



JT International Investor Field Trip

Western Europe Region

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.

Eddy Pirard

Western Europe Region
Regional President

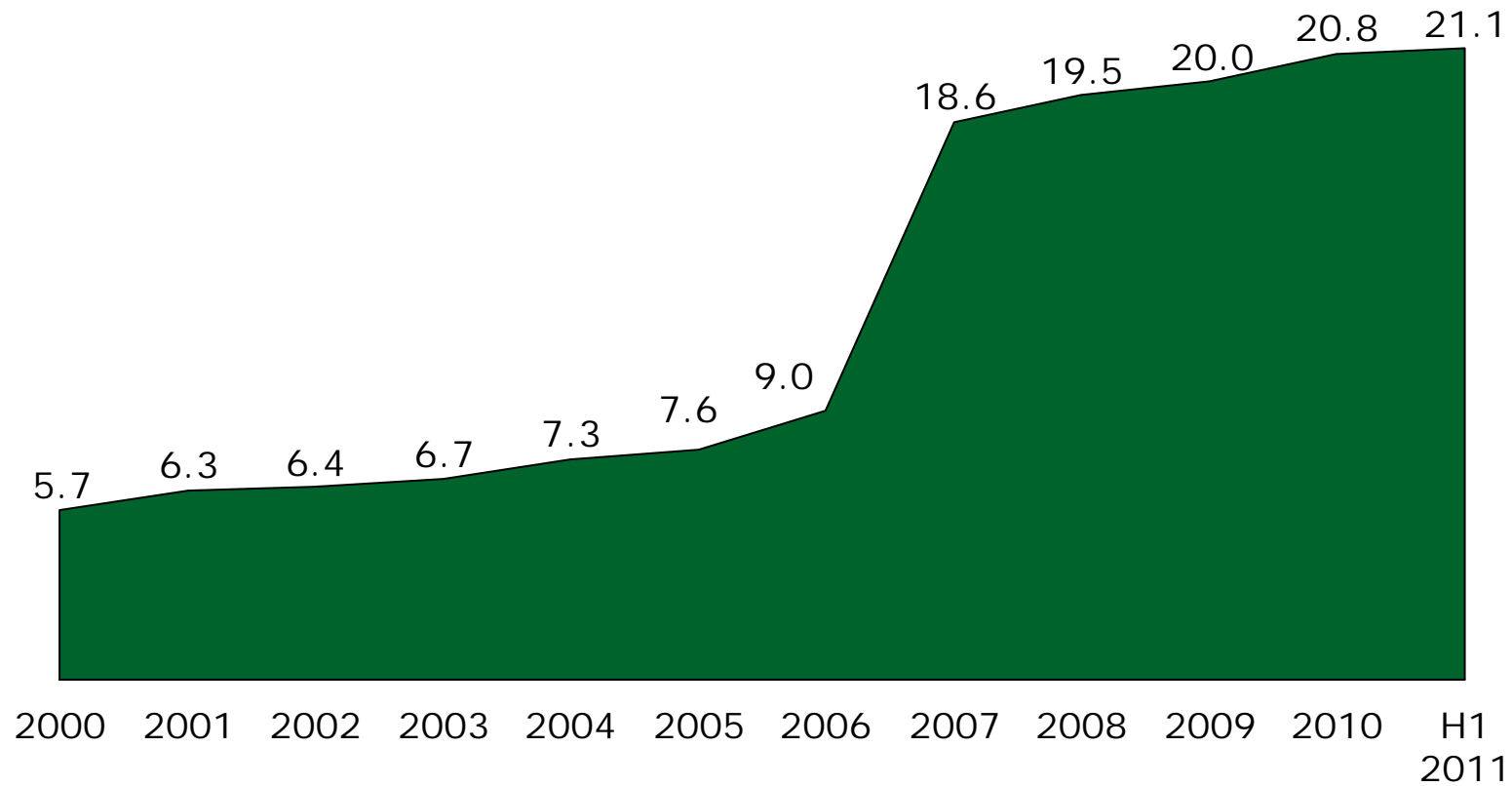


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- Introduction
 - Environment Overview
 - WE Strategies & Performance
 - Overview of Key Markets
 - Concluding Remarks

11 years of uninterrupted SOM growth in Western Europe



JTI share of market in Western Europe (%)



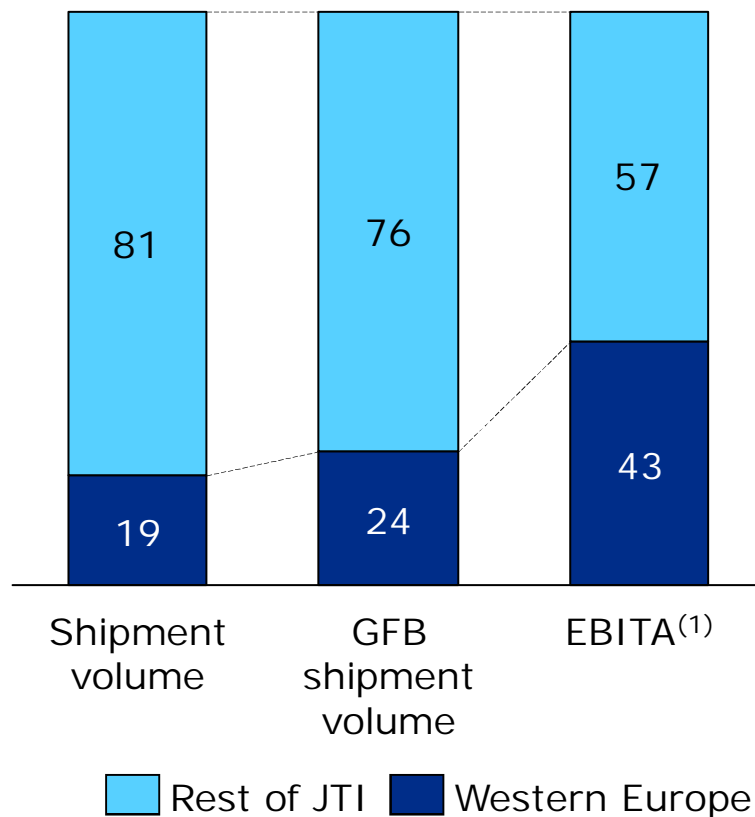
- Introduction -



Western Europe is the largest profit contributor in JTI, with the highest margins



Contribution by Region, 2010 (%)



- Typical mature market profile, with high margins
- 3rd largest region in terms of volume for JTI
- Role of the region is to deliver profitability while strengthening our positions in the markets

Note: (1) Central costs excluded from EBITA

Source: Altadis, Logista, AC Nielsen, GFK, Siebel analytics, Omnimas, Trade data, JTI estimates

Western Europe covers a \$10.3bn profit pool



Region

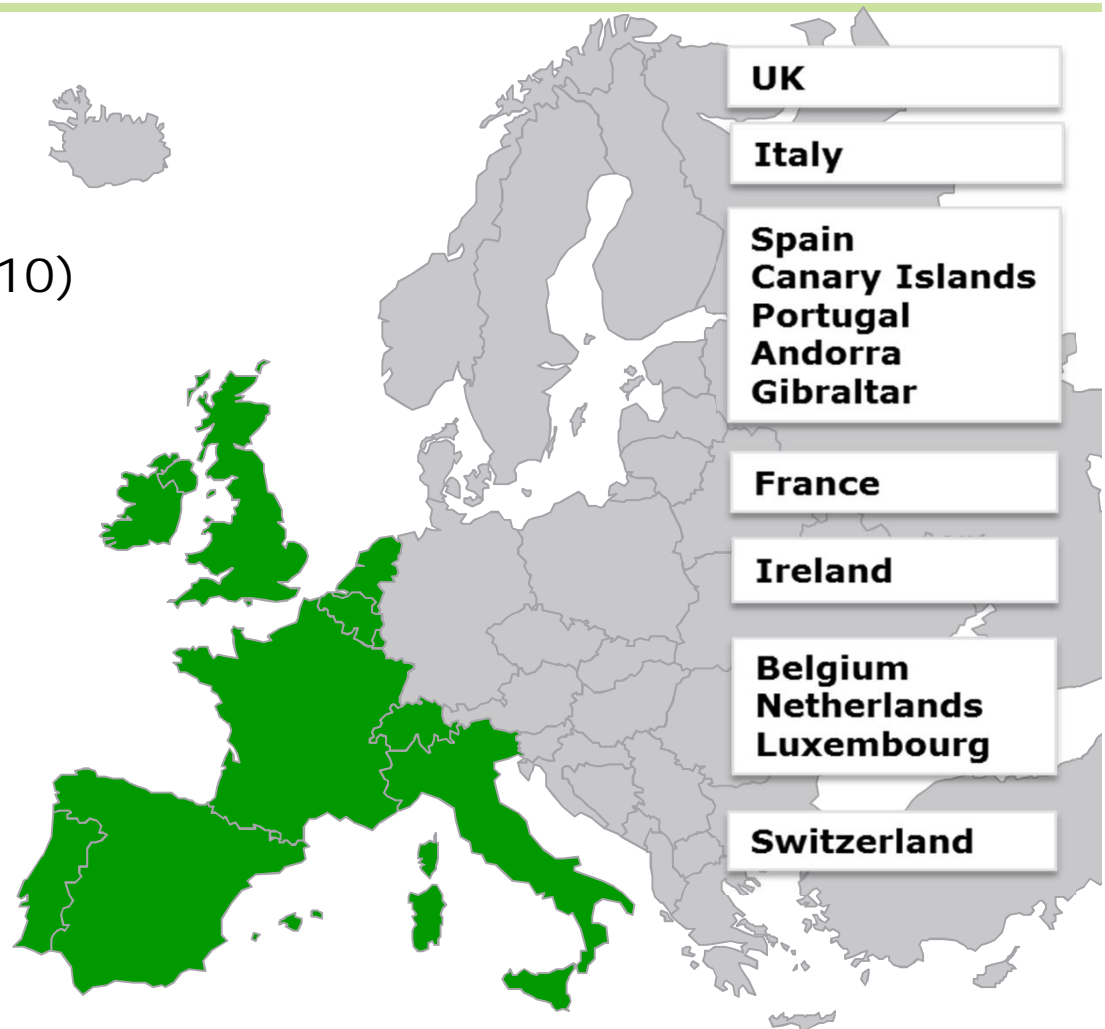
- 13 markets
- 286 million population (2010)

Tobacco

- RMC 323.4 BnU
- OTP 62.0 BnU
- Profit pool \$10.3bn

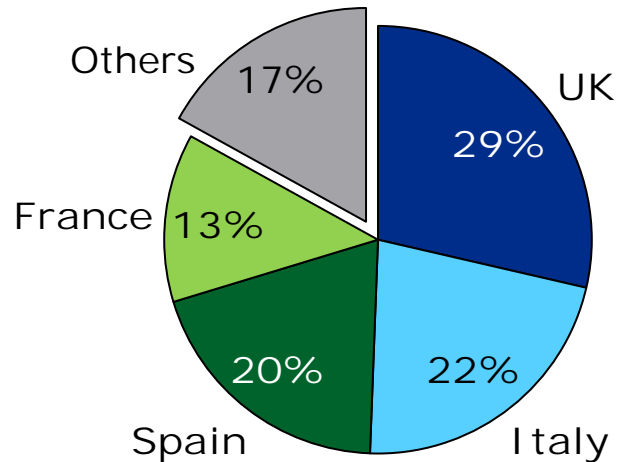
JTI

- 1,900 employees in 7 business units



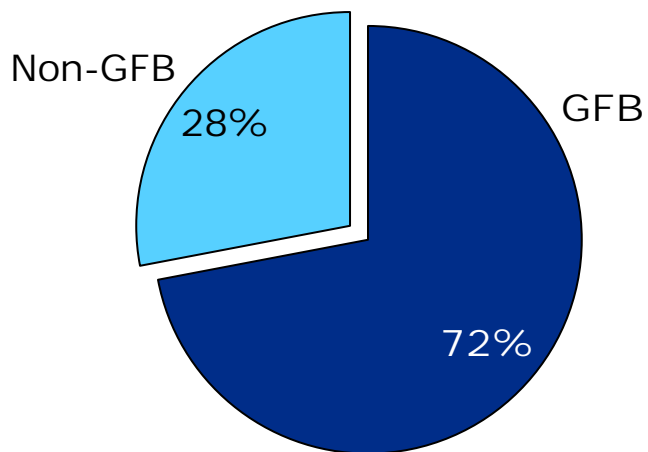
The region is highly concentrated, with 4 markets contributing more than 80% of total volume

Volume by Market, 2010 (%)



- Industry volumes contracting in most markets
- Strong proportion of GFB, in particular Camel, Winston, B&H and Silk Cut

Share of GFB, 2010 (%)



- Our focus is on gaining share of market while enhancing profitability

- Environment Overview -

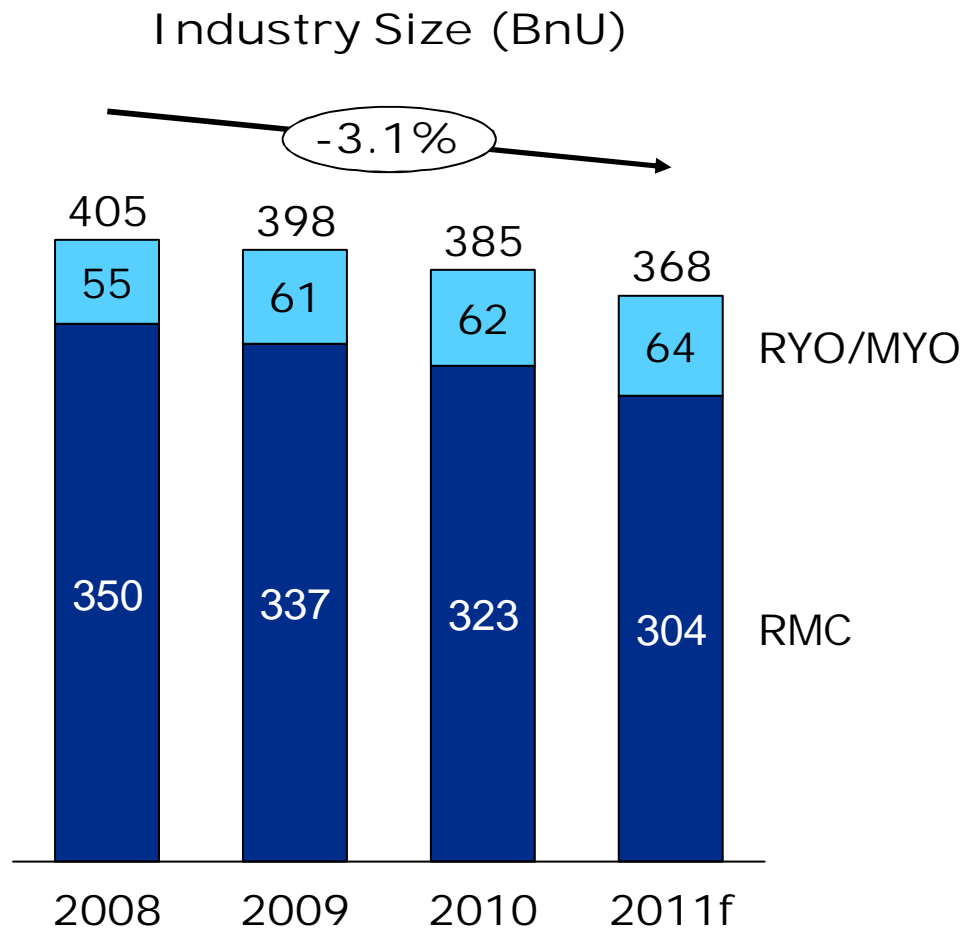


Despite signs of improvement in the first half of the year, macro-economic environment remains very fragile

- High unemployment, pressure on disposable income and low consumer confidence impact total tobacco industry volumes.
- Spain, Portugal and Ireland have been particularly hard hit by the crisis.
- The economic outlook for the region is increasingly uncertain due to the current concerns about euro zone sovereign debt



Industry size continues to be under pressure

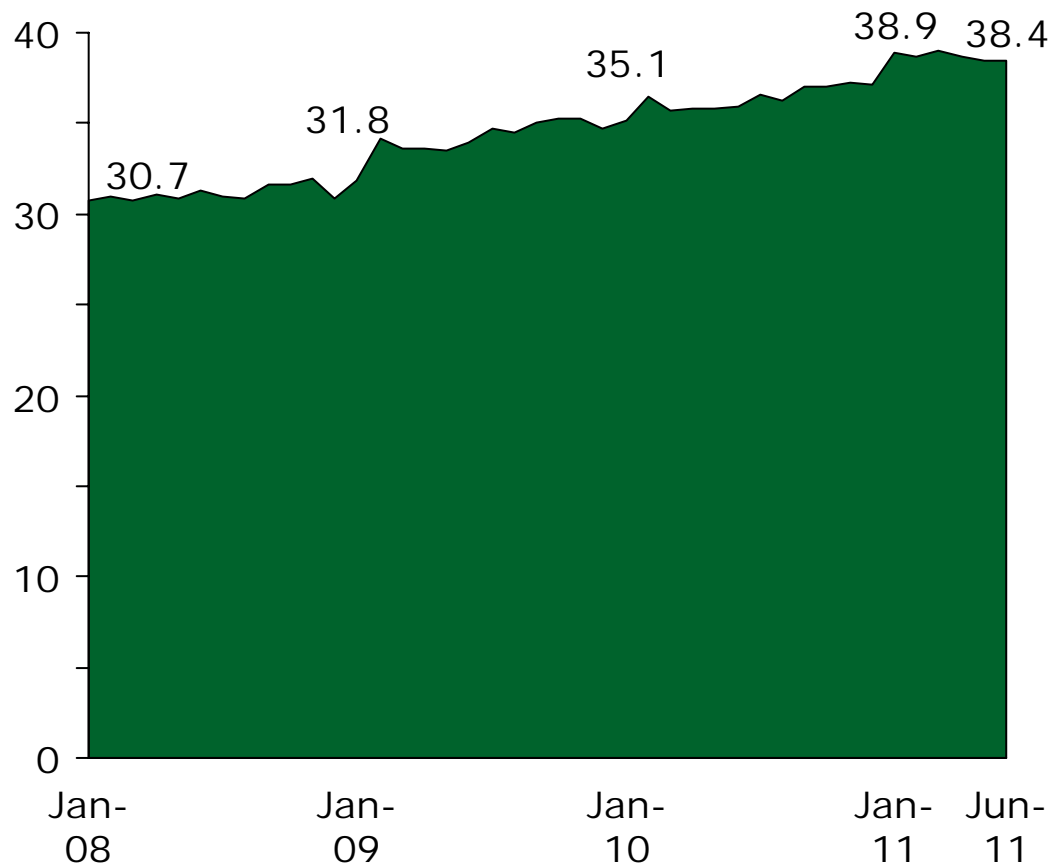


- Pressure on industry size, amplified by economic challenges, tax-led price hikes and tighter regulatory environment
- Spain is expected to be down a further 16% this year – a 3rd year of double digit decline
- Declines in smoking incidence and consumption exacerbated by growth in illicit trade

Downtrading continues in the RMC category



Share of Value/Super Value⁽¹⁾ segments (%)

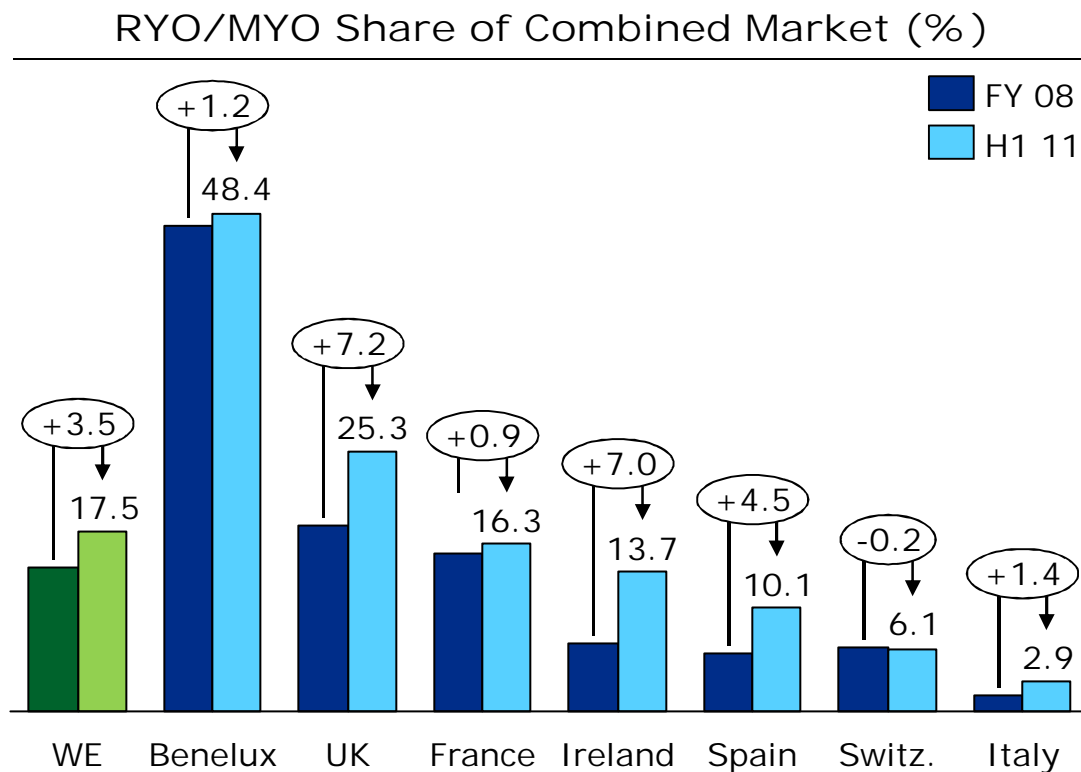


- Value/Super Value segments are the only ones growing since 2008
- Lower price segments currently represent approx. 38% of the total volume, up from ~30% in 2008

Note: (1) Value/Super Value includes Popular in Italy and Sub-Premium in Switzerland

Source: ACNielsen, Altadis, Logista, Cimabel, Wholesaler and Trade data, JTI estimates

Changing consumer trends are driving RYO/MYO growth momentum in most markets



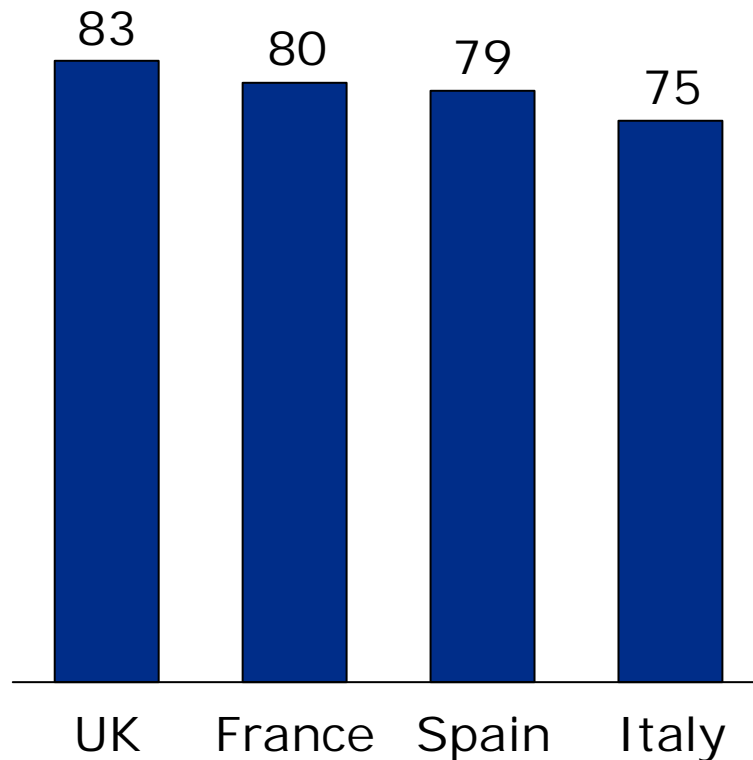
- RYO/MYO category continues to grow across the Region. Category growth is driven by:
 - Significant price advantage vs. ready-made cigarettes due to lower tax incidence
 - Increased number of credible offers (Camel, Winston)

- Growing social acceptance of RYO and increasing dual usage with RMC

Western Europe has some of the highest tobacco tax incidences in the world



Total Tax Incidence⁽¹⁾ (%)



- We are supportive of the EU Excise Directive
- As a general principle, we pass on tax increases to consumers, in line with government expectations
- We oppose excessive tax hikes that can lead to an increase in the illicit trade

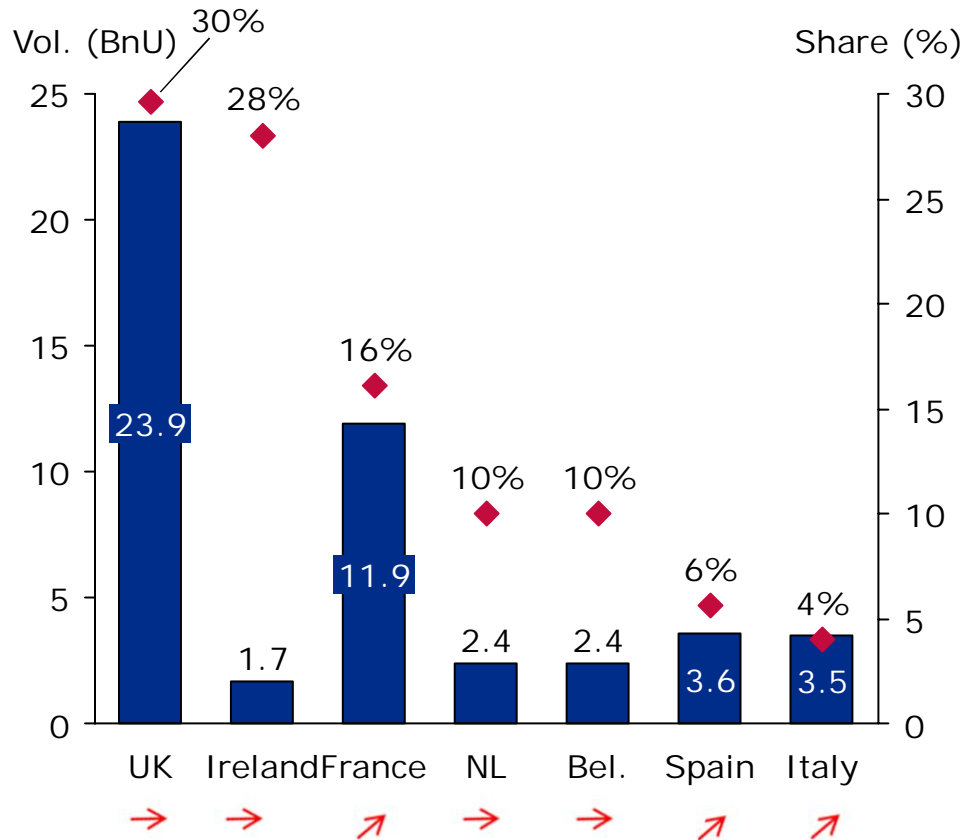
Note: (1) Tax incidence based on Weighted Average Price (WAP), including VAT.

Source: JTI estimates

Illicit trade is a growing concern, combatted by all stakeholders



Western Europe Region
c. 50 billion sticks Non Duty Paid



- NDP volumes (BnU)
- ◆ NDP share of consumption (%)
- Latest trend

The Scale

- 330bn illicit cigarettes smoked worldwide, equivalent to a 10.4% global market share
- Governments losing approx. US\$40bn p.a.

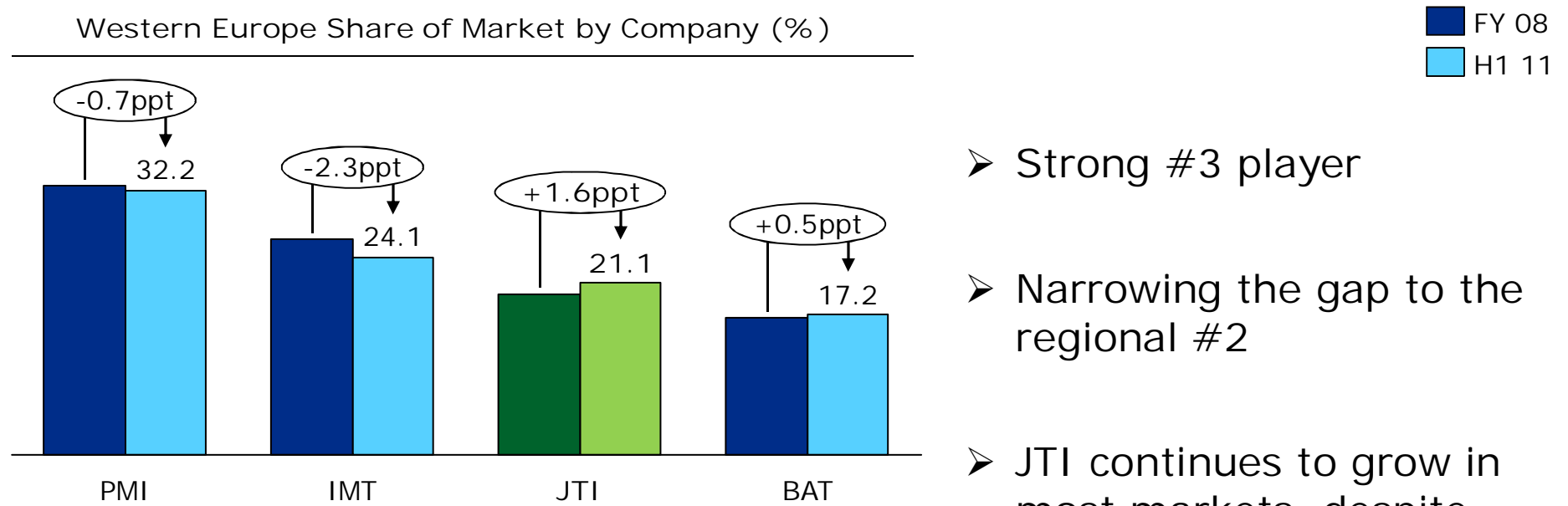
Initiatives to Combat Illicit Trade

- Agreement with EU
- Communication campaigns
- Advocacy on penalties, sentencing
- Industry measurement

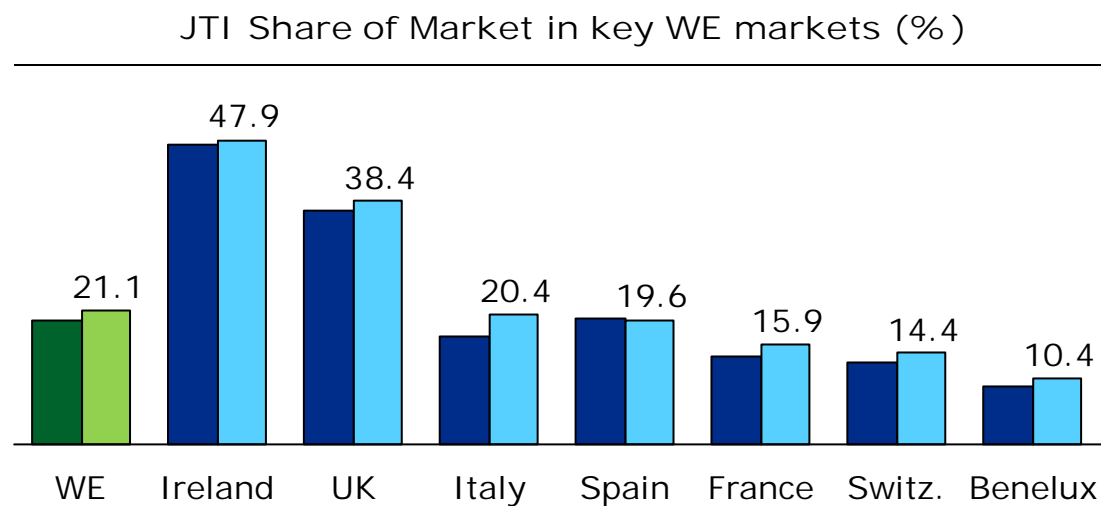
- WE Strategies & Performance -



JTI is the fastest-growing manufacturer in Western Europe, growing in most markets



- Strong #3 player
- Narrowing the gap to the regional #2
- JTI continues to grow in most markets, despite challenging economic and competitive environment



JTI owns 2 of the top 3 RMC brands in Western Europe, and their share of market is growing



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

Top 10 RMC Brands ranking in the Region

Rank	Brand	Company	FY08	H1 11	
1	Marlboro	PMI	19.7%	19.1%	(-)
2	Winston	JTI	5.5%	6.6%	(+)
3	Camel	JTI	6.2%	6.4%	(+)
4	Pall Mall	BAT	3.4%	4.5%	(+)
5	Chesterfield	PMI	4.5%	3.7%	(-)
6	L&M	PMI	2.6%	3.2%	(+)
7	Fortuna	IMT	4.2%	3.3%	(-)
8	Philip Morris	PMI	2.5%	3.1%	(+)
9	B&H	JTI	3.0%	2.9%	(-)
10	JPS	IMT	2.2%	2.9%	(+)



➤ Winston: leading the growth with 2008-2010 volume CAGR of 6.9%

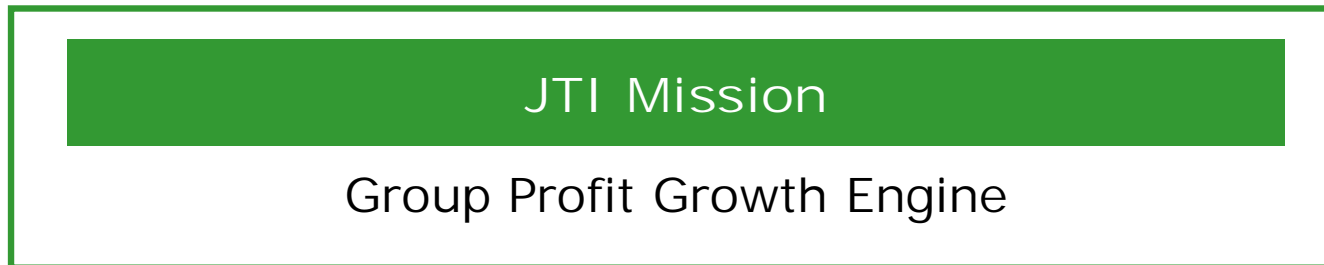


➤ Camel: Strong #3 and well placed in sub-premium sector



➤ B&H: Strong positions in UK, Ireland, Italy, France and Spain

Western Europe's role is to protect profitability while growing our positions in the markets



WE Vision	WE Mission
#2 Tobacco Company	Sustainable & predictable volume and profit contribution

Key Strategic Priorities
<ul style="list-style-type: none">➤ Enhance brand portfolio across markets to address all consumer needs➤ Achieve excellence in execution at point of sale➤ Strong engagement on taxation and regulation, with focus on credibility and responsibility➤ Recruit, retain and develop our people as a foundation of our success

Enhance brand portfolio across markets to address all consumer needs



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GFB Packaging Rejuvenation and Line Extensions



- Over 45 000 consumer interviews providing:
 - Clear understanding of current needs and wants
 - Insight into potential future opportunities

- Focused investment behind continuing to build brand equity

Innovation in RMC and OTP



- Strengthening and enriching brand portfolio, both RMC and OTP
- Innovation as a key driver of consumer franchise retention and recruitment

Achieve excellence in execution at point of sale



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Brand visibility / Merchandising



Trade Marketing Excellence



Long term Trade Partnerships



Effective Field Force Management



Consumer Engagement at POS

Strong engagement on taxation and regulation, with focus on credibility and responsibility

- Constructively engage
- Point of reference for governments, regulators and trade
- Seeking balanced and proportionate regulation
- Solution oriented
- Evidence based
- Enable business sustainability and growth
 - Protect brand equity
 - Competitive environment
 - Consumer communication

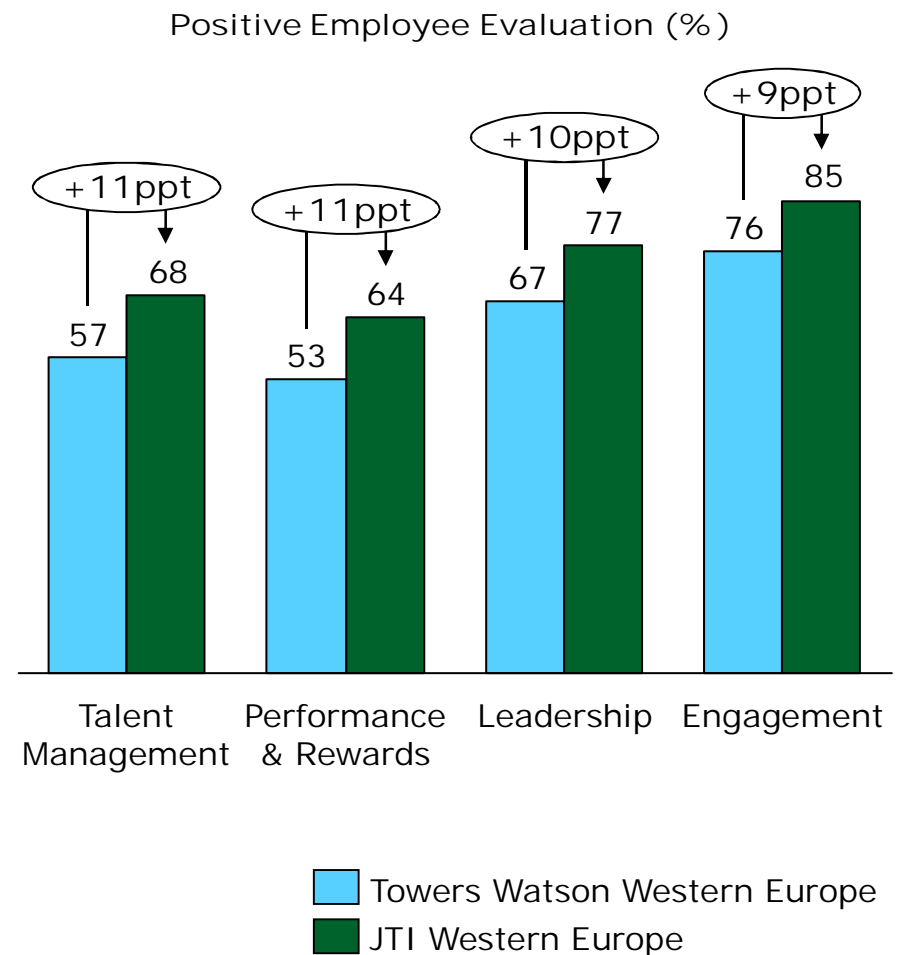


Recruit, retain and develop our people as a foundation of our success



➤ Employee Engagement Survey

- Over 90% participation
- Outperformed Towers Watson's norm for Global FMCG companies on all 9 categories
- Significantly higher vs. benchmark on:
 - Talent Management
 - Performance & Rewards
 - Leadership
 - Engagement
- Feeding future global management bench strength



- Overview of Key Markets -



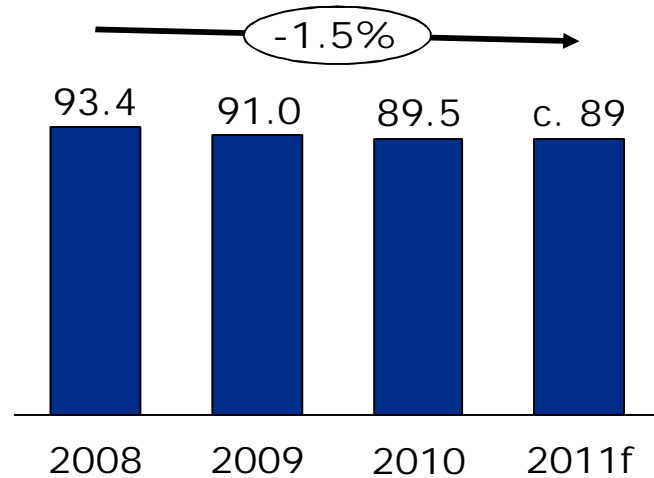
- Overview of Italian market -



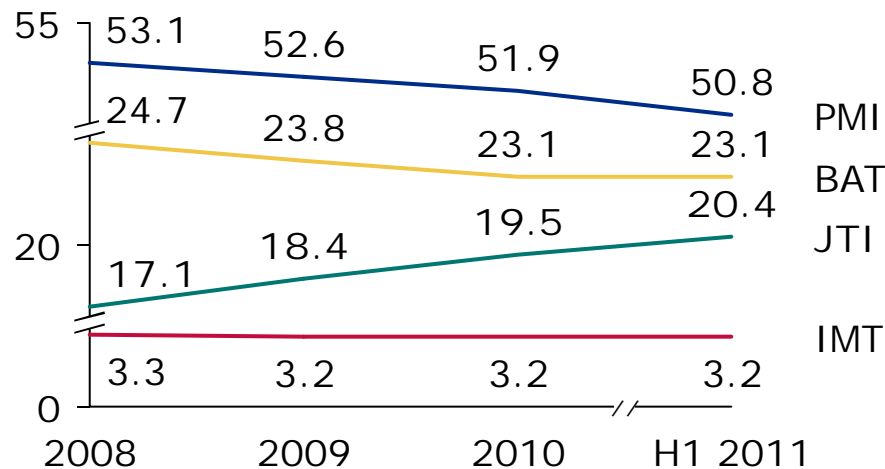
Italy: Remarkable growth story



Industry Size (BnU)



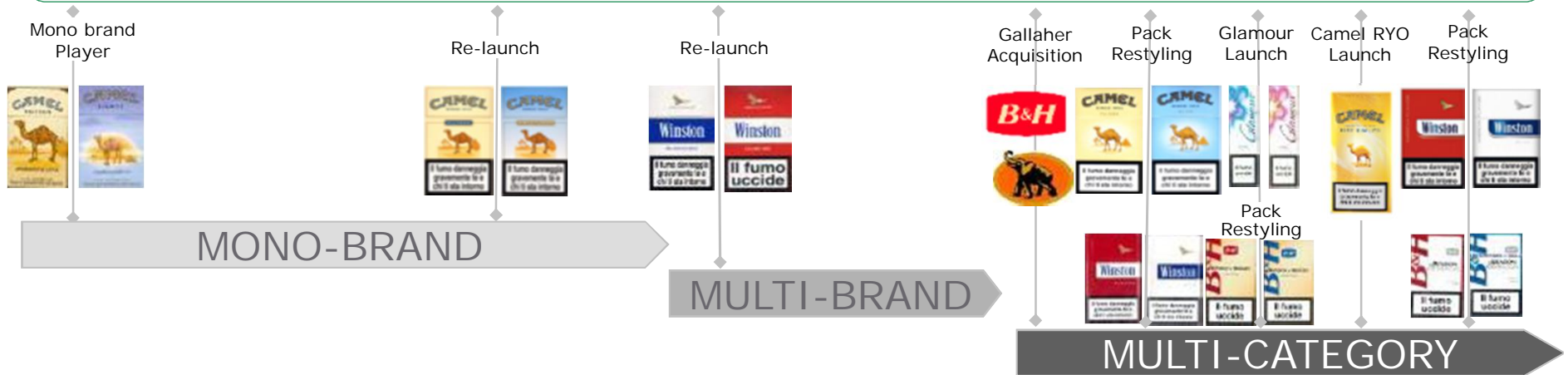
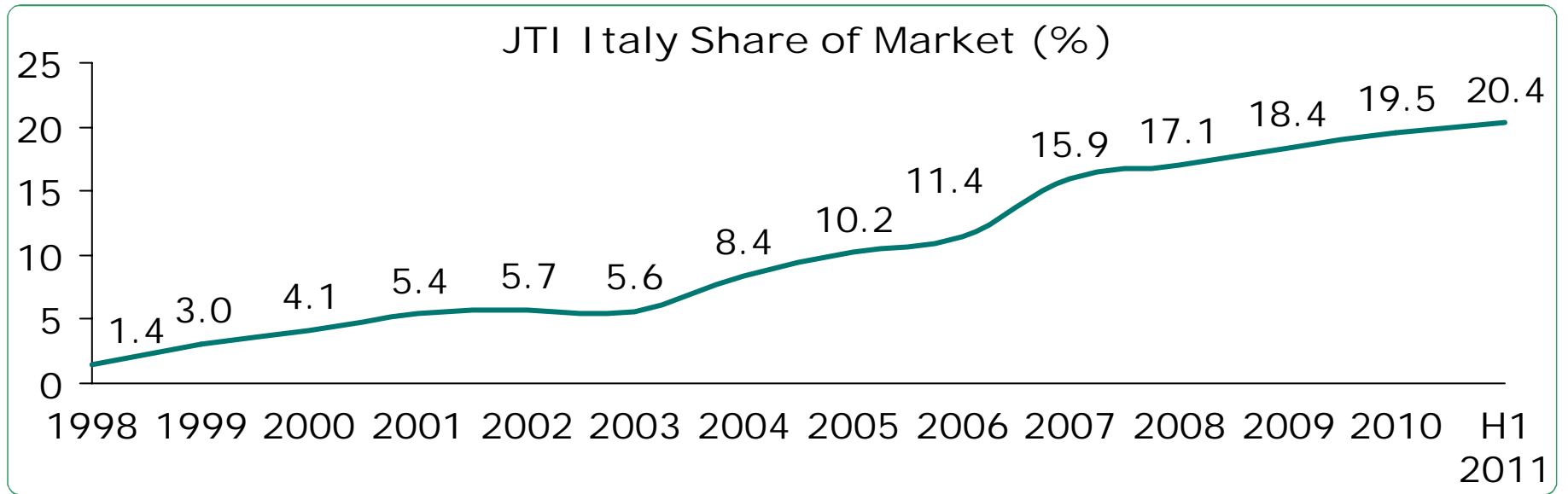
Market shares (%)



- Italy is the largest market in the Region, and is a key market for JTI
- JTI is the fastest-growing player in the market and expects to continue to grow both in Volume and SoM in the years to come
- Gradual and predictable excise and price increases have led to steady government revenue growth
- Despite high degree of restrictions, JTI has in grown through the development of its portfolio to meet consumers' needs and expectations

Italy: from 1% to over 20% share in 13 years by building a balanced multi-brand and multi-category GFB portfolio

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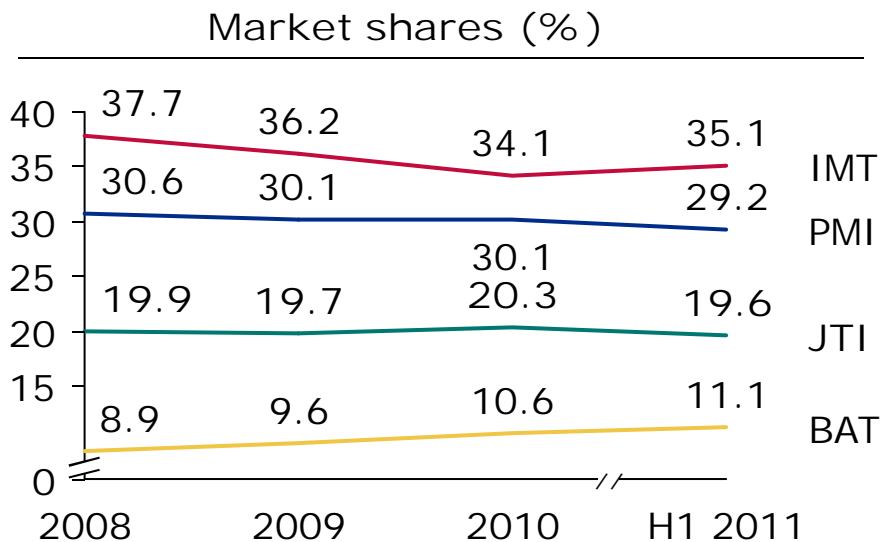
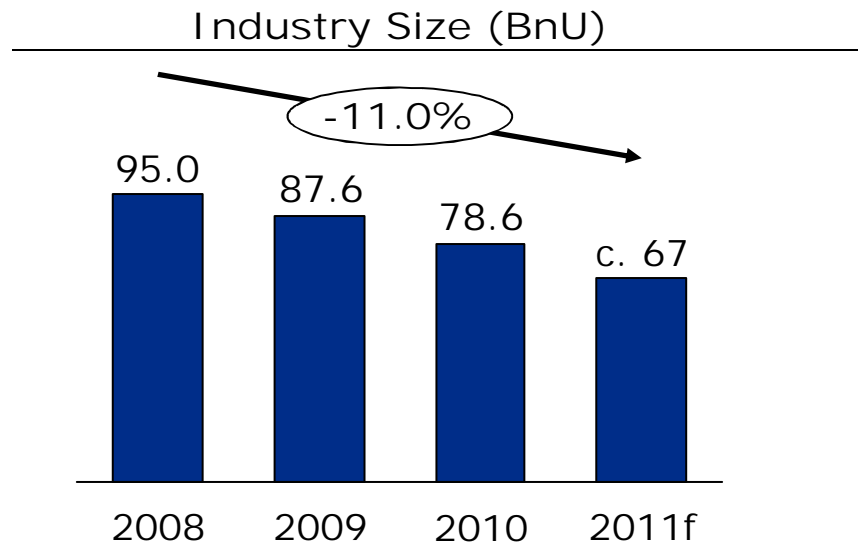


Note: Volume and SOM refer to RMC Category
Source: DFT sell-out, AC Nielsen

- Overview of Spanish market -



Spain: A challenging economic and competitive environment

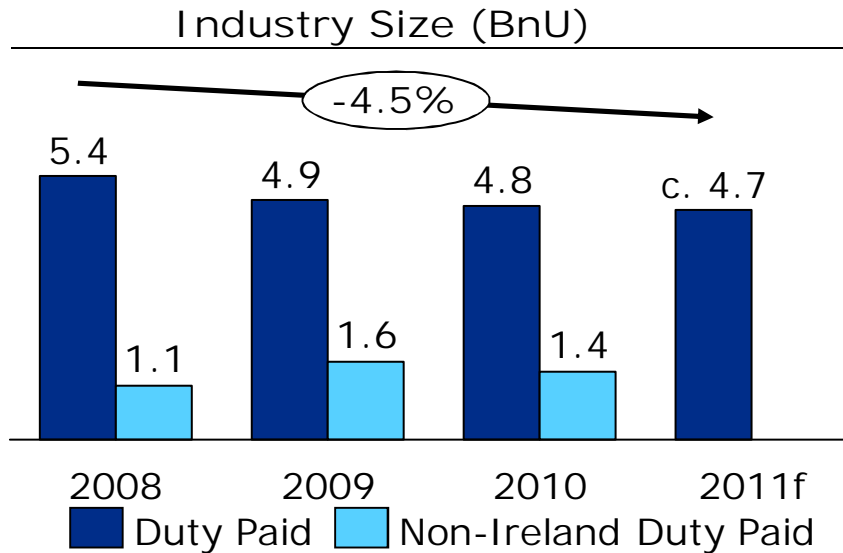


- Economic crisis continues to cause industry volume decline. A 3rd year of double-digit decline is forecast for 2011
- Downtrading continues, but there are early signs of stabilization
- Industry profitability has been negatively impacted by price war but the situation is stabilizing
- Despite a temporary price disadvantage, JTI share of market has remained stable supported by strong brand equity from Winston and Camel

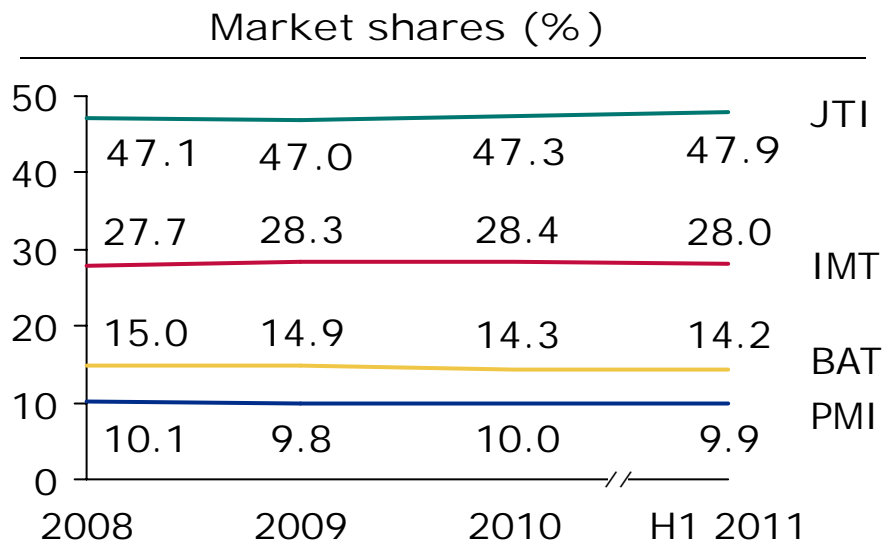
- Overview of Irish market -



Ireland: A strengthening leadership position



- Illicit trade levels, while still high, have stabilized the past years
- JTI continues to strengthen its leadership position with almost 50% SOM under high restrictions at point of sale
- Share growth achieved by adapting our portfolio, expanding in to the Value segment (Mayfair) and RYO (Amber Leaf) despite aggressive pricing activity from competition



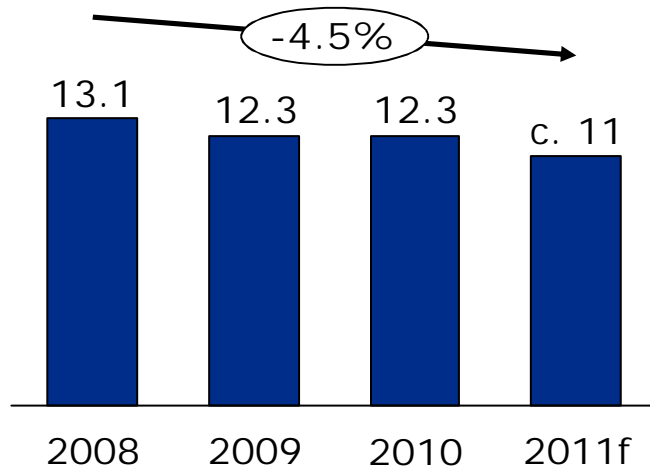
- Overview of Swiss market -



Switzerland: A continued success story

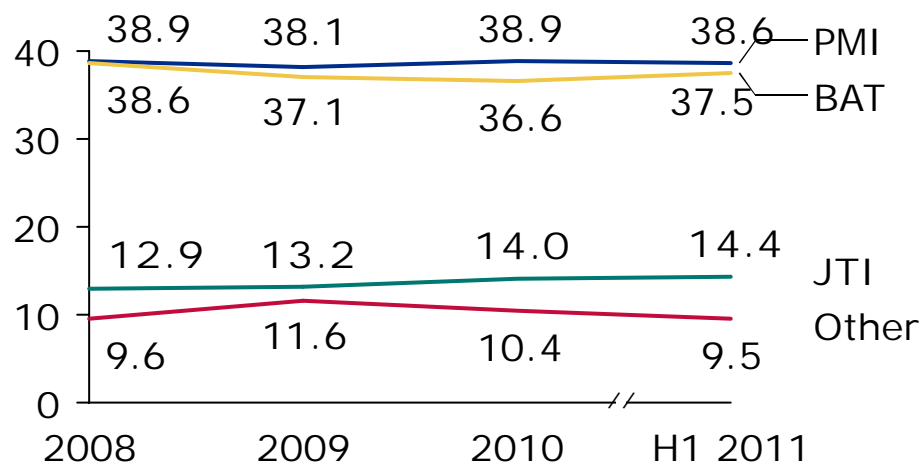


Industry Size (BnU)



- Strength of CHF impacting border trade
- JTI continues to increase its SOM
 - Camel maintains strong legacy position (#4)
 - Winston growth demonstrates relevance in current economic circumstances
 - B&H London introduced to compete in the dynamic value sector

Market shares (%)



- Concluding Remarks -



We are a strong #3 in Western Europe, credibly aspiring to become the #2 Tobacco Company in the Region

- Gradual economic recovery is expected, but this might take some time
- Strong #3 position, credibly aspiring to fulfill our vision as #2 in the Region
- Highly competitive portfolio with leadership and/or challenger positions in each key segment, and a focus on our Global Flagship Brands
- Well-defined strategic priorities:
 - Enhance brand portfolio across markets to address all consumer needs
 - Achieve excellence in execution at point of sale
 - Strong engagement on taxation and regulation, with focus on credibility and responsibility
 - Recruit, retain and develop our people as a foundation of our success