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FOR IMMEDIATE RELEASE

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Basic Agreement to transfer shares of JT's subsidiaries conducting vending machine operation business and JT beverage brands

Japan Tobacco Inc. (JT) (TSE: 2914) announced today that it has concluded a basic agreement with Suntory Beverage & Food Limited (SBF) to transfer all shares JT currently holds in its subsidiaries conducting vending machine operation business – Japan Beverage Holdings Inc. (JB) and JT A-Star Co., Ltd. (JTA). The agreement also includes the transfer of JT beverage brands "Roots" and "Momono Tennensui".

1. Outline of the basic agreement with SBF
   1) Date of the agreement: May 25, 2015
   2) Parties of the agreement: JT (seller), SBF (buyer)
   3) Subjects of transfer:
      a. Shares of JB currently held by JT (70.5%), all shares of JTA, shares of Japan Beverage Ecology Inc. currently held by JT (49.7%)
      b. "Roots" and "Momono Tennensui" beverage brands
   4) Transfer value: approximately 150 billion yen
      The above value may be adjusted in accordance with the terms and conditions of the definitive agreement to be concluded.

2. Rationale of the basic agreement
   Since the announcement on February 4, 2015 concerning the decision to withdraw from the manufacture and sale of JT beverage products, targeting the end of September 2015, JT has considered various options for JB and JTA Groups to realize continuous growth and maximize their business value. JT has also been aiming to transfer its beverage brands, which have enjoyed long-term support from consumers.

   In the Japanese beverage market, JB and JTA Groups have demonstrated high level of competitiveness. They have established solid presence as an independent operator through their high-quality beverage vending machine operation, paper cup machine and retail businesses.

SBF has been known for its strong presence in the Japanese beverage market, unique product line-up and marketing excellence. It therefore has the ability to leverage in the best possible way the high level of quality service and competitiveness fostered by JB and JTA Groups, as well as the brand value of "Roots" and "Momono Tennensui". In the light of that JT decided to conclude the basic agreement to transfer the shares and brands to SBF.

According to the agreement the companies will move forward with the required procedures. SBF has set out a basic policy to maintain JB and JTA Groups' existing businesses and current business relationships after the transfer. JB and JTA Groups will continue to strive for further business growth as part of SBF.

3. Overview of the subsidiaries subject to change

1) Overview of JB

1 Name	Japan Beverage Holdings Inc.		
2 Address	24-1, Nishi-shinjuku 1-chome, Shinjuku-ku, Tokyo		
3 Representative	President & CEO Kazuhisa Inoue		
4 Business	Planning and implementation of Group-wide strategy Sale of a variety of foods and beverages via vending machines		
5 Paid in capital	¥500 million (Number of shares outstanding: 32,846,487 shares)		
6 Foundation	July 1, 2010		
7 Major shareholder and holding ratio	Japan Tobacco Inc. (70.5%)		
8 Relationship with JT	Capital	JT holds 70.5% of the voting rights in JB	
	Personnel	Four of six JB's members of the Board are former JT's member of the Board, executive officer, current and former employees. One of four audit & supervisory board members is a former JT employee	
	Business	JT leases vending machines and sells beverage products to JB	
9 JB's operating results and financial position over the past three years (non-consolidated)			
Fiscal Year	FY2012	FY2013	FY2014*
Net assets	¥56,058 million	¥57,252 million	¥58,482 million
Total assets	¥88,291 million	¥91,337 million	¥93,904 million
Net assets per share	¥1,706.68	¥1,743.04	¥1,780.49
Net sales	¥160,376 million	¥159,317 million	¥120,445 million
Operating income	¥5,731 million	¥2,801 million	¥2,487 million
Ordinary income	¥5,530 million	¥2,650 million	¥2,267 million
Net income	¥3,343 million	¥1,598 million	¥1,435 million
Net income per share	¥101.80	¥48.66	¥43.70

*Due to change in accounting period, fiscal year ending December 31, 2014, was 9 months long

2) Overview of JTA

1 Name	JT A-Star Co., Ltd.		
2 Address	1-3, Chuo 1-chome, Chuo-ku, Chiba-shi, Chiba prefecture		
3 Representative	President & CEO Kazutomo Murata		
4 Business	Sales of food and beverages via vending machines		
5 Paid in capital	¥78 million (Number of shares outstanding:156,000 shares)		
6 Foundation	February 2, 1972		
7 Major shareholder and holding ratio	Japan Tobacco Inc. (100%)		
8 Relationship with JT	Capital	JT holds 100% of the voting rights in JTA	
	Personnel	Four out of five JTA's members of the Board are current or former JT employees. The member of audit & supervisory board is a former JT employee	
	Business	JT leases vending machines and sells beverage products to JTA	
9 JTA's operating results and financial position over the past three years (non-consolidated)			
Fiscal Year	FY2012	FY2013	FY2014*
Net assets	¥477 million	¥480 million	¥516 million
Total assets	¥2,370 million	¥2,345 million	¥2,400 million
Net assets per share	¥3,057.87	¥3,077.31	¥3,308.79
Net sales	¥5,973 million	¥6,021 million	¥4,433 million
Operating income	¥106 million	¥0 million	¥60 million
Ordinary income	¥102 million	¥15 million	¥60 million
Net income	¥54 million	¥3 million	¥36 million
Net income per share	¥347.93	¥19.44	¥231.48

*Due to change in accounting period, fiscal year ending December 31, 2014, was 9 months long

4. Overview of SBF

1 Name	Suntory Beverage & Food Limited	
2 Address	1-1, Kyobashi 3-chome, Chuo-ku, Tokyo	
3 Representative	President & CEO Nobuhiro Torii	
4 Business	Domestic and international food business	
5 Paid in capital	¥168,384 million	
6 Foundation	September 1, 2009	
7 Net assets	¥635,624 million (as of December, 2014)	
8 Total assets	¥1,389,096 million (as of December, 2014)	
9 Major shareholder and holding ratio	Suntory Holdings Limited (59.4%)	
10 Relationship with JT	Capital	No items to report
	Personnel	No items to report
	Business	No items to report
	Related party status	No items to report

5. Number of shares to be transferred and share ownership status before and after the transfer

1) JB shares

1 Number of shares held before change	23,163,294 shares (No. of voting rights 23,163) (Proportion of voting rights held: 70.5%)
2 Number of shares to be transferred	23,163,294 shares (No. of voting rights 23,163)
3 Number of shares held after change	0 shares (No. of voting rights 0) (Proportion of voting rights held: 0%)

2) JTA shares

1 Number of shares held before change	156,000 shares (No. of voting rights 156,000) (Proportion of voting rights held: 100%)
2 Number of shares to be transferred	156,000 shares (No. of voting rights 156,000)
3 Number of shares held after change	0 shares (No. of voting rights 0) (Proportion of voting rights held: 0%)

6. Schedule

1 Resolution of the Board of Directors	25 May, 2015
2 Date of basic agreement	25 May, 2015
3 Date of definitive agreement	July 2015 (planned)
4 Transfer date	The transfer date has been under discussion between the two parties, under the condition that there will be no preventing factors such as an issuance of cease and desist order after the business combination review of the deal by the Fair Trade Commission, as required by the Antimonopoly Act (scheduled for July 2015).

7. Impact on financial performance

Profit attributable to owners of the parent is expected to increase by approximately ¥100 billion.

JT's consolidated forecast for FY2015 is currently under examination.

8. Other

This transfer is to be executed, under the condition that there will be no preventing factors such as an issuance of cease and desist order after the business combination review of the deal by the Fair Trade Commission, as required by the Antimonopoly Act.

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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(*)).*

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