



FOR IMMEDIATE RELEASE

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**JT Reports International Tobacco Business Results for
January – December 2009**

Highlights

- Japan Tobacco International (JTI), JT's international tobacco business operations, continued to grow market share¹ in most key markets despite a difficult economic environment.
- Stronger pricing as well as volume gains in Europe drove net sales excluding tax² to increase by 7.2 percent at constant rates of exchange. On a reported basis, net sales excluding tax declined by 7.3 percent.
- Total sales volume declined by 2.5 percent to 434.9 billion cigarettes, and GFB³ sales volume declined by 0.9 percent to 243.4 billion cigarettes.

International Tobacco Business' Top-Line Performance

Sales volume decreased 2.5 percent to 434.9 billion cigarettes⁴. The underlying business momentum remained strong in the context of total market contractions, down-trading and excise tax increases in a number of markets. JTI's market share increased year-on-year in all key markets except Taiwan, including Italy, Spain, France, the United Kingdom, Russia, and Turkey. In Taiwan, where JTI leads the market, the company took aggressive pricing action in June following a tax increase, with a short-term negative impact on market share.

Global Flagship Brands (GFB)

GFB sales volume decreased by 0.9 percent to 243.4 billion cigarettes.

Total sales volume for Winston decreased by 4.1 percent. Strong growth in Italy, France and Turkey was offset by declines in Iran due to the continuing unstable operating environment, in the Philippines where the business model changed, in Ukraine with excise-led market contraction, and Russia with down-trading coupled with market contraction.

Camel sales volume decreased by 1.8 percent. Growth in Italy and Ukraine was offset by volume decline in Russia due to market contraction, and decline in the Philippines and Spain.

Mild Seven's sales volume decreased 3.0 percent as growth in Korea was offset by a decline in Taiwan after a price increase following a tax rise.

Total sales volume for LD grew by 18.2 percent, reflecting its Mid/Value positioning, with solid performances in Russia, Poland, Ukraine and Turkey.

Glamour's sales volume increased 7.9 percent with strong growth in Russia.

¹ Source: AC Nielsen, Core EPOS and JTI internal data on the 12-month rolling average, December 2009.

² Net sales excluding tax does not include revenue from the distribution, private label, contract manufacturing and other peripheral businesses.

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

⁴ Total sales volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.



Net Sales Excluding Tax

Net sales excluding tax amounted to US\$ 9.682 billion, a decrease of 7.3 percent from the previous year. Net sales per thousand cigarettes excluding tax⁵ amounted to US\$ 22.5, down 6.5 percent. At constant rates of exchange, net sales excluding tax increased 7.2 percent and net sales per thousand cigarettes rose 8.1 percent, driven by stronger pricing and volume gains in Europe.

Sales Volume by Cluster⁶

While total sales volume declined, market share growth was achieved in most JTI key markets.

In South and West Europe, JTI's total sales volume increased 0.4 percent, despite further declines in consumption. Growth in Italy driven by Camel and Winston, and in France by Winston, was offset by a decline in sales volume in Spain due to accelerated market contraction as a result of a price increase and the economic downturn. JTI's share of market grew in all key markets including in Italy by 1.4 percentage points and in France by 0.6 percentage points. GFB sales volume in South and West Europe increased 2.5 percent compared to the same period last year.

In North and Central Europe, total sales volume increased by 7.6 percent mainly as a result of continued growth of Sterling in the United Kingdom and LD in Poland. JTI's share of market in the United Kingdom rose from 39.1 percent to 40.4 percent. GFB sales volume increased 9.4 percent in North and Central Europe.

In the CIS+, total sales volume decreased by 2.4 percent, mainly due to the continued enforcement of JTI's sales policy in Ukraine and market contraction in Ukraine and Romania resulting from price increases following tax rises and the recession. In Russia, despite accelerated market contraction and down-trading, JTI's sales volume grew 1.4 percent with continued share of market gains resulting from LD and Glamour's strong performances. While down-trading has continued, JTI's well-balanced portfolio in Russia allowed it to grow its market share by 1.1 percentage points. GFB sales volume in the CIS+ increased 0.3 percent.

In the Rest of the World, total sales volume decreased 8.0 percent, primarily due to the continuing unstable operating environment in Iran and the introduction of a new business model in the Philippines. Growth of Winston and LD in Turkey and growth of Mild Seven in Korea were insufficient to compensate for declines in Iran, the Philippines and Taiwan. In Turkey, JTI's share of market grew by 1.8 percentage points. GFB sales volume in the Rest of the World declined 8.1 percent.

⁵ Net sales per thousand cigarettes is based on total sales volume, which include cigars, pipe tobacco and snus, but exclude private label, contract manufacturing and joint ventures (whose revenues are not included for these purposes). Please note that the company has been including revenue from cigars, pipe tobacco and snus into its net sales figure, while sales volume for those products has been accounted for as of January 1, 2009.

⁶ JT divides international markets in which it operates 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.



Quarterly results for 2008 and 2009

(October-December and total results for 2009 are preliminary)

	2008				2009			
	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Apr-Jun	Jul-Sep	Oct-Dec
Total sales volume (billions of cigarettes)	102.4	115.6	120.1	107.8	100.9	115.1	109.6	109.3
GFB sales volume (billions of cigarettes)	55.6	63.5	66.3	60.0	57.1	64.2	61.0	61.0
Net sales, excluding tax (millions of US\$)	2,421	2,675	2,947	2,402	2,148	2,404	2,476	2,654
Net sales per thousand cigarettes, excluding tax (US\$)	24.3	23.7	25.1	22.9	21.5	21.1	22.8	24.5

Full year results for 2008 and 2009

(Total results for 2009 are preliminary)

	2008	2009	Change
Total sales volume (billions of cigarettes)	445.9	434.9	-2.5%
GFB sales volume (billions of cigarettes)	245.5	243.4	-0.9%
Net sales, excluding tax (millions of US\$)	10,445	9,682	-7.3%
Net sales per thousand cigarettes, excluding tax (US\$)	24.0	22.5	-6.5%
EBITDA (before royalty payments to JT) (millions of US\$)	3,452	2,964	-14.1%

[Reference]

Full year results for 2008 and 2009 at constant rates of exchange

(Total results for 2009 are preliminary)

	2008	2009	Change
Net sales, excluding tax (millions of US\$)	10,445	11,192	7.2%
Net sales per thousand cigarettes, excluding tax (US\$)	24.0	26.0	8.1%
EBITDA (before royalty payments to JT) (millions of US\$)	3,452	3,966	14.9%

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Japan Tobacco Inc. is a leading international tobacco product company. It markets internationally recognized cigarette brands including Winston, Camel, Mild Seven and Benson & Hedges. With diversified operations, JT is actively present in pharmaceuticals and foods. The company's net sales were ¥6.832 trillion in the fiscal year ended March 31, 2009.

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