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Market share continues to grow in most key markets
9-month earnings[1] achieve double digit growth

Japan Tobacco International (JTI) business results for July-September and January-September 2013

Highlights *(change versus prior year)*

Year-on-year market share[2] continued to grow in most key markets including France, Italy, Spain, Taiwan, Turkey, and the UK. In Russia, share of value[3] and GFB share of market continued to increase.

July-September 2013

- Core revenue at constant rates of exchange[4] grew 5.7% driven by strong price/mix, compensating for the volume decline.
- Core revenue on a reported basis grew 3.3%.
- Total and GFB shipment volume declined 5.1% and 1.8%, respectively, due to significant industry contraction in several key markets. Fine cut volume grew 23.4%.

January-September 2013

- Adjusted EBITDA[5] at constant rates of exchange grew 11.1% driven by solid revenue growth.
- Core revenue at constant rates of exchange increased 4.6% driven by strong price/mix.
- Core revenue on a reported basis grew 2.4%.
- Total and GFB shipment volume declined 5.1% and 2.1%, respectively. This was mainly due to continued industry contraction and trade inventory adjustments in a number of markets. Fine cut volume increased 27.6%.

Results: January-September 2013

	2012 Results				**2013 Results**			
	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
Total shipment volume (billions of units)	98.9	113.5	115.5	327.9	92.6 (-6.4%)	109.0 (-3.9%)	109.6 (-5.1%)	311.2 (-5.1%)
GFB shipment volume (billions of units)	61.1	69.7	71.6	202.5	58.4 (-4.5%)	69.5 (-0.3%)	70.3 (-1.8%)	198.2 (-2.1%)
Core Revenue (millions of US$)	2,731	2,997	3,125	8,853	2,729 (-0.1%)	3,112 (+3.8%)	3,227 (+3.3%)	9,067 (+2.4%)
[Reference] Core Revenue at constant rates of exchange (millions of US$)	2,678	2,958	3,055	8,691	2,734 (+2.1%)	3,131 (+5.8%)	3,230 (+5.7%)	9,095 (+4.6%)

( ) Net change in comparison to the same period in 2012

	2012 Results				**2013 Results**			
	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep	Jan-Mar	Apr-Jun	Jul-Sep	Jan-Sep
[Reference] Adjusted EBITDA (millions of US$)	1,008	1,159	1,183	3,350	1,070 (+6.2%)	1,203 (+3.8%)	1,344 (+13.6%)	3,617 (+8.0%)
[Reference] Adjusted EBITDA at constant rates of exchange (millions of US$)	958	1,123	1,114	3,196	1,058 (+10.5%)	1,168 (+4.0%)	1,325 (+18.9%)	3,551 (+11.1%)

( ) Net change in comparison to the same period in 2012

July-September 2013

- Core revenue at constant rates of exchange grew US$175 million (+5.7%), driven by US$262 million (+8.6%) in price/mix improvement, partially offset by negative volume.
- Adjusted EBITDA at constant rates of exchange increased US$211 million (+18.9%), driven by US$255 million (+22.9%) in price/mix improvement and cost phasing between the second and third quarter.

January-September 2013

- Core revenue at constant rates of exchange increased US$404 million (+4.6%), driven by positive price/mix of US$737 million (+8.5%), more than compensating for a negative volume contribution.
- Adjusted EBITDA at constant rates of exchange grew US$356 million (+11.1%), driven by US$722 million (+22.6%) in price/mix improvement.

Cluster Performance: July-September 2013 *(change vs. prior year)*

- **South and West Europe**: Total shipment volume declined 0.4% despite growth in the Benelux and France, while fine cut grew 20.7%. GFB shipment volume decreased 2.1%. The overall decline was the result of industry contraction especially in France, Italy and Spain. This contraction was partly offset by our market share gains in France, Greece, Italy, the Netherlands, Spain and Switzerland.

- **North and Central Europe**: Total and GFB shipment volume increased 5.4% and 10.5%, respectively, driven by strong GFB performance in Austria, Czech Republic, Germany, Hungary and Poland, offsetting the volume decline in the UK due to industry contraction. Market share grew in Czech Republic, Germany, Ireland, Poland and the UK.

- **CIS+:** Total and GFB shipment volume decreased 7.5% and 2.6%, respectively. Positive GFB momentum continued in the Caucasus markets, Kazakhstan and Romania. In Russia, total and GFB shipment volume declined 10.3% and 5.6%, respectively. This decline was mainly due to continued industry contraction estimated at 6.8% driven by tax increases, as well as a decrease in volume from our mid-price and local low-end brands. We continued to gain share of value and GFB share of market in Russia.

- **Rest-of-the-World**: Total and GFB shipment volume declined 7.8% and 4.6%, respectively, due to on-going political instability in the Middle East and general economic conditions. The volume decrease was partially offset by a positive performance in Canada, Taiwan and Tanzania. Market share grew in Malaysia, Taiwan and Turkey.

Global Flagship Brands (GFB): July-September 2013 *(change vs. prior year)*

- **Winston**: Shipment volume declined 1.0% due to on-going political instability in the Middle East despite growth in the Caucasus markets, Germany, Italy, Romania, Russia, and Taiwan.
- **Camel**: Shipment volume decreased 1.1% due to industry contraction notably in France, Italy, Spain and Ukraine. This was partially offset by growth in the Benelux, the Caucasus markets, Germany, Poland, and Russia.
- **Mevius/Mild Seven**: Shipment volume declined 1.1% mainly due to down-trading from the premium-price segment in Taiwan and industry contraction in Korea.
- **LD**: Shipment volume growth in the Caucasus markets, Czech Republic, Hungary, Kazakhstan, Poland and Ukraine did not fully offset a decline in Russia and Turkey, resulting in a 2.3% decrease in shipment volume.

Nine-month Performance: January-September 2013 *(change vs. prior year)*

- Total shipment volume declined 5.1% to 311.2 billion cigarette equivalent units, mainly due to industry contraction and trade inventory adjustments in several markets. Total shipment volume grew in the Benelux, the Caucasus markets, Czech Republic, France, Germany, Hungary, and certain Middle East & Africa markets, including Sudan.
- GFB shipment volume decreased 2.1% to 198.2 billion cigarette equivalent units due to industry contraction, despite GFB shipment volume growth in Austria, the Benelux, the Caucasus markets, Czech Republic, Germany, Hungary, Kazakhstan and Romania.
- At constant rates of exchange, core revenue grew 4.6% to US$9,095 million driven by strong price/mix, more than compensating for a volume decline. Core revenue increased 2.4% to US$9,067 million on a reported basis.

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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/Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.120 trillion (US$22,543 million(*)) in the fiscal year ended March 31, 2013.

**Translated at the rate of ¥94.05 per $1, as of March 29, 2013*

Notes:

[1] Adjusted EBITDA at constant rates of exchange.
[2] Source: Altadis, IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average for cigarettes and fine cut at the end of September 2013, except for Germany, which is on a 12-month rolling average at the end of August 2013.
[3] Source: Nielsen estimates on a 12-month rolling average for cigarettes at the end of September 2013.
[4] Constant currency measures are computed by restating current year results at the previous year's foreign currency exchange rates. In 2013, market results/forecast, subject to highly volatile currency, significant currency devaluation and/or highly inflationary environments, are reported at actual/assumed exchange rates for figures both on a reported basis and at constant rates of exchange. Accordingly, 2012 results at constant rates of exchange have been restated for such markets. Results at constant rates of exchange should be considered in addition to, not as a substitute for, results reported in accordance with IFRS.
[5] As of this quarter, JTI discloses adjusted EBITDA.

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

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