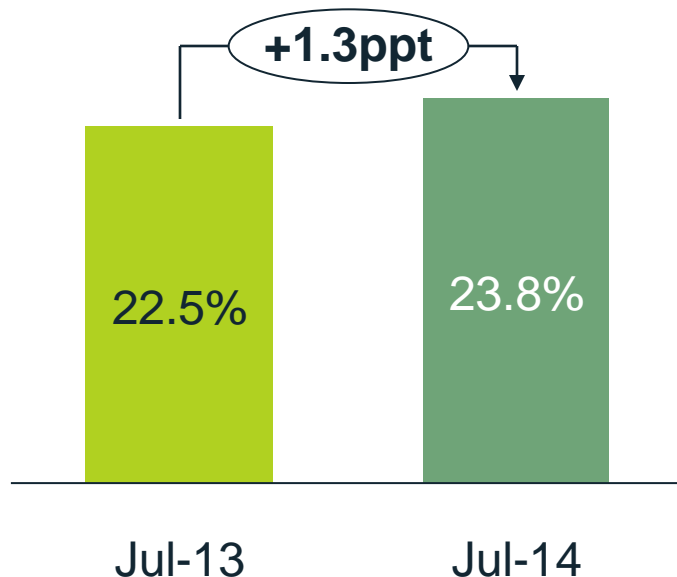


# Brands

# MEVIUS : Strengthened its position as the No.1 brand

- Share gains among young adult smokers
- MEVIUS now claiming No. 2 position in menthol segment

## SOM among young adult smokers 1-month avg.



Source: JT estimates

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カプセルで、香るメンソールへ。 JT

NEW all 410円

MEVIUS PREMIUM MENTHOL OPTION

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。未成年者の喫煙は、健康に対する悪影響やたばこへの依存をより強めます。周りの人から勧められても決して吸ってはいけません。妊娠中の喫煙は、胎児の発育障害や早産の原因の一つとなります。

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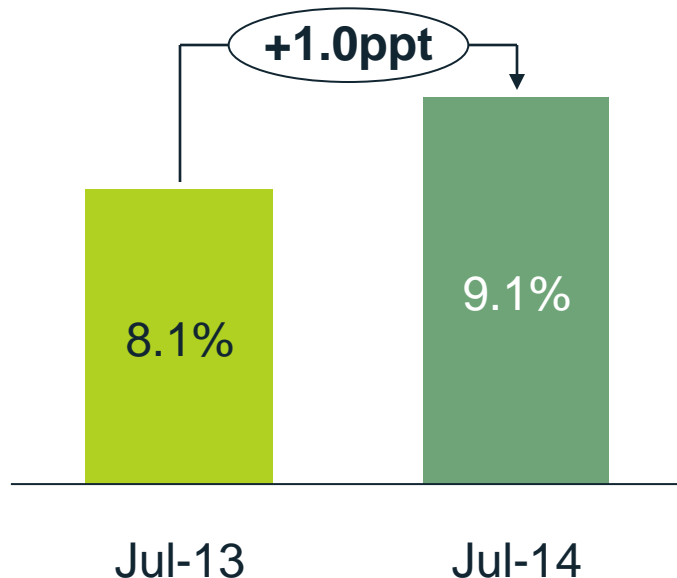
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# Seven Stars : No. 1 SKU in the market

- No.1 SKU in the Premium segment
- Strengthened its menthol offering in April and expanded its line-up in July

## Share of value

1-month avg.



Source: JT estimates

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# Emerging Products actively introduced

- Smokeless tobacco, “Stix”
- Launched Ploom in December, 2013







# Further strengthen competitiveness

# Initiatives to strengthen our competitiveness

- Adapt to market changes by reforming sales operations
- Further optimize cost through consolidation of tobacco manufacturing-related factories
- Redesign organizations to enhance their agility and adaptability to changes





# Summary

# Continued to be a highly competitive platform for the Group's profitability

- Quality top-line growth
  - Continued to strengthen our brands' equity
  - Further grew market share of No.1 brand MEVIUS
  - Leveraged the brand equity of Seven Stars
- Further strengthened competitiveness
  - Reorganization of sales operations
  - Cost optimization
  - Delegation of authority to regional sales headquarters and factories

# JTI 1H 2014 Financial Results

**Roland Kostantos**

*Senior Vice President,*

*Finance and IT, Chief Financial Officer*

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# Agenda

- First Half Results
- First Half Performance by Cluster
- Summary





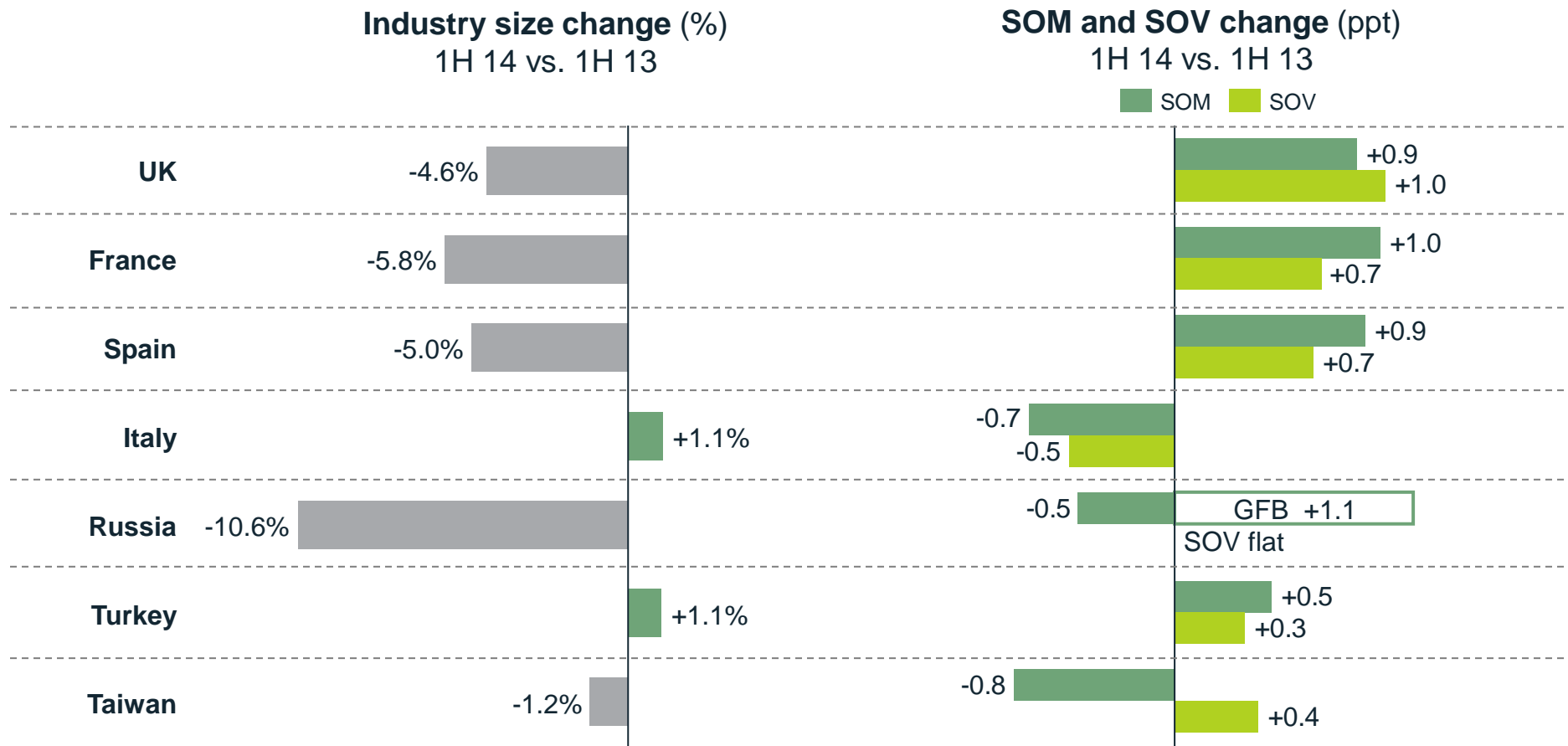
# First Half Results

# Double-digit earnings growth in a challenging environment

(BnU, \$MM)	1H 2014	Change
Total shipment volume	190.6	-5.6%
GFB shipment volume	123.0	-4.0%
Core revenue	6,083	4.2%
Adjusted Operating Profit	2,323	11.7%

*Note: Core revenue and Adjusted Operating Profit are at constant rates of exchange*

# Significant industry contraction. Strong business fundamentals drive share gains



Source: JTI estimates, Nielsen, Logista, Tobacco Board

Note: SOM and SOV calculated on 12-month average. Industry size, SOM and SOV include cigarettes and fine cut

# GFB focus drives quality top-line growth

## JTI share and GFB mix evolution

	1H 2014	vs. 2008 (ppt)
GFB SOM	13.5%	+1.9
JTI SOV	20.2%	+3.7
JTI SOM	19.7%	+0.2
GFB mix	64.5%	+10.0

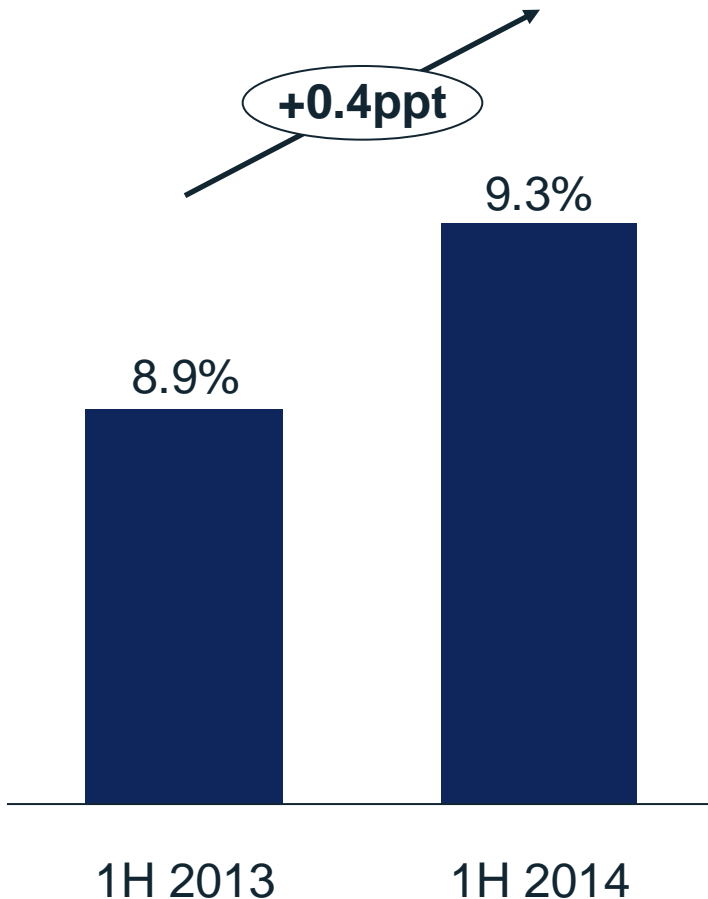
- Consistent strategy focus and investment across the GFB portfolio
- GFB equity continues to strengthen
- Since 2008 GFB drives overall share of value and share of market improvement
- GFB's represent 65% of total JTI shipments

Source: JTI estimates, Nielsen

Note: SOM and SOV based on 56 markets. SOM and SOV include cigarettes and fine cut, calculated on 12-month average.

# Winston continues to drive share growth across JTI

## Winston share of market



- Winston ranked No. 2 globally
- Winston grew share in 84% of its top markets in 2014, including +1.5ppt in Russia
- Recent launches in new markets including Brazil, Egypt, Oman and Sudan
- Enhancement of brand equity continues with global leadership in growing compact cigarette segment



Source: JTI estimates, Nielsen

Note: Winston SOM based on 37 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

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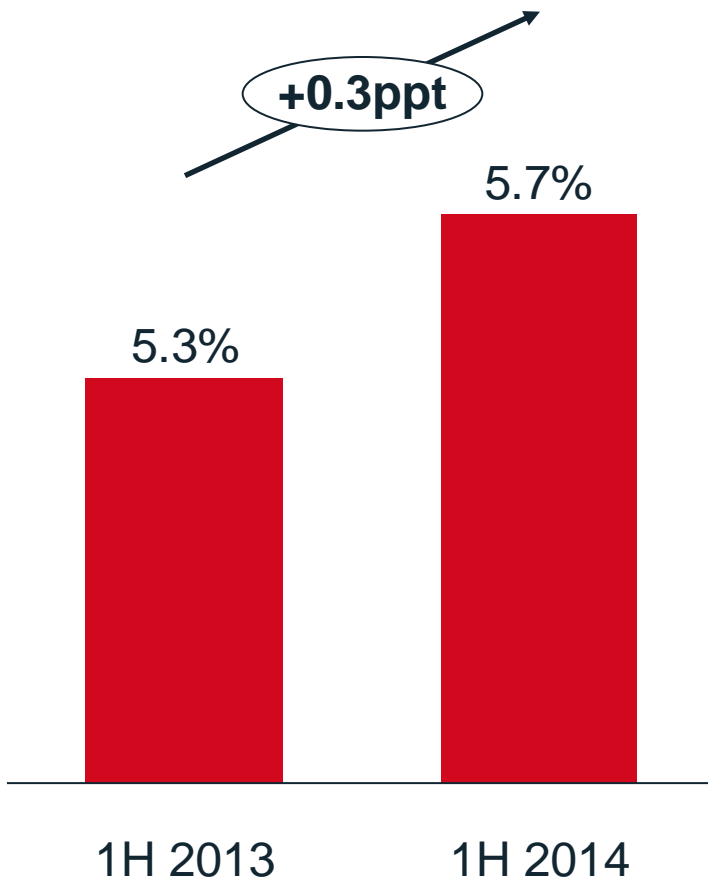
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# LD growing global market share

## LD share of market



- LD is the No.2 global value brand
- Volume +11.4% excluding Russia, with share gains in Europe, notably Hungary (+3.1ppt) and Poland (+1.4ppt)
- LD Club growth, LD Club Extra launch and rejuvenation of LD Base family stabilized performance in Russia



Source: JTI estimates, Nielsen

Note: LD SOM based on 21 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

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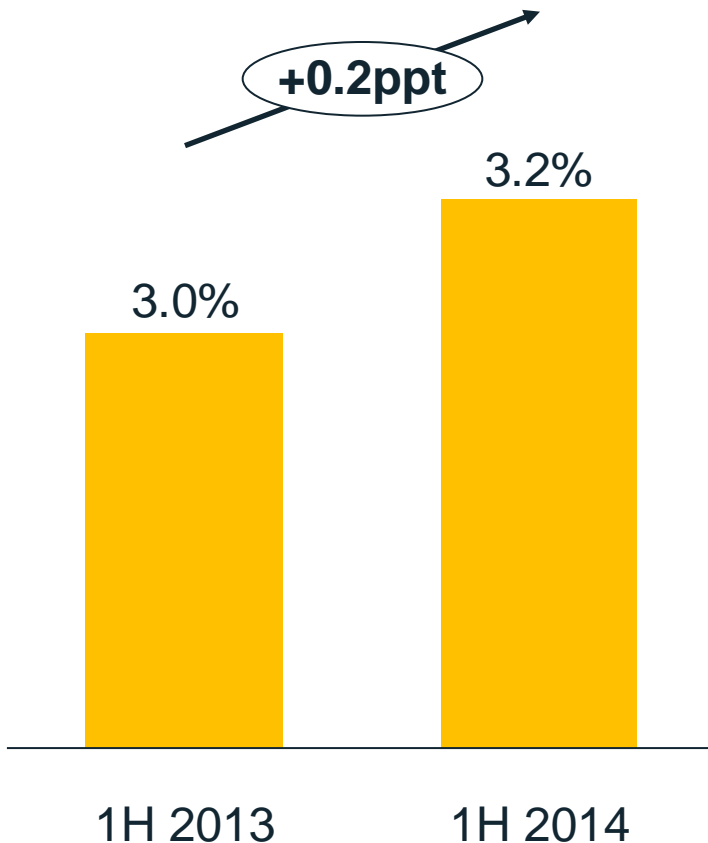
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# Camel growing share of market and shipment volume

## Camel share of market



- Innovative extensions increase brand equity and grow share
- Shipment volumes increase in Benelux, Germany, South Africa and Turkey



Source: JTI estimates, Nielsen

Note: Camel SOM based on 24 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

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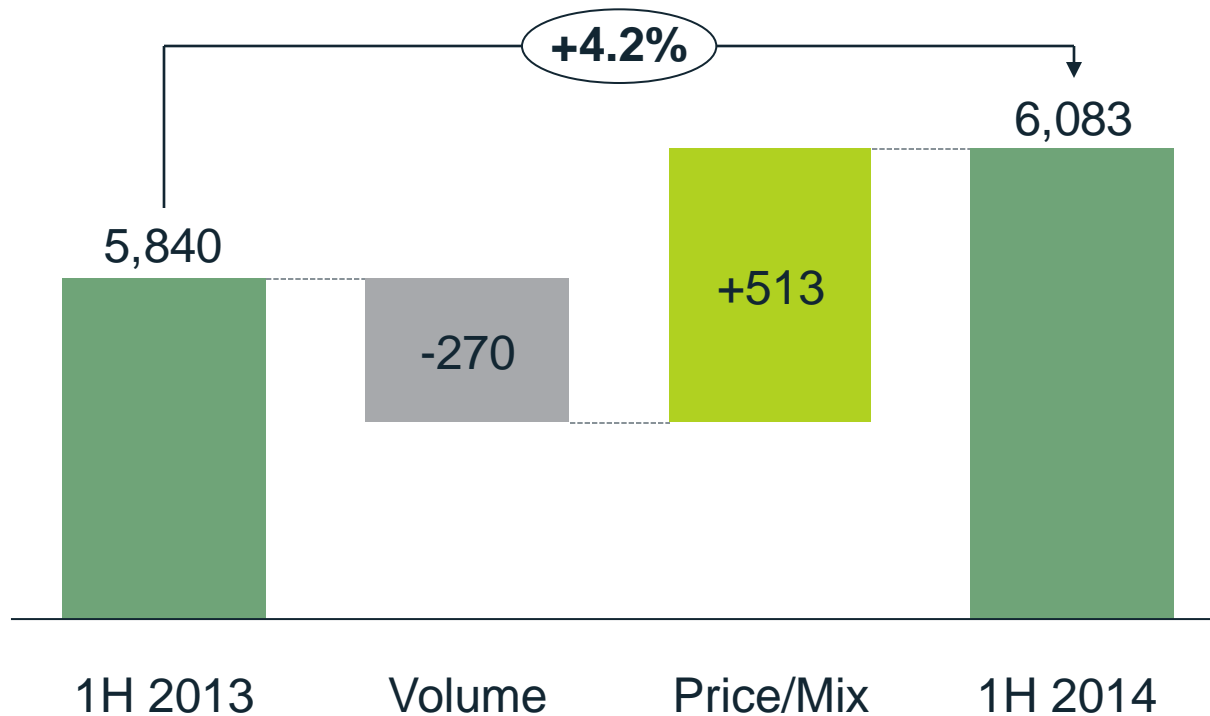
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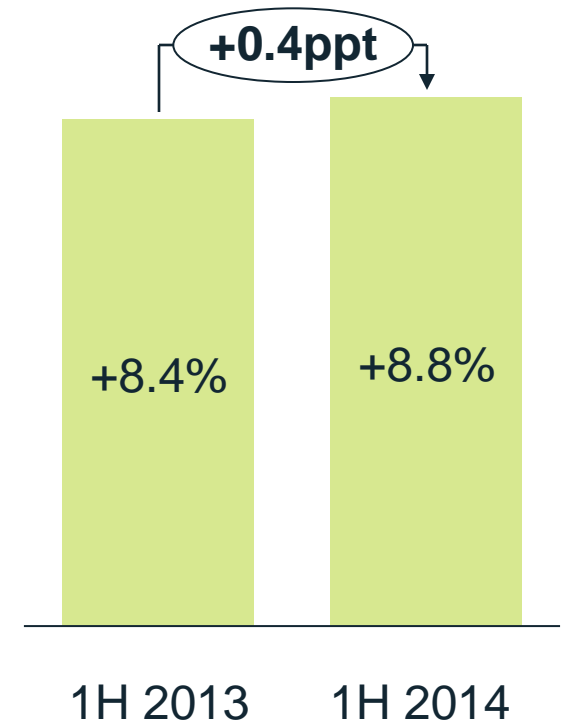
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# Pricing remains the key driver of revenue growth

Core revenue (\$MM)



Price/Mix contribution to core revenue growth (%)



Note: Core revenue at constant rates of exchange

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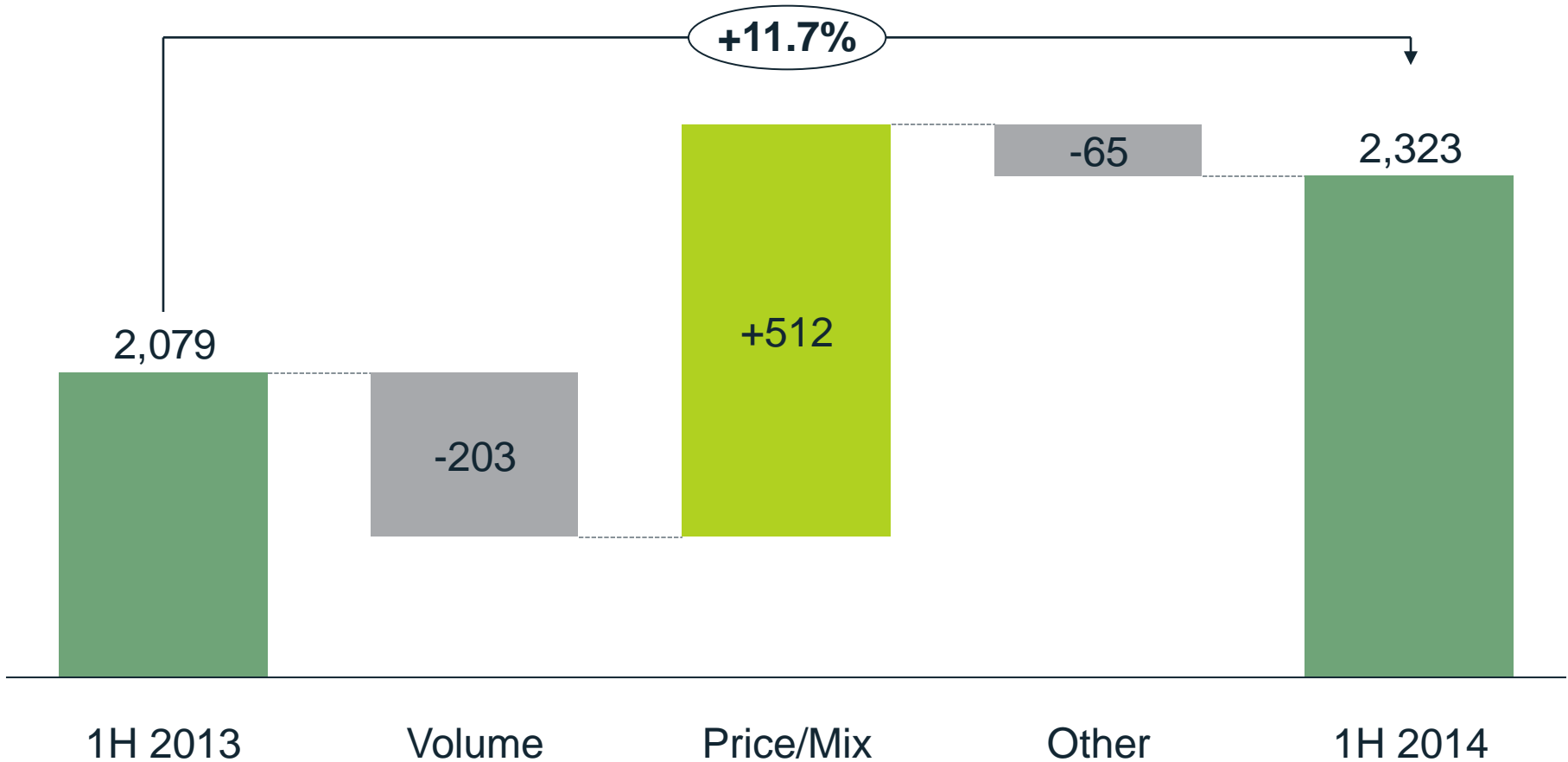
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# Double-digit earnings growth

## Adjusted Operating Profit (\$MM)



Note: Adjusted Operating Profit at constant rates of exchange

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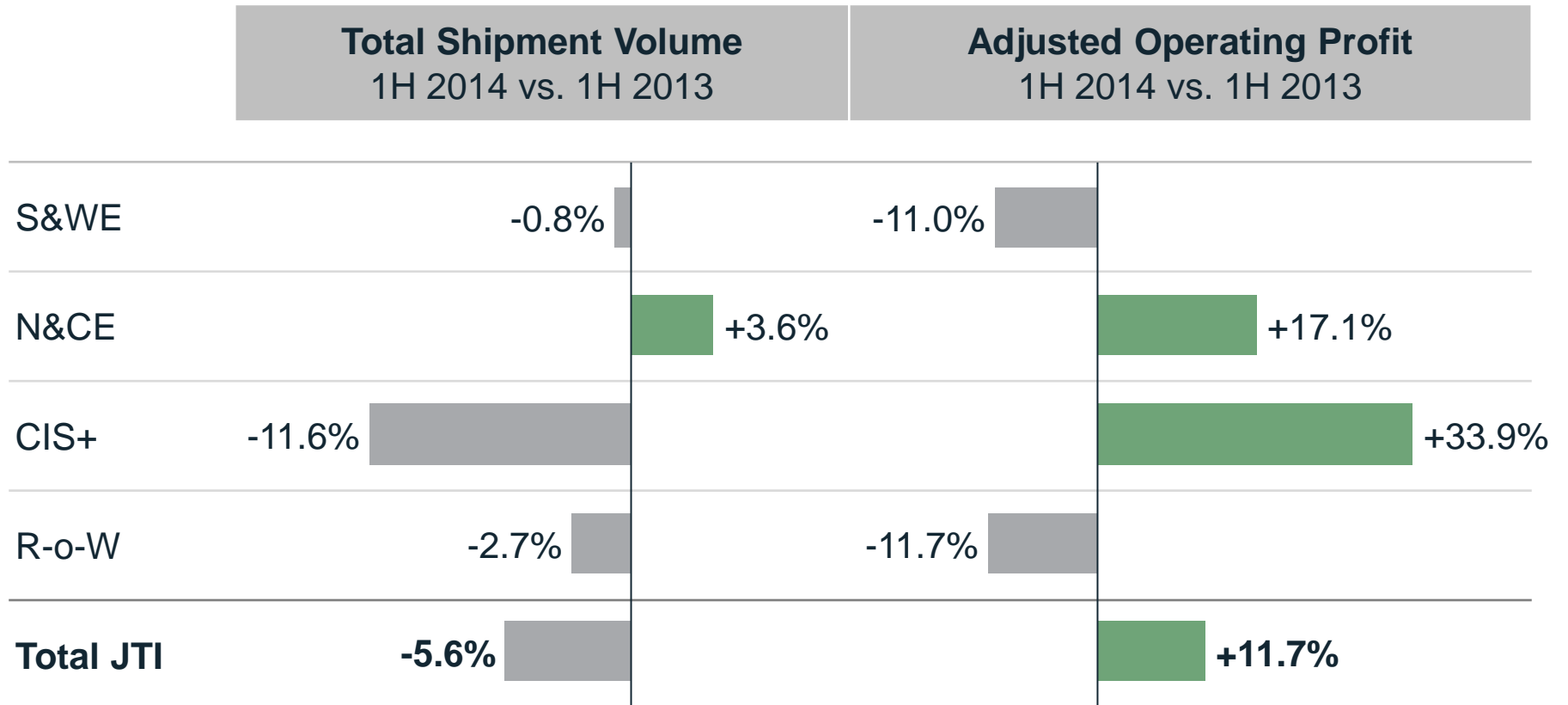
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# First Half Performance by Cluster

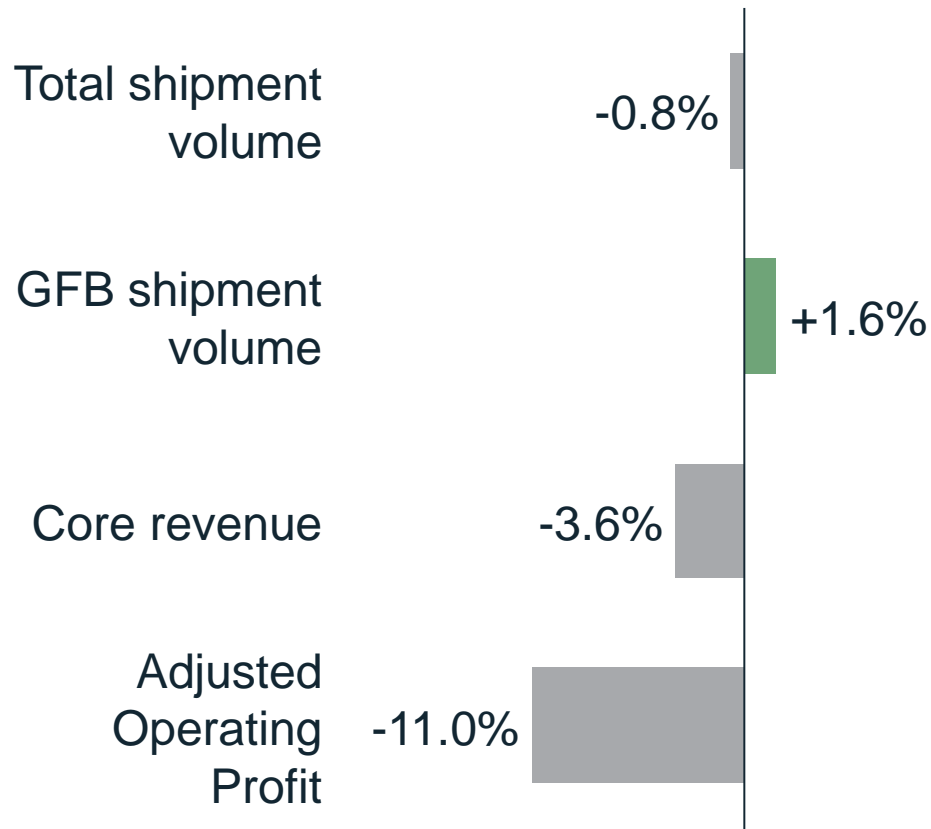
# Strong performance in N&CE and CIS+ drive earnings growth



# South & West Europe: Significant share of market gains

## Key Performance Indicators

1H 2014 vs. 1H 2013



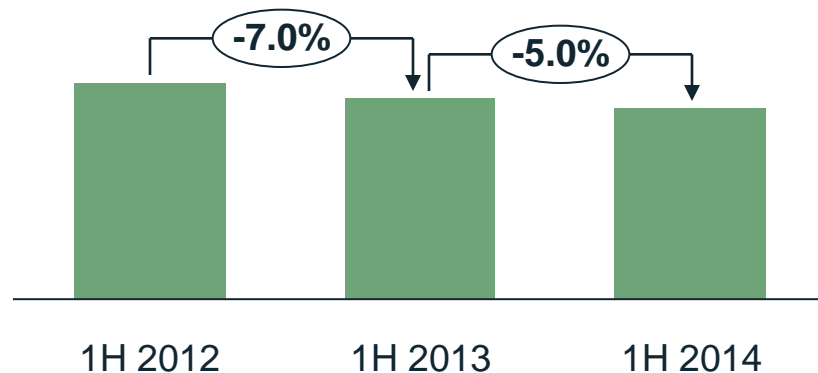
- Share of market gains across several markets driven by GFB:
  - Benelux +1.1ppt
  - France +1.0ppt
  - Greece +0.9ppt
  - Spain +0.9ppt
  - Switzerland +1.3ppt
- Lower industry decline rate in key markets (-2.9% in 1H 2014 vs. -7.1% in 1H 2013)
- Financial performance negatively impacted by taxation, notably in Italy and France

Source: JTI estimates, Nielsen

Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

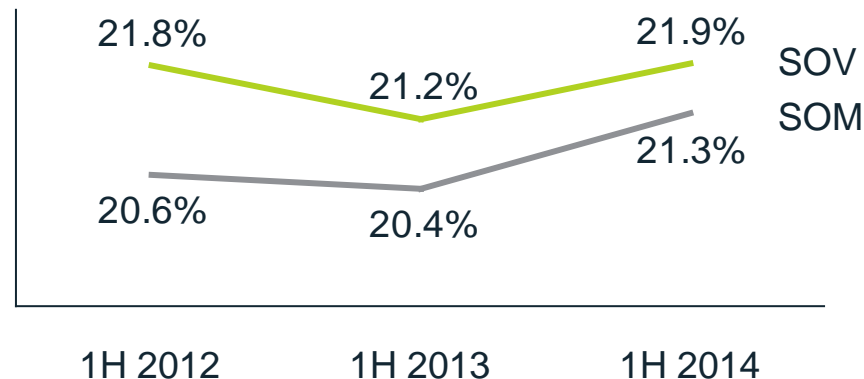
# Spain: Share of market and share of value growth

## Industry Size 6 months YTD



- Slow down in significant industry size decline versus prior years
- Improvement in share of market driven by strong GFB performance:
  - Winston +0.7ppt
  - Camel +0.2ppt
  - Benson & Hedges +0.2ppt

## Share of market and share of value



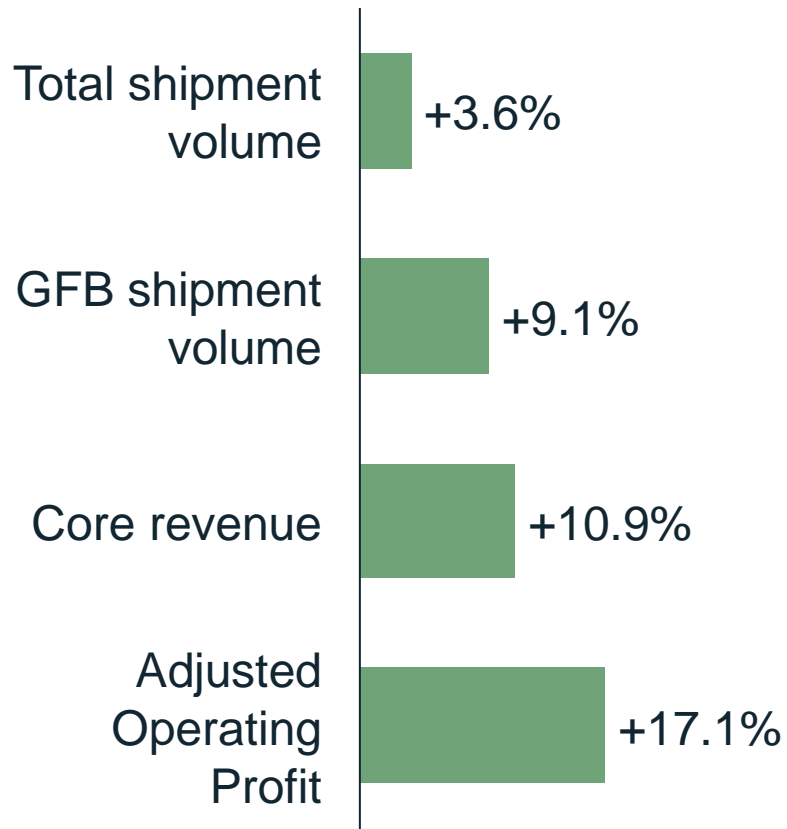
- With 12.6% share, Winston is the No. 2 cigarette brand in Spain
- Price increase in July 2014

Source: JTI estimates, Nielsen. Note: SOM and SOV include cigarettes and fine cut, calculated on 12-month average

# North & Central Europe: Continuing positive momentum

## Key Performance Indicators

1H 2014 vs. 1H 2013



- Total shipment volume increased by 3.6% driven by Winston, LD and Benson & Hedges
- Share of market gains across the region:
  - Germany +0.7ppt
  - Hungary +4.4ppt
  - Ireland +2.7ppt
  - Poland +1.6ppt
  - UK +0.9ppt
- Robust pricing in the UK and Germany drives positive financial performance

Source: JTI Estimates, Nielsen

Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

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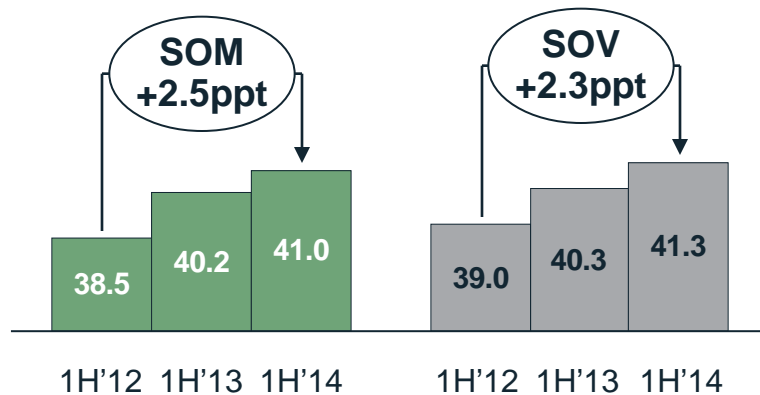
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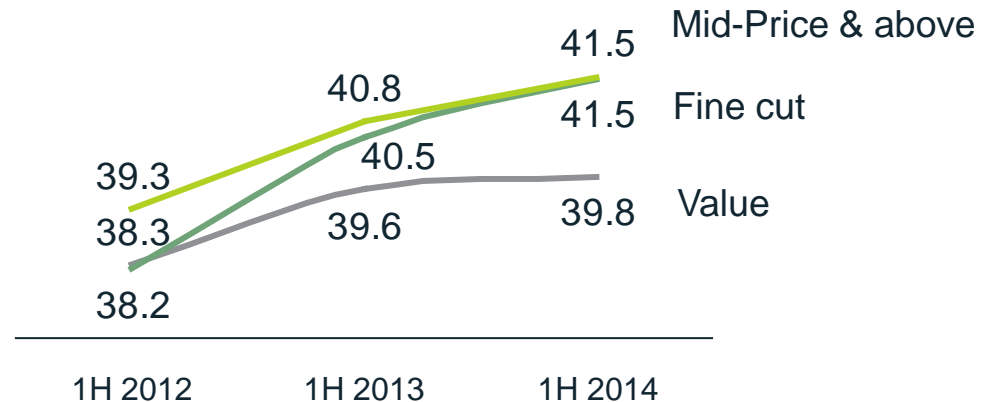
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# UK: Positive performance across the portfolio drives share of market and share of value growth

**SOM and SOV (%)**



**Share of segment (%)**



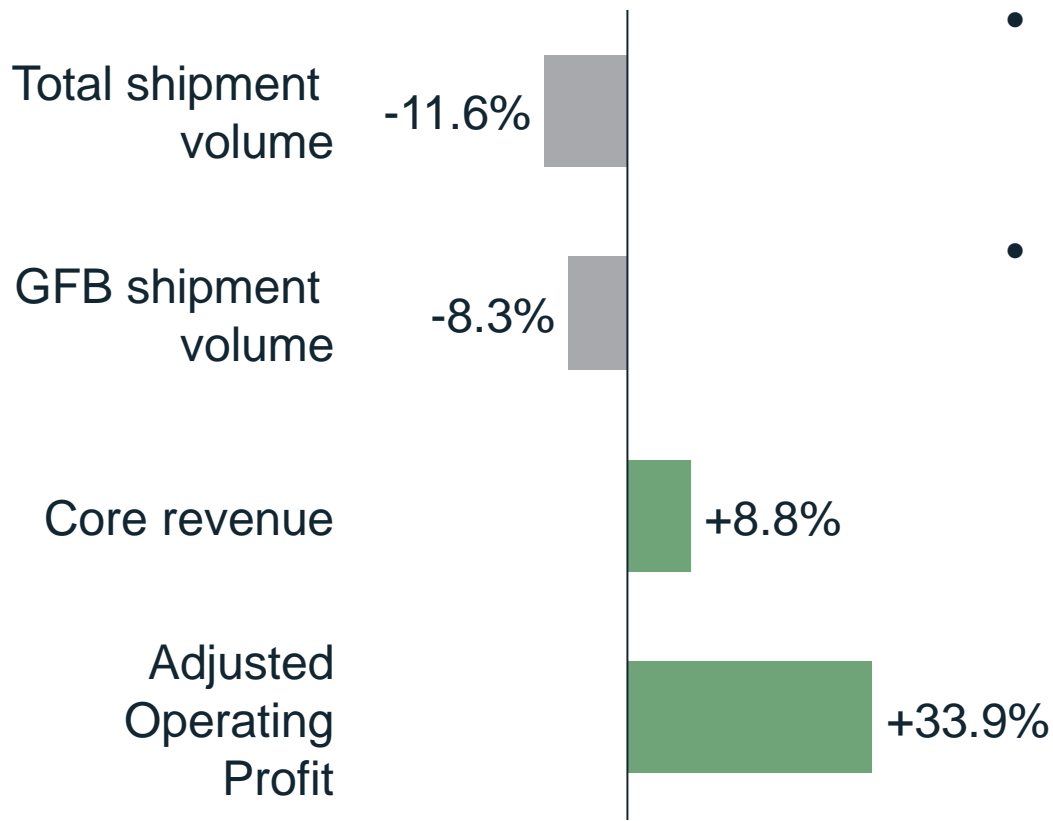
- Share of market and share of value exceeded 41% in 1H 2014
- Strong share performance across all segments:
  - Silk Cut and B&H lead share of segment growth in mid-price and above
  - Sovereign Blue drives share growth in the expanding value segment
  - Amber Leaf momentum consolidates its position as No. 1 tobacco brand
- Price increase in September 2014

Source: JTI estimates, Nielsen. Note: SOM and SOV include cigarettes and fine cut, calculated on 12-month average

# CIS+: Robust pricing in a challenging environment

## Key Performance Indicators

1H 2014 vs. 1H 2013



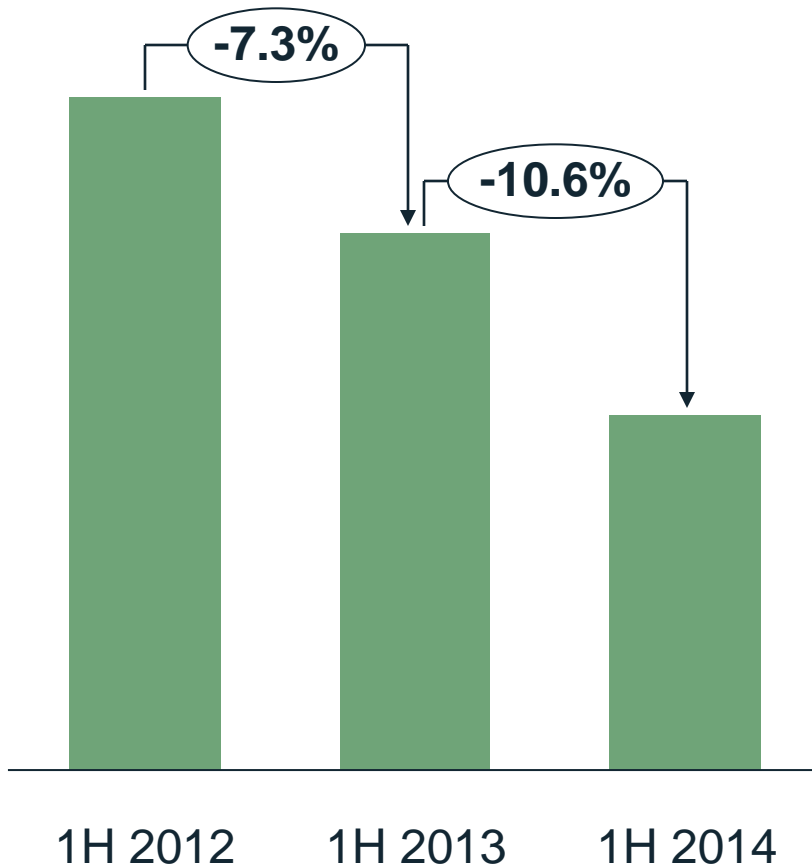
- Accelerating industry size decline
- Significant tax led price increases, notably in Russia, Kazakhstan and Ukraine
- Pricing environment remains positive driving core revenue and earnings growth in Belarus, Kazakhstan, Russia and Ukraine

*Note: Core revenue and Adjusted Operating Profit at constant rates of exchange*

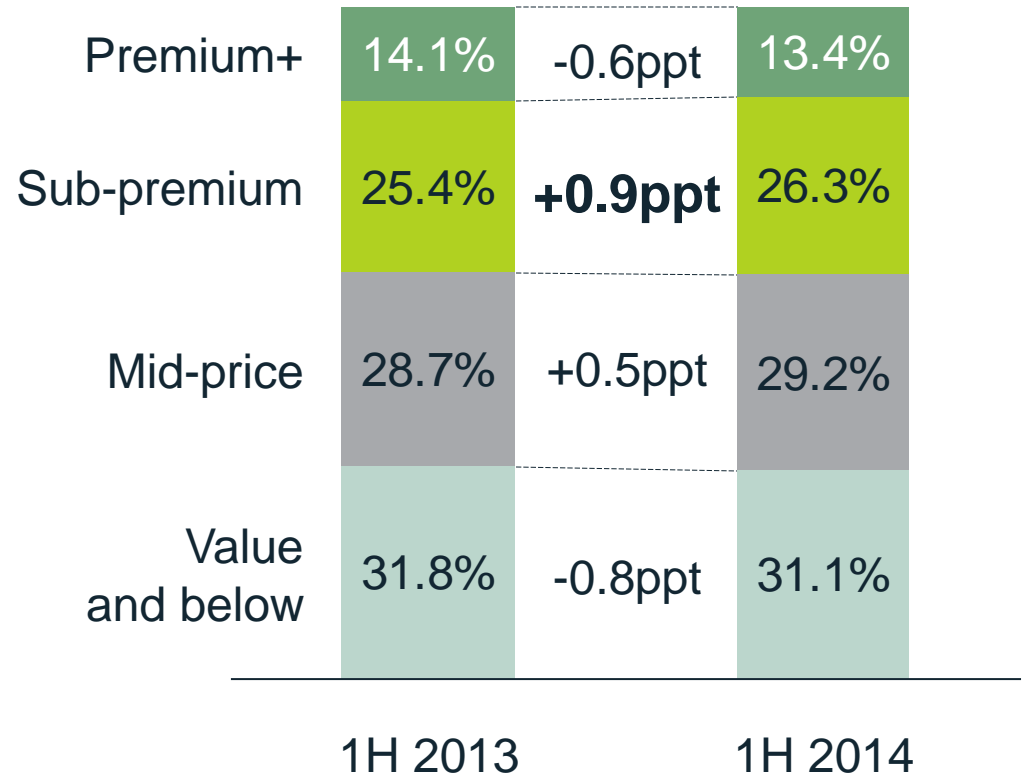


# Russia: Sub-premium segment growth

## Industry size evolution



## Price segment dynamics



Source: JTI estimates, Nielsen

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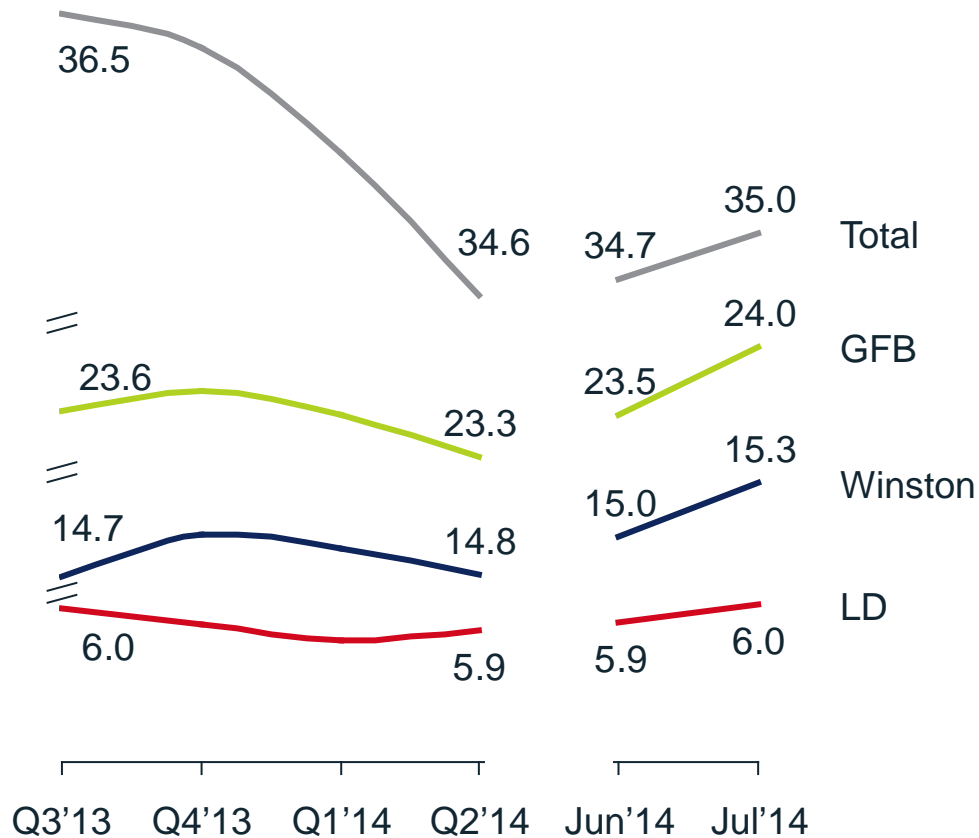
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# Russia: GFB growth leads share of market recovery

## Share of market evolution (%)



- Portfolio well-positioned to capture growth in the sub-premium and mid-price segments
- Winston reaches record high of 15.3% share in July
- LD returns to 6.0% share as No. 2 brand in mid-price segment
- Pricing environment remains positive, with price increase in May 2014

Source: JTI estimates, Nielsen

Note: SOM calculated on a 3-month average for quarters and spot rates for individual months

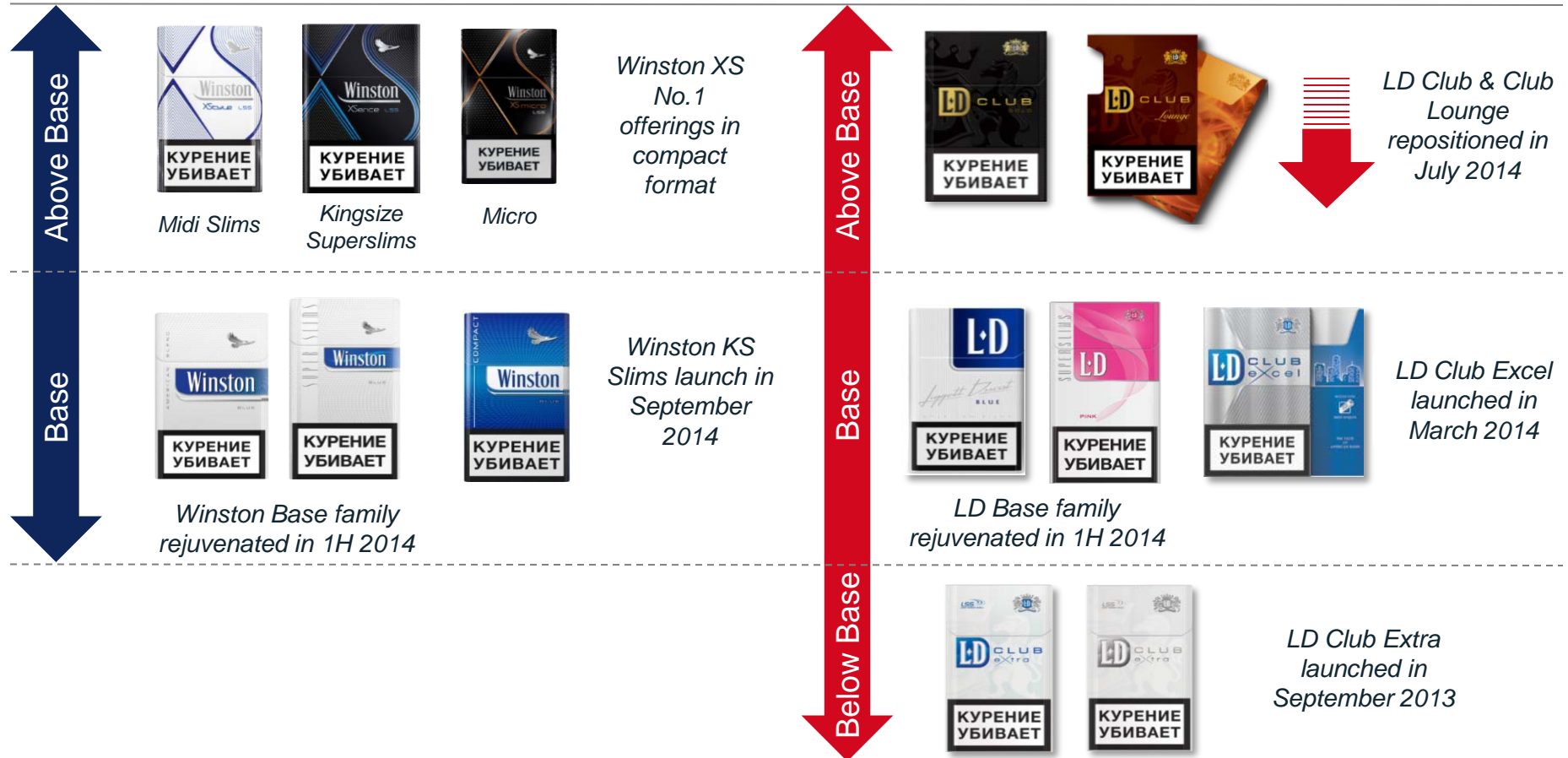
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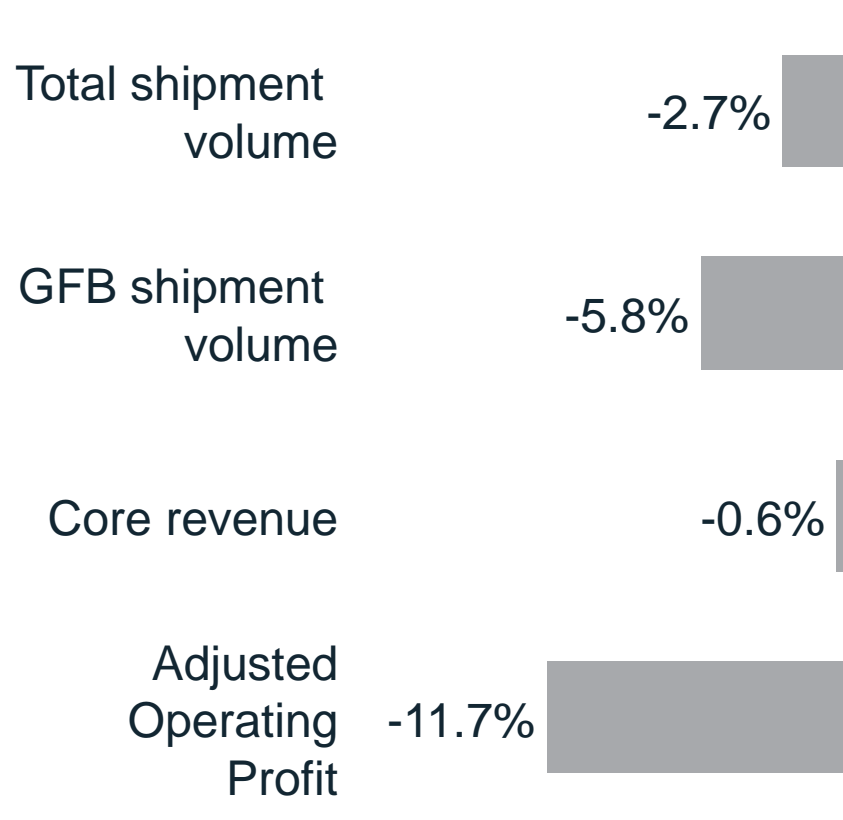
# Russia: Expanding portfolio increases competitiveness



# Rest-of-the-World: Pricing pressure impacts profitability

## Key Performance Indicators

1H 2014 vs. 1H 2013



- Inventory adjustments in Turkey, shipment volatility in the Middle East, and Taiwan impact both total and GFB volume
- Share of market improvements driven by GFB momentum:
  - Canada +0.7ppt
  - Malaysia +0.4ppt
  - Turkey +0.5ppt
- Solid pricing in Canada, Malaysia, Sudan and Taiwan
- Price competition in Turkey and Iran negatively impact financial performance

Source: JTI Estimates, Nielsen

Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

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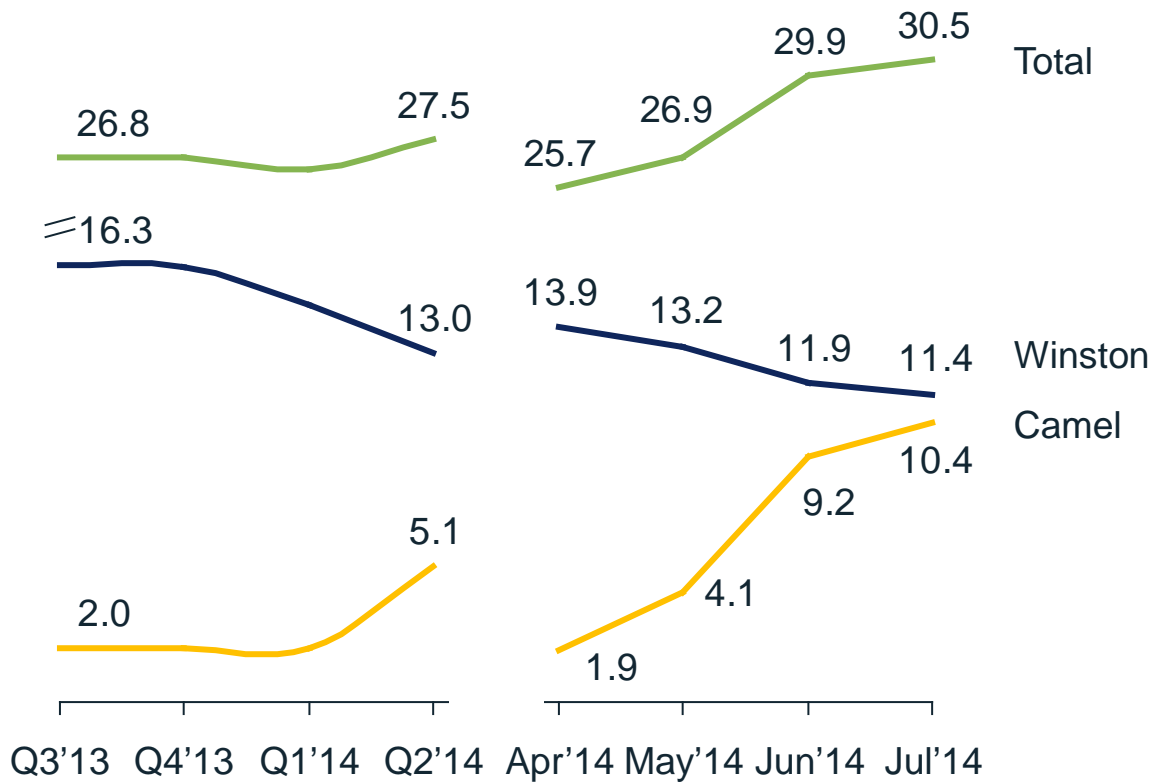
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# Turkey: Reacting positively to price competition

## Share of market evolution (%)



- JTI continues total share of market growth momentum
- Intensified price competition from the value segment following Jan 2014 tax increase negatively impacted Winston share
- Camel price repositioning from premium to popular in May results in net share gains

Source: JTI estimates, Nielsen

Note: SOM calculated on a 3-month average for quarters and spot rates for individual months

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# Summary

# On track to deliver double-digit earnings growth

- Strong business fundamentals and brand equity
- Improving share performance across all key markets
  - GFB share of market grows in Russia
- Pricing is secured in key markets
- 1H 2014 earnings growth of 11.7% with core revenue increasing by 4.2% at constant currency
- On track to deliver double-digit earnings growth at constant currency in line with prior guidance



JTI  
2014年1-6月期実績

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



# 当資料取扱い上の注意

## 将来に関する記述等についてのご注意

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- (1) 喫煙に関する健康上の懸念の増大
- (2) たばこに関する国内外の法令規則による規制等の導入・変更(増税、たばこ製品の販売、国産葉たばこの買入れ義務、包装、ラベル、マーケティング及び使用に関する政府の規制等)、喫煙に関する民間規制及び政府による調査の影響等
- (3) 国内外の訴訟の動向
- (4) 国内たばこ事業、海外たばこ事業以外へ多角化する当社の能力
- (5) 国際的な事業拡大と、日本国外への投資を成功させる当社の能力
- (6) 市場における他社との競争激化、銘柄嗜好の変化及び需要の減少
- (7) 買収やビジネスの多角化に伴う影響
- (8) 国内外の経済状況
- (9) 為替変動及び原材料費の変動
- (10) 自然災害及び不測の事態等

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# Agenda

- 1-6月期実績
- クラスター別1-6月期実績
- Summary



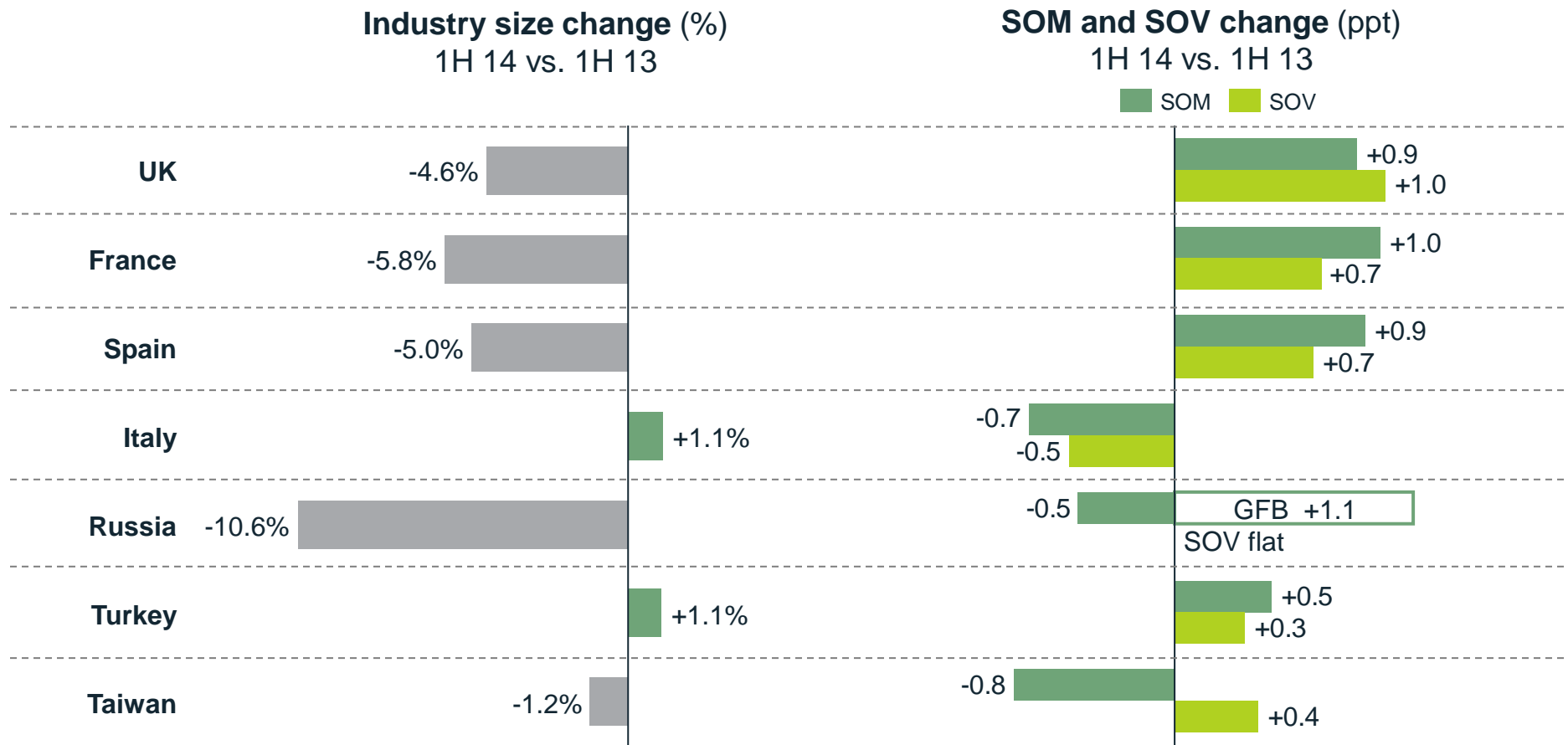
# 1-6月期実績

## 厳しい事業環境下において利益二桁成長を実現

(BnU, \$MM)	1H 2014	Change
Total shipment volume	190.6	-5.6%
GFB shipment volume	123.0	-4.0%
Core revenue	6,083	4.2%
Adjusted Operating Profit	2,323	11.7%

*Note: Core revenue and Adjusted Operating Profit are at constant rates of exchange*

# 市場縮小が顕著な中、ビジネス・ファンダメンタルズは力強く、市場シェアは伸長



Source: JTI estimates, Nielsen, Logista, Tobacco Board

Note: SOM and SOV calculated on 12-month average. Industry size, SOM and SOV include cigarettes and fine cut

# GFBへの戦略的集中により、質の高いトップライン成長を実現

## JTI share and GFB mix evolution

	1H 2014	vs. 2008 (ppt)
GFB SOM	13.5%	+1.9
JTI SOV	20.2%	+3.7
JTI SOM	19.7%	+0.2
GFB mix	64.5%	+10.0

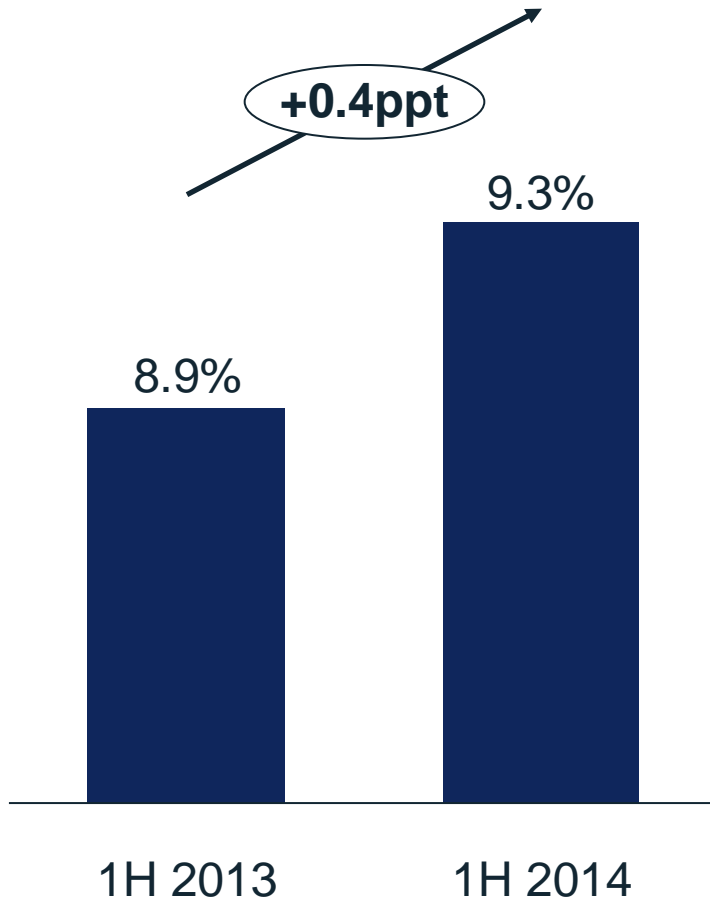
- GFBへの戦略的集中及び投資の継続
- 力強さを増すブランド・エクイティ
- 2008年以降、GFB が牽引し売上シェア、市場シェアともに成長
- JTI総販売数量の65%をGFBが創出

Source: JTI estimates, Nielsen

Note: SOM and SOV based on 56 markets. SOM and SOV include cigarettes and fine cut, calculated on 12-month average.

# Winston: 各市場にわたりシェア成長を牽引

## Winston share of market



- グローバルNo. 2 ブランド
- ロシアでの1.5ppt成長をはじめ、Winston主要市場のうち84%の市場においてシェア伸長
- Brazil、Egypt、Oman、Sudan を含む新規市場への投入
- ブランド・エクイティの継続的な強化により、成長を続けるコンパクトシガレットセグメントでのリーダーシップはより強固なものに



Source: JTI estimates, Nielsen

Note: Winston SOM based on 37 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

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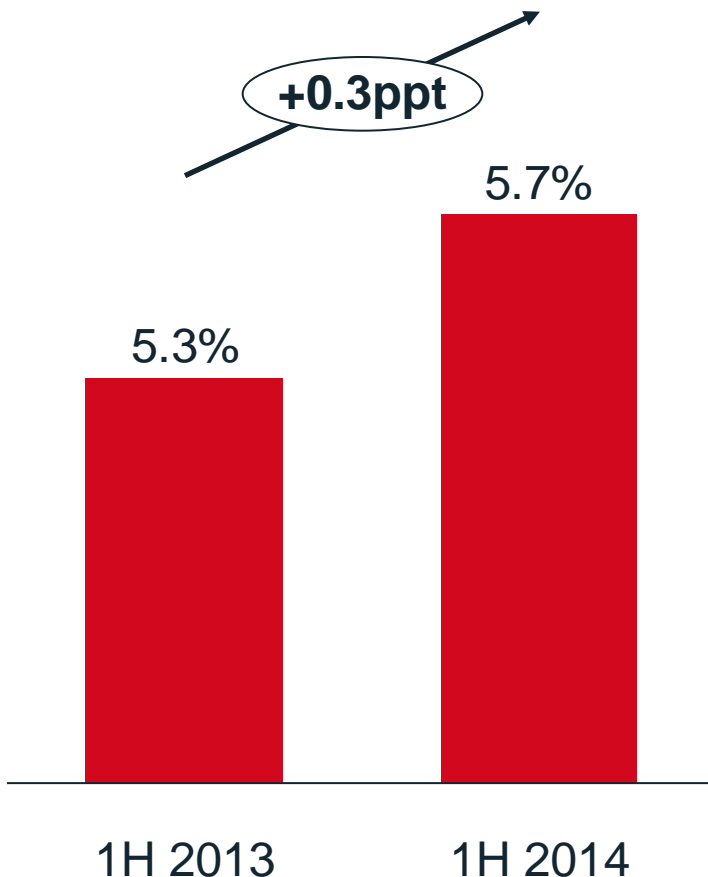
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# LD: グローバルシェアの更なる成長

## LD share of market



- ValueセグメントでのグローバルNo. 2 ブランド
- ロシアを除く販売数量は11.4%成長、またシェアは Hungary(+3.1ppt)、Poland(+1.4ppt)をはじめとするEurope各国で伸長
- LD Club の伸長、LD Club Extra の投入に加え Baseファミリーの刷新によりロシアでのシェア動向は安定化



Source: JTI estimates, Nielsen

Note: LD SOM based on 21 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

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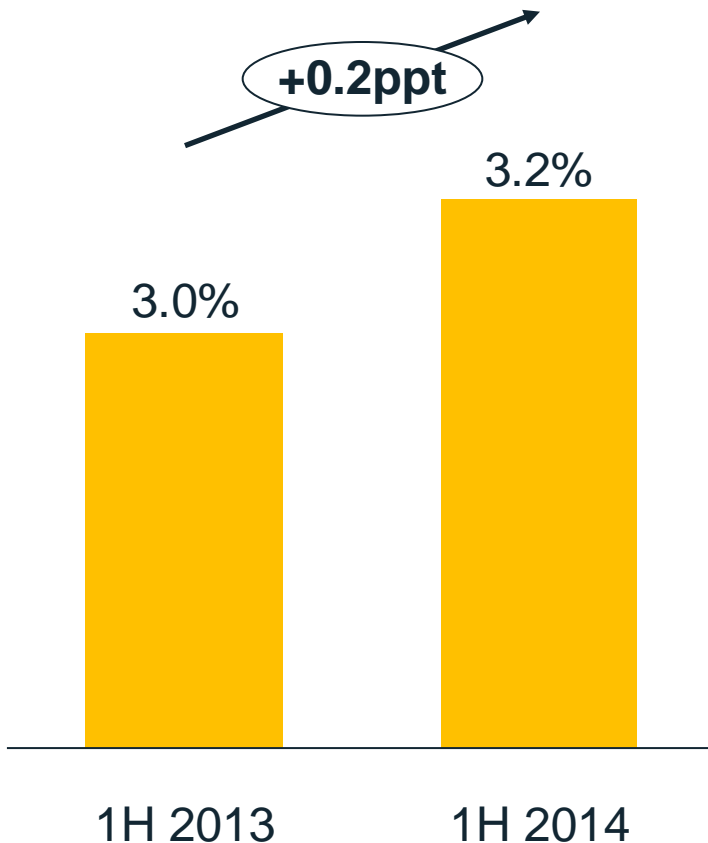
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# Camel: シェア、販売数量の双方で成長

## Camel share of market



- 革新的製品の展開によるブランド・エクイティ強化及びシェア伸長
- Benelux、Germany、South Africa、Turkeyにおける販売数量成長



Source: JTI estimates, Nielsen

Note: Camel SOM based on 24 markets. SOM includes cigarettes and fine cut, calculated on 12-month average

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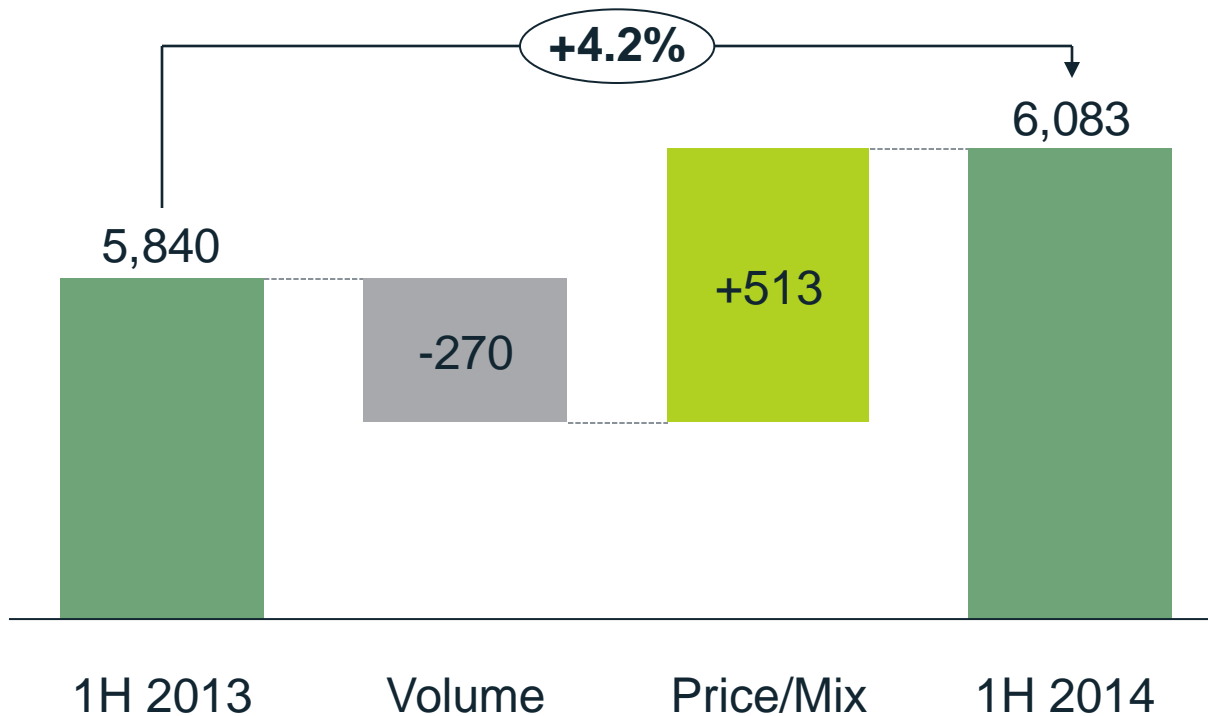
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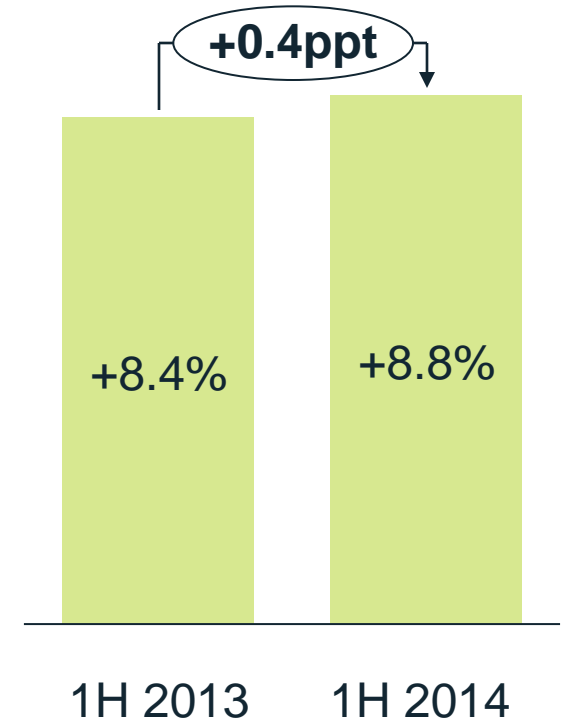
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# 引き続き値上げが売上収益成長を牽引

Core revenue (\$MM)



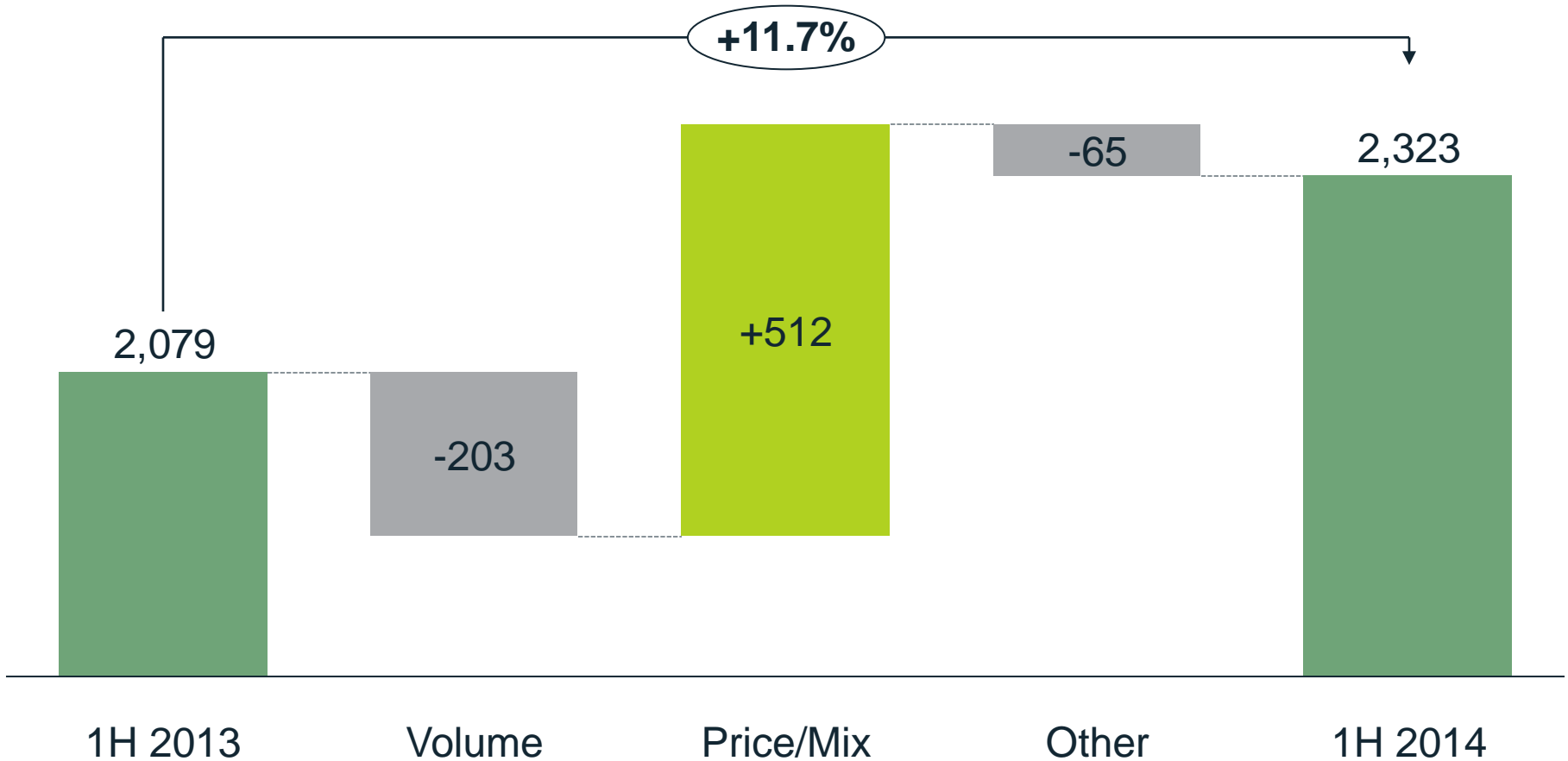
Price/Mix contribution to core revenue growth (%)



Note: Core revenue at constant rates of exchange  
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# 利益二桁成長を実現

## Adjusted Operating Profit (\$MM)



Note: Adjusted Operating Profit at constant rates of exchange

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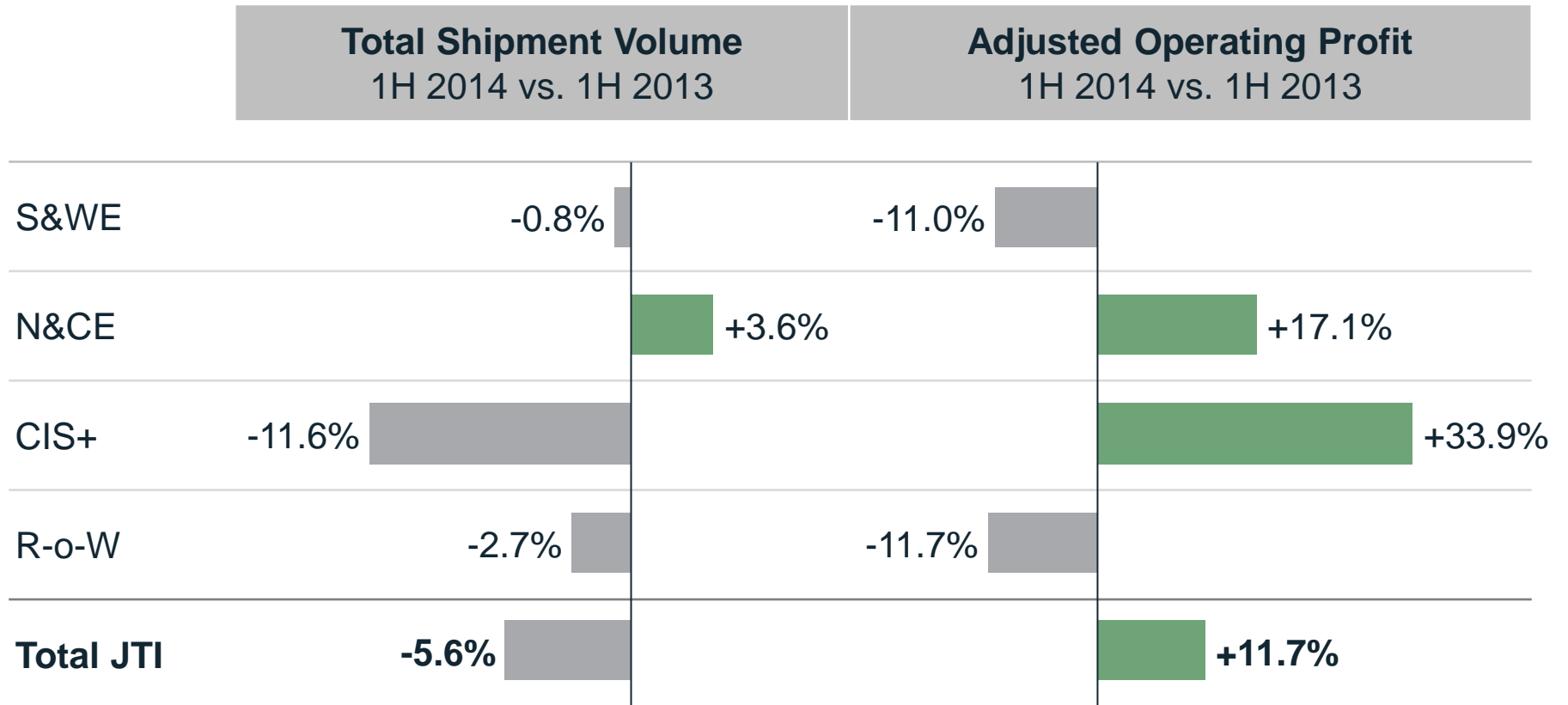
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# クラスター別1-6月期実績

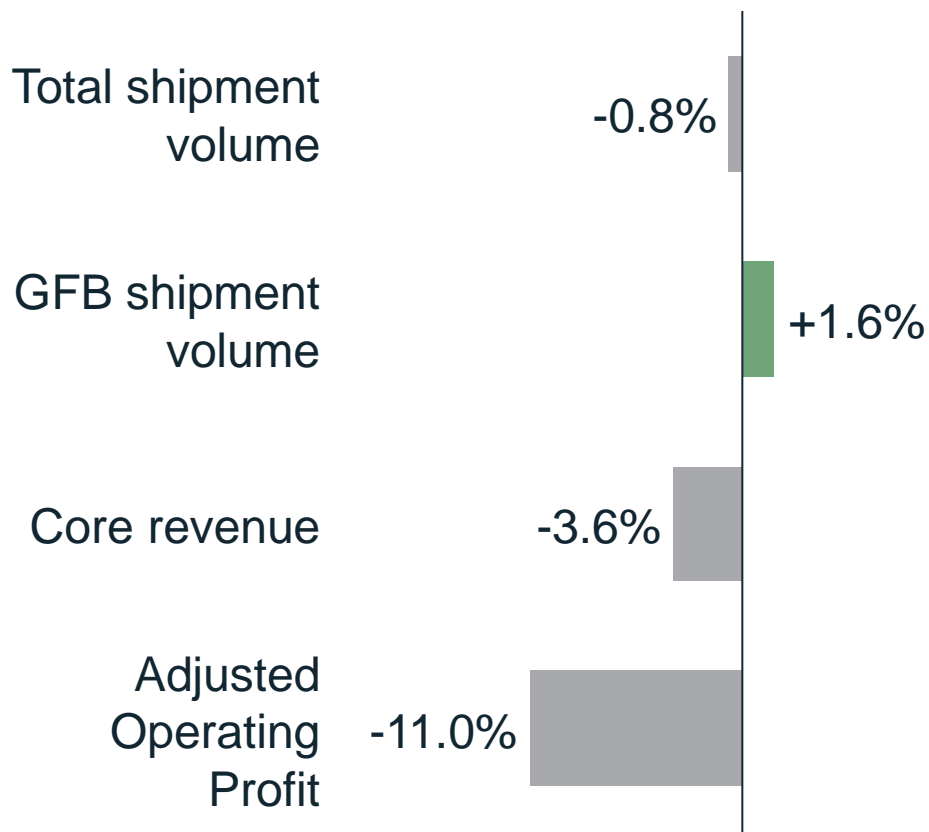
# North & Central Europe と CIS+での力強い業績がJTI全体の利益成長を牽引



# South & West Europe: シェアの大幅な増加

## Key Performance Indicators

1H 2014 vs. 1H 2013



- GFBに牽引され、複数の市場においてシェア増加:

- Benelux +1.1ppt
- France +1.0ppt
- Greece +0.9ppt
- Spain +0.9ppt
- Switzerland +1.3ppt

- 主要市場の総需要減少幅は縮小  
(2014年1-6月期: -2.9%, 2013年1-6月期: -7.1%)

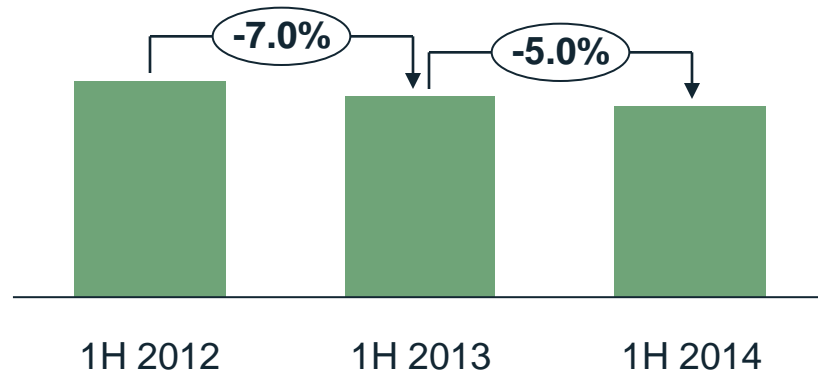
- 一方、Italy、Franceでのたばこ税制が財務実績へネガティブに影響

Source: JTI estimates, Nielsen

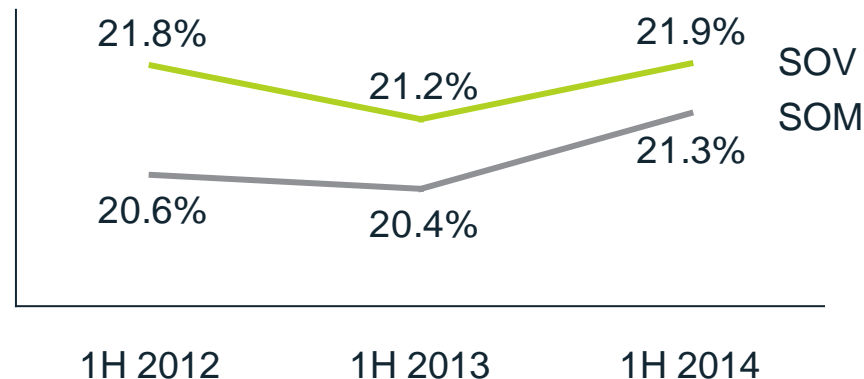
Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

# Spain: 市場シェア、売上シェアともに成長

## Industry Size 6 months YTD



## Share of market and share of value



- 総需要減少幅は過去数年に比べ縮小
- GFBの力強さに牽引され、市場シェアが伸長:
  - Winston +0.7ppt
  - Camel +0.2ppt
  - Benson & Hedges +0.2ppt
- Winstonは市場シェア12.6%を獲得、市場No. 2の紙巻たばこブランド
- 2014年7月に値上げを実施

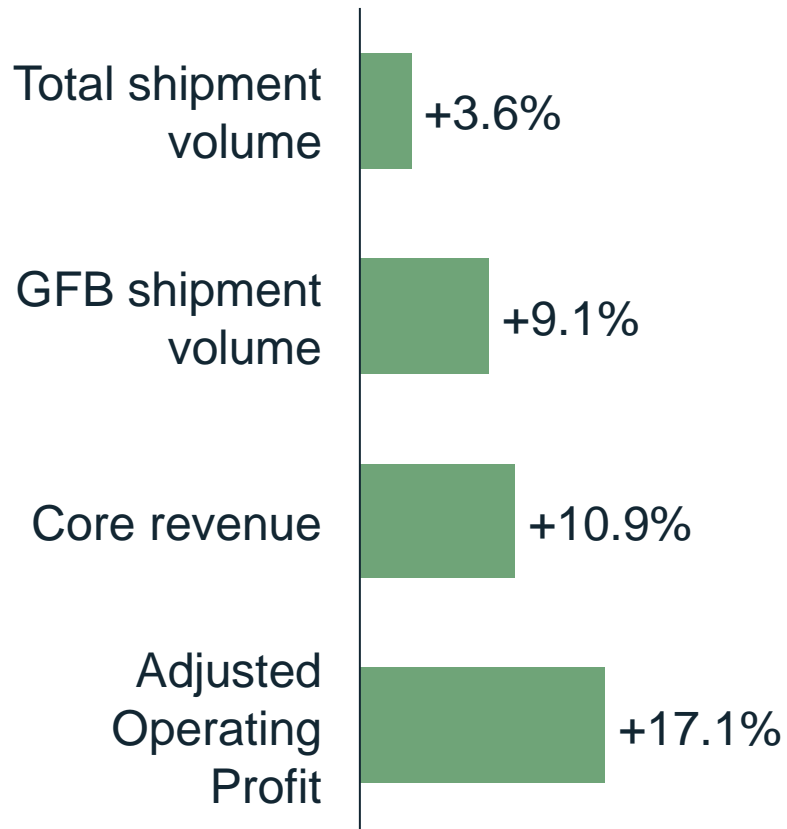
Source: JTI estimates, Nielsen. Note: SOM and SOV include cigarettes and fine cut, calculated on 12-month average



# North & Central Europe: 好調なモメンタムが継続

## Key Performance Indicators

1H 2014 vs. 1H 2013



- Winston、LD、Benson & Hedgesに牽引され、総販売数量は3.6%増加
- クラスタ内各国でのシェア伸長:
  - Germany +0.7ppt
  - Hungary +4.4ppt
  - Ireland +2.7ppt
  - Poland +1.6ppt
  - UK +0.9ppt
- UK、Germanyでの着実な値上げによる、好調な財務実績

Source: JTI Estimates, Nielsen

Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

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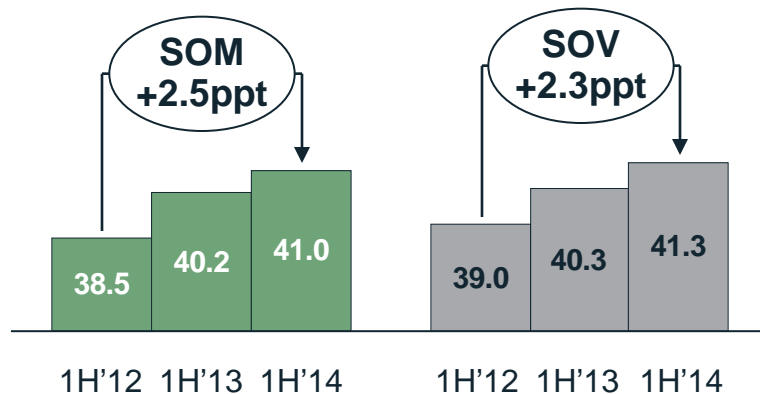
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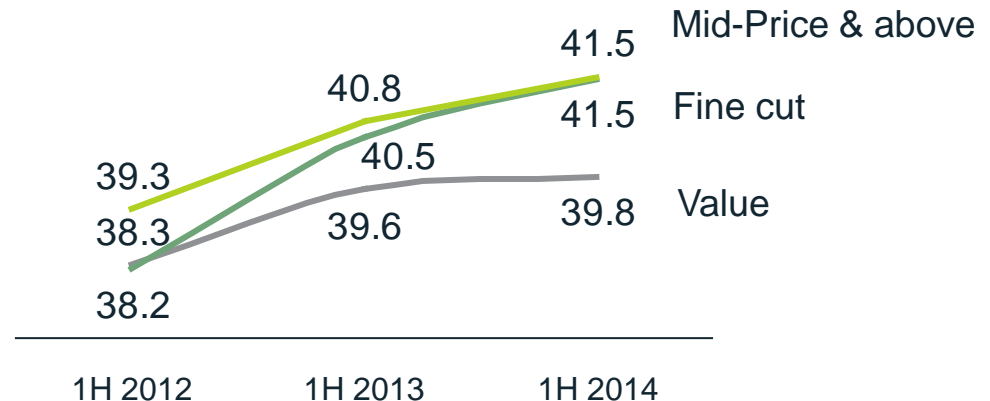
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# UK: 全セグメントでの好パフォーマンスにより、市場シェア、売上シェア双方が成長

SOM and SOV (%)



Share of segment (%)



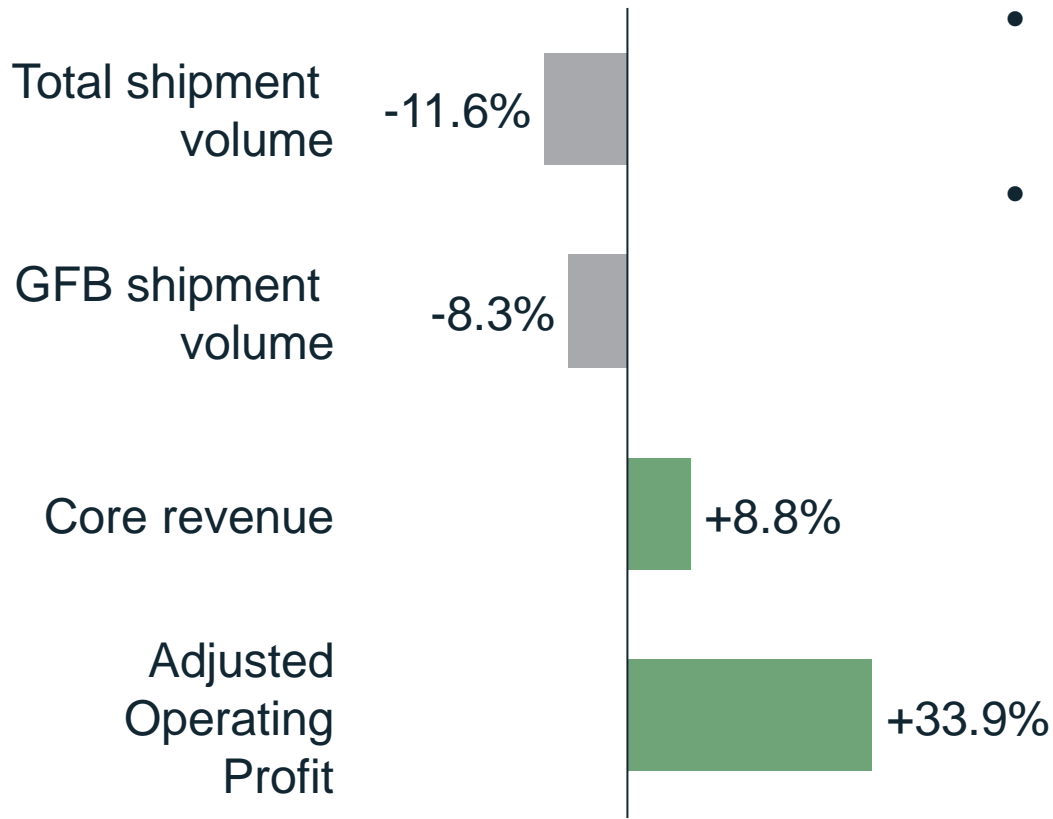
- 2014年1-6月期には市場シェア、売上シェアともに41%を突破
- 全セグメントにわたる力強いシェア伸長:
  - Mid-priceセグメント以上では、Silk Cut と Benson & Hedges がシェア伸長を牽引
  - 拡大を続けるValueセグメントでは、Sovereign Blueがシェア伸長を牽引
  - Amber Leafは好調を維持し、市場No. 1ブランドとしての地位を強化
- 2014年9月に値上げを実施

Source: JTI estimates, Nielsen. Note: SOM and SOV include cigarettes and fine cut, calculated on 12-month average

# CIS+: 厳しい事業環境下においても堅実に値上を実施

## Key Performance Indicators

1H 2014 vs. 1H 2013

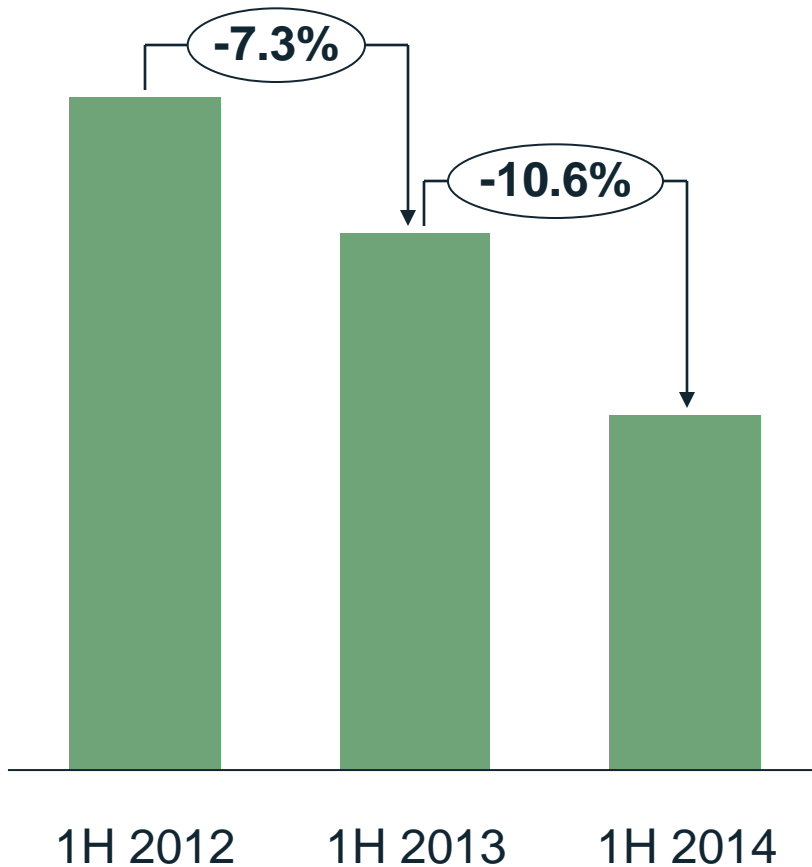


- 総需要減少が加速
- Russia、Kazakhstan、Ukraineでの大幅な増税に伴う値上げ
- 値上環境は引き続き堅調であり、Belarus、Kazakhstan、Russia、Ukraine等で売上収益、利益が成長

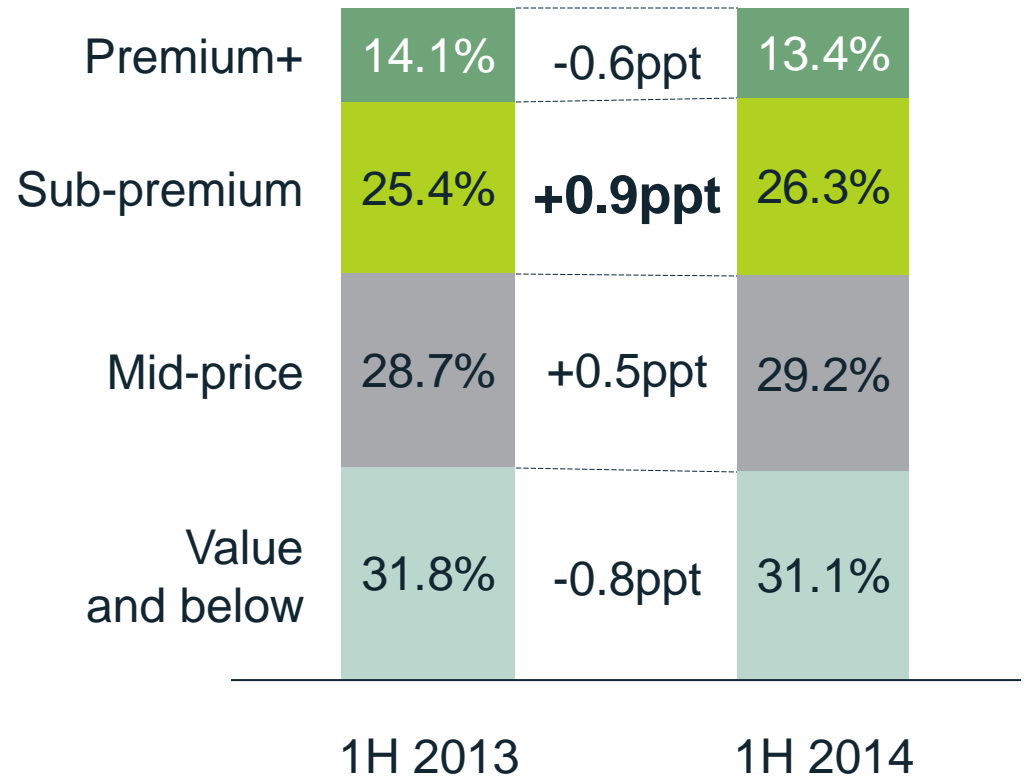
Note: Core revenue and Adjusted Operating Profit at constant rates of exchange

# Russia: Sub-premiumセグメントの拡大

## Industry size evolution



## Price segment dynamics



Source: JTI estimates, Nielsen

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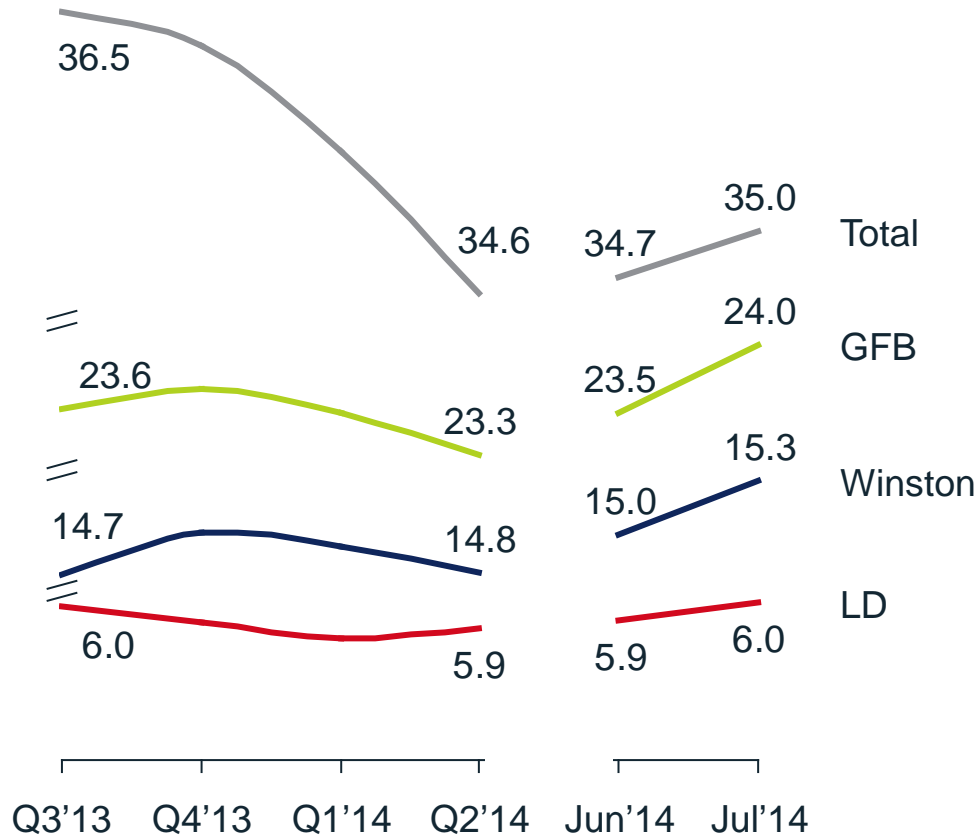
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# Russia: GFB成長により市場シェアが回復

## Share of market evolution (%)



- 優れたポートフォリオにより、Sub-premiumセグメント及びMid-priceセグメントの成長を捕捉
- Winston: 過去最高となる15.3%の市場シェアを7月に獲得
- LD: Mid-priceセグメントのNo. 2ブランドとして、市場シェアは6%へ回復
- 値上げ環境は引き続き堅調であり、2014年5月に値上げを実施

Source: JTI estimates, Nielsen

Note: SOM calculated on a 3-month average for quarters and spot rates for individual months

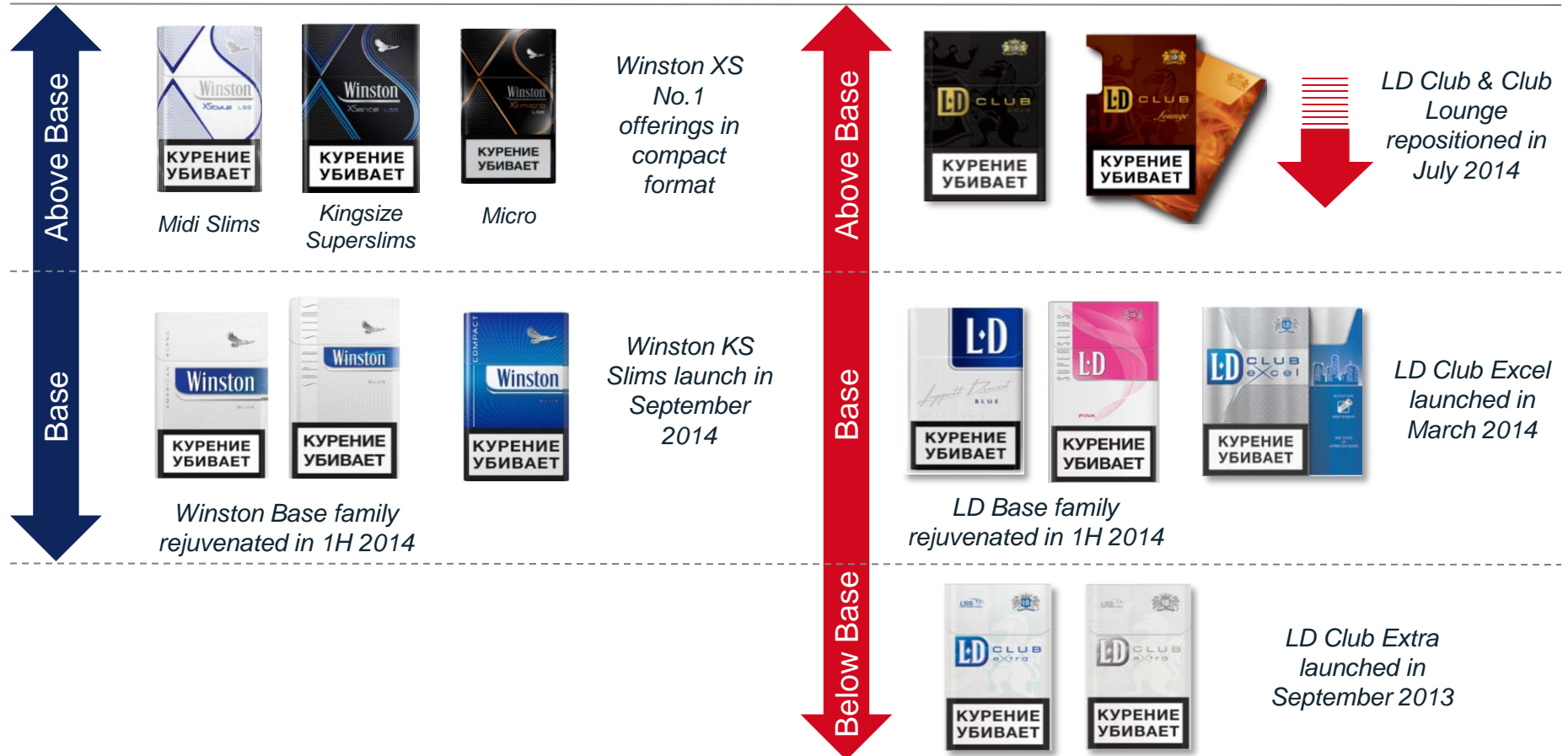
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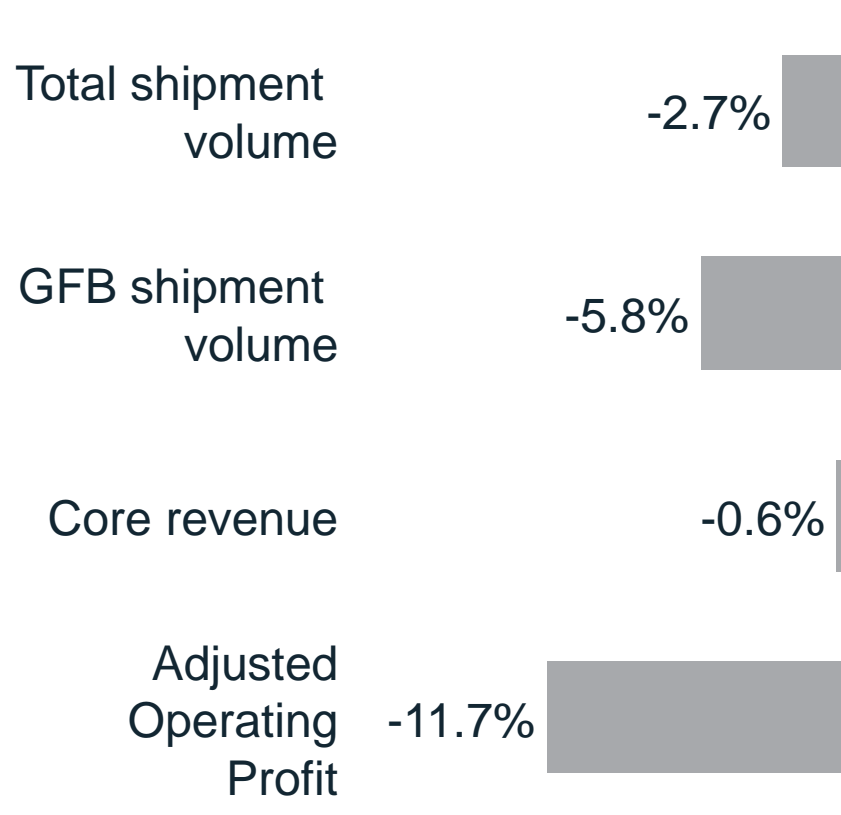
# Russia: ポートフォリオ拡張による競争力強化



# Rest-of-the-World: 価格競争が収益へ影響

## Key Performance Indicators

1H 2014 vs. 1H 2013



- Turkeyでの流通在庫調整、中東での不安定な販売環境に加え、Taiwanでの減少もあり、総販売数量及びGFB販売数量は減少
- GFBのモメンタムによりシェアは改善:
  - Canada +0.7ppt
  - Malaysia +0.4ppt
  - Turkey +0.5ppt
- Canada、Malaysia、Sudan、Taiwanでは堅実な値上げ
- 一方、Turkey、Iranでの価格競争が財務実績へ影響

Source: JTI Estimates, Nielsen

Note: Core revenue and Adjusted Operating Profit at constant rates of exchange. SOM includes cigarettes and fine cut, calculated on 12-month average

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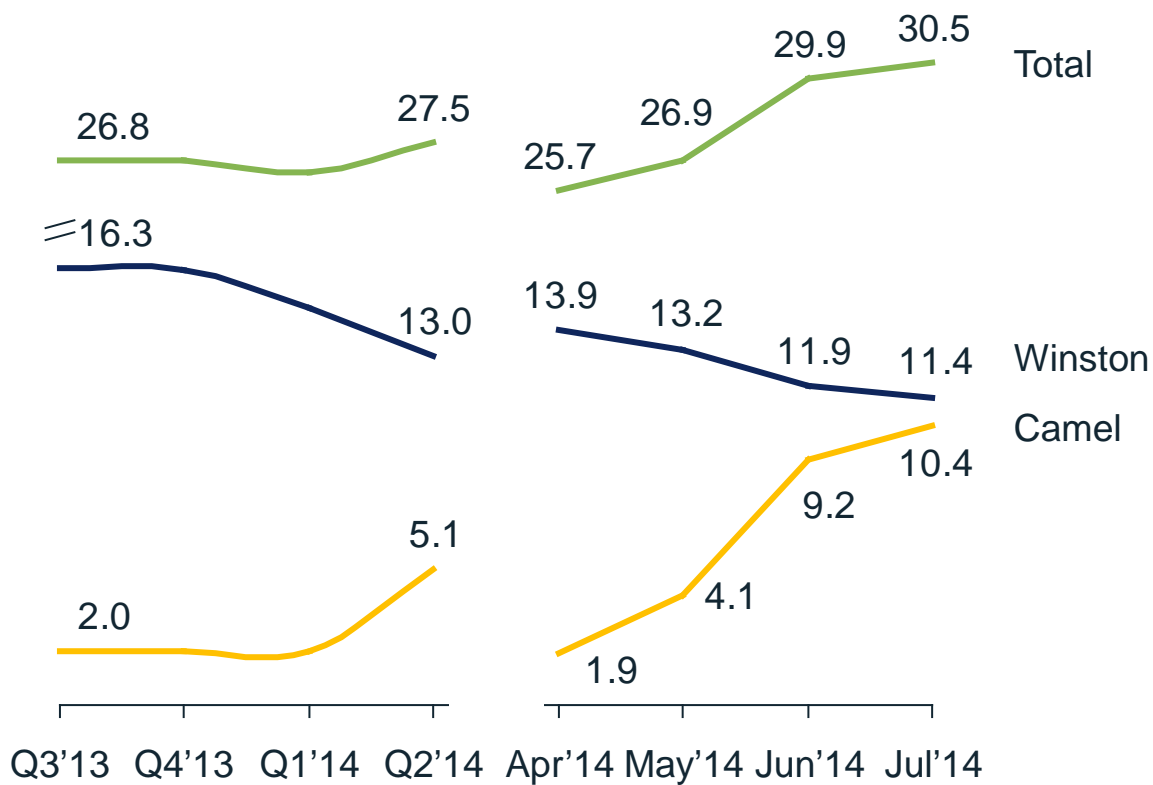
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# Turkey: 価格競争に対し適切に対応

## Share of market evolution (%)



- 引き続き好調なシェアのモメンタム
- 2014年1月の増税以降の低価格帯での競争激化がWinstonのシェアへ影響
- 一方、5月にCamelをPremiumセグメントからPopularセグメントへ配置したことで、JTI totalでのシェアは伸長

Source: JTI estimates, Nielsen

Note: SOM calculated on a 3-month average for quarters and spot rates for individual months

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# Summary

## 通期での利益二桁成長の達成へ向けて堅調に推移

- 力強いビジネス・ファンダメンタルズとブランド・エクイティ
- 全ての主要市場でシェア動向が改善
  - ロシアでのGFBシェアの伸長
- 値上げ効果は主要市場において担保済み
- 2014年1-6月期の調整後営業利益は為替一定ベースで11.7%成長、自社たばこ製品売上収益は4.2%成長
- 為替一定ベースでの調整後営業利益二桁成長へ向けて、通期見込みに沿って堅調に推移



# Expanding our presence in Central Europe

Jorge da Motta

*Regional President, Central Europe*

# 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.

# Central Europe provides JTI with solid volume and profit growth

- 25 Markets
- 50 million adult smokers
- Total industry volume of 351 BnU
  - Cigarette volume of 282 BnU
  - OTP volume of 69 BnU
- Profit pool of \$7.3 billion
- Growth of 12% since 2008



Source: JTI estimates

Note: Data include Adriatic markets that joined the Regional scope in 2014. OTP includes fine cut and snus

# JTI is the fastest growing international tobacco manufacturer in the region

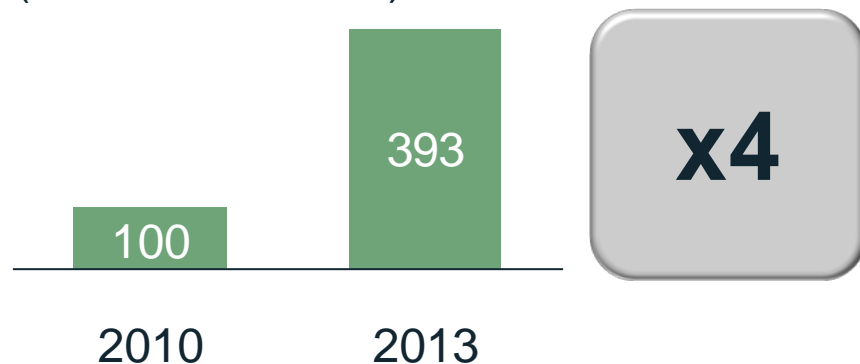
## Volume, 2013 vs. 2010 (BnU)



- Top- and bottom-line grew significantly between 2010 and 2013
- Total shipment volume was up 4.9BnU, despite an overall industry contraction of 15BnU
- Profit contribution quadrupled, driven by volume and price/mix gains

## EBITA

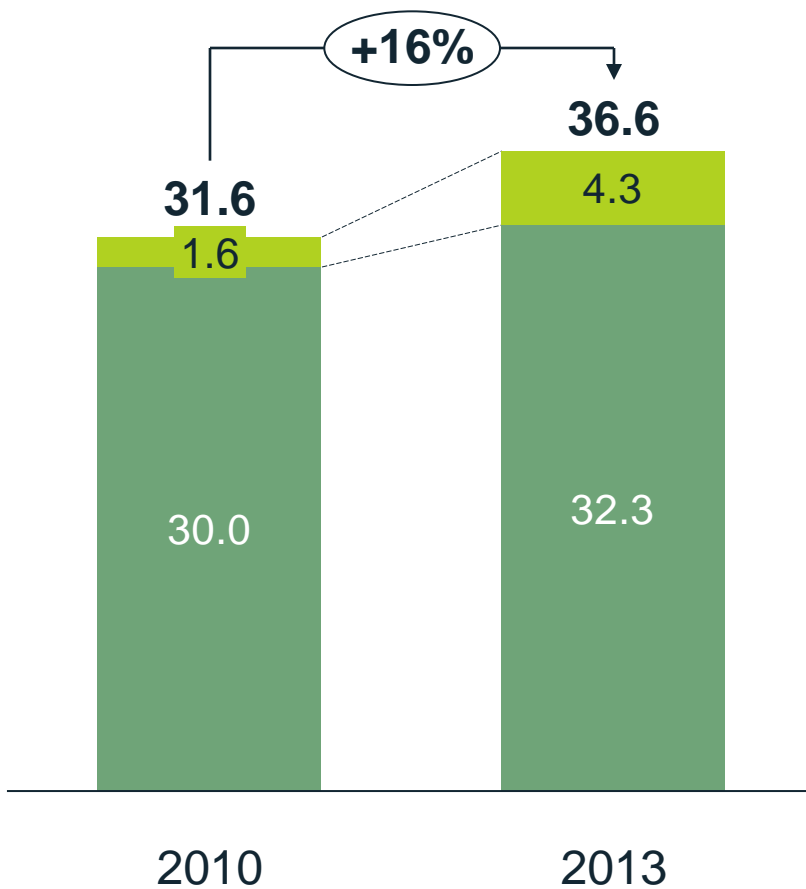
(Index, 2010=100)



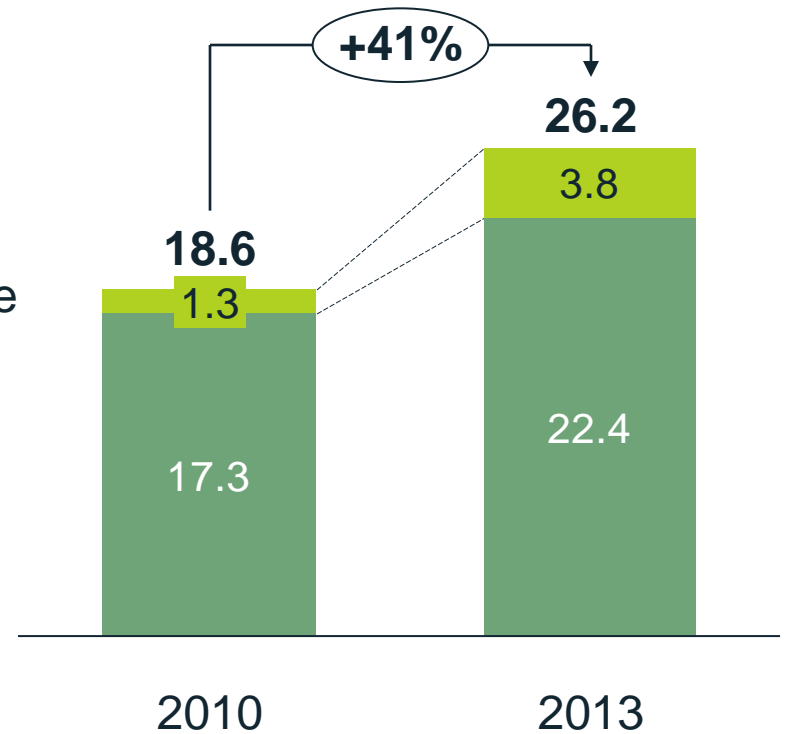
Note: All data hereafter excluding Adriatica markets unless otherwise noted

# Strong volume growth in both cigarette and OTP categories, driven by GFBs

## Total shipment volume (BnU)



## GFB shipment volume (BnU)

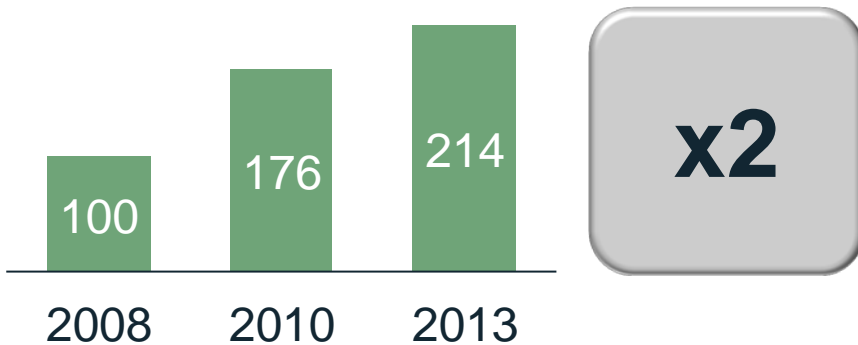




# Consistent investment and seeding to grow market share

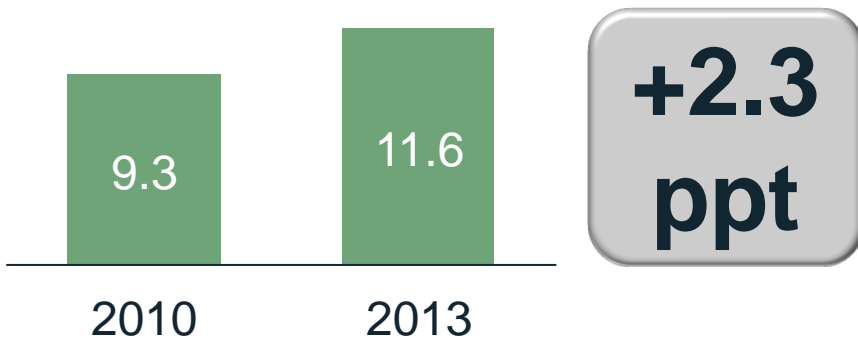
## Investments

(Index, 2008=100)



- Increasing focused investments have enabled
  - Growth of GFB presence,
  - Strengthening of infrastructure and capabilities,
  - Expansion across key distribution channels

## Share of market evolution (%)



- Share of market growth across all markets in cigarette (+2.4ppt) and OTP (+3.1ppt) categories

Source: JTI estimates, Nielsen.

Note: Investments include marketing programs, allowances, marketing and sales opex. SOM includes cigarettes and fine cut

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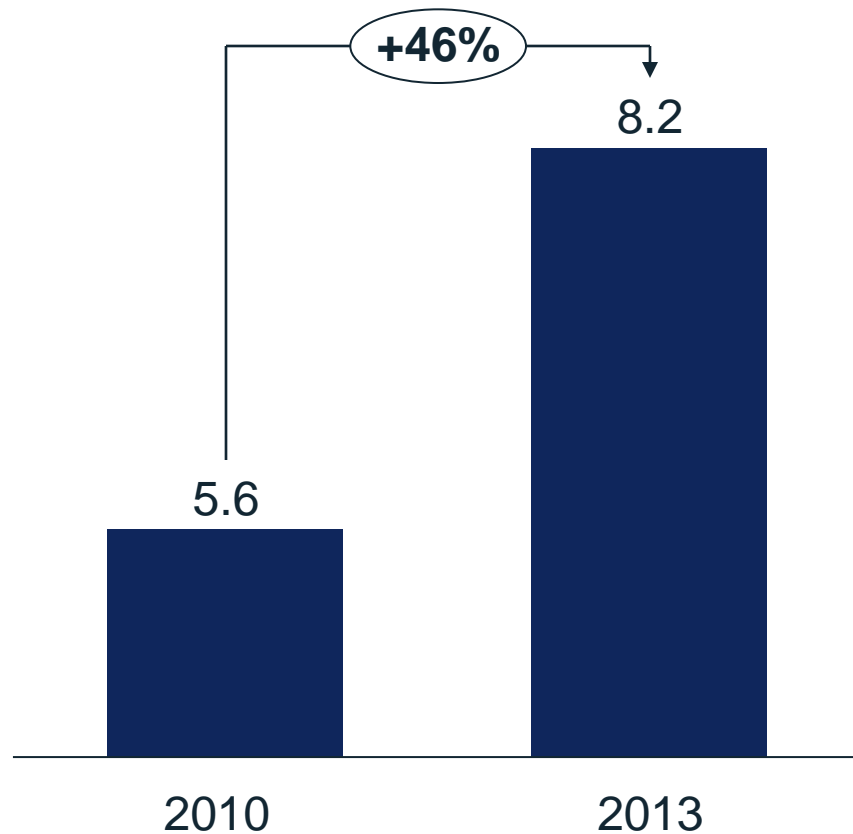
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# Our focus on GFB is paying off

# Winston: Living up to its JTI megabrand status

## Winston total shipment volume (BnU)



1) Including Adriatica markets

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- JTI's largest brand in the recently expanded Region, both in cigarette and fine cut, now at +10BnU<sup>(1)</sup>
- Winston's international stature and "affordable quality" credentials offer a solid base for successful expansion
- Regional key markets include Romania, Serbia, Baltics, Austria and Germany, the largest fine cut market in the world where Winston is now a key player



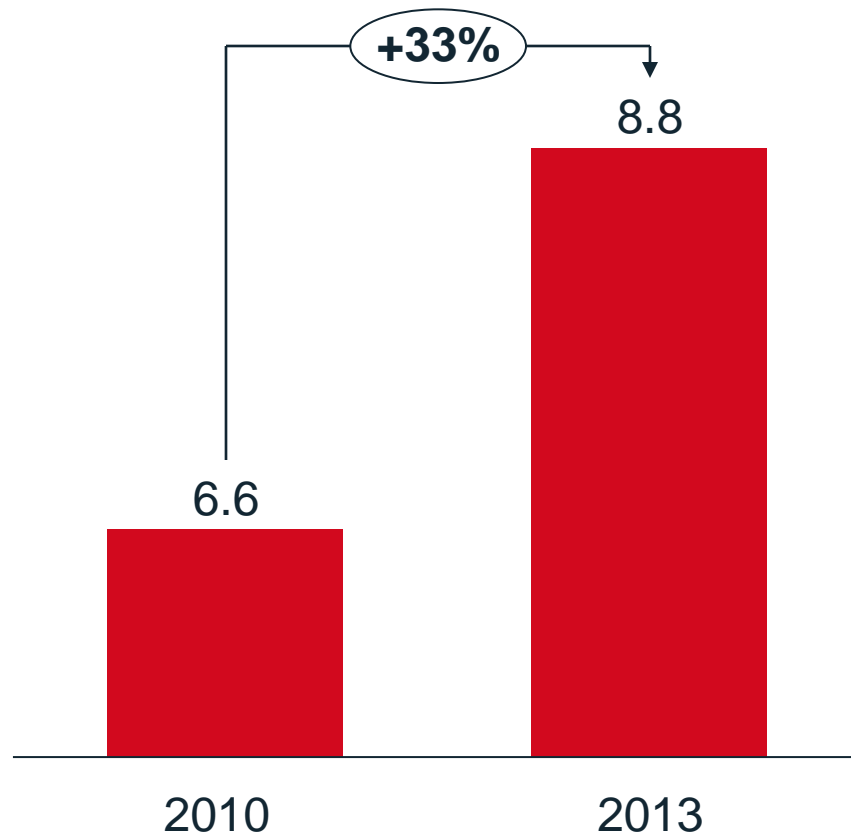
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# LD: Building scale in both cigarette and OTP categories

## LD total shipment volume (BnU)



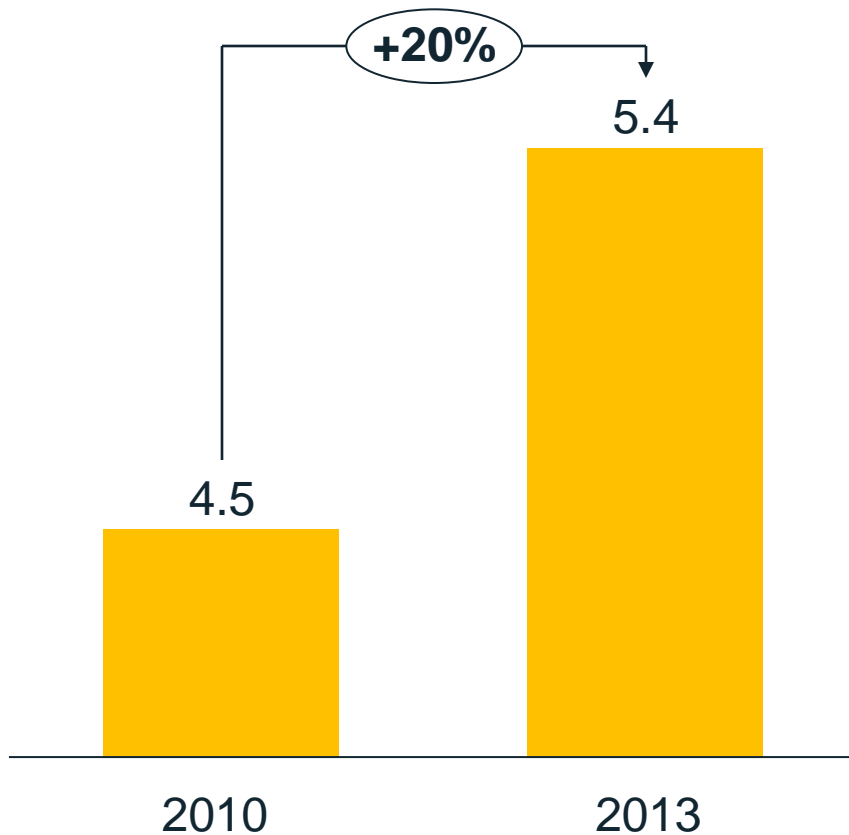
- Region's 2nd largest GFB both in cigarette and OTP categories<sup>(1)</sup>
- Since 2010, through increased focus, LD volume has grown +2.2BnU
- Available in 15 markets including Poland, Hungary, Czech Republic, Sweden (in Snus), and more recently in Denmark, Lithuania and Estonia



1) Including Adriatica markets

# Camel: Leveraging on an iconic premium image

## Camel total shipment volume (BnU)

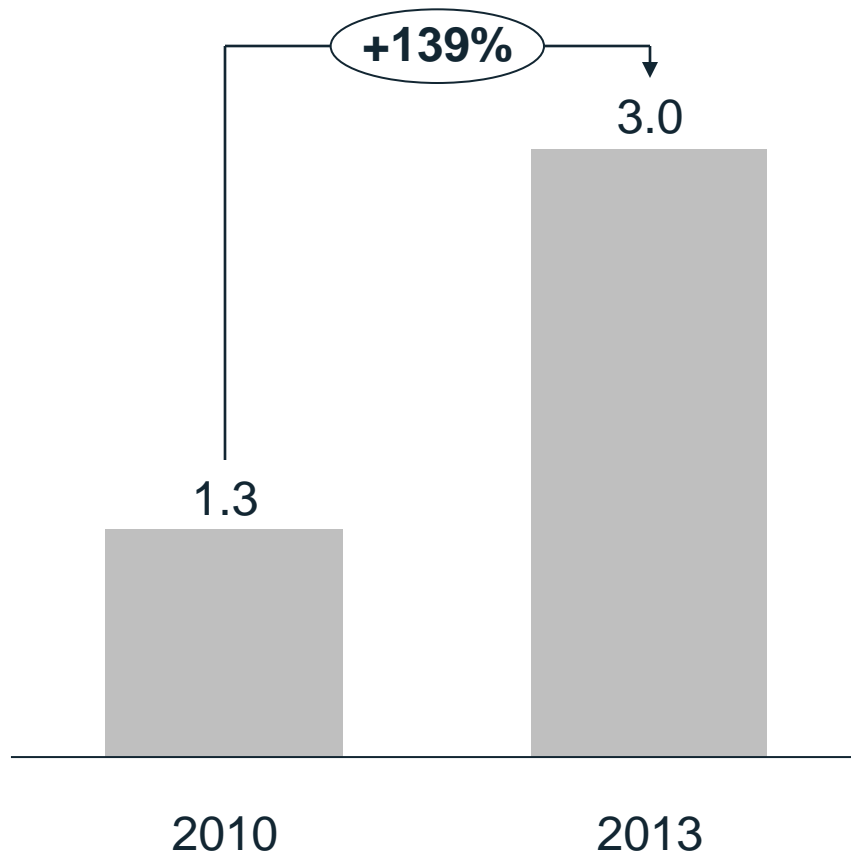


- Long-term presence across all 25 markets with key strongholds in Sweden, Austria, Czech Republic, Poland, and also Germany
- Volume growth mainly driven by successful innovative propositions, such as the capsule filter variants (launched in 8 markets)



# B&H: Expanding through the Progressive variant

## B&H total shipment volume (BnU)



- A very promising GFB demonstrating dynamic growth momentum
- B&H premium quality heritage combined with modern image cues allows for expansion into all key consumer relevant segments
- Successful deployment particularly in Germany, Austria, Czech and Hungary

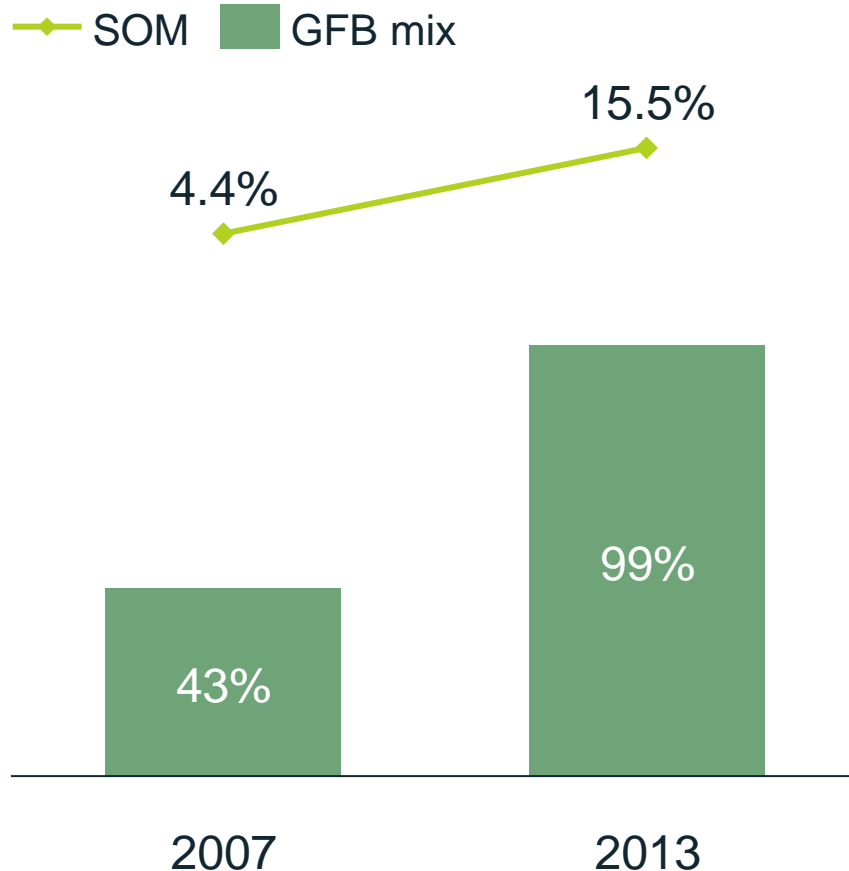




# Delivering strong results in key markets

# Poland: Tripling our cigarette share of market in 6 years

## Cigarette SOM and GFB mix evolution



- Strong share of market gains and profit growth by focusing on GFBs
- JTI scale established via LD
  - Leading Super Slims in value segment
  - Successful entry into fine cut as of mid-2013
- Consistent investment behind Camel iconic premium stature (#2 brand in premium segment)
- Continued enhancement of route to market and presence at Point of Sale

Source: JTI estimates, Nielsen

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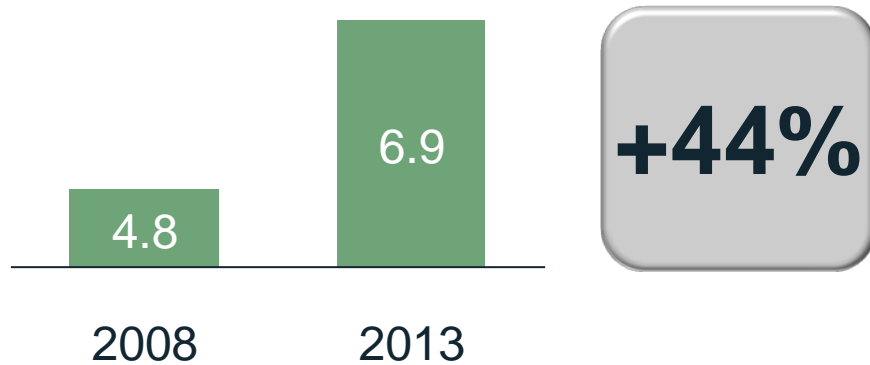
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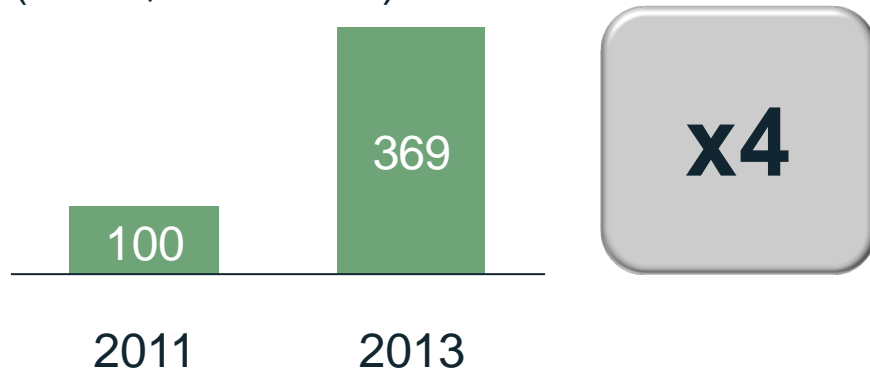


# Poland: Growing cigarette and fine cut GFB volume

## Total shipment volume (BnU)



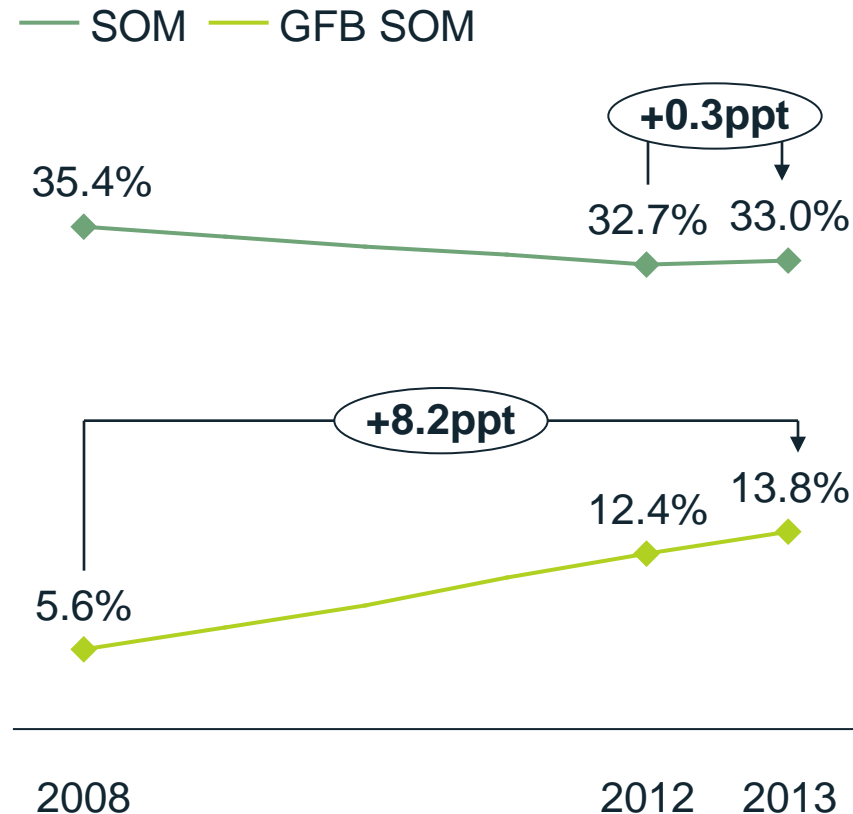
## EBITA (Index, 2011=100)



- Strong volume growth over the last 5 years whilst total industry declined 26%
- Successful extension of LD to Make-Your-Own in mid-2013, with the brand ending the year at the 3rd place of the category
- Market with positive contribution since 2011, now with outlook for further accelerated growth

# Austria: Consolidating our position through GFB focus

## Cigarette SOM and GFB SOM evolution (%)

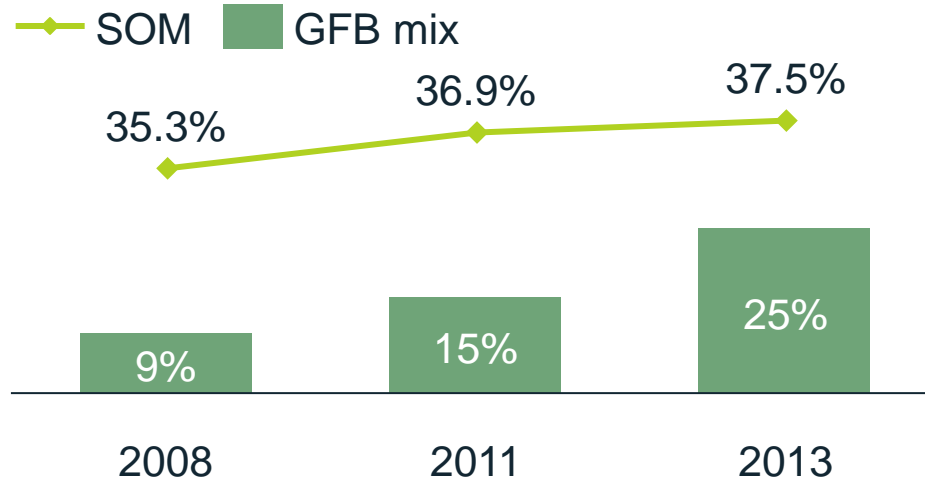


- Mature, profitable market, highly dependent on legacy brands
- Consistent focus on 3 GFBs drove market share turnaround in 2013
  - B&H Progressive launch growth of +4.3ppt
  - Camel the only growing brand above the value segment
  - Winston crossed 4% cigarette market share in April '13 for the first time

Source: JTI estimates, Nielsen

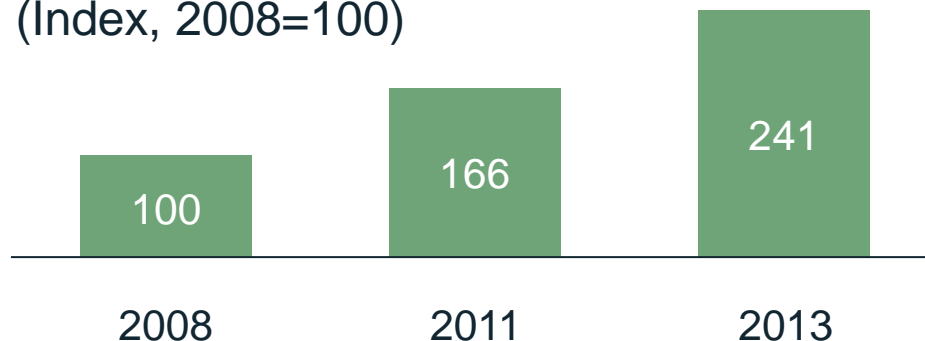
# Sweden: Further building market leadership in the cigarette category

## Cigarette SOM and GFB mix evolution



## EBITA

(Index, 2008=100)



- Strengthened cigarette market leadership through sustained focus on GFBs
- Camel grew significantly boosted by innovative capsule product launch
- Winston at an all time high market share, supported by enhanced distribution and visibility
- LD quickly building scale in the significant snus category

Source: JTI estimates, Nielsen

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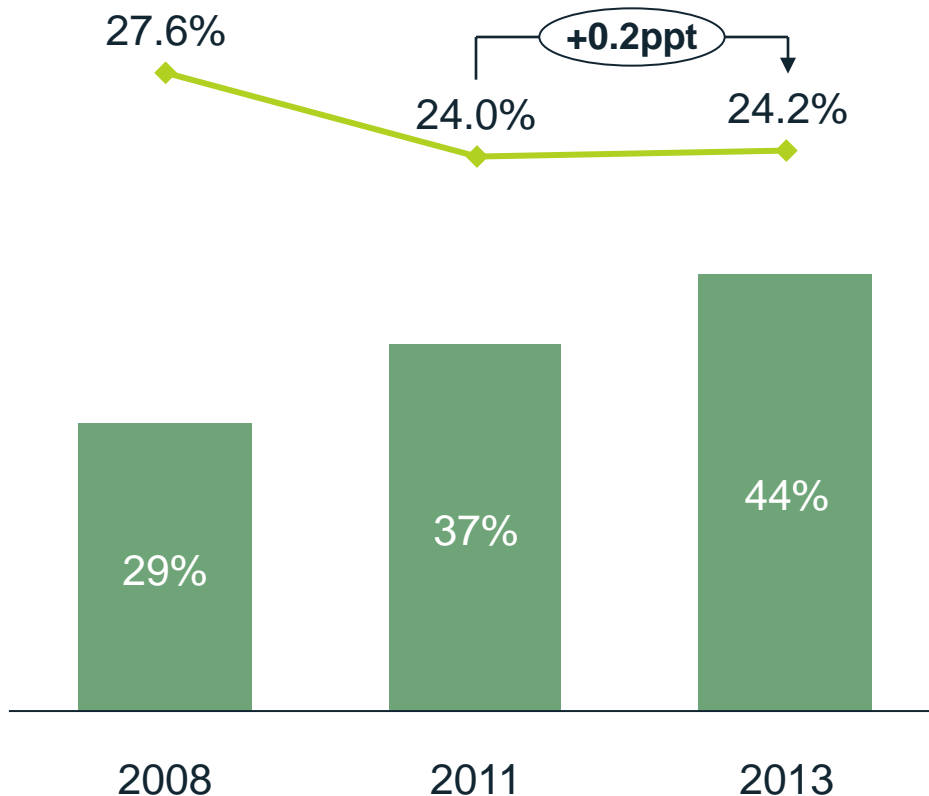
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# Romania: Building a robust portfolio for sustainable growth

## Cigarette SOM and GFB mix evolution

◆ SOM ■ GFB mix

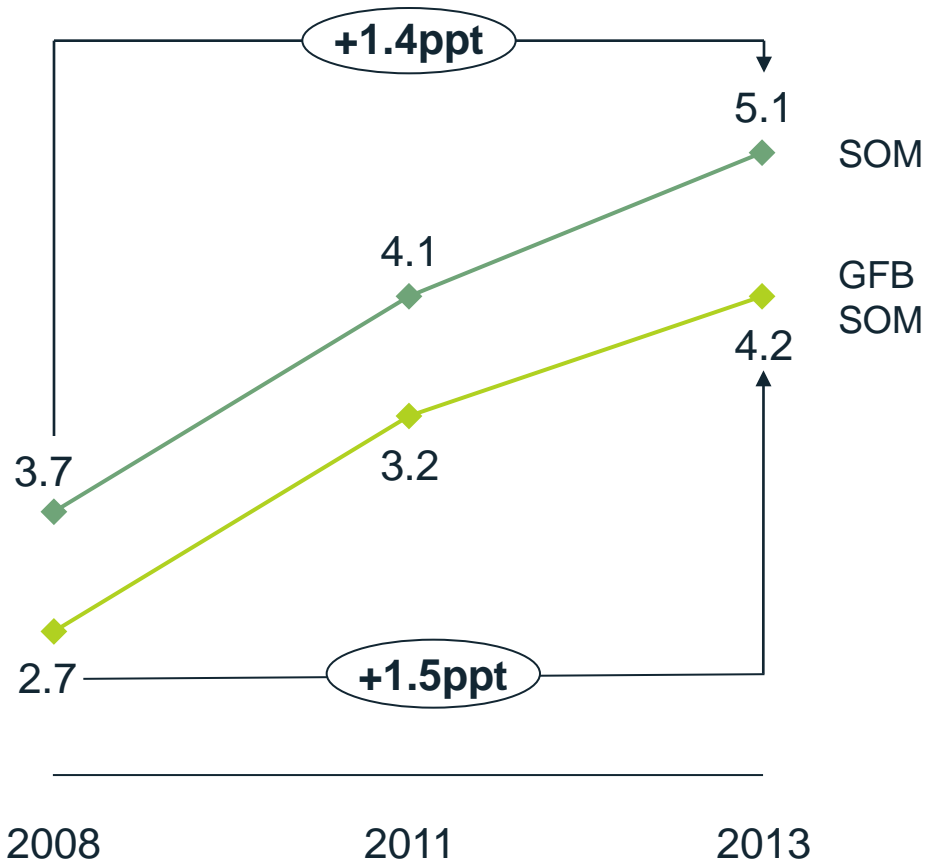


- JTI share of market returned to growth in 2013, for the first time since 2007, driven by consistent focus on GFBs
- Winston reached 11% market share
- Increasing presence in the growing prestige segment with Sobranie
- Very promising launch of B&H in 2014

Source: JTI estimates, Nielsen

# Germany: Strong momentum in the largest EU market

## SOM and GFB SOM evolution (%)

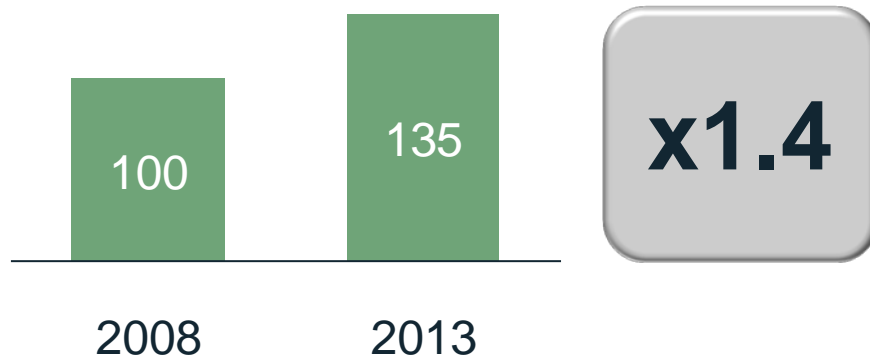


- JTI resumed market share growth after long-term decline through significant and focused investment in GFBs:
  - Winston became a key player in the fine cut category
  - B&H consistently grew and expanded in all key pack formats
  - Camel returned to growth in the cigarette category as of 2011, after a 20-year decline

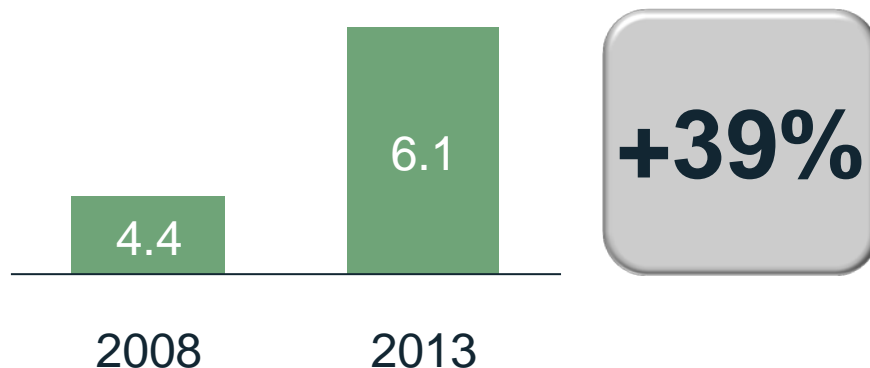
Source: JTI estimates, Nielsen. Note: SOM includes cigarettes and fine cut

# Germany: Increased investment boosts performance

## Trade Investment (Index, 2008=100)















## Total shipment volume (BnU)



- Boosted trade investment to expand GFB distribution (Key Accounts & Vending) and visibility (Point of Sale and Out of Home)
- Total volume grew significantly over the period, reaching 6BnU in 2013
  - Winston doubled its volume
  - B&H reached the 1BnU threshold
  - Camel delivered in excess of 1.7BnU

# Expanding JTI's footprint across Central Europe with dynamic market share growth, led by GFBs

## Share of market and GFB mix evolution

Market	SOM		GFB Mix	
	2013	vs. 2008 (ppt)	2013	vs. 2008 (ppt)
Slovenia	14.9%	 +8.8	78.5%	 +31.0
Baltics	29.5%	 +6.2	76.9%	 +25.9
Hungary	9.1%	 +5.8	92.3%	 +7.5
Czech	12.5%	 +4.8	83.2%	 +35.1
Denmark	5.7%	 +3.3	100%	 +4.2
Slovakia	6.2%	 +1.8	77.4%	 +2.4

Source: JTI estimates, Nielsen. Note: SOM includes cigarettes and fine cut



# Growth momentum across the region to continue



# A great story of growth and focus with further opportunities ahead

- Central Europe delivered significant growth in terms of share of market, volume, and profit
- This was achieved thanks to an entrepreneurial approach, consistent focus on GFBs and expansion of route-to-market
- Going forward, we see plenty of opportunities to continue growing through continued GFB focus in all tobacco categories, including brand migrations, and expanded regional geographical scope