



PHILIP MORRIS INTERNATIONAL

CITI Investor Visit PM Japan Tokyo, March 8, 2010

Frederic de Wilde

President Japan

Philip Morris International



Forward-Looking and Cautionary Statements

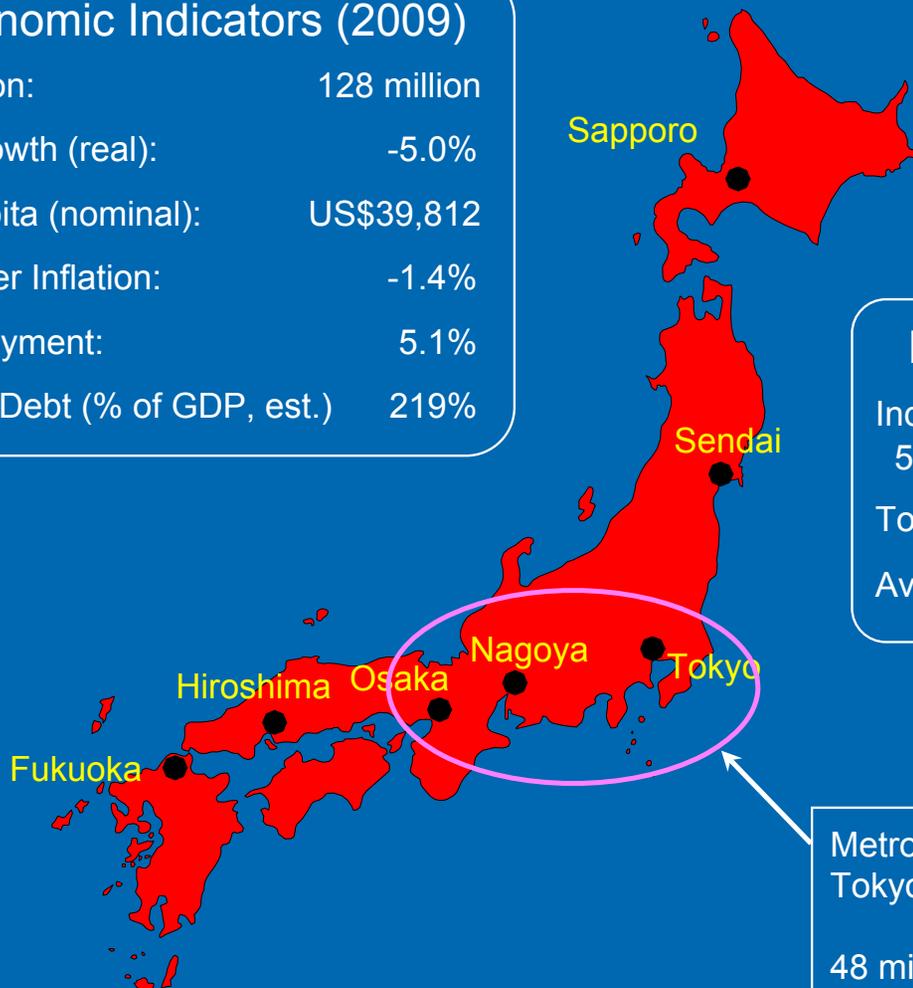
This presentation and related discussion contain statements that, to the extent they do not relate strictly to historical or current facts, constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements are based on current plans, estimates and expectations, and are not guarantees of future performance. They are based on management’s expectations that involve a number of business risks and uncertainties, any of which could cause actual results to differ materially from those expressed in or implied by the forward-looking statements. PMI undertakes no obligation to publicly update or revise any forward-looking statements, except in the normal course of its public disclosure obligations. The risks and uncertainties relating to the forward-looking statements in this presentation include those described under Item 1A. “Risk Factors” in PMI’s Form 10-K for the year ended December 31, 2009, filed with the Securities and Exchange Commission.



Japan at a Glance

Economic Indicators (2009)

Population:	128 million
GDP Growth (real):	-5.0%
GDP/capita (nominal):	US\$39,812
Consumer Inflation:	-1.4%
Unemployment:	5.1%
National Debt (% of GDP, est.)	219%



Industry/Demographics (2009)

Industry Volume:	236 billion units
5th largest in the world	
Total Adult Smoking Incidence*	24.9%
Avg. Daily Consumption*:	19.9 cigs

Metropolitan areas of
Tokyo, Nagoya and Osaka

48 million adults
47% of cigarette volume



Political Overview

- New government formed in September 2009 after landslide victory by the Democratic Party of Japan (“DPJ”)
 - Ended 50 years of ‘one party’ government
 - New approach to interaction between the government and both the bureaucrats and the political parties
 - Key government priorities focus on social welfare
- Upper House elections to be held in July 2010



Company History / Profile

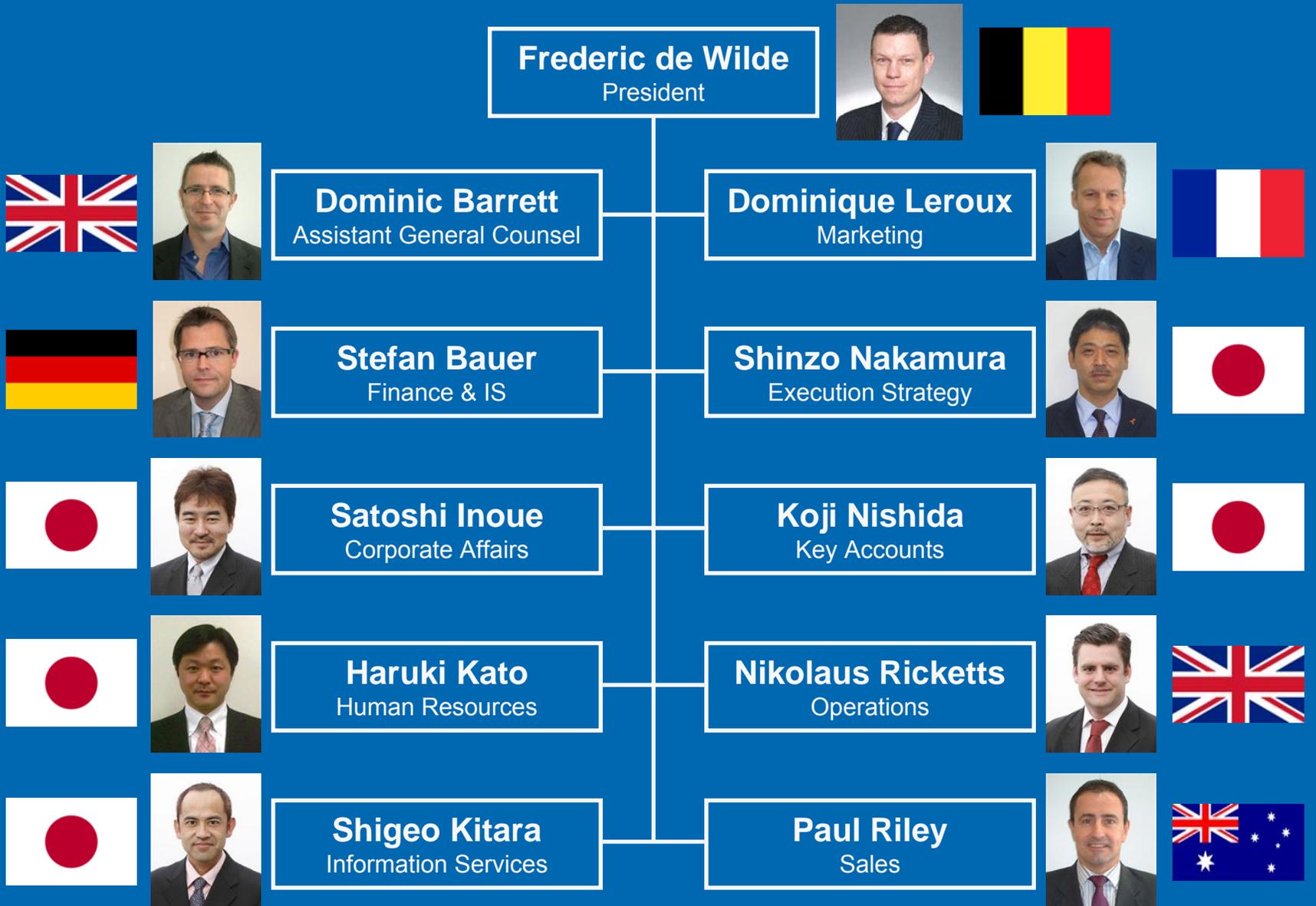
- History:
 - 1985: PMKK incorporated
 - 2002: two sales promotion companies acquired
 - 2003: Philip Morris Japan (“PMJ”) formed
 - 2005: *Marlboro* license taken back from Japan Tobacco

- Profile:
 - Headquarters in Tokyo, 4 regional sales offices
 - 1,780 dedicated employees
 - Buy / sell business model

Management



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PMJ Key Strategies

- Remain key interlocutor for stakeholders in Japan
- Further develop and fully leverage our well established and comprehensive brand portfolio
- Reinforce our brand equity through an optimized trade channel strategy
- Continuously develop an agile and winning organization



Regulatory Environment

- Smoking restrictions:
 - Outdoor: ordinances in 139 municipalities^(a)
 - Indoor: no national regulation, one prefecture (Kanagawa) implementing reasonable regulations

(a) as of February 2010, out of total of 1,800 municipalities in Japan



Regulatory Environment

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- One-to-one consumer contact allowed



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- Brand communication permitted at POS, smoking rooms, and in print media
- One-to-one consumer contact allowed
- Vending machine age verification system (Taspo card)

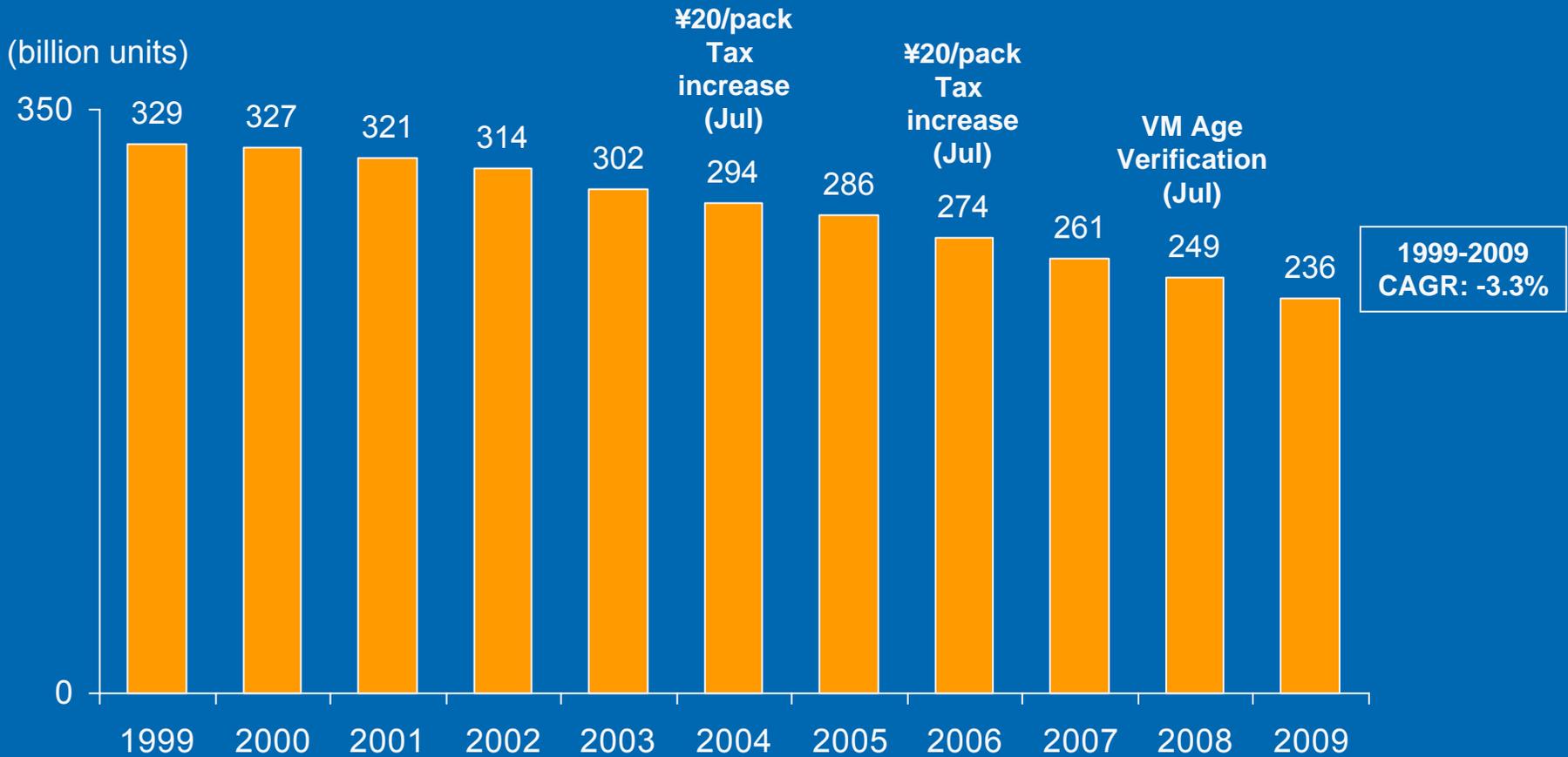


Regulatory Environment

- Tobacco Business Law (effective 1985):
 - Domestic leaf purchase by JT
 - Exclusive manufacturing by JT
 - Pricing approval by Ministry of Finance (MoF)
 - Retail licensing
- Japan Tobacco Inc. Law (effective 1985):
 - Minimum 1/3 ownership by MoF (currently 50.1%)
 - MoF approval of all major business decisions



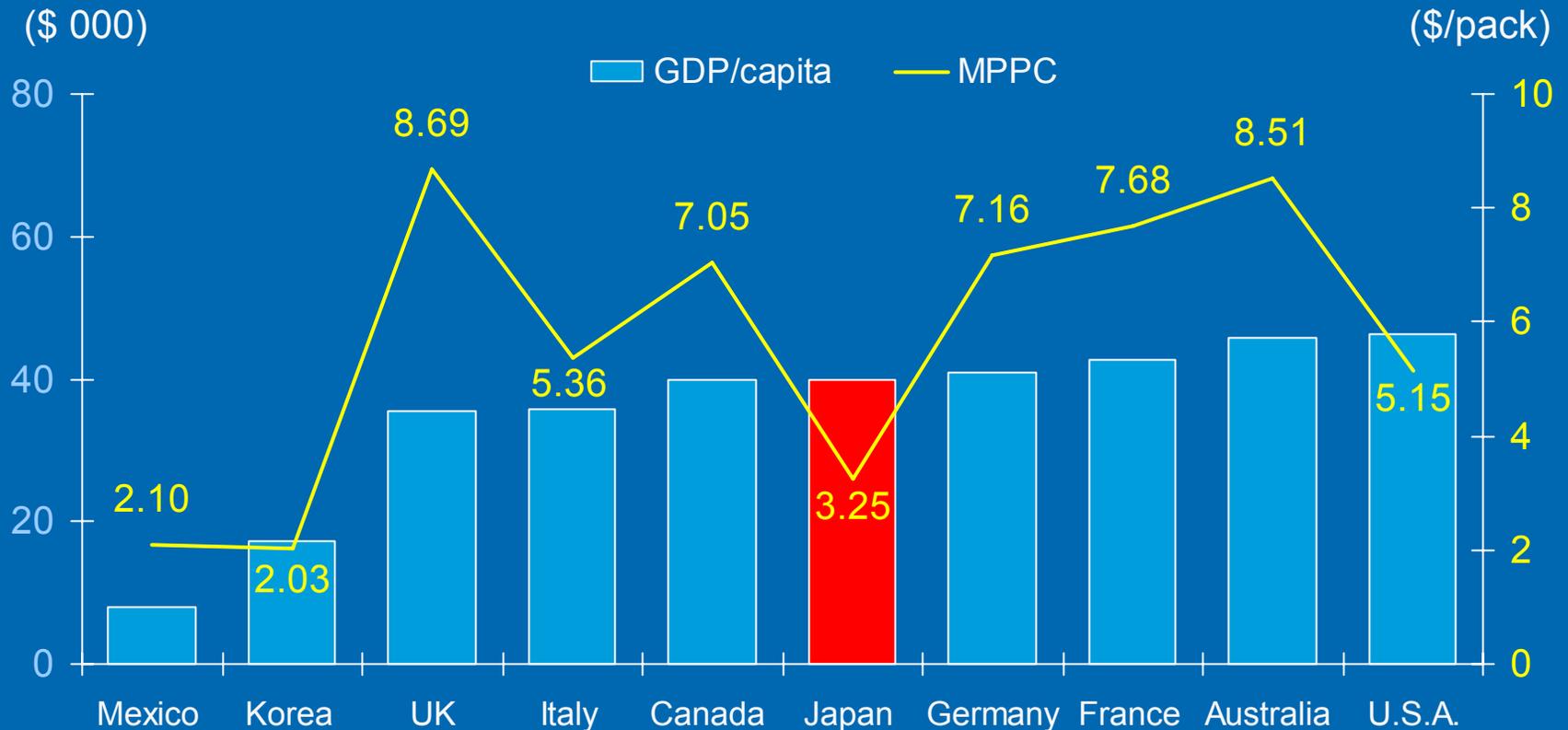
Total Market Evolution



Underlying market decline of -3.5% to -4.0%



Pricing Levels vs. Major OECD Countries



Low relative price levels in Japan



Selected Consumer Goods Prices in Japan

	<u>Price (JPY)</u>	<u>Price (USD)</u>
Cinema ticket	1,800	19.24
Taxi (first fare segment, 2 km)	710	7.59
Big Mac	320	3.42
<i>Marlboro</i>	320	3.42
<i>Cigarettes @ MPPC</i>	300	3.21
<i>Kirin</i> beer (local, 0.35 liters)	202	2.16
<i>Coca-Cola</i> (0.5 liters)	103	1.10



Excise Taxation

(Yen per pack of 20)	<u>Current</u>	<u>Proposed</u>	<u>Variance</u>
National Excise Tax	71.04	106.04	35.00
Local Excise Tax	87.44	122.44	35.00
Special Tobacco Tax	<u>16.40</u>	<u>16.40</u>	<u>-</u>
Total	174.88	244.88	70.00

- Consumption tax of 5%
- Total tax incidence currently at 63% for MPPC



Taxation and Pricing

- 40% excise tax increase would be unprecedented
- JPY 82/pack pass-on to maintain constant unit revenues
- Significant market contraction projected though forecasts of exact impact are speculative



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- New government's approach could be an opportunity for a more liberalized tobacco market



Taxation and Pricing

- 40% excise tax increase would be unprecedented
- JPY 82/pack pass-on to maintain constant unit revenues
- Significant market contraction projected though forecasts of exact impact are speculative
- New government's approach could be an opportunity for a more liberalized tobacco market
- Request submitted to Ministry of Finance for 20 Yen/pack price increase for all PMJ brands as of June
- Key objective is to obtain complete pricing freedom

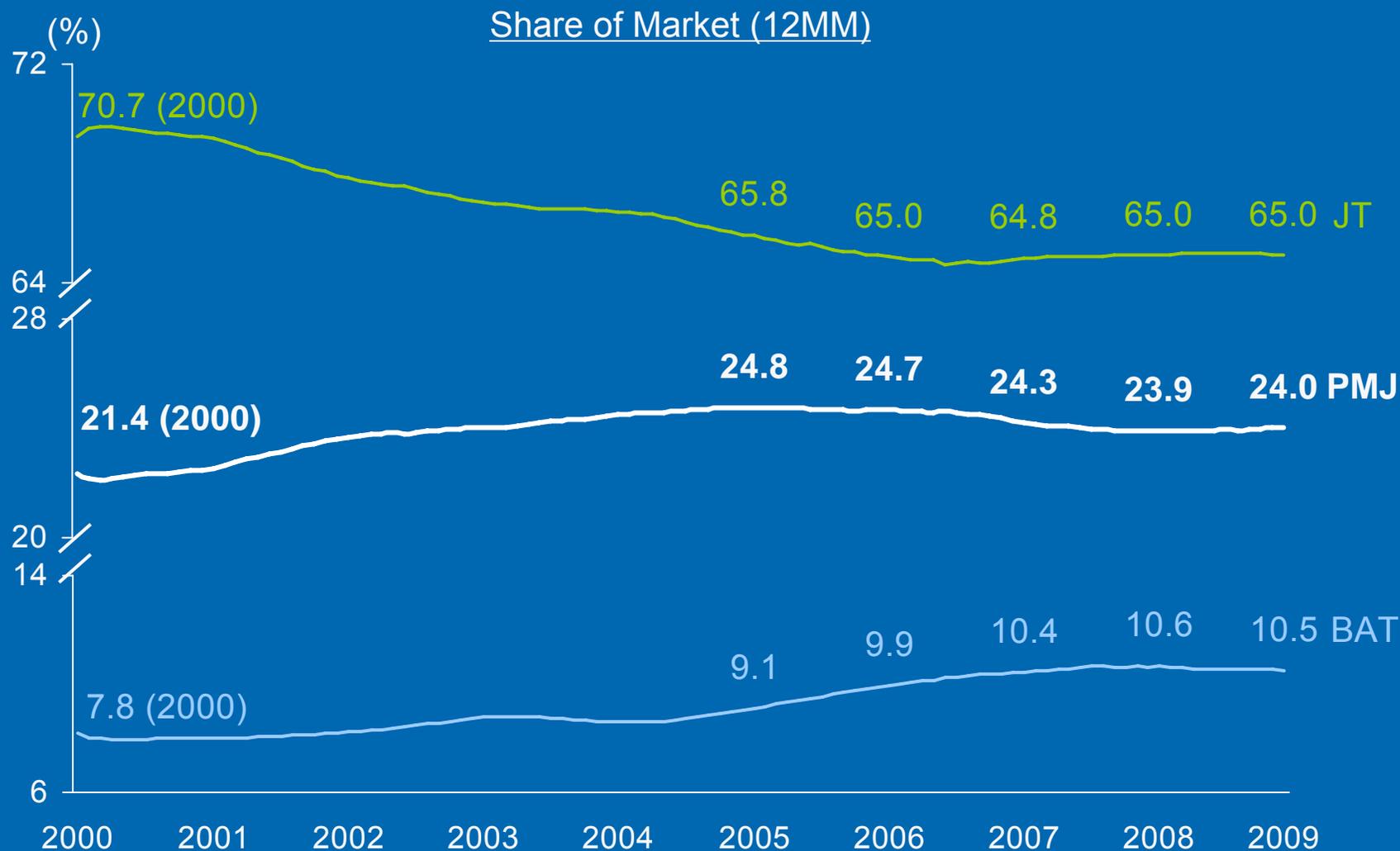


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Competition





Share of Market by Competitor & Top 15 Brands

Company	Full Year 2009			Brand Family	Full Year 2009	
	SoM %	Var. pts			SoM %	Var. pts
Philip Morris	24.0	0.1	1	<i>Mild Seven</i>	32.0	(0.3)
Japan Tobacco	65.0	-	2	<i>Marlboro</i>	10.5	0.4
BAT	10.5	(0.1)	3	<i>Seven Stars</i>	9.7	0.6
Others	0.5	-	4	<i>Lark</i>	6.6	-
			5	<i>Caster</i>	5.8	(0.2)
			6	<i>Kent</i>	5.8	(0.2)
			7	<i>Cabin</i>	3.9	-
			8	<i>Pianissimo</i>	3.3	0.1
			9	<i>Peace</i>	2.7	(0.1)
			10	<i>Kool</i>	2.6	0.2
			11	<i>Parliament</i>	2.3	-
			12	<i>Philip Morris</i>	2.3	(0.2)
			13	<i>Virginia Slims</i>	2.0	-
			14	<i>Hope</i>	2.0	-
			15	<i>Hi-Lite</i>	1.3	(0.1)

In 2009, PM posted SoM gain after 3 years of share erosion



Price Segmentation & Top 15 Brands

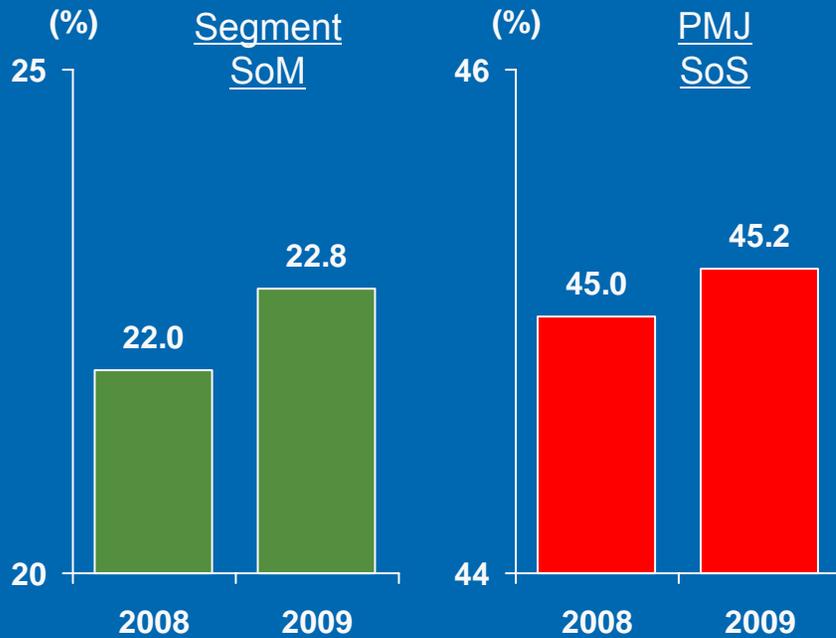
	Philip Morris	Japan Tobacco	BAT
Premium ¥331~ 2.3% SoM 0.0 pts.	SoS: 79.7%	SoS: 10.5%	SoS: 0.7%
High ¥301 ~ ¥330 22.5% SoM ▲ 0.5 pts.	SoS: 59.2%	SoS: 21.7%	SoS: 18.1%
Mainstream ¥281 ~ ¥300 73.5% SoM ▼ 0.5 pts.	SoS: 12.1%	SoS: 79.4%	SoS: 8.5%

- PM leading the growing High price segment
- Well established brand portfolio competing in all key price segments



PM Well-positioned in Key Growing Segments

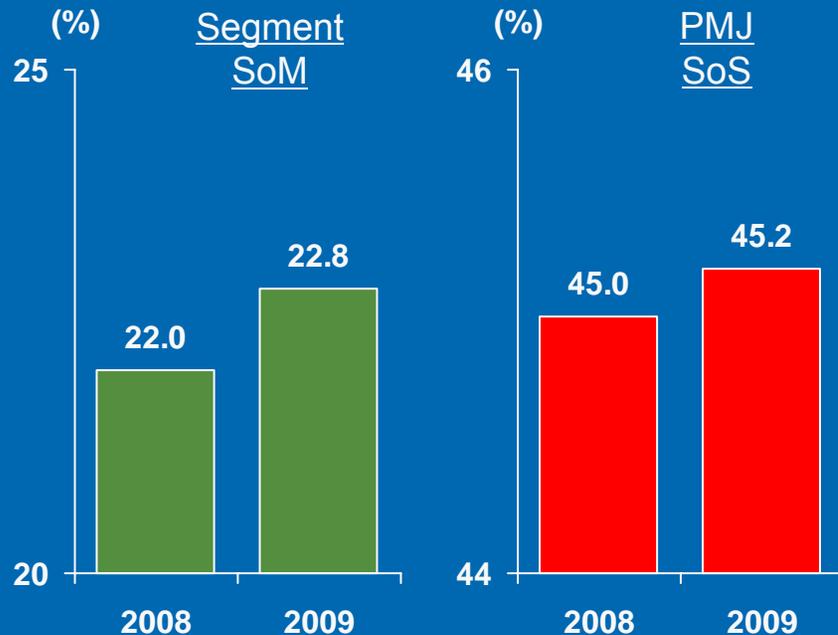
Menthol Segment





PM Well-positioned in Key Growing Segments

Menthol Segment



1 mg Segment

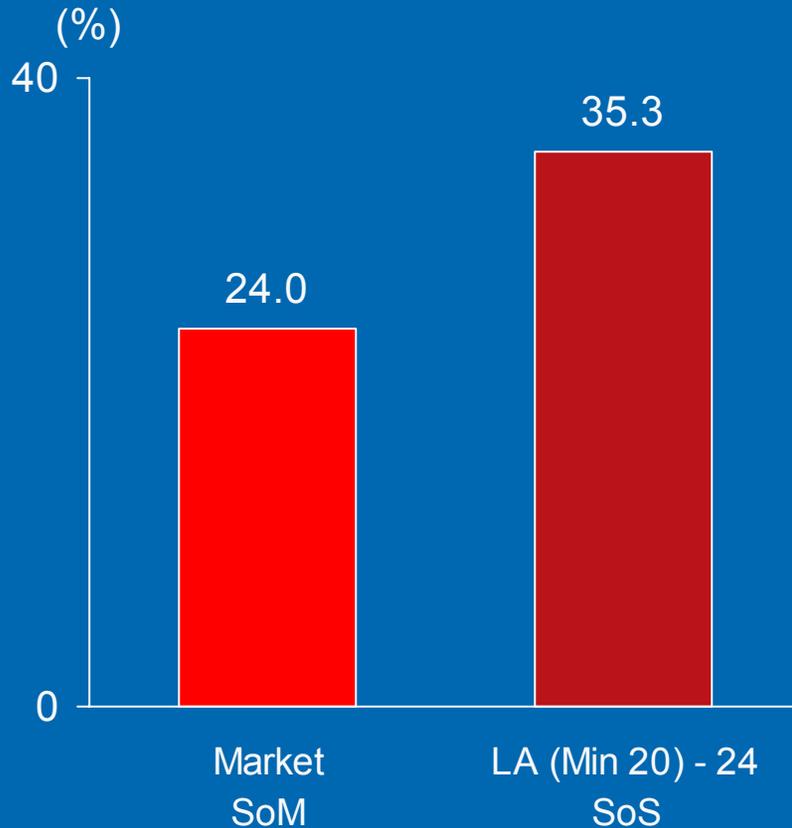


- Menthol and 1 mg segments expanding
- PMJ gaining share in these segments

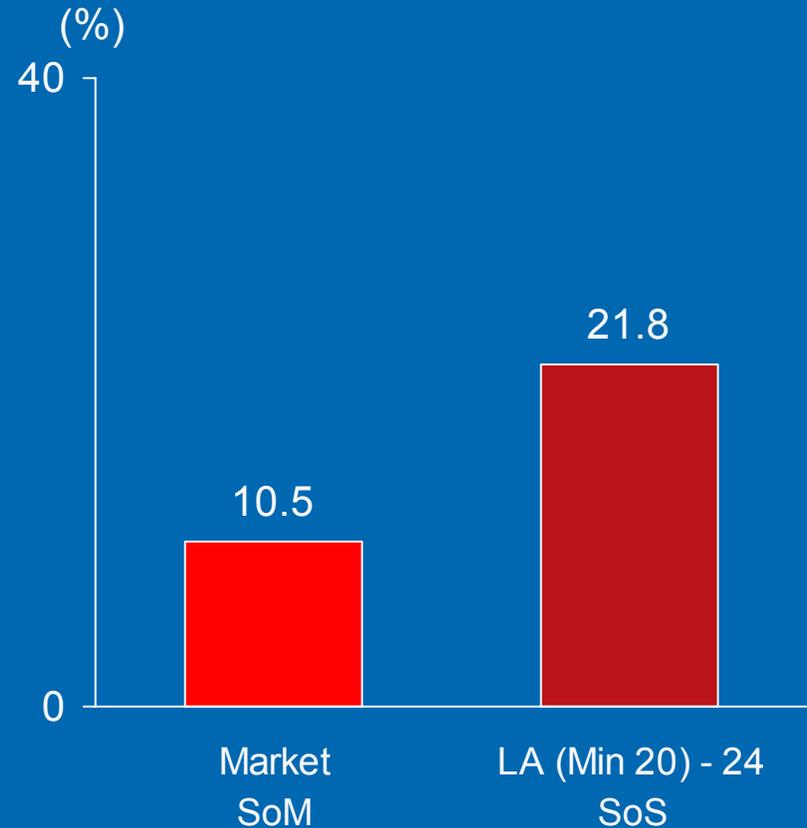


Favorable Demographics

Philip Morris Japan



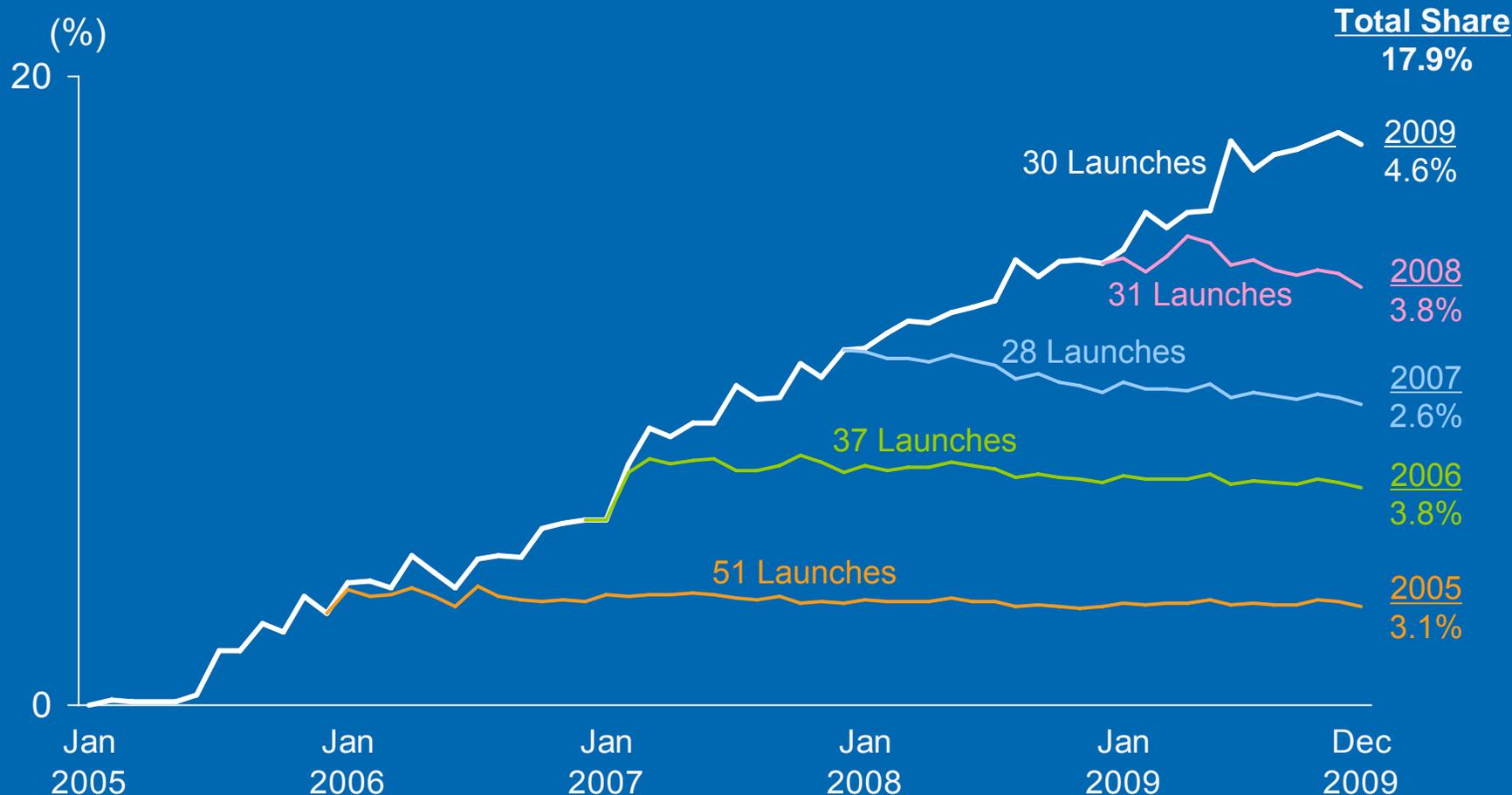
Marlboro



Significantly higher share in LA – 24 smoker segment



High Number of New SKU Launches



Very dynamic market environment



2009 National Product Launches

- 30 SKUs launched and fully supported nationally by industry in the last 12 months (Jan. to Dec. 2009)
- 9 out of these 30 launches (or 27%) achieved the threshold of 0.3% sustainable SoM
- All 4 PMJ launches (or 100%) have surpassed the 0.3% threshold

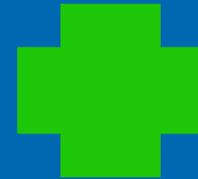
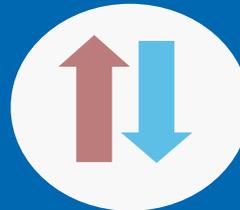


Positive consumer response to PMJ's deployment of innovative product initiatives

Understanding the Adult Japanese Consumer

1. Understand Trends in the Market :

5 Major Trends in Japan



2. Identify Consumer Preferences and Attitudes :

8 Consumer Segments



3. Project these Trends and their Impact on the Consumer Segments



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Leverage *Marlboro*



- Expand *Marlboro* under the new architecture
- Fully address Japanese adult consumer taste preferences



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Marlboro Fresh – Expand Leadership



- Most successful launch ever in PMJ's history
- Pioneered the refreshing and cool taste segment in Japan
- Successfully line extended into growing 1mg segment

Q4, 2009 Market Share: 1.3%

1.0%

0.3%



- 4th largest brand in the market
- Market share grew by 0.4pp in Q4, 2009

つぶして変えろ! 2つの味の新メンソール。

Lark
メント スプラッシュ

7

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。未成年者の喫煙は、健康に対する悪影響やたばこへの依存をより強めます。周りの人から勧められても決して吸ってはいけません。妊娠中の喫煙は、胎児の発育障害や早産の原因の一つとなります。

スムーズを極めた、
革新の黒。

LARK
ラーク ブラックラベル
7mg ¥300

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Latest successful introductions

- *Lark Mint Splash*
 - Innovative menthol capsule in filter
 - Best selling capsule SKU
- *Lark Black Label*
 - Smooth taste in stylish black pack

Virginia Slims



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ラッパカラーは、白がテーマ。

VIRGINIA SLIMS DUO

喫煙は、あなたにとって肺がんの原因の一つとなります。

疫学的な推計によると、喫煙者は肺がんにより死亡する危険性が非喫煙者に比べて約2倍から4倍高くなります。

〔詳細については、厚生労働省のホームページwww.mhlw.go.jp/topic/tobacco/main.htmlをご参照ください〕

今夏の限定DUOは、涼感7色! ¥320
タイムリスターにおしよせ! MENTHOL 1mg

喫煙は、あなたにとって肺がんの原因の一つとなり、心臓疾患・脳卒中の危険性や痰気腫を悪化させる危険性を高めます。
未成年者の喫煙は、健康に対する悪影響やたばこの依存をより強めます。周りの人から勧められるを決して拒まれません。
たばこの煙は、あなたの周りの人、特に乳幼児、子供、お年寄りなどの健康に悪影響を及ぼします。喫煙の際には、周りの人の迷惑にならないように注意しましょう。

VIRGINIA SLIMS Lights MENTHOL

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VIRGINIA SLIMS ULTRA Lights MENTHOL • LESS SMELL

喫煙は、あなたにとって心臓疾患の危険性を高めます。

疫学的な推計によると、喫煙者は心臓疾患により死亡する危険性が非喫煙者に比べて約1.7倍高くなります。

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VIRGINIA SLIMS One MENTHOL • LESS SMELL

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Rose VIRGINIA SLIMS MENTHOL 1mg LESS SMELL

喫煙は、あなたにとって肺気腫を悪化させる危険性を高めます。

〔詳細については、厚生労働省のホームページwww.mhlw.go.jp/topic/tobacco/main.htmlをご参照ください〕

VIRGINIA SLIMS DUO MENTHOL 1mg LESS SMELL

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Noire VIRGINIA SLIMS MENTHOL 1

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- Leading international female brand
- Successful limited edition strategy
- Exclusive packaging designs



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Philip Morris brand

- Positioned in large mainstream price segment
- New, innovative proposition: “Low odor, no compromise on taste”
- Brand re-launch in 2010

車の中でも

エレベーターでも

私の髪にも服にも、ニオイつきにくい。

会議室でも

ラッシュでも

PHILIP MORRIS
SUPER LIGHTS

NEW
PHILIP MORRIS

喫煙は、あなたにとって肺がんの原因の一つとなり、
心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。
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周りの人から勧められても決して吸ってはいけません。
妊娠中の喫煙は、胎児の発育障害や早産の原因の一つとなります。

76%が実感、
ニオイつきにくい うまさ際立つ。

76%

PHILIP MORRIS

¥300

PHILIP MORRIS

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。
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Parliament

- Leader in the premium segment (80% SOS)
- Unique recessed filter
- Continue to provide differentiation and exclusiveness

数量限定
パーラメント ニューヴォー、11月解禁。

PARLIAMENT NOUVEAU

PARLIAMENT

喫煙は、あなたにとって肺がんの原因の一つとなり、心筋梗塞・脳卒中の危険性や肺気腫を悪化させる危険性を高めます。
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人により程度は異なりますが、ニコチンにより喫煙への依存が生じます。

World premiere of *Parliament Nouveau*, which is made only of fresh and high-quality tobacco leaves harvested this year



Consumer Engagement

Direct consumer contacts:

- Dedicated one-to-one promotion organization
- High quality consumer contact and engagement
- Exclusive events and exciting brand experiences
- Innovative age verified digital marketing





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PMJ Product Flow

Suppliers

PMPSA/PMJJK

Importer

Sojitz

Distributor

TS Network

Retailers

290,000 License Holders

Vending

420,000 machines



OTC – C-stores (a)

39,594 outlets



OTC - Other

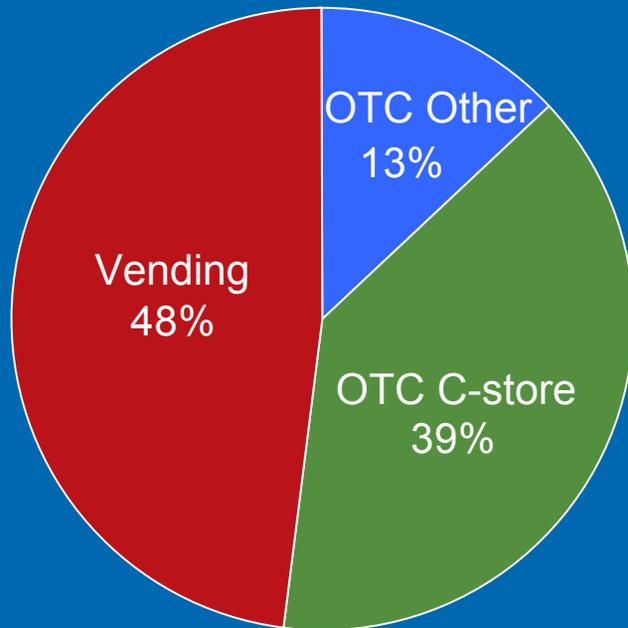
157,884 outlets

- Tobacconist
- Supermarket
- Grocery
- Railway Kiosk
- ...



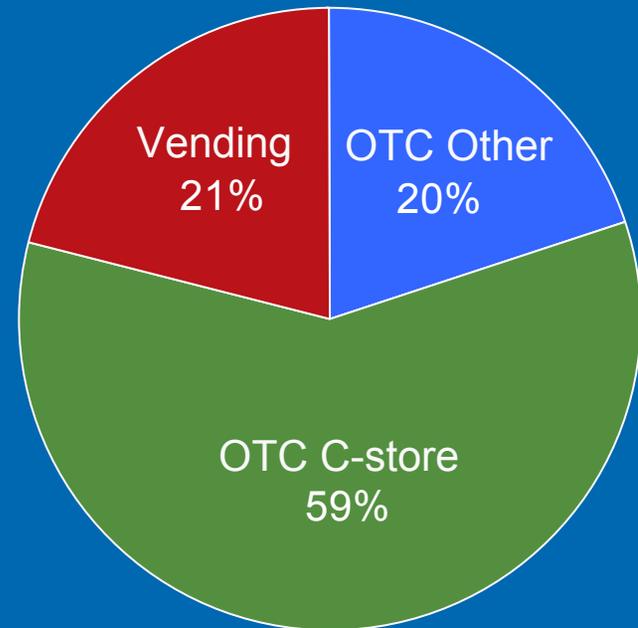
Taspo Card Impact

Sales Composition by volume



Pre-VMAV

(3 weeks ending February 29, 2008)



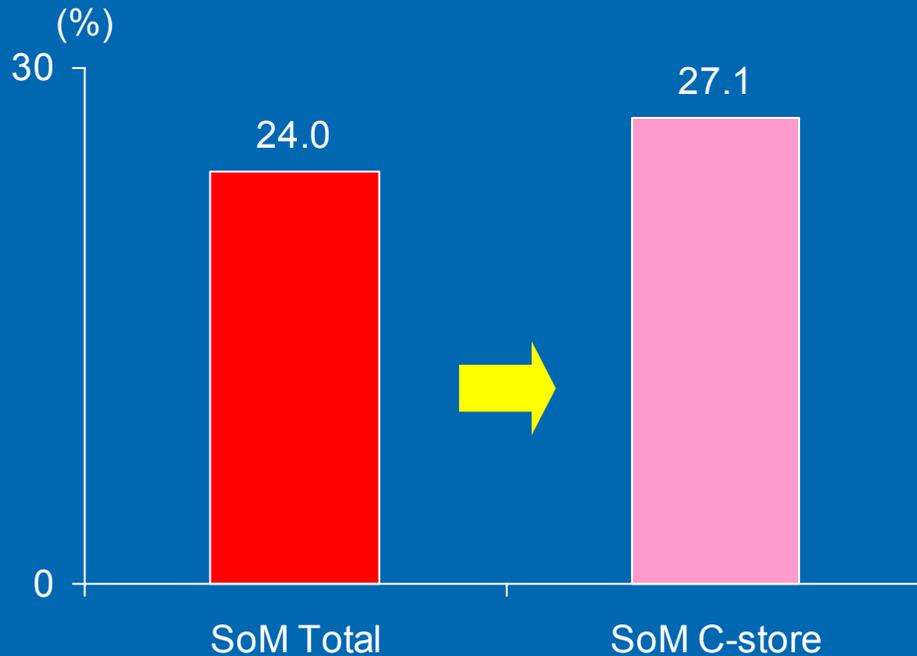
Post-VMAV

(3 weeks ending April 11, 2008)



Growth in C-Stores

PMJ Share of Market Comparison (2009)



- Well placed in the most important and growing channel
- Successful partnership with relevant chains:
 - Impactful promotion programs throughout the year
 - Win-win game plans tailored by account



Leverage Vending



- Currently 420,000 vending machines (“VM”) nationwide (520,000 in 2007)
- 36% Taspo card penetration among adult smoking population (>9 million cards)
- PMJ holds 35% of total manufacturers’ VM network
- Maximization of product availability
- Creative approach to brand communication

Competitive vending position despite network rationalization



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Sales Organization

- Re-organized based on trade channel trends
- Consumer-oriented approach
- Increased effectiveness and enhanced skills
- Business building tools and enhanced decision making at territory level

Fast, efficient and consumer oriented sales force



Conclusion

- Japanese cigarette market remains one of the largest
- Planned tax increase will be disruptive, especially in 2011
- Pricing freedom would provide viable business model
- Request for Yen 20 per pack price increase approved
- Consumer understanding driving relevant product innovation
- Strong and balanced portfolio in each key segment
- Well positioned to ensure superior execution with our trade partners
- Experienced and talented organization

Ability and resources to ensure sustainable long-term profitable growth



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Questions and Answers