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JTI reports strong EBITDA and GFB volume growth
Market share increases in key markets

Japan Tobacco International (JTI) business results for 2011 and October-December 2011

Highlights

January-December 2011

- Full year EBITDA grew 17.3%, or 15.6% at constant rates of exchange, exceeding our forecast.
- Core net sales[1] increased 10.9%, or 8.0% at constant rates of exchange, driven by GFB[2] shipment volume growth and strong pricing.
- GFB shipment volume grew 2.6% driven by Russia and the Middle East.
- Year-on-year market share[3] grew in most key markets, including Turkey, Italy, France and Spain.

October-December 2011

- Core net sales grew 5.3%, or 7.0% at constant rates of exchange, driven by pricing.
- GFB shipment volume growth in Russia and the Middle East partly offset declines in Spain and the Philippines.

January-December results for 2010 and 2011[4]

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

	2010 Results					2011 Results				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec
Total shipment volume (billions of cigarettes)	94.1	110.7	114.8	108.9	428.4	94.5 (+0.5%)	110.4 (-0.2%)	114.7 (-0.0%)	106.1 (-2.6%)	425.7 (-0.6%)
GFB shipment volume (billions of cigarettes)	54.6	63.7	66.7	64.8	249.8	55.8 (+2.1%)	66.2 (+4.0%)	70.6 (+5.8%)	63.8 (-1.6%)	256.5 (+2.6%)
Core net sales (millions of US$)	2,343	2,571	2,593	2,606	10,113	2,447 (+4.4%)	2,925 (+13.8%)	3,094 (+19.3%)	2,745 (+5.3%)	11,211 (+10.9%)
Core net sales per thousand cigarettes[5] (US$)	25.2	23.4	22.8	24.2	23.8	26.1 (+3.9%)	26.7 (+14.0%)	27.2 (+19.3%)	26.1 (+8.0%)	26.6 (+11.7%)
EBITDA before royalty payment to JT (millions of US$)					3,338					3,916 (+17.3%)

[Reference]
January-December results for 2010 and 2011 at constant rates of exchange

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

	2010 Results					2011 Results				
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Dec
Core net sales (millions of US$)	2,343	2,571	2,593	2,606	10,113	2,495 (+6.5%)	2,725 (+6.0%)	2,916 (+12.5%)	2,789 (+7.0%)	10,925 (+8.0%)
Core net sales per thousand cigarettes (US$)	25.2	23.4	22.8	24.2	23.8	26.7 (+6.0%)	24.9 (+6.2%)	25.6 (+12.5%)	26.5 (+9.7%)	25.9 (+8.9%)
EBITDA before royalty payment to JT (millions of US$)					3,338					3,859 (+15.6%)

Shipment Volume by Cluster[6]: October-December 2011

- **South and West Europe**: Due to industry contraction in Spain, both GFB and total shipment volumes[7] decreased 7.5% and 8.7% respectively. Market share[3] increased in Italy, France and Spain.

- **North and Central Europe**: GFB shipment volume increased 0.7% driven by growth in Poland, Czech Republic and Austria. Total shipment volume decreased 3.1% due to industry contraction and an unfavorable comparison with the previous year as a result of the timing of price increases in the UK. Market share grew in Poland, Czech Republic and Germany.

- **CIS+**: GFB shipment volume grew 5.5%, driven by a positive performance in Russia, Romania and Ukraine. Total shipment volume declined 3.5% due to the decline in low-end local brands in Russia, partly offset by the GFB shipment growth. Share of market in Russia was maintained, with continued GFB share growth.

- **Rest-of-the-World**: Total shipment volume increased 2.5% driven by momentum in the Middle East. GFB shipment volume decreased 8.8% due to an unfavorable comparison with the previous year, when trade inventory was built-up in the Philippines ahead of a price increase in January 2011. Market share grew in Turkey.

Global Flagship Brands (GFB): October-December 2011

- **Winston**: Shipment volume increased 0.1% driven by our momentum in Russia and the Middle East. This compensated for the industry contraction in Spain and the unfavorable comparison with the previous year in the Philippines.

- **Camel**: Shipment volume declined 7.4% due to industry contraction and down-trading in Spain.

- **Mild Seven**: Shipment volume declined 13.2% due to price disadvantage in Korea, as well as industry contraction and down-trading in Taiwan.

- **LD**: Shipment volume increased 10.7% driven by our momentum in Russia and Poland.

12-month Performance

- Core net sales increased 10.9% to US$11,211 million driven by GFB shipment volume growth and strong pricing. At constant rates of exchange, core net sales increased 8.0%.

- GFB shipment volume grew 2.6% to 256.5 billion cigarettes, driven by Russia and the Middle East. Total shipment volume declined 0.6% to 425.7 billion cigarettes. Growth momentum in the Middle East, Romania and Italy partly offset industry contraction in Ukraine, Spain and Russia.

- Full year EBITDA increased 17.3% to US$3,916 million, exceeding our forecast. At constant rates of exchange, it increased 15.6%.

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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] Source: AC Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average, December 2011. For Germany, data on a 12-month rolling average, November 2011.

[4] 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 and EBITDA have been restated to conform to current year presentation.

[5] 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.

[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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