JT International
Investor Field Trip

Global Supply Chain

St. Petersburg
September 28, 2010
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.
Andrew Newton

CIS Manufacturing
Vice President
Agenda

- Introduction
- Petro Factory
- JTI Strategy & Performance
- Conclusions
- Introduction -
Supply chain process overview

Leaf & materials procurement

Tobacco growing:
- South America
- Africa
- Asia Pacific, etc.

NTM and equipment:
- Europe

Tobacco leaf procurement:
- Global
- Local

Factory / warehouses

Factory operations

Primary: tobacco processing

M&P: in-house filter production

M&P: cigarette production & packaging

Finished product

Warehouses

Customers
Cigarette manufacturing process overview

Primary

- Tobacco leaf:
  - Virginia
  - Burley
  - Oriental

Making

- Tobacco blend

NTM:
- Cigarette paper
- Filter
- Tipping paper

Packaging

NTM:
- Aluminum foil
- Tax stamp
- Inner frame
- Blank
- Polypropylene
- Tear tape

(1) CRES: Cut Rolled Expanded Stem; (2) DIET: Dry Ice Expanded Tobacco; (3) RTS: Reconstituted Tobacco Sheet
Russia manufacturing footprint

**Petro**
Established in 1852
Products: cigarettes and papirosy
Volume: 88 BNU
Headcount: 1,750

**Cres Neva**
Established in 1999
Products: CRES\(^1\), DIET\(^2\)
Volume: 33,000 tons
Headcount: 152

**Liggett-Ducat**
Established in 1891
Products: cigarettes
Volume: 68 BNU
Headcount: 1,166

**JTI Yelets**
Established in 1976
Products: RTS\(^3\)
Volume: 18,000 tons
Headcount: 281

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(1) CRES: Cut Rolled Expanded Stem; (2) DIET: Dry Ice Expanded Tobacco; (3) RTS: Reconstituted Tobacco Sheet
Note: Volume in FY2009 and Headcount as of 31 December 2009
- Petro Factory -
Opening of Petro’s historical predecessor, the Laferm factory

Factory renamed as the “First Uritsky Tobacco Factory”

Petro moved to new location

- Significant capital investment of more than $600MM in Petro current location
- During 2007 to 2009, approx. $50MM per annum of Capex invested in order to produce innovative products and drive efficiency gains
<table>
<thead>
<tr>
<th>Year</th>
<th>Event</th>
</tr>
</thead>
<tbody>
<tr>
<td>1998</td>
<td>Petro moved to new location, old factory on Vassilievsky island closed</td>
</tr>
<tr>
<td>1999</td>
<td>RJRI acquired by JT. Petro becomes a member of the JT group of companies</td>
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<tr>
<td>2002</td>
<td>Petro certified ISO 9001-2000</td>
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<tr>
<td>2004</td>
<td>Petro certified ISO 14001 &amp; OHSAS 18001</td>
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<tr>
<td>2005</td>
<td>Acquisition and integration of Cres Neva factory</td>
</tr>
<tr>
<td>2007</td>
<td>Gallaher Group acquired by JT, integration of Ligget-Ducat factory in Moscow</td>
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<tr>
<td>2008</td>
<td>Installation of the first ultra high speed line at Petro (20,000 cigarettes per minute)</td>
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<tr>
<td>2009</td>
<td>Installation of Flash Dryer and the first King Size Super Slims cigarette production line</td>
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Petro production volumes

(1) CPB: Crush Proof Box; (2) RCB: Round Corner Box
- JTI Strategy & Performance -
Mission statement
As one team be the industry best supply chain, driving continuous improvement and excellence in execution

Strategies
We will:

• Deliver highest quality products at best cost
• Maintain shortest possible lead times
• Work as one team
• Ensure positive and transparent collaboration
• Promote innovation
• Provide a proper work environment
Since 2008, 4 Ultra High Speed Making & Packing lines (20,000 cigarettes per minute) have been installed.

Productivity has increased 36% since 2005, supported by improved operator skills as a result of continued investment in training programs.
Robust process of quality control throughout every step of the supply chain

Consumer feedback is a key element of the process, driving continuous improvement
Quality: consumer feedback

- Consumer feedback declined 15% since 2005
- New global customer feedback handling procedure has been implemented, aiming to better understanding of the nature of feedback and improved feedback diagnosis
Safety first: “zero incidents” goal
Global ERM\(^{(1)}\) certification
Competitive compensation and benefits
Promotion of employee engagement throughout the organization
Tailored training and development programs
KAIZEN

- Lost Time Incident rate has been reduced by approx. 70% over the period 2005 – 2009
- Employee volunteer turnover is under 1%

\(^{(1)}\) ERM: Environmental Resources Management – an international certifying body for ISO14001 and OHSAS18001 Management Systems
Working environment: suggestion system

- Significant increase in number of suggestions driving continuous improvement throughout all factory activities
- All suggestions evaluated and selectively implemented as part of KAIZEN

Number of suggestions

<table>
<thead>
<tr>
<th>Year</th>
<th>2005</th>
<th>2009</th>
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<tr>
<td></td>
<td>1000</td>
<td>2200</td>
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+84%
KAIZEN: best practices

Productivity

Focke HS/UHS Coupon Unit - suction plates modification: decrease in rejects/stoppages

Quality

Contrast price printing zones development: effective printing control

Energy

Use of warm air from make & pack area to cover all silo heating needs: energy saving

Safety

Tobacco processing cylinder: a device for safe maintenance
Conversion cost per ‘000 (indexed)

Index
(Year 2005 = 100)

-3% CAGR

Conversion cost has been constantly declining at 3% CAGR, despite increasing complexity and inflation

Effective management of working capital through integrated planning process platform and supplier strategic alliances

Note: at constant rates of exchange
In addition to CO2 emission reduction, energy consumption, waste generation and water consumption decreased 17%, 21% and 22%, respectively.

Our goal is to continually improve EHS performance by implementing long-term, sustainable and effective programs.
- Conclusions -
Conclusions

Petro is the largest factory in JTI delivering:

- a diverse portfolio of world class quality innovative products
- continued investment in employee development and high-end technology
- a high level of employee competence and engagement
- significant quality improvement and cost efficiencies throughout all factory activities driven through our long term commitment to KAIZEN