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JTI continues to report solid revenue and GFB growth
Market share increases in all key markets

Japan Tobacco International (JTI) business results for July-September and January-September 2011

Highlights

July-September 2011

- Core net sales[1] grew 19.3% driven by strong pricing and GFB[2] shipment volume growth.
- At constant rates of exchange, both core net sales and core net sales per thousand cigarettes[3] increased 12.5%.
- GFB shipment volume grew 5.8% driven by Russia, the Middle East, Italy and Poland.

January-September 2011

- Core net sales increased 12.8% driven by strong pricing and GFB shipment volume growth.
- At constant rates of exchange, core net sales grew 8.4% and core net sales per thousand cigarettes increased 8.3%.
- GFB shipment volume growth accelerated to 4.1% driven by Russia, the Middle East, Italy and Turkey.

Year-on-year market share[4] grew in all key markets, namely Turkey, Italy, Taiwan, France, Russia, Spain and the UK.

January-September results for 2010 and 2011[5]

	2010 Results				2011 Results			
	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
Total shipment volume (billions of cigarettes)	94.1	110.7	114.8	319.5	94.5 (+0.5%)	110.4 (-0.2%)	114.7 (-0.0%)	319.6 (+0.0%)
GFB shipment volume (billions of cigarettes)	54.6	63.7	66.7	185.1	55.8 (+2.1%)	66.2 (+4.0%)	70.6 (+5.8%)	192.7 (+4.1%)
Core net sales (millions of US$)	2,343	2,571	2,593	7,507	2,447 (+4.4%)	2,925 (+13.8%)	3,094 (+19.3%)	8,466 (+12.8%)
Core net sales per thousand cigarettes (US$)	25.2	23.4	22.8	23.7	26.1 (+3.9%)	26.7 (+14.0%)	27.2 (+19.3%)	26.7 (+12.7%)

( ) Net change in comparison to the same period in 2010

January-September results for 2010 and 2011 at constant rates of exchange

	2010 Results				2011 Results			
	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
Core net sales (millions of US$)	2,343	2,571	2,593	7,507	2,495 (+6.5%)	2,725 (+6.0%)	2,916 (+12.5%)	8,136 (+8.4%)
Core net sales per thousand cigarettes (US$)	25.2	23.4	22.8	23.7	26.7 (+6.0%)	24.9 (+6.2%)	25.6 (+12.5%)	25.7 (+8.3%)

( ) Net change in comparison to the same period in 2010

Shipment Volume by Cluster[6]: July-September 2011

- **South and West Europe**: GFB shipment volume continued to grow 2.4% while total shipment volume[7] increased 1.5% as a result of momentum in Italy being partly offset by continued industry contraction in Spain. Market share[4] increased in Italy, France and Spain.

- **North and Central Europe**: GFB shipment volume growth accelerated to 9.3% driven by strong performance in Poland while total shipment volume increased 4.2%. This was supported by a favorable comparison resulting from trade inventory adjustments in 2010 in the UK. Market share grew in Poland and the UK.

- **CIS+**: GFB shipment volume showed a strong increase of 5.6%, predominantly driven by Russia, while total shipment volume declined 4.4%. The GFB increase could not offset the decline in low-end local brands in Russia and continued industry contraction in Ukraine. Market share increased in Russia.

- **Rest-of-the-World**: GFB shipment volume growth accelerated to 8.0% and total shipment volume increased 6.0% driven by growth in the Middle East. Market share grew in Turkey, Taiwan and Malaysia.

Global Flagship Brands (GFB): July-September 2011

- **Winston**: Shipment volume growth accelerated to 10.1% as a result of momentum in the Middle East, Russia, Italy and Turkey.

- **Camel**: Shipment volume declined 2.0% due to market down-trading in South and Western Europe.

- **Mild Seven**: Shipment volume declined 5.2% due to temporary loss of competitive pricing in Korea.

- **LD**: Shipment volume increased 14.6% with momentum in Russia and Poland.

Nine-month Performance: January-September 2011

- Core net sales increased 12.8% to US$8,466 million driven by pricing, GFB shipment volume growth and favorable currency exchange movements. At constant rates of exchange, core net sales increased by 8.4%.

- GFB shipment growth accelerated to 4.1% driven by Russia, the Middle East, Italy and Turkey. Total shipment volume remained stable at 319.6 billion cigarettes. Growth momentum in the Middle East, Italy, Romania and Taiwan was offset by lower shipments in Ukraine, Spain and Greece due to industry contraction. In Russia, GFB volumes kept growing while low-end local brands declined.

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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 adjusted net sales(*) were ¥1.946 trillion (US$23,415 million(**)) in the fiscal year ended March 31, 2011.

** Adjusted net sales on a consolidated basis do not include excise tax and revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses in the Japanese domestic tobacco business. Nor does it include excise tax and revenue from distribution, contract manufacturing and other peripheral businesses in the international tobacco business.*

***Translated at the rate of ¥83.15 per $1, as of March 31, 2011*

Footnotes:

[1] Core net sales do not include excise tax and revenue from distribution, contract manufacturing and other peripheral businesses.
[2] Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.
[3] Core net sales per thousand cigarettes are based on total shipment volume as defined in footnote 7 excluding shipment volume of joint ventures, and core net sales as defined in footnote 1.
[4] Source: AC Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average, September 2011.
[5] Beginning with its fiscal year ending December 31, 2011, JTI has adopted the International Financial Reporting Standards (IFRS), replacing U.S.GAAP. Accordingly, 2010 core net sales have been restated to conform to current year presentation, with no impact on gross margin.
[6] 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.
[7] Total shipment volume includes cigars, pipe tobacco and snus, excluding contract manufactured products.

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