JT International

Investor Field Trip

UK 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.

Martin Southgate

UK

General Manager

Agenda

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

- Introduction -

The UK is an important market for JTI due to its volume and financial contribution

Country

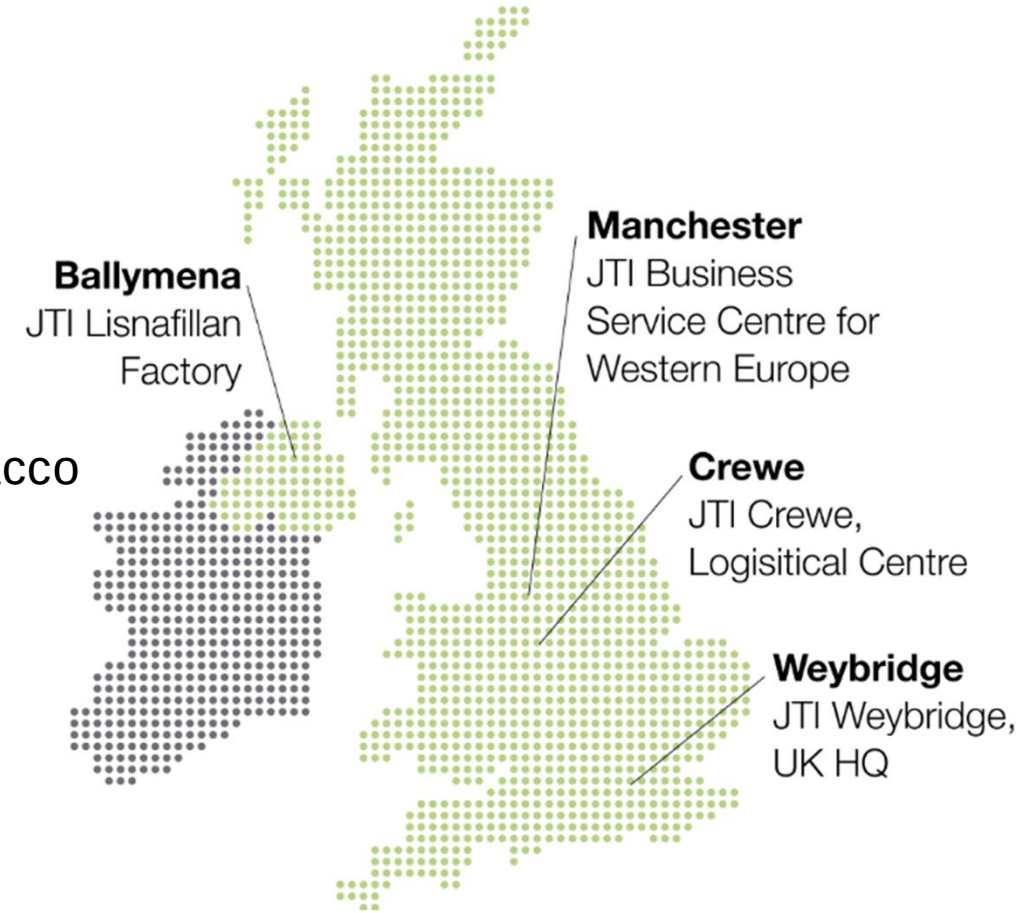
- 62 million people
- 243,610 km^2

Tobacco

- 46.7bn Ready-Made Cigarettes (RMC)
- 14.1bn stick equivalents(1) Roll-Your-Own / Make-Your-Own tobacco (RYO/MYO)
- Retail value £14.2 billion
- Smoking incidence 21%

JTI UK

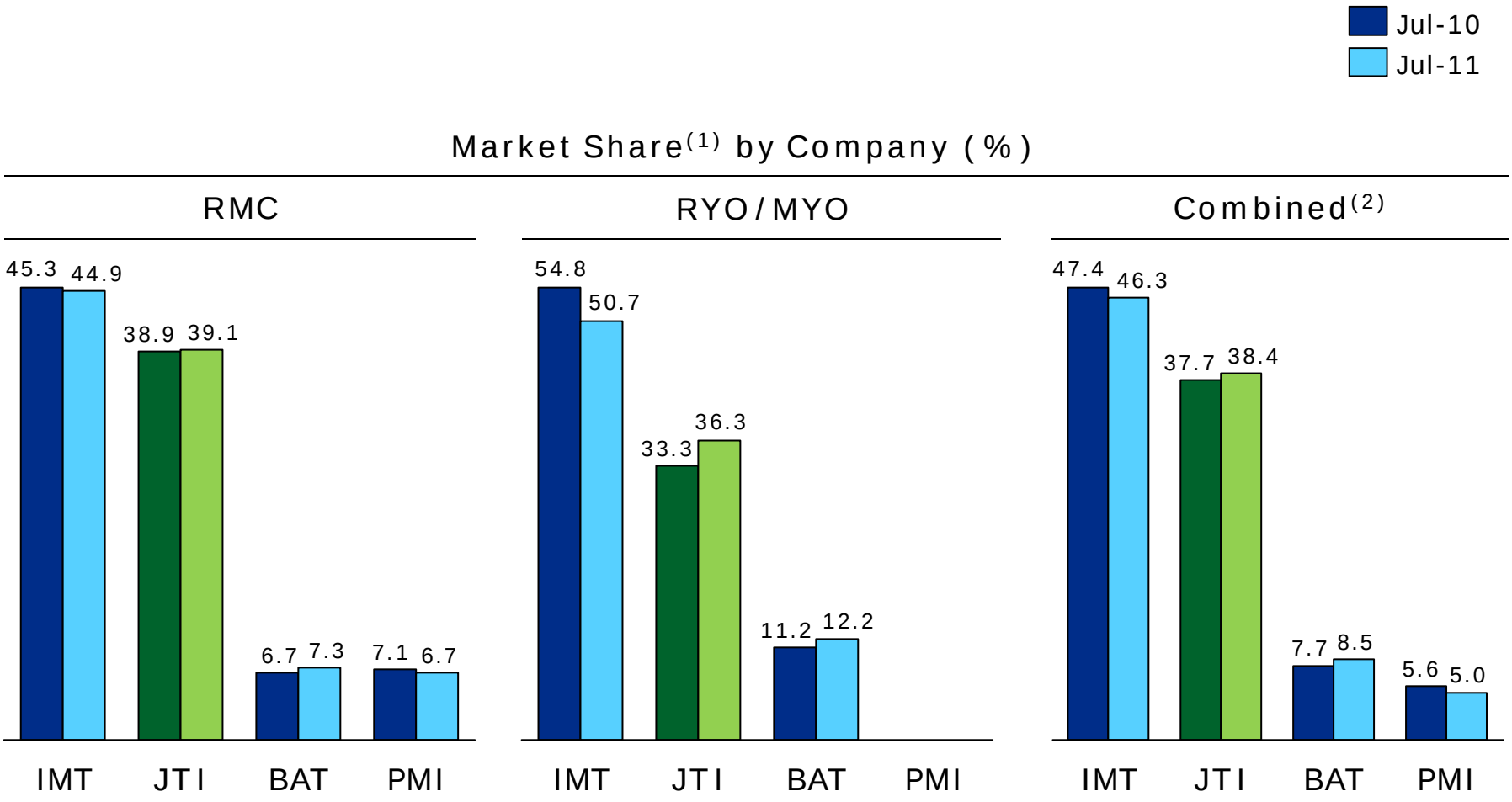
- 4 locations
- Employs 1,800 people



Note: (1) RYO/MYO converted to sticks at 0.4g per stick

Source: Office for National Statistics (mid-year estimate 2010), CIA World Factbook, TNS 2010, JTI Estimates 2010

JTI is a strong #2 player in both Cigarettes and RYO, with a combined share of 38.4%



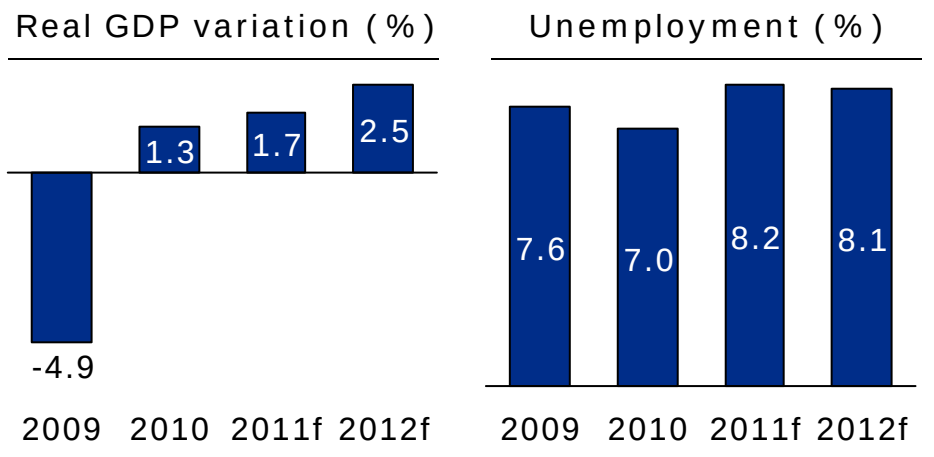
Note: (1) 12 month Moving Average Share of Market
(2) RYO converted to sticks at 0.4g per stick

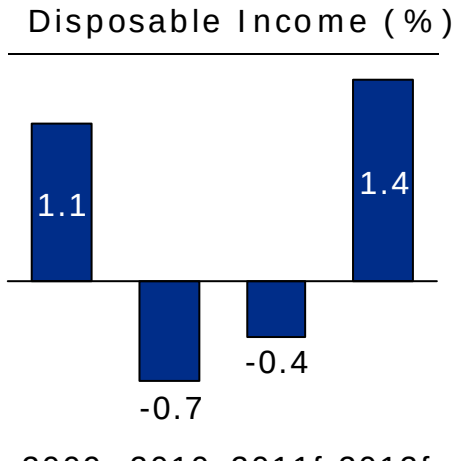
Source: AC Nielsen

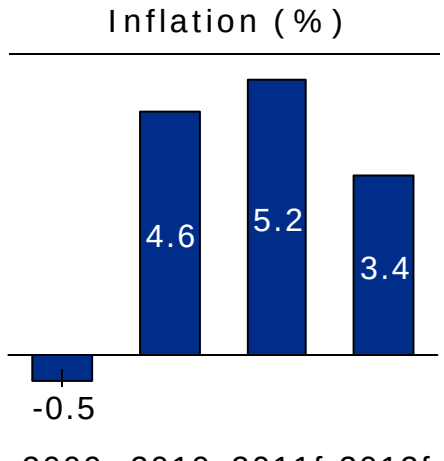
- Economic & Tobacco Market Overview -

Economy remains challenging, with disposable income under pressure and rising unemployment

Economic outlook by Office for Budget Responsibility (March 2011)





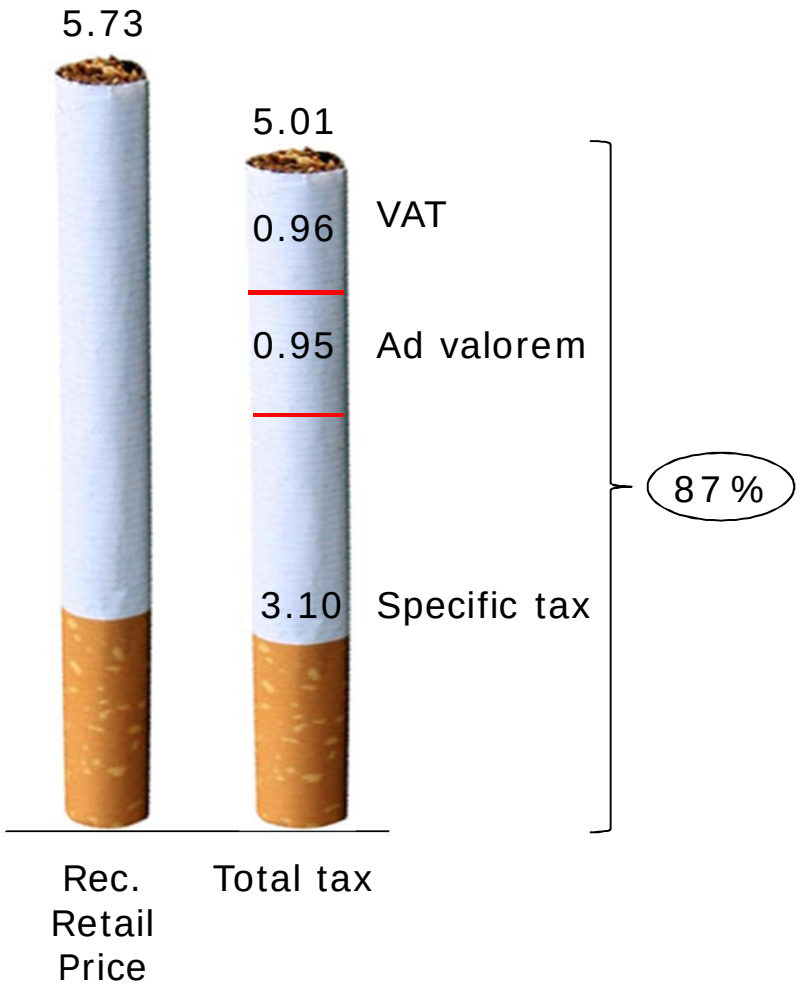


- Widening differential between disposable income and inflation
- Consumers forced to make tough choices
- Chancellor expected to revise down UK growth forecasts in Autumn Statement 29/11/11

Source: Office for Budget Responsibility (Economic and fiscal outlook, March 2011)

UK taxation is amongst the highest in the EU

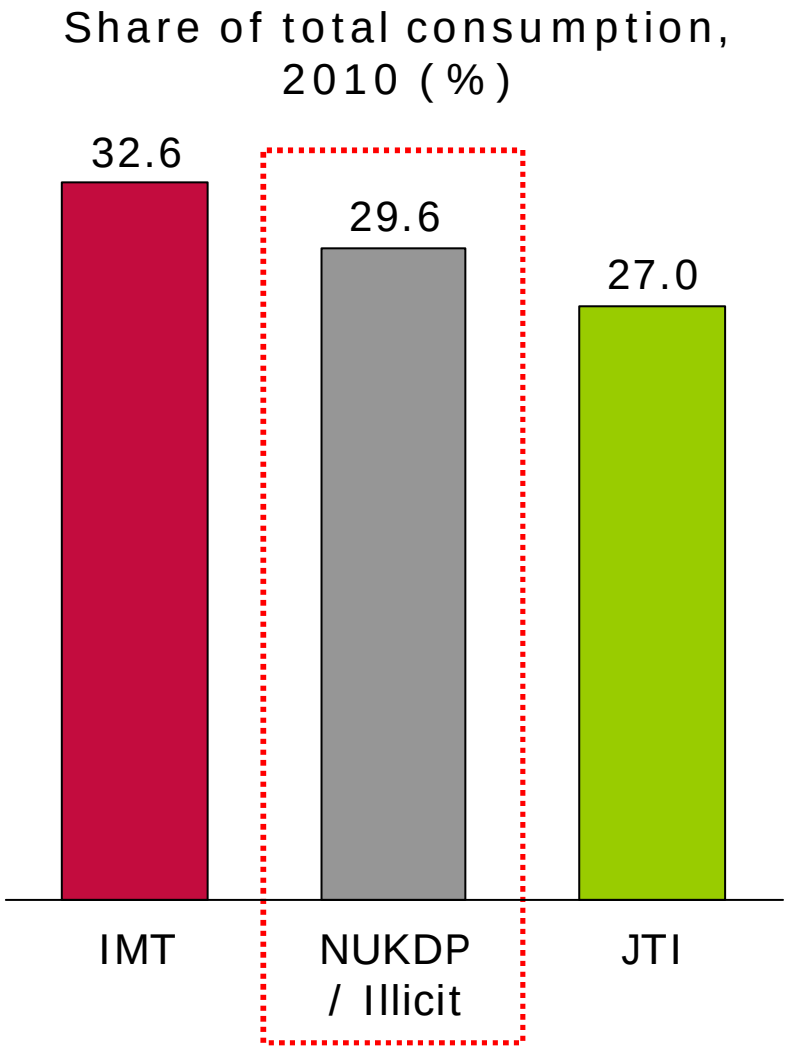
Recommended retail price and tax incidence, Sterling (£)



- UK Government committed to raise excise by inflation +2ppt to 2014
- Opportunity for HMRC to further review the tax structure to reduce downtrading and stabilize their revenues
- A tax escalator policy is proven to significantly increase illicit trade

Source: Office for Budget Responsibility, HM Revenue & Customs, HM Treasury, JTI

NUKDP is the 2nd largest player on the UK market, a major challenge for Government and the industry



- Significant NUKDP/Illicit consumption in both cigarettes & RYO
- Positive volume opportunities from repatriation
- Above inflation tax increases undermine Government revenues and increase criminality
- Industry and JTI co-operate extensively with Government to combat NUKDP and illicit trade

Source: AC Nielsen July 2011 MAT, JTI Pack Swap Survey, JTI estimates

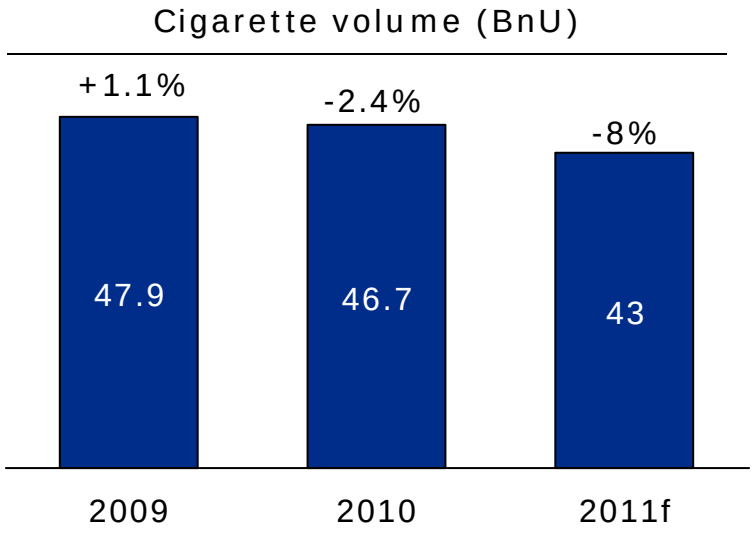
The UK is already one of the most highly regulated markets in the world

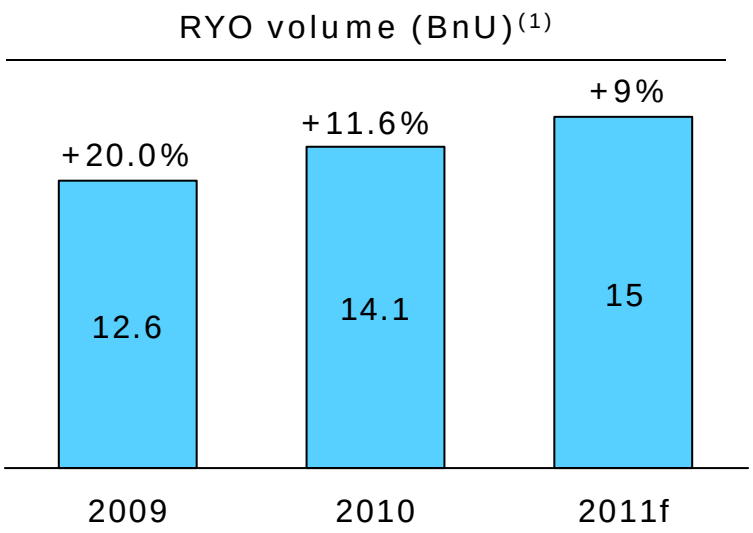
- Regulatory measures:
  - Implemented: Smoking In Public Places, Pictorial Health Warnings, LIP(1)
  - Announced:
    - Vending Machine ban
    - Display ban:
      - Currently under judicial review (hearing Feb. 2012) and thus uncertainty exists
  - Under consultation: Plain packaging

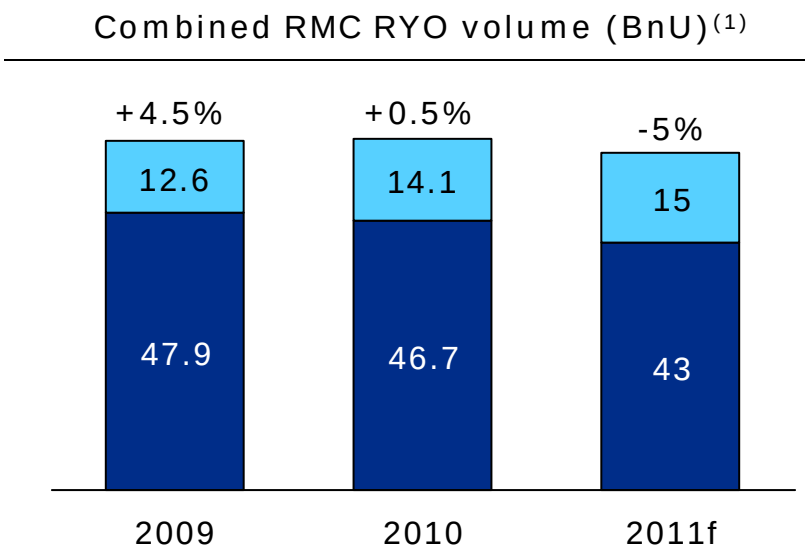
- Our position:
  - We recognise the need, when appropriate, for regulatory tobacco control measures but not disproportionate regulation, such as Display Ban and Plain Packaging
  - We comply with regulation but will continue to insist on evidence based policy and better regulation principles

Note: (1) Lower Ignition Propensity

The combined Duty Paid market is relatively resilient, though smokers are becoming more cost conscious



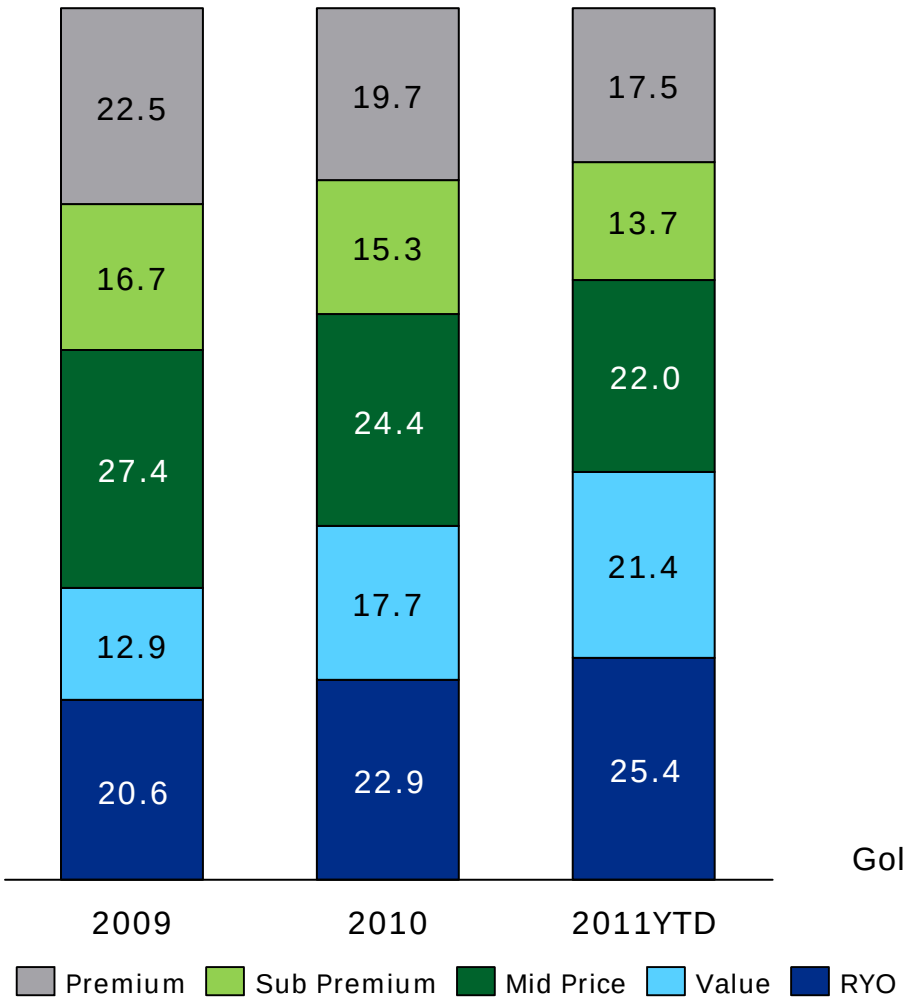




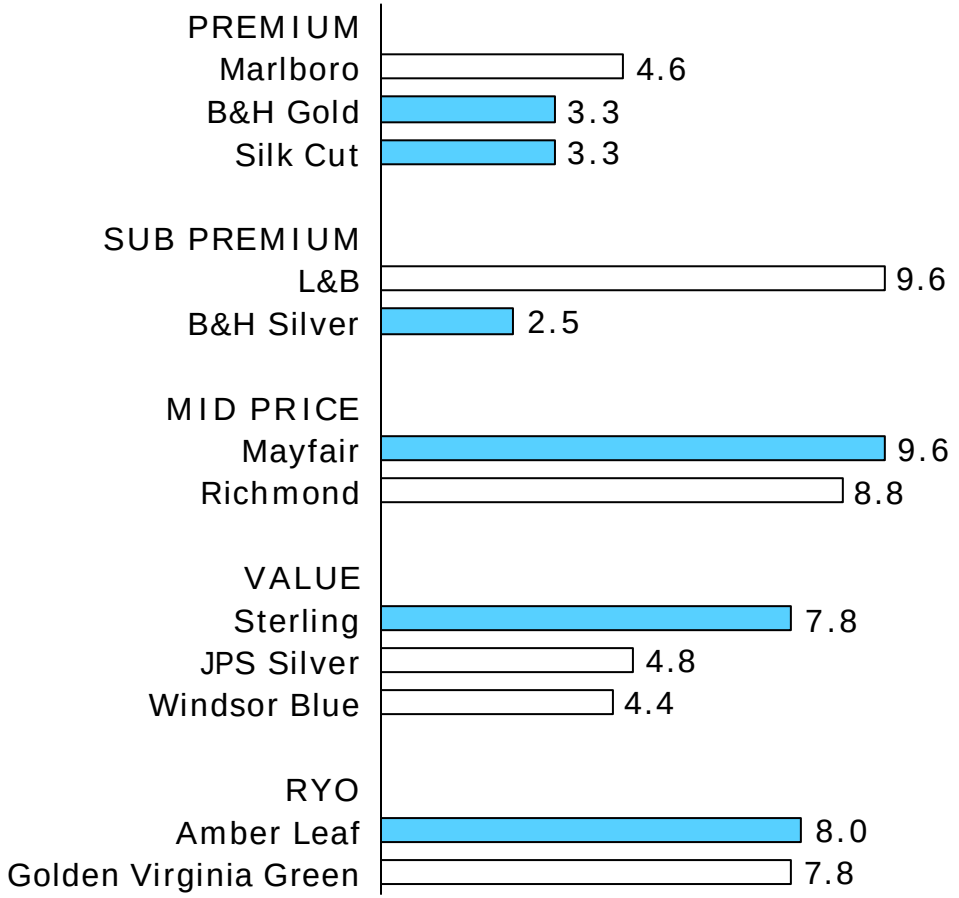
Note: (1) RYO converted to sticks at 0.4g per stick
Source: JTI Estimates based on AC Nielsen and HM Revenue & Customs

Down-trading continues, with growth for Value Cigarettes, and RYO now the largest segment

Cigarettes + RYO[1] : Share of Market (%)

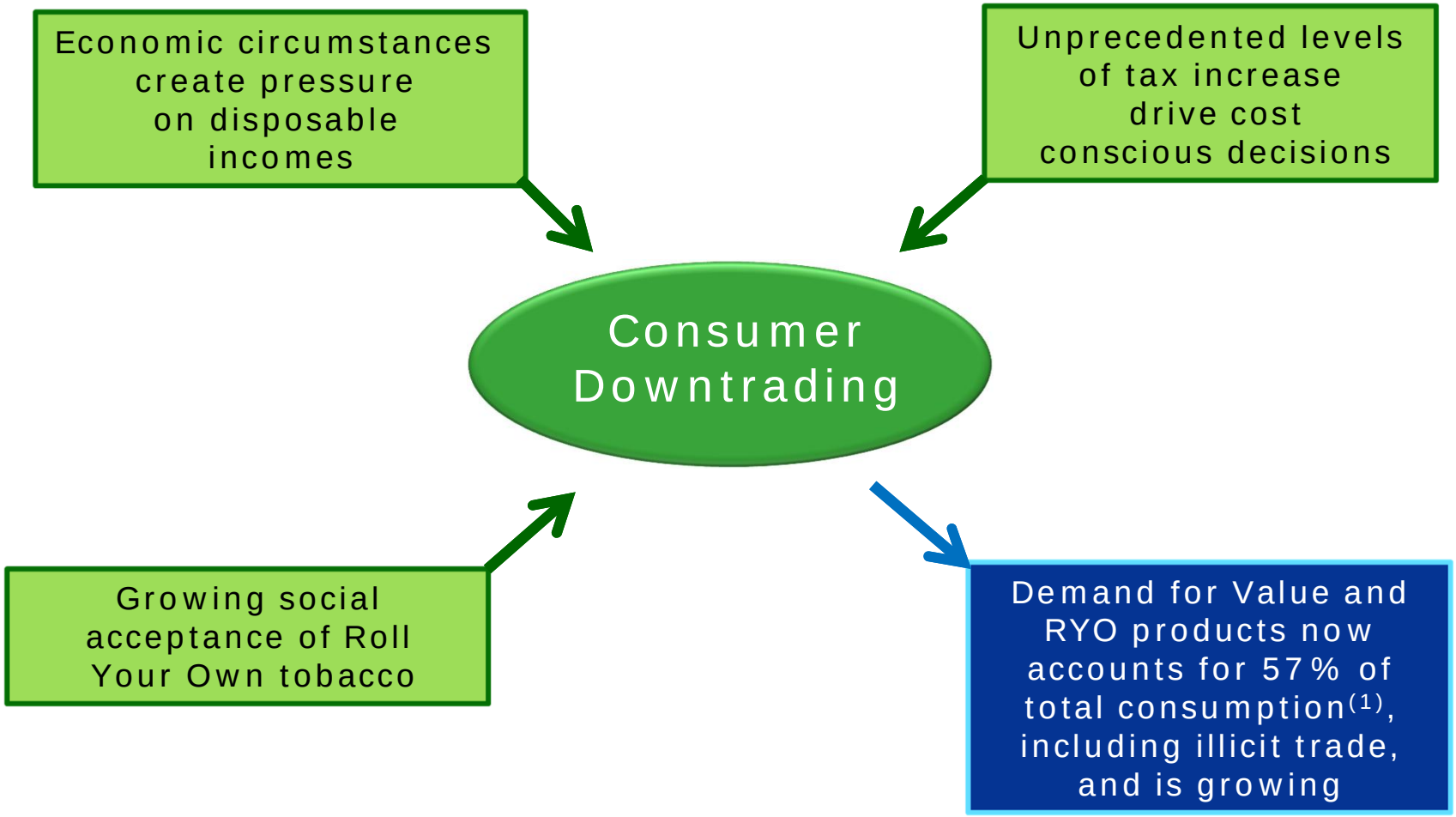


Brand Share of Market, 2011 YTD (%)



Note: (1) RYO converted to sticks at 0.4g per stick
Source: AC Nielsen 2009 – 2011 YTD July

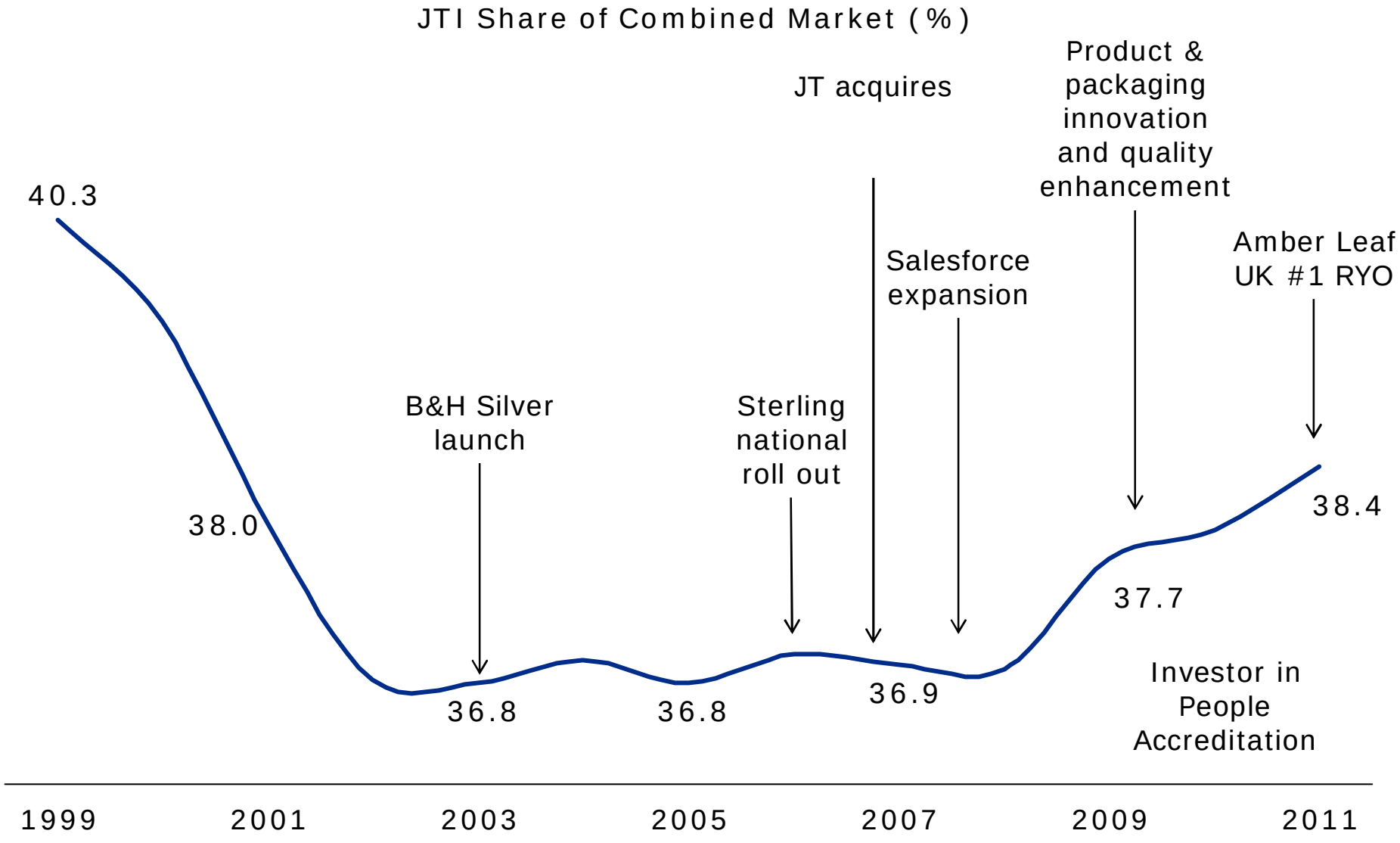
High tax increases and economic pressures shape consumer behaviour, leading to downtrading



Note: (1) JTI estimates

- JTI UK Strategy & Performance -

New strategies and investment since the Gallaher acquisition have reversed market share erosion trend



Source: AC Nielsen July 2011 YTD (Combined Cigarette/RYO share), JTI

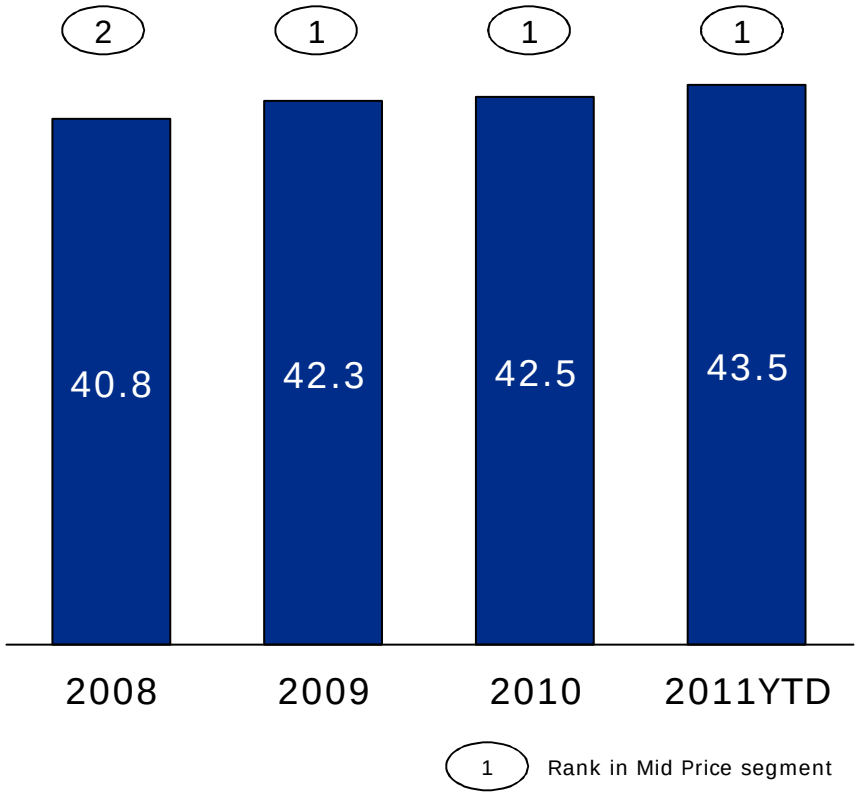
In Mid Price, we protect leadership through increased differentiation, brand affinity and quality perception

THIS SLIDE HAS BEEN DEVELOPED TO EXPLAIN JTI'S PERFORMANCE TO OUR INVESTORS.
IT IS NOT INTENDED TO PROMOTE THE PURCHASE OF OUR PRODUCTS.

Increasing differentiation, brand affinity and enhancing quality perceptions

Strengthening our #1 position, capturing down-traders

Mayfair share of Mid Price segment (%)(1)



Note: (1) Share of Segment 2008 – 2011 YTD July
Source: AC Nielsen

We capitalise on the growth opportunity in Value & RYO, exceeding consumer expectations

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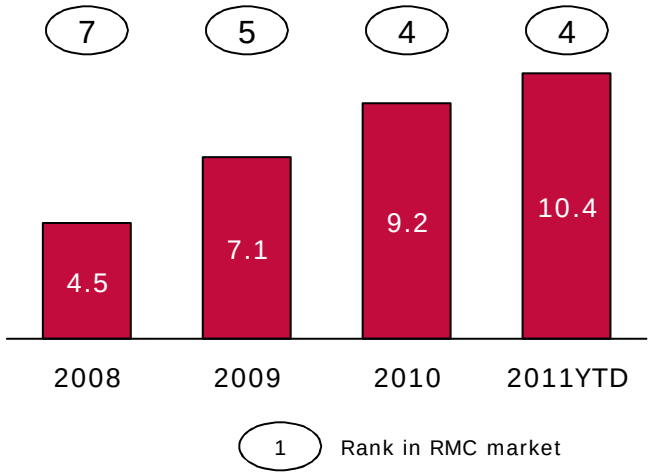
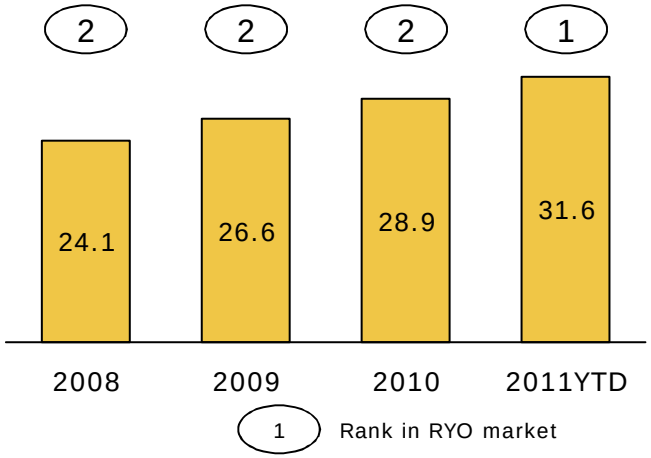
Sterling share of RMC market (%)(1)



Amber Leaf share of RYO market (%)(1)



Note: (1) Share of Market 2008 – 2011 YTD July
Source: AC Nielsen

JTI leverages its trade marketing excellence to drive competitive advantage

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- Improve market penetration by increased headcount
  - Sales force increase to 222 from 178

- Channel Trade Marketing strategy
  - Extending JTI strength across Key Multiple Grocer store formats
  - Strengthening discipline in Category Management
  - Focus on Strategic brands

- Innovative Merchandising Equipment

Recruiting and developing top talent to ensure the continued performance of JTI in the UK and beyond

- RECRUIT
  - Significant investment by JTI following the acquisition in 2007
  - Graduate program: Backbone of our future succession plans
- RETAIN
  - Main focus in Training and Development programs, 360 degree feedback
  - Succession plans in place
- REWARD
  - Competitiveness in the UK market is key to our reward strategy
  - Looking beyond P75: Share Incentive Plan, review of key policies and benefits
- OTHER
  - Leading on EHS: Fleet safety, minimising our environmental impact

- Concluding Remarks -

We will reinforce our successful strategies while adapting to changing consumer and trade dynamics

- The ongoing investments made by JTI post acquisition have resulted in a shift to market share growth
- We have sustained our investment in brands, people and our trade partners to grow share
- We will continue to invest in our GFB portfolio whilst targeting share growth in the key consumer segments of the future – RYO and Value
- Continuous improvement and innovation to capitalise on the fast changing market dynamics whilst satisfying the needs of our consumers and customers

- Appendix -

Route to market

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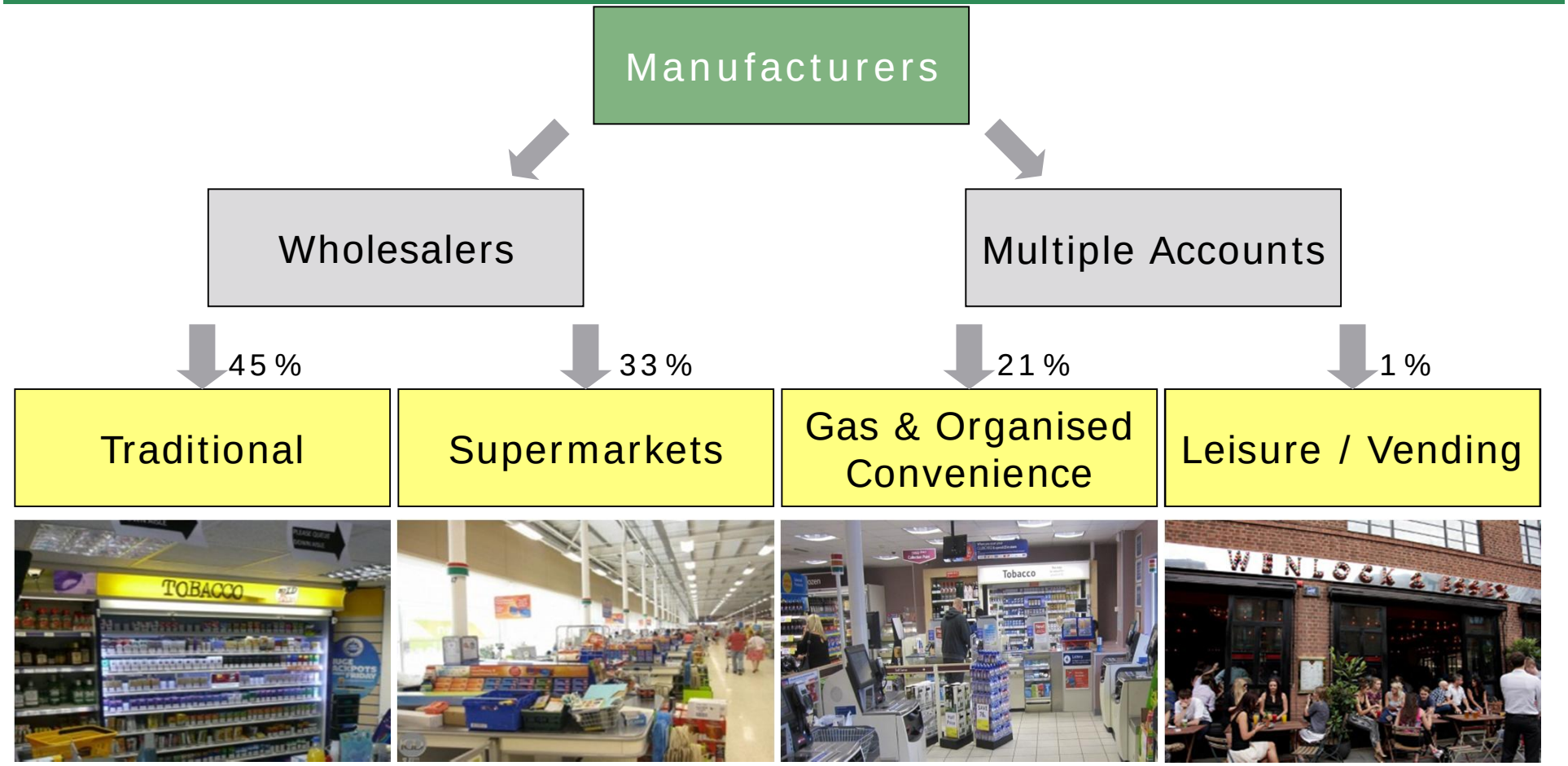

- Approximately 95,000 retail outlets
- Traditional shopping places and supermarkets are the key volume driving channels

Source: JTI estimate