Japan Tobacco Inc.
Annual Report 2013

Year ended March 31, 2013

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Financial Highlights

(Year ended March 31, 2013)

Adjusted EBITDA
(JPY BN)

622.1 +7.8%

Dividend Payout Ratio
(%)

37.6 +7.9ppt

Adjusted EPS
(JPY)

173.65 +13.8%

Unless the context indicates otherwise, references in this Annual Report to "we", "us", "our", "Japan Tobacco", "JT Group" or "JT" are to Japan Tobacco Inc. and its consolidated subsidiaries. References to "JT International" are to JT International Holding B.V., our consolidated subsidiary, and its consolidated subsidiaries. References to "TableMark" are to TableMark Co., Ltd. and its consolidated subsidiaries. References to "Japan Tobacco Inc." are only to Japan Tobacco Inc. and references to "JT International Holding B.V." are only to JT International Holding B.V. References to "audit & supervisory board" are to "kansayaku-kai" (as defined in the Companies Act of Japan) that performs certain supervisory functions through its monitoring and audit activities within the overall scheme of corporate governance pursuant to the Companies Act of Japan. References to "audit & supervisory board member" are to a member or members of an audit & supervisory board, also referred to in Japanese as "kansayaku" (as defined in the Companies Act of Japan).

Forward-looking statements

This report contains forward-looking statements. These statements appear in a number of places in this report 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.

Please be reminded that this section is intended
to explain the business operations of JT to investors,
but not to promote sales of tobacco produce
to encourage smoking by consumers.

Our "4S" model continues to deliver strong business results and shareholder return improvements

Our unique "4S" model, resource allocation policy and strategic framework continue to deliver strong business results and shareholder return improvements.

At a Glance

Our Businesses

(Year ended March 31, 2013)[1]

The JT Group is a leading international tobacco company with operations in over 70 countries. Our products are sold in over 120 countries and our internationally recognized brands include Winston, Camel and Mild Seven – MEVIUS. We also have pharmaceutical, beverage and processed food businesses which allow us to diversify our sources of profit and achieve future sustainable growth.

International Tobacco Business

International tobacco business will continue strengthening its role as JT Group's profit growth engine.

International tobacco business generates more than 50% of our consolidated profit[2]. In addition to acquisitions, our pursuit of organic top-line growth with a focus on our Global Flagship Brands (GFB), investment in brand equity and pricing have contributed to the strong growth of our international tobacco business. Our portfolio is well balanced, allowing us to capture consumers in both up-trading and down-trading environments.

Priorities:

- Quality top-line growth:
  - Continue to strengthen brand equity with a focus on GFBs.
  - Grow or maintain market share in key markets.
- Broaden the earnings base:
  - Expand geographical presence.
  - Develop emerging product categories.
- Continuous cost improvement.

Business Performance Summary:

	Year-on-year change
Total shipment volume (BnU) 436.5	+2.5%
GFB shipment volume (BnU) 268.8	+4.8%
Core Revenue (US$ MM) 11,817	+5.4%
Adjusted EBITDA (US$ MM) 4,302	+9.1%

Japanese Domestic Tobacco Business

The role of the Japanese domestic tobacco business continues to be a highly competitive platform of profitability.

We are the market leader in Japan with nearly 60% market share. Our Japanese domestic tobacco business continues to be a significant profit contributor to the JT Group, generating over 45% of our consolidated profit[2]. In the year ended March 2013, we offered more than 85 products on the Japanese market. The three core brands are MEVIUS, Seven Stars and Pianissimo.

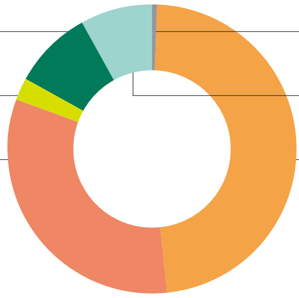
Priorities:

- Quality top-line growth:
  - Continue to strengthen brand equity with a focus on our core brands.
  - Further increase market share.
  - Develop emerging product categories.
- Continuous cost improvement.

Business Performance Summary:

	Year-on-year change
Sales Volume (BnU) 116.2	+7.2%
Core Revenue (JPY BN) 654.0	+6.9%
Adjusted EBITDA (JPY BN) 281.3	+7.3%

Revenue breakdown by business segment



Pharmaceutical Business

We will strive to establish a stronger profit platform while remaining R&D oriented.

Priorities:
- Strive for rapid and efficient market launch of compounds in late phase of clinical trials.
- Maximize value of each product.
- Promote R&D for next generation of strategic compounds, seek optimum timing for out-licensing.

Business Performance Summary:

	Year-on-year change (JPY BN)
Revenue (JPY BN) 53.2	+5.8
Adjusted EBITDA (JPY BN) -12.7	-2.7

Beverage Business

We expect our beverage business to strengthen its business foundation for future growth in order to make further profit contribution to the JT Group.

Priorities:
- Continue brand equity investment in 'Roots'.
- In addition to 'Roots', foster 'Momono Tennen-sui' as a second pillar brand.
- Strive further for a high quality vending machine operation.

Business Performance Summary:

	Year-on-year change (JPY BN)
Revenue (JPY BN) 185.5	-3.3
Adjusted EBITDA (JPY BN) 12.4	-2.2

Processed Food Business

Our processed food business will strive to achieve operating profit margin on par with or above industry average to grow its profit contribution to the JT Group.

Priorities:
- Continue to focus on staple food products to steadily improve profitability.
- Combine our own technology with consumer needs to enhance product strength.
- Minimize the effect of rising raw material cost and weak yen.

Business Performance Summary:

	Year-on-year change (JPY BN)
Revenue (JPY BN) 168.7	-1.9
Adjusted EBITDA (JPY BN) 7.4	+1.9

1 Year ended December 31, 2012 for international tobacco business.
2 Consolidated profit: consolidated adjusted EBITDA.

Consolidated Five-year Financial Summary

Japan Tobacco Inc. and Consolidated Subsidiaries

(Years ended March 31)

	2009 (JGAAP)	2010 (JGAAP)	2011 (IFRS)	2012 (IFRS)	**2013 (IFRS)**
					Billions of yen
For the year:					
Net sales/Revenue (Note 1)	6,832.3	6,134.7	2,059.4	2,033.8	**2,120.2**
International Tobacco	3,118.3	2,633.6	963.5	966.3	**1,010.7**
Japanese Domestic Tobacco	3,200.5	3,042.8	665.8	646.2	**687.1**
Pharmaceutical	56.8	44.1	44.1	47.4	**53.2**
Food	436.0	394.7	367.5	359.4	**–**
Beverage				188.8	**185.5**
Processed Food				170.7	**168.7**
Others	20.8	19.5	18.5	14.6	**15.0**
Adjusted net sales/Core revenue (Note 2)					
International Tobacco	1,080.8	906.8	887.8	894.6	**943.1**
Japanese Domestic Tobacco	648.8	616.0	632.2	611.9	**654.0**
Operating income/Operating profit (Note 3)	363.8	296.5	401.3	459.2	**532.4**
International Tobacco	174.8	136.9	225.9	252.4	**289.5**
Japanese Domestic Tobacco	188.3	198.7	202.3	209.3	**241.3**
Pharmaceutical	1.0	(13.6)	(13.3)	(13.5)	**(16.2)**
Food	(11.5)	(13.7)	(3.6)	2.0	**–**
Beverage				4.5	**2.4**
Processed Food				(2.5)	**(5.8)**
Others	9.6	10.5	(9.9)	9.0	**21.2**
EBITDA/Adjusted EBITDA (Notes 3/4)	646.2	526.7	522.0	577.1	**622.1**
International Tobacco	338.0	277.7	277.9	314.8	**343.3**
Japanese Domestic Tobacco	272.3	251.3	247.2	262.3	**281.3**
Pharmaceutical	4.9	(9.7)	(9.8)	(10.0)	**(12.7)**
Food	17.0	14.5	17.7	20.0	**–**
Beverage				14.6	**12.4**
Processed Food				5.4	**7.4**
Others	13.1	13.3	(11.0)	(9.8)	**(9.6)**
Depreciation and amortization (Note 4)	282.4	230.2	118.0	118.8	**116.5**
Net income/Profit (attributable to owners of the parent) (Note 5)	123.4	138.4	243.3	320.9	**343.6**
Free cash flow (FCF) (Note 6)	240.2	250.7	300.4	451.3	**316.0**

(Years ended March 31)

Billions of yen

	2009 (JGAAP)	2010 (JGAAP)	2011 (IFRS)	2012 (IFRS)	**2013 (IFRS)**
At year-end:					
Total assets/Assets	3,879.8	3,872.6	3,655.2	3,667.0	**3,852.6**
Interest-bearing debts (Note 7)	996.1	874.3	709.1	502.4	**327.2**
Liabilities	2,255.5	2,149.3	2,053.9	1,952.4	**1,960.6**
Net Assets/Equity	1,624.3	1,723.3	1,601.3	1,714.6	**1,892.0**
Major Financial Ratios					
ROE (Note 8)	6.8%	8.6%	15.3%	20.3%	**20.0%**
ROA (Note 9)	8.4%	7.8%	10.9%	12.7%	**14.3%**
Equity Ratio (Note 10)	40.0%	42.6%	41.7%	44.6%	**46.9%**
Amounts per share: (in yen)					
Diluted EPS (Notes 11/12)	12,880	14,449	25,407	168.44	**180.99**
Book value per share/Book value per share (attributable to owners of the parent) (Note 12)	162,088	172,140	160,180	858.09	**993.75**
Dividend per share (Note 12)	5,400	5,800	6,800	50	**68**
Dividend payout ratio before goodwill amortization/Dividend payout ratio (Note 13)	22.6%	23.6%	26.8%	29.7%	**37.6%**

Notes:

1. (JGAAP): Including the tobacco excise taxes.
   (IFRS): Excluding tobacco excise taxes and revenue from agent transactions.
2. (JGAAP): Excluding revenue from the imported tobacco, domestic duty free, the China Division, and other miscellaneous items in the Japanese domestic tobacco business, in addition to the distribution, private label, contract manufacturing, and other peripheral businesses in the international tobacco business.
   (IFRS): Excluding revenue from distribution business of imported tobacco, among others, in the Japanese domestic tobacco business, in addition to the distribution, private label, contract manufacturing, and other peripheral businesses in the international tobacco business.
3. 2010-: The method used to compute operating income was changed from the years ended March 31, 2010. The operating income for these periods does not account for payment of royalty fees by the international tobacco business to the Japanese domestic tobacco business. Also partially change the allocation method of overhead cost and CAPEX.
4. (JGAAP): EBITDA = Operation income + depreciation and amortization
   Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill.
   (IFRS): 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.
5. (IFRS): Under IFRS, profit is presented before deducting non-controlling interests. For comparison, we show the profit attributable to the owners of the parent company.
6. FCF = (cash flow from operating activities + cash flow from investing activities) excluding the following items:
   From “cash flows from operating activities”: Dividends received/interest received and its tax effect/interest paid and its tax effect.
   From “cash flows from investing activities”: Purchase of securities/proceeds from sale and redemption of securities/payments into time deposits/Proceeds from withdrawal of time deposits/others (but not business-related investment securities, which are included in the investment securities item).
7. Including lease obligation.
8. (JGAAP): Return on equity.
   (IFRS) Return on equity (attributable to owners of the parent).
9. ROA = (Operating income + financial profit)/Total assets.
10. (JGAAP): Equity ratio.
    (IFRS) Equity ratio (attributable to owners of the parent).
11. (IFRS) Based on profit attributable to owners of the parent company.
12. A 200-for-one share split is done, effective as of July 1, 2012.
    Calculated on the assumption that this share split was conducted at the beginning of the previous fiscal year (April 1, 2011).
13. (JGAAP): Dividend payout ratio before goodwill amortization.
    (IFRS) Based on profit (attributable to owners of the parent).
14. Financial data disclosed herein is basically rounded.

Hiroshi Kimura
Chairman of the Board

Mitsuomi Koizumi
President and CEO and
Representative Director

Message from the Chairman and CEO

We are pleased to share with you the achievements of the JT Group by delivering the annual report for the year ended March 2013. This past year was special, as we had the opportunity to welcome new shareholders after the success of a secondary share offering.

Successful share placement
Some 333 million shares, or approximately 17% of the Company's equity, were released by the Government of Japan. In conjunction with the offering, we executed a share buy-back program worth ¥250 billion aiming at improving shareholder return and capital efficiency, as well as mitigating the potential negative impact on the equity market. Consequently, the offer was worth nearly ¥750 billion and well received by the market, despite the large scale of the transaction. As a result, the number of shareholders at the fiscal year end more than tripled compared with the previous year, reaching a total of approximately 190 thousand.

This successful offering shows a widespread support for our management principle and our strategies as well as our commitment to sustainable profit growth. We remain determined to meet, and even exceed, the expectations of this wider shareholder base.

Strong business performance
During the past year, the Group's business performed strongly once again, with a 15.1% growth in adjusted EBITDA at constant rates of exchange, or 7.8% including the impact of unfavorable currency movements. This performance was driven by our tobacco business, which achieved top-line growth by leveraging its strong brand portfolio and broadening its earnings base. In the pharmaceutical business, we launched for the first time in our history a drug containing our original compound. In the beverage business, our sales volume reached a record high. In the processed food business, we confirmed our top-line growth momentum in the staple food category.

Shareholder return improvement
Return to shareholders also improved. Dividend payout ratio reached 37.6%, up 7.9 percentage points from the previous year, exceeding the target set at the beginning of the fiscal year. Importantly, this was attained along with higher earnings than forecast. With the aim to achieve the target, we revised our dividend per share forecasts twice, increasing dividend per share by ¥18 or 36%. As a result of profit growth, adjusted EPS grew 27.3% at constant rates of exchange, or 13.8% on a reported basis.

Strengthening corporate governance
We have been striving to enhance corporate governance as a global company. The most notable initiative in the previous year was the appointment of two independent outside Board members, Motoyuki Oka and Main Kohda. Their expertise has contributed to further increasing the quality and transparency of Board decisions.

Our efforts to enhance communication with capital markets continue. We are now preparing the harmonization of the accounting periods throughout the Group to a January-to-December basis, starting from January 2015, subject to the Board's decision and shareholders' approval. This initiative will allow our reporting to become more timely and integrated.

Furthermore, the JT Group is re-emphasizing its commitment to corporate responsibility. By enhancing our contribution to society, we will keep reinforcing our foundation in the community.

Looking ahead
The JT Group is proud of its accomplishments during the past year. These could not have been achieved without the dedication of each and every employee and without the support of all our other stakeholders. We are grateful for that.

The global business environment remains uncertain. Economies are still fragile and geopolitical tensions are strong. In our industry, regulatory pressure is mounting, consumers' needs are increasingly diverse and competition is intensifying. Despite these challenges, we are confident that the JT Group will achieve sustainable profit growth in the mid- to long-term, by leveraging its ability to adapt to a changing environment. Our track record speaks for itself. With this level of confidence in our business performance, we have decided to accelerate the improvement of shareholder return. We now aim to reach a dividend payout ratio of 50% for the year 2015, one year earlier than previously communicated.

We are committed to continue delivering strong performance in the years ahead, increasing the Company's value for you and all stakeholders through sustainable profit growth.

CEO Business Review

Mitsuomi Koizumi
President and CEO
and Representative Director

The JT Group delivered a robust performance in a difficult operating environment as we continued to invest in our business.

Performance overview

Our "4S" model is a unique management principle in that it aims to strike a balance between the interests of all stakeholders – consumers, shareholders, employees and wider society – while keeping them fulfilled. I believe that this "4S" model, with its comprehensive approach, is a source of sustainable competitive advantage.

Our strategic framework and resource allocation policy are long-term oriented, in line with our pursuit of sustainable profit growth. Over the years, we have remained committed to this approach, and the investments that we have made in the past continue to pay off. During the year ended March 2013, our strategic emphasis on quality top-line growth resulted in another strong business performance. At the same time, we stayed true to our mid- to long-term perspective and did not compromise on investments in the business and in our people. The end result was a strong achievement, exceeding initial forecasts in all key profit indicators, while, more importantly, reinforcing future growth potential.

Accomplishment by business segment

In the international tobacco business, our continued efforts to enhance brand equity and expand the earnings base led to a year-on-year total shipment volume increase. This was achieved in a context of industry volume declines in many markets where we operate. Once again, our competitive strength was demonstrated by share gains in most of our key markets. In addition to our positive volume performance, pricing gains drove revenue and profit growth. Furthermore, we successfully completed two important acquisitions, Gryson and Nakhla, which complement our already solid platform, both in terms of products and markets. These acquisitions will contribute to fuel our future growth.

In the Japanese domestic tobacco business, our market share has steadily recovered from the loss caused by the devastating earthquake. On a 12-month basis, it reached 59.6%, up 4.7ppt from the previous year, while the monthly shares in February and March reached the 60% threshold. Our core brands performed well, supported by brand equity investments and trade marketing excellence, resulting in a shipment volume increase despite continued industry volume decline. Volume growth also drove increased profits.

Aiming to achieve future growth, our tobacco business embarked on a bold and promising initiative: the evolution of Mild Seven to MEVIUS. The objective is to develop MEVIUS to the number one global premium brand in the future, and further strengthen our global brand portfolio. In addition to the change in brand name, we have introduced new sophisticated package designs as well as innovative line extensions. The implementation of this strategy in Japan, where the Mild Seven brand has commanded the top-selling position for decades, started in February. Initial response from consumers has been encouraging, with solid performance since the launch. Building on this, we will continue to enhance the brand equity of MEVIUS to achieve global success.

In the pharmaceutical business, we made significant progress in establishing a profitable business platform, by launching for the first time in our history a drug, "Stribild®", containing JTK-303 which is our original compound. "Stribild®", an anti-HIV single-tablet regimen, was approved in the U.S. and launched by our license partner. The same drug was approved also in EU and other countries as well as Japan, where we have been marketing it since May 2013. Furthermore, New Drug Applications of our compounds for hyperphosphatemia, Japanese cedar pollinosis and MEK inhibitor (trametinib) were filed during the past fiscal year. In May 2013, our license partner announced that MEK inhibitor (trametinib) was approved in the U.S.

In the beverage business, we celebrate the achievement of a record sales volume, led by 'Roots', one of the popular brands in the canned coffee segment in Japan. 'Roots' is the core brand of our beverage business, and as such we have provided intensive support, through extension launches and trade marketing initiatives to enhance its brand equity.

In the processed food business, we have sharpened our focus on staple food products. This strategy is proving to be successful, as evidenced by a robust 12.4% revenue growth in the staple food category. Driven by this performance, the profit margin of the processed food business has been improving steadily.

Outlook

Our strong performance in the past year further reinforces my confidence in our "4S" model as a driver of sustainable profit growth. Our management principle, resource allocation policy and strategic framework remain unchanged, as they are the foundation of our track record. Keeping these management principles and our strategy in mind, each business will strive to achieve its targets in the mid- to long-term.

The international tobacco business is well-positioned to continue driving the profit growth of the Group, leveraging its robust brand portfolio and well-balanced geographical footprint. The Japanese domestic tobacco business remains a solid profit generator, underpinned by its strong market share leadership. The pharmaceutical, beverage and processed food businesses are strengthening their platforms to contribute to the Group profit in the mid-term. I will ensure that, as each business fulfills its role, the JT Group continues to deliver strong results in the mid- to long-term.

Management Principle, Resource Allocation Policy and Strategic Framework

Introduction

Our unique "4S" model, resource allocation policy and strategic framework continue to deliver strong business results and shareholder return improvements. We are confident that pursuit of the "4S" model and business investments enable sustainable profit growth, and thus continuously increase the Company's value in the mid- to long-term.

Management principle

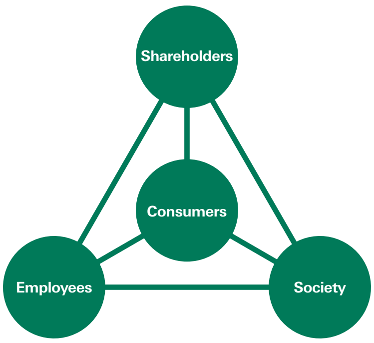
The "4S" model

Our management principle is the "4S" model and this unique model defines who we are.

Pursuit of the "4S" model means that we will balance the interests of consumers, shareholders, employees and wider society, and fulfill our responsibilities towards them, aiming to exceed their expectations.

This management principle can drive our growth in the mid- to long-term by continuously offering additional value to consumers. Therefore, business investments to create additional value for our products and operations will not be compromised. We firmly believe that the pursuit of the "4S" model increases the Company's value through sustainable profit growth and is consequently in the best interests of all stakeholders.

We will balance the interests of consumers, shareholders, employees and wider society, and fulfill our responsibilities towards them, aiming to exceed their expectations



Resource allocation policy

In allocating our resources, our priority is business investment which underpins sustainable profit growth in a most efficient manner. At the same time, we are committed to improving shareholder return and willing to use our funds for this purpose. It is our intention to strike an optimal balance between these two objectives.

Business investment

We expect that the international tobacco business drives the Group's profit growth, while the Japanese domestic tobacco business continues to solidify its profitable platform. Therefore, investment to enhance the competitiveness of our tobacco business is our primary focus in our resource allocation.

Investments in our pharmaceutical, beverage and processed food businesses at this stage are intended for fundamental buildings to strengthen future profit contribution.

Shareholder return

Strong emphasis is placed on shareholder return improvement. In particular, we focus on dividend payout ratio as well as adjusted EPS growth rate and set targets for these two indicators to drive the improvement.

Our benchmark for dividend payout ratio is global FMCG players in a variety of sectors. We aim for a dividend payout ratio comparable to them. It is our intention to grow adjusted EPS through business growth; however, we may consider introducing share buy-back programs, if necessary, in order to achieve the target.

Strategic framework

The JT Group employs a strategic framework with three key components to support sustainable profit growth. Each business develops specific strategies consistent with this framework.

Quality top-line growth × **Competitive cost base** × **Robust business foundations**

A greater emphasis is placed on "quality top-line growth". In order to achieve it, we concentrate our resources in key brands and product categories, which are growing or have a potential to grow, to increase value-added offerings.

We strive to reinforce our "competitive cost base" by establishing an efficiently operating organization to enhance profitability and cash generation capability. To this end, we seek to optimize both operational and corporate costs without compromising quality.

"Robust business foundations" will be established through continuous improvement. In addition, the JT Group invests in employees, who are the cornerstone of our success, and encourages collaboration among diversified human resources.

Business Plan 2013

The JT Group's management plan is an annual rolling plan with a three-year term. It means that we revise our mid-term plan every year reflecting changes in our business environment. However, there is one thing that does not change: our management principle. Business Plan 2013, a management plan starting from the year ending March 2014, was developed based on the "4S" model with the following key features.

1

Pursuing the "4S" model, Business Plan 2013 aims for sustainable profit growth in the mid- to long-term

- We will fulfill our responsibilities towards stakeholders by:
  - Creating and delivering additional value for consumers
  - Achieving competitive shareholder return
  - Offering development opportunities to employees
  - Expanding CSR activities for society.
- The JT Group continues to aim for sustainable profit growth in the mid- to long-term.
- Our resource allocation policy and strategic framework are unchanged.

2

Enhancing our ability to adapt to the changing environment is the key for continuous success

- The business environment remains uncertain due to economic volatility, geopolitical risks and regulatory pressure, among others.
- By further enhancing its adaptability to the changes, the JT Group reinvents itself to overcome challenges as it did in the past.

Dividend payout ratio forecast
for the year ending March 2014

40.3%

3

Business plan 2013 targets reflect management intention for growth and commitment to shareholder return improvement

- Group profit target remains unchanged from Business Plan 2012, our previous mid-term plan.
- Shareholder return improvement will be accelerated, as we aim to achieve a dividend payout ratio of 50%, one year earlier than previously planned.

Group profit target
Adjusted EBITDA growth rate at constant rates of exchange:
- Mid to high single-digit growth per annum over the mid- to long-term.

Shareholder return targets
Consolidated dividend payout ratio:
- 40% for this fiscal year, then aiming to reach 50% for the fiscal year 2015.

Adjusted EPS growth rate at constant rates of exchange:
- High single-digit growth per annum over the mid- to long-term.

4

Forecast new record earnings for the year ending March 2014

- Adjusted EBITDA to grow 6.1% at constant rates of exchange.
- Reported adjusted EBITDA to reach new record level.
- Shareholder return to continuously improve.

Group profit

	Actual for the year ended March 2013	Forecast for the year ending March 2014	Growth	Growth at constant rates of exchange
Adjusted EBITDA (JPY BN)	622.1	730.0	+17.3%	+6.1%

Shareholder return

	Actual for the year ended March 2013	Forecast for the year ending March 2014	Growth
Dividend payout ratio	37.6%	40.3%	+2.7ppt
Dividend per share (JPY)	68	92	+24 (+35.3%)

Performance Measures

In our Business Plan 2013, targets are set for adjusted EBITDA growth rate at constant rates of exchange, as well as consolidated dividend payout ratio and adjusted EPS growth rate at constant rates of exchange. While they are mid- to long-term targets, we also monitor the performance measures introduced here annually.

In our strategic framework to achieve adjusted EBITDA growth rate, the JT Group places a particular emphasis on "quality top-line growth", while, at the same time, focusing on building a "competitive cost base" and "robust business foundations". In line with our strategic emphasis, the measures to review our business performance are skewed towards top-line related. As for shareholder return, we have selected three indicators to monitor the improvement.

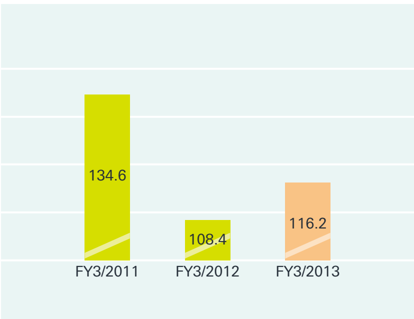
Tobacco sales volume

International tobacco
(BnU)

+2.5% to 436.5 BnU

For the international tobacco business, total shipment volume which includes Fine Cut, cigars, pipe tobacco and snus, but excludes contract manufactured products and waterpipe tobacco products.

Japanese domestic tobacco
(BnU)

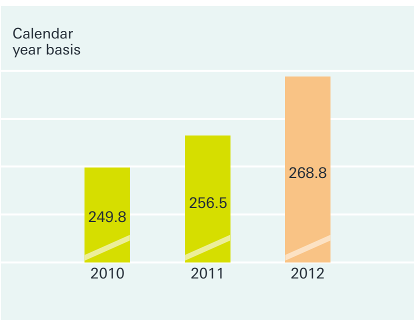


+7.2% to 116.2 BnU

For Japanese domestic tobacco, total sales volume which excludes sales volume of Japanese domestic duty free and the China business.

GFB shipment volume

GFB shipment volume
(BnU)



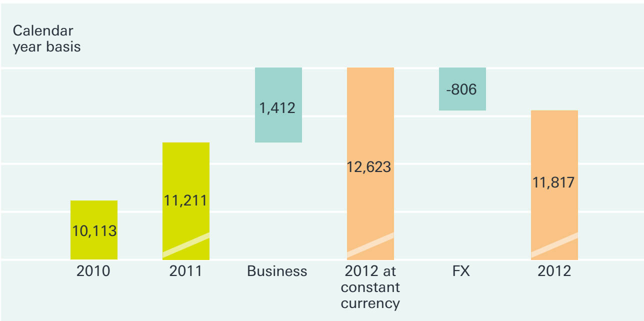
+4.8% to 268.8 BnU

Shipment volume of GFBs, namely Winston, Camel, MEVIUS (Mild Seven), B&H, Silk Cut, LD, Glamour and Sobranie, in the international tobacco business.

The following financial figures are based on IFRS.

Core revenues

International tobacco
(US$ MM)

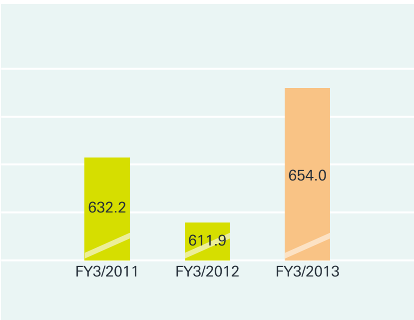


+12.6%
at constant rates of exchange
to US$ 12,623 MM

+5.4%
including currency impact
to US$ 11,817 MM

For the international tobacco business, US dollar based core revenue excludes revenues from distribution, contract manufacturing and other peripheral businesses.

Japanese domestic tobacco
(JPY BN)

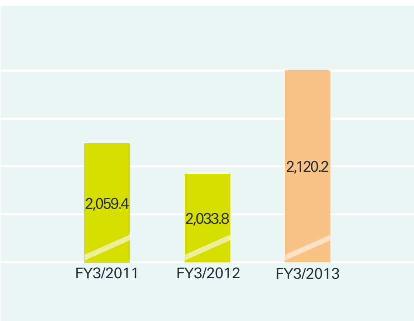


+6.9% to JPY 654.0 BN

For the Japanese domestic tobacco business, core revenue which excludes revenue from distribution of imported tobacco in Japan, among others.

Revenue

Revenue
(JPY BN)



+4.2% to JPY 2,120.2 BN

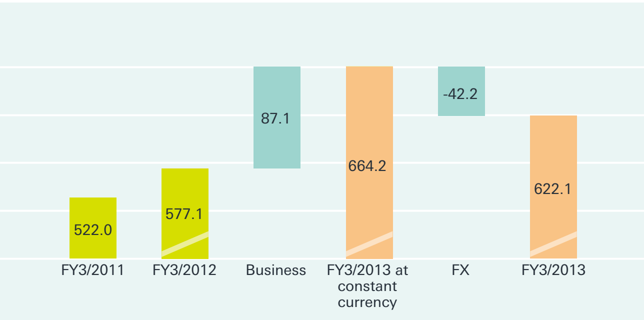
Revenue on a consolidated basis which, for the avoidance of doubt, excludes excise and other similar taxes, as well as sales from transactions in which the JT Group acts as an agent.

Performance Measures *continued*

The following financial figures are based on IFRS.

Adjusted EBITDA

Adjusted EBITDA
(JPY BN)



+15.1%
at constant rates of exchange to JPY 664.2 BN

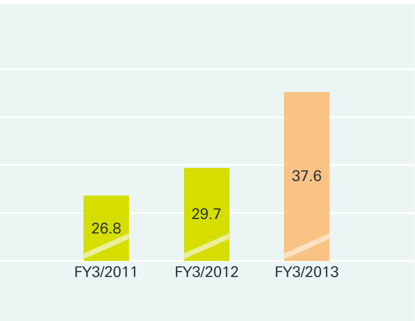
+7.8%
including currency impact to JPY 622.1 BN

Operating profit excluding depreciation, amortization and adjustment items (income and expenses).*

* Adjustment items (income and expenses) are impairment losses on goodwill, restructuring related income and expenses and others.

Dividend payout ratio

Dividend payout ratio
(%)



+7.9pp to 37.6%

Dividend per share divided by profit attributable to owners of the parent company per share.

250bn

share buyback (yen)

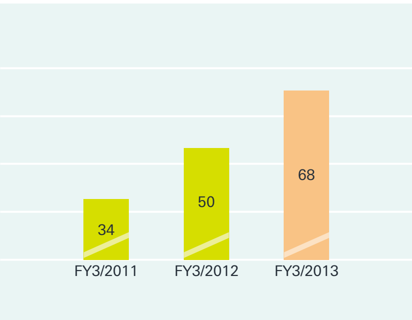
CAGR 26%

dividend per share growth over the past five years

The following financial figures are based on IFRS.

Dividend per share

Dividend per share
(%)

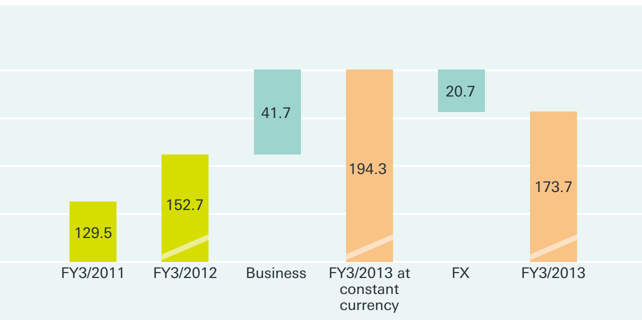


+36% to JPY 68

The sum of interim and year-end dividends per share, the record dates of which fall in the relevant fiscal year.

Adjusted EPS (diluted)

Adjusted EPS (diluted)
(JPY)



+27.3%
at constant rates of exchange to JPY 194.3

+13.8%
including currency impact to JPY 173.7

Adjusted EPS is calculated as follows:

Adjusted EPS = (Profit or loss attributable to owners of the parent company ± adjustment items (income and costs)* ± tax and minority interests adjustments) / (weighted-average common shares + increased number of ordinary shares under subscription rights to shares).

* Adjustment items (income and expenses) are impairment losses on goodwill, restructuring related income and expenses and others.