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FOR IMMEDIATE RELEASE

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Japan Tobacco International (JTI)
Results for the quarter ended September 30, 2014

Double-digit earnings growth continues

(billions of units, millions of US$)	Jul-Sep		Change vs. prior year	Jan-Sep		Change vs. prior year
	2014	2013		2014	2013	
Total shipment volume[1]	106.0	110.0	-3.6%	296.6	312.0	-4.9%
GFB shipment volume[1]	71.4	70.7	1.0%	194.3	198.8	-2.2%
Core revenue	3,225	3,227	-0.1%	9,101	9,067	0.4%
Core revenue at constant FX	3,357	3,227	4.0%	9,441	9,067	4.1%
Adjusted operating profit	1,308	1,248	4.8%	3,454	3,327	3.8%
Adjusted operating profit at constant FX	1,395	1,248	11.8%	3,718	3,327	11.8%

Highlights

3 months quarter-to-date 2014 (July-September)

- Adjusted operating profit grew 4.8%, and 11.8% at constant FX driven by strong price/mix.
- Core revenue declined 0.1% due to unfavorable currency, increasing 4.0% at constant FX.
- GFB shipment volume grew 1.0% primarily driven by Middle East markets, Spain and Turkey. GFB fine cut shipment volume increased 19.2%, driving total fine cut volume growth of 5.7%.
- Total shipment volume declined 3.6% mainly due to industry contraction in Russia.
- Year-on-year market share[2] increased in the key markets of France, Spain, Turkey and the UK. In Russia, GFB share of market continued to grow driven by Winston.

9 months year-to-date 2014 (January-September)

- Core revenue increased 0.4%, driven by strong price/mix that offset volume decline and unfavorable currency.
- At constant FX, core revenue and adjusted operating profit grew 4.1% and 11.8%, respectively.
- Total and GFB shipment volumes declined 4.9% and 2.2%, respectively, primarily due to industry contraction in Russia. GFB fine cut shipment volume grew 31.0% driving our total fine cut volume growth of 10.4%.

Performance review

3 months quarter-to-date 2014 (July-September)

Core revenue at constant FX grew US$131 million (+4.0%) to US$3,357 million, driven by US$254 million in price/mix improvement, partially offset by volume decline.

Adjusted operating profit at constant FX increased US$147 million (+11.8%) to US$1,395 million, driven by US$242 million in price/mix improvement.

On a reported basis, core revenue declined 0.1% to US$3,225 million while adjusted operating profit grew 4.8% to US$1,308 million.

Total shipment volume

Total shipment volume declined 3.6% to 106.0 billion cigarette equivalent units, mainly due to ongoing industry contraction in Russia. Total shipment volume growth in the Benelux, Germany, Korea, Malaysia, Middle East markets, Spain and Turkey was offset by declines in Italy, Kazakhstan, Poland, Russia, Taiwan, Ukraine and the UK. Fine cut shipment volume grew 5.7%, primarily driven by the Benelux, France, Germany, Hungary, Ireland, Italy and the UK.

Compared to the previous quarter, the total shipment volume decline slowed down led by positive performance of our GFB.

(billions of units)	Jul-Sep		Change
Cluster	**2014**	**2013**	**vs. prior year**
South & West Europe	16.1	16.5	-2.3%
North & Central Europe	13.7	14.0	-1.7%
CIS+	44.0	49.3	-10.8%
Rest-of-the-World	32.2	30.2	6.4%
Total JTI	**106.0**	**110.0**	**-3.6%**

GFB shipment volume

GFB shipment volume increased 1.0% to 71.4 billion cigarette equivalent units, driven by Camel, Benson & Hedges and Sobranie. GFB fine cut shipment volume grew 19.2%, led by the Benelux, France, Germany, Hungary and Italy. GFB represented 67.3% of total shipment volume, an increase of 3.1ppt compared to the same period last year.

Winston: Shipment volume declined 5.6% to 34.7 billion cigarette equivalent units. This was primarily due to industry contraction in Russia and price competition in the popular segment in Turkey, which offset the growth momentum in the Benelux, France, Germany, Malaysia, Middle East markets, Romania, Spain and Taiwan. Fine cut shipment volume grew 22.0%.

Camel: Shipment volume increased 26.8% to 13.5 billion cigarette equivalent units, driven by growth in the Benelux, Spain and Turkey. Fine cut shipment volume grew 14.5%.

Mevius: Shipment volume declined 4.3% to 4.7 billion cigarette equivalent units. Positive performance in Korea and Malaysia could not compensate for ongoing downtrading due to price competition in Taiwan.

LD: Despite positive performance in Canada, Kazakhstan and Ukraine, shipment volume declined 1.1% to 12.1 billion cigarette equivalent units, primarily due to industry contraction and competitive pressure in Russia. Fine cut shipment volume grew 16.4%.

Cluster results

South and West Europe

(billions of units, millions of US$)	Jul-Sep		Change
	2014	2013	vs. prior year
Total shipment volume	16.1	16.5	-2.3%
GFB shipment volume	14.0	13.9	0.6%
Core revenue at constant FX	553	587	-5.8%

Total shipment volume declined 2.3%, primarily due to Italy. GFB shipment volume grew 0.6% driven by positive performance in the Benelux and Spain. Share of market grew in Belgium, France, Greece, Luxembourg, Netherlands, Spain and Switzerland.

Core revenue at constant FX decreased 5.8% due to volume decline and negative price/mix of US$17 million, mainly in Italy.

In France, total shipment volume declined only 0.6% while industry volume contracted 2.5%. GFB shipment volume increased 1.4% mainly driven by Winston. Fine cut shipment volume grew 2.2%. Market share increased 0.6ppt to 20.6%, led by Winston and Camel.

In Italy, total and GFB shipment volumes both declined 7.4%. Benson & Hedges continued to grow significantly in the highly competitive value segment. Fine cut shipment volume increased 13.8% led by our GFB. Market share declined 1.4ppt to 20.3%.

In Spain, total and GFB shipment volumes grew 6.7% and 11.9%, respectively, driven by Winston, Camel and Benson & Hedges. Fine cut shipment volume decreased 11.1% due to decline of the category following the excise-tax hike of June 2013. Market share grew 0.8ppt to 21.5%, led by the strong performance of our GFB, particularly Winston.

North and Central Europe

(billions of units, millions of US$)	Jul-Sep		Change
	2014	2013	vs. prior year
Total shipment volume	13.7	14.0	-1.7%
GFB shipment volume	7.4	7.3	1.1%
Core revenue at constant FX	606	570	6.3%

Total shipment volume declined 1.7% mainly due to Poland and the UK. GFB shipment volume increased 1.1% driven by growth in Czech Republic, Germany, Hungary and Sweden. Market share grew in Austria, Germany, Hungary, Ireland, Poland and the UK.

Core revenue at constant FX increased 6.3% driven by positive price/mix of US$48 million, mainly in the UK.

In Austria, total shipment volume decreased 4.8%, while GFB shipment volume grew 2.0% driven by Winston, Camel and Benson & Hedges. Market share increased 0.2ppt to 32.3%, led by Benson & Hedges and Winston.

In Poland, total and GFB shipment volumes both decreased 8.4%, mainly due to industry contraction. Market share increased 1.5ppt to 15.8% driven by the strong performance of Camel and LD.

In the UK, total and GFB shipment volumes declined 4.2% and 10.6%, respectively, due to industry contraction and downtrading to the value segment. Fine cut shipment volume grew 2.6%. Market share increased 0.7ppt to 41.3%, led by Amber Leaf, which remains the number one brand across all tobacco categories.

CIS+

(billions of units, millions of US$)	Jul-Sep		Change
	2014	2013	vs. prior year
Total shipment volume	44.0	49.3	-10.8%
GFB shipment volume	31.0	32.6	-5.0%
Core revenue at constant FX	1,259	1,156	8.9%

Total and GFB shipment volumes declined 10.8% and 5.0%, respectively, primarily due to Russia. However, versus the previous quarter, our volume decline slowed down mainly due to the GFB-led improvements in Kazakhstan, Romania and Russia. Current political instability in the eastern part of Ukraine had no material impact on our business.

Core revenue at constant FX increased 8.9% driven by price/mix of US$231 million, mainly in Russia.

In Romania, total shipment volume declined 0.6% despite a GFB volume growth of 23.5% led by Benson & Hedges, Winston and Sobranie. Market share increased 0.8ppt to 24.9%, primarily driven by Winston.

In Russia, total and GFB shipment volumes decreased 14.5% and 8.2%, respectively. This decline was mainly due to industry contraction estimated at 10.4% for the quarter[3], following tax-led price increases as well as competitive pressure in the mid- and low-price segments. Despite share of market declining 0.9ppt to 35.4%, GFB market share grew 0.8ppt to 23.6%, led by Winston achieving a record 15.0% share. Compared to the previous quarter, share of market grew 0.3 ppt to 34.9%. Share of value[4] declined 0.4ppt to 36.1%.

Rest-of-the-World

(billions of units, millions of US$)	Jul-Sep		Change
	2014	2013	vs. prior year
Total shipment volume	32.2	30.2	6.4%
GFB shipment volume	19.0	16.8	12.8%
Core revenue at constant FX	940	914	2.8%

Total and GFB shipment volumes increased 6.4% and 12.8%, respectively, driven by Korea, Malaysia, Middle East markets and Turkey. Market share increased in Canada, Malaysia and Turkey.

Core revenue at constant FX grew 2.8% driven by positive volume of US$35 million, mainly in Turkey, offsetting negative price/mix.

In Taiwan, total and GFB shipment volumes decreased 6.0% and 1.6%, respectively, reflecting downtrading due to price competition. Despite Winston growing share 1.4ppt to 4.6%, our market share declined 1.2ppt to 38.3%. Share of value declined 0.2ppt to 44.2% despite growing 0.4ppt to 44.3% compared to previous quarter.

In Turkey, total and GFB shipment volumes increased 21.2% and 23.9%, respectively, driven by continued growth of Camel following its repositioning to the popular segment. Camel grew share 2.4ppt to 4.4% driving our share of market to 27.6%.

Performance review
9 months year-to-date 2014 (January-September)

Core revenue at constant FX grew US$374 million (+4.1%) to US$9,441 million driven by US$767 million in price/mix improvement, compensating for unfavorable volume.

Adjusted operating profit at constant FX increased US$391 million (+11.8%) to US$3,718 million driven by US$754 million in price/mix gains.

Total shipment volume declined 4.9% to 296.6 billion cigarette equivalent units mainly due to Russia. Fine cut shipment volume increased 10.4% driven the Benelux, France, Germany, Hungary, Poland and the UK. GFB shipment volume decreased 2.2% to 194.3 billion units.

Shipment volume

(billions of units)	Total Jan-Sep		Change vs. prior year	GFB Jan-Sep		Change vs. prior year
Cluster	**2014**	**2013**		**2014**	**2013**	
South & West Europe	46.1	46.8	-1.4%	39.6	39.1	1.3%
North & Central Europe	39.0	38.4	1.7%	21.0	19.8	6.1%
CIS+	123.4	139.1	-11.3%	85.5	92.1	-7.1%
Rest-of-the-World	88.1	87.7	0.4%	48.2	47.9	0.8%
Total JTI	**296.6**	**312.0**	**-4.9%**	**194.3**	**198.8**	**-2.2%**

Core revenue at constant FX

(millions of US$)	Jan-Sep		Change vs. prior year
Cluster	**2014**	**2013**	
South & West Europe	1,569	1,640	-4.3%
North & Central Europe	1,707	1,563	9.2%
CIS+	3,498	3,213	8.9%
Rest-of-the-World	2,667	2,651	0.6%
Total JTI	**9,441**	**9,067**	**4.1%**

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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 LD. With diversified operations, JT is also actively present in pharmaceuticals, beverages and processed foods. The company's revenue was ¥2.400 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 since 2014. 2013 figures for Total and GFB shipment volume have been restated accordingly.
[2] Source: IRI, Logista, Nielsen and JTI estimates on a 12-month rolling average, unless otherwise specified, for cigarettes and fine cut at the end of September 2014. Belgium, Germany, Luxembourg, Netherlands, Spain and Turkey are on a 12-month rolling average at the end of August 2014. 12-month share of market growth for August 2014 markets is calculated against a 12-month share of market at the end of September 2013.
[3] Source: JTI estimates based on July-August 2014 data versus the same period last year.
[4] Source: Nielsen estimates on a 12-month rolling average, unless otherwise specified, for cigarettes at the end of September 2014.

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

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