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**JTI Achieves 10% Increase in Adjusted Net Sales
and Share Growth in Most Key Markets**

Japan Tobacco International (JTI) business results for January – March 2010

Highlights

- Adjusted net sales excluding tax¹ increased by 10.4% to US\$2,372 million (2009:US\$2,148 million) driven by strong pricing in Russia, the United Kingdom and Turkey, as well as favorable currency exchange movements. At constant rates of exchange, adjusted net sales excluding tax increased 1.8% to US\$ 2,185 million.
- Market share² continued to grow in most key markets including Russia, Italy, France and Turkey due to JTI's well balanced portfolio.
- Total sales volume³ and GFB⁴ sales volume decreased by 6.8% to 94.1 billion cigarettes and 4.4% to 54.6 billion cigarettes respectively. The contraction of industry volumes in many markets resulted from higher unemployment and steep excise increases. The unstable operating environment in Iran since mid- 2009 also led to lower volumes.
- Adjusted net sales per thousand cigarettes excluding tax⁵ increased by 18.6% to US\$25.5. At constant rates of exchange, adjusted net sales per thousand cigarettes, excluding tax, increased by 9.2% to US\$23.5.

January-March results for 2009 & 2010

(January-March results for 2010 are preliminary)

	2009 Results Jan-Mar	2010 Results Jan-March	Net Change (%)
Total sales volume (billions of cigarettes)	100.9	94.1	-6.8
GFB sales volume (billions of cigarettes)	57.1	54.6	-4.4
Adjusted net sales, excluding tax (millions of US\$)	2,148	2,372	10.4
Adjusted net sales per thousand cigarettes, excluding tax (US\$)	21.5	25.5	18.6

¹Adjusted net sales excluding tax do not include revenue from the distribution, private label, contract manufacturing and other peripheral businesses.

²Source: AC Nielsen, Core EPOS and JTI internal data on a 12-month rolling average, March 2010.

³Total sales volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.

⁴Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.

⁵Adjusted net sales per thousand cigarettes are based on total sales volume and revenue, including cigars, pipe tobacco and snus, but excluding private label, contract manufacturing and joint ventures.



Sales Volume by Cluster⁶

- **South and West Europe:** Total sales volume decreased 9.2% as a result of higher inventory in the same quarter last year and market contractions in Spain and Italy. Excluding these two markets total sales volume in this geographic cluster increased, driven by strong performance from Winston and Camel in France. Market share increased in Italy, France, Greece, Switzerland and the Netherlands.
- **North and Central Europe:** Total sales volume increased 6.9% with the continued growth of Sterling in the United Kingdom and LD in Poland. GFB sales volume increased 16.2%. Market share grew in the United Kingdom, Ireland, Sweden, Germany and Poland.
- **CIS+:** Total sales volume decreased 9.7% with significant market contraction in Russia since the second half of 2009 (-11% versus the same quarter last year). In Romania and Ukraine, sales volume decreased with severe market contraction resulting from excise-led price increases and the recession. GFB sales volume declined 5.3%. Market share increased in Russia, from 36.1% to 36.8%, and Kazakhstan.
- **Rest of the World:** Total sales volume decreased 5.9%, due to the unstable operating environment in Iran since the second half of 2009 impacting growth elsewhere in this cluster including Canada and the Philippines. GFB sales volume declined 4.5%. Market share grew in Turkey, Malaysia, Korea and Canada.

Global Flagship Brands (GFB)

- **Winston:** Sales volume increased in the Middle East, the Philippines and France, but did not compensate for declines in Russia, Iran, Spain and Turkey. Overall sales volume decreased 6.5%.
- **Camel:** Continued volume growth in Turkey and Ukraine was counteracted by declines in Italy and Spain. Overall sales volume decreased 4.7%.
- **Mild Seven:** Growth in Korea continued but could not offset a decline in Taiwan. Overall sales volume decreased 9.3%.
- **LD:** While sales volume increased in Poland and Ukraine, reflecting LD's Mid/Value positioning, in Russia volume decreased due to market contraction. Overall sales volume grew 9.2%.

⁶JT divides its international markets 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.



[Reference]

January-March results for 2009 and 2010 at constant rates of exchange

(January-March results for 2010 are preliminary)

	2009 Results Jan-Mar	2010 Results Jan-March	Net Change (%)
Adjusted net sales, excluding tax (millions of US\$)	2,148	2,185	1.8
Adjusted net sales per thousand cigarettes, excluding tax (US\$)	21.5	23.5	9.2

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Japan Tobacco Inc. is a leading international tobacco product company. It markets internationally recognized cigarette brands including Winston, Camel, Mild Seven and Benson & Hedges. With diversified operations, JT is actively present in pharmaceuticals and foods. The company's net sales were ¥6.134 trillion in the fiscal year ended March 31, 2010.

Contacts: Hideyuki Yamamoto, General Manager
Yuka Kin, Manager
Media and Investor Relations Division
Japan Tobacco Inc.
Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com