



2016 年 9 月 23 日

各 位

会 社 名 日本たばこ産業株式会社

代 表 者 名 代表取締役社長 小泉 光臣

(コード番号 2914 東証 第一部)

問合せ先 I R広報部 (TEL 03-3582-3111 (代表) )

### インベスター・カンファレンス資料について

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、JT グループたばこ事業の成長戦略に加え、国内たばこ事業、JT International (以下「JTI」) の 1 月～6 月の実績及び Western Europe 地域の状況等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 : The JT Group tobacco business: Strategic focus and investment for sustainable growth
- ・資料 2 : Japan domestic tobacco business – Continues to be a strong earnings base
- ・資料 3 : JTI 1H 2016 Financial Results
- ・資料 4 : JTI 1H 2016 Financial Results (和訳)
- ・資料 5 : Growing dynamically in Western Europe
- ・資料 6 : Investing and leading through change

以上



# The JT Group tobacco business

*Strategic focus and investment for sustainable growth*

Mutsuo Iwai

*Executive Vice President,*

*President of Tobacco Business*

# 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 intended to be used for any other purpose.



# Sustainable profit growth through continuous business investment

# Strong earnings performance driven by focused investments

---

## Tobacco Business

*The core business and profit growth engine of the JT Group*

+9.1%\*

## International Tobacco Business

*The Group's profit growth engine*

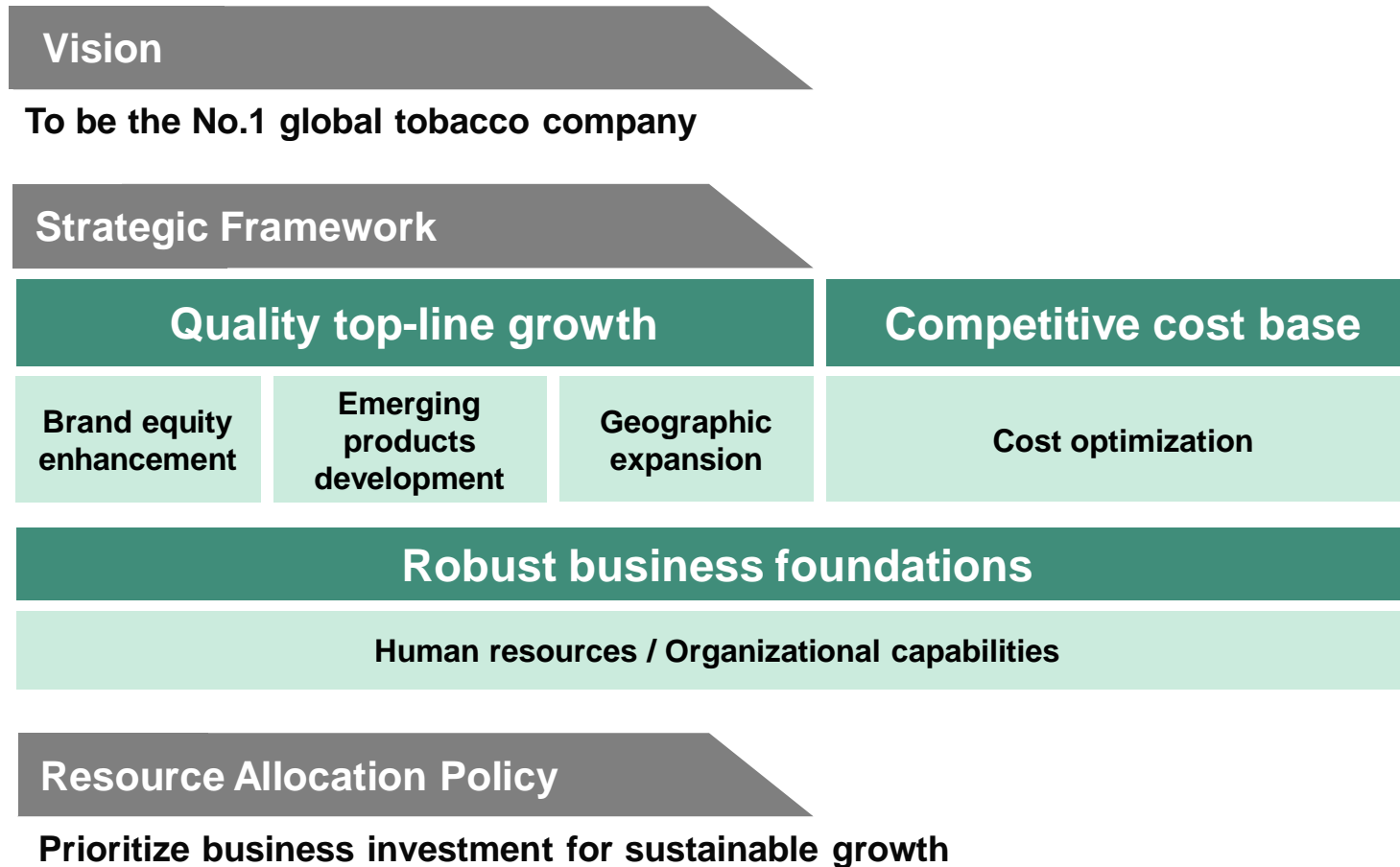
+10.8%\*

## Japan Domestic Tobacco Business

*Competitive platform of profitability*

+6.4%

# The strategic framework for sustainable growth





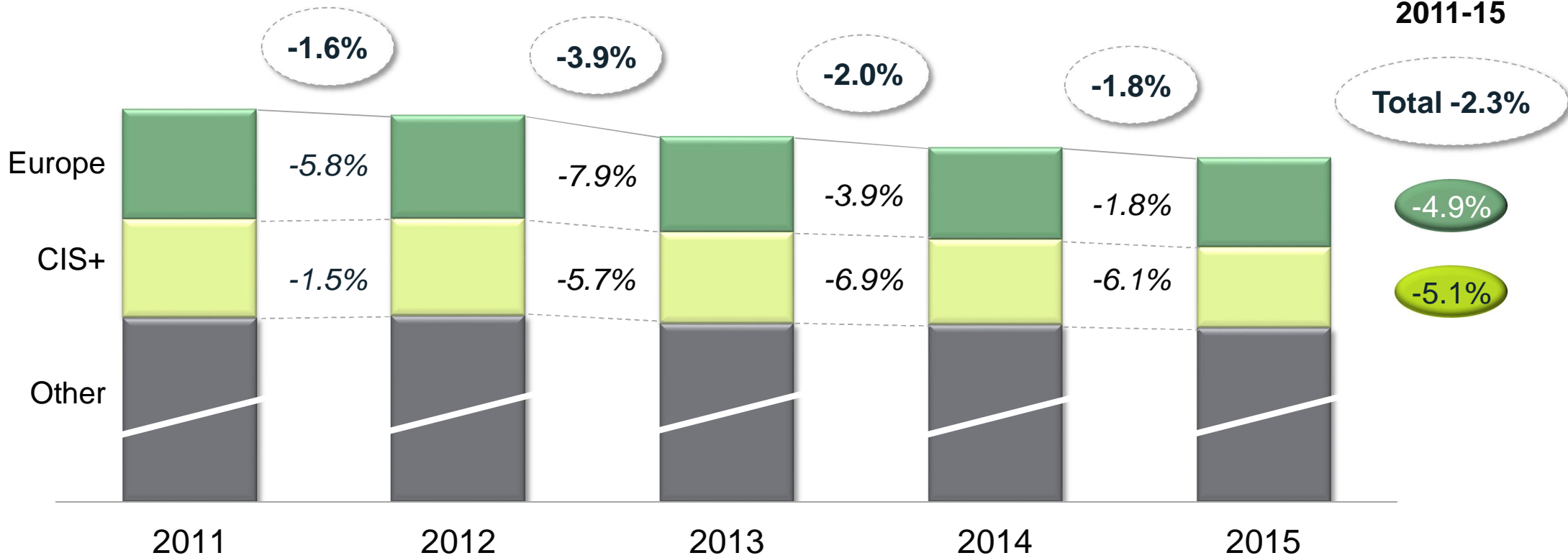
# Operating environment

- Key challenges & future opportunities



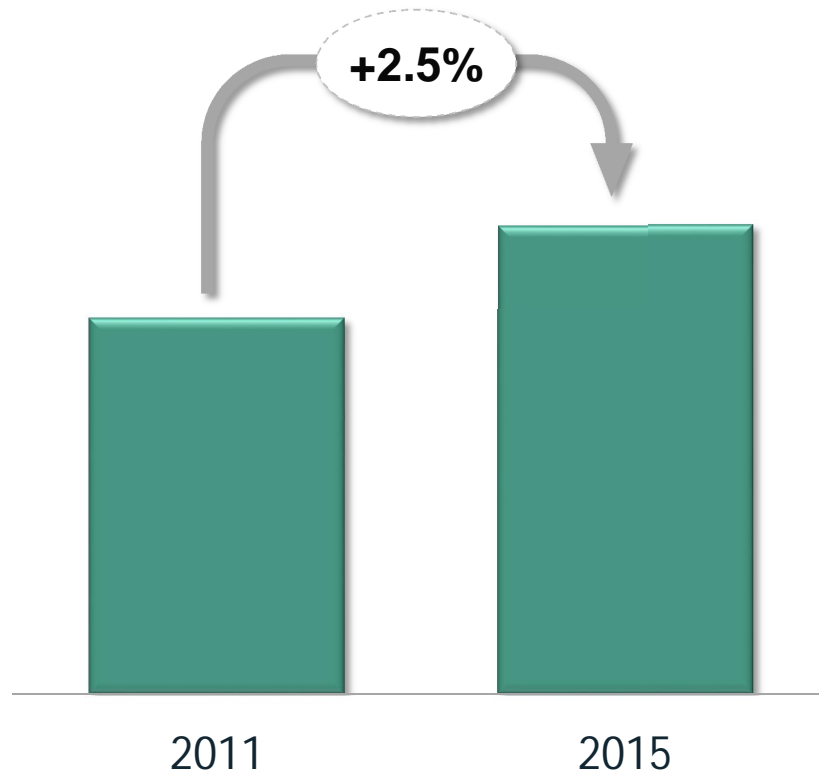
# Global cigarette industry volume contraction gradually moderates

## Global cigarette industry volume evolution



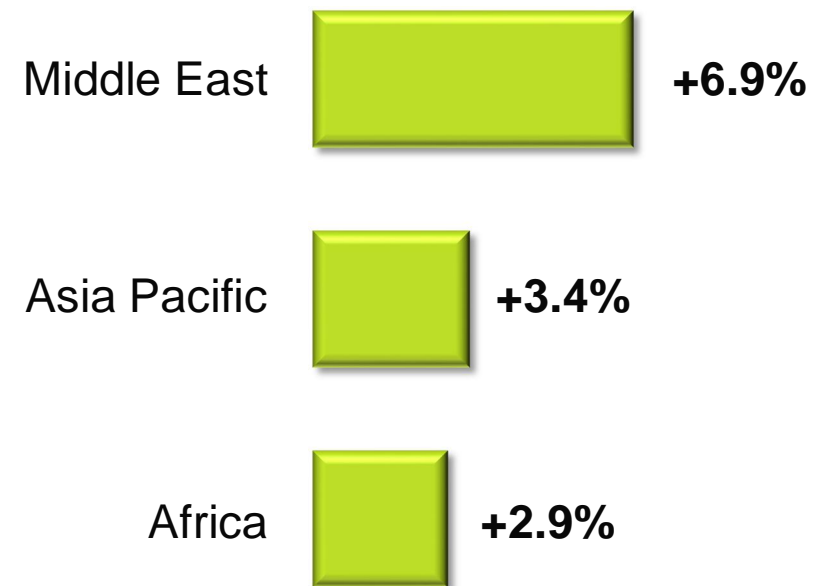
# Growth opportunities in emerging markets

## Cigarette industry volume in emerging markets<sup>(1)</sup>



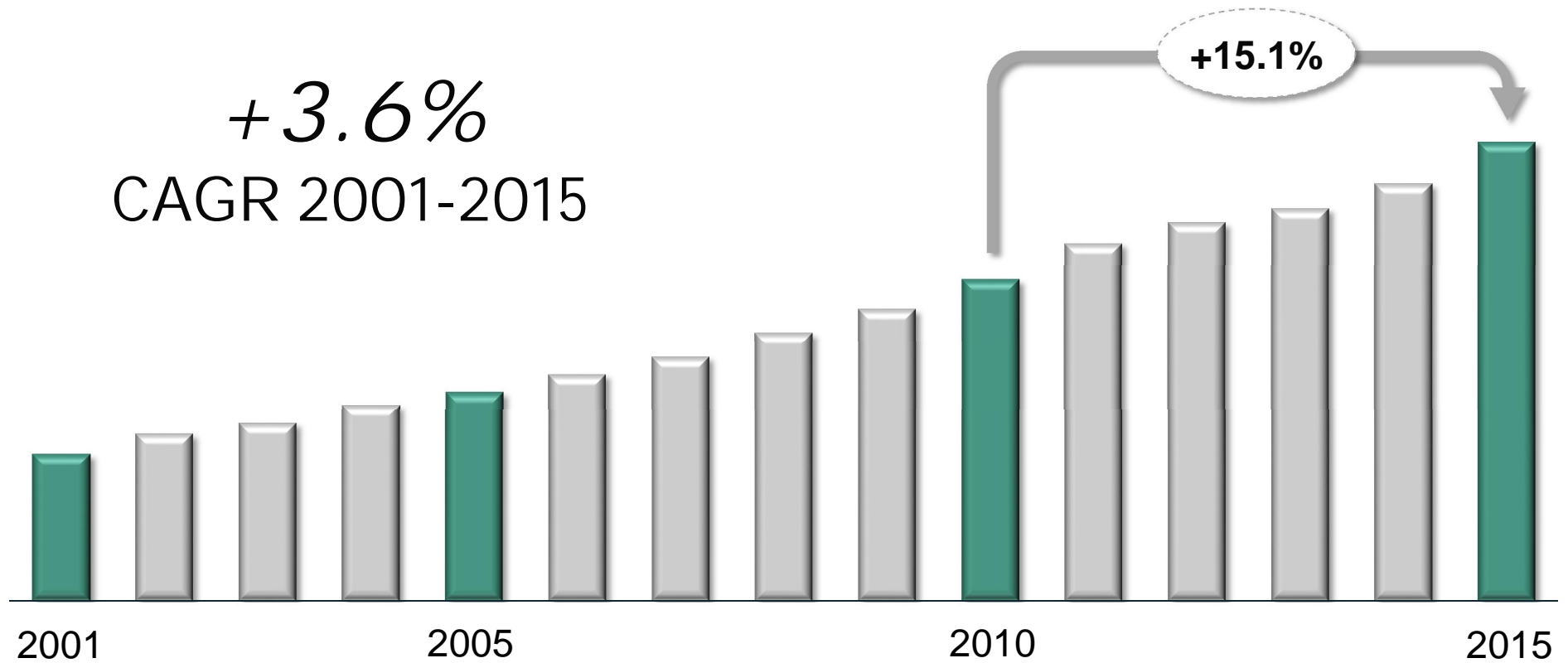
## Main growth areas

(Industry volume, 2015 vs. 2011)



# Solid pricing environment

## Global industry value evolution





# Accelerating investment for sustainable growth

## Three investment priorities for quality top-line growth

---

**Brand equity  
enhancement**



**Assure mid-term profitability  
and maximize long-term profit growth**

**Geographic expansion  
in emerging markets**



**Secure sustainable future growth  
through seeding investments**

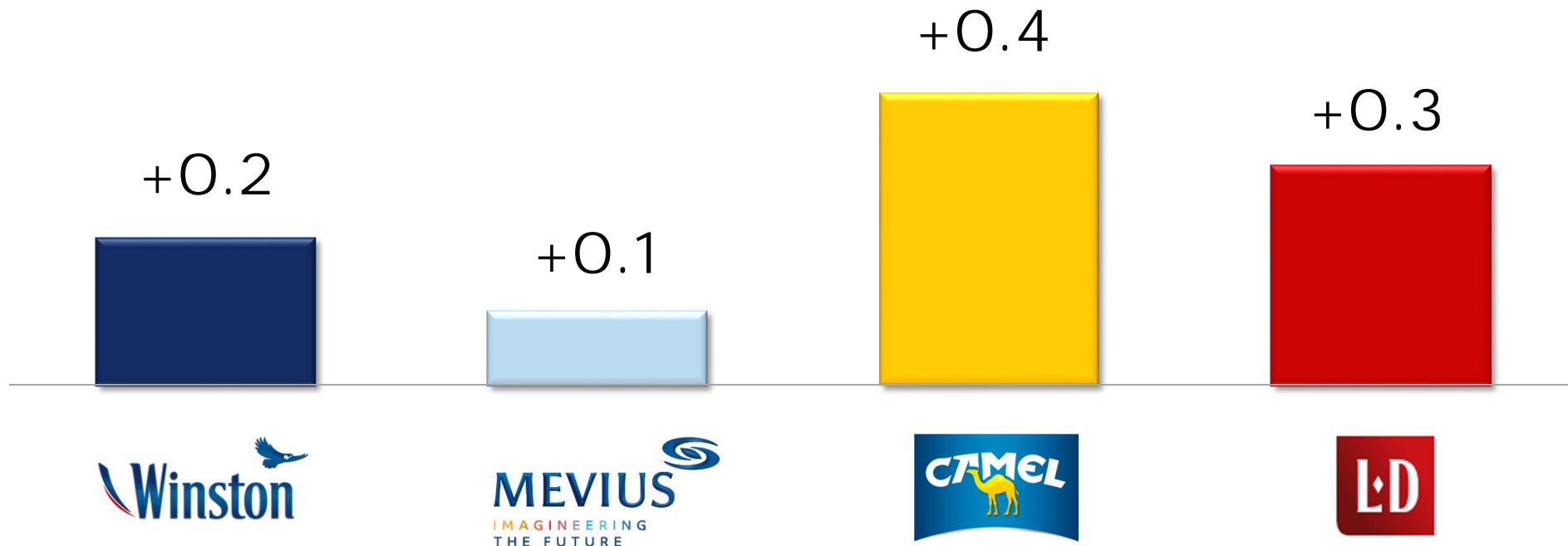
**Emerging products  
development**



**Achieve leadership position  
in the emerging products category**

# Investment in brands is the cornerstone of quality top-line growth

Share of market, 2015 vs. 2011 (pp)



# Expansion of our geographic footprint for future growth

*Broaden earnings base and enhance profitability in emerging markets*

## New market entries



NPL



BGD



DOP



ETH

## Strengthen JTG presence



IRN



EGY



HUN



BGR

## Distribution expansion



BRA



THA



MMR



PHL



KOR



VNM

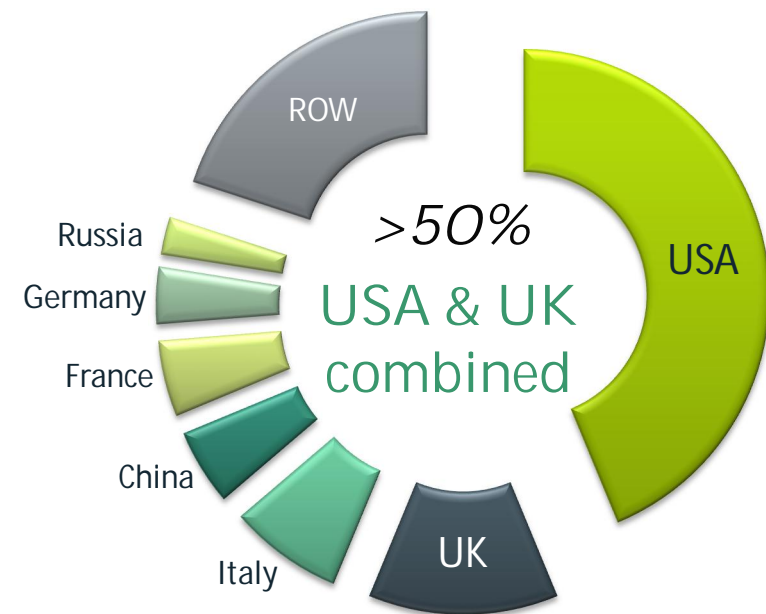
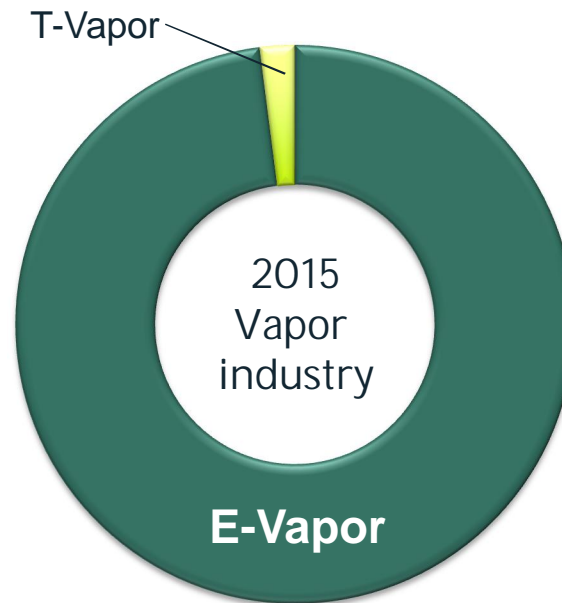
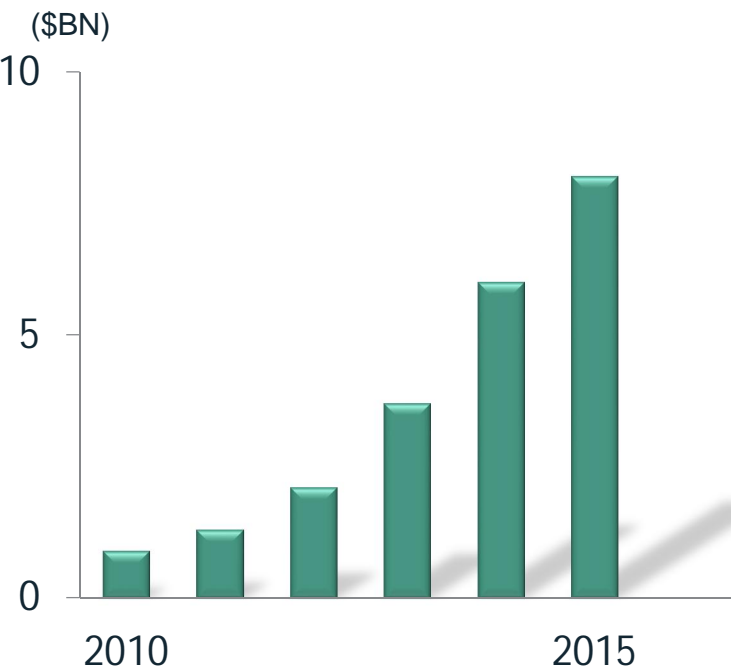
# Emerging Products: Vapor market opportunities

*Still dominated by E-Vapor while T-Vapor is emerging*

Vapor industry value evolution

Vapor industry value by category

E-Vapor SoV by market in 2015



© Copyright JT 2016  
Source: Internal estimates (Vapor includes E-Vapor and T-Vapor)



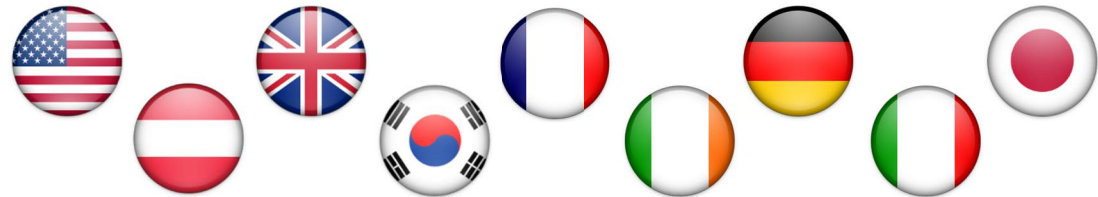
# Emerging Products: JT Group's vision and strategic goals

**Become the most trusted global leader in Emerging Products (both E & T-vapor)**

**Build**  
world class product portfolio  
& brand mix



**Achieve**  
a sustainable global footprint

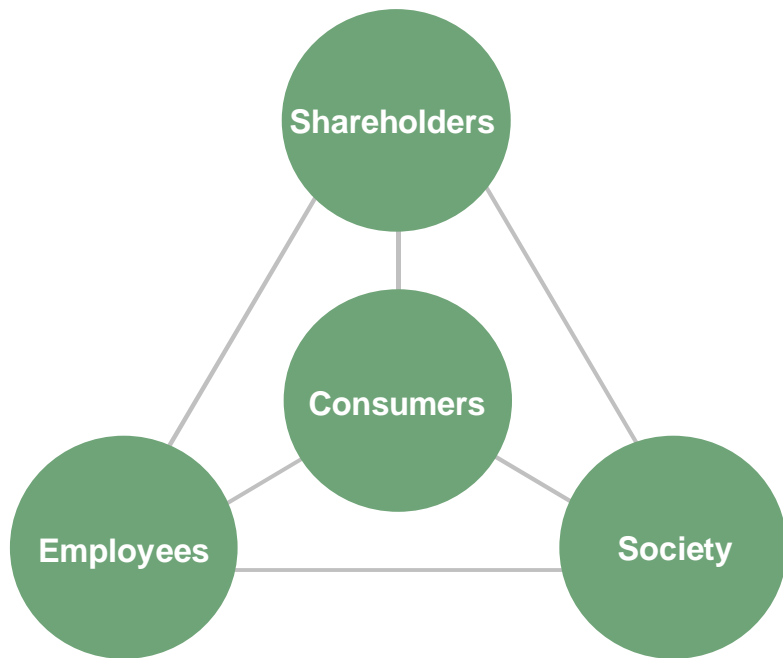


**Develop**  
potential for reduced-risk claims

Obtain public certification by accelerating investment in  
capability enhancement

Confident to deliver sustainable profit growth

---



JTG tobacco business

**Mid to high single-digit**

profit growth in the mid- to long-term



## Closing Remarks

Mutsuo Iwai

*Executive Vice President,  
President of Tobacco Business*

## In closing

---

- Confidence in achieving sustainable profit growth in the mid- to long-term
- Prioritize investment to pursue quality top-line growth
- Japan domestic market will continue to be a solid profit contributor
- Strong position in Western Europe and the UK, with further opportunities to grow ahead
- Fulfill our commitment toward our stakeholders as core business and profit growth engine of the JT Group



Japan domestic tobacco business  
*Continues to be a strong earnings base*

Kiyohide Hirowatari  
*Senior Vice President,  
Head of Tobacco Business Planning*

# 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 intended to be used for any other purpose.



Japan, utmost important market  
*a highly competitive platform of profitability*



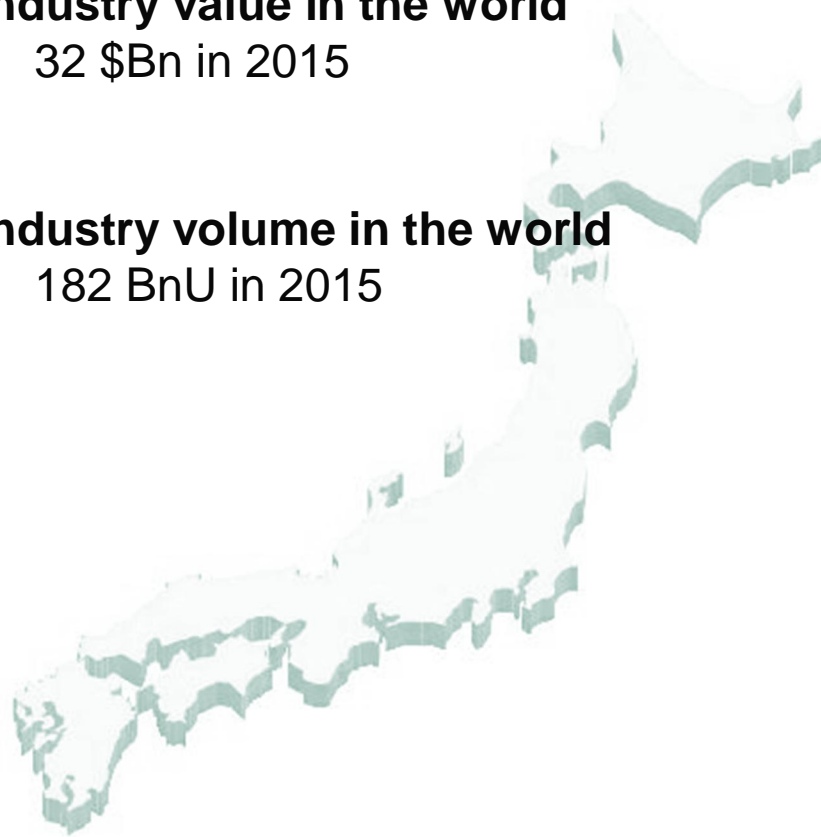
# Japan is one of the largest markets & solid contributor to JTG's profit

## #3 Industry value in the world

- 32 \$Bn in 2015

## #5 Industry volume in the world

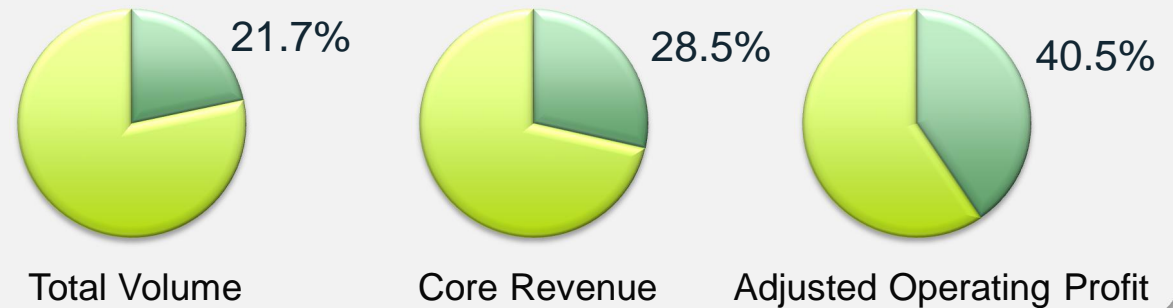
- 182 BnU in 2015



## JTG's strong presence in Japan (2015)

- Leading tobacco manufacturer with 59.9% SoM
- Selling 9 of top 10 SKUs
- 4 manufacturing facilities
- Approx. 9,500 employees

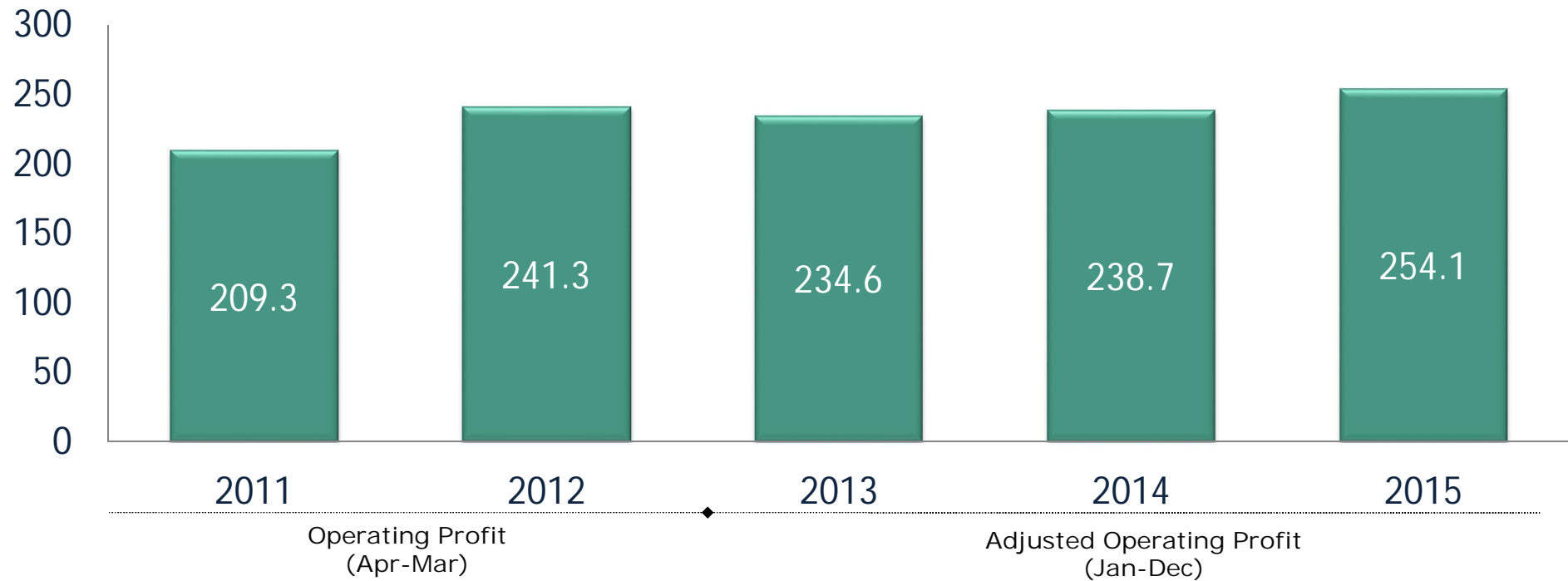
## Japan contribution to JTG 2015 results



# A highly competitive platform of profitability

*Japan domestic tobacco business has sustained JT Group's achievements by continuous investment for quality top-line growth and its pursuit for cost optimization*

## JT Domestic Tobacco Business – Earnings evolution (Billions of Yen)



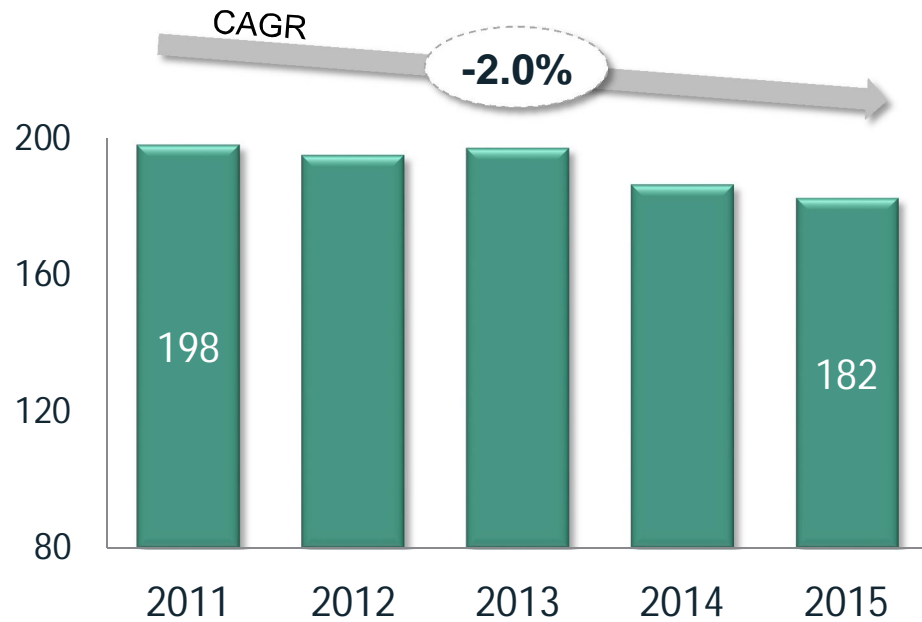


# Business environment

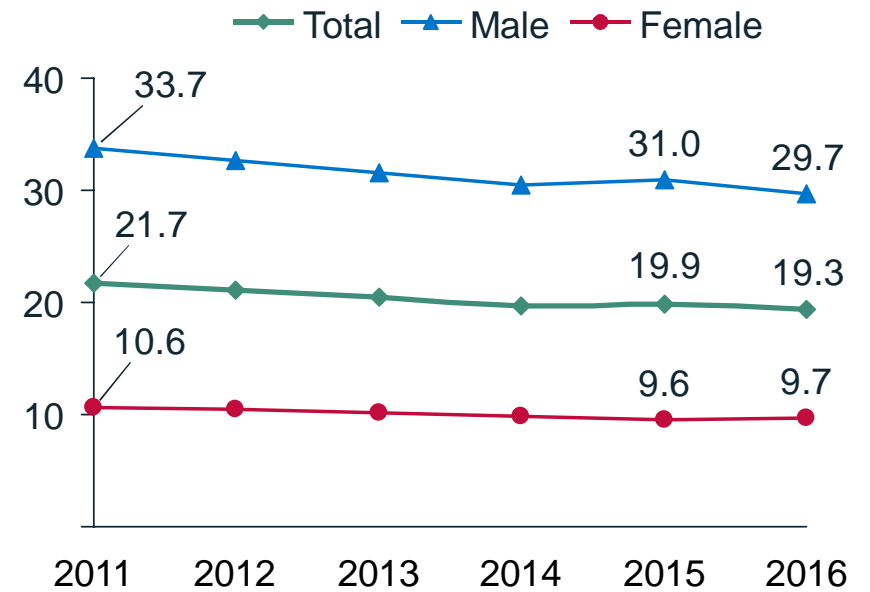
# Moderate cigarette industry contraction

- Moderate cigarette industry contraction continued (peak year 1996)
  - Cigarette industry size has declined at 2.0% CAGR
- Smoking prevalence has also continuously decreased to 19.3 % in 1H 2016

**Cigarette industry volume evolution (BnU / CAGR%)**

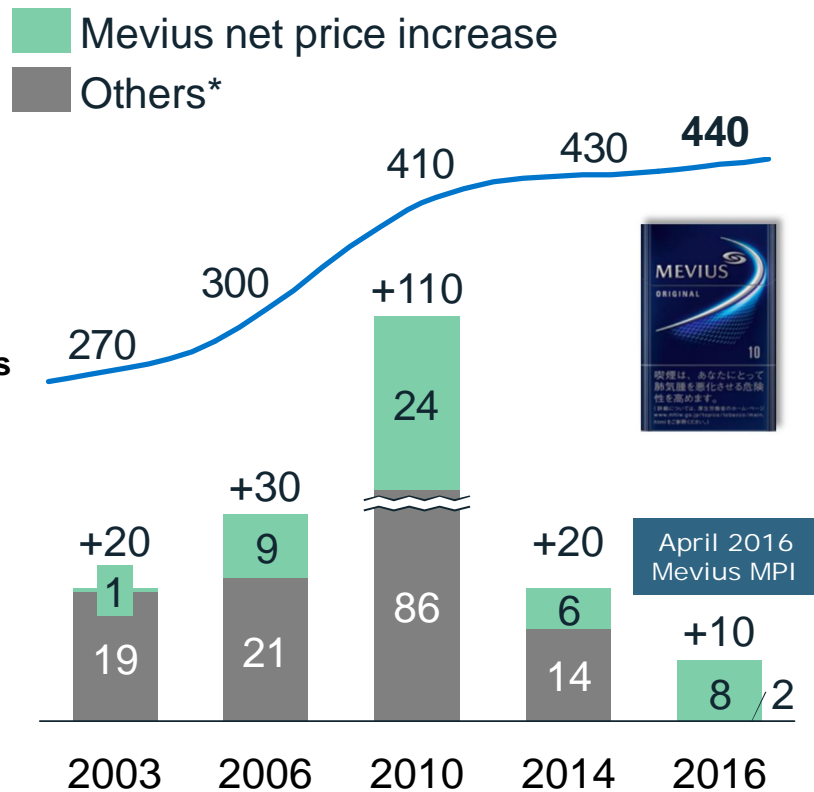


**Smoking prevalence (% of adult population)**



# Pricing environment is evolving

## Mevius RSP evolution (JPY/pack)



- Pricing usually taken at tax hike<sup>(1)</sup>
- In April 2016, Mevius retail price was increased without a tax hike
  - The first manufacturer price increase (MPI) of a major brand
  - Confidence in the enhanced brand equity through continuous investment
- Relatively affordable cigarette prices
  - Necessity to deliver added value for the price

*(1) Retail price of tobacco product must be approved by the MOF and the product must be sold at the approved retail price*

# Tightening regulations

- Regulations focusing mainly on smoking in public places (SIPPs)
- Supporting the development of spaces where smokers and non-smokers can co-exist: 'Bun-en'
  - Potential for tighter SIPPs regulation ahead of 2020 Tokyo Olympic & Paralympic Games

## Bun-en\* smoking environment at a café



## Smoking Lounge in collaboration with NAS activation



© Copyright JT 2016

London – September 23, 2016










\* Bun-en: a comfortable environment to accommodate both smokers and non-smokers in a smoking situation



# Investing in brand equity for further quality top-line growth

# Achieving quality top-line growth

Powerful brand portfolio is key to increasing SoM and up-trading

Price Segment JPY/20s	JT core brand 2014	JT total SoS 2014	JT core brand SoS 1H 2016	JT total SoS 1H 2016
470 ~ above (Prestige)		10%	 Natural American Spirit (41%)	51% <b>#1</b>
450 ~ 460 (Premium)	 Seven Stars Charcoal Filter	43%	 Seven Stars Charcoal Filter	44% <b>#1</b>
430 ~ 440 (Sub-premium+)	 MEVIUS	99%	 MEVIUS ORIGINAL	99% <b>#1</b>
410 ~ 420 (Sub-premium)	 CASTER SYMPHONIC 5  CABIN American Blend 8  Winston FILTIPS	33%	 Winston	33% <b>#2</b>
400 ~ below (Value)	—	92%	—	85% <b>#1</b>





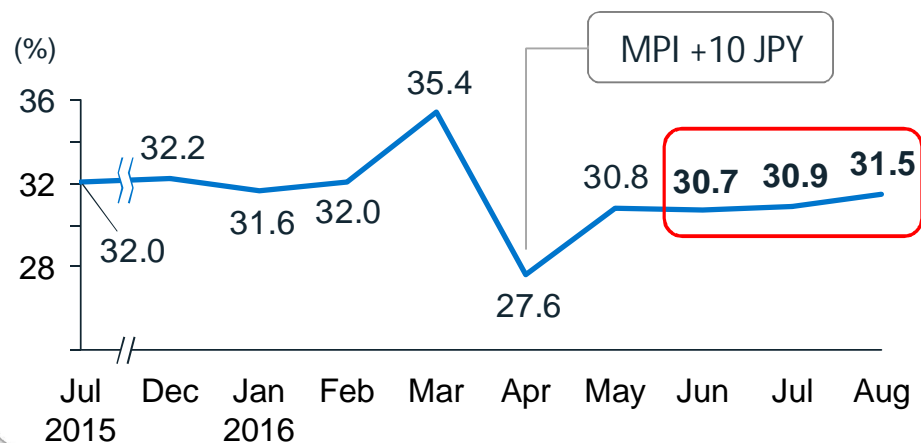
# MEVIUS: The #1 brand in Japan since 1978

## Driving volume & value growth

- Continuously investing in brand equity enhancement to strengthen #1 position and aim for **future premiumization**
  - Rebranded** in 2013 from Mild Seven to Mevius
  - Manufacturer price increase (MPI)** in Apr '16
  - Proactively taking initiatives** for further evolution after MPI



### SoM stabilization following MPI in April 2016



### Initiatives after MPI



Launched 3 SKUs in May'16 (Regular Capsule)



Rejuvenation 16 SKUs in Jun'16 (Core family)

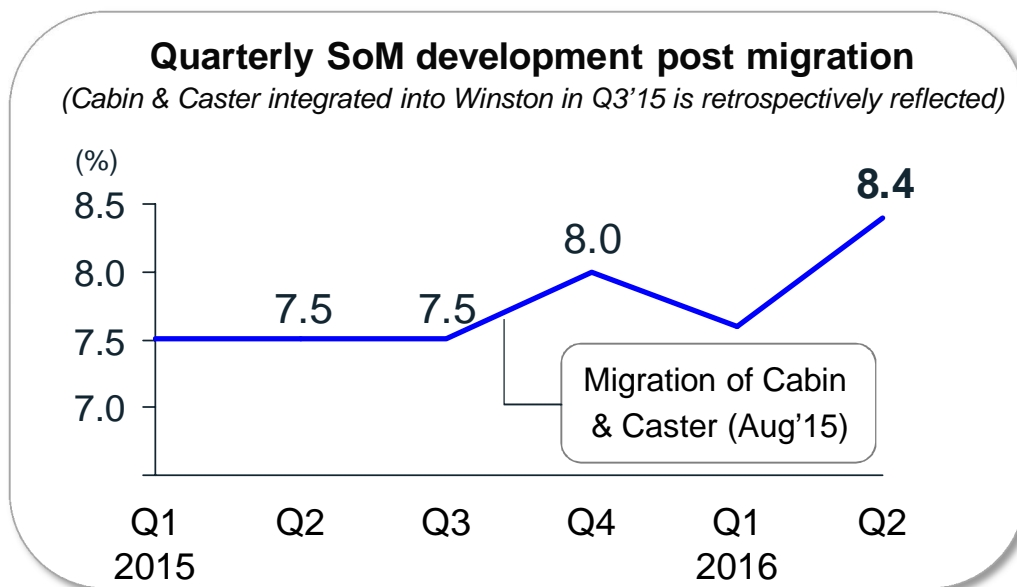


Launched 3 SKUs in Aug'16 (Menthol Capsule)

# Winston: The #2 global brand

*Leveraging its globally recognized equity*

- **Successful migration** in August 2015
- Accelerating investment in brand equity to **seize #1 position in sub-premium**
  - **10 SKUs launched** after migration, offering 3 new taste variations
  - Essential for **future Mevius premiumization**



## Equity building initiatives



**Straight Line**  
 4 SKUs in Nov'15  
 (Regular & Menthol)



**Bitter Line**  
 3 SKUs in Dec'15  
 (Capsule Menthol)



**Sweet Line**  
 3 SKUs in Feb'16  
 (Capsule Menthol)

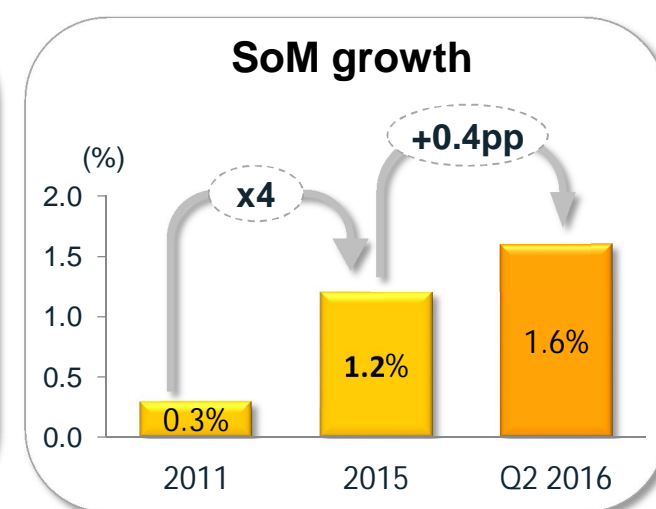
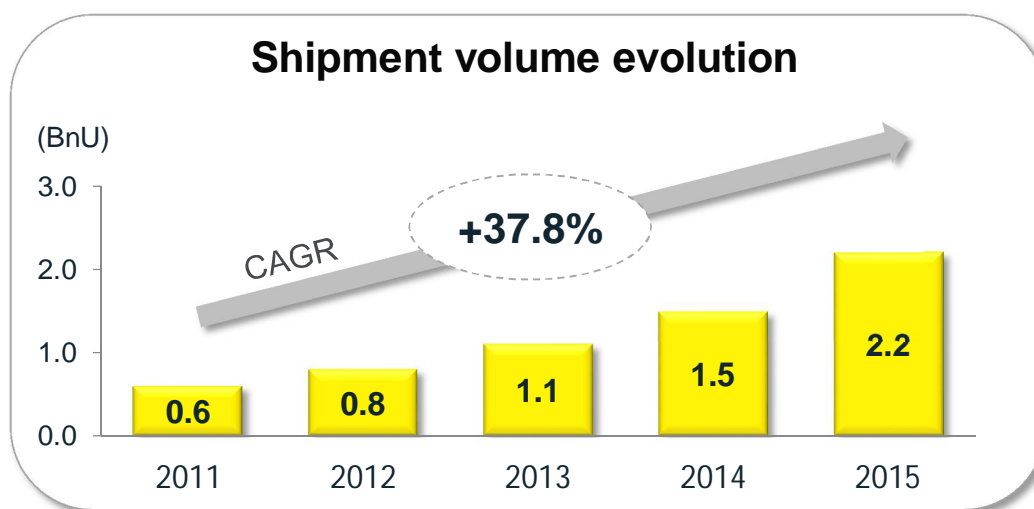


# Natural American Spirit: The #1 prestige brand in Japan

*Exploiting opportunity to grow in the high end*



- Acquired in January 2016, the prestige brand complements JTG's brand portfolio
- Unique value proposition: **additive-free**
- SoM more than doubled in the past 3 years, **volume grew approx. 40% CAGR** since 2011
- **Ambitious business plan** finalized in April 2016, driving growth momentum

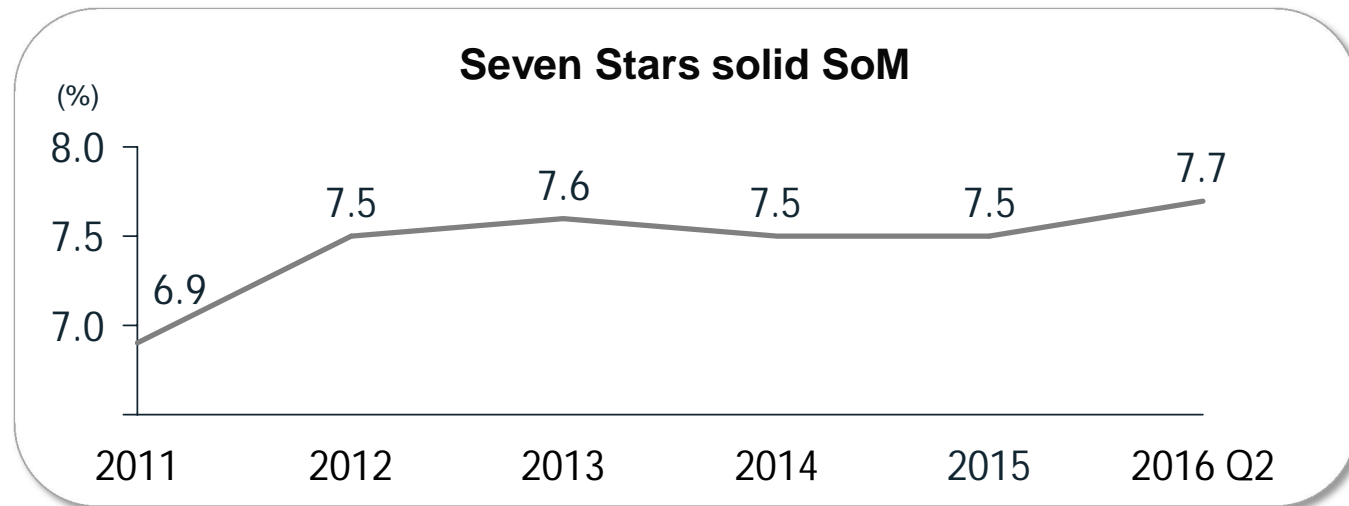


# Seven Stars: The #1 SoM by SKU in Japan

*Pursuing original value to fulfill its role as a solid profit contributor*



- Launched in 1969, it remains an iconic brand in Japan
- **Highest SoM** since 2008 by SKU
- **Repositioned** from Sub-Premium+ to Premium in October 2010
- Stable SoM by offering **original value**, taste and design
- Strengthened #1 SKU position by enhancing the legacy of **its identity**

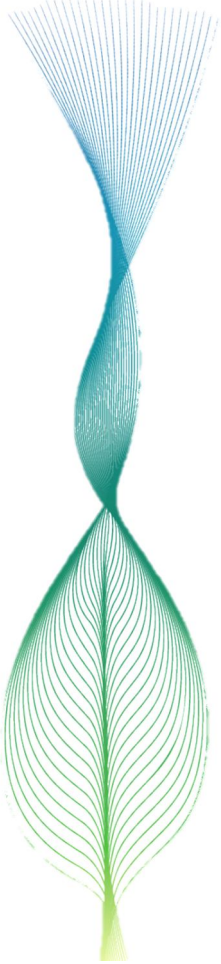




T-Vapor strategy for future top-line growth  
*become the market leader in this category*

# Seizing the growth opportunity of T-Vapor in Japan

---



- **Expansion of T-vapor market**
  - Opportunity to build our future growth
- **Our approach towards the opportunity**
  - Fulfill consumer needs by providing T-vapor products as another choice with different added-values from cigarettes
  - Foster growth of T-Vapor market through competition
  - Win the competition



# Ploom TECH: Potential to fulfill diverse consumer needs



- **Product features**
  - Odorless
  - Simple to use
- **Potential for reduced-risk**
- **Current status**
  - Improve persistence-retention rate
  - Expand supply capacity
- **The future**
  - Launch in selected major cities starting from early 2017
  - Provide a diverse choice by continuous improvements and portfolio expansion
  - Accelerate investment to achieve the leadership position





# Summary



## Remain the competitive platform of profitability for the JT Group and accelerate business investments

---

- Strong #1 manufacturer with leading position in all key price points
- Superior brands driving quality top-line growth
- Accelerating investment in both cigarettes and T-Vapor
- Targeting to capture leading position across all segments and categories