[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.]

November 4, 2014

Company Name: JAPAN TOBACCO INC.
Representative: Mitsuomi Koizumi, President, Chief Executive Officer and Representative Director
(Stock Code: 2914; Stock Exchange: Tokyo First Section)
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Out-Licensing of JAK Inhibitor "JTE-052" Under Development by JT

Japan Tobacco Inc. (JT) today announced that it has decided to out-license JAK inhibitor "JTE-052," which it has been developing, to LEO Pharma A/S, and it has concluded a license agreement with that company as per the attached sheet.

The effects of this matter on JT's consolidated financial results of the December 2014 term will be immaterial.

(Attachment)

Reference: LEO Pharma and Japan Tobacco Enter into License Agreement for Novel JAK inhibitor Drug Candidate

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（Reference）

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PRESS RELEASE / FOR IMMEDIATE RELEASE

LEO Pharma and Japan Tobacco Enter into License Agreement for Novel JAK inhibitor Drug Candidate

November 4, 2014, Ballerup, Denmark and Tokyo, Japan - LEO Pharma A/S and Japan Tobacco Inc. (JT) (TSE:2914) announced today that the companies have entered into a license agreement, under which LEO Pharma will obtain exclusive rights to further develop, register and market JT's experimental JAK inhibitor, JTE-052, for topical use in dermatological indications worldwide, excluding Japan where JT retains rights.

The compound, currently in phase I trials for topical treatment of inflammatory skin conditions, has the potential to become LEO Pharma's new platform for developing multiple treatment options for various inflammatory skin conditions.

Kim Kjoeller, Senior Vice President, Global Development, LEO Pharma, said: "LEO Pharma is excited about the opportunities this deal offers. While it's still early days, LEO Pharma hopes this deal can pave the way for a series of new, safe and effective therapies for patients living with skin conditions. JT's innovative compound not only has the potential to become a best-in-class therapeutic agent for topical treatment of inflammatory skin diseases, but also to offer LEO Pharma an entirely new platform for developing future patient solutions," and added:

"This deal is testament to LEO Pharma's global partnering strategy, a key driver for success in our mission to help people achieve healthy skin. By partnering with pioneering companies like JT, an international company with an innovative pharmaceutical division, LEO Pharma aims to push the boundaries of dermatology care and deliver more treatment solutions that make a real difference to the lives of people with skin diseases."

Muneaki Fujimoto, President of JT's Pharmaceutical Business, said: "This partnership with LEO Pharma, the global dermatology leader, is a significant milestone in our vision to develop original and innovative therapies for patients around the world. Given LEO Pharma's scientific and clinical expertise, this partnership provides a strong validation of the potential for JTE-052 to become an important therapeutic advance for those affected by skin diseases."

Under the terms of the agreement, LEO Pharma will be responsible for clinical and commercial activities, including manufacturing, outside Japan. JT will receive an upfront payment, development and sales milestone payments as well as royalties based on product sales.

ALL LEO TRADEMARKS MENTIONED
BELONG TO THE LEO GROUP

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About LEO Pharma

LEO Pharma helps people achieve healthy skin. By offering care solutions to patients in more than 100 countries globally, the company supports people in managing their skin conditions.

Founded in 1908 and owned by the LEO Foundation, LEO Pharma has devoted decades of research and development to delivering products and solutions to people suffering from skin diseases.

LEO Pharma is headquartered in Denmark and employs around 4,800 people worldwide.

For more information, visit www.leo-pharma.com.

About JT

Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods.

JT entered into the pharmaceutical business in 1987 and is engaged in the research and development of new drugs mainly in the fields of glucose and lipid metabolism; anti-virus; and immune disorders and inflammation. Manufacturing and marketing of products in Japan are conducted by Torii Pharmaceutical Co., Ltd., JT's subsidiary.

For more information, visit www.jt.com.

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