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**Market share increases in most key markets
Pricing drives revenue growth in spite of industry contraction**
*Japan Tobacco International (JTI) business results for
April-June and January-June 2013*

Highlights (*change versus prior year*)

April-June 2013

- Core revenue, at constant rates of exchange¹, grew 5.8% driven by strong price/mix, compensating for the volume decline.
- Core revenue grew 3.8%, on a reported basis.
- GFB shipment volume remained flat underpinned by growth in Russia, in the Caucasus markets, Kazakhstan and a number of markets in the North & Central Europe cluster while industry contraction in many markets continued. Total shipment volume declined 3.9% despite market share gains in several markets and fine cut growth of 24.6%.

January-June 2013

- Core revenue, at constant rates of exchange, grew 4.1% driven by strong price/mix.
- Core revenue increased 2.0%, on a reported basis.
- Total and GFB shipment volume declined 5.1% and 2.3% respectively. This was mainly due to continued industry contraction across a number of key markets and one-off trade inventory adjustments in the first quarter.

Year-on-year market share² continued to grow in most key markets including France, Italy, Spain, Taiwan, Turkey, and the UK. In Russia, share of value³ continued to grow.

Results: January-June 2013

	2012 Results			2013 Results		
	Jan-Mar	Apr-Jun	Jan-Jun	Jan-Mar	Apr-Jun	Jan-Jun
Total shipment volume (billions of cigarettes)	98.9	113.5	212.4	92.6 (-6.4%)	109.0 (-3.9%)	201.6 (-5.1%)
GFB shipment volume (billions of cigarettes)	61.1	69.7	130.8	58.4 (-4.5%)	69.5 (-0.3%)	127.9 (-2.3%)
Core Revenue (millions of US\$)	2,731	2,997	5,728	2,729 (-0.1%)	3,112 (+3.8%)	5,840 (+2.0%)
[Reference] Core Revenue at constant rates of exchange (millions of US\$)	2,678	2,958	5,636	2,734 (+2.1%)	3,131 (+5.8%)	5,865 (+4.1%)

() Net change in comparison to the same period in 2012

April-June 2013

- Core revenue at constant rates of exchange grew US\$172 million (or +5.8%), driven by US\$267 million (or +9.0%) in price/mix improvement, more than compensating for an unfavorable volume contribution of US\$95 million (or -3.2%).

January-June 2013

- Core revenue at constant rates of exchange grew US\$228 million (or +4.1%), driven by US\$474 million (or +8.4%) in price/mix improvement, more than compensating for an unfavorable volume contribution of US\$246 million (or -4.4%).

Cluster performance: April-June 2013

- **South and West Europe:** Total and GFB shipment volume decreased 3.4% and 8.6%, respectively, despite strong fine cut performance. This decline was driven by industry contraction, especially in France, Italy and Spain. Market share grew in France, Italy and Spain.
- **North and Central Europe:** Total and GFB shipment volume increased 1.5% and 5.2%, respectively, driven by strong GFB performance in Czech Republic, Germany, Hungary and Sweden, offsetting the volume decline in the UK due to industry contraction. Market share grew in Germany, Ireland, Poland and the UK.
- **CIS+:** GFB shipment volume grew 3.3% moderating the total shipment volume decline to 5.7%. GFB momentum continued in Russia, the Caucasus markets and Kazakhstan. In Russia, GFBs continued to gain market share and GFB shipment volume grew 2.4% leading to increased share of value. Total shipment volume in Russia decreased 7.9% mainly due to industry contraction estimated at 7.6% following significant tax increases, as well as the volume decline of our mid-price and local low-end brands.
- **Rest-of-the-World:** Total shipment and GFB volume declined 3.2% and 2.4%, respectively. Despite on-going political instability in the Middle East and general economic conditions, our underlying business fundamentals in this cluster remain positive. The volume decline was partially offset by positive performance in Malaysia, Sudan and Taiwan. Market share grew in Korea, Taiwan and Turkey.

Global Flagship Brands (GFB): April-June 2013

- **Winston:** Shipment volume increased 3.6% driven by strong momentum in the Caucasus, other CIS+ markets, Russia, and Taiwan.
- **Camel:** Shipment volume declined 3.7% due to industry contraction and down-trading notably in France, Italy and Spain, partially offset by growth in the Caucasus markets, Czech Republic and Russia.
- **Mevius/Mild Seven:** Shipment volume declined 5.4% mainly due to down-trading in the premium-price segment in Taiwan and industry contraction in Korea.
- **LD:** Shipment volume decreased 4.2% caused by industry contraction in Russia. This could not be offset by volume growth in Czech Republic, Hungary, Kazakhstan and the Ukraine.

Six-month Performance: January-June 2013

- At constant rates of exchange, core revenue grew 4.1% to US\$5,865 million, driven by US\$474 million (or +8.4%) in price/mix improvement, more than compensating for an unfavorable volume contribution of US\$246 million (or -4.4%). Core revenue increased 2.0% to US\$5,840 million, on a reported basis.
- GFB shipment volume decreased 2.3% to 127.9 billion cigarettes, as growth in the Caucasus markets, Czech Republic, Hungary, Kazakhstan, Russia, Turkey and other CIS+ markets could not fully offset industry contraction affecting other markets.
- Total shipment volume declined 5.1% to 201.6 billion cigarettes caused by industry contraction, trade inventory adjustments and unfavorable comparisons to the previous year in several markets.

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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 brands include Winston, Camel, Mevius/Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.120 trillion (US\$22,543 million()) in the fiscal year ended March 31, 2013.*

**Translated at the rate of ¥94.05 per \$1, as of March 29, 2013*

Notes:

- ¹ Constant currency measures are computed by restating current year results at the previous year's foreign currency exchange rates. In 2013, market results/forecast, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported basis and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.
- ² Source: Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average for cigarettes and fine cut at the end of June 2013.
- ³ Source: Nielsen estimates on a 12-month rolling average for cigarettes at the end of June 2013.

Additional definitions are provided at <http://www.jt.com/investors/media/definitions/index.html>.

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