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FOR IMMEDIATE RELEASE

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JT to Take a Minority Participation in Leading Russian Distribution Company

Japan Tobacco Inc. ("JT") (TSE: 2914) announced today that the JT Group has entered into an agreement to acquire a 20% stake in Megapolis Distribution B.V., a holding company of CJSC TK Megapolis ("Megapolis"), its domestic Russian distribution affiliate. The agreement has been signed[1] between the JT Group and Megapolis Investment B.V., which controls Megapolis. The acquisition is expected to be completed[2] by December 31, 2013.
Philip Morris International Inc. ("PMI") has simultaneously entered into a similar agreement.

Megapolis is Russia's leading tobacco distributor, accounting for approximately 70% of the Russian cigarette distribution market. In 2012 it delivered more than 260 billion sticks of cigarettes to more than 150,000 points of sale.

This acquisition will strengthen the long term relationship between the JT Group and Megapolis. It will allow Megapolis to enhance and modernize its distribution capabilities, leading to further efficiencies and enhanced earnings.

"Megapolis has been our partner since 2007 and has contributed to JTI's success in the important Russian market" commented Kevin Tomlinson, Regional President Commonwealth of Independent States for Japan Tobacco International ("JTI"). "This acquisition will strengthen their distribution platform allowing us to implement our growth strategy in the region more efficiently and effectively".

As part of this agreement, the JT Group will acquire a 20% stake in Megapolis Distribution B.V. for a cash consideration of US$ 750 million, which excludes an additional component of up to US$ 100 million which is subject to Megapolis' operational performance over the four fiscal years following the closing of this transaction. This investment will be funded by the JT Group's existing funds and loan facilities. The acquisition is expected to have a minor effect on the Group's consolidated performance for the fiscal year 2013.

Notes:

1 Decision on the acquisition has been made by JT, whereas the acquisition agreement has been concluded by JT International Holding B.V., the JT Group's entity based in the Netherlands.

2 In the event the acquisition is completed as scheduled, Megapolis Distribution B.V. is scheduled to be the company accounted for using the equity method by the JT Group in the fiscal year 2013.

Appendix

1. Company in which a stake is acquired

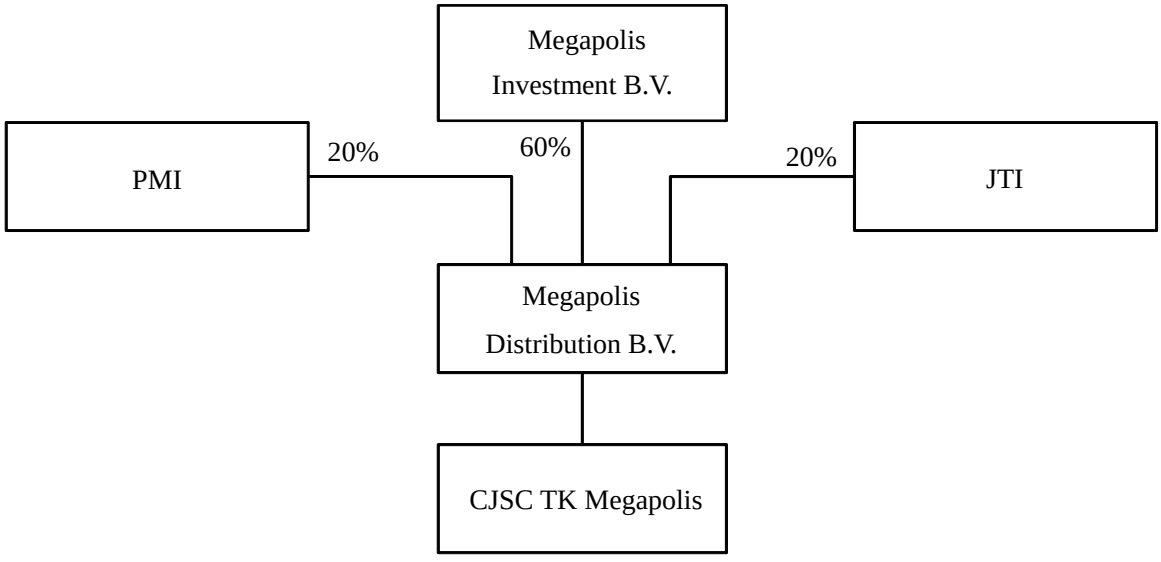
Megapolis Distribution B.V.

Headquarters:	Amsterdam, the Netherlands
Representative:	Frederik Hendrik Timmers
Shareholdings:	Unlisted
Business description:	Holding company of CJSC TK Megapolis
Share capital:	EUR 15.00

CJSC TK Megapolis

Headquarters:	Moscow, Russia
Representative:	Lev Leonidovich Grigoriev
Business description:	Logistics and distribution of FMCG in Russia, including tobacco products, beer and soft drinks, tea and coffee.
Number of employees:	Over 14,900 as of October 2013
Share capital:	RUB 334,896,000

2. Investment outline



Japan Tobacco International in Russia

JTI is the largest manufacturer of tobacco products in Russia with 36.3% share of market according to Nielsen in October 2013. The company manufactures the best selling cigarettes in Russia – Winston, as well as other brands known all over the world, including Mevius (previously Mild Seven), Camel, Sobranie, Glamour and LD. The company's brand portfolio also includes popular Russian brands, such as Russian Style, Peter I and Troika. JTI currently has over 5,000 employees in Russia and operates four state-of-the-art factories in Russia in St Petersburg, Moscow, Leningrad Region and Yelets.

Japan Tobacco Inc.

Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized brands include Winston, Camel, Mevius/Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.120 trillion (US$22,543 million(*)) in the fiscal year ended March 31, 2013.

**Translated at the rate of ¥94.05 per $1, as of March 29, 2013*

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