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JTI reports strong revenue and GFB volume growth

Market share increasing in key markets

Japan Tobacco International (JTI) business results for April-June and January-June 2012

Highlights

April-June 2012 *(net change versus prior year)*

- Core revenue[1] grew 2.5%, driven by strong pricing and total[2] and GFB[3] shipment volume growth.
- At constant rates of exchange, core revenue grew 11.8% and core revenue per thousand cigarettes[4] increased 8.6%.
- Total shipment volume grew 1.5% organically, and 2.8% including the effect of the acquisition of Haggar Cigarette & Tobacco Factory Ltd. (HCTF) in Sudan[5], driven by the CIS+ and Rest-of-the-World clusters[6]. GFB shipment volume grew 5.2% driven by the CIS+ cluster, notably Russia and several emerging markets, as well as Turkey.

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

- Core revenue increased 6.6%, driven by strong pricing and GFB shipment volume growth.
- At constant rates of exchange, core revenue grew 13.4% and core revenue per thousand cigarettes increased 9.3%.
- Total shipment volume grew across all clusters. GFB shipment volume grew 7.2% driven by Russia, Spain, Italy and Turkey.

Year-on-year market share[7] grew in most key markets, including Turkey, Spain, Italy, Canada and France.

January-June results for 2011 and 2012

	2011 Results			**2012 Results**		
	Jan-Mar	Apr-June	Jan-June	Jan-Mar	Apr-June	Jan-June
Total shipment volume (billions of cigarettes)	94.5	110.4	204.9	98.9 (+4.7%)	113.5 (+2.8%)	212.4 (+3.7%)
GFB shipment volume (billions of cigarettes)	55.8	66.2	122.0	61.1 (+9.5%)	69.7 (+5.2%)	130.8 (+7.2%)
Core revenue (millions of US$)	2,447	2,925	5,372	2,731 (+11.6%)	2,997 (+2.5%)	5,728 (+6.6%)
Core revenue per thousand cigarettes (US$)	26.1	26.7	26.4	27.8 (+6.5%)	26.6 (-0.4%)	27.2 (+2.8%)

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

[Reference]
January-June results for 2011 and 2012 at constant rates of exchange

	2011 Results			**2012 Results**		
	Jan-Mar	Apr-June	Jan-June	Jan-Mar	Apr-June	Jan-June
Core revenue (millions of US$)	2,447	2,925	5,372	2,824 (+15.4%)	3,269 (+11.8%)	6,093 (+13.4%)
Core revenue per thousand cigarettes (US$)	26.1	26.7	26.4	28.8 (+10.1%)	29.0 (+8.6%)	28.9 (+9.3%)

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

Shipment Volume by Cluster: April-June 2012

- **South and West Europe**: Total shipment volume and GFB shipment volume decreased 3.5% and 2.9% respectively due to ongoing industry contraction. Despite this, the overall performance was robust with strong market share gains in Spain, Italy and France.

- **North and Central Europe**: Total shipment volume decreased 1.8% due to industry contraction mainly in the UK. GFB shipment volume increased 0.7% driven by growth in Germany and Austria. Market share grew in Poland and Germany.

- **CIS+**: Total shipment volume grew 3.1% driven by 12.4% GFB shipment volume growth. GFB momentum continued in Russia and in several smaller markets. Market share in Russia grew for the second consecutive quarter on a three-month rolling average basis with continued GFB share growth.

- **Rest-of-the-World**: Total shipment volume increased 7.7% driven by the acquisition of HCTF (+2.9% excluding HCTF). GFB shipment volume grew 1.3% mainly in Turkey, Taiwan and the Philippines. Market share grew in Turkey and Canada.

Global Flagship Brands (GFB): April-June 2012

- **Winston**: Shipment volume increased 8.4% driven by strong momentum in Russia, Italy, Ukraine and other CIS+ markets.

- **Camel**: Shipment volume declined 2.9% due to industry contraction and down-trading in South & West Europe, partly offset by growth in Russia.

- **Mild Seven**: Shipment volume increased 1.5% mainly driven by Taiwan as a consequence of last year’s trade inventory adjustments.

- **LD**: Shipment volume increased 13.6% driven by up-trading momentum in Russia. Volume also increased in Turkey and Kazakhstan.

Six-month Performance: January-June 2012

- Core revenue on a reported basis increased 6.6% to US$5,728 million, driven by strong pricing and GFB shipment volume growth. At constant rates of exchange, core revenue increased 13.4%.

- Core revenue per thousand cigarettes increased 2.8%. At constant rates of exchange, the increase was 9.3%.

- GFB shipment volume grew 7.2% to 130.8 billion cigarettes, driven by Russia, Spain, Italy and Turkey. Total shipment volume grew 3.7% to 212.4 billion cigarettes, driven by GFB momentum, the acquisition in Sudan and favorable comparisons to the previous year in several markets, mainly Spain and Italy, due to trade inventory movements, primarily for the January – March period.

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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] Core revenue (which was previously designated "core net sales") does not include revenue from distribution, contract manufacturing and other peripheral businesses.

[2] Total shipment volume includes cigars, pipe tobacco and snus but excludes contract manufactured products

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

[4] 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 1.

[5] JT has 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.

[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] Source: AC Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average, June 2012, except for Russia, as stated in Shipment Volume by Cluster: April-June 2012, which is on a 3-month rolling average, June and March 2012.

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