JAPAN TOBACCO INC.
2-1, Toranomon 2-chome, Minato-ku
Tokyo 105-8422 JAPAN
Phone:03-3582-3111

FOR IMMEDIATE RELEASE

Tokyo, October 31, 2013

JT's Consolidated Financial Results for FY2013 Second Quarter

- **Steady revenue and profit growth driven by strong price/mix in the International Tobacco Business and the depreciation of the Japanese Yen, showing steady progress towards the full year forecast.**
- **Full year forecast for adjusted EBITDA at constant rates of exchange remains unchanged, to grow 6.1% from the previous fiscal year.**

Results for the 6 months

- **Revenue** and **adjusted EBITDA** grew strongly by 9.6% and 13.0% respectively due to strong price/mix in the International Tobacco Business and the depreciation of the Japanese Yen. **Adjusted EBITDA at constant rates of exchange** increased 0.7%. **Profit attributable to owners of the parent** increased 40.5% due to gains from non-current asset disposals in addition to higher adjusted EBITDA.

- **International Tobacco Business:** At constant rates of exchange[1], adjusted EBITDA and core revenue in US dollars grew 7.0% and 4.1%, respectively, driven by strong price/mix which more than compensated for overall volume decline. Total and GFB shipment volume decreased 5.1% and 2.3%, respectively, mainly due to continued industry contraction and one-off trade inventory adjustments in the first quarter. Market share continued to grow in most key markets.

- **Japanese Domestic Tobacco Business:** Mevius continued to show steady market share growth following a number of new product and sales promotion initiatives in the growing menthol segment, driving an overall market share increase. As a result, total sales volume and core revenue remained flat, while industry volume declined. Adjusted EBITDA slightly declined 0.6%. Underlying performance is on track towards the full year forecast.

Forecast for FY2013

The forecast for adjusted EBITDA at constant rates of exchange remains unchanged at 6.1% growth year-on-year. On a reported basis, the adjusted EBITDA forecast has been revised upwards due to a revised exchange rate assumption for the Japanese Yen. The operating profit forecast has been also revised upwards as a result of the revised exchange rate assumption and higher gains from non-current asset disposals. The forecast for profit attributable to owners of the parent remains unchanged.

Mitsuomi Koizumi, President and Chief Executive Officer of JT, commented:

"Internationally, despite the challenging environment, we continued to grow share in most key markets. We are confident we will continue to deliver double-digit full year earnings growth on a constant currency basis. In Japan, several product and marketing initiatives have been taken to further strengthen the brand equity of Mevius, leading to higher overall share of market. The overall results of the first two quarters indicate that we are on track to achieve our full year targets."

Consolidated Financial Results for FY2013 Second Quarter

Unit: Billions of Yen

	Apr-Sep 2012 (A)	Apr-Sep 2013 (B)	Difference (B)-(A)	Net Change (%)
Revenue	1,057.4	1,159.1	101.7	9.6
Adjusted EBITDA	329.0	371.7	42.7	13.0
Operating profit	265.5	347.4	81.8	30.8
Profit attributable to owners of the parent	168.8	237.1	68.4	40.5

At constant rates of exchange:

Adjusted EBITDA	329.0	331.5	2.4	0.7

- **Revenue**
  Revenue increased 9.6% driven by strong price/mix in the International Tobacco Business and the depreciation of the Japanese Yen.

- **Adjusted EBITDA**
  Adjusted EBITDA grew 13.0% due to higher revenue. At constant rates of exchange, adjusted EBITDA increased 0.7%.

- **Profit Attributable to Owners of the Parent**
  Profit attributable to owners of the parent grew 40.5% due to increased adjusted EBITDA and gains from non-current asset disposals.

Results by Business Segment

➢ International Tobacco Business (Financial results for January 1 – June 30, 2013)

Units: Billions of Cigarettes, Billions of Yen

	Jan-Jun 2012	Jan-Jun 2013	Net change (%)
Total shipment volume	212.4	201.6	-5.1%
GFB shipment volume	130.8	127.9	-2.3%
Core revenue	457.0	559.7	22.5%
Adjusted EBITDA	172.9	217.8	26.0%

Total shipment volume declined 5.1% to 201.6 billion cigarette equivalent units caused by continuing industry contraction and trade inventory adjustments in the first quarter. Year-on-year market share continued to grow in most key markets. In Russia, we increased GFB share of market and, as a result, total share of value. GFB shipment volume declined 2.3% to 127.9 billion cigarette equivalent units, as growth in the Caucasus markets, Czech Republic, Hungary, Kazakhstan, Turkey, Russia and other CIS+ markets could not fully offset industry contraction in other markets, particularly in Europe.

Core revenue and adjusted EBITDA in US dollars grew 2.0% and 4.9%, respectively, driven by price/mix improvement, more than compensating for the volume decline and unfavorable currency movements. At constant rates of exchange, core revenue and adjusted EBITDA grew 4.1% and 7.0%, respectively. In Japanese Yen, core revenue and adjusted EBITDA increased 22.5% and 26.0%, respectively, as a result of the currency depreciation against the US dollar.

➢ Japanese Domestic Tobacco Business

Units: Billions of Cigarettes, Billions of Yen

	Apr-Sep 2012	Apr-Sep 2013	Net change (%)
Total sales volume	59.6	59.6	0.1%
Core revenue	335.0	335.8	0.2%
Adjusted EBITDA	154.2	153.3	-0.6%

Strong performance of Mevius contributed to further market share growth to 60.6% for April - September 2013 (FY2012: 59.5%), led by a number of new product and sales promotion initiatives. The Company has actively introduced value-added products in the growing menthol segment, including “Mevius Premium Menthol 8” with a clear and refreshing menthol flavor in March, and “Mevius Premium Menthol Option” featuring the “aroma-changing capsule” in May, resulting in steady market share growth of Mevius.

Total sales volume and core revenue remained flat due to the steady market share growth, offsetting a decline in industry volume. Adjusted EBITDA slightly declined 0.6%.

Pharmaceutical Business

Unit: Billions of Yen

	Apr-Sep 2012 (A)	Apr-Sep 2013 (B)	Difference (B) – (A)
Revenue	26.5	30.4	3.9
Adjusted EBITDA	-6.1	-3.6	2.4

Revenue increased to ¥30.4 billion, as a result of milestone revenue related to progress in R&D of original JT compounds that have been out-licensed, and higher royalty revenue. The growth was also driven by Torii Pharmaceutical's performance, including sales growth of Remitch® Capsules, an anti-pruritus drug for hemodialysis patients, and an anti-HIV drug, Truvada® Combination Tablets. Adjusted EBITDA improved to -¥3.6 billion due to the increase in revenue.

Products marketed since FY2012:

- Stribild®, an anti-HIV single-tablet regimen, containing JT's original compound (JTK-303): In Japan, Stribild Combination Tablets has been marketed by Torii Pharmaceutical from May 2013. In the US and EU it is being marketed by a JT partner.
- Mekinist™, MEK inhibitor trametinib (melanoma): Mekinist is now marketed by a JT partner in the US.

Beverage Business

Unit: Billions of Yen

	Apr-Sep 2012 (A)	Apr-Sep 2013 (B)	Difference (B) – (A)
Revenue	98.2	97.2	-1.0
Adjusted EBITDA	7.3	4.5	-2.8

Sales volume of the Company's beverage products increased, driven by "Momono Tennen-sui", which is being promoted as the second flagship brand after "Roots". However, due to lower revenue from vending machines, revenue declined by ¥1.0 billion. Adjusted EBITDA decreased by ¥2.8 billion. This reduction was due to higher expenses resulting from initiatives to reinforce vending machine operations and brand equity.

Processed Food Business

Unit: Billions of Yen

	Apr-Sep 2012 (A)	Apr-Sep 2013 (B)	Difference (B) – (A)
Revenue	83.9	75.8	-8.0
Adjusted EBITDA	2.7	3.0	0.3

Staple food products showed steady growth. However, revenue declined ¥8 billion as a result of the closure in December 2012 of the processed fishery products business. Excluding this negative impact, revenue grew ¥2.5 billion. Adjusted EBITDA increased 10.4% as a result of growth in staple food products despite higher raw material costs due to the depreciation of the Japanese Yen.

Consolidated Forecast for FY2013

The forecast for adjusted EBITDA at constant rates of exchange remains unchanged at 6.1% growth from the previous fiscal year. On the other hand, the forecast for Adjusted EBITDA on a reported basis has been revised upwards by ¥8.0 billion, to grow 18.7% year-on-year, due to the revised exchange rate assumption of the Japanese Yen against the US dollar from ¥95 to ¥97. The operating profit forecast has been also revised upwards by ¥16.0 billion due to the revised exchange rate assumption and higher gains from non-current asset disposals. The forecast for profit attributable to owners of the parent remains unchanged.

Unit: Billions of Yen

	FY2012 Actual (A)	FY2013 Previous Forecast (B)	FY2013 Updated Forecast (C)	Change from FY2013 Previous Forecast (C)-(B)	Change from FY2012 Actual (C)-(A)
Revenue	2,120.2	2,368.0	2,368.0	None	247.8 (11.7%)
Adjusted EBITDA	622.0	730.0	738,0	8.0 (1.1%)	116.0 (18.7%)
Operating profit	532.2	616.0	632.0	16.0 (2.6%)	99.8 (18.7%)
Profit attributable to owners of the parent	343.6	415.0	415.0	None	71.4 (20.8%)

Forecast at constant rates of exchange

Adjusted EBITDA	622.0	660.0	660.0	None	38.0 (6.1%)

- **International Tobacco Business[2]:** Following significant industry contraction, we are revising the forecast for total shipment volume from 432.0 to 417.0 billion cigarette equivalent units and for GFB shipment volume from 273.0 to 265.0 billion cigarette equivalent units. The forecast for core revenue in US dollars at constant rates of exchange is revised from $12,550 to $12,250 million. However, the forecast for adjusted EBITDA in US dollars at constant rates of exchange remains unchanged at $4,630 million driven by robust pricing. On a Japanese Yen basis the adjusted EBITDA forecast has been revised upwards by ¥9.0 billion to ¥449.0 billion at 30.8% growth from the previous year due to the depreciation of the Japanese Yen.

- **Japanese Domestic Tobacco Business:** The forecasts for total sales volume, core revenue and adjusted EBITDA remain unchanged.

- **Pharmaceutical Business:** The revenue forecast has been revised downwards by ¥1 billion to ¥58.5 billion as milestone revenue for the second half of FY2013 is expected to be carried forward to the next fiscal year. Accordingly, the adjusted EBITDA forecast has been revised from -¥10.5 billion to -¥11.0 billion.

- **Beverage Business:** The forecasts for revenue and adjusted EBITDA remain unchanged.

- **Processed Food Business:** The forecasts for revenue and adjusted EBITDA remain unchanged.

- **Dividend:** As per the “Business Plan 2013”, the Company announces a first half-year dividend of ¥46 per share and forecasts a second half-year dividend of ¥46 per share resulting in an annual forecast dividend of ¥92 per share for this fiscal year.

###

Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius/Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company’s revenue was ¥2.120 trillion (US$22,543 million(*)) in the fiscal year ended March 31, 2013.

** Translated at the rate of ¥94.05 per $1, as of March 29, 2013*

Notes:

[1] Constant currency measures are computed by restating current year results at the previous year’s foreign currency exchange rates. In 2013, market results/forecast, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported basis and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.

[2] The exchange rate assumptions for US $1.00 are; Ruble 31.96, UK Sterling 0.65, Euro 0.76, Swiss Franc 0.93, Taiwan Dollar 29.82 and ¥97.00. Appreciation of the Japanese yen and the Swiss Franc against the US dollar negatively affects the consolidated financial result numbers. Conversely, appreciation of the other currencies against the US dollar has a positive effect.

Additional definitions are provided at http://www.jt.com/media/definitions/index.html

Contacts: Ryohei Sugata, General Manager
Dmitry Krivtsov, Associate General Manager
Media and Investor Relations Division
Japan Tobacco Inc. Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com