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## Japan Tobacco Inc./JT International Investor Communications Briefing

February 10<sup>th</sup>, 2006

Tokyo, Japan



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### Forward-Looking and Cautionary Statements



This presentation contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of operational results and financial condition and state other forward-looking information. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- 1) **health concerns relating to the use of tobacco products;**
- 2) **legal or regulatory developments and changes; including, without limitation, tax increases and restrictions on the sale, marketing and usage of tobacco products, and governmental investigations and privately imposed smoking restrictions;**
- 3) **litigation in Japan and elsewhere;**
- 4) **our ability to further diversify our business beyond the tobacco industry;**
- 5) **our ability to successfully expand internationally and make investments outside of Japan;**
- 6) **competition and changing consumer preferences;**
- 7) **the impact of any acquisitions or similar transactions;**
- 8) **local and global economic conditions, and**
- 9) **fluctuations in foreign exchange rates and the costs of raw materials.**

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# Jean-François Leroux

Senior Vice President  
Finance, Information Technology and CFO

- Financial Overview -

## JT International – 2005 Results Overview

### Continuation of organic growth momentum

- ❑ Global Flagship Brand (GFB) Volume up 5.6%\*
- ❑ Total Volume up 6.3%\*
- ❑ Net Sales up 11.5%\*
- ❑ EBITDA up 30.0%\*^

\* Like-for-like 2005 vs. 2004

^ In this presentation, EBITDA is before royalty payment to JT

## JT International - 2005 Results as reported



### Full Year Results (as reported)

|                      | 2004  | 2005* | Change        |       |
|----------------------|-------|-------|---------------|-------|
| Volume               | 212.4 | 220.3 | 7.9           | 3.7%  |
| GFB Volume           | 131.4 | 133.8 | 2.4           | 1.8%  |
|                      |       |       | (US\$million) |       |
| Net Sales before tax | 7,287 | 7,987 | 700           | 9.6%  |
| Net Sales after tax  | 3,943 | 4,393 | 450           | 11.4% |
| EBITDA               | 741   | 975   | 234           | 31.5% |

\* 2005 results are unaudited

'JT Plan V' contribution target exceeded

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## JT International - 2005 Results like-for-like



### Full Year Results (like-for-like)

|                       | 2004  | 2005  | Change        |       |
|-----------------------|-------|-------|---------------|-------|
| Volume                | 204.5 | 217.5 | 13.0          | 6.3%  |
| GFB Volume            | 124.3 | 131.2 | 6.9           | 5.6%  |
|                       |       |       | (US\$million) |       |
| Net Sales before tax* | 7,285 | 7,986 | 702           | 9.6%  |
| Net Sales after tax*  | 3,941 | 4,393 | 452           | 11.5% |
| EBITDA                | 712   | 925   | 213           | 30.0% |

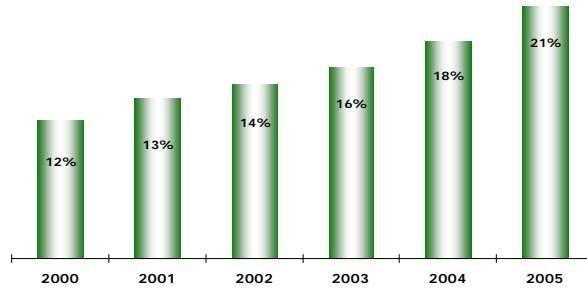
\* Reported Net Sales data is almost identical to like-for-like Net Sales data as JTI historically excludes Japan Net Sales for consolidation purposes.

#### Like-for-like:

- Excluding JTI products sold in Japan
- All further slides in this presentation are on like-for-like basis for comparability purposes unless otherwise noted

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## JT International - EBITDA Margin\* Evolution



EBITDA Margin\* continues its steady improvement

\* EBITDA Margin = EBITDA / Net Sales after tax

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## JT International – 2006 Forecast



(like-for-like)

|                      | 2005   | 2006  | (billion cigarettes) |     |
|----------------------|--------|-------|----------------------|-----|
|                      |        |       | Change               |     |
| Volume               | 217.5  | 238.0 | 20.5                 | 9%  |
| GFB Volume           | 131.2  | 147.0 | 15.8                 | 12% |
|                      |        |       | (US\$million)        |     |
| Net Sales before tax | 7,851* | 8,970 | 1,119                | 14% |
| Net Sales after tax  | 4,257* | 4,610 | 353                  | 8%  |

\* Like-for-like 2005 Net Sales data is adjusted in accordance with 2006 US GAAP

Continuation of organic growth momentum

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# Pierre de Labouchere

President  
and  
Chief Executive Officer

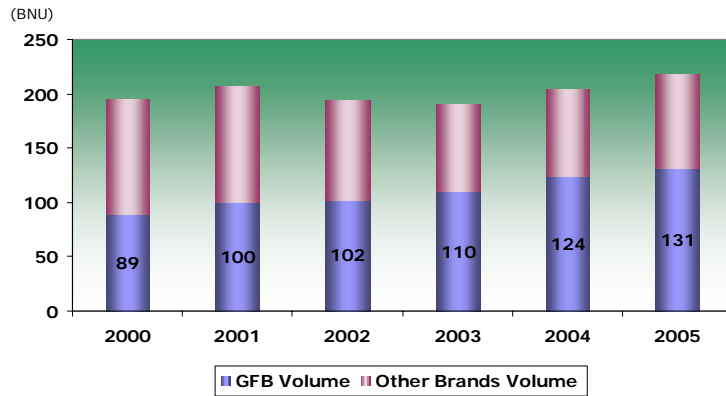
## Agenda

1. Driving Revenue
2. Broadening Earnings Base
3. Sustaining Organic Growth
4. Q&A

## 1. Driving Revenue

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*All figures contained in subsequent slides are compiled from JTI internal sources unless otherwise noted.  
 All volume and financial data is on like-for-like basis (excluding Japan) unless otherwise noted.*

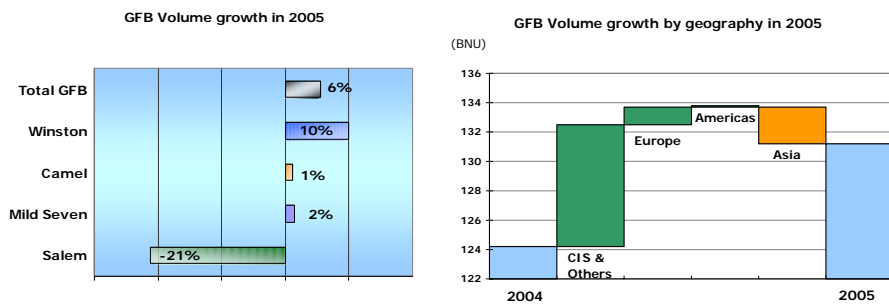
## Volume Evolution



- GFB Growth momentum continues
- Other Brands volume growth driven by portfolio expansion in 2005

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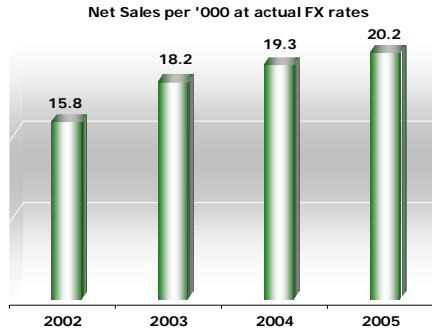
## GFB Volume Growth



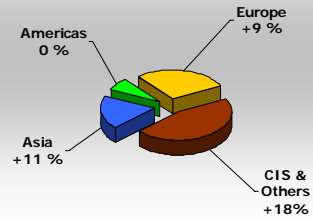
- Winston records strong gains across key markets
- CIS & Others Region continues to be the key volume driver with Europe contributing as well

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## Net Sales per thousand Evolution & Net Sales Growth



2005 Net Sales contribution & growth vs. 2004



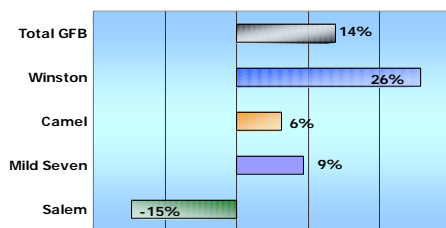
- ❑ Continued Total Net Sales per thousand improvement
- ❑ All regions contribute to growth, except for Americas due to Canada

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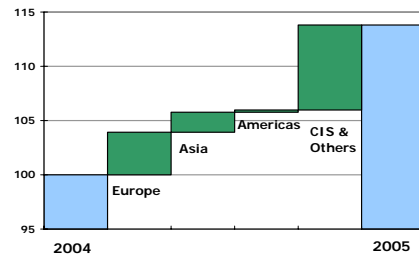
## GFB Net Sales Growth



GFB Net Sales growth in 2005



GFB Net Sales growth by geography in 2005 (Indexed 2004=100)



- ❑ Net Sales growth for Camel mainly driven by pricing and for Winston mainly driven by volume
- ❑ Europe, CIS & Others are the two main drivers of GFB Net Sales growth

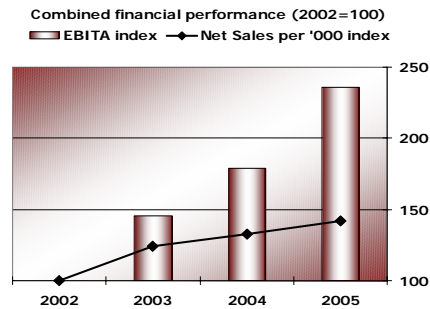
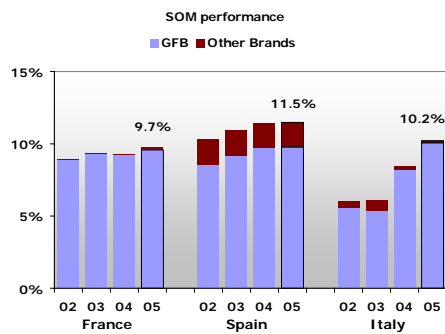
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## 2. Broadening Earnings Base

Sources: SOM Data noted in subsequent slides provided by ACNielsen, except for Canada.  
SOM Data Canada compiled from government data, SOM Data for Iran not available.

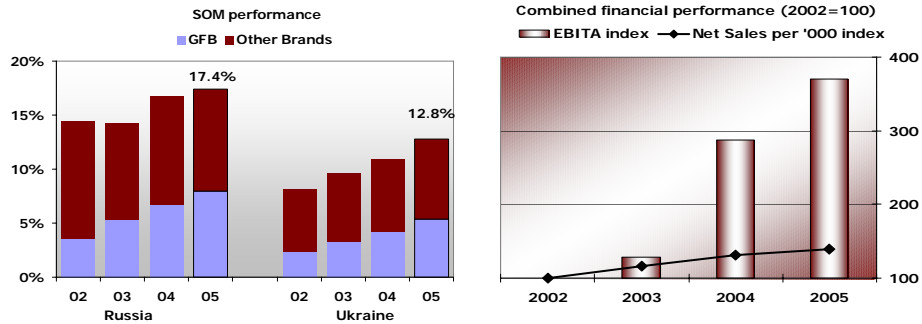
## France, Spain & Italy



- Steady SOM growth driven by GFBs; Spain is impacted by the rapid rise of the super value segment
- Net Sales per thousand show further improvement
- EBITA CAGR\* 2002-2005 is 33%

\*CAGR = Compound Annual Growth Rate

## Russia & Ukraine

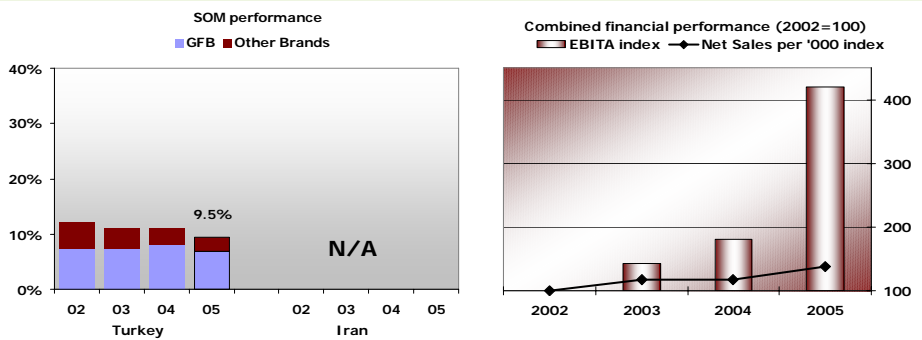


- ❑ SOM growth driven by strong GFB performance and brand portfolio expansion
- ❑ Net Sales per thousand improvement fueled by up-trading
- ❑ EBITA CAGR\* 2002-2005 is 55%

\*CAGR = Compound Annual Growth Rate

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## Turkey & Iran

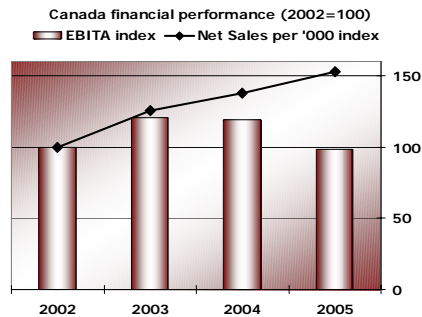
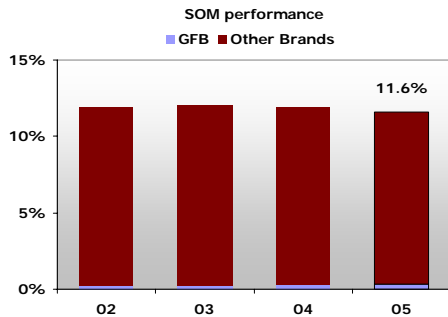


- ❑ Turkey: Share erosion in 2005 due to tax structure changes, but now stabilized
- ❑ Iran: Fast share growth elevates JTI to #1 international tobacco company
- ❑ EBITA CAGR\* 2002-2005 is 61%

\*CAGR = Compound Annual Growth Rate

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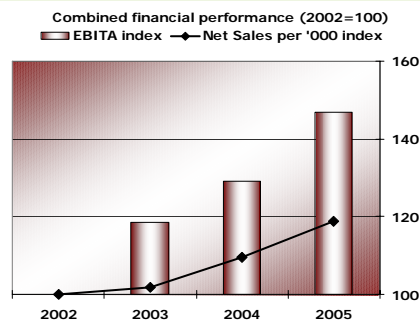
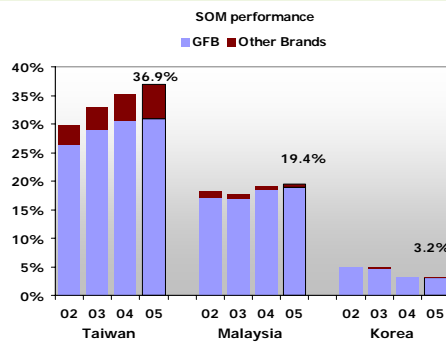
## Canada



- ❑ SOM slightly depressed
- ❑ Net Sales per thousand growing due to 'Export A' strength
- ❑ EBITA down due to explosion of the value segment

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## Taiwan, Malaysia & Korea

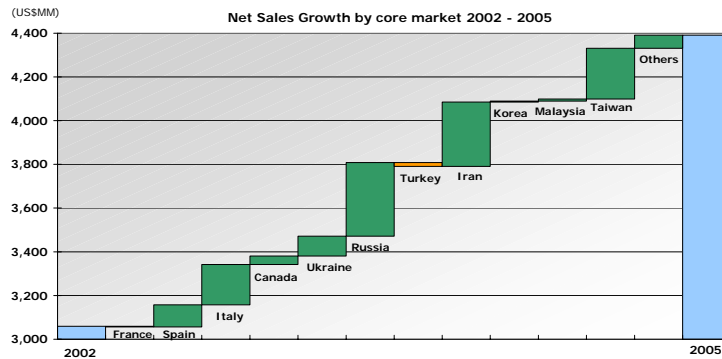


- ❑ SOM continues to grow in Taiwan & Malaysia; initial signs of share stabilization in Korea
- ❑ Solid Net Sales per thousand improvement
- ❑ EBITA CAGR\* 2002-2005 is 14%

\*CAGR = Compound Annual Growth Rate

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## Revenue Growth Pillars



- ❑ Growing number of core markets contribute to a broadening base driving JTI Net Sales during the 'JT Plan V' period
- ❑ Number of markets contributing  $\geq$ US\$ 50MM EBITA have steadily increased

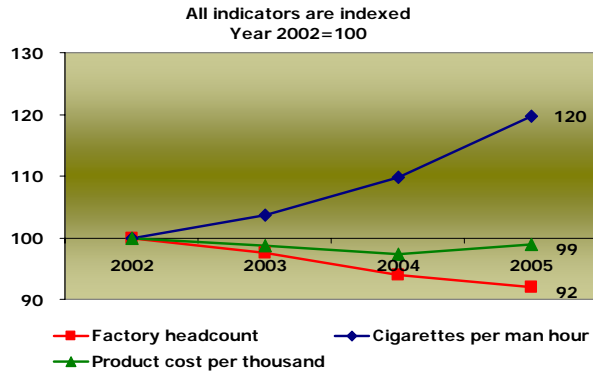
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## 3. Sustaining Organic Growth

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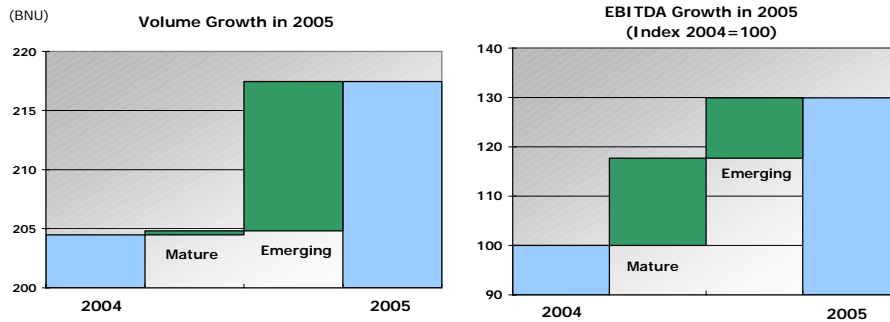
## Productivity and Quality Improvements



Continuing operating efficiency gains

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## Emerging versus Mature\* Markets Contribution

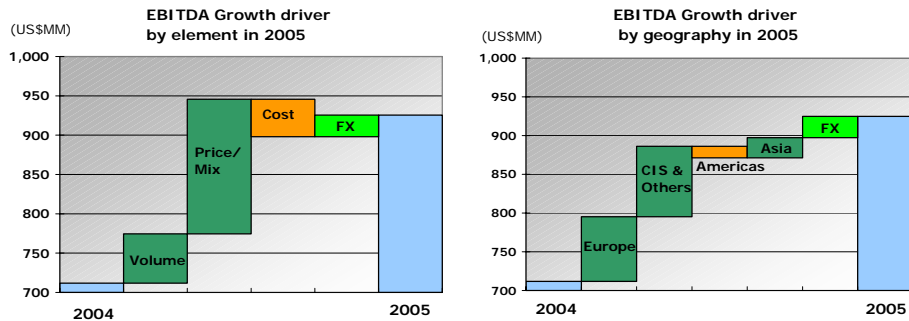


- ❑ Emerging markets role as key volume driver continues
- ❑ 2005 balanced EBITDA growth between mature and emerging markets

\*Emerging and mature markets classification in line with the World Bank definition.

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## EBITDA Growth Roadmap



- ❑ Outstanding result of 30% EBITDA growth in 2005 vs. 18%-20% initial forecast mainly driven by stronger than expected pricing gains
- ❑ Volume, price/mix, cost containment, minimal Forex gain and all regions except for Americas (Canada impact) contributed

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## Consistent Core Strategies



### Continue to:

- ❑ *Strengthen GFB equity*
- ❑ *Leverage & deploy brand portfolio*
- ❑ *Improve impact at point of sale*
- ❑ *Concentrate on core markets*
- ❑ *Reduce cost base while delivering quality products*
- ❑ *Meet the highest standard of corporate responsibility*
- ❑ *Invest in talent*

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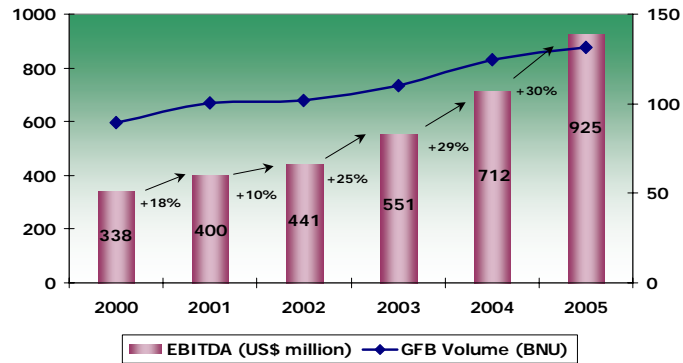
### Regulatory and operating environment

- Excise tax increases
- Restrictions on communication with consumers
- Smoking bans
- Changing consumer behavior

- Brand equity
- Trade marketing excellence
- Brand portfolio expansion
- R&D / Innovation initiatives
- Capacity expansion in manufacturing
- Compliance
- HR programs

Positioning JTI for sustainable growth

## Key Performance Indicators Evolution



Continued organic revenue growth and a broadening earnings base are expected to

- secure a sustainable organic growth momentum
- support JTI's ability to exceed the US\$ 1 Bn EBITDA mark

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## Continued industry leading organic growth



- Grow sustainable EBITDA in the mid-teens
- Further grow EBITDA Margin



Driving Force for Profit Growth  
of the JT Group

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