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## **FOR IMMEDIATE RELEASE**

### **JT Reports International Tobacco Business Results for January – June 2009**

**Tokyo, July 30, 2009** -- Japan Tobacco Inc. (JT) (TSE: 2914) today announced its international tobacco business results for the six-month period from January 1, 2009 to June 30, 2009.

#### **(1) International Tobacco Business' Top-Line Performance**

In the first half that ended June 30, 2009, the sales volume of Japan Tobacco International (JTI), JT's international tobacco business operations, decreased by 0.9 percent to 216.1 billion cigarettes<sup>1</sup> compared to the same period last year. Meanwhile, Global Flagship Brands (GFB<sup>2</sup>) continued to act as the key contributor to JTI's performance.

#### **Global Flagship Brands**

GFB sales volume increased 1.8 percent to 121.3 billion cigarettes in relation to the same period last year.

Total sales volume for Winston went down slightly by 0.5 percent, with growth in Turkey, Italy and France, which was offset by declines in the Philippines due to a planned change in business model, substantial rises in excise tax in Ukraine which triggered price increases, and an unstable business environment in the Near East.

Mild Seven's sales volume went up 3.2 percent with growth mainly in Korea. Camel sales volume decreased by 2.0 percent with a good performance in Italy being offset by decreases in Latin America and the Philippines. Total sales volume for LD grew by 22.1 percent, reflecting the state of the current economy, mainly due to solid performances in Russia, Ukraine, Poland and Turkey.

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<sup>1</sup> Total sales volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.

<sup>2</sup> Global Flagship Brands consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.



### **Net Sales Excluding Tax<sup>3</sup>**

Net sales excluding tax amounted to US\$ 4.552 billion, a decrease of 10.7 percent from the previous year. Net sales per thousand cigarettes,<sup>4</sup> excluding tax, amounted to US\$ 21.3, down 11.5 percent. Net sales excluding tax would have increased 9.1 percent and net sales per thousand cigarettes would have risen 8.1 percent, at constant rates of exchange, mainly driven by pricing.

### **(2) Sales Volume by Cluster<sup>5</sup>**

In a number of markets where JTI operates, total cigarette markets are contracting, up-trading is slowing, down-trading is accelerating and governments are increasing excise taxes. While total sales volume posted a decline, JTI recorded increases in its share of market<sup>6</sup> in most of its key markets and GFB sales in most of its Clusters.

In South and West Europe, JTI reported an increase in total sales volume of 0.4 percent with strong growth of Winston in Italy and France, and Camel momentum in Italy. JTI's share of market in Italy and France grew from 16.5 percent to 17.8 percent, and from 13.9 percent to 14.4 percent, respectively. As a result, GFB sales volume in South and West Europe increased by 2.4 percent from the same period last year.

In North and Central Europe, total sales volume increased by 6.5 percent mainly as a result of LD growth in Poland and Sterling in the United Kingdom. JTI's share of market in the United Kingdom remained practically unchanged at 38.7 percent from last year's 38.8 percent whereas the June 2009 average data is pointing to an increased market share for JTI. GFB sales volume grew 5.0 percent in North and Central Europe.

In the CIS+, total sales volume decreased by 1.8 percent. Strong performances were registered for LD and Glamour in Russia; up 2.4 percent. JTI saw its share of the Russian market grow from 35.2 percent to 36.3 percent. Sales volumes were severely impacted elsewhere in this Cluster with continued enforcement of sales policies in Ukraine, a significant tax increase in Romania and a market size reduction in Kazakhstan. Nevertheless, GFB sales volume in the CIS+ increased 3.7 percent.

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<sup>3</sup> Net sales excluding tax does not account for revenue from the distribution, private label, contract manufacturing and other peripheral businesses.

<sup>4</sup> Net sales per thousand cigarettes is based on total sales volume, which include cigars, pipe tobacco and snus, but exclude private label, contract manufacturing and joint ventures (whose revenues are not accounted for). Please note that the company has been including revenue from cigars, pipe tobacco and snus into its net sales figure, while sales volume for those products has been accounted for as of January 1, 2009.

<sup>5</sup> JTI divides international markets in which it operates into four distinct clusters: South and West Europe, North and Central Europe, CIS+, and the Rest of the World. Please note that these four clusters are specifically designed to provide insight into our business for guidance purposes only and do not reflect JTI's management structure.

<sup>6</sup> Source: AC Nielsen and JTI internal data on the 12 months' moving average basis



In the Rest of the World, total sales volume decreased by 2.7 percent with strong growth reported for Winston and LD in Turkey and Mild Seven in Korea. However, they were insufficient to compensate for a decrease in the Philippines where there was a planned change in business model, and unstable operating environment in parts of the Near East. JTI increased its share of market in Turkey and Taiwan from 15.7 percent to 18.0 percent and from 37.4 percent to 39.4 percent, respectively. GFB sales volume in the Rest of the World posted a decline of 2.2 percent.

### International Tobacco Business Results for January – June 2009

(April – June results for 2009 are preliminary)

	2008			2009		
	Jan-Mar	Apr-Jun	Total	Jan-Mar	Apr-Jun	Total
Total sales volume (billions of cigarettes)	102.4	115.6	218.0	100.9	115.1	216.1
GFB sales volume (billions of cigarettes)	55.6	63.5	119.2	57.1	64.2	121.3
Net sales excluding tax (millions of US\$)	2,421	2,675	5,096	2,148	2,404	4,552
Net sales per thousand cigarettes, excluding tax (US\$)	24.3	23.7	24.0	21.5	21.1	21.3

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*Japan Tobacco Inc. is one of the leading international manufacturers of tobacco products. The company manufactures internationally recognized cigarette brands including Winston, Camel, Mild Seven and Benson & Hedges. Since its privatization in 1985, JT has actively diversified its operations into pharmaceuticals and foods. The company's net sales were ¥6.832 trillion in the fiscal year ended March 31, 2009.*