JAPAN TOBACCO INC.
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FOR IMMEDIATE RELEASE

Tokyo, February 4, 2015

Notice of Withdrawal from the Manufacture and Sale of JT Beverage Products

Japan Tobacco Inc. (JT) (TSE: 2914) announced today that its Board of Directors has resolved to withdraw from the manufacture and sale of JT beverage products. The manufacture and sale of JT beverage products conducted by JT's beverage business division and JT Beverage Inc. is expected to be discontinued by the end of September 2015.

The Company entered the beverage business in 1988. Since then, it has marketed innovative beverage products including "Roots" and "Momono Tennen-sui" with a firm belief based on the Company's management principle, the "4S" model, that exceeding consumers' expectations leads to sustainable profit growth in the mid- to long-term.

However, the operating environment of the beverage business in Japan has become increasingly challenging. The beverage market matured and the scale of the business has become more important for maintaining and strengthening the competitiveness. Additionally, the product life cycle has shortened. In such an environment, expanding business scale through active sales promotion and constantly developing unique quality products within a short time frame have become indispensable to establish a sustainable profit platform.

After carefully considering the growth strategy for the manufacture and sale of JT beverage products, the Company has concluded that it will be difficult to make a profitable contribution to the JT Group in the mid- to long-term. From the perspective of optimizing the Group's overall resource allocation, it was decided to withdraw from the manufacture and sale of JT beverage products, targeting the end of September 2015.

Investment to enhance the competitiveness of the tobacco businesses is the priority of the Company's resource allocation. At the same time, it will steadily invest in the pharmaceutical and the processed food businesses focusing on building a foundation that would allow them to contribute to the Group's profit. The Company will strive to achieve sustainable profit growth in the mid- to long-term by prioritizing business investment.

The Company would like to sincerely thank its consumers for their long-term support for JT beverage products.

1. Business summary of the manufacture and sale of JT beverage products

Business:	Planning, development, manufacture and sale of JT beverage products
Products:	Beverage products including “Roots” and “Momono Tennen-sui”
Revenue:	Approximately ¥50 billion in the fiscal year ended March 31, 2014

2. Employees

In principle, the Company will offer reassignment to the employees of JT’ beverage business division, and employment contracts to the employees of JT Beverage Inc. It will enter into consultation with the labor union from today.

3. Subsidiaries conducting vending machine operation business

Japan Beverage Group and JT A-Star Group will continue vending machine operation business. The Company is to consider various options for these subsidiaries.

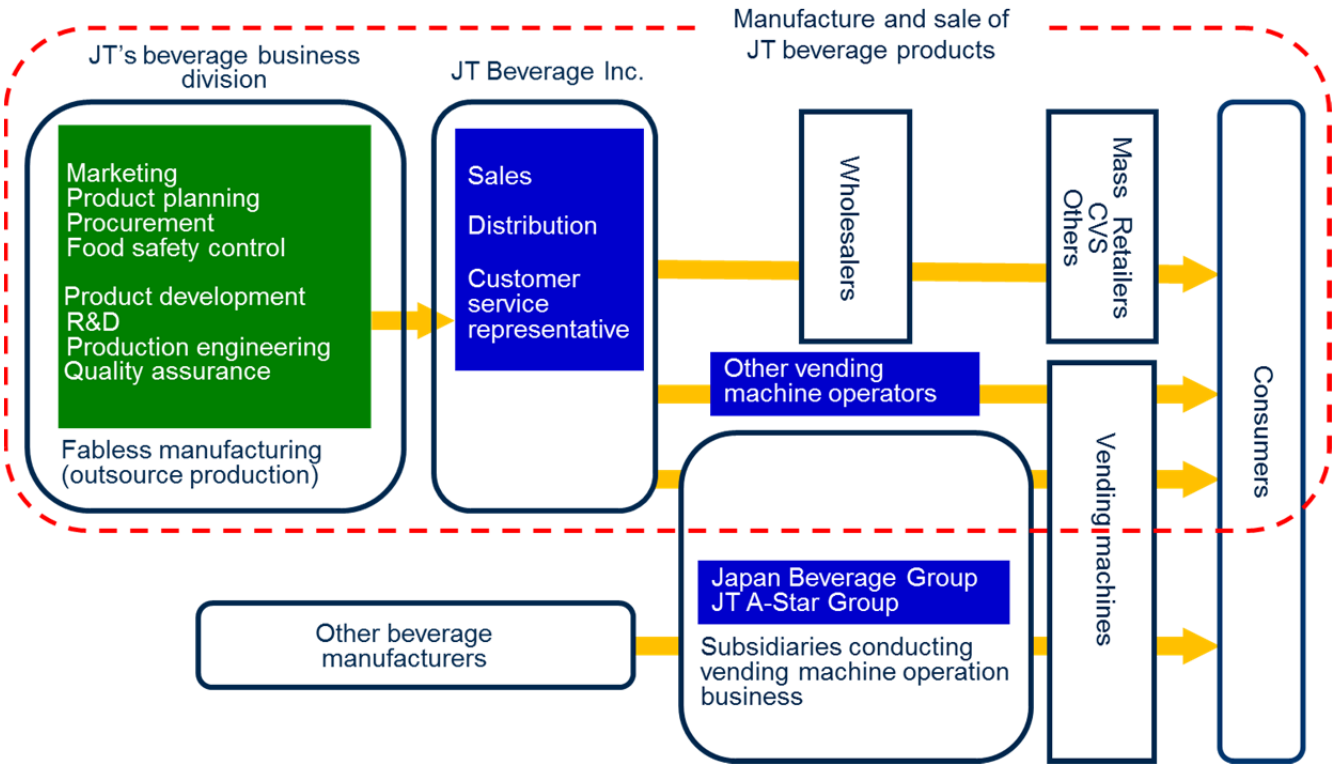
4. Impact on financial performance

There was no impact on the JT’s consolidated financial performance for the fiscal year ended December 31, 2014. The effects on the performance for the fiscal year ending December 31, 2015 have not been confirmed at present.

5. Profile of JT Beverage Inc.

Name:	JT Beverage Inc.
President:	Ikuo Momoi
Address:	1-28-1 Oi, Shinagawa-ku, Tokyo, Japan
Foundation:	April 11, 2008
Capital:	¥90 million
Ownership:	Japan Tobacco Inc. 100%
Business:	Sale of beverage products

Business structure of JT Group’s beverage business:



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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 and LD. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.400 trillion (US$23,318 million(*)) in the fiscal year ended March 31, 2014.

**Translated at the rate of ¥102.92 per $1, as of March 31, 2014*

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