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GFB and total shipments grow in challenging environment
Market share increases in key markets

Japan Tobacco International (JTI) business results for July-September and January-September 2012

Highlights

July-September 2012 *(net change versus prior year)*

- GFB[1] shipment volume grew 1.4% driven by Russia, Kazakhstan and other CIS+ markets, as well as Turkey, in spite of the challenging business environment, notably in Western Europe, affecting industry volume.
- Total shipment volume[2] grew 0.7% including the effect of the acquisitions of HCTF[3] and Gryson[4].
- GFB shipment volume growth and strong pricing resulted in 1.0% increase in core revenue.
- At constant rates of exchange, core revenue[5] grew 9.8% and core revenue per thousand cigarettes[6] increased 9.0%.

January-September 2012 *(net change versus prior year)*

- Total shipment volume grew across all clusters amid a challenging business environment, driven by GFB growth and acquisitions. In European countries, our total shipment volume grew 1.2%. GFB shipment volume grew 5.1% driven by Russia, Turkey, Kazakhstan and other CIS+ markets.
- Core revenue increased 4.6%, driven by strong pricing and volume growth.
- At constant rates of exchange, core revenue grew 12.1% and core revenue per thousand cigarettes increased 9.2%.

Year-on-year market share[7] grew in the key markets of Turkey, Spain, Italy, France and Taiwan.

January-September results for 2011 and 2012

	2011 Results				**2012 Results**			
	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
Total shipment volume (billions of cigarettes)	94.5	110.4	114.7	319.6	98.9 (+4.7%)	113.5 (+2.8%)	115.5 (+0.7%)	327.9 (+2.6%)
GFB shipment volume (billions of cigarettes)	55.8	66.2	70.6	192.7	61.1 (+9.5%)	69.7 (+5.2%)	71.6 (+1.4%)	202.5 (+5.1%)
Core Revenue (millions of US$)	2,447	2,925	3,094	8,466	2,731 (+11.6%)	2,997 (+2.5%)	3,125 (+1.0%)	8,853 (+4.6%)
Core Revenue per thousand cigarettes (US$)	26.1	26.7	27.2	26.7	27.8 (+6.5%)	26.6 (-0.4%)	27.2 (+0.2%)	27.2 (+1.8%)

( ) Net change in comparison to the same period in 2011

[Reference]

January-September results for 2011 and 2012 at constant rates of exchange

	2011 Results				**2012 Results**			
	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
Core Revenue (millions of US$)	2,447	2,925	3,094	8,466	2,824 (+15.4%)	3,269 (+11.8%)	3,397 (+9.8%)	9,491 (+12.1%)
Core Revenue per thousand cigarettes (US$)	26.1	26.7	27.2	26.7	28.8 (+10.1%)	29.0 (+8.6%)	29.6 (+9.0%)	29.2 (+9.2%)

( ) Net change in comparison to the same period in 2011

Shipment Volume by Cluster[8]: July-September 2012

- **South and West Europe**: Total shipment volume and GFB shipment volume decreased 4.8% and 4.9% respectively due to ongoing industry contraction and an unfavorable economic environment in Italy and Spain. However, market share gains were made in Spain, Italy, France and Greece.

- **North and Central Europe**: Total shipment volume increased 0.5% driven by GFB growth in most markets. GFB shipment volume increased 1.6%, notably in Poland, Sweden and Austria. Market share grew in Poland and Germany.

- **CIS+**: Total shipment volume decreased 2.8% mainly due to decline of low-end local brands in Russia. This was partially offset by 6.5% GFB shipment volume growth in Russia and other CIS+ markets such as the Caucasus and Uzbekistan. In Russia our share of value[9] and GFB market share grew driven by continued momentum. Overall year-on-year market share decreased.

- **Rest-of-the-World**: Total shipment volume increased 8.4% largely driven by the acquisition of HCTF whereas, on an organic basis, volume grew 3.9%. GFB shipment volume decreased 2.2% amid the on-going political instability in the Middle East. In Turkey and Taiwan, GFB volume and market share grew.

Global Flagship Brands (GFB): July-September 2012

- **Winston**: Shipment volume increased 1.8% driven by momentum in Russia and Turkey largely compensating for a decline in the Middle East.

- **Camel**: Shipment volume decreased 3.4% due to the industry contraction and an unfavorable economic environment in Italy and Spain.

- **Mild Seven**: Shipment volume increased 5.2% driven by volume recovery after the May 2011 price increase in Korea.

- **LD**: Shipment volume increased 6.9% driven by momentum in Turkey, the Caucasus and Kazakhstan.

9-month Performance

- Core revenue on a reported basis increased 4.6% to US$ 8,853 million, driven by strong pricing and GFB shipment volume growth. At constant rates of exchange, core revenue increased 12.1%.
- Core revenue per thousand cigarettes increased 1.8%. At constant rates of exchange, the increase was 9.2%.
- GFB shipment volume grew 5.1% to 202.5 billion cigarettes, driven by Russia, Turkey, Kazakhstan, Poland and other CIS+ markets in spite of the challenging business environment. Total shipment volume grew 2.6% to 327.9 billion cigarettes, driven by GFB momentum and the acquisitions of HCTF and Gryson. Excluding acquisitions, total shipment volume grew 1.2% to 323.4 billion cigarettes.

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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*

Notes:

[1] Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.
[2] Total shipment volume includes cigars, pipe tobacco and snus but excludes contract manufactured products.
[3] JT completed the acquisition of Haggar Cigarette & Tobacco Factory Ltd. (North Sudan) and Haggar Cigarette & Tobacco Factory Ltd. (South Sudan) at the end of November, 2011.
[4] JT completed the acquisition of Gryson NV on August 14th, 2012.
[5] Core revenue (which was previously designated "core net sales") does not include revenue from distribution, contract manufacturing and other peripheral businesses.
[6] Core revenue per thousand cigarettes is based on total shipment volume as defined in note 2, excluding shipment volume of joint ventures, and core revenue as defined in note 5.
[7] Source: Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average at the end of September 2012, except for Germany, which is on a 12-month rolling average at the end of August 2012.
[8] 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.
[9] Share of value represents our share of the total retail value of the market. Total retail value of the market is computed by multiplying volume and retail sales price. Source: Nielsen.

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