



JT International Investor Field Trip

France Market

Luxembourg / Trier

September 19-20, 2011

quality commitment innovation synergy



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, 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.

This presentation contains packages of our brands in some slides. Those slides have been developed to explain JTI's performance to our investors. And they are not intended to promote the purchase of our products.

Daniel Sciamma

France
General Manager



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- Introduction
 - Economic and Tobacco Market Overview
 - JTI France Strategy and Performance
 - Concluding Remarks
 - Appendix

- Introduction -



France is the 3rd largest RMC market in JTI's Western Europe region



Country

- 65 million people
- 551 500 km²

Tobacco

- 54.8bn Ready-Made Cigarettes (RMC)
- 10.1bn stick equivalents⁽²⁾ in Roll-Your-Own / Make-Your-Own tobacco (RYO/MYO)
- Retail value €16.1 billion

JTI France

- Based in Paris
- Employs 225 people



Note: (1) all figures in 2010 unless otherwise specified

(2) RYO converted to sticks at 0.75g / stick

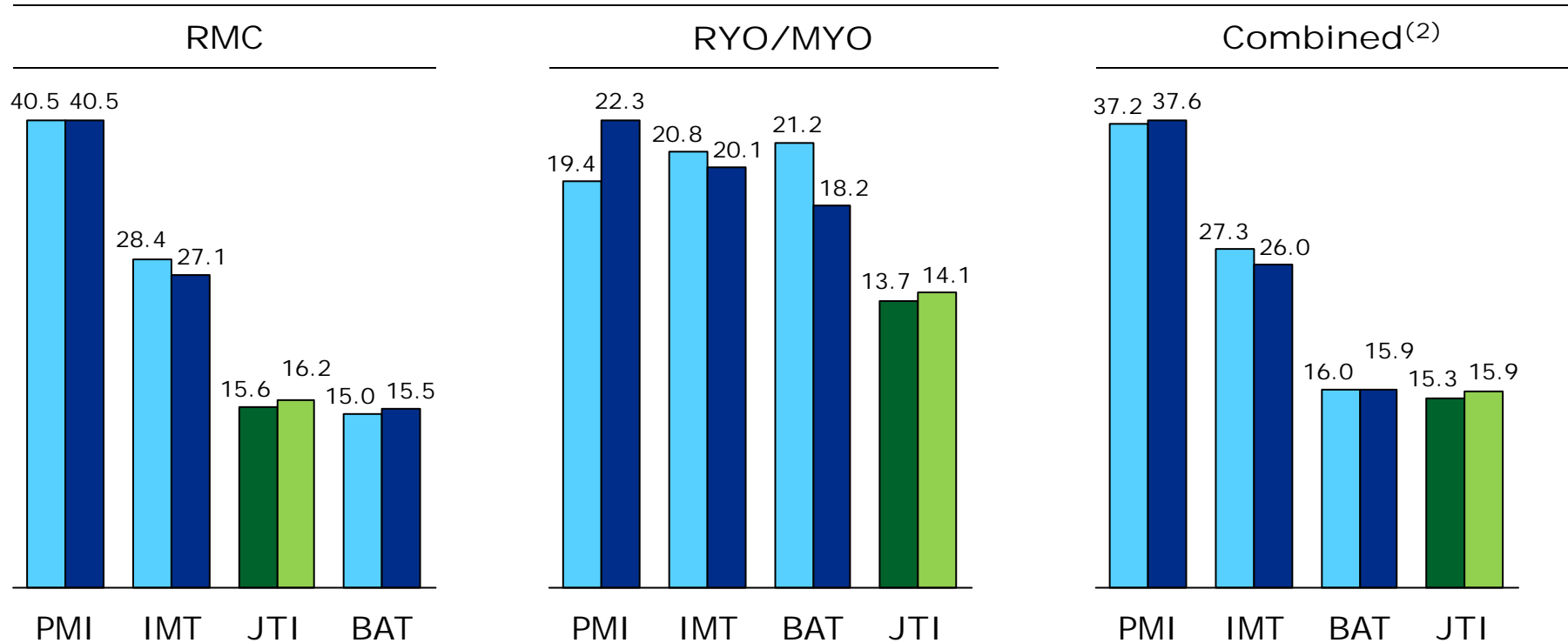
Source: Altadis Distribution France (ADF)

JTI is the #3 RMC player on the French market with a combined market share of 15.9%



■ Jul-10
■ Jul-11

Market Share⁽¹⁾ by Company (%)



Note: (1) 12 month Moving Average Share of Market

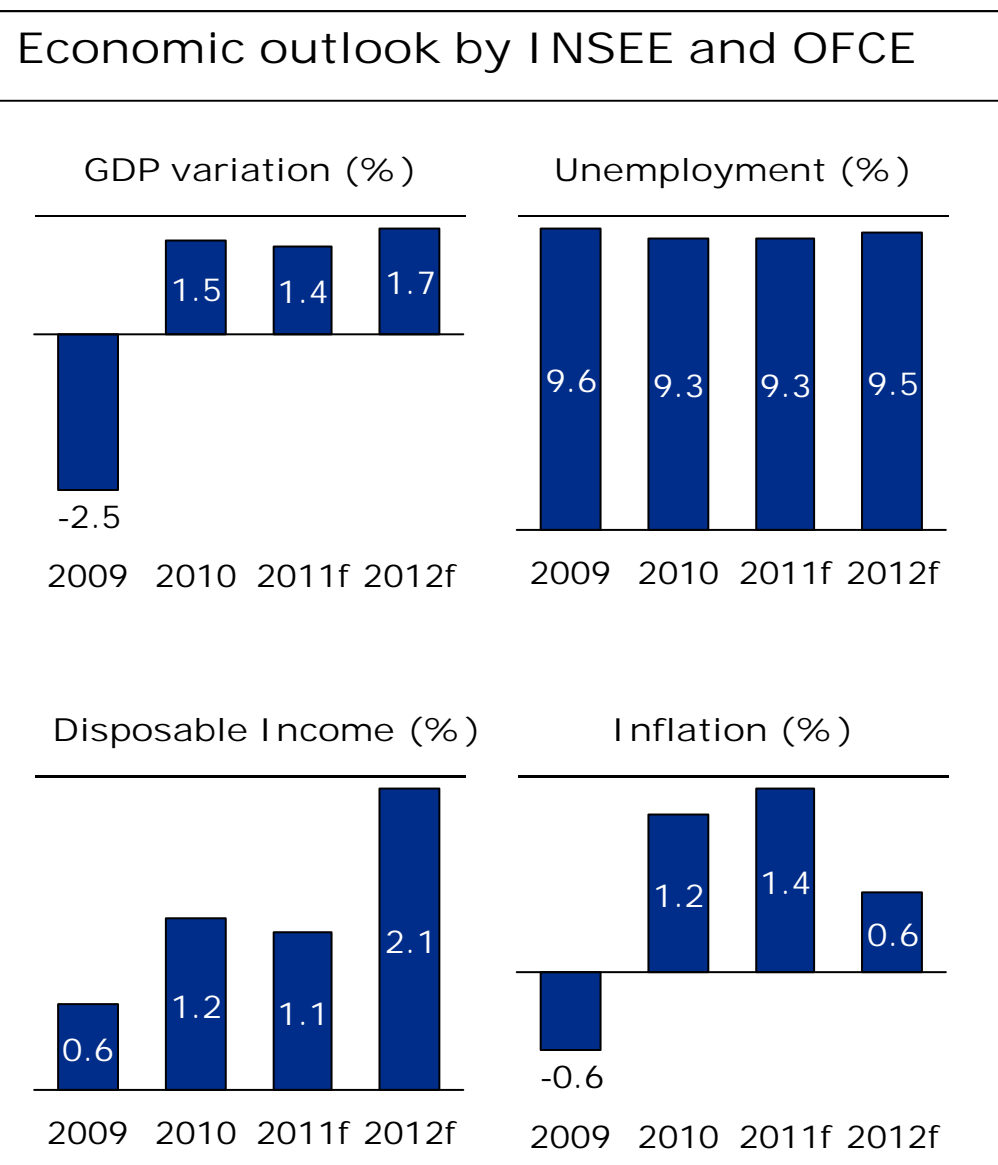
(2) RYO converted to sticks at 0.75g per stick

Source: Altadis Distribution France (ADF)

- Economic and Tobacco Market Overview -



The French economy shows signs of resilience



- Structural weak economic growth, and a stabilized high level of unemployment
- State redistribution mechanisms maintain disposable income growth in a context of limited inflation
- Prime Minister announced plan to reduce deficit through public expenses reduction and targeted tax increases

France is historically a highly regulated market

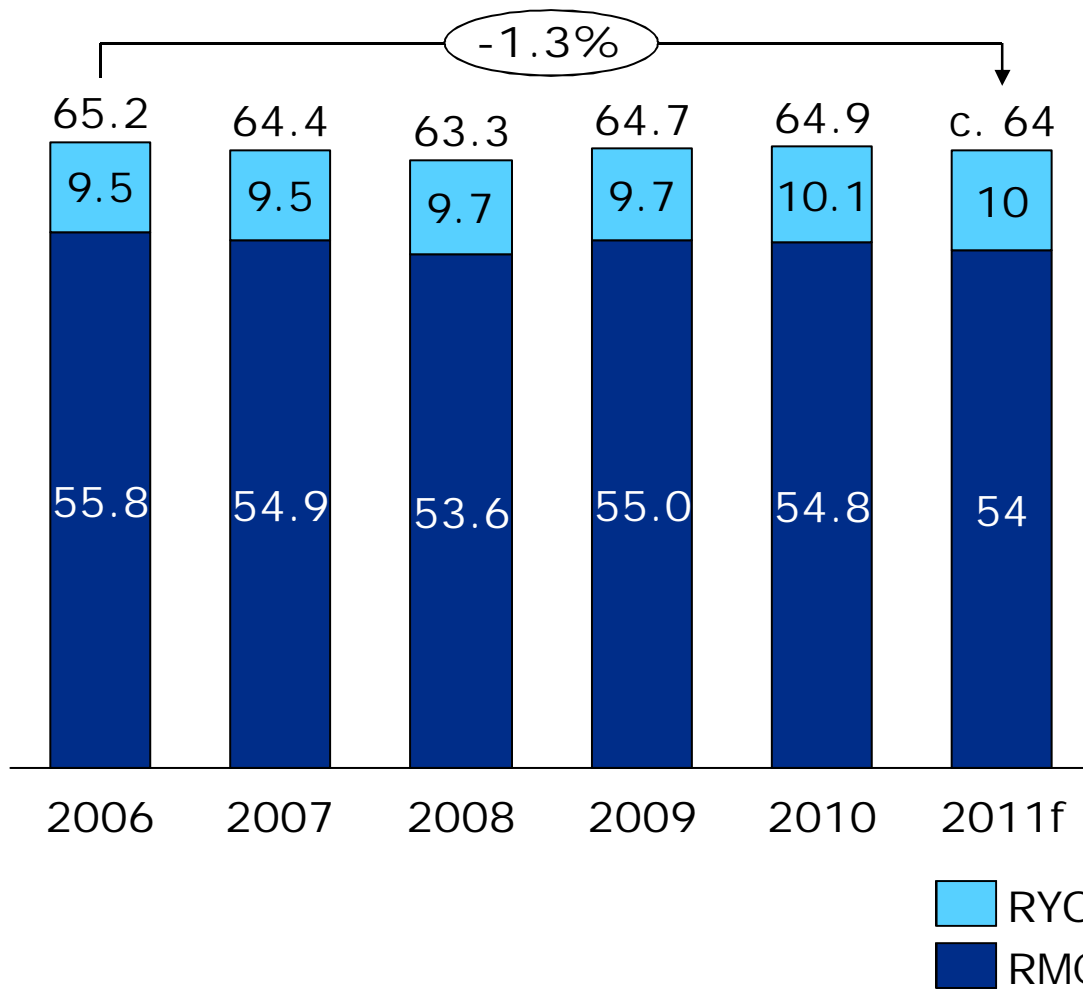


- Smoking ban in all public places since January 2008
- Packs of less than 20 cigarettes (RMC) and pouches of less than 30 grams (RYO/MYO) are banned
- Only limited communication at Point of Sale is allowed since 1993
- Pictorial Health Warnings since April 2011
- National Selling Price for each SKU
- Retailers State Monopoly: tobacconists' trade margin fixed by the government

Underlying trend of industry volume contraction, with steady RSP increases



Industry shipment volumes (BnU)⁽¹⁾






- RSP increases in the range of 6% in 2007, 2009 and 2010
- Announced a 6% RSP increase effective as from beginning of October
- Changing consumer trends drive some migration from RMC to RYO/MYO

Note: (1) RYO converted to sticks at 0.75g per stick
Source: Altadis Distribution France (ADF), JTI estimates

RMC centers on 2 price segments with limited down-trading



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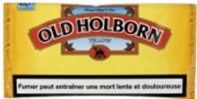
Segment	Price ⁽²⁾ in €/pack	JTI	PMI	BAT	IMT
Premium (49.9%)	5.90		Marlboro	Dunhill	
	5.80		Philip Morris	Peter St.	
Popular (50.1%)	5.40		Chesterfield L&M Basic	Pall Mall Lucky Strike Rothmans	Gauloises Bl. News Fortuna Gauloises
Share of Market ⁽¹⁾		16.2%	40.7%	15.5%	26.8%

Note: (1) 12 month Moving Average Share of Market
(2) as of Sept. 2011
Source: Altadis Distribution France (ADF)

RYO/MYO concentrates on one price point

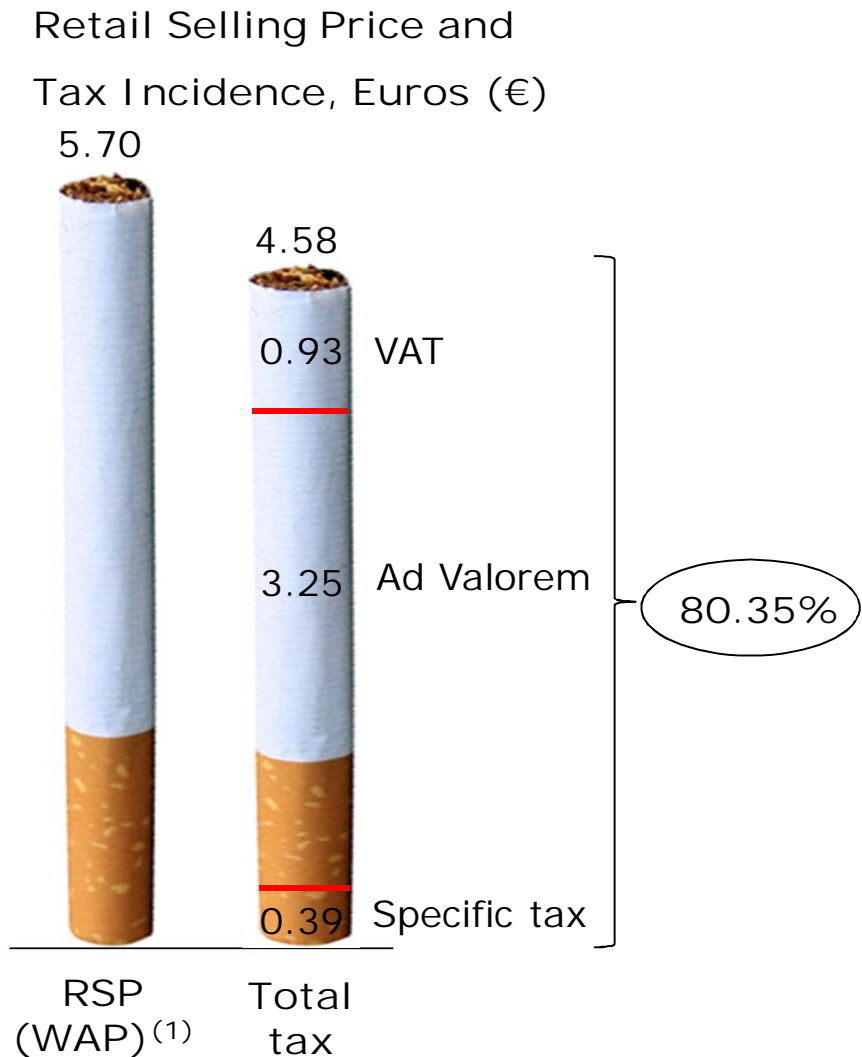


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Segment	Price ⁽²⁾ in €/30g	JTI	PMI	BAT	IMT	Gryson
Premium (3.6%)	5.70		Wervicq		Amsterdamer	
	5.63				Golden Virginia Caporal	
Popular (96.4%)	5.40	   	Marlboro Philip Morris Interval Chesterfield	Pall Mall Lucky Strike Samson	News JPS Drum Gauloises	Fleur du Pays Orlando Domingo
Share of Market ⁽¹⁾		14.1%	24.0%	17.0%	19.7%	21.3%

Note: (1) 12 month Moving Average Share of Market
(2) as of Sept. 2011
Source: Altadis Distribution France (ADF)

France has a high tax incidence at 80.35% of Retail Selling Price (RSP)

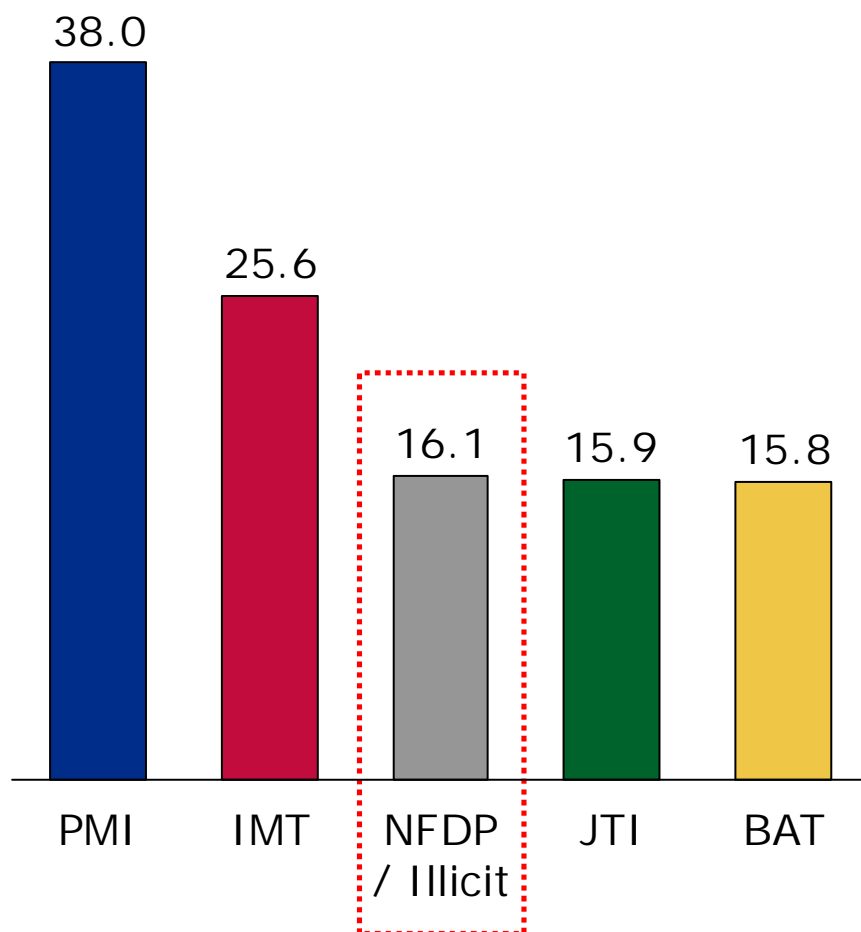


- The excise tax shock of 2002/2003 led to a significant RMC market contraction (-32% 2004 vs. 2002) and favored the NFDP market development
- Since then, the excise structure has stabilized, with government revenues increasing steadily

High prices result in significant cross-border sales making NFDP a major industry “player”



Share of total consumption⁽¹⁾,
YTD July 2011 (%)



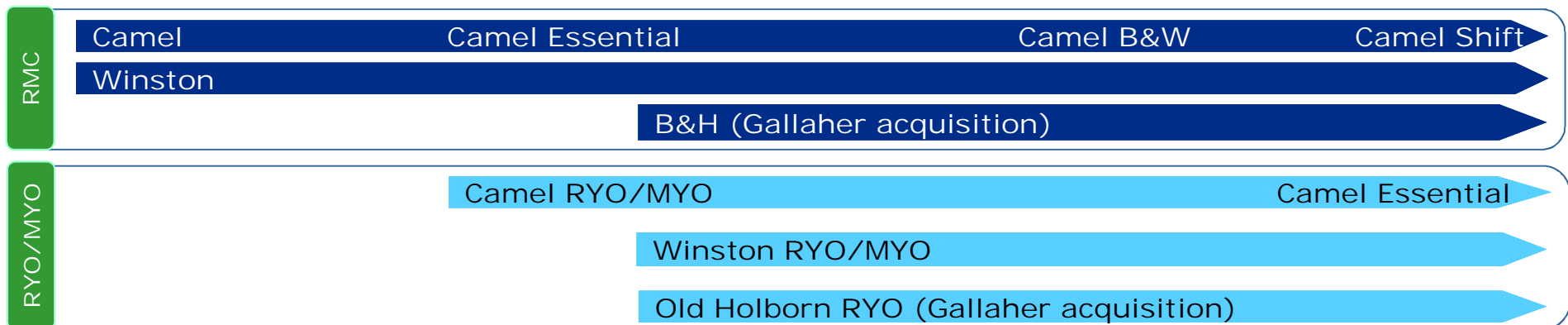
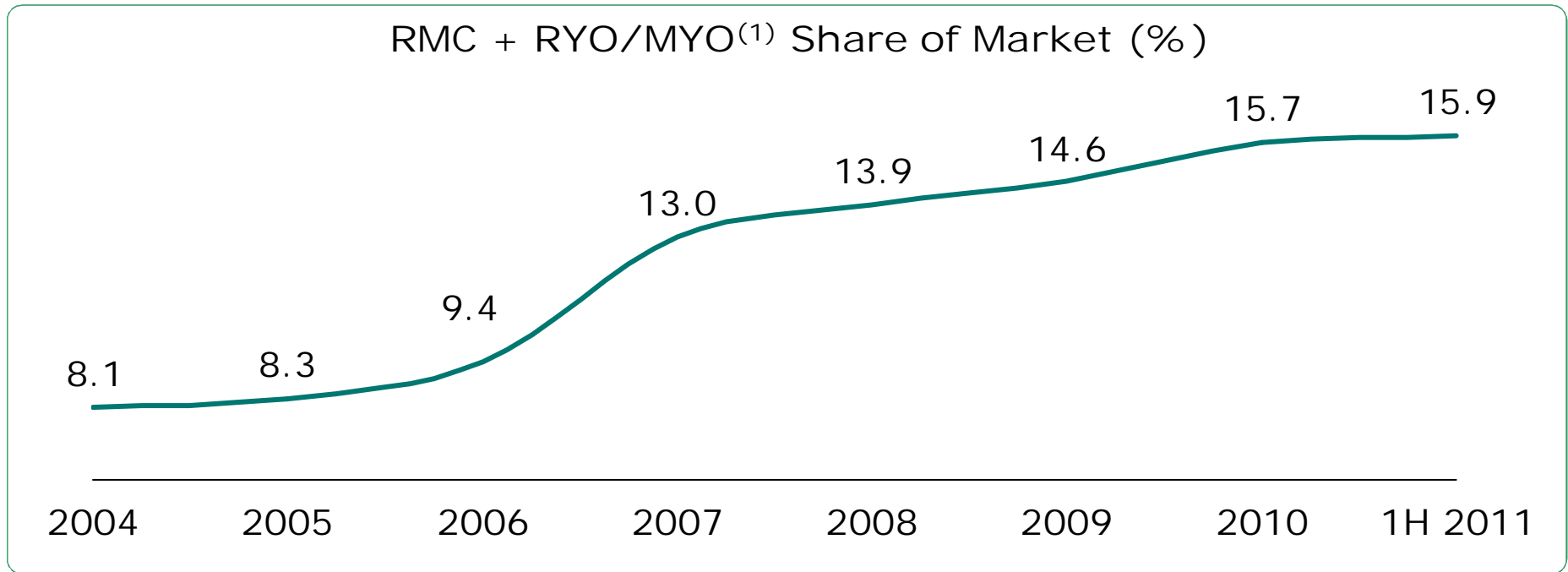
- Total NFDP consumption of 12bn per annum
- Some level of repatriation contributing to market limited decline
- Consumption of NFDP product is more significant for RYO
- JTI funds and publishes research on cross border sales
- Industry and JTI cooperate with the government in combating illicit trade.
- JTI has signed a Memorandum of Understanding with Government on cooperation in fighting illicit trade

Note: (1) RYO converted to stick at 0.75g per stick
Source: Altadis Distribution France (ADF), JTI estimates, Omnibus JTI/IFOP

- JTI France Strategy and Performance -



Uninterrupted share growth driven by GFB brand portfolio expansion, innovation and RYO/MYO extension

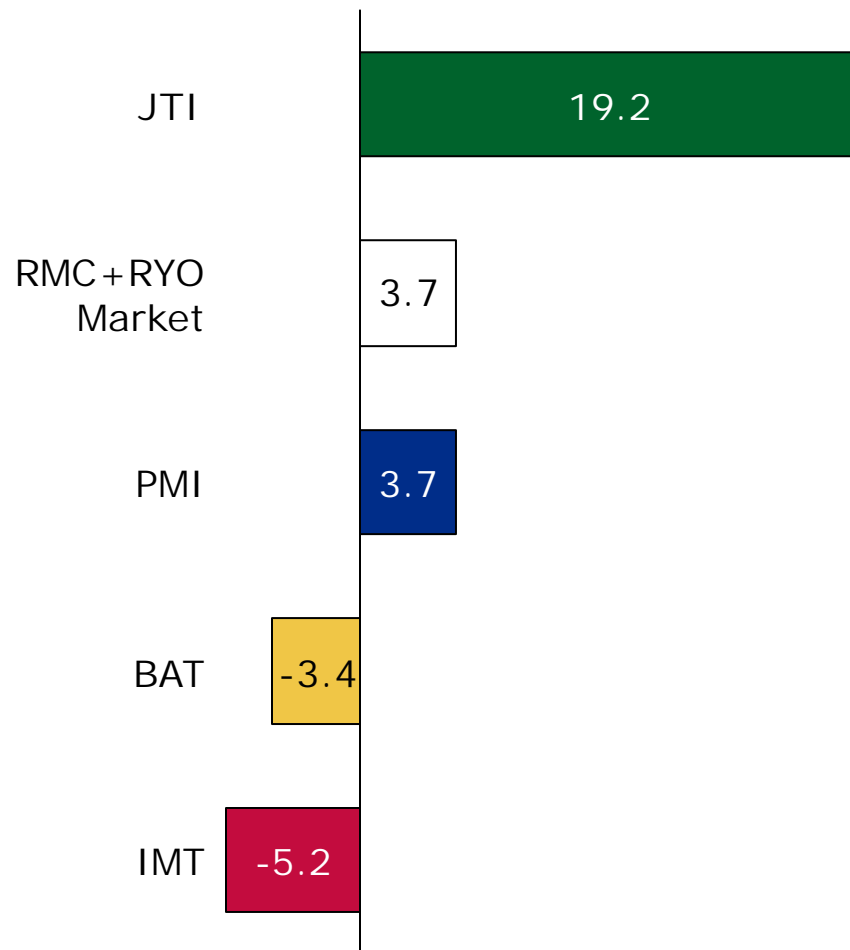


Note: (1) RYO converted to stick at 0.75g per stick
 Source: Altadis Distribution France (ADF)

Since the Gallaher acquisition, JTI France has strongly outperformed the industry on volume



Volume Variation
H1 2011 vs. H1 2008 (%)



- 3 years of uninterrupted share and volume growth
- 2 brands in the "Top 5", Camel and Winston
- France is a key profit contributor for JTI

Strategic focus geared towards sustaining and accelerating growth in the market

JTI France Mission

Remain the fastest growing manufacturer in volume and profitability to consolidate JTI's #3 position by leveraging the strength of our GFB, our innovation capabilities and challenging culture



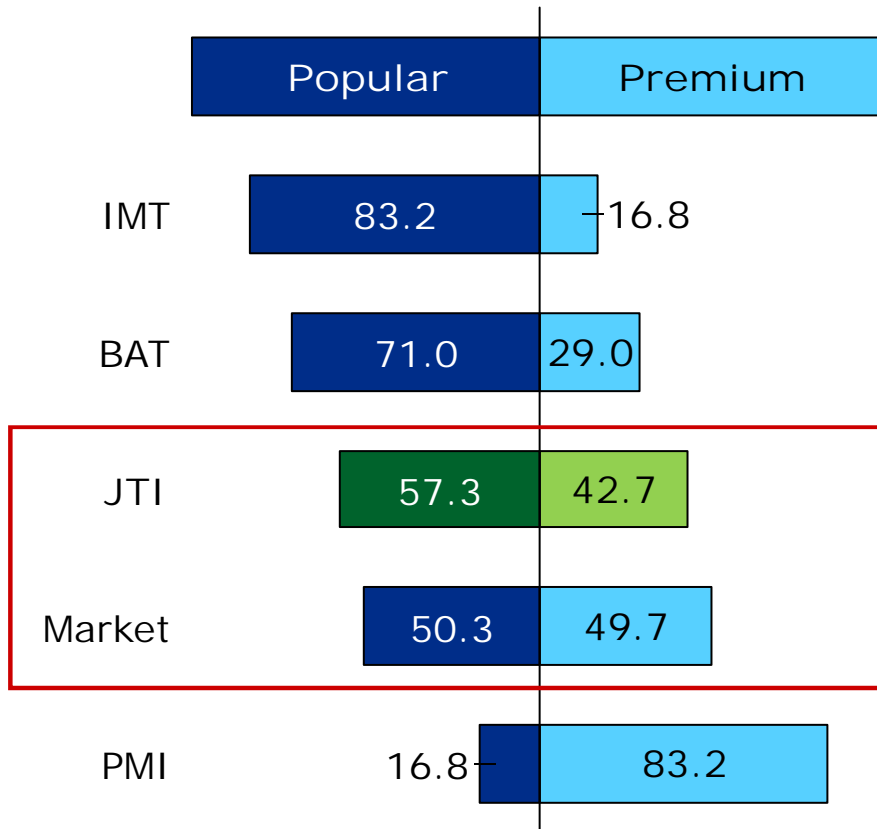
Strategic Focus

- Enhance our brand portfolio by focusing on GFB and innovations
- Drive excellence in execution in Trade Marketing
- Strengthen our engagement and dialogue on taxation and regulation
- Mobilize our right-sized, efficient and committed organization

A well-balanced RMC portfolio, giving JTI flexibility to capture opportunities in both price segments



Company price segment split (%)



➤ Relevant brands in both segments have enabled JTI to grow simultaneously in Premium and Popular

We have clearly differentiated Brand propositions and appropriate architectures to address consumer needs



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- Modern and premium image
- Very high equity
- Strong relevance to Young Adult Smokers
- Strong presence and credibility also in RYO/MYO



- International brand stature
- "High quality" image
- Credible presence in all key market segments
- Proven marketing mix

84% of total JTI volumes

Consumers

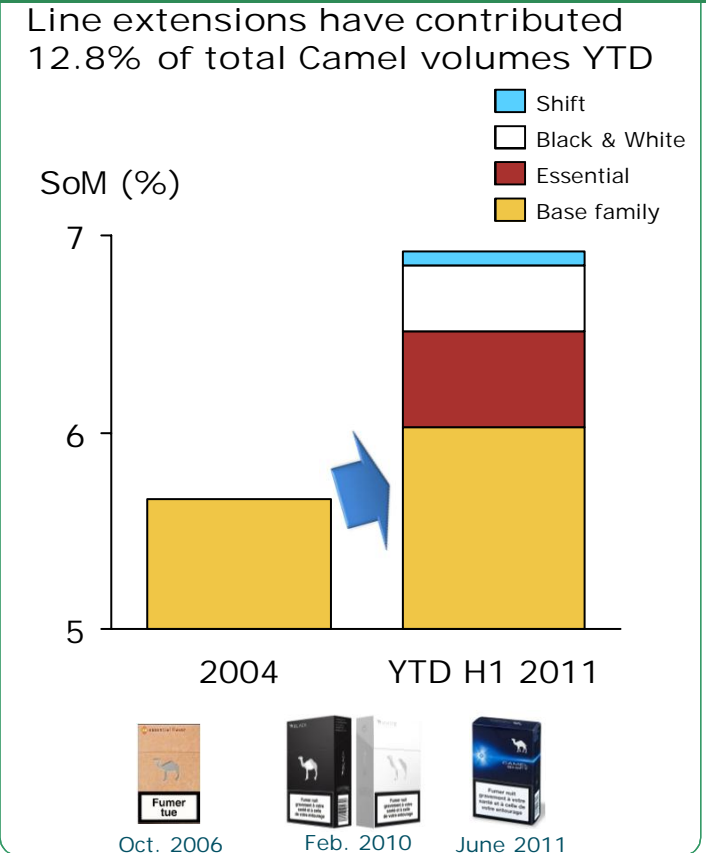
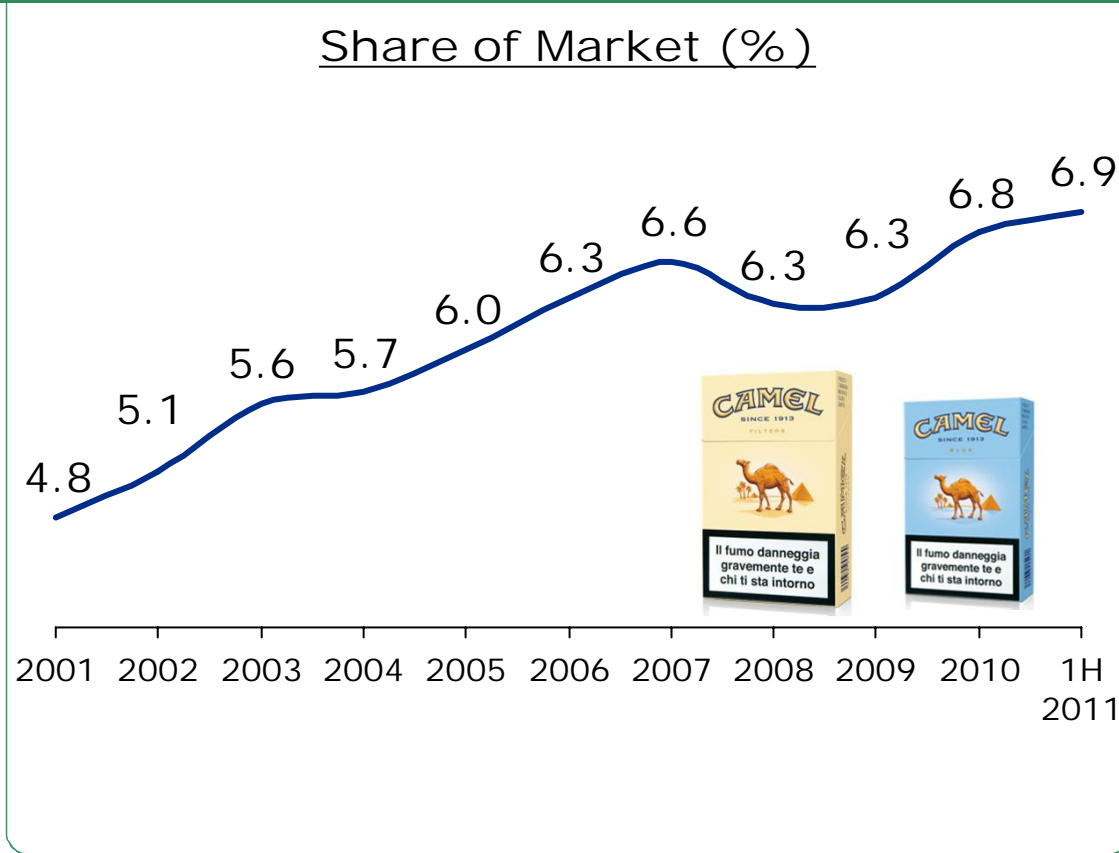


- Strong player in Virginia segment
- Heritage and modernity
- Second leg in Popular segment

Camel, our Premium offering, has achieved remarkable growth through line extensions and innovations



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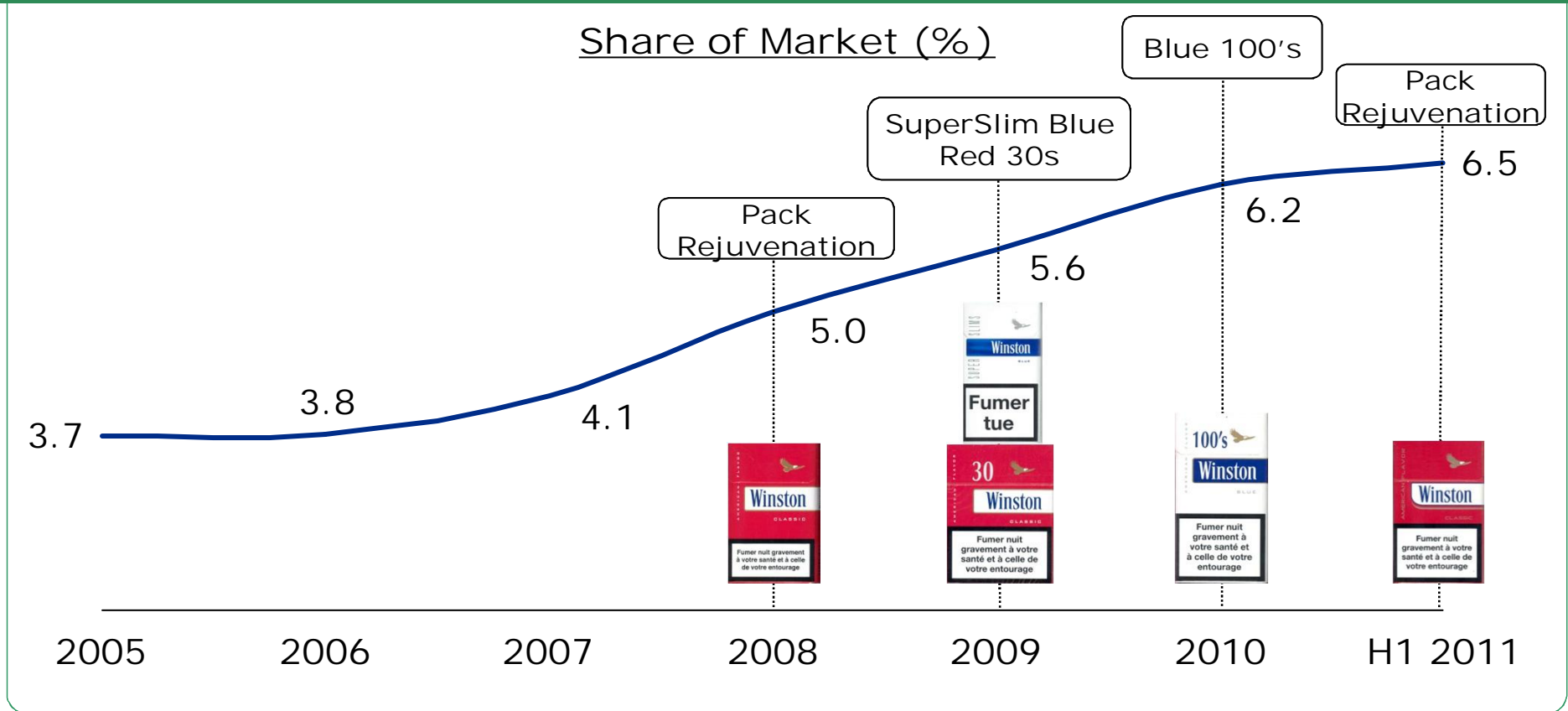


- Camel is today the 3rd brand in the market
- Camel "Black & White" was developed locally by JTI France and has now been launched in 17 markets

Winston is the fastest-growing Popular brand and the leader in its segment



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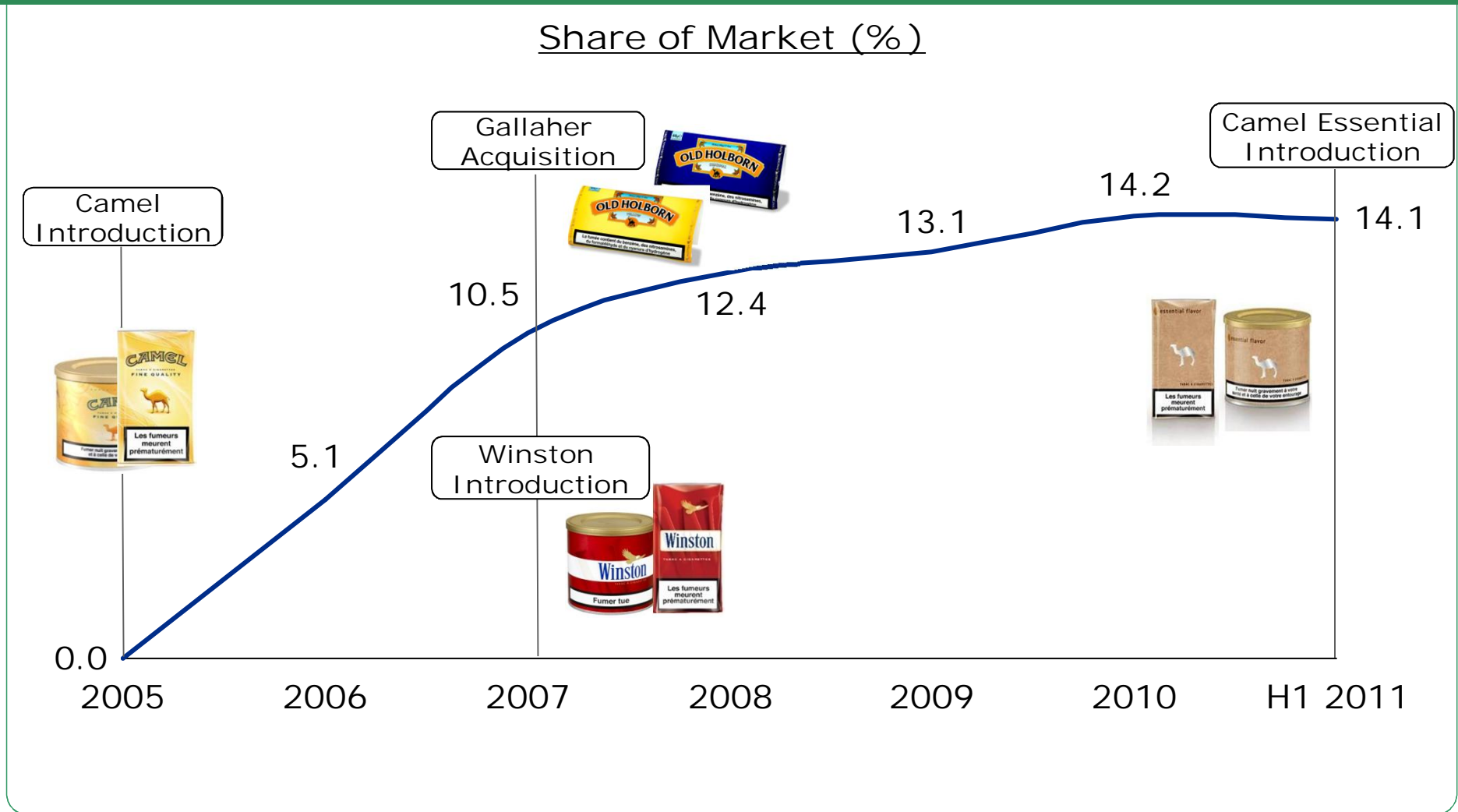


➤ From #8 brand to #4 brand in France in just 3 years

We are reinforcing further our position in the growing RYO/MYO category, addressing consumer preferences



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“Executorial excellence” at point of sales is a key driver of our brands’ competitiveness in France



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- A culture of continuous transformation of the Trade Marketing organization to offer to JTI a true competitive advantage
- Building a “win-win” partnership with the Trade based on JTI’s ability to meet consumers demand
- Leveraging each opportunity through executorial excellence and commercial intensity
- Innovating at point of sales to optimize our brands stand-out
- Efficient and focused resources allocation
- Developing an “everything is possible” Trade Marketing mindset through effective coaching and rewarding



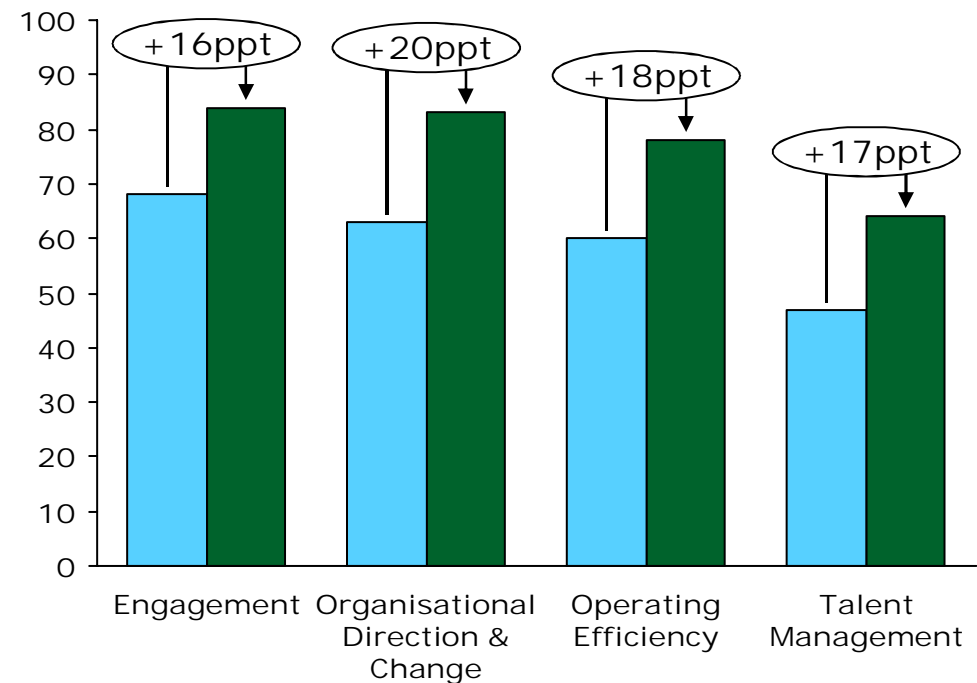
We foster strong employee engagement in order to maximize our performance



- Outperforming Towers Watson's benchmark in France on all items; very high absolute ratings on Engagement, Organizational Direction & Change and Operating Efficiency
- A young (avg. 33.5 year old) yet experienced team (avg. 7 years with JTI)
- Effective career management, motivating work environment, challenging culture are the key JTI success factors

Towers Watson France
JTI France

Positive Employee Valuation (%)



- Concluding Remarks -



A solid base for future growth

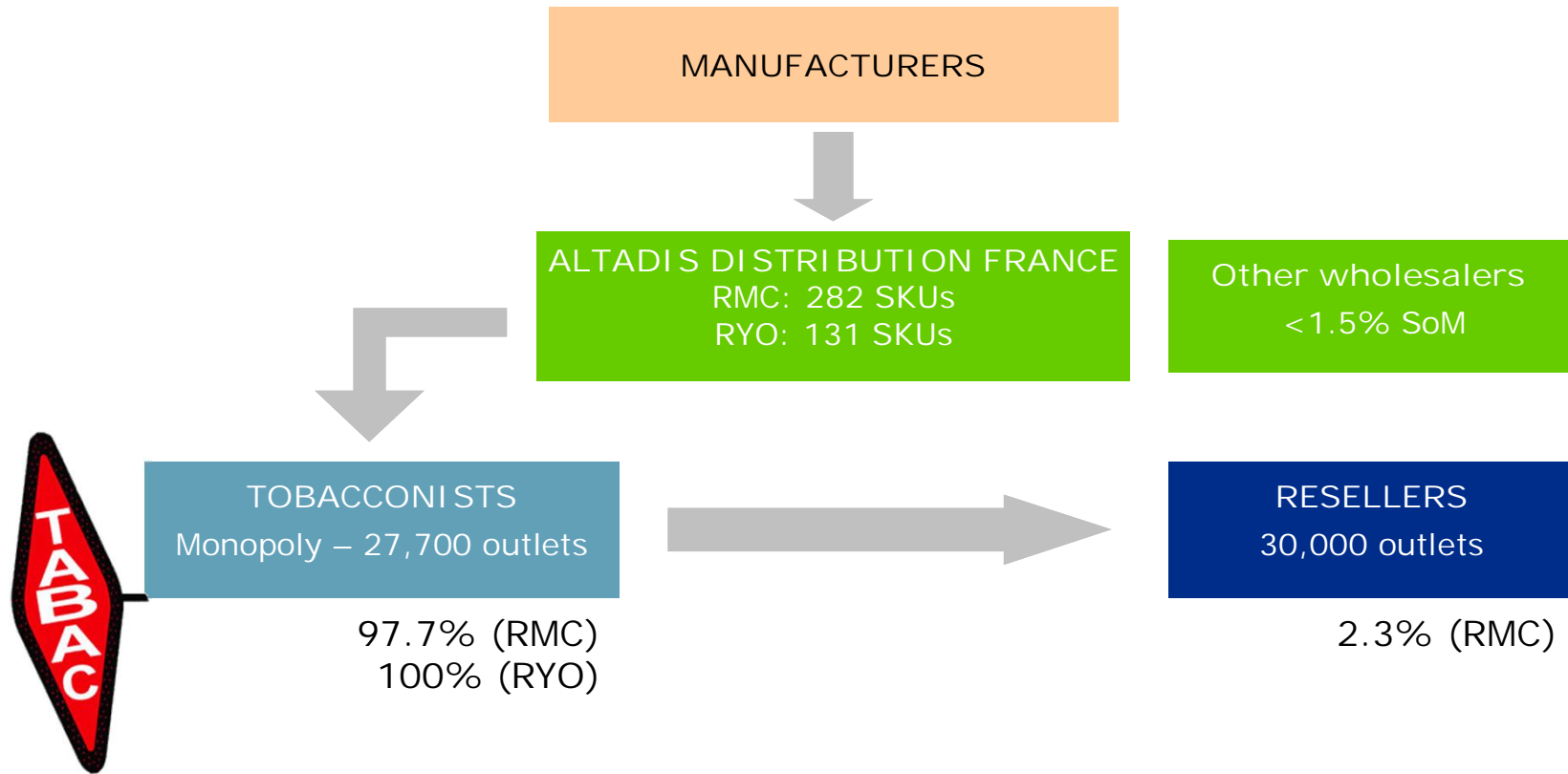


- Despite the very strict regulation and high level of taxation, France remains a key market for JTI
- JTI France has demonstrated its ability to grow faster than the rest of the industry for the past 6 years, based on:
 - A strong, well-balanced brand portfolio lending itself to expansion in all relevant consumer segments
 - Focus and excellence in execution throughout its operation
 - A culture of challenging status quo and continuous improvement

...that will be further nurtured to drive future performance

- Appendix -





- Approximately 60,000 retail outlets
- Traditional tobacconists are the main volume channel