

[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

<JT logo>

To Our Shareholders and Investors

Business Report

<Logo> Report on the Consolidated Financial Results for the First Nine Months of the Fiscal Year
Ending March 31, 2014

<Logo> JT NEWS

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<Photo>

JT International Business Results for 2013

Thomas A. McCoy, President and Chief Executive Officer

<Photo>

2013 Golf Nippon Series JT Cup

<Photo>

A lesson from the past at the end of a journey

Zuiyo Sake Brewery Museum, Kumamoto Prefecture

Volume 44

TOP MESSAGE

Steady progress toward achieving consolidated earnings forecasts

Consolidated financial results for the nine months ended December 31, 2013, and forecasts for the fiscal year ending March 31, 2014

For the nine months ended December 31, 2013, the JT Group achieved steady performance, with all indicators rising year on year. In addition to achieving solid growth of the top line (revenue) for the international tobacco business, and realizing the same level of sales volume despite industry contraction in the domestic tobacco business, the yen depreciation was also a factor.

As a result, JT has upwardly revised the full-year consolidated earnings forecasts for revenue, operating profit and profit for the year, mainly due to the yen depreciation. The forecast of adjusted EBITDA at constant rates of exchange remains the same as the initial forecast.

In the domestic tobacco business, the key brands led by Mevius continued to expand market share, allowing sales volume and core revenue to maintain the same levels year on year despite industry contraction.

In the international tobacco business, market share expanded in almost all of the major markets amid an ongoing difficult business environment.

In the pharmaceutical business, in January 2014, respective approvals for manufacturing and marketing in Japan were obtained by JT for a hyperphosphatemia treatment, and by Torii Pharmaceutical Co., Ltd. for a sublingual immunotherapy drug for Japanese cedar pollinosis. As for original JT compounds that have been outlicensed, in November 2013, Gilead Sciences Inc. obtained approval from the European Medicines Agency (EMA) for anti-HIV drug Vitekta™.

In addition, at the same time as the announcement of consolidated financial results, JT announced its intention to change the accounting period effective in the fiscal year ending December 31, 2014. This change is subject to its approval by a general meeting of shareholders and by the Minister of Finance. Through this change, JT aims to strengthen and streamline the financial reporting process and management system by harmonizing the accounting periods of the domestic and international businesses as a single group, in order to disclose management information in a more timely and accurate way and improve the transparency of management.

In response to consumption tax increase

The following provides an explanation why JT has applied to amend the list prices of its domestic tobacco products in conjunction with the planned consumption tax increase on April 1, 2014.

Based on the rationale of implementing price adjustments across the business that reflect the revision of the tax rate, JT has applied to increase its prices in most cases by ¥10 or ¥20 per pack.

After the price increase, JT will implement sales promotion activities and strengthen the brand equity of each brand to ensure continued support of its products by consumers.

Mitsuomi Koizumi, President & CEO

<Photo>

Consolidated Financial Results for the First Nine Months of the Fiscal Year Ending March 31, 2014
(FY2013)

Results for the nine months ended December 31, 2013

(Billions of yen)

	Nine months ended December 31, 2013	Year-on-year change
Revenue	1,779.9	+10.7%
Adjusted EBITDA ^{*1} at constant rates of exchange	505.3	+2.2%
Adjusted EBITDA ^{*1}	574.1	+16.1%
Operating profit	514.4	+25.0%
Profit for the period ^{*2}	359.3	+36.3%

Full-year forecasts

(Billions of yen)

	Previous FY results	Current FY forecasts	Change
Revenue	2,120.2	2390.0	+12.7%
Adjusted EBITDA ^{*1} at constant rates of exchange	622.0	660.0	+6.1%
Adjusted EBITDA ^{*1}	622.0	743.0	+19.5%
Operating profit	532.2	638.0	+19.9%
Profit for the year ^{*2}	343.6	423.0	+23.1%

1. 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

*2. Attributable to owners of the parent company

Domestic Tobacco Business

Continuation of share increase due to contribution from Mevius and other key brands

Mevius and other key brands are continuing strongly and providing the means for further increase in market share. Sales volume and revenue were about level year on year. Meanwhile, adjusted EBITDA was slightly down year on year due to increased cost as a result of yen depreciation.

(Billions of yen)

	Nine months ended December 31, 2013	Year-on-year change
Core revenue	505.1	+0.5%
Adjusted EBITDA	224.4	-1.1%

Total sales volume

(Billions of cigarettes)

	Nine months ended December 31, 2013	Year-on-year change
Total sales volume	89.7	+0.4%

JT market share

(%)

	Nine months ended December 31, 2013	Year-on-year change
JT market share	60.8	+1.2%pt

* “%pt” is an abbreviation of “percentage point.”

JT market share and market share of Mevius

(%)

	Oct.-Dec. 2012	Jan.-Mar. 2013	Apr.-Jun. 2013	Jul.-Sep. 2013	Oct.-Dec. 2013
JT market share	59.6	59.5	60.5	60.7	61.1
Key brands	42.1	42.2	43.0	43.2	43.7
Market share of Mevius	31.3	31.4	32.2	32.6	32.8

* Key brands: Mevius, Seven Stars and Pianissimo

International Tobacco Business

Impact of decline in shipment volume more than offset by favorable pricing

Although shipment volume declined as a result of industry contraction due to economic slowdown in Europe, this decline was more than offset by favorable pricing effects. As a result, core revenue grew by 2.4% year on year and adjusted EBITDA increased by 8.0%. Yen-based adjusted EBITDA showed a substantial increase of 31.9% as a result of yen depreciation. Market share also expanded strongly in most major markets.

(Millions of dollar)

	Nine months ended December 31, 2013	Year-on-year change
Core revenue	9,067	+2.4%
Adjusted EBITDA	3,617	+8.0%
Yen-based adjusted EBITDA	¥350.7 billion	+31.9%

* Results for the international tobacco business are for the period from January 1 to September 30, 2013.

Shipment volume

(Billions of cigarettes)

	Nine months ended December 31, 2013	Year-on-year change
JTI shipment volume	311.2	-5.1%
GFB shipment volume	198.2	-2.1%

Market share

	September 2012	September 2013	Year-on-year change
France	16.9%	20.4%	+3.5%pt
Spain	20.7%	21.3%	+0.7%pt
Italy	21.2%	21.7%	+0.5%pt
Russia	36.5%	36.2%	-0.2%pt
(GFB ^{*1} share)	21.6%	22.8%	+1.2%pt
Taiwan	38.7%	39.5%	+0.8%pt
Turkey	25.9%	26.6%	+0.6%pt
U.K.	38.9%	40.5%	+1.6%pt

*1 We have identified eight brands which serve as flagships of the JT Group's brand portfolio, Winston, Camel, Mevius, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour, which we collectively call the Global Flagship Brands (GFBs).

* Data sourced from Nielsen, Logista and Altadis.

* "%pt" is an abbreviation of "percentage point."

Pharmaceutical Business

Approval was obtained for three new drugs*in Japan and overseas

* Japan: Manufacturing and marketing approval was obtained by JT for a hyperphosphatemia treatment and by Torii Pharmaceutical Co., Ltd. for a sublingual immunotherapy drug for Japanese cedar pollinosis.

Overseas: New drug approval from the EMA was obtained by JT's licensee Gilead Sciences Inc. for anti-HIV drug Vitekta™.

Revenue increased by ¥5.0 billion year on year mainly due to the increased sales of products of Torii Pharmaceutical Co., Ltd. including REMITCH® CAPSULES, an oral antipruritus drug for hemodialysis patients, and Truvada® Tablets, an anti-HIV drug, as well as an increase in milestone revenue related to progress in development of an original JT compound that has been out-licensed and an increase in royalty income accompanying sales expansion. Adjusted EBITDA improved year on year mainly due to the increase in revenue.

Pharmaceutical business: Clinical development (as of January 30, 2014)

<In-house development>

Code (generic name)	Potential indication/ dosage form	Phase	Note
JTK-303 (elvitegravir)	HIV infection/Oral	Standalone-Agent Preparing to file (Japan)	In-house
		New Single Table Regimen (elvitegravir/cobicistat/ emtricitabine/tenofovir alafenamide) Phase 3 (Global Study*) (Japan)	Elvitegravir; In-house Cobicistat, Emtricitabine, Tenofovir Alafenamide; In-license (Gilead Sciences)
JTT-851	Type 2 diabetes mellitus/Oral	Phase 2 (Japan) Phase 2 (Overseas)	In-house
JTZ-951	Anemia associated with chronic kidney disease/Oral	Phase 2 (Japan) Phase 1 (Overseas)	In-house
JTE-051	Autoimmune/ allergic diseases/Oral	Phase 1 (Overseas)	In-house
JTE-052	Autoimmune/ allergic diseases/Oral	Phase 1 (Japan)	In-house
JTE-151	Autoimmune/ allergic diseases/Oral	Phase 1 (Overseas)	In-house
JTE-350** (histamine dihydrochloride)	Diagnostic product /Positive control solution in the skin prick test	Phase 3 (Japan)	In-license (ALK-Abelló) Co-development with Torii

Note: Clinical trial phase presented above is based on the first dose.

* Part of global study conducted by Gilead Sciences.

** One of the medical products publicly offered for a development company by the Study Group on Unapproved and Off-label Drugs of High Medical Need, set up by the Ministry of Health, Labour and Welfare.

<Licensed compounds>

Compound (JT's code)	Licensee	Note
elvitegravir (JTK-303)	Gilead Sciences	<u>Elvitegravir</u> : U.S. marketing approval submitted <u>New Single Tablet Regimen</u> (elvitegravir/cobicistat/ emtricitabine/tenofovir alafenamide): Phase 3
trametinib	GlaxoSmithKline	<u>Metastatic melanoma</u> : EU marketing approval submitted <u>Metastatic melanoma, trametinib+dabrafenib</u> : EU marketing approval submitted
Anti-ICOS monoclonal antibody	MedImmune	

Updates since the previous announcement on October 31, 2013:

<In-house development>

- January 17, 2014—JT obtained approval for manufacturing and marketing in Japan for Riona[®] Tablets 250mg (JTT-751)

<Licensed compounds>

- November 18, 2013—Public announcement that Gilead Sciences obtained approval from the EMA for elvitegravir (JTK-303)

- January 9, 2014—Public announcement that GlaxoSmithKline obtained approval from the U.S. FDA for new indications (for treatment of metastatic melanoma) for MEK inhibitor trametinib in combination with dabrafenib.

Beverage Business

Growth in sales of “Momono Tennen Sui” and increased sales volume of JT products

Processed Food Business

Steady growth in staple food products

In the beverage business, revenue decreased due to a decline in revenue from cup vending machines in the vending machines sales channel, despite an increase in sales volume of JT’s products due to the growth of “Momono Tennen Sui.” Adjusted EBITDA decreased mainly due to increased investments for efforts to further strengthen high-quality vending machine operations and enhance our brands. Although revenue in the processed food business declined because of the closure of the processed fishery products business in the previous fiscal year, if the impact of the closure is disregarded, revenue increased due to growth in sales of staple food products. There was a year-on-year increase in adjusted EBITDA mainly due to growth in sales of staple food products, despite the impact of a rise in cost prices in line with the yen depreciation.

Beverage business

(Billions of yen)

	Nine months ended December 31, 2013	Year-on-year change
Revenue	142.7	-1.7
Adjusted EBITDA	6.5	-4.0

Processed food business

(Billions of yen)

	Nine months ended December 31, 2013	Year-on-year change
Revenue	118.8	-13.1
[excluding processed fishery products business]		[+3.0]
Adjusted EBITDA	5.6	+0.4

FORWARD-LOOKING STATEMENTS

This material contains forward-looking statements. These statements appear in a number of places in this presentation and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may,” “will,” “should,” “would,” “expect,” “intend,” “project,” “plan,” “aim,” “seek,” “target,” “anticipate,” “believe,” “estimate,” “predict,” “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) decrease in demand for tobacco products in key markets;
- (2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate; and
- (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.

Consolidated Financial Statements

Consolidated statements of financial position

(Millions of yen)

	As of March 31, 2013	As of December 31, 2013	Increase (Decrease)
Assets			
Current assets	1,213,146	1,426,187	213,040 *1
Non-current assets	2,639,421	2,969,644	330,224
Property, plant and equipment	672,316	738,050	65,734
Goodwill	1,316,476	1,463,570	147,094 *2
Intangible assets	348,813	362,645	13,832
Investment property	58,995	47,316	(11,678)
Retirement benefit assets	14,825	17,519	2,694
Investments accounted for using the equity method	22,940	109,060	86,121
Other financial assets	71,781	93,854	22,073
Deferred tax assets	133,276	137,631	4,355
Total assets	3,852,567	4,395,831	543,264
Liabilities and equity			
Liabilities			
Current liabilities	1,112,968	1,312,214	199,246 *3
Non-current liabilities	847,168	770,471	(76,698) *4
Total liabilities	1,960,137	2,082,685	122,548
Equity			
Equity attributable to owners of the parent company	1,806,543	2,225,396	418,852
Share capital	100,000	100,000	-
Capital surplus	736,411	736,400	(11)
Treasury shares	(344,573)	(344,478)	95
Other components of equity	(155,420)	58,222	213,642 *5
Retained earnings	1,470,125	1,675,251	205,126 *6
Non-controlling interests	85,887	87,751	1,863
Total equity	1,892,431	2,313,146	420,716
Total liabilities and equity	3,852,567	4,395,831	543,264

Note: Yen amounts are rounded to the nearest million.

- *1. Current assets: Increased as a result of rises in cash and cash equivalents and inventories.
- *2. Goodwill: Increased due to the effect of foreign currency movement on overall goodwill.
- *3. Current liabilities: Increased due to transfer of bonds from non-current liabilities to current liabilities.

- *4. Non-current liabilities: Decreased due to transfer of bonds from non-current liabilities to current liabilities.
- *5. Other components of equity: Increased as a result of yen depreciation.
- *6. Retained earnings: Increased due to profit for the period.

Consolidated statements of income

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Increase (Decrease)
Revenue	1,608,399	1,779,878	171,479 *7
Cost of sales	(684,104)	(720,855)	(36,752)
Gross profit	924,295	1,059,023	134,728
Other operating income	18,241	49,392	31,152
Share of profit in investments accounted for using the equity method	2,649	890	(1,759)
Selling, general and administrative expenses	(533,610)	(594,879)	(61,269)
Operating profit	411,575	514,427	102,851 *8
Financial income	3,370	4,776	1,406
Financial costs	(23,042)	(14,725)	8,317
Profit before income taxes	391,904	504,478	112,574
Income taxes	(123,305)	(139,416)	(16,111)
Profit for the period	268,599	365,062	96,463
Profit for the period attributable to:			
Owners of the parent company	263,695	359,289	95,595
Non-controlling interests	4,904	5,773	869
Profit for the period	268,599	365,062	96,463

Note: Yen amounts are rounded to the nearest million.

*7. Revenue: Increased due to favorable pricing in the international tobacco business and yen depreciation.

*8. Operating profit: Increased as a result of rise in revenue in addition to gain on sales of non-current assets.

Consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Increase (Decrease)
Profit for the period	268,599	365,062	96,463
Other comprehensive income	(737)	212,700	213,437
Comprehensive income for the period	267,862	577,762	309,900
Comprehensive income for the period attributable to:			
Owners of the parent company	262,804	572,346	309,542
Non-controlling interests	5,058	5,417	359
Comprehensive income for the period	267,862	577,762	309,900

Note: Yen amounts are rounded to the nearest million.

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2012	Nine months ended December 31, 2013	Increase (Decrease)
Net cash flows from operating activities	344,714	316,229	(28,485)
Net cash flows from investing activities	(117,696)	(125,209)	(7,513) *9
Net cash flows from financing activities	(271,781)	(122,944)	148,836 *10
Net increase (decrease) in cash and cash equivalents	(44,762)	68,076	112,838
Cash and cash equivalents at the beginning of the period	404,740	142,713	(262,028)
Effect of exchange rate changes on cash and cash equivalents	(16,459)	8,879	25,338
Cash and cash equivalents at the end of the period	343,519	219,668	(123,851)

Note: Yen amounts are rounded to the nearest million.

*9. Net cash flows from investing activities: Decreased due to purchases of a minority stake in a leading Russian distribution company.

*10 Net cash flows from financing activities Increased due to a comparative reduction in redemption of bonds and repayments of long-term borrowings.

JT NEWS

Mevius Celebrated First Birthday

Aiming to be the number one global premium brand

One year has now passed since JT changed the name of the former “Mild Seven” brand to “Mevius” and launched the new brand in February last year.

JT has positioned “Mevius” as one of JT Group’s Global Flagship Brands (GFB)^{*1}. By actively increasing investment in “Mevius” to strengthen its brand equity, JT will continue to offer new value and satisfaction to consumers into the future.

Product name	Tar value	Nicotine value
Mevius Box	10mg	0.8mg
Mevius Lights Box	8mg	0.7mg
Mevius Super Lights Box	6mg	0.5mg
Mevius Extra Lights Box	3mg	0.3mg
Mevius One Box	1mg	0.1mg

100 percent natural menthol, with a clear and refreshing menthol flavor immediately spreading in the mouth

Product name	Tar value	Nicotine value
Mevius Premium Menthol 8	8mg	0.7mg
Mevius Premium Menthol 5	5mg	0.4mg
Mevius Premium Menthol One	1mg	0.1mg
Mevius Premium Menthol One 100’s	1mg	0.1mg

Crush the “aroma-changing capsule” in the filter to release a light and enjoyable aroma

Product name	Tar value	Nicotine value
Mevius Premium Menthol Option 8	8mg	0.7mg
Mevius Premium Menthol Option 5	5mg	0.5mg
Mevius Premium Menthol Option One 100’s	1mg	0.1mg

Japan’s first cigarette with a “spread filter” that disperse the airflow in a previously unexperienced, wider pattern

Product name	Tar value	Nicotine value
Mevius Premium Menthol Spread 8	8mg	0.7mg
Mevius Premium Menthol Spread 5	5mg	0.5mg

Mevius Premium Menthol Spread One 100's	1mg	0.1mg
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Integration of stylish Less Smoke Smell lineup into Mevius Mode with flavor and aroma unchanged

Product name	Tar value	Nicotine value
Mevius Mode 6	6mg	0.5mg
Mevius Mode One 100's	1mg	0.1mg
Mevius Mode Style Plus 6	6mg	0.5mg
Mevius Mode Style Plus One	1mg	0.1mg

1mg cigarette providing impactful smoking experience

Product name	Tar value	Nicotine value
Mevius Impact One 100's Box	1mg	0.1mg

1mg^{*2} cigarette whose flavor and aroma can be made lighter by the ADJUSTABLE(R) filter

Product name	Tar value	Nicotine value
Mevius Control One	1mg	0.1mg

To be launched in Fukuoka, Nagasaki and Saga

- *1 We have identified eight brands which serve as flagships of the JT Group's brand portfolio, Winston, Camel, Mevius, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour, which we collectively call the Global Flagship Brands (GFBs).
- *2 Making the flavor and aroma of this product lighter does not reduce its effect on health.
- *3 This page is intended as an explanation of JT's business for shareholders. As such, it is not intended to promote product sales to consumers or to encourage them to smoke.

JT Group Products

Introducing New Tobacco Products

Two products simultaneously released from Seven Stars, offering the ultimate in richness and depth, respectively!

Seven Stars Real Rich

Seven Stars Real Smoke

Price: ¥440 each (containing 20 cigarettes)

Tar: 14mg

Nicotine: 1.2mg

Released

<Photo>

Rich flavor and aroma

Seven Stars Real Rich

The basic Seven Stars design was used as a template but given a deep red base tone rendered in sophisticated hues, representing the rich aroma and depth of the product.

Deep flavor and aroma

Seven Stars Real Smoke

The base tone of bold black hues symbolize the product with a rich and full smoke sensation together with a roasted flavor.

Since its launch in 1969, Seven Stars has consistently offered unique value in terms of flavor, aroma and design, and as a result has become extremely popular among consumers. From one of the most prominent brands in Japan, two new products were launched nationwide in early December 2013: “Seven Stars Real Rich” and “Seven Stars Real Smoke.”

With “Seven Stars Real Rich,” only select leaf tobacco is used to bring out the quality taste, resulting in a rich and mellow flavor and aroma with no roughness. With “Seven Stars Real Smoke,” the natural properties of leaf tobacco were maximized to produce a product with a full smoke sensation that is sharp yet has depth.

Seven Stars is a brand known for its “robust smoking sensation” and “deep flavor.” JT aims to embody the ultimate in “richness” of a robust smoking sensation and “depth” of deep flavor in “Seven Stars Real Rich” and “Seven Stars Real Smoke,” respectively.

Comments from person in charge

With the intention of offering consumers new value with flavor that exceeds their expectations, we have developed two products based on the two concepts of “richness” and “depth” to become worthy members

of the original “Seven Stars” brand: “Seven Stars Real Rich” and “Seven Stars Real Smoke.” Through this launch and other measures, we will strive to improve quality and service that provides greater-than-ever satisfaction to consumers.

Kenji Katsuragi, Marketing & Sales Group, Brand Planning Division, Tobacco Business, Japan Tobacco Inc.

<Photo>

* This page is intended as an explanation of JT’s business for shareholders. As such, it is not intended to promote product sales to consumers or to encourage them to smoke.

JT Group Products

Introducing New Beverage Products

<Photo>

Released

- > Carbonated beverage for adults that uses a generous amount real peach juice.
- > The gentle taste of peach offers a happy break to the busy everyday monotony.

Momono Tennen Sui *ARAGOSHI* Sparkling

410ml pet bottle/¥140 (tax not included)

Comments from person in charge

From the “Momono Tennen Sui” brand characterized by its delicious, fresh taste of peach and natural spring water, JT has launched for a limited time only a carbonated beverage that offers a rich peach taste sensation. The beverage has a refreshing dewy taste achieved by using a generous amount of real peach nectar to create an authentic peach taste and combining it with carbonated spring water. You just have to try it!

Fumiko Yoneyama, Brand Planning Department, Beverage Business Division, Japan Tobacco Inc.

<Photo>

<Photo>

Released

- > Emphasis on “tastiness” in “bitterness” through hard roasting
- > Coffee for the wild man

Roots Explorer *Umaniga* Hard Roast

185g can

¥115 (tax not included)

<Photo>

- > Sweet aroma and rich taste
- > Hot blend coffee. Unsweetened black coffee in a bottle can.

Recommended

Roots “Aroma Black Hot Blend”

275g aluminum bottle

¥130 (tax not included)

Introducing New Food Products

Released

<Photo>

French Toast

2 toast slices/with maple flavored syrup

- > Fluffy and soft vanilla flavored bread dough
- > Surprisingly delicious “light and fluffy” taste

Comments from person in charge

TableMark has newly launched the favorite food French toast. The bread dough has been carefully chosen, steeped in vanilla flavored batter and baked to become fluffy and soft. Just by heating it in the microwave, you can have a convenient and “light and fluffy” tasting sweet. Its deliciousness will surprise you.

Natsumi Murakami, Product Development Division, TableMark Co., Ltd.

<Photo>

Released

<Photo>

- > Ready-to-serve hamburger patties with a tasty aroma. They are soft even when cold.
- > Potato salad with a rich assortment of extras including carrot, corn and parsley.

Hamburger Patties with Potato Salad

Pack of 5/150g

Renewal

<Photo>

- > Pursuit of chewy texture even closer to fresh *udon* noodles through original non-frying process

Jukurenya *Udon* Noodles

5 servings/1 x 95g bag (Noodles 70g)

2013 International Tobacco Business results

JT International achieved strong profit growth through robust pricing and market share gains in most key markets

On January 31, 2014, “JT International Business Results for 2013” was held for institutional investors at JT Art Hall “Affinis.” JT International’s President & Chief Executive Officer, Thomas A. McCoy, Deputy Chief Executive Officer, Masamichi Terabatake, and Chief Financial Officer, Roland Kostantos, presented the business results for 2013. The summary of the presentation is as follows.

<Photo>

President & Chief Executive Officer Thomas A. McCoy giving the presentation

The presentation is available on JT website:

<http://www.jti.co.jp/investors/release/index.html>

<Business result for 2013 (January to December)>

In 2013, JT International (JTI) faced overall market contraction. However despite a business environment made more challenging by the impact of the weakening shipment volume, strong financial results were maintained to deliver profit growth.

While our total shipment volume was down, primarily due to significant industry contraction, our Global Flagship Brand (GFB) shipment volume was almost flat. This GFB performance once again demonstrated the strong resilience of our brands under difficult circumstances.

Despite the volume decline, core revenue grew 6.1% at constant rates of exchange. Our strong top-line (revenue) performance last year was driven by robust pricing and market share gains in most key markets.

In addition, we continued to broaden our earnings base as one of our core strategies. This enabled us to deliver yet again double-digit adjusted EBITDA growth of 11.3% at constant rates of exchange.

In 2013, our market share performance has maintained its positive momentum, with gains in most key markets. This result was achieved despite a very challenging environment, with industry volume contracting significantly across many of these markets.

In 2014, we do expect the operating environment to remain challenging. In spite of this, our core strategy remains unchanged and in line with JT Group’s management principle, known as the ‘4S’ Model. We

will further invest in markets where we have limited presence, pursue opportunities to expand into new markets, and enhance our presence and expertise in Emerging Products. In addition, by continuing to focus on top-line growth through enhancing brand equity and seizing the opportunity to raise prices, we aim to deliver double-digit adjusted EBITDA growth at constant rates of exchange again in 2014.

<Photo>

Roland Kostantos, Chief Financial Officer

Core revenue (January to December)

(Millions of dollar)

	Core revenue	Year-on-year change
At constant rates of exchange	12,362	+6.1%

Adjusted EBITDA (January to December)

(Millions of dollar)

	Adjusted EBITDA	Year-on-year change
At constant rates of exchange	4,614	+11.3%

Market share in key markets (cigarette, roll your own tobacco)

	2013	Year-on-year change
France	20.1%	+2.7%pt
Italy	21.6%	+0.2%pt
Russia	36.3%	-0.1%pt
Spain	21.5%	+0.7%pt
Taiwan	39.4%	+0.5%pt
Turkey	26.7%	+0.4%pt
U.K.	40.7%	+1.3%pt

Data sourced from AC Nielsen, Logista, Altadis and JTI data. 12 months moving average market share.

Competitive portfolio across all price segments and categories

JTI has a well-balanced and competitive brand portfolio. The portfolio architecture covers three broad categories including Ready-Made Cigarette (RMC), Fine Cut, and Emerging Products, placing us in a strong position to fulfill consumer expectations.

In the RMC category, our GFB portfolio is spread across all price ranges, with a focus on Winston, Camel, Mevius and LD. Our RMC portfolio strategy is centered around Winston in order to leverage its great potential. We have Mevius and Camel above Winston, as well as LD below. This structure enables us to capture down-traders in mature markets and up-traders in emerging markets.

In the fine cut category, the Gryson acquisition supplemented our strong portfolio, which is well-positioned across price segments.

The launch of Ploom^{*1} also allowed us to start building a tobacco vapor^{*2} proposition in the emerging products category. Ploom was rolled out in Austria, Italy, Korea, and Japan. The effective communication and activation platform resulted in positive consumer and trade acceptance. We will pursue our vision to become the global leader in the emerging products category by leveraging our partnership with Ploom, while exploring new internal and external opportunities.

*1 Jointly developed with Ploom, with which we formed an alliance in December 2011. A way of enjoying the flavor and aroma of tobacco by heating special “tobacco pods” containing tobacco leaves with an electric battery instead of a flame.

*2 Steam that includes propylene glycol, glycerin, moisture and scent in addition to tobacco components such as nicotine.

Global Flagship Brands (GFB)

<logos>

Fine Cut

<logo>

RYO, which is an abbreviation of Roll Your Own, signifies fine cut tobacco to be used by a customer to roll a cigarette by hand, using rolling paper.

<logo>

MYO, which is an abbreviation of Make Your Own, signifies fine cut tobacco to be used by a customer to make a cigarette, using a specialized tool and cigarette tubes.

Emerging Products (new category)

<logos>

Brand portfolio

The aforementioned GFB refers to the following eight brands: Winston, Camel, Mevius, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour. The GFBs are driving quality top-line growth. Below, we introduce the trends in sales in 2013 for three of these brands.

Winston

<Photo>

Winston is our largest volume contributor. Winston continued to achieve volume and share gains, consolidating its number two global ranking. We gained share in many markets, setting new records in 27 of them including Russia and Turkey, the two largest markets.

Market share	2013	Year-on-year change
Winston	7.7%	+0.5 %pt
France	6.9%	+0.3 %pt
Italy	8.6%	+0.4 %pt
Russia	14.3%	+1.6 %pt
Turkey	16.2%	+0.4 %pt
Ukraine	10.3%	+1.0 %pt

Data sourced from JTI's own estimates, Nielsen and Logista (market share includes RMC and Fine Cut)

Camel

<Photo>

We leveraged the Camel's 100 year anniversary campaign in 78 markets worldwide in 2013. Camel achieved market share growth and posted firm results despite industry contraction and down-trading in most of its core markets.

Market share	2013	Year-on-year change
Camel	2.4%	+0.1 %pt
France	7.3%	+0.2 %pt
Italy	9.8%	+0.2 %pt
Netherlands	7.7%	+1.0 %pt
Poland	2.5%	+0.4 %pt
Spain	6.5%	+0.3 %pt

Data sourced from JTI's own estimates, Nielsen and Logista (market share includes RMC and Fine Cut)

LD

<Photo>

LD continues to be the second largest brand in shipment volume in our portfolio, offering a high quality yet affordable range of products. Shipment volume declined slightly due to Russia, where we faced industry contraction along with intense competitive pressure in the mid-price segment. Excluding Russia, shipment volume delivered remarkable growth of 11.0%.

Market share	2013	Year-on-year change
LD	4.4%	+0.2 %pt
Hungary	6.2%	+1.8 %pt
Kazakhstan	10.3%	+1.3 %pt
Poland	11.6%	+1.8 %pt
Turkey	3.5%	+0.4 %pt
Ukraine	3.6%	+0.6 %pt

Data sourced from JTI's own estimates, Nielsen and Logista (market share includes RMC and Fine Cut)

JT TOPICS

50th Tournament Report

Many Legends Made at 50th Final Showdown of Japan's Major Championship 2013 Golf Nippon Series JT Cup

<Photo>

Making Legends out of Champions

The 2013 Golf Nippon Series JT Cup was the final event on the men's 2013 Japan Golf Tour. This year's event, which celebrated its 50th anniversary, was held at Tokyo Yomiuri Country Club (Inagi, Tokyo) for four days from December 5, 2013. This series is one of Japan's Four Majors, the other three being the Japan PGA Championship, the Japan Open Golf Championship, and the Japan Golf Tour Championship. From this year, the players selected for the tournament have expanded to include winners of the Japan Golf Tour, winners of selected overseas tournaments who are participating members of the Japan Golf Tour, and the higher ranking players in the overall money list of the tour and the relevant tournaments, bringing the total number of participants to 30. Together they comprise the strongest golfers of 2013. This showdown is truly the pinnacle event.

<Photo>

In his 11th professional year, first-time victory for Yusaku Miyazato!

Heated! Fierce! Outstanding performers of the JT Cup

2nd

<Photo>

Ashun Wu (China)

Finishing 3 strokes behind the victor at 10 under, Wu's impressive 2nd has fueled his momentum for next time.

3rd

<Photo>

Hideto Tanihara

Tanihara watched at close hand the victory of Miyazato, his junior colleague at Tohoku Fukushi University days.

4th

<Photo>

Kazuhiro Yamashita

Yamashita received the prize for best score in the JT Cup series for the second time!

8th

<Photo>

Hiroyuki Fujita

Fujita's hopes for a 4th consecutive JT Cup win were dashed in his first year of zero victories in 6 years.

At that moment, his large frame buckled at the knees and countless tears streamed down his cheeks. The winner of the heated battle was Yusaku Miyazato. He had achieved his first major victory in his eleventh year as a professional golfer. He had managed to carry his good form right through from the first day to end with a score of 13 under. He had missed out many times over the years on his quest to win his first tour victory. At the 18th Hole on the final day, Miyazato was 3 shots ahead of 2nd place. Even a double-bogie could provide him with victory. His tee-shot landed in the rough on the left side behind the green. Perhaps because of the pressure of a first victory being at stake, or maybe it was just the bitter cold, but on his second shot, he overshot the green into the rough on the other side. Then, Miyazato seemingly suddenly unable to get a shot right, he chipped in from the rough, sending the ball in a smooth arc through the winter sky, and he holed it! He cheered in joy with his family, who had come to watch him play. Fellow players even tossed him in the air. Miyazato said: "I am still not sure if I understand the secret to winning. I think I need to win again," revealing a forward-looking Miyazato's high aspirations for the next stage.

<Photo>

Miyazato receiving the JT Cup from JT President & CEO Mitsuomi Koizumi

<Photo>

Miyazato's sister, professional golfer Ai Miyazato also cheered on warmly.

<Photo>

Miyazato receiving a congratulatory toss in the air from other players

<Photo>

For the hole-in-one prize on the famous 18th hole, a year's supply of "Roots Aroma Black" was provided as an extra prize in addition to the monetary award.

JT PLAZA Once Again Popular

<Photo>

Each year, JT PLAZA is set up, and it provides a popular refreshment spaces. It has a variety of spaces including a shop that sells JT products, a quiz competition space and a product sampling booth for popular TableMark products. This year also, the plaza was bustling with many spectators throughout the event.

<Photo>

The Lure of Tobacco Smoke

A lesson from the past at the end of a journey

Zuiyo Sake Brewery Museum [Kumamoto]

<Photo>

Manufacturer of “sake” and “cigarettes”

Precious memorabilia of long-established brewing company

Zuiyo is a long-established sake brewery that was founded in 1867. In bygone days, it also manufactured tobacco. In Japan, there are exceptionally few cases of companies that manufactured and sold the two luxury items of “sake” and “tobacco” in one place at the same time. At this Sake Brewery Museum of Zuiyo, the old storehouse that was used for manufacturing of sake now preserves and displays the company’s history and the materials of its past.

Zuiyo manufactured shredded tobacco alongside its sake brewing operations for 8 years from 1896 until 1904, when the Tobacco Monopoly Law was enacted. After this date, Zuiyo was commissioned by the Ministry of Finance’s Monopoly Bureau as an external contractor and it manufactured shredded tobacco on commission, which the Monopoly Bureau sold. In addition, it also operated a business selling tobacco wholesale to retail businesses up until 1931.

During the Meiji Period (1868–1912), there were more than 1,500 tobacco companies in Japan. Today, however, 100 years after enactment of the Monopoly Law, very little of such materials remain. The collection of materials kept by Zuiyo is a precious memory of the past that was kept thanks to Zuiyo’s long survival.

<Photo>

Sign that is kept in the Sake Brewery Museum. It lists five brands of shredded tobacco and it is also affixed with actual tobacco packaging. On the right, it says Oshimaya Product. “Oshimaya” was Zuiyo’s original shop name.

<Photo>

“Zuiyo,” which eventually became the company name, is a brand name of sake. However, it was also used as a brand name for shredded tobacco.

<Photo>

Nearby the Sake Brewery Museum and Zuiyo’s current brewery is “Nanshuo-honei-ato,” the site of the Headquarters of the Satsuma Army during the Satsuma Rebellion.

<Photo>

Zuiyo

Umeshu Kumamoto Cup (plum liqueur)

¥330 (tax not included)

Kawashiri in Kumamoto City, where Zuiyo is located, developed into an area rich in commercial activity in line with its development as a waterway centered on the Midori River system, and was the focal point for distribution in the Higo Kumamoto Domain. At the mouth of the nearby Kase River, the remains of the shipping dock, and warehouses in which crops contributed for the annual rice tax were stored, help to give a picture of what the whole area was like in its days as a feudal domain. As well as the Sake Brewery Museum, Zuiyo has an exhibition space called Tohi Taisho-gura, where visitors can try out or purchase measured out quantities of shochu (a Japanese spirit) that is not on general sale. This space also features an exhibition of materials relating to Akazake, a sake from Kumamoto. In addition, sake cups featuring the image of Kumamon, a character used as a mascot by Kumamoto Prefecture, are becoming increasingly popular as simple and convenient souvenirs. Located next to Kumamoto City Handicrafts Promotion Center, Tohi Taisho-gura gives visitors an experience of the traditional craftsmanship that still thrives in Kawashiri through exhibitions on handicrafts and performances.

■ Zuiyo Sake Brewery Museum

Location

6-67 Kawashiri 4-chome, Minami-ku, Kumamoto City, Kumamoto 861- 4115, Japan

15 minutes' walk from Kawashiri Station on the JR Kagoshima Main Line

2 minutes' walk from the bus stop "Kawashiri Machi" on Sanko buses going in the direction of Kawashiri (bound for Kokucho)

Inquiries: Tel. +81-96-357-9671

Opening hours: Opened on an irregular basis *appointments are necessary prior to visiting

Admission: Free

<http://www.zuiyo.co.jp/>

<Map>

Company Profile

Trade name: Japan Tobacco Inc.

Location of head office: JT Building, 2-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8422, Japan

Tel.: +81-3-3582-3111 (Main)

Fax: +81-3-5572-1441

Established: April 1, 1985

Paid-in capital: ¥100 billion

Common Stock (as of December 31, 2013)

Composition of shareholders (excluding shares held as treasury shares)

The Minister of Finance: 36.69%

Financial institutions: 17.20%

Individuals and others: 4.28%

Securities companies: 0.87%

Other institutions: 0.78%

Foreign institutions and others: 40.17%

Total number of shares authorized: 8,000,000,000 shares

Total number of shares issued: 2,000,000,000 shares

(Number of treasury shares: 182,459,700 shares)

Number of shareholders: 116,723

How to receive dividends

Shareholders can receive dividends safely and securely by opting to receive them by bank remittance.

Cash	Shareholder	Dividend warrants	JT
		←===	
		Dividend warrants	Japan Post Bank Post Office
		===>	
Bank remittance	Designated financial institution account	Dividends	JT
		←===	
	◇ In the case of receiving dividends by designating a deposit account at a bank for each issue held		
	Designated financial institution account X	Dividends	JT
		←===	
	Designated financial institution account Y	Dividends	Company A
		←===	
	◇ In the case of receiving dividends for all issues held in a lump-sum at a deposit account held at a bank.		
	Designated financial institution account X	Dividends	JT
		←===	
Designated financial institution account X	Dividends	Company A	
	←===		
◇ In the case of receiving dividends in a trading account held at a securities company (if a balance exists at several securities companies, dividends are allocated according to balance)			
Securities company X / JT shares / ● shares	Dividends from ● shares	JT	
	←===		
Securities company Y / JT shares / ○ shares	Dividends from ○ shares		
	←===		
* Not available for use by shareholders who use special accounts			

Members of the Board, Audit & Supervisory Board Members, and Executive Officers

Members of the Board

Chairman of the Board	Hiroshi Kimura
Representative Director, President	Mitsuomi Koizumi
Representative Director, Executive Deputy President	Yasushi Shingai
Representative Director, Executive Deputy President	Noriaki Okubo
Representative Director, Executive Deputy President	Akira Saeki
Member of the Board, Executive Deputy President	Hideki Miyazaki
Member of the Board	Masamichi Terabatake
Member of the Board	Motoyuki Oka
Member of the Board	Main Kohda

Audit & Supervisory Board Members

Audit & Supervisory Board Member	Futoshi Nakamura
Audit & Supervisory Board Member	Tomotaka Kojima
Audit & Supervisory Board Member	Koichi Ueda
Audit & Supervisory Board Member	Yoshinori Imai

Executive Officers (*shikkoyakuin*)

President, Chief Executive Officer	Mitsuomi Koizumi
Executive Deputy President, Compliance, Strategy, HR, General Administration, Legal and Operational Review & Business Assurance	Yasushi Shingai
Executive Deputy President, Pharmaceutical, Beverage, and Processed Food Business	Noriaki Okubo
Executive Deputy President, President, Tobacco Business	Akira Saeki
Executive Deputy President, CSR, Finance and Communications	Hideki Miyazaki
Senior Executive Vice President, Chief Marketing & Sales Officer, Tobacco Business	Kenji Iijima
Senior Executive Vice President, Compliance and General Affairs	Ryoji Chijiwa
Senior Executive Vice President, Chief Strategy Officer	Mutsuo Iwai
Executive Vice President, Head of Domestic Leaf Tobacco General Division, Tobacco Business	Shinichi Murakami
Senior Vice President, Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business	Kazuhito Yamashita
Senior Vice President, Chief R&D Officer, Tobacco Business	Yasuyuki Yoneda
Senior Vice President, Head of Manufacturing General Division, Tobacco Business	Masahiko Sato
Senior Vice President, Head of China Division, Tobacco Business	Atsuhiro Kawamata

Senior Vice President, Head of Tobacco Business Planning Division, Tobacco Business	Junichi Fukuchi
Senior Vice President, President, Pharmaceutical Business	Muneaki Fujimoto
Senior Vice President, Head of Central Pharmaceutical Research Institute, Pharmaceutical Business	Junichi Haruta
Senior Vice President, Chief CSR Officer	Ryoko Nagata
Senior Vice President, Chief Human Resources Officer	Chito Sasaki
Senior Vice President, Chief Financial Officer	Naohiro Minami
Senior Vice President, Chief General Affairs Officer	Haruhiko Yamada
Senior Vice President, Chief Legal Officer	Kiyohide Hirowatari
Senior Vice President, Chief Science Officer, Central Pharmaceutical Research Institute, Pharmaceutical Business	Shigenori Ohkawa
Senior Vice President, Head of Beverages Business	Goichi Matsuda
Senior Vice President, Chief Communications Officer	Yuki Maeda

Trends in Share Price

Share prices of JT, from IPO on October 27, 1994 to January 2014 (closing prices on the TSE, monthly basis)

<Chart of JT's share price>

First sale

Sale by bidding

Contract price ¥1,362,000 to ¥2,110,000 (fixed date of the contract price August 29, 1994)

Sale without bidding

Sale price ¥1,438,000 (fixed date of the sale price August 31, 1994)

Second sale

Sale price ¥815,000 (fixed date of the sale price June 17, 1996)

Third sale

Sale price ¥843,000 (fixed date of the sale price June 7, 2004)

Fourth sale

Sale price ¥2,924 (fixed date of the sale price March 11, 2013)

* Due to a 5 for 1 stock split on April 1, 2006, and a 200 for 1 stock split on July 1, 2012, stock prices reflect post-split levels.

Memo for Shareholders

Closing date: March 31 of each year

Ordinary General Meeting of Shareholders: June of each year

Record date for year-end dividend: March 31 of each year

Record date for interim dividend: September 30 of each year

Share trade unit: 100 shares

Method of public notice:

Electronic public notice

Public notices will be posted on JT's website: <http://www.jti.co.jp/>

* If JT is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper.

Shareholder registry administrator/special-account managing institution:

Mitsubishi UFJ Trust and Banking Corporation

■ Office for handling business

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

■ Inquiry/mailing address

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

0120-232-711 (toll-free number available only in Japan; 9 a.m. to 5 p.m. on weekdays)

■ Request for procedure forms related to special account

The special-account managing institution accepts requests for administrative procedure for shareholders using special accounts (including notification of change of address, forms for designation or change of direct deposit of dividends, and forms for requesting procedures for inheritance of shares) at

0120-244-479 (toll-free number available only in Japan) 24 hours a day.

Concerning share handling procedures:

Shareholders are asked to contact the securities company where they have accounts.

Share Handling Procedures

Shareholders holding accounts with securities companies

[Procedures and contents of inquiries]

- Change in registered address, name
- Change in method to receive dividends or remittance account
- Requests for purchase or sale of shares less than one unit and similar matters

=> The securities company where the account is opened

- Shipment / return of mail items
- Dividends after the payment period has passed
- Problems including non-receipt of documents and loss of dividend warrants and similar matters

=> Mitsubishi UFJ Trust and Banking Corporation

Shareholders using special accounts

[All procedures and inquiries]

- Change in registered address, name
- Change in method to receive dividends or remittance account
- Requests for purchase or sale of shares less than one unit
- Shipment / return of mail items
- Dividends after the payment period has passed
- Other general inquiries on business concerning shares and similar matters

=> Inquiries

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

0120-232-711 (toll-free number available only in Japan; 9 a.m. to 5 p.m. on weekdays)

Requests for procedure forms

- Requests by interactive voice response telephone service

0120-244-479 (toll-free number available only in Japan; 24 hours)

Japan Tobacco Inc.

JT Building

2-1, Toranomom 2-chome, Minato-ku, Tokyo 105-8422, Japan

Tel.: +81-3-3582-3111

URL: <http://www.jti.co.jp/>

This Report was printed using vegetable oil inks along with FSC approved paper to protect our forests.