



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

FOR IMMEDIATE RELEASE

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JT Acquires Natural American Spirit Business outside the United States

Japan Tobacco Inc. (JT) (TSE: 2914) announced today that the JT Group has entered into an agreement with the Reynolds American Inc. group of companies (“RAI”) to acquire the Natural American Spirit business outside the United States which includes the trademarks and all outstanding shares of RAI’s subsidiaries outside the U.S. which sell the brand. The transaction is expected to be completed by early 2016.

1. Purpose for the Acquisition

Since its launch in the U.S. in 1982 by Santa Fe Natural Tobacco Company, Inc., the Natural American Spirit brand has provided a unique product offering and established a special brand positioning as the only truly global “additive free”, premium cigarette with a marketing theme that is environmentally conscious and socially progressive. The brand has enjoyed strong growth momentum in the U.S., Japan, Germany, Switzerland, Italy, Spain, the U.K. and others.

“Natural American Spirit, which has a strong and international presence in a premium priced category, will allow the JT Group to further extend its brand portfolio. This strong and unique brand equity combined with an energetic and experienced team of people will further strengthen our Group’s business foundation,” said Mitsuomi Koizumi, President and Chief Executive Officer of the JT Group.

Notably in Japan, which now accounts for the majority of the sales volume worldwide excluding the U.S., the brand has experienced significant growth. This investment will underpin the Group’s sustainable long-term profit growth in this highly competitive market.

The existing operations of the acquired companies will be expected to remain unchanged in order to fully benefit from their extensive knowledge and experience.

2. Overview of the Natural American Spirit Business outside the U.S.

(1) Business to be transferred	<ul style="list-style-type: none"> - Trademarks for Natural American Spirit outside the U.S. - RAI's nine subsidiaries selling Natural American Spirit outside the U.S.
(2) Operating performance of the business to be transferred	<p>Net sales: JPY 17.6 billion</p> <p>Profit before income taxes: JPY 2.1 billion</p> <p>(At exchange rate of 105.88, translated at YTD Average Rate. Business year ending December 2014, management basis)</p>
(3) Amount of assets and liabilities to be transferred	<p>Assets: JPY 14.9 billion, 2014 Debts: JPY 4.3 billion</p> <p>(At exchange rate of 119.68, translated at year-end rate. Business year ending December 2014, management basis)</p>
(4) Acquisition price and payment	<p>Approx. JPY 600 billion (tentative)</p> <p>Payment will be made in cash.</p>

3. Overview of Reynolds American Inc.

(1) Name	REYNOLDS AMERICAN INC.	
(2) Address	401 NORTH MAIN ST WINSTON SALEM, NC 27101 USA	
(3) Representative	Susan M. Cameron(CEO)	
(4) Business	Reynolds American Inc. is the parent company of R.J. Reynolds Tobacco Company, Santa Fe Natural Tobacco Company, Inc. and American Snuff Company, LLC, all of which manufacture and market tobacco products. It is also the parent company of Niconovum USA, Inc. and Niconovum AB, which market nicotine replacement therapy products; and R.J. Reynolds Vapor Company, which markets vapor products.	
(5) Paid in capital	USD 6,200 million (as of December 31, 2014)	
(6) Foundation	2004	
(7) Net asset	USD 4,522 million (as of December 31, 2014)	
(8) Total asset	USD 15,196 million (as of December 31, 2014)	
(9) Major shareholder and holding ratio	British American Tobacco plc – approximately 42% Invesco Ltd. – approximately 3.4% The Vanguard Group, Inc. – approximately 3.4% (as of June 30, 2015)	
(10) Relationship with JT	Capital	None

	Personnel	None
	Business	None
	Related party status	None

4. Schedule

(1) Agreement date	September 29, 2015
(2) Transfer date (planned)	Early 2016

5. Accounting Overview

Accounting for business combinations will be applied for this transaction in accordance with IFRS.

6. Impact on Financial Performance

The transaction will be funded by the Group's existing cash and loan facilities. The impact of this transaction on the Group's consolidated financial performance for the FY2015 is not expected at this moment.

(Reference) Consolidated Financial Outlook for FY2015 and Results for the FY2014

Units: Millions of Yen except where otherwise stated

	Revenue	Operating profit	Profit attributable to owners of the parent	Earnings per share Unit: Yen
FY2015 Forecast	2,350,000	668,000	471,000	262.36
FY2014 Results	2,153,970	499,757	362,919	199.67

Overview of Natural American Spirit Business outside the U.S.

Number of Employees About 280 (sum of nine companies, Sep, 2015)

Sales Volume About 3.1 billion sticks (sum of nine companies, Dec, 2014)

Sales Areas Japan, Germany, Switzerland, Italy, Spain, UK, France,
Netherlands, Belgium and others

Product The Natural American Spirit brand currently has nine cigarette varieties and three RYO varieties, all in the additive free segment

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Japan Tobacco Inc. is a leading international tobacco company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius and LD. With diversified operations, JT is also actively present in pharmaceuticals and processed foods. The company's revenue was ¥2.154 trillion (US\$17,867 million()) in the fiscal year ended December 31, 2014(**).*

**Translated at the rate of ¥120.55 per \$1, as of December 31, 2014*

***Due to a change in the accounting period from March 31 to December 31, the fiscal year 2014 covered nine months for Japanese domestic businesses and 12 months for the consolidated subsidiaries which operate the Group's international tobacco business. On a comparable full calendar year basis, revenue was ¥2.433 trillion (US\$20,186 million(*)).*

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

Appendix

Natural American Spirit in Japan

1. Product Lineup

ORGANIC



TURQUOISE **GOLD**

MENTHOL



MENTHOL LIGHT **MENTHOL ULTRA LIGHT** **MENTHOL ONE**

SPECIAL



PERIQUE RICH TASTE

REGULAR



LIGHT **ULTRA LIGHT**

ROLL YOUR OWN



PREMIUM **ORGANIC** **PERIQUE**

(from Santa Fe Natural Tobacco Company Japan K.K. (SFJ) website)

THIS SLIDE IS DEVELOPED TO EXPLAIN THE BUSINESS THE JT GROUP IS ACQUIRING.
IT IS NOT INTENDED TO PROMOTE THE PURCHASE OF THE PRODUCTS OR INDUCE SMOKING

2. Promotions

➤ Product Features

Feature 01	Feature 02	Feature 03
<p>100%無添加タバコ</p> <p>タバコ葉本来の味わいを楽しんでいただくため、タバコ葉に香料や保存料などの添加物を一切使用していません。</p>	<p>天然で高品質なタバコ葉のみを使用</p> <p>厳選された高品質の天然タバコ葉のみを使用し、再生シート葉、葉くず、膨張処理を施した葉脈などは使用していません。</p>	<p>理想的な葉の量による「吸い応え」</p> <p>一般的なたばこと比べ、タバコ葉を約25%も多く使用。たばこ本来の自然な味わいを長くゆっくりとお楽しみいただけます。</p>

(from SFJ brochure)

➤ Communication to Consumers



➤ Advertisement

POINT PRC栽培

直接契約した農家とのPRC（減農薬0）栽培を採用しているアメスピ。農薬を通常の1/3に抑えられるクリーンな農法が、環境に優しい

POINT 詰まったたばこ葉

無添加ゆえ、一般的な品と比べ、約25%もたばこ葉を多く使用。タバコ本来の深い味わいをゆっくりと嗜むことができる

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3. Sales Company Profile

Company: Santa Fe Natural Tobacco Company Japan K.K.

Location: Akasaka 7-1-1, Minato, Tokyo

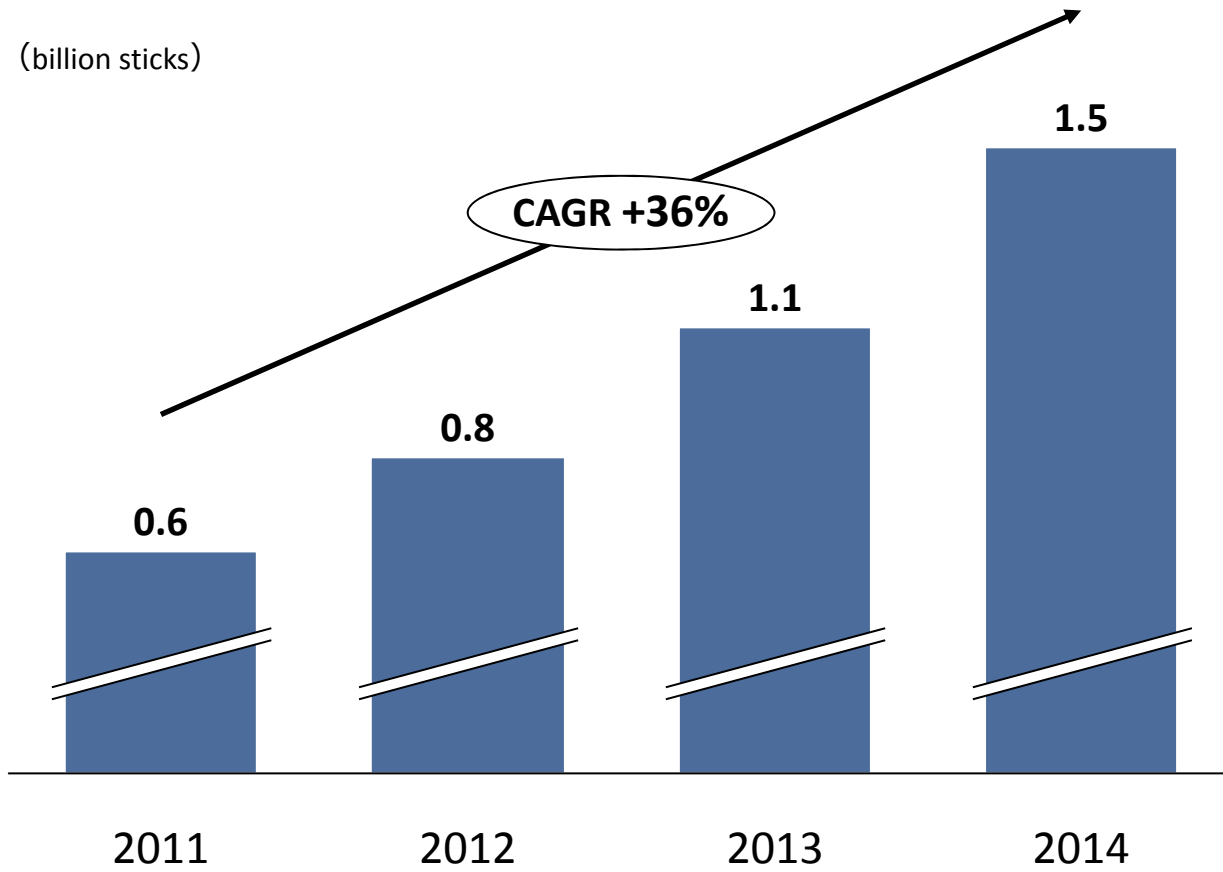
Established: March, 2007

Number of Employees: approx. 150

Natural American Spirit:

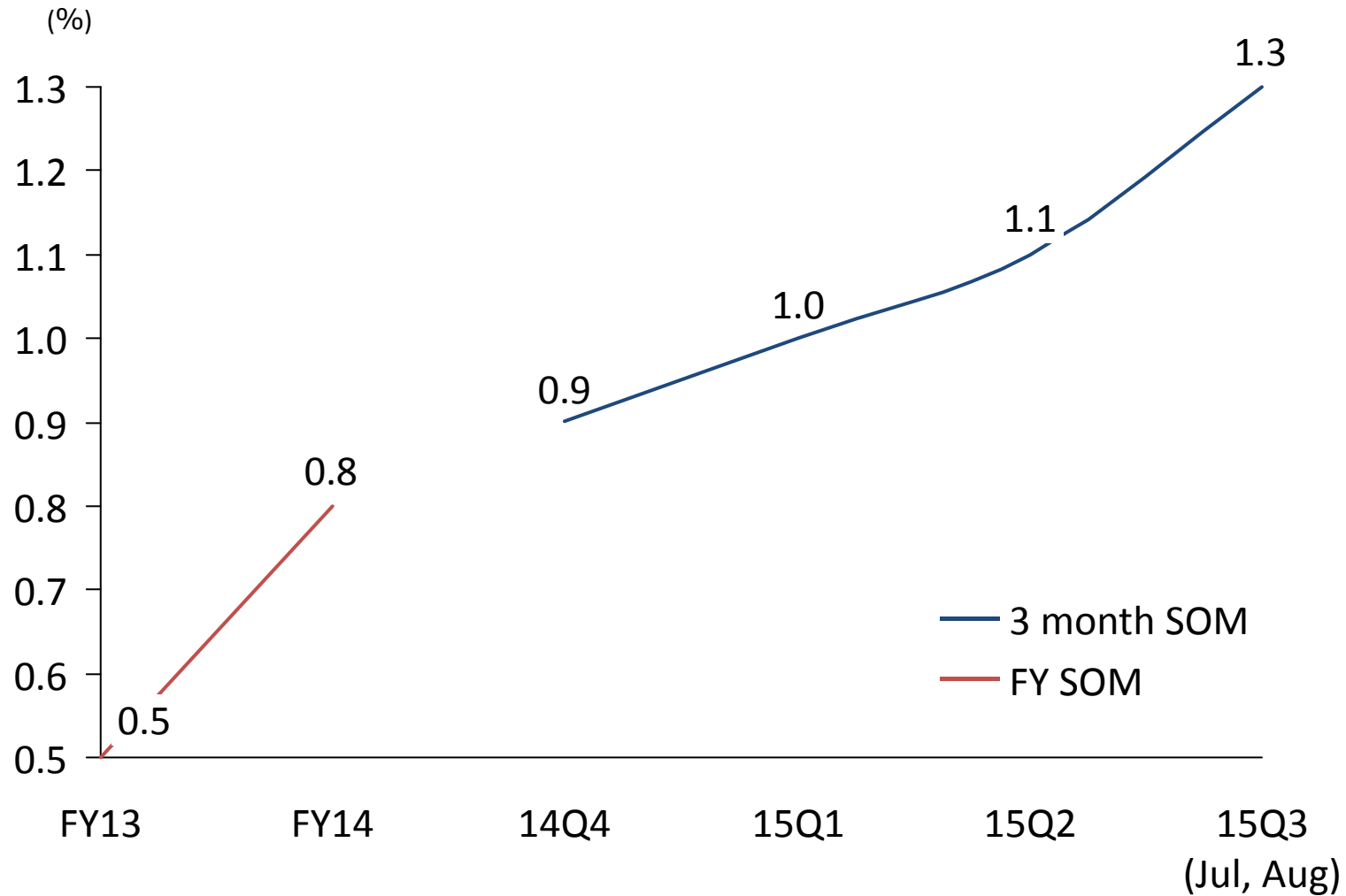
- was launched in the United States as “The Original American Spirit” in 1982, by Santa Fe Natural Tobacco Company, Inc., which was established in the same year.
- changed its brand name to “Natural American Spirit” in 1993.
- in Japan, was launched in 1996.

4. Sales Volume Growth



(Source: JT estimates)

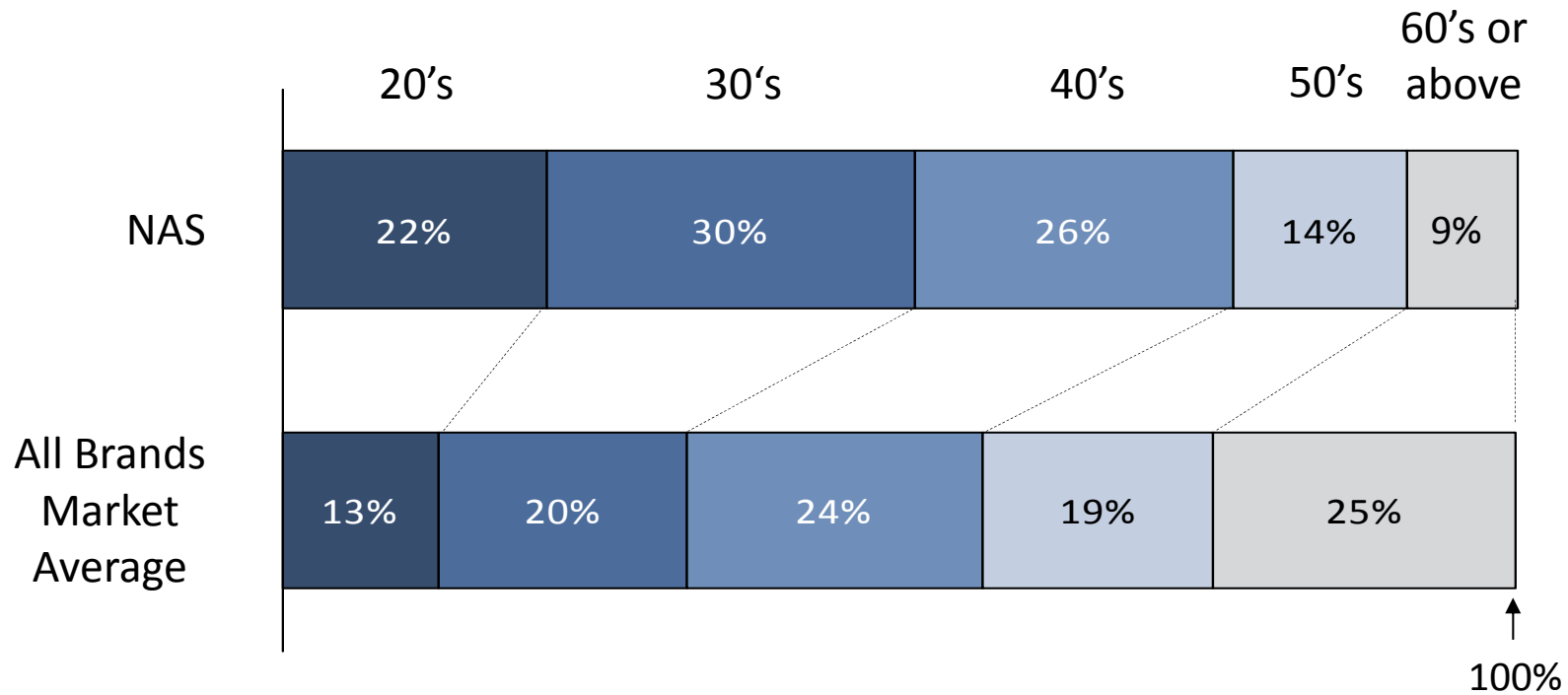
5. SOM Development



(Source: JT estimates)

6. NAS Consumer Base by Age

- NAS wins strong support from adult smokers in the 20's and 30's.



(Source: 2014data, JT estimates)

Reference: List of Product Lineup (in detail)

Cigarette Products	Price (JPY)	Sticks per pack	Tar	Nicotine
Natural American Spirit TURQUOISE	480	20	12mg	1.4mg
Natural American Spirit GOLD	480	20	6mg	0.7mg
Natural American Spirit MENTHOL LIGHT	480	20	9mg	1.0mg
Natural American Spirit MENTHOL ULTRA LIGHT	480	20	5mg	0.6mg
Natural American Spirit MENTHOL ONE	480	20	1mg	0.1mg
Natural American Spirit PERIQUE RICH TASTE	480	20	9mg	1.2mg
Natural American Spirit LIGHT	480	20	8mg	1.0mg
Natural American Spirit ULTRA LIGHT	480	20	3mg	0.4mg

RYO Products	Price (JPY)	Grams per pack
Natural American Spirit Premium Roll-Your-Own	1,080	40g
Natural American Spirit Organic Roll-Your-Own	1,160	40g
Natural American Spirit PERIQUE Roll-Your-Own	1,080	40g