

[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> Consolidated Financial Results for the First Six Months of the Fiscal Year Ending December 31, 2014

<Logo> JT NEWS

<Logo> JT Group Products

<Logo> CLOSE UP! (JT Group Companies / Business Divisions)

<Logo> JT Topics

<Logo> A lesson from the past at the end of a journey

<Photo>

JT Group company

Japan Beverage Holdings Inc.

<Photo>

JT NEWS

“JT Forum” is currently underway around Japan

<Photo>

A lesson from the past at the end of a journey

Kanazawa City Tamagawa Library, Ishikawa Prefecture

Volume 47

TOP MESSAGE

International tobacco business continues to drive profit growth

First six months of the fiscal year ending December 31, 2014

(April 1, 2014 to September 30, 2014 in Japan; January 1, 2014 to June 30, 2014 overseas)

JT achieved firm results this fiscal term with respect to revenue and adjusted operating profit, due to unit price increases in our international tobacco business and a favorable impact from foreign exchange rates. Shipment volume of the international tobacco business (January to June) decreased 5.6% year on year, mainly due to industry contraction in Russia and Europe. However, core revenue and adjusted operating profit grew by 7.6% and 10.4%, respectively, due to unit price increases and a favorable impact from foreign exchange rates.

With respect to business results for January to September, the rate of shipment volume decrease slowed largely due to strong performance from the Camel brand in Turkey, along with Benson & Hedges and Winston in Spain.

We now continue to pursue quality top-line growth centered on favorable pricing, while also persisting with efforts to streamline costs.

In the domestic tobacco business, core revenue and adjusted operating profit decreased by 7.0% and 7.4%, respectively, as a result of a temporary drop in sales volume stemming from the adverse impact of recoiling demand following the consumption tax hike. Nevertheless, our market share has been steadily recovering ever since the sales tax increase, due to our efforts geared toward further strengthening brand equity.

We will continue to target share growth by investing in the Mevius brand and products with high unit prices.

Despite a persistently severe business environment, we will continue to enhance our ability to adapt to changes while working to achieve sustainable profit growth.

Mitsuomi Koizumi, President, Chief Executive Officer and Representative Director

<Photo>

Fiscal Year Ending December 31, 2014 (FY2014)

Results for the six months ended September 30, 2014

(Billions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Year-on-year change
Revenue	1,159.1	1,174.4	+1.3%
Adjusted operating profit*1	318.9	328.3	+3.0%
Operating profit	347.4	307.1	-11.6%
Profit for the period*2	237.1	219.3	-7.5%
Adjusted operating profit at constant rates of exchange*3	318.9	330.8	+3.7%

1. Adjusted operating profit = operating profit + amortization cost of acquired intangibles ± 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

*3. Six months ended September 30, 2013: Actual; Six months ended September 30, 2014: regarding international tobacco business, the same foreign exchange rates between local currency vs USD and JPY vs USD as the first six months of FY2013

(Yen)

	FY 2012	FY 2013	FY 2014 (forecast)
Dividend			
Annual dividend per share	68	96	100
Interim dividend	30	46	50
Year-end dividend	38	50	50
Consolidated dividend payout ratio	37.6%	40.8%	48.5%

International Tobacco Business

Solid performance due to favorable pricing

Shipment volume decreased by 5.6% due mainly to the impact of a decline in total demand in areas such as Russia and Europe. However, dollar-based core revenue and adjusted operating profit grew by 0.6% and 3.3%, respectively, due to the effect of foreign currency movement and favorable pricing. Yen-based core revenue and adjusted operating profit increased by 7.6% and 10.4%, respectively, as a result of the effects of a weaker yen when making conversions to that currency.

(Millions of dollar)

	Six months ended June 30, 2013	Six months ended June 30, 2014	Year-on-year change
Core revenue	5,840	5,876	+0.6%
Adjusted operating profit	2,079	2,147	+3.3%
Yen-based adjusted operating profit	¥199.2 billion	¥219.9 billion	+10.4%

* Results for the international tobacco business are for the period from January 1 to June 30, 2014.

Shipment volume

(Billions of cigarettes)

	Six months ended June 30, 2013	Six months ended June 30, 2014	Year-on-year change
JTI shipment volume	202.0	190.6	-5.6%
GFB ^{*1} shipment volume	128.1	123.0	-4.0%

Market share

	June 2013	June 2014	Year-on-year change
Italy	21.6%	20.9%	-0.7%pt
France	19.3%	20.4%	+1.1%pt
Spain	20.4%	21.3%	+0.9%pt
U.K.	40.2%	41.0%	+0.9%pt
Russia	36.2%	35.7%	-0.5%pt
(GFB share)	22.4%	23.5%	+1.1%pt
Turkey	26.4%	26.9%	+0.5%pt
Taiwan	39.4%	38.7%	-0.8%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 IRI, Nielsen and Logista.

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

Domestic Tobacco Business

Steady recovery in market share through brand equity enhancement

Sales volume for the six months ended September 30, 2014 decreased by 10.2% year on year due to the backlash in demand following the pre-consumption tax hike surge in spending. Amid an increasingly severe competitive environment, JT's market share has been gradually recovering since the sales tax hike, standing at 59.9% for the six months ended September 30, 2014, due to brand equity enhancement including further measures to retain customers.

(Billions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Year-on-year change
Revenue	352.3	329.7	-6.4%
Core revenue	335.8	312.4	-7.0%
Adjusted operating profit	131.2	121.5	-7.4%
Operating profit	132.2	110.4	-16.5%

Sales volume

(Billions of cigarettes)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Year-on-year change
Total sales volume	59.6	53.5	-10.2%

JT market share

(%)

	Jan. 2014	Feb. 2014	Mar. 2014	Apr. 2014	May 2014	Jun. 2014	Jul. 2014	Aug. 2014	Sep. 2014
JT market share	60.7	61.5	62.2	59.1	59.7	60.0	60.4	59.8	60.0

Pharmaceutical Business

Launch of sublingual immunotherapy drug for Japanese cedar pollinosis in Japan

In September 2014, U.S. authorities granted marketing approval for the out-licensed anti-HIV drug “Vitekta” (JTK-303). Also, CEDARTOLEN® SUBLINGUAL DROP - Japanese Cedar Pollen, a sublingual immunotherapy drug for Japanese cedar pollinosis, was put on sale in Japan in October. Revenue for the six months ended September 30, 2014 decreased by ¥2.0 billion year on year to ¥28.4 billion, mainly due to milestone revenue related to progress in development of licensed compounds in the same period of the previous fiscal year. Adjusted operating loss was ¥6.4 billion, a deterioration of ¥1.0 billion due to a decline in revenue.

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

<In-house development>

Code (generic name)	Potential indication/ dosage form	Phase	Note
JTK-303 (elvitegravir)/ cobicistat/ emtricitabine/ tenofovir alafenamide	HIV infection/Oral	Global Study* Phase 3 (Japan)	New Single Tablet Regimen JTK-303 (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, Topical	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	Preparing to file (Japan)	In-license (ALK-Abelló) Co-development with Torii
JTT-251	Type 2 diabetes mellitus/Oral	Phase 1 (Overseas)	In-house
JTT-252	Type 2 diabetes mellitus/Oral	Phase 1 (Overseas)	In-house
JTK-351	HIV infection/Oral	Phase 1 (Japan)	In-house

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>New Single Tablet Regimen</u> (elvitegravir/cobicistat/emtricitabine/tenofovir alafenamide): Phase 3
trametinib	GlaxoSmithKline	<u>Metastatic melanoma, trametinib+dabrafenib</u> : Phase 3
Anti-ICOS monoclonal antibody	MedImmune	

Updates since the previous announcement on July 30, 2014:

<Licensed compounds>

- Gilead Sciences has obtained approval with respect to elvitegravir standalone agent (announced by the U.S. FDA on September 24, 2014)

Beverage Business

Active and ongoing introduction of new products

Processed Food Business

Strong performance with frozen udon noodles and other staple food products

In the beverage business, we took an active approach to launching new products centered on our flagship Roots brand and the Momono Tennen Sui series. However, revenue for the six months ended September 30, 2014 decreased by ¥3.5 billion to ¥93.7 billion due to the effect of unseasonable weather patterns over the summer months. Adjusted operating profit improved ¥0.6 billion due to efficient execution of expenditure.

In the processed food business, revenue increased ¥1.2 billion year on year to ¥77.0 billion, amid strong results with staple food products due to initiatives involving sales promotions such as one marking the 40th anniversary of the launch of our frozen udon noodles. Adjusted operating profit was about level with the same period of the previous fiscal year, due mainly to a rise in cost prices in line with the yen's depreciation offsetting the impact of the increase in revenue.

Beverage business

(Billions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Year-on-year change
Revenue	97.2	93.7	-3.5
Adjusted operating profit	-0.7	-0.1	+0.6

Processed food business

(Billions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Year-on-year change
Revenue	75.8	77.0	+1.2
Adjusted operating profit	-0.4	-0.3	+0.1

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;
- (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 statement of financial position

(Millions of yen)

	As of March 31, 2014	As of September 30, 2014	Increase (Decrease)
Assets			
Current assets	1,489,713	1,395,941	(93,772) *1
Non-current assets	3,127,053	2,971,243	(155,810)
Property, plant and equipment	779,987	764,575	(15,412)
Goodwill	1,584,432	1,520,064	(64,367) *2
Intangible assets	385,101	362,716	(22,385)
Investment property	61,421	17,973	(43,448)
Retirement benefit assets	16,530	9,502	(7,028)
Investments accounted for using the equity method	106,107	102,359	(3,747)
Other financial assets	92,596	96,232	3,636
Deferred tax assets	100,880	97,821	(3,059)
Total assets	4,616,766	4,367,184	(249,582)
Liabilities and equity			
Liabilities			
Current liabilities	1,255,834	1,081,432	(174,402)
Non-current liabilities	764,842	716,533	(48,309)
Total liabilities	2,020,675	1,797,965	(222,710)
Equity			
Equity attributable to owners of the parent company	2,505,610	2,482,349	(23,261)
Share capital	100,000	100,000	–
Capital surplus	736,400	736,400	0
Treasury shares	(344,463)	(344,449)	14
Other components of equity	251,107	142,173	(108,934) *3
Retained earnings	1,762,566	1,848,225	85,658
Non-controlling interests	90,481	86,870	(3,611)
Total equity	2,596,091	2,569,219	(26,872)
Total liabilities and equity	4,616,766	4,367,184	(249,582)

Note: Yen amounts are rounded to the nearest million.

*1. Current assets: Trade and other receivables decreased due mainly to a decrease in cash and cash equivalents in addition to a sales volume decline resulting from backlash against temporarily heightened demand.

*2. Goodwill: Decreased due to the effect of foreign currency movement.

*3. Other components of equity: Decreased due to the effect of foreign currency movement.

Consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)
Revenue	1,159,116	1,174,450	15,333 *4
Cost of sales	(470,797)	(473,936)	(3,139)
Gross profit	688,319	700,514	12,195
Other operating income	47,244	10,387	(36,858)
Share of profit in investments accounted for using the equity method	455	3,518	3,063
Selling, general and administrative expenses	(388,656)	(407,353)	(18,697)
Operating profit	347,363	307,065	(40,298) *5
Financial income	2,703	5,956	3,253
Financial costs	(10,991)	(10,069)	922
Profit before income taxes	339,075	302,952	(36,123)
Income taxes	(98,018)	(79,803)	18,215
Profit for the period	241,057	223,149	(17,908)
Attributable to:			
Owners of the parent company	237,147	219,340	(17,807)
Non-controlling interests	3,910	3,809	(101)
Profit for the period	241,057	223,149	(17,908)

Note: Yen amounts are rounded to the nearest million.

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

*5. Operating profit: Decreased mainly due to a decrease in gain on sales of non-current assets and the partial recording of costs related to measures to strengthen competitiveness in the domestic tobacco business.

Consolidated statement of comprehensive income

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)
Profit for the period	241,057	223,149	(17,908)
Other comprehensive income	170,235	(131,265)	(301,500)
Comprehensive income for the period	411,292	91,884	(319,408)
Attributable to:			
Owners of the parent company	407,634	87,992	(319,642)
Non-controlling interests	3,659	3,893	234
Comprehensive income for the period	411,292	91,884	(319,408)

Note: Yen amounts are rounded to the nearest million.

Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2013	Six months ended September 30, 2014	Increase (Decrease)
Cash flows from operating activities	23,211	204,376	181,165
Cash flows from investing activities	7,839	(55,198)	(63,037) *6
Cash flows from financing activities	(40,330)	(219,075)	(178,745) *7
Net increase (decrease) in cash and cash equivalents	(9,280)	(69,897)	(60,617)
Cash and cash equivalents at the beginning of the period	142,713	253,219	110,506
Effect of exchange rate changes on cash and cash equivalents	6,855	(11,378)	(18,234)
Cash and cash equivalents at the end of the period	140,288	171,943	31,655

Note: Yen amounts are rounded to the nearest million.

- *6. Cash flows from investing activities: Decreased due to a decrease in proceeds from sale of investment property.
- *7. Cash flows from financing activities: Decreased mainly due to redemption of bonds and an increase in dividends paid.

JT NEWS

Notice regarding change of fiscal year (last day of the business year)

Beginning with the fiscal year ending December 31, 2014, the JT Group is changing the end-date of its fiscal year to December 31, from March 31 currently.

The JT Group has been growing steadily as a global company with operations now in over 120 countries and regions worldwide. Accordingly, we are bringing our accounting periods in line with those of our foreign subsidiaries with the aims of strengthening and enhancing the efficiency of the financial reporting process and management systems across the Group, delivering business information in a more timely and accurate manner, and further increasing managerial transparency.

The 30th Business Term is a transitional year due to this change of the fiscal year-end date, and as such will cover the nine months from April 1, 2014 to December 31, 2014. The Company and all of its consolidated subsidiaries are slated to operate under a 12-month fiscal year running from January 1 to December 31, beginning with the year 2015.

■ Accounting periods in FY2014

- Domestic businesses: April to December 2014 (9 months)
- International businesses: January to December 2014 (12 months)

		Accounting period unification								
		FY2013			FY2014			FY2015		
		Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Mar.	Apr.-Jun.	Jul.-Sep.	Oct.-Dec.	Jan.-Dec.
Domestic businesses			FY2013			FY2014			FY2015	
International businesses			FY2013			FY2014			FY2015	

The 30th Ordinary General Meeting of Shareholders (planned)

In line with the fiscal year-end change, the 30th Ordinary General Meeting of Shareholders is scheduled to be held at the time and place shown below. After a formal decision has been made by the Board of Directors, we will provide further notification in this regard to shareholders registered or recorded on the shareholder registry as of December 31, 2014.

Date and time of the Meeting: Friday, March 20, 2015 at 10:00 a.m.
 Place of the Meeting: The Prince Park Tower Tokyo
 (8-1, Shibakoen 4-chome, Minato-ku, Tokyo)*

* The venue for the upcoming shareholders' meeting has changed from that of the previous meeting — the 29th Ordinary General Meeting of Shareholders — which was held at the Tokyo Prince Hotel. Please make note of the change in venue.

Special sponsorship of the “RockCorps supported by JT” volunteer event and concert to promote Tohoku reconstruction

JT acted as a special sponsor of the “RockCorps supported by JT” event, which represents one JT initiative geared toward providing support for rebuilding areas damaged by the Great East Japan Earthquake.

RockCorps volunteer projects offer enjoyable and informal ways for people to become involved in ways that benefit their communities, through simple arrangements where those who complete at least four hours of volunteer work get to attend concerts of performing artists. Over 140 thousand people from nine countries worldwide have taken part in the RockCorps program since its inception in the U.S. back in 2003. Operated under the theme of Tohoku reconstruction, this was the first RockCorps volunteer project held in Asia. Over a time span of roughly five-months, it attracted 4,478 participants who were enlisted to perform tasks that included agricultural support and environmental restoration work geared toward helping to rebuild areas stricken by the disaster.

To mark the project's conclusion, JT hosted a concert dubbed “Celebration” on September 6 at the Azuma General Gymnasium located in the city of Fukushima in Fukushima Prefecture. The concert featured four popular performing artists and groups, including NE-YO, KOBUKURO, May J., and flumpool, whose live appearances provided encouragement to people of the Tohoku region and project volunteers.

JT hopes that this event will in some measure contribute toward invigorating and rebuilding the Tohoku region, while also acting as a catalyst for enabling even more people to keep a protective watch on the individuals living in the disaster-affected areas and widening the support network for the region.

<Photo>

<Photo>

On-site photo exhibition and explanatory panels highlighting volunteer activities

<Photo>

Live concert venue filled with an air of excitement

“JT Forum” is currently underway around Japan

“JT Forum” is a culture event that is sponsored by local newspaper companies. The principle behind holding the event for the local newspaper companies, which JT agrees with, is to grow the seeds of worthwhile cultures in various regions and contribute to the cultures of those regions.

This year also, at various venues around Japan, famous figures working in a variety of fields are invited to lecture at the JT Forum, providing audiences with an array of precious stories and insights that they wouldn't have the chance to hear anywhere else. For details of events planned for the future and the latest information on the JT Forum, please refer to the following website link:

<http://www.jti.co.jp/knowledge/forum/>

JT Group Products

Introducing New Tobacco Products

Taking the lead in establishing Peace as a prestige brand

Unveiling Peace Aroma Royal and Peace Aroma Crown

Price: ¥500 each (containing 20 cigarettes)

<Photo>

Peace Aroma Royal 100's Box

Tar: 10mg / Nicotine: 1.0mg

<Photo>

Peace Aroma Crown 100's Box

Tar: 6mg / Nicotine: 0.6mg

JT has launched two new products in the Peace lineup nationwide: Peace Aroma Royal 100's Box (10 mg) cigarettes and Peace Aroma Crown 100's Box (6 mg) cigarettes, crafted from a lavish blend of select Virginia tobacco leaves for an even richer aroma that the Peace brand is known for.

Both products feature a blend of Virginia tobacco leaves specially selected for their rich flavor and aroma, while also using flavored ingredients which are carefully chosen to complement the unique aroma of the Virginia tobacco leaves. Moreover, to take full advantage of the fine ingredients, the products are made using a "new trimming process" which involves flash heating of the fine cut tobacco to yield an even richer aroma while eliminating roughness.

The new products provide customers with a solid smoke sensation, rich flavor, luxurious and sophisticated aroma that are more worthy of the Peace brand name.

Comments from person in charge

We have developed these products with the aim of establishing Peace as a prestige brand in the tobacco market, underpinned by the favorable reputation of JT's top-of-the-line product, The Peace, and the high degree of customer loyalty enjoyed by the Peace brand.

We felt the need to create goods for the tobacco market that are tailored to customers who seek a small measure of luxury, which is a product strategy that has also been attracting attention in other industries.

These products reflect that premise along with our firm commitment to delivering quality that is one rank above the rest in terms of both substance and appearance.

We will continue to provide new value and customer satisfaction to meet a wide range of customer needs.

Yosuke Hasaki, Marketing Strategy Division, Marketing & Sales Group, 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 customers or to encourage them to smoke.

Our course-cut production method delivers a roasted aroma like never before, while our extra-fine-cut production method yields a prominent smoothness.

Cabin Gold Wild 8 Box and Caster Gold Silk 6 Box Now on Sale

Price: ¥440 each (containing 20 cigarettes)

<Photo>

Cabin Gold Wild 8 Box

Tar: 8mg / Nicotine: 0.7mg

Released in early December!

<Photo>

Caster Gold Silk 6 Box

Tar: 6mg / Nicotine: 0.6mg

Released in early December!

In early December, under the Gold Series label JT will release two new products, Cabin Gold Wild 8 Box cigarettes and Caster Gold Silk 6 Box cigarettes made using new production methods that result in products that further enhanced the distinctive taste of the Cabin and Caster brands.

Cabin Gold Wild is produced using our course-cut method and processed at high temperature which gives it a roasted aroma combined with the deep full-bodied taste of leaf tobacco.

Caster Gold Silk offers a resounding smoothness and prominent aroma, and is produced using our extra-fine-cut method for a silky, delicate smoke.

The products come in sophisticated packaging done in a unified design featuring the color scheme of each respective brand. Painstaking attention has been given to details even as far as the paper used for the filter tips, with a color gradation theme for Cabin and a pearl-tip design for Caster.

The outstanding flavor of the products, best of all, brings back the pleasure of selecting a cigarette based on taste.

Comments from person in charge

We are releasing a single product series, the Gold Series, which combines the two different Cabin and Caster brands.

Each of the products is made using one of our distinctive production processes, our course-cut method or extra-fine-cut method, both of which yield flavor sensations that amplify characteristics of the respective

brands in terms of the roasted aroma of the Cabin brand and the mildness of the Caster brand.
We will continue to provide new value and customer satisfaction to meet a wide range of customer needs.

Kazuya Utagawa (left), Tatsuya Ishihara (right), Marketing Strategy Division, Marketing & Sales Group,
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 customers or to encourage them to smoke.

JT Group Products

Introducing New Beverage Products

<Photo>

Released

- > Introducing apple flavor, autumn/winter season fruit, as part of our real fruit sensation series of drinks
- > The crisp texture of apple flesh

Chopped Apple providing sensation of real fruit

375g aluminum bottle/¥150 (tax not included)

Comments from person in charge

This product offers the lusciousness of apples freshly in season, and is produced using our patented “fruit sensation” manufacturing process. Enjoy the crisp texture sensation of biting into an apple combined with a honey-like apple sweetness infused with the right amount of tartness. Pour yourself a glass of this apple drink.

Kentaro Okada, Brand Planning Department, Beverage Business Division, Japan Tobacco Inc.

<Photo>

<Photo>

Recommended

- > Based on the taste of authentic Italian espresso
- > Rich aroma and full-bodied taste as a result of painstaking attention to coffee blending, roasting, and grinding, as well as to production equipment and people

Roots “Aroma Espresso”

165g tumbler shot can/¥115 (tax not included)

<Photo>

Recommended

- > Made using our new “*saikobaisen*” (redolence-enhancement roasting) process for the richest aroma in the history of Roots
- > Featuring the full-bodied flavor of milk and coffee

Roots “Aroma Demitasse”

165g tumbler shot can/¥115 (tax not included)

Introducing New Food Products

Released

<Photo>

- > Crunchy outer coating surrounding a non-soggy inner filing for a delicious sweet flavor
- > Pairs well with rice, and even with bread for croquette sandwiches

Crunchy and Delicious Beef Croquette

Pack of 6/162g

Comments from person in charge

This croquette is made with floury *danshaku* potatoes from Hokkaido, and features the mouthful savoriness of beef and subtle sweetness. We have replicated the freshly-fried crunchy texture of the outer coating using our proprietary TableMark technology. This is a versatile food with uses such as a side-dish in a lunchbox or in bread as a croquette sandwich.

Tomoko Uozumi, Product Development Division, TableMark Co., Ltd.

<Photo>

Released

<Photo>

- > 8 ingredients mainly including firmly-textured root vegetables in a rich *miso* broth
- > Featuring *udon* noodles that contain whole-grain wheat

Using 1/3 of Recommended Daily Serving of Vegetables

8 Ingredient *Udon* Noodles Hot-Pot

1 serving/389g

Renewal

<Photo>

- > Completely new package design for the Cantonese Thick and Savory noodle product line
- > Non-fried noodles with the elasticity of fresh noodles

Cantonese Ramen

CLOSE UP!

Introducing JT Group companies and business divisions to our shareholders.

Japan Beverage Holdings Inc.

The leading vending machine specialty operator

The Japan Beverage Group ("JB Group") is a vending machine specialty operator that manages approximately 260 thousand vending machines and other devices nationwide. Ever since the company's founding in 1958, JB has been engaging in business based on its philosophy of providing people with affluence through attractive products and superior services, and creating scenes filled with joy.

Junichi Sakamoto, President, Japan Beverage Holdings Inc.

<Photo>

Japan Beverage Holdings Inc.

Location of head office

STEC Joho Building, 24-1, Nishi Shinjuku 1-chome, Shinjuku-ku, Tokyo

Representative

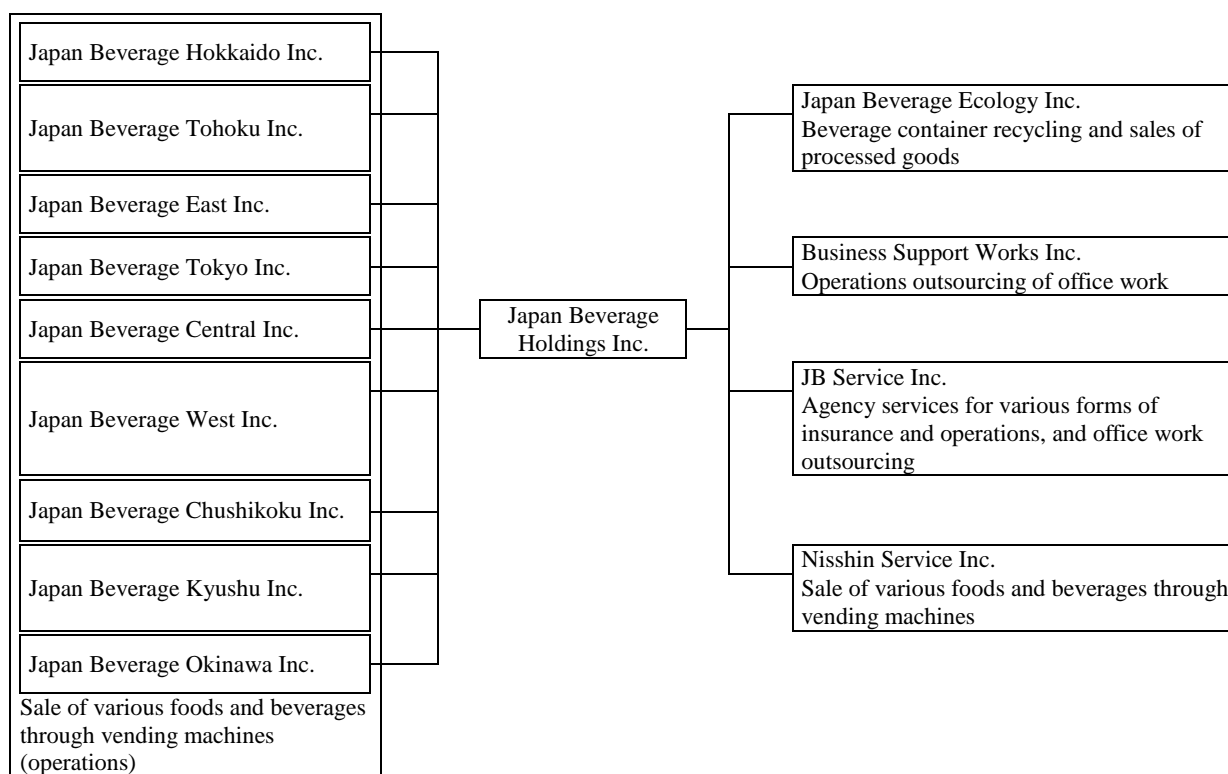
Junichi Sakamoto, President

<Logo>

Paid-in capital ¥500 million

Established July 1958

* Japan Beverage Holdings was established in July 2010, in line with organizational restructuring



The JB Group draws on 5,400 employees in 119 business locations of the 13 group companies of the holding company in its efforts day in and day out across Japan geared toward heightening customer satisfaction. JB's business segments include: the packaging segment which handles business involving can and PET bottle vending machines, brick pack carton vending machines, and food product vending machines; the cup segment which handles paper cup beverage dispensers for vending coffee and other drinks; the retail segment which handles coffee makers and tea dispensers; and the kiosk segment which handles business involving units for use in corporations and schools.

Total customer-oriented support from vending machine installation to maintenance

The beverage vending machine industry is divided mainly along the lines of manufacturing conglomerates and specialist operators such as JB Group. The strength of the JB specialist operator

model lies in the company's ability to provide customers with wide-ranging products, armed with its Combi-ki[®] combined vending machines which are designed to hold a combination of popular products from various manufacturers in a single unit.

JB's packaging segment evaluates flavors and package designs of hundreds of items, based on historical data, prevailing trends, seasonal preferences, television commercials and advertisements, and brand penetration. Based on that information, the segment then determines which products generate sales, decides on product volumes, and swiftly gets those products to locations across Japan.

Moreover, JB offers the ultimate in flavor through its detail-driven operations and support also both through the cup segment which deals with authentic regular coffees and an abundance of other products, and through the retail segment which installs tea dispensers and coffee machines in offices and other such locations.

* The Combi-ki[®] is a combined vending machine designed for sales of popular products from JT and multiple other manufacturers in a single unit.

<Photo>

Tea dispensers for placement in offices and other such locations, handled by the retail segment which is expected to achieve growth going forward.

"Green Operations" to enrich lives of humans and help the environment

As a vending machine operator, JB deems that initiatives for recycling cans and PET bottles and hastening development of the recycling industry are important elements in the company's social responsibility mandate.

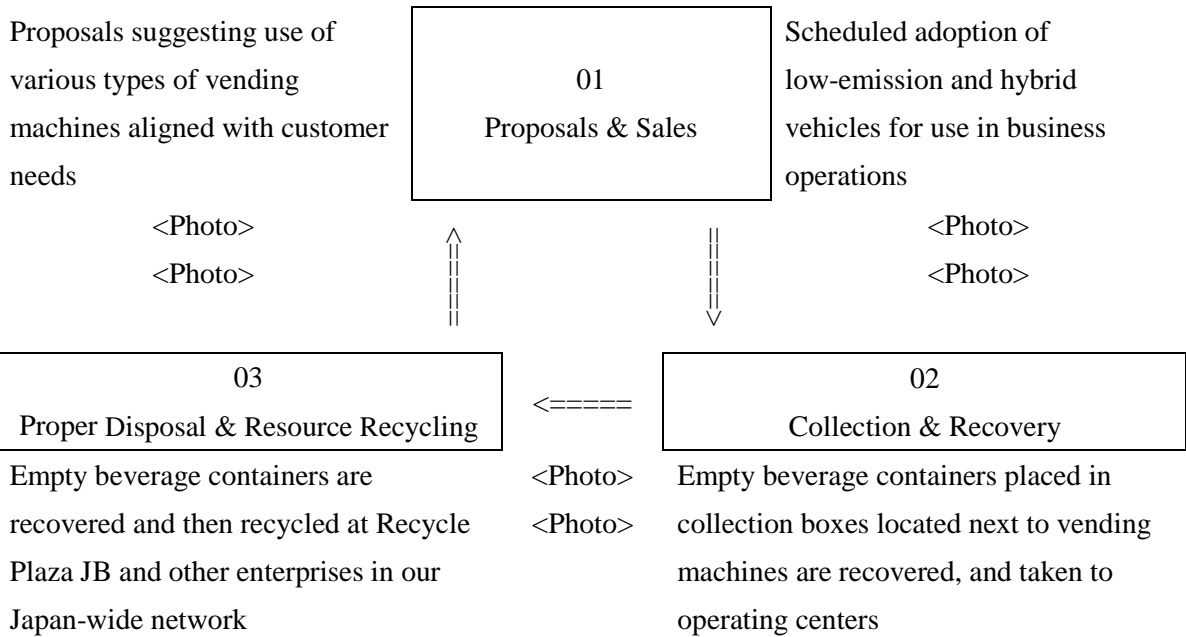
The JB Group became the industry's first entity to embark on recycling of empty drink containers in 2003 when it established the Recycle Plaza JB recycling facility. As of this year, that plant has been in operation for 11 years.

In addition, the JB Group is now promoting comprehensive initiatives based on the fundamental theme of "Green Operations." Such initiatives include actively introducing energy-efficient vending machines, switching to use of low-emission delivery route vehicles, planting greenery on roofs of business offices, supporting environmental studies geared toward children who will be tasked with the challenges of the next generation, and pursuing activities to support local environmental conservation efforts.

In recognition for such initiatives, JB was awarded the Agriculture, Forestry and Fisheries Minister's Award in 2011, the Environment Minister's Award in 2012, and the Saitama Environmental Award in 2013.

JB Group's "Green Operations"

Total coordination of solution proposals, sales, recovery, proper disposal, resource recycling



Factual snippet about Japan Beverage

<Photo>

At Recycle Plaza JB, a wide range of people from children to adults take tours of the facility, thereby enabling them a first-hand view of an actual site where cans, glass bottles and PET bottles are recycled.

For inquiries regarding tours of Recycle Plaza JB:

Website: <http://www.jbinc.co.jp/ecology/plaza/> (Japanese only)

Tel.: +81-48-652-6671

JT Topics

<Photo>

<Photo>

The 2014/2015 Volleyball Season Kick Off!

The JT Thunders men's team and the JT Marvelous women's team are aiming for the top

<Photo>

<Photo>

JT Thunders

Last season, the JT Thunders men's volleyball team advanced to the playoffs of the V Premier League, Japan's top-level volleyball league, but unfortunately was just shy of the win after a fierce full-set match. This season their goal is to achieve nothing short of victory. November 16 (Sunday) marks the start of their struggle to capture a long-sought championship for their first time ever.

With Veselin Vukovic coaching the players for the second season, the team has upped its potential on various fronts, such as with the appointment of Japanese national team player Yu Koshikawa as its captain and the addition of current Brazilian national team player Leandro Vissotto. The team is ready to pull together to take on the challenge of capturing Japanese volleyball's top spot.

Please check out the official JT Thunders homepage for the latest fixtures, profiles of players and staff, and more!

<Photo>

JT Marvelous

Last season, the JT Marvelous women's volleyball team was saddled with many players on the disabled list, thereby contributing to their disappointing loss after battling in the V Challenge Match (league promotion and relegation match) without the team's full lineup of players. From this season, the team takes part in the V. Challenge League, with November 15 (Saturday) marking the season during which they have vowed to return to the V. Premium League in one year.

The team has achieved renewed strategic potential with the addition of ace player for the Thai national team Onuma Sittirak, combined with the inflow of experienced players and competition-ready rookie players. At an average age of 23.5, the youthful team will keep striving toward its goal, accordingly honing its skills and building its endurance while emphasizing a psychologically aggressive approach geared toward enabling them to snatch that extra point right when it is most needed.

Please check out the official JT Marvelous homepage for the latest fixtures, profiles of players and staff, and more!

The Lure of Tobacco Smoke

A lesson from the past at the end of a journey

Kanazawa City Tamagawa Library [Ishikawa]

<Photo>

Red-brick factory a beloved town symbol among area residents has new lease on life as a library

The year 1904 saw tobacco production factories built in various parts of Japan, at a time when tobacco production and sales were handled by the Ministry of Finance's Monopoly Bureau. Most of those facilities were constructed of red bricks, based on concepts of architect Yorinaka Tsumaki who is responsible for the design of Tokyo's Nihonbashi Bridge and structures such as the Yokohama Red Brick Warehouse.

The Tamagawacho district of Kanazawa City in Ishikawa Prefecture also used to be home to a red brick tobacco factory that was constructed in 1913. Although the building had been a symbol of the town, it was torn down in 1972. However, the structure, part of which was preserved, has since been renovated and now serves as the Tamagawa Library.

JT's Kanazawa Sales Office adjacent to the Tamagawa Library was relocated in 2008, and the building that housed the branch office was then put to a different use as the Tamagawa Children's Library. At that time, upon request of community members, part of the clock tower of the red brick factory was once again returned to the grounds of the Tamagawa Library, after having been previously relocated to the JT Kanazawa Plant (closed in 2009) site adjacent to JR West Kanazawa Station.

The remaining portion of the red brick building is now nationally registered under the Heritage of Industrial Modernization of Japan designation as a tangible cultural property, while the clock tower remains unchanged, marking the passage of time.

<Photo>

Portion of majestic red-brick factory now serving as the Archives of Modern History Records

<Photo>

The clock tower and the Tamagawa Children's Library (formerly Japan Tobacco and Salt Public Corporation and also JT Kanazawa Sales Office building)

<Photo>

Photo of the red brick factory taken in the Taisho Era spanning 1912-1926 (remnants of the building include the front-left portion and the clock tower at the top center of the structure) Photo courtesy of the Tobacco & Salt Museum

<Photo>

JR Kanazawa Station

Kanazawa City in Ishikawa Prefecture is home to the historic Maeda family of the Kaga Domain. During Japan's Edo Period (1603–1868) before the tobacco factory was built, a mansion belonging to Tsurayori Cho the principal retainer of the Kaga Domain stood at the present-day site of the Tamagawa Library. Today, the library is situated in a prime location surrounded by Kanazawa Castle, Kenrokuen Garden and other such sites only a 10-minute walk from the building. Also, the red brick factory structure of the Tamagawa Library has become a tourist destination that attracts countless visitors from within Ishikawa Prefecture and beyond. On March 14, 2015, the Hokuriku Shinkansen began service to Kanazawa City, thereby heightening activity in the area. A tour of the stately red brick building is certainly worthwhile if you happen to be strolling around downtown Kanazawa.

■ Kanazawa City Tamagawa Library

Location

2-20, Tamagawa-cho, Kanazawa-shi, Ishikawa 920-0863

Inquiries: +81-76-221-1960

Opening hours: 10:00 a.m. to 7 p.m. (Tuesdays to Fridays); 10:00 a.m. to 5:00 p.m. (Saturdays, Sundays and public holidays)

Closed: Mondays, special period for rearrangement (three days from the first Monday of June, and also from the last Monday of November until the Friday of the following week), the New Year holidays (December 29 to January 4)

<http://www.lib.kanazawa.ishikawa.jp/tama1.htm>

<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 September 30, 2014)

Composition of shareholders (excluding shares held as treasury shares)

The Minister of Finance: 36.69%

Financial institutions: 17.58%

Individuals and others: 4.32%

Securities companies: 2.02%

Other institutions: 0.79%

Foreign institutions and others: 38.59%

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

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

(Number of treasury shares: 182,444,388 shares)

Number of shareholders: 125,094

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 the same deposit account held at a bank		
	Designated financial institution account X	Dividends	JT
		←===	
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	Yasutake Tango
President, Chief Executive Officer and Representative Director	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	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	Mitsuomi Koizumi
Executive Deputy President, Compliance, Strategy, HR, General Administration, Legal and Operation Review & Business Assurance	Yasushi Shingai
Executive Deputy President, Pharmaceutical, Beverage and Processed Food Businesses	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 Chijiiwa
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	Shigenori Ohkawa
Senior Vice President, Head of Beverage Business	Goichi Matsuda
Senior Vice President, CSR	Ryoko Nagata
Senior Vice President, Chief Human Resources Officer	Chito Sasaki
Senior Vice President, Chief Financial Officer	Naohiro Minami
Senior Vice President, Chief Communications Officer	Yuki Maeda
Senior Vice President, Chief General Affairs Officer	Haruhiko Yamada
Senior Vice President, Chief Legal Officer	Kiyohide Hirowatari
Senior Vice President, Business Development and Corporate Strategy	Takehiko Tsutsui

Trends in Share Price

Share prices of JT, from IPO on October 27, 1994 to October 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 stock split of 5-for-1 on April 1, 2006, and a stock split of 200-for-1 on July 1, 2012, stock prices reflect post-split levels.

Memo for Shareholders

Closing date: December 31 of each year

Ordinary General Meeting of Shareholders: March of each year

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

Record date for interim dividend: June 30 of each year

Share trading 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.