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Shipment volume improves
Market share growth continues in most key markets

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

Highlights

- The total shipment volume[1] and GFB[2] shipment volume increased by 4.8% and 9.4%, respectively in the period July-September. These strong quarterly increases resulted from growth and prior year trade inventory adjustments in the Middle East and Turkey, improved shipment volume in Russia and continued growth in Italy and France.
- Market share[3] continued to grow in most key markets including Turkey, Italy, France and Russia.
- Core net sales excluding tax[4] grew by 5.8% in July-September, primarily driven by pricing and volume increases. At constant rates of exchange, core net sales excluding tax increased by 8.9%.
- Core net sales per thousand cigarettes excluding tax[5] was US$23.0 in July-September. At constant rates of exchange, core net sales per thousand cigarettes excluding tax increased by 3.9% during the same period.

January-September results for 2009 & 2010

(July-September results for 2010 are preliminary)

	2009 Results				2010 Results			
	Jan-Mar	Apr-June	Jul-Sep	Jan-Sep	Jan-Mar	Apr-June	Jul-Sep	Jan-Sep
Total shipment volume (billions of cigarettes)	100.9	115.1	109.6	325.6	94.1 (-6.8%)	110.7 (-3.9%)	114.8 (+4.8%)	319.5 (-1.9%)
GFB shipment volume (billions of cigarettes)	57.1	64.2	61.0	182.4	54.6 (-4.4%)	63.7 (-0.9%)	66.7 (+9.4%)	185.1 (+1.5%)
Core net sales, excluding tax (millions of US$)	2,148	2,404	2,476	7,028	2,372 (+10.4%)	2,598 (+8.1%)	2,621 (+5.8%)	7,591 (+8.0%)
Core net sales per thousand cigarettes, excluding tax (US$)	21.5	21.1	22.8	21.8	25.5 (+18.6%)	23.7 (+12.4%)	23.0 (+1.0%)	24.0 (+10.1%)

( ): Net change in comparison to the same period in 2009

[1]Total shipment volume (which was previously designated “sales volume”) includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.
[2]Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.
[3]Source: AC Nielsen, Core EPOS and JTI internal data on a 12-month rolling average, September 2010.
[4]Core net sales excluding tax (which were previously designated “adjusted net sales excluding tax “) do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.
[5]Core net sales per thousand cigarettes are based on total shipment volume as defined in footnote 1 excluding shipment volume of joint ventures, and core net sales as defined in footnote 4.

Shipment Volume by Cluster[6]

- **South and West Europe**: Total shipment volume improved 2.3% in July-September (Jan-Sep 2010: -3.4%) compared to the same period last year. A reduction in shipment volume in Greece due to industry contraction was more than offset by strong growth in Italy and France. GFB volume increased by 4.0% during the same period (Jan-Sep 2010: -2.0%). Market share increased in all key markets i.e. Italy, France and Spain.

- **North and Central Europe**: Total shipment volume remained flat at -0.5% in July-September (Jan-Sep 2010: 3.3%). Whilst shipment volume increased in Sweden, higher trade inventories in the United Kingdom offset our brands' growth momentum there. GFB volume increased 4.5% in July-September (Jan-Sep 2010: 10.3%).

- **CIS+**: Total shipment volume increased 0.8% in July-September (Jan-Sep 2010: -5.1%) due to volume improvement in Russia which offset industry contraction in Romania and lower shipment volume in Ukraine due to excise increases and industry contraction. GFB volume also increased 6.9% during the same period (Jan-Sep 2010: -1.0%). Market share grew in Russia from 36.5% to 37.0%.

- **Rest-of-the-World**: Total shipment volume increased 18.6% in July-September (Jan-Sep 2010: 3.2%). Volume increased as a result of growth and prior year trade inventory adjustments in the Middle East, Turkey and Taiwan. GFB volume increased 21.7% during the same period (Jan-Sep 2010: 5.9%). Market share increased in Turkey and Korea.

Global Flagship Brands (GFB)

- **Winston**: Shipment volume increased 12.4% in July-September (Jan-Sep 2010: 1.7%). Increases in Russia, the Middle East, Turkey and Italy largely compensated for declines in other markets.

- **Camel:** Shipment volume increased 5.3% in July-September (Jan-Sep 2010: 0.8%) with continued volume growth in Turkey and France.

- **Mild Seven**: Shipment volume increased 16.8% in July-September driven by growth in Korea and prior year trade inventory adjustment in Taiwan (Jan-Sep 2010: 4.1%).

- **LD**: Shipment volume increased 10.8% in July-September (Jan-Sep 2010: 5.8%). The increase is due to recovery in Russia and new product launches in Ukraine and Turkey.

Nine months Performance

- Core net sales excluding tax increased by 8.0% to US$7,591 million in January-September (Jan-Sep 2009: US$7,028 million), driven by pricing as well as favorable currency exchange movements. At constant rates of exchange, core net sales excluding tax increased 5.6% to US$7,423 million.

- Total shipment volume decreased by 1.9% to 319.5 billion cigarettes in January-September compared to the same period in the previous year due to industry contraction in Russia, Ukraine, Romania and Spain. The Spanish market was also affected by an inventory adjustment in the prior year. However, GFB shipment volume grew 1.5% to 185.1 billion cigarettes largely due to increases in Middle East, Turkey, Poland, France and Korea.

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[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.

[Reference]
January-September results for 2009 and 2010 at constant rates of exchange

(July-September results for 2010 are preliminary)

	2009 Results				2010 Results			
	Jan-Mar	Apr-June	Jul-Sep	Jan-Sep	Jan-Mar	Apr-June	Jul-Sep	Jan-Sep
Core net sales, excluding tax (millions of US$)	2,148	2,404	2,476	7,028	2,185 (+1.8%)	2,541 (+5.7%)	2,697 (+8.9%)	7,423 (+5.6%)
Core net sales per thousand cigarettes, excluding tax (US$)	21.5	21.1	22.8	21.8	23.5 (+9.2%)	23.2 (+10.0%)	23.7 (+3.9%)	23.4 (+7.6%)

( ) :Net change in comparison to the same period in 2009

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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 excluding tax were ¥1.980 trillion (US$21.3 billion) in the fiscal year ended March 31, 2010.*

**Translated at the rate of ¥93.04 per $1, as of March 31, 2010*

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