



**FOR IMMEDIATE RELEASE**

Tokyo, August 22, 2017

**JT Signs Agreement to Acquire  
Assets of Tobacco Company in the Philippines**

**Japan Tobacco Inc. (JT) (TSE: 2914)** announced today that the JT Group has signed agreements to acquire assets related to the tobacco business of Mighty Corporation (“MC”) for a total of PHP 46.8 billion (approximately USD 936 million). The assets include MC’s distribution network, manufacturing equipment, inventories and intellectual property. The transaction is expected to be completed in the third quarter of this year following regulatory clearances.

**1. Purpose for the Acquisition**

MC is the second largest tobacco company with a 23% share of market in the Philippines, the 10th largest tobacco market in the world. MC holds a leading position in the value segment, which accounts for more than 50% of the industry volume, with strong local brands such as “Mighty” and “Marvels”. Its established distribution network reaches outlets nationwide.

The JT Group has been in the market for an extended period of time and increasing its presence mainly driven by Winston, a sub-premium product, notably in the urban areas of the Philippines.

The transaction enables the JT Group to consolidate its business foundation through expanded distribution and a strengthened brand portfolio, providing the JT Group with more than a quarter of market share in a country with robust economic growth.

*“This transaction is another example of our geographic expansion for sustainable growth in the mid- to long-term. This major acquisition in South-East Asia adds to our recently announced full-scale entry into Indonesia, and will further enhance our business base in the region,”* said Mutsuo Iwai, Executive Vice President and President of the Tobacco Business.

*“I am confident that this acquisition will enable our continued expansion in the market and will allow us to leverage MC’s unique brands and their nationwide distribution network in the very near future,”* said Eddy Pirard, JTI’s President and CEO.

## 2. Overview of the deal

This deal is composed of following two agreements:

- Asset Purchase Agreement with MC for PHP 28.0 billion (approximately USD 560 million) ; and
- Intellectual Property Assignment Agreement mainly with MC and WONG CHU KING HOLDINGS INC. (WCKH) for PHP 18.8 billion (approximately USD 376 million).

*Note: In addition to the above, value added tax of PHP 5.8 billion (approximately USD 116 million) will be payable on the series of transactions.*

## 3. Overview of Asset Purchase Agreement

### (1) Scope of assets

The assets acquired from MC are:

- Sales and distribution network;
- Machinery and equipment related to the tobacco business; and
- Inventories including finished goods, semi-finished goods and raw materials.

### (2) Overview of MC's financial results

	Financial Performance year ended December 31, 2016
Gross Sales	PHP 18.8 billion (approximately USD 376 million)
Operating profit	PHP 0.6 billion (approximately USD 12 million)

*Note: Taken from financial statements provided by MC.*

### (3) Overview of MC's balance sheet (As of December 31, 2016)

Assets		Liabilities	
Items	Book Value	Items	Book Value
Current assets	PHP 11.9 billion (approximately USD 238 million)		
Non-current assets	PHP 3.0 billion (approximately USD 60 million)		
Total	PHP 14.8 billion (approximately USD 296 million)	Total	

*Note: Taken from financial statements provided by MC.*

#### (4) Overview of the counterparties to this agreement

##### Overview of MC

(1) Address	55 Mighty Road, Barangay Tikay, Malolos City, Bulacan, Philippines	
(2) Representative	Lt. Gen. Edilberto P. Adan, AFP, President	
(3) Business description	Cigarette manufacturing and sales company	
(4) Paid in capital	PHP 2.3 billion (approximately USD 46 million)	
(5) Year of foundation	1945	
(6) Net assets	PHP 2.3 billion (approximately USD 46 million)	
(7) Total assets	PHP 14.8 billion (approximately USD 296 million)	
(8) Major shareholder and holding ratio	Caesar D. Wongchuking 26% Alexander D. Wongchuking 23% Marietta W. Co Chien 21.5% Helen W. Chua 21.5% Nelia D. Wongchuking 5% Belen O. Wongchuking 2%	
(9) Relationship with JT	Capital	None
	Personnel	None
	Business	None
	Related party status	None

Note: Taken from financial statement provided by MC.

#### 4. Overview of Intellectual Property Assignment Agreement

##### (1) Overview of acquired intellectual property

Acquired intellectual properties includes tobacco trademarks and associated intellectual property owned mainly by MC and WCKH.

Item	Acquisition costs
Intellectual property for MC's business	PHP 18.8 billion (approximately USD 376 million)

##### (2) Overview of the counterparties to this agreement

##### Overview of WCKH

(1) Address	9109 La Campana corner Trabajo Streets, Barangay Olympia, Makati City, Philippines
(2) Representative	Nelia D. Wongchuking, President and Chairman of the Board
(3) Business description	An asset management company

(4) Paid in capital	PHP 0.1 billion (approximately USD 2 million)	
(5) Year of foundation	1988	
(6) Net assets	PHP 0.3 billion (approximately USD 6 million)	
(7) Total assets	PHP 1.1 billion (approximately USD 22 million)	
(8) Major shareholder and holding ratio	Caesar D. Wongchuking	26%
	Alexander D. Wongchuking	26%
	Marietta W. Co Chien	21.5%
	Helen W. Chua	21.5%
	Nelia D. Wongchuking	5%
(9) Relationship with JT	Capital	None
	Personnel	None
	Business	None
	Related party status	None

*Note: Taken from financial statement provided by WCKH.*

## 5. Schedule

(1) Resolution of the Board of Directors	August 21, 2017
(2) Agreement date	August 22, 2017
(3) Transfer date(planned)	The third quarter of fiscal year 2017

*Note: On August 21, JT BOD resolved to authorize JT International (JTI) to make a final decision for signing the agreement, which in turn decided and signed the agreement on August 22.*

## 6. Overview of account processing

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

## 7. Impact on Financial Performance

The transaction will be funded by the JT Group's existing cash and loan facilities, and will not have any material impact on the JT Group's consolidated performance for the fiscal year 2017.

**(Reference)**

**JT Group's Consolidated Financial Outlook for FY2017 (published on August 2, 2017)  
and Results for FY2016**

Units: Billions of Yen except where otherwise stated

	Revenue	Operating Profit	Profit attributable to owners of the parent	Basic Earnings per share (Unit: Yen)
FY2017 Forecast	2,125.0	565.0	402.0	224.46
FY2016 Results	2,143.3	593.3	421.7	235.47

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*Japan Tobacco Inc. is a leading international tobacco company. Its products are sold in over 120 countries and its globally recognized brands include Winston, Camel, Mevius, LD and Natural American Spirit. With diversified operations, JT is also actively present in pharmaceuticals and processed foods. The company's revenue was ¥2.143 trillion (US\$19,703 million<sup>(\*)</sup>) in the fiscal year ended December 31, 2016.*

*\*Translated at the rate of ¥108.78 per \$1*

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**Outline of the Philippines\***

- Population: Approximately 103.3 million  
(Annualized growth rate of 1.6% between 2013 - 16)
- Real GDP Growth: Approximately 6.8% (2016)

\* Source : IMF

**Tobacco market in the Philippines (2016)\***

- Market size: Approximately 80 billion sticks in 2016 (Duty Paid)
- Share of market: PMFTC 71.0%, MC 23.0%, JTI 4.2%, BAT 0.9%

\* Source: Nielsen