



FOR IMMEDIATE RELEASE

Tokyo, July 29, 2010

JTI's core net sales increase by 9.2%
Market share continues to grow in most key markets

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

Highlights

- Core net sales excluding tax¹ increased by 9.2% to US\$4,970 million (2009:US\$4,552 million). The increase was driven by pricing as well as favorable currency exchange movements. At constant rates of exchange, core net sales excluding tax increased 3.8% to US\$4,727 million, with an accelerated growth rate in the second quarter (April-June).
- Market share² continued to grow in most key markets including Russia, Italy, France, the United Kingdom and Turkey.
- Total sales volume³ and GFB⁴ sales volume decreased by 5.2% to 204.7 billion cigarettes and 2.5% to 118.3 billion cigarettes respectively due to industry contraction in a number of markets, most notably in Russia, Ukraine, Spain, Romania, Italy and Taiwan; and the ongoing unstable operating environment in Iran. In the second quarter (April-June), volume declines for total sales volume and GFB sales volume were more moderate than the first quarter (January-March).
- Core net sales per thousand cigarettes excluding tax⁵ increased by 15.3% to US\$24.5. At constant rates of exchange, core net sales per thousand cigarettes, excluding tax, increased by 9.6% to US\$23.3.

January-June results for 2009 & 2010

(April-June results for 2010 are preliminary)

	2009 Results			2010 Results		
	Jan-Mar	Apr-June	Jan-June	Jan-Mar	Apr-June	Jan-June
Total sales volume (billions of cigarettes)	100.9	115.1	216.1	94.1 (-6.8%)	110.7 (-3.9%)	204.7 (-5.2%)
GFB sales volume (billions of cigarettes)	57.1	64.2	121.3	54.6 (-4.4%)	63.7 (-0.9%)	118.3 (-2.5%)
Core net sales, excluding tax (millions of US\$)	2,148	2,404	4,552	2,372 (+10.4%)	2,598 (+8.1%)	4,970 (+9.2%)
Core net sales per thousand cigarettes, excluding tax (US\$)	21.5	21.1	21.3	25.5 (+18.6%)	23.7 (+12.4%)	24.5 (+15.3%)

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

¹Core 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.

²Source: AC Nielsen, Core EPOS and JTI internal data on a 12-month rolling average, June 2010. For Sweden and Canada, data on a 12-month rolling average, May 2010.

³Total sales volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.

⁴Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.

⁵Core net sales per thousand cigarettes are based on total sales volume as defined in footnote 3 excluding sales volume of joint ventures, and core net sales as defined in footnote 1.



Sales Volume by Cluster⁶

- **South and West Europe:** Total sales volume decreased 6.1%. This was due to inventory adjustments in the first quarter last year in Spain and Italy as well as industry contraction. GFB sales volume declined by 4.9%. Market share increased in Italy, France and Greece.
- **North and Central Europe:** Total sales volume increased 5.4% driven by the continued growth in the United Kingdom and Poland. GFB sales volume increased 13.7%. Market share grew in the United Kingdom, Ireland, Sweden and Poland.
- **CIS+:** Total sales volume decreased 8.4% due to continued industry contraction in Russia. According to AC Nielsen, industry volume declined by 10.9 % in the first half of this year. In Romania and Ukraine, sales volumes were adversely affected by industry contraction resulting from excise-led price increases. GFB sales volume declined 5.3%. Market share increased in Russia, from 36.3% to 36.9%, and Kazakhstan, from 39.5% to 41.6%
- **Rest of the World:** Total sales volume decreased 3.3%. Volume increases in Canada and the Middle East did not compensate for the decrease in Iran due to the ongoing unstable operating environment and slow recovery in Taiwan. Market share grew in Turkey, Malaysia, Korea and Canada.

Global Flagship Brands (GFB)

- **Winston:** Sales volume continued to increase in the Middle East, the Philippines and France, but this did not compensate for declines in Russia, Iran, Spain and Turkey. Overall sales volume decreased 3.4%.
- **Camel:** Continued volume growth in Turkey and France was offset by a decline in Italy. While market share continued to grow in Italy, overall sales volume decreased 1.5%.
- **Mild Seven:** Growth momentum in Korea continued but could not offset a decline in Taiwan. Overall sales volume decreased 1.6%.
- **LD:** While sales volume increased in Poland and Turkey, volume decreased in Russia and Kazakhstan. Overall sales volume grew 3.0%.

⁶JT divides its international markets into four distinct clusters: South and West Europe, North and Central Europe, CIS+, and the 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-June results for 2009 and 2010 at constant rates of exchange

(April-June results for 2010 are preliminary)

	2009 Results			2010 Results		
	Jan-Mar	Apr-June	Jan-June	Jan-Mar	Apr-June	Jan-June
Core net sales, excluding tax (millions of US\$)	2,148	2,404	4,552	2,185 (+1.8%)	2,541 (+5.7%)	4,727 (+3.8%)
Core net sales per thousand cigarettes, excluding tax (US\$)	21.5	21.1	21.3	23.5 (+9.2%)	23.2 (+10.0%)	23.3 (+9.6%)

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

###

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*

Contacts: Hideyuki Yamamoto, General Manager
Yuka Sugimoto, Associate General Manager
Media and Investor Relations Division
Japan Tobacco Inc.
Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com