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FOR IMMEDIATE RELEASE

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Japan Tobacco International (JTI)
Results for the quarter ended June 30, 2014

Pricing continues to drive earnings growth

(billions of units, millions of US\$)	Apr-Jun		Change vs. prior year	Jan-Jun		Change vs. prior year
	2014	2013		2014	2013	
Total shipment volume¹	102.9	109.3	-5.8%	190.6	202.0	-5.6%
GFB shipment volume¹	67.7	69.6	-2.8%	123.0	128.1	-4.0%
Core revenue	3,115	3,112	0.1%	5,876	5,840	0.6%
Core revenue at constant FX	3,215	3,112	3.3%	6,083	5,840	4.2%
Adjusted operating profit	1,124	1,103	2.0%	2,147	2,079	3.3%
Adjusted operating profit at constant FX	1,206	1,103	9.4%	2,323	2,079	11.7%

Highlights

3 months quarter-to-date 2014 (April-June)

- Core revenue grew 0.1%, due to strong price/mix, compensating for the volume decline.
- At constant FX, core revenue increased by 3.3%, resulting in 9.4% growth in adjusted operating profit.
- Despite improved shipment volume in France, Italy, Spain and Turkey, total and GFB shipment volumes declined 5.8% and 2.8%, respectively, due to industry contraction, primarily in Russia. Fine cut volume grew 15.7%, driven by our GFB growing 43.5%.
- Year-on-year market share² increased in the key markets of France, Spain, Turkey and the UK. In Russia, share of value³ was stable and GFB share of market continued to increase.

6 months year-to-date 2014 (January-June)

- Core revenue grew 0.6%, driven by strong price/mix, compensating for the volume decline.
- At constant FX, core revenue grew 4.2%, resulting in 11.7% growth in adjusted operating profit.
- Total and GFB shipment volumes declined 5.6% and 4.0%, respectively, due to industry contraction in France, Russia and Spain, as well as trade inventory adjustments in the first quarter and intense price competition in Turkey's value segment. Fine cut volume grew 13.1%, driven by our GFB growing 38.8%.

Performance review

3 months quarter-to-date 2014 (April-June)

Core revenue at constant FX grew US\$104 million (+3.3%) to US\$3,215 million, driven by US\$242 million in price/mix improvement, partially offset by volume decline.

Adjusted operating profit at constant FX increased US\$103 million (+9.4%) to US\$1,206 million, driven by US\$236 million in price/mix improvement.

On a reported basis, core revenue increased 0.1% to US\$3,115 million and adjusted operating profit grew 2.0% to US\$1,124 million.

Total shipment volume

Due to continued industry contraction, particularly in Russia, total shipment volume declined 5.8% to 102.9 billion cigarette equivalent units. Shipment volume growth in the Benelux, the Caucasus markets, France, Germany, Italy, Spain and Turkey was offset by declines in Greece, Kazakhstan, Russia, Taiwan and Ukraine. Fine cut shipment volume increased 15.7%, mainly driven by growth in the Benelux, France, Germany, Hungary, Italy, Poland, Spain and the UK.

(billions of units) Cluster	Apr-Jun		Change
	2014	2013	vs. prior year
South & West Europe	16.0	15.4	4.0%
North & Central Europe	13.0	12.5	4.2%
CIS+	43.2	50.7	-14.7%
Rest-of-the-World	30.7	30.7	-0.2%
Total JTI	102.9	109.3	-5.8%

GFB shipment volume

Despite improving trends in most European markets this quarter, GFB shipment volume decreased 2.8% to 67.7 billion cigarette equivalent units, primarily due to the industry contraction and intense competitive pricing in Russia. GFB fine cut volume grew 43.5%, driven by Winston, Camel and LD in the Benelux, France, Germany, Hungary, Italy, Poland and Spain. Overall GFB volume represented 65.8% of the total shipment volume.

Winston: Shipment volume declined 9.5% to 34.1 billion cigarette equivalent units. Positive momentum in the Benelux, the Caucasus markets, Germany, Romania, Spain, South East Asia and Taiwan could not compensate for the industry contraction in Russia, trade inventory adjustments in the Middle East and Africa and the intense price competition in Turkey's popular segment. Fine cut shipment volume grew 43.4% within our two European clusters.

Camel: Growth in the Benelux, France, Germany, Italy, Spain and Turkey resulted in a 17.7% shipment volume increase to 11.8 billion cigarette equivalent units. Fine cut shipment volume grew 26.1% within our two European clusters.

Mevius: Shipment volume decreased 3.7% to 4.4 billion cigarette equivalent units mainly due to continued price disadvantage in Taiwan.

LD: Despite positive performance in Canada, Hungary, Poland, Sweden and Ukraine, shipment volume declined 1.7% to 11.3 billion cigarette equivalent units, mainly driven by industry contraction and competitive pressure in Russia.

Cluster results

South and West Europe

(billions of units, millions of US\$)	Apr-Jun		Change vs. prior year
	2014	2013	
Total shipment volume	16.0	15.4	4.0%
GFB shipment volume	13.7	12.9	6.9%
Core revenue at constant FX	546	538	1.5%

Total and GFB shipment volumes increased 4.0% and 6.9%, respectively, despite industry contraction affecting France and Spain and continued downtrading to value and fine cut. Share of market grew in Belgium, France, Greece, Luxembourg, Spain and Switzerland.

Core revenue at constant FX increased 1.5% driven by positive volume of US\$25 million.

In France, both total and GFB shipment volumes increased 1.7% and 3.4%, respectively, driven by Camel and Winston. Fine cut volume grew 8.3%. Market share grew 1.0ppt to 20.3%.

In Italy, total and GFB shipment volumes both increased 3.6%, driven by Benson & Hedges, Camel and Glamour. Benson & Hedges grew volume 34.4% following its successful entry into the value segment. Fine cut volume grew 85.2%. Share of market declined 0.7ppt to 20.9%.

In Spain, while industry volume contraction continued albeit at a slower pace, total and GFB shipment volumes grew 9.6% and 14.0%, respectively. Fine cut volume grew 16.1%. Market share grew 0.8ppt to 21.2%.

North and Central Europe

(billions of units, millions of US\$)	Apr-Jun		Change vs. prior year
	2014	2013	
Total shipment volume	13.0	12.5	4.2%
GFB shipment volume	7.1	6.4	9.7%
Core revenue at constant FX	556	497	11.9%

Total and GFB shipment volumes increased 4.2% and 9.7%, respectively, driven by strong GFB performance in Austria, Germany, Hungary, Poland and Sweden. Market share grew in Austria, Germany, Hungary, Ireland, Poland and the UK.

Core revenue at constant FX increased 11.9% driven by positive price/mix of US\$43 million, mainly in Austria, Germany, Poland, Sweden and the UK, as well as positive volume contribution.

In Austria, total shipment volume was down 1.0% while GFB shipment volume increased 6.7%, driven by Winston and Benson & Hedges. Market share increased 0.4ppt to 32.4%.

In the UK, total shipment volume declined 0.4% due to industry contraction, and GFB shipment volume increased 0.8%, driven by Benson & Hedges. Market share increased 0.9ppt to 41.0%, driven by Amber Leaf, which remains the number one brand across all tobacco categories. Fine cut volume grew 3.4%.

In Poland, total and GFB shipment volumes increased 1.8% and 2.2%, respectively, driven by Camel and LD fine cut. Market share grew 1.6ppt to 15.4%.

CIS+

(billions of units, millions of US\$)

	Apr-Jun		Change
	2014	2013	vs. prior year
Total shipment volume	43.2	50.7	-14.7%
GFB shipment volume	30.2	33.9	-10.9%
Core revenue at constant FX	1,189	1,141	4.2%

Total and GFB shipment volumes declined 14.7% and 10.9%, respectively, primarily due to industry contraction and intense price competition in Russia.

Core revenue at constant FX increased 4.2% driven by price/mix of US\$212 million, mainly in Kazakhstan, Romania, Russia and Ukraine.

In Romania, total shipment volume declined 2.4% while GFB shipment volume grew 12.9%, driven by Winston, Sobranie and Benson & Hedges. Market share grew 0.6ppt to 24.7%.

In Russia, total and GFB shipment volumes decreased 18.8% and 16.2%, respectively. This decline was mainly driven by industry contraction estimated at 12.7% for the quarter, following tax-led price increases. In addition, this quarter's performance was impacted by unfavorable trade inventory adjustments versus prior year and a decrease in volume from our mid- and low-price brands due to tactical price competition. GFB share grew 1.1ppt to 23.5% and our share of value was stable at 36.4%, despite total market share declining 0.5ppt to 35.7%.

Rest-of-the-World

(billions of units, millions of US\$)

	Apr-Jun		Change
	2014	2013	vs. prior year
Total shipment volume	30.7	30.7	-0.2%
GFB shipment volume	16.6	16.4	1.2%
Core revenue at constant FX	925	936	-1.2%

Total shipment volume remained constant while GFB shipment volume increased 1.2% driven by Canada, South East Asia and Turkey. Market share increased in Canada, Malaysia and Turkey.

Despite positive price/mix of US\$4 million, core revenue at constant FX declined 1.2%.

In Taiwan, total and GFB shipment volumes decreased 8.7% and 3.7%, respectively. Market share declined 0.8ppt to 38.7% while Winston gained 1.4ppt of market share to 4.3%. Share of value increased 0.4ppt to 44.4%.

In Turkey, total and GFB shipment volumes increased 1.2% and 1.8%, respectively, driven by the growth of Camel in the popular segment. Share of market grew 0.5ppt to 26.9%.

Performance review

6 months year-to-date 2014 (January-June)

Core revenue at constant FX grew US\$243 million (+4.2%) to US\$6,083 million, driven by US\$513 million in price/mix improvement, more than compensating for an unfavorable volume contribution of US\$270 million.

Adjusted operating profit at constant FX grew US\$244 million (+11.7%) to US\$2,323 million, driven by US\$512 million in price/mix gains.

Total shipment volume declined 5.6% to 190.6 billion cigarette equivalent units mainly due to Russia and Turkey, while fine cut shipment volume increased 13.1% overall mainly driven by growth in the Benelux, France, Germany, Hungary, Poland and the UK. On a 6-month basis, GFB shipment volume decreased 4.0% to 123.0 billion units.

Shipment volume

(billions of units)	Total Jan-Jun		Change vs. prior year	GFB Jan-Jun		Change vs. prior year
	2014	2013		2014	2013	
Cluster						
South & West Europe	30.0	30.3	-0.8%	25.6	25.2	1.6%
North & Central Europe	25.3	24.4	3.6%	13.6	12.5	9.1%
CIS+	79.4	89.9	-11.6%	54.5	59.5	-8.3%
Rest-of-the-World	55.9	57.4	-2.7%	29.2	31.0	-5.8%
Total JTI	190.6	202.0	-5.6%	123.0	128.1	-4.0%

Core revenue at constant FX

(millions of US\$)	Jan-Jun		Change vs. prior year
	2014	2013	
Cluster			
South & West Europe	1,016	1,053	-3.6%
North & Central Europe	1,101	993	10.9%
CIS+	2,239	2,057	8.8%
Rest-of-the-World	1,727	1,737	-0.6%
Total JTI	6,083	5,840	4.2%

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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 and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.400 trillion (US\$23,318 million()) in the fiscal year ended March 31, 2014.*

**Translated at the rate of ¥102.92 per \$1, as of March 31, 2014*

Notes:

¹ Following a recent assessment of fine cut consumption, the conversion rate from tons to cigarette equivalent units for High Volume Tobacco has been adjusted since 2014. 2013 figures for Total and GFB shipment volume have been restated accordingly.

² Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut at the end of June 2014. Belgium, Germany, Ireland, Luxemburg and Spain are on a 12-month rolling average at the end of May 2014. 12-month share of market growth for May 2014 markets is calculated against a 12-month share of market at the end of June 2013.

³ Source: Nielsen estimates on a 12-month rolling average for cigarettes at the end of June 2014.

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

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