



FOR IMMEDIATE RELEASE

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**Full year EBITDA growth exceeds forecast
Market share growth continues in most key markets
GFB shipment volume increases**

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

Highlights

- Full year EBITDA grew by 10.6%. At constant rates of exchange, full year EBITDA increased by 7.7%, exceeding our growth forecast of 6.2%.
- Year-on-year market share¹ continued to grow in most key markets including Russia, France, Italy and Turkey.
- GFB² shipment volume increased by 6.2% in the period of October-December 2010 compared to the same period of the prior year, while total shipment volume³ was virtually flat. The increase was driven by growth in the following markets: Russia, Italy, Taiwan and Turkey.
- Core net sales excluding tax⁴ increased by 2.5% in the period of October-December 2010 at constant rates of exchange, while on a reported basis they decreased by 0.9%. In the same period, core net sales excluding tax per thousand cigarettes⁵ were US\$24.4, an increase of 2.9% at constant rates of exchange.

January-December results for 2009 & 2010

	2009 Results					2010 Results				
	Jan-Mar	Apr-June	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-June	Jul-Sep	Oct-Dec	Jan-Dec
Total shipment volume (billions of cigarettes)	100.9	115.1	109.6	109.3	434.9	94.1 (-6.8%)	110.7 (-3.9%)	114.8 (+4.8%)	108.9 (-0.4%)	428.4 (-1.5%)
GFB shipment volume (billions of cigarettes)	57.1	64.2	61.0	61.0	243.4	54.6 (-4.4%)	63.7 (-0.9%)	66.7 (+9.4%)	64.8 (+6.2%)	249.8 (+2.7%)
Core net sales excluding tax (millions of US\$)	2,148	2,404	2,476	2,654	9,682	2,372 (+10.4%)	2,598 (+8.1%)	2,621 (+5.8%)	2,632 (-0.9%)	10,223 (+5.6%)
Core net sales per thousand cigarettes, excluding tax (US\$)	21.5	21.1	22.8	24.5	22.5	25.5 (+18.6%)	23.7 (+12.4%)	23.0 (+1.0%)	24.4 (-0.5%)	24.0 (+7.0%)

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

¹Source: AC Nielsen and JTI internal data on a 12-month rolling average, December 2010.

²Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.

³Total shipment volume (which was previously designated “sales volume”) includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing.

⁴Core 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.

⁵Core net sales per thousand cigarettes are based on total shipment volume as defined in footnote 3 excluding shipment volume of joint ventures, and core net sales as defined in footnote 4.

Shipment Volume by Cluster⁶

- **South and West Europe:** Total shipment volume grew by 2.4% in October-December (Jan-Dec 2010: -2.0%), and GFB shipments also grew by 3.0% (Jan-Dec 2010: -0.8%) compared to the same period of the prior year. This growth was driven by strong performances in Italy and France. Market share increased in most key markets including France, Italy and Spain.
- **North and Central Europe:** Total shipment volume increased by 2.5% in October-December (Jan-Dec 2010: 3.1%). GFB shipments increased by 7.9% in October-December (Jan-Dec 2010: 9.7%). Market share grew in Poland and Sweden.
- **CIS+:** GFB shipments increased by 4.2% in October-December (Jan-Dec 2010: 0.3%), driven by growth in Russia and Kazakhstan. While market contraction slowed in October-December, total shipment volume decreased by 5.1% (Jan-Dec 2010: -5.1%), with industry contraction in Ukraine and Romania. Market share increased in Russia and Ukraine.
- **Rest-of-the-World:** Total shipment volume increased by 6.3% in October-December (Jan-Dec 2010: 4.0%) driven by growth in Turkey and Taiwan. GFB volume increased by 11.6% in October-December (Jan-Dec 2010: 7.3%). Market share increased in Turkey, Korea and Taiwan.

Global Flagship Brands (GFB)

- **Winston:** Shipment volume increased by 7.2% in October-December (Jan-Dec 2010: 3.1%), driven by strong performances in Russia, Italy and Turkey.
- **Camel:** Shipment volume increased by 3.1% in October-December (Jan-Dec 2010: 1.4%). Volume growth in Turkey and France helped offset industry volume decline and down-trading in Italy.
- **Mild Seven:** Shipment volume increased by 11.0% in October-December (Jan-Dec 2010: 5.8%) with growth in Taiwan and Korea.
- **LD:** Shipment volume increased by 7.0% in October-December (Jan-Dec 2010: 6.1%) due to growth in Russia, Kazakhstan and Poland.

12-month Performance

- Full year GFB shipment volume increased by 2.7% to 249.8 billion cigarettes (2009: 243.4 billion). Total shipment volume decreased 1.5% to 428.4 billion cigarettes (2009: 434.9 billion). Growth in the Middle East, Turkey and France was offset by industry contraction in Russia, Ukraine, Spain and Romania.
- Strong pricing drove core net sales excluding tax to increase by 5.6% to US\$10,223 million (2009: US\$9,682 million). At constant rates of exchange, the increase was 4.8%. Core net sales excluding tax per thousand cigarettes also increased, growing by 7.0% to US\$24.0 (2009: US\$22.5). At constant rates of exchange the increase was 6.1%.
- Full year EBITDA increased by 10.6% to US\$3,281 million (2009: US\$2,965 million). At constant rates of exchange, full year EBITDA increased by 7.7%, exceeding our growth forecast of 6.2%.

⁶JT 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.

[Reference]

January-December results for 2009 and 2010 at constant rates of exchange

	2009 Results					2010 Results				
	Jan-Mar	Apr-June	Jul-Sep	Oct-Dec	Jan-Dec	Jan-Mar	Apr-June	Jul-Sep	Oct-Dec	Jan-Dec
Core net sales excluding tax (millions of US\$)	2,148	2,404	2,476	2,654	9,682	2,185 (+1.8%)	2,541 (+5.7%)	2,697 (+8.9%)	2,721 (+2.5%)	10,144 (+4.8%)
Core net sales per thousand cigarettes, excluding tax (US\$)	21.5	21.1	22.8	24.5	22.5	23.5 (+9.2%)	23.2 (+10.0%)	23.7 (+3.9%)	25.3 (+2.9%)	23.8 (+6.1%)

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

EBITDA results for 2009 and 2010

	2009 Results	2010 Results	Change
EBITDA(before royalty payment to JT) (millions of US\$)	2,965	3,281	10.6%
EBITDA at constant rates of exchange(before royalty payment to JT) (millions of US\$)	2,965	3,192	7.7%

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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 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*

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