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FOR IMMEDIATE RELEASE

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Japan Tobacco International (JTI)
Results for the quarter ended March 31, 2014

JTI continues delivering revenue and double-digit earnings growth

(billions of units, millions of US$)	Jan-Mar		Change vs. prior year
	2014	2013	
Total shipment volume[1]	87.7	92.8	-5.4%
GFB shipment volume[1]	55.3	58.5	-5.5%
Core revenue	2,761	2,729	1.2%
Core revenue at constant FX	2,868	2,729	5.1%
Adjusted operating profit[2]	1,023	976	4.8%
Adjusted operating profit at constant FX	1,117	976	14.5%

Highlights
3 months quarter-to-date 2014 (January-March)

- Core revenue grew 1.2%, driven by strong price/mix, compensating for the volume decline.
- At constant FX, core revenue grew 5.1%, resulting in 14.5% growth in adjusted operating profit.
- Total and GFB shipment volumes declined 5.4% and 5.5%, respectively, due to industry contraction in several key markets, notably in France, Russia, Spain and the UK, as well as trade inventory adjustments coupled with downtrading from increased competition in the Value segment in Turkey. Fine cut volume grew 10.5%, driven by our GFB growing 34.1% essentially in Europe.
- Year-on-year market share[3] was flat or increased in most key markets namely France, Italy, Spain, Turkey and the UK. In Russia, share of value[4] and GFB share of market gains continued.

Performance review
3 months quarter-to-date 2014 (January-March)

Core revenue at constant FX grew US$139 million (+5.1%) to US$2,868 million, driven by US$272 million in price/mix improvement, partially offset by negative volume.

Adjusted operating profit at constant FX increased US$141 million (+14.5%) to US$ 1,117 million, driven by US$276 million in price/mix improvement.

On a reported basis, core revenue increased 1.2% to US$ 2,761 million and adjusted operating profit grew 4.8% to US$ 1,023 million.

Total shipment volume

Total shipment volume declined 5.4% to 87.7 billion cigarette equivalent units due to continued industry contraction, particularly in France, Russia, Spain and the UK, as well as trade inventory adjustments coupled with downtrading from increased competition in the Value segment in Turkey. Growth in the Caucasus markets, Germany, Hungary, the Philippines, Portugal and several Middle East and African markets was offset by declines in France, Italy, Russia, Spain, Taiwan, Turkey and the UK. Fine cut shipment volume increased 10.5%, mainly driven by growth in the Benelux, France, Germany, Hungary, Poland, Portugal and the UK.

(billions of units)	Jan-Mar		Change
Cluster	**2014**	**2013**	**vs. prior year**
South & West Europe	14.0	14.8	-5.9%
North & Central Europe	12.3	12.0	3.1%
CIS+	36.2	39.2	-7.8%
Rest of the World	25.2	26.7	-5.6%
Total JTI	**87.7**	**92.8**	**-5.4%**

GFB shipment volume

GFB shipment volume decreased 5.5% to 55.3 billion cigarette equivalent units due to industry contraction in several key markets and the situation in Turkey. GFB fine cut volume grew 34.1%, driven by Winston, Camel and LD in the Benelux, France, Germany, Hungary and Poland. GFB volume represented 63.0% of the total shipment volume.

Winston: Overall shipment volume declined 7.1% to 27.6 billion cigarette equivalent units. Positive momentum in Germany, the Philippines, Romania and Taiwan could not compensate for the industry contraction in France, Russia, Spain and trade inventory adjustments coupled with downtrading from intense competition in the Value segment in Turkey. Fine cut shipment volume grew 24.1% within our two European clusters.

Camel: Growth in Germany, the Benelux, Portugal and several Middle East and African markets was offset by industry contraction in France and Spain resulting in a 3.7% shipment volume decline to 8.8 billion cigarette equivalent units. Fine cut shipment volume grew 12.7% within our two European clusters.

Mevius: Shipment volume decreased 8.1% to 4.0 billion cigarette equivalent units mainly due to a pricing disadvantage in Taiwan.

LD: Despite growth in Hungary, the Caucasus markets and Ukraine, shipment volume declined 2.6% to 9.6 billion cigarette equivalent units, driven by industry contraction and competitive pressure in Russia.

Cluster results

South and West Europe

(billions of units, millions of US$)	Jan-Mar		Change
	2014	2013	vs. prior year
Total shipment volume	14.0	14.8	-5.9%
GFB shipment volume	11.8	12.3	-3.8%
Core revenue at constant FX	470.1	515.7	-8.8%

Total and GFB shipment volumes decreased 5.9% and 3.8%, respectively. The overall decline resulted from industry contraction, especially in France and Spain. This contraction was partly offset by market share gains in France, Greece, the Netherlands, Spain and Switzerland.

Core revenue at constant FX decreased 8.8% due to negative price/mix of US$11 million, mainly due to Italy, and negative volume.

In France, both total and GFB shipment volumes declined 7.4% and 7.2%, respectively, due to industry contraction. Fine cut grew 4.6%. Market share grew 1.7ppt to 20.1% driven by Winston and Camel.

In Italy, total and GFB shipment volumes decreased 9.5% and 8.3%, respectively, primarily due to competitive pressure at the low-end of the market and in the fine cut category. Versus the fourth quarter 2013, market share in this quarter was down 0.5ppt to 20.8% on a 3-month rolling average basis but remained stable at 21.5% on a 12-month rolling average basis.

In Spain, total and GFB shipment volumes declined 8.7% and 2.9%, respectively. These declines were mainly due to industry contraction. Market share grew 0.8ppt to 21.0%, driven by Winston, Camel and Benson & Hedges.

North and Central Europe

(billions of units, millions of US$)	Jan-Mar		Change
	2014	2013	vs. prior year
Total shipment volume	12.3	12.0	3.1%
GFB shipment volume	6.5	6.0	8.3%
Core revenue at constant FX	545.6	496.3	9.9%

Total and GFB shipment volumes increased 3.1% and 8.3%, respectively, driven by strong GFB performance in Austria, Czech Republic, Germany, Hungary and Sweden. Market share grew in Austria, Germany, Hungary, Ireland, Poland and the UK.

Core revenue at constant FX increased 9.9% driven by positive price/mix of US$43 million, mainly in Austria, Poland and the UK, as well as positive volume contribution.

In Austria, total and GFB shipment volumes grew 1.2% and 11.2%, respectively, mainly driven by Winston and Benson & Hedges. Market share increased 0.4ppt to 32.3%.

In the UK, total shipment volume declined 2.5% due to industry contraction. Market share increased 0.9ppt to 40.7%, driven by Amber Leaf and Sterling. Both brands continued to lead their respective categories, with Amber Leaf remaining the number 1 brand across all tobacco categories. In fine cut, we grew volume 4.5% and gained 1.2ppt of market share.

In Poland, total and GFB shipment volumes increased 1.6% and 2.0%, respectively, driven by Camel and LD fine cut. Market share grew 1.9ppt to 15.2%.

CIS+

(billions of units, millions of US$)	Jan-Mar		Change
	2014	2013	vs. prior year
Total shipment volume	36.2	39.2	-7.8%
GFB shipment volume	24.3	25.6	-4.9%
Core revenue at constant FX	1,049.7	915.9	14.6%

Despite continued GFB growth momentum in the Caucasus markets and Romania, total and GFB shipment volume declined 7.8% and 4.9%, respectively, due to industry contraction in Russia. Market share grew in Romania and Ukraine.

Core revenue at constant FX increased 14.6% driven by price/mix of US$217 million, mainly in Kazakhstan, Russia and Ukraine.

In Romania, total and GFB shipment volumes grew 7.6% and 15.2%, respectively, driven by Winston and More. Market share grew 0.3ppt to 24.4%.

In Russia, total and GFB shipment volumes decreased 12.1% and 10.3%, respectively. This decline was mainly driven by industry contraction estimated at 7.9% for the quarter, following tax-led price increases, as well as a decrease in volume from our mid- and low-price brands due to tactical price competition. Although market share declined 0.1ppt to 36.2%, GFB share grew 1.3ppt to 23.4% and our share of value reached 36.6%, an increase of 0.3ppt.

Rest-of-the-World

(billions of units, millions of US$)	Jan-Mar		Change
	2014	2013	vs. prior year
Total shipment volume	25.2	26.7	-5.6%
GFB shipment volume	12.6	14.6	-13.6%
Core revenue at constant FX	802.5	800.8	0.2%

Total and GFB shipment volumes declined 5.6% and 13.6%, respectively, mainly due to trade inventory adjustments coupled with downtrading from intense competition in the Value segment in Turkey as well as a pricing disadvantage in Taiwan. The volume decrease was partially offset by a

positive performance in several Middle East and African markets and the Philippines. Market share increased in Canada, Malaysia and Turkey.

Core revenue at constant FX grew 0.2% driven by positive price/mix of US$23 million, mainly in Canada, Malaysia and Taiwan, more than offsetting negative volume impacts from Taiwan and Turkey.

In Taiwan, total and GFB shipment volumes decreased 11.5% and 5.8%, respectively, due to a pricing disadvantage. Market share declined 0.1ppt to 39.2% while Winston gained 1.3ppt of market share to 3.9%. Share of value increased 0.9ppt to 44.5%.

In Turkey, total and GFB shipment volumes declined 32.1% and 42.9%, respectively, due to trade inventory adjustments coupled with downtrading caused by intense competition in the Value segment. Versus the fourth quarter 2013, market share in this quarter was down 0.4ppt to 26.5% on 3-month rolling average basis while it increased 0.4ppt to 26.8% on a 12-month rolling average 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 and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.399 trillion (US$23,318 million(*)) in the fiscal year ended March 31, 2014.

**Translated at the rate of ¥102.92 per $1, as of March 31, 2014*

Notes:

[1] Following a recent assessment of fine cut consumption, the conversion rate from tons to cigarette equivalent units for High Volume Tobacco has been adjusted. 2013 figures for Total and GFB shipment volume have been restated accordingly.
[2] As of this quarter, JTI discloses adjusted operating profit. Adjusted operating profit = operating profit + amortization of acquired intangibles + adjusting items (income and cost)*.
* Adjusting items (income and cost) = impairment losses on goodwill ± restructuring income and cost ± others.
[3] Source: DCS, IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut at the end of February 2014. Malaysia, Romania, Taiwan and Ukraine are on a 12-month rolling average at the end of March 2014. 12-month share of market growth for February 2014 markets is calculated against a 12-month share of market at the end of March 2013.
[4] Source: Nielsen estimates on a 12-month rolling average for cigarettes at the end of February 2014, except for Taiwan reported at end of March 2014.

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

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