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FOR IMMEDIATE RELEASE

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JT Group Acquires Russia's Donskoy Tabak
Company strengthens its number one position in Russia

Japan Tobacco Inc. (JT) (TSE: 2914) announces today that the JT Group has agreed to acquire Donskoy Tabak (DT) companies, reinforcing its No. 1 position in Russia, the third largest tobacco market in the world.

The purchase price for the transaction is estimated at around RUB 90 billion (USD 1.6 billion).

“This acquisition demonstrates our commitment to reinforce our number one position in Russia. For a number of years now this market has been a cornerstone of our Group’s earnings growth. This transaction will increase our market share to approximately 40% and contribute to the Group’s profit immediately, with synergies expected in the following years,” said Mutsuo Iwai, President of the Global Tobacco Business.

DT is the fourth largest tobacco company in Russia with a market share of approximately 7% and has established brands such as Donskoy Tabak, Kiss and Play in the value segment, the largest and growing price segment in the country.

“Throughout 2017 we have restored our market share in Russia, driven by the success of our Global Flagship Brands, Winston and LD. With DT’s value brands complementing our existing product portfolio and its strong salesforce expanding our distribution network, we will strengthen our overall competitiveness in the country,” said Eddy Pirard, JTI’s President and CEO.

The transaction is expected to be completed by the beginning of the third quarter of the fiscal year 2018 following regulatory clearance.

1. Financial overview of newly acquired business

Estimated consolidated Financial results for the year ended 31 December, 2017	
Net sales	RUB 15,825 million (USD 278 million)
Operating profit	RUB 3,474 million (USD 61 million)
Net income	RUB 1,903 million (USD 33 million)

Note: The above figures are estimation of consolidated results of newly acquired companies including subsidiaries of JSC Donskoy Tabak.

2. Overview of newly acquired companies

Overview of JSC Donskoy Tabak

(1) Address	1-ay Lugovaya 17, Rostov-on-Don, 344002 Russia	
(2) Representative	Sergei A. Sapotnitsky, General Director	
(3) Business description	A company that manufactures and sells cigarettes	
(4) Paid in capital	RUB 49 million (USD 1 million)	
(5) Year of foundation	2012 (The original establishment was in 1857)	
(6) Major shareholder and holding ratio	An individual (100%)	
(7) Relationship with JT	Capital	None
	Personnel	None
	Business	None
(8) Financial results audited for the year ended 31 December, 2016		
Net assets	RUB 11,656 million (USD 205 million)	
Total assets	RUB 40,428 million (USD 711 million)	
Net assets per share	RUB 24,444 (USD 430)	
Net sales	RUB 24,334 million (USD 428 million)	
Operating profit	RUB 5,775 million (USD 102 million)	
Net income	RUB 3,919 million (USD 69 million)	
Net income per share	RUB 8,218 (USD 144)	
Dividend per share	RUB 2,412 (USD 42)	

Note : Financial results do not include JSC Donskoy Tabak's subsidiaries.

Overview of JSC Pereslavl-Tabak

(1) Address	Mendeleev Square 2, build. 150, Pereslavl-Zalessky, 152025 Russia
(2) Representative	Sergei A. Sapotnitsky, General Director
(3) Business description	A company that manufactures and sells cigarettes
(4) Paid in capital	RUB 0.32 million (USD 0.01 million)

(5) Year of foundation	2014	
(6) Major shareholder and holding ratio	An individual (100%)	
(7) Relationship with JT	Capital	None
	Personnel	None
	Business	None
(8) Financial results audited for the year ended 31 December, 2016		
Net assets	RUB 6 million (USD 0.1 million)	
Total assets	RUB 112 million (USD 2.0 million)	
Net assets per share	RUB 1,825 (USD 32)	
Net sales	RUB 18 million (USD 0.3 million)	
Operating profit	RUB 11 million (USD 0.2 million)	
Net income	RUB 4 million (USD 0.1 million)	
Net income per share	RUB 1,101 (USD 19)	
Dividend per share	-	

Overview of Syneteristiki Kapnoviomihania Ellados Sekap S.A. (SEKAP)

(1) Address	the Municipality of Xanthi at 6th km. National Road Xanthi - Kavala, Greece	
(2) Representative	Davidian Artur, Chairman of the Board	
(3) Business description	A company that manufactures and sells cigarettes	
(4) Paid in capital	EUR 36.2 million (USD 44.8 million)	
(5) Year of foundation	1975	
(6) Major shareholder and holding ratio	An individual (94.97%)	
(7) Relationship with JT	Capital	None
	Personnel	None
	Business	None
(8) Financial results audited for the year ended 31 December, 2016		
Net assets	EUR 35.1 million (USD 43.3 million)	
Total assets	EUR 57.3 million (USD 70.8 million)	
Net assets per share	EUR 2.90 (USD 3.59)	
Net sales	EUR 20.6 million (USD 25.5 million)	
Operating profit	EUR 0.1 million (USD 0.2 million)	
Net income	EUR 0.1 million (USD 0.1 million)	
Net income per share	EUR 0.01 (USD 0.01)	
Dividend per share	-	

3. Status of the number of shares and consideration for acquisition

(1) Number of shares held by JT Group (before acquisition)	None
(2) Number of shares to be acquired	100% of the outstanding shares of JSC Donskoy Tabak and JSC Pereslavl-Tabak as well as 94.97% of SEKAP
(3) Consideration for acquisition	The outstanding shares: RUB 90 billion (USD 1,582 million) Net debt (after deduction of cash and cash equivalent from interest-bearing debt): RUB 10 billion (USD 176 million) Total: RUB 100 billion (USD 1,758 million)
(4) Number of shares to be held by JT Group (after acquisition)	100% of the outstanding shares of JSC Donskoy Tabak and JSC Pereslavl-Tabak as well as 94.97% of SEKAP

Note: The total amount and breakdown of the acquisition costs would change at Closing due to the impact of currency exchange and Net debt adjustment.

4. Schedule

(1) Resolution of the Board of Directors ("BOD")	March 16th, 2018
(2) Agreement date	March 16th, 2018
(3) Transfer date(planned)	The beginning of the third quarter of the fiscal year 2018

5. Impact on Financial Performance

The transaction will be funded by the JT Group's existing cash and loan facilities, and will not have any material impact on the Group's consolidated performance for the fiscal year 2018.

6. Overview of the counterparty to this acquisition

(1) Name	Non-disclosure
(2) Address	Non-disclosure
(3) Relationship with JT	None

Note: The JT Group will acquire shares of JSC Donskoy Tabak, JSC Pereslavl-Tabak and SEKAP from an individual. Due to a confidentiality agreement, the name and address of the individual are not disclosed.

(Reference)

JT Group's Consolidated Financial Outlook for FY2018 (published on Feb 6, 2018) and Results for FY2017

Units: Billions of Yen except where otherwise stated

	Revenue	Operating Profit	Profit attributable to owners of the parent	Basic Earnings per share (Unit: Yen)
FY2018 Forecast	2,220.0	561.0	394.0	219.98
FY2017 Results	2,139.7	561.1	392.4	219.10

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Japan Tobacco Inc. is a leading international tobacco company with operations in more than 120 countries. With close to 60,000 employees, it manufactures and sells some of the world's best-known brands including Winston, Camel, MEVIUS, LD and Natural American Spirit. The JT Group is committed to investing in Reduced-Risk Products (RRP) and currently markets Ploom TECH, its tobacco vapor product, and various e-cigarette products under the Logic brand. The Group is also present in the pharmaceutical and processed food businesses. For more information, visit <https://www.jt.com/>.

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Outline of Russia*

- Population: Approximately 143.44 million (2016)
(Annualized growth rate of 0.0% between 2013 - 16)
- Real GDP Growth: Approximately -0.2% (2016)

* Source : IMF

Tobacco market in the Russia (2017)*

- Market size: Approximately 257.5 billion sticks (Duty Paid)
- Share of market: JTI 33.2%, PMI 27.1%, BAT 22.5%, DT 6.7%, Imperial 5.7%

* Source: Nielsen