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FOR IMMEDIATE RELEASE Tokyo, April 26, 2012

JTI reports another quarter of strong revenue and GFB volume growth

Japan Tobacco International (JTI) business results for January-March 2012

Highlights

- Total and GFB shipment volume[1] increased 4.7% and 9.5% respectively, driven by continuous GFB[2] momentum, favorable comparisons to the previous year in several markets, and a positive impact of the acquisition in Sudan[3].
- Core revenue[4] increased 11.6% driven by strong pricing and shipment volume growth.
- At constant rates of exchange, core revenue grew 15.4%, and core revenue per thousand cigarettes[5] increased 10.1% to US$28.8.
- Year-on-year market share[6] continued to grow in key markets, including Spain, Italy, France and Turkey.

January-March results for 2011 and 2012

	2011 Results Jan-Mar	2012 Results Jan-Mar	Net Change (%)
Total shipment volume (billions of cigarettes)	94.5	98.9	4.7
GFB shipment volume (billions of cigarettes)	55.8	61.1	9.5
Core revenue (millions of US$)	2,447	2,731	11.6
Core revenue per thousand cigarettes (US$)	26.1	27.8	6.5

[Reference]
January-March results for 2011 and 2012 at constant rates of exchange

	2011 Results Jan-Mar	2012 Results Jan-Mar	Net Change (%)
Core revenue (millions of US$)	2,447	2,824	15.4
Core revenue per thousand cigarettes (US$)	26.1	28.8	10.1

Shipment Volume by Cluster[7]

- **South and West Europe**: Total and GFB shipment volumes increased 13.0% and 14.0%, respectively, versus the same period last year, driven by growth in key markets, combined with market share gains and one-off favorable factors. In Spain, increased shipment volumes were driven by higher demand ahead of the April tax-driven price increase, as well as share of market gains. In Italy, shipment volume grew at double-digit rates driven by continued Winston momentum. In France, continued down-trading fueled Winston's performance while innovation benefited Camel volumes. Market share increased in Spain, Italy and France.

- **North and Central Europe**: Total and GFB shipment volumes grew 7.0% and 13.4%, respectively. In Poland, growth was driven by LD's momentum and the successful introduction of a Camel line extension. In the UK, total volume increase was driven by strong growth from Sterling and Amber Leaf. Market share grew in Poland.

- **CIS+**: Total and GFB shipment volumes increased 0.7% and 13.9%, respectively. In Russia, GFB volume grew 15.5% driven by Winston and LD momentum. In Ukraine, total and GFB shipments grew, driven by Winston.

- **Rest-of-the-World**: Total shipment volume increased 5.7% and GFB volume decreased 0.8%. Total shipment volume growth was driven by the acquisition of Haggar Cigarette & Tobacco Factory Ltd. in Sudan, combined with volume increase in the Philippines and Turkey. Market share increased in Turkey.

Global Flagship Brands (GFB)

- **Winston**: Shipment volume increased 12.0%, driven by up-trading and the strength of the super-slims category in Russia, as well as strong performance in Spain and Italy.

- **Camel**: Shipment volume increased 6.8% driven by Spain, Italy and the launch of an innovative offering in France.

- **Mild Seven**: Shipment volume decreased 12.0% due to an unfavorable comparison caused by trade inventory movements ahead of the April 2011 price increase in Taiwan. In Korea, volume was affected by price disadvantage. The volume decline was partially offset by a shipment volume increase in Malaysia.

- **LD**: Shipment volume increased 25.3%, driven by up-trading in Russia. Volume also increased in Poland and Kazakhstan as a result of continued momentum.

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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 cigarette brands include Winston, Camel, Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals and foods. The company's revenue was ¥2.034 trillion (US$24,745 million(*)) in the fiscal year ended March 31, 2012.

**Translated at the rate of ¥82.19 per $1, as of March 30, 2012*

Footnotes:

[1] Total shipment volume includes cigars, pipe tobacco and snus, but excludes contract manufactured products.

[2] Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.

[3] JT has completed the acquisition of Haggar Cigarette & Tobacco Factory Ltd. (North Sudan) and Haggar Cigarette & Tobacco Factory Ltd. (South Sudan) (collectively, HCTF) at the end of November, 2011.

[4] Core revenue (which was previously designated "core net sales") does not include revenue from distribution, contract manufacturing and other peripheral businesses.

[5] Core revenue per thousand cigarettes is based on total shipment volume as defined in footnote 1, excluding shipment volume of joint ventures, and core revenue as defined in footnote 3.

[6] Source: AC Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average, March 2012.

[7] JT divides its international markets into four distinct clusters: South and West Europe, North and Central Europe, CIS+, and 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.

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