JAPAN TOBACCO INC.
2-1, Toranomon 2-chome, Minato-ku
Tokyo 105-8422 JAPAN
Phone:03-3582-3111

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JT's Consolidated Financial Results for the 6 months ended September 30, 2011

- **Japanese Domestic Tobacco Business: Volume and market share are recovering steadily from the effects of the earthquake. The volume decline is also due to the prior year's tax and price increase and unfavourable comparison as a result of heightened demand.**
- **International Tobacco Business: Profit growth was driven by strong pricing and GFB[1] shipment volume growth. Market share[2] continued to increase in most key markets.**
- **Pharmaceutical Business: Anti-HIV single-tablet regimen containing JTK-303 was submitted for U.S. FDA approval, JT's partner, Gilead Sciences, has announced.**

Results for the 6 months ended September 30, 2011

- **Adjusted net sales**[3] and **EBITDA**[4] declined by 8.7% and 3.6% respectively due to the negative impact of the earthquake on the Japanese domestic tobacco business. **Net income**[5] increased by 17.9% as a result of improved currency exchange gains and losses and reduced tax expenses.
- **Japanese Domestic Tobacco Business'** adjusted net sales[6], EBITDA and sales volume decreased by 20.5%, 9.7% and 41.2% respectively. The business is steadily recovering from the effects of the earthquake as the number and volume of products shipped sequentially increased following resumption of shipments after the earthquake.
- **International Tobacco Business** again delivered a strong performance with core net sales[7] growth of 9.3% and EBITDA growth of 14.6% in US dollars. At constant rates of exchange, core net sales and EBITDA increased 6.2% and 13.3% respectively.

Consolidated financial results for the 6 months ended September 30, 2011 Units: Billions of Yen

	Apr-Sep 2010[8] (A)	Apr-Sep 2011 (B)	Difference (B)-(A)	Net Change (%)
Adjusted net sales	1,030.1	940.3	-89.8	-8.7
EBITDA	307.1	296.1	-11.0	-3.6
Operating income	200.6	193.0	-7.6	-3.8
Net income	81.3	95.8	14.5	17.9

Forecast for the fiscal year ending March 31, 2012

Net income growth is forecast to remain at 10.8% year on year. While stronger core net sales and EBITDA are forecast in the international tobacco business at constant rates of exchange, and the sales volume forecast in the Japanese domestic tobacco business has been upwardly revised, the **adjusted net sales** and **EBITDA** forecasts have been revised downwards on a Japanese yen basis due to the effect of currency exchange movements in the international tobacco business. The forecasts have been in effect revised upwards when the currency impact is excluded.

Hiroshi Kimura, President and Chief Executive Officer of JT, commented:

"Our business is demonstrating solid performance. Our cigarette volume and market share in Japan have been recovering steadily from the effects of the earthquake. We have again delivered robust growth in both top line and EBITDA in the international tobacco business, revising upward our full year forecast excluding currency impact, driven by stronger momentum. We are making our utmost efforts to achieve the consolidated EBITDA growth objective over our medium term management plan period through March 2012, overcoming the impact of last year's unprecedented excise increase and this year's earthquake in Japan."

Results by Business Segment

➢ Japanese Domestic Tobacco Business

Total sales volume[9] decreased due to the October 2010 tax and price increase, the prior year's heightened demand preceding this increase which resulted in an unfavourable comparison, and the effects of the earthquake. Adjusted net sales and EBITDA declined as a result of the volume decline.

The business is recovering steadily from the effects of the earthquake as the number and volume of products shipped sequentially increased following resumption of shipments. Market share recovered from 20.7% in April to 57.8% in September. In July, shipments of all 73 products resumed, followed by the complete removal in August of the purchase order ceiling.

A number of initiatives are underway, including the introduction of super slim "Seven Stars Cutting Menthol" in August, "Pianissimo ViV Menthol" featuring "breath sparkling shot" capsules in November and a new style of smokeless tobacco "Zerostyle Bitter Leaf" in December.

Units: Billions of Yen, Billions of Cigarettes

	Apr-Sep 2010	Apr-Sep 2011	Net change (%)
Adjusted net sales	351.4	279.5	-20.5
EBITDA	150.1	135.6	-9.7
Operating income	127.7	115.7	-9.4
Total sales volume	86.5	50.9	-41.2

➢ International Tobacco Business

Financial results for January 1 – June 30, 2011

The international tobacco business achieved solid growth of 9.3% in core net sales and an increase of 14.6% in EBITDA in US dollars, driven by pricing. At constant rates of exchange, core net sales and EBITDA in US dollars increased 6.2% and 13.3% respectively. Due to the strong appreciation of the Japanese yen against the US dollar, core net sales declined 1.9% while EBITDA grew 2.9%.

GFB shipment volume grew 3.2% due to strong performance in Russia, Turkey, Italy, Poland and the Middle East. Total shipment volume[10] remained flat, reflecting growth in the Middle East, Romania, Russia and Italy, offset by declines in Ukraine, Spain and Belarus.

Market share continued to increase in most key markets.

Units: Billions of Yen, Billions of Cigarettes

	Jan-Jun 2010[8]	Jan-Jun 2011	Net change (%)
Core net sales	448.9	440.5	-1.9
EBITDA	156.3	160.8	2.9
Operating income	89.5	95.4	6.5
Total shipment volume	204.7	204.9	0.1
GFB shipment volume	118.3	122.0	3.2

Pharmaceutical Business

Net sales increased to ¥24.3 billion mainly due to Torii Pharmaceutical's performance, driven by REMITCH® CAPSULES, an anti-pruritus drug for hemodialysis patients, and an anti-HIV drug, Truvada® Tablets, offset by a further fall in sales of Futhan®. EBITDA decreased to -¥7.2 billion primarily due to an increase in R&D expenditure in Torii Pharmaceutical.

Currently JT has eight compounds in clinical trial. JTZ-951, a treatment for anemia associated with kidney disease, has entered the clinical development stage, while the development of JTT-305, a treatment for osteoporosis, and an anti-HIV drug, JTK-656, have been terminated. All current compounds are listed in the attachment to this release.

A New Drug Application (NDA) for an anti-HIV single-tablet regimen containing a novel HIV integrase inhibitor, JT's original compound JTK-303 (elvitegravir), has been submitted to the U.S. Food and Drug Administration for approval, JT's partner, Gilead Sciences, Inc., has announced.

Units: Billions of Yen

	Apr-Sep 2010 (A)	Apr-Sep 2011 (B)	Difference (B) - (A)
Net sales	23.1	24.3	1.2
EBITDA	-4.8	-7.2	-2.4
Operating income	-6.7	-9.0	-2.2

Food Business

Overall net sales declined by ¥9.2 billion to ¥187.5 billion despite a solid performance from our flagship coffee brand Roots and a growth in the sales of staple food products[11]. This was primarily due to the closure of the rice wholesale business in the previous fiscal year. EBITDA increased by ¥1.3 billion to ¥10.9 billion driven by increased sales of higher-margin staple food products and reduced fixed costs, partly offset by increased advertising expenditure for Roots.

Units: Billions of Yen

	Apr-Sep 2010 (A)	Apr-Sep 2011 (B)	Difference (B) - (A)
Net sales	196.8	187.5	-9.2
EBITDA	9.6	10.9	1.3
Operating income	-3.3	-2.7	0.5

Non-Operating Results, Extraordinary Profits and Losses & Net Income

Non-operating profits and losses improved to -¥0.5 billion (2Q FY03/2011: -¥14.1 billion) because of improved currency exchange gains and losses.

Extraordinary profits and losses were -¥34.6 billion (2Q FY03/2011: -¥25.4 billion). This change includes the earthquake related cost of ¥12.6 billion, compensation payment of ¥12.3 billion for leaf tobacco growers voluntarily ceasing cultivation, business restructuring costs related to Austria and gains on disposal of real estate.

Net income was ¥95.8 billion (2Q FY03/2011: ¥81.3 billion) as a result of reduced tax expenses.

Forecast for the Fiscal Year Ending March 31, 2012 (consolidated)

While adjusted net sales and EBITDA forecasts have been revised downwards due to the effect of currency exchange movements in the international tobacco business, in effect the consolidated forecasts have been revised upwards when the currency impact is excluded. The net income forecast[12] remains unchanged at 10.8% up year on year.

Units: Billions of Yen

	FY03/2011 Actual[8] (A)	FY03/2012 Previous Forecast (B)	FY03/2012 Updated Forecast (C)	Change from FY03/2012 Previous Forecast (C)-(B)	Change from FY03/2011 Actual (C)-(A)
Adjusted net sales	1,946.9	1,915.0	1,895.0	-20.0	-52.0 (-2.7%)
EBITDA	542.5	550.0	537.0	-13.0	-5.6 (-1.0%)
Operating income	333.2	336.0	329.0	-7.0	-4.2 (-1.3%)
Net income	145.3	161.0	161.0	0	15.6 (10.8%)

- **Japanese Domestic Tobacco Business:** Adjusted net sales and EBITDA forecasts have been revised upward, reflecting an increase of 1.0 billion cigarettes to 103.0 billion, taking into consideration the effect of trade inventory adjustments, market share recovery and the industry volume trend.

- **International Tobacco Business:** EBITDA forecasts in US dollars have been revised upwards to 14.2% year on year growth, at constant rates of exchange, driven by stronger pricing and improved product mix. On a Japanese yen basis, forecasts have been revised downwards due to the effect of currency exchange movements[13]. While GFB shipment volume growth is forecast to remain at 2.9% year on year, the total shipment volume forecast has been revised downwards by 2.0 billion cigarettes to 426.0 billion.

- **Pharmaceutical Business:** The net sales forecast has been increased by ¥1.0 billion to ¥50.0 billion due to milestone revenue related to progress in R&D of an original JT compound that has been out-licensed. The EBITDA forecast has been revised upward by ¥3.5 billion to -¥14.0 billion as a result of a re-examination of R&D expenditure and an increase in non-recurring revenue.

- **Food Business:** Due to growth in sales of Roots in the beverage business, the overall net sales forecast has been revised upward by ¥7.5 billion to ¥373.0 billion. The EBITDA forecast remains unchanged at ¥20.0 billion as a result of increased fixed costs in the beverage business.

- The company announces a first half-year dividend of ¥4,000 per share and forecasts a second half-year dividend of ¥4,000 per share resulting in an annual forecast dividend of ¥8,000 per share for the fiscal year ending March 31, 2012.

Japan Tobacco Inc. is a leading international tobacco product company. Its products are sold in over 120 countries and its internationally recognized cigarette brands include Winston, Camel, Mild Seven and Benson & Hedges. With diversified operations, JT is also actively present in pharmaceuticals and foods. The company's adjusted net sales were ¥1.946 trillion (US$23,415 million) in the fiscal year ended March 31, 2011.*

**Translated at the rate of ¥83.15 per $1, as of March 31, 2011*

Footnotes:

[1] Global Flagship Brands (GFB) for the international tobacco business consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour.
[2] Source: AC Nielsen, Logista, Altadis and JTI estimates on a 12-month rolling average, June 2011.
[3] Adjusted net sales on a consolidated basis do not include excise tax and revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses in the Japanese domestic tobacco business. Nor does it include excise tax and revenue from distribution, contract manufacturing and other peripheral businesses in the international tobacco business.
[4] EBITDA was calculated as operating income + depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill.
[5] Net income and operating income before amortization of goodwill were ¥138.5 billion and ¥235.6 billion, respectively.
[6] Adjusted net sales in the Japanese domestic tobacco business does not include excise tax and revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses.
[7] Core net sales do not include excise tax and revenue from distribution, contract manufacturing and other peripheral businesses.
[8] Beginning with its fiscal year ending December 31, 2011, JTI has adopted the International Financial Reporting Standards (IFRS), replacing U.S.GAAP; accordingly, 2010 actual amounts have been restated to conform to this change.
[9] Sales volume from both domestic duty free and the China Division in the Japanese domestic tobacco business is not incorporated in the figures.
[10] Total shipment volume includes cigars, pipe tobacco and snus, excluding contract manufactured products.
[11] Staple food products are: frozen noodles, packed cooked rice and frozen baked bread.
[12] Net income before amortization of goodwill is forecast to be ¥242.0 billion for the fiscal year ending March 31, 2012.
[13] The exchange rate assumption for US $1.00 has been revised from ¥80.00 to ¥79.00. For other currencies, the exchange rate assumptions for US $1.00 have been revised to reflect recent exchange movements as follows; from Ruble 28.50 to 30.00, from UK Sterling 0.61 to 0.62, from Euro 0.70 to 0.71, from Swiss France 0.90 to 0.90 and from Taiwan Dollar 28.70 to 29.00.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This document contains forward-looking statements about our industry, business, plans and objectives, financial condition and results of operations that are based on our current expectations, assumptions, estimates and projections. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of our financial condition or 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 materially 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, and 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.

Contacts: Hideyuki Yamamoto, General Manager
Ryohei Sugata, Associate General Manager
Media and Investor Relations Division
Japan Tobacco Inc. Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@jt.com

1. Summary of Business Performance

*This guidance is made in accordance with the Japanese accounting standards.
*For the international tobacco business, financial results for the fiscal year-ended March 2011 are disclosed on US GAAP basis, whereas for the fiscal year ending March 2012, the figures will be disclosed on IFRS basis, after making the necessary conversion to the Japanese accounting standards (for example, amortization of goodwill). Due to this change, according to the accounting standards of retroactive adjustment, we disclose the adjusted data of the FY 3/2011 as the new base.

(unit: JPY billion,%)

	6 months ended Sep. 2010 (Former)	6 months ended Sep. 2010 (New)	6 months ended Sep. 2011 (New)	Change (New)	Rates of Change
Net sales[*1]	1,324.8	1,297.4	1,277.5	-19.9	-1.5%
Adjusted net sales[*1*2]	1,035.2	1,030.1	940.3	-89.8	-8.7%
EBITDA	306.4	307.1	296.1	-11.0	-3.6%
Operating Income	198.8	200.6	193.0	-7.6	-3.8%
Recurring Profit	186.1	186.4	192.5	+6.0	+3.2%
Net Income	81.9	81.3	95.8	+14.5	+17.9%

*1 Net sales and adjusted net sales do not include excise tax.

*2 Excluding revenues from the imported tobacco, domestic duty free, the China Division and other peripheral businesses in the Japanese domestic tobacco business, as well as distribution, contract manufacturing and other peripheral businesses in the international tobacco business.

FCF	291.1	291.1	170.0	-121.1	-41.6%
(Reference: Figures for major profit items before goodwill amortization)					
Operating Income	246.0	246.8	235.6	-11.1	-4.5%
Recurring Profit	233.3	232.6	235.1	+2.4	+1.1%
Net Income	129.1	127.5	138.5	+11.0	8.6%

2. Breakdown of net sales

(unit: JPY billion,%)

	6 months ended Sep. 2010 (Former)	6 months ended Sep. 2010 (New)	6 months ended Sep. 2011 (New)	Change (New)	Rates of Change
Net sales[*1*2]	1,324.8	1,297.4	1,277.5	-19.9	-1.5%
Japanese domestic tobacco[*2]	577.0	577.0	580.6	+3.6	+0.6%
International tobacco[*1*2]	517.9	490.6	476.6	-14.0	-2.9%
Adjusted net sales[*1*2*3*4]	1,035.2	1,030.1	940.3	-89.8	-8.7%
Japanese domestic tobacco[*2*3]	351.4	351.4	279.5	-71.8	-20.5%
International tobacco[*1*2*4]	454.0	448.9	440.5	-8.3	-1.9%
Pharmaceutical	23.1	23.1	24.3	+1.2	+5.4%
Food	196.8	196.8	187.5	-9.2	-4.7%
Beverages	100.7	100.7	103.2	+2.4	+2.4%
Processed foods	96.0	96.0	84.3	-11.7	-12.2%
Others	9.7	9.7	8.2	-1.5	-15.6%

*1 International tobacco business: 6 months ended Jun.2010 and Jun.2011

*2 Net sales, adjusted net sales and core net sales do not include excise tax.

*3 Excluding revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses.

*4 Excluding revenue from the distribution, contract manufacturing and other peripheral businesses.

(Reference) International tobacco business (unit: USD million,%)

	6 months ended Jun.2010 (Former)	6 months ended Jun.2010 (New)	6 months ended Jun.2011 (New)	Change (New)	Rates of Change
Core net sales[*1*2*3]	4,970	4,914	5,372	+458	+9.3%
Core net sales[*1*2*3] at constant rate	4,970	4,914	5,220	+306	+6.2%

3. Breakdown of SG&A expenses

(unit: JPY billion,%)

	6 months ended Sep. 2010 (Former)	6 months ended Sep. 2010 (New)	6 months ended Sep. 2011 (New)	Change (New)	Rates of Change
SG&A	392.7	391.3	375.9	-15.4	-3.9%
Personnel *	109.4	109.0	109.7	+0.7	+0.7%
Advertising and general publicity	9.3	9.3	8.3	-1.0	-11.3%
Sales promotion	67.2	67.2	60.8	-6.4	-9.6%
R&D	24.5	24.5	26.4	+1.9	+7.8%
Depreciation and amortization	31.3	31.3	28.2	-3.1	-10.0%
Others	150.7	149.8	142.3	-7.4	-5.0%

* Personnel expense is the sum of compensation, salaries, allowances, provision for retirement benefit, legal welfare, employee bonuses and accrual of employee bonuses.

4. EBITDA by business segment[*1]

(unit: JPY billion,%)

	6 months ended Sep. 2010 (Former)	6 months ended Sep. 2010 (New)	6 months ended Sep. 2011 (New)	Change (New)	Rates of Change
Consolidated EBITDA	306.4	307.1	296.1	-11.0	-3.6%
Operating income	198.8	200.6	193.0	-7.6	-3.8%
Depreciation and amortization[*2]	107.5	106.5	103.1	-3.3	-3.2%
Japanese domestic tobacco EBITDA	150.1	150.1	135.6	-14.4	-9.7%
Operating income	127.7	127.7	115.7	-11.9	-9.4%
Depreciation and amortization[*2]	22.3	22.3	19.8	-2.5	-11.2%
International tobacco EBITDA[*3]	153.8	156.3	160.8	+4.5	+2.9%
Operating income	86.0	89.5	95.4	+5.8	+6.5%
Depreciation and amortization[*2]	67.7	66.7	65.4	-1.3	-1.9%
Pharmaceutical EBITDA	-4.8	-4.8	-7.2	-2.4	-
Operating income	-6.7	-6.7	-9.0	-2.2	-
Depreciation and amortization[*2]	1.9	1.9	1.8	-0.1	-6.8%
Food EBITDA	9.6	9.6	10.9	+1.3	+13.8%
Operating income	-3.3	-3.3	-2.7	+0.5	-
Depreciation and amortization[*2]	12.9	12.9	13.7	+0.7	+6.1%
Other/Elimination and corporate EBITDA	-2.4	-4.2	-4.1	+0.0	-
Operating income	-4.8	-6.5	-6.2	+0.3	-
Depreciation and amortization[*2]	2.3	2.3	2.1	-0.2	-9.4%

(Reference) International tobacco business (unit: USD million,%)

	6 months ended Jun.2010 (Former)	6 months ended Jun.2010 (New)	6 months ended Jun.2011 (New)	Change (New)	Rates of Change
EBITDA	1,684	1,712	1,962	+250	+14.6%
EBITDA at constant rates of exchange	1,684	1,712	1,939	+228	+13.3%

*1 EBITDA=operating income + depreciation and amortization[*2]

*2 Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

5. Amortization relating to major acquisitions

Goodwill Amortization relating to major acquisitions (unit: USD million)

International tobacco business	6 months ended Jun. 2010	6 months ended Jun. 2011	Years to amortize
Former RJRI and Gallaher	458	456	20

* Including former RJRI, Gallaher and others

* Termination of goodwill amortization: Former RJRI Apr/19, Former Gallaher Mar/27

(unit: JPY billion)

Food business	6 months ended Sep. 2010	6 months ended Sep. 2011	Years to amortize
TableMark (Former Katokichi)	4.5	4.5	5

* Termination of goodwill amortization: Dec/12

Trademark amortization relating to major acquisitions (unit: USD million)

International Tobacco Business	6 months ended Jun. 2010	6 months ended Jun. 2011	Years to amortize
Former RJRI and Gallaher	121	127	mainly20

* Termination of trademark rights amortization: Former RJRI Apr/19, Former Gallaher Mar/27

6.Capital expenditure

(unit: JPY billion,%)

	6 months ended Sep. 2010 (Former)	6 months ended Sep. 2010 (New)	6 months ended Sep. 2011 (New)	Change (New)	Rates of Change
Capital expenditures	65.7	65.7	46.7	-18.9	-28.8%
Japanese domestic tobacco	19.7	19.7	20.9	+1.1	+6.0%
International tobacco *	28.7	28.7	15.1	-13.5	-47.3%
Pharmaceutical	1.5	1.5	1.1	-0.4	-28.3%
Food	14.3	14.3	7.7	-6.5	-45.8%
Other/Elimination and corporate	1.2	1.2	1.7	+0.4	+39.0%

* International tobacco business: 6 months ended Jun.2010 and Jun.2011

7. Cash and cash equivalents *

(unit: JPY billion)

	As of end of Mar. 2011	As of end of Sep. 2011	Change
Cash and cash equivalents	276.5	245.4	-31.1

* Cash and cash equivalents = cash and deposits + marketable securities + securities purchased under repurchase agreements

8. Interest-bearing debt *

(unit: JPY billion)

	As of end of Mar. 2011	As of end of Sep. 2011	Change
Interest-bearing debt	708.7	580.6	-128.1

* Interest-bearing debt = short-term bank loans + CP + bonds + long-term borrowings+ lease obligation

9. Business data

<Japanese domestic tobacco business>	6 months ended Sep. 2010	6 months ended Sep. 2011	Change	Rates of Change
JT sales volume* (billion cigarettes)	86.5	50.9	-35.6	-41.2%
Total demand (billion cigarettes)	133.5	99.9	-33.6	-25.1%
JT market share	64.9%	50.9%	-14.0%ppt	
JT net sales after tax per 1,000 cigarettes (JPY)	4,053	5,490	+1,437	+35.5%

* Sales volume of domestic duty-free and China division is excluded, which was 1.9 billion for 6 months ended Sep. 2010 and 1.8billion for 6 months ended Sep. 2011, respectively.

<International tobacco business>	6 months ended Jun. 2010	6 months ended Jun. 2011	Change	Rates of Change
Total shipment volume* (billion cigarettes)	204.70	204.9	+0.2	+0.1%
GFB shipment volume (billion cigarettes)	118.30	122.0	+3.7	+3.2%
JPY/USD rate for consolidation (JPY)	91.36	82.01	-9.35	+11.4%
RUB/USD rate for consolidation (RUB)	30.05	28.65	-1.40	+4.9%
GBP/USD rate for consolidation (GBP)	0.64	0.62	-0.02	+3.3%
EUR/USD rate for consolidation (EUR)	0.73	0.72	-0.01	+1.0%
CHF/USD rate for consolidation (CHF)	1.06	0.92	-0.15	+15.9%
TWD/USD rate for consolidation (TWD)	31.90	29.18	-2.72	+9.3%

* Total shipment (which was previously designated "sales volume") includes cigars, pipe tobacco and snus, but does not include contract manufacturing.

<Pharmaceutical business>	6 months ended Sep. 2010	6 months ended Sep. 2011	Change	Rates of Change
R&D expenses (parent company) (JPY billion)	10.8	10.8	+0.0	+0.0%

<Food business - Beverage business>	As of end of Mar. 2011	As of end of Sep. 2011	Change
Number of beverage vending machines *	265,000	265,000	+0
JT-owned	33,000	33,000	+0
Combined	83,000	85,000	+2,000

* Beverage vending machines include vending machines for cans and packs, etc. and for cups owned by other companies and operated by our subsidiary. "JT-owned" vending machines are owned by JT. "Combined" vending machines are owned by our subsidiaries or affiliates ,and focus on selling JT brand beverages but also sell non-JT brand beverages.Number of vending machines as of end March 2011 does not reflect the damages from the Great East Japan Earthquake and is therefore total number of vending machiens before the earthquake.

Consolidated financial outlook for the fiscal year ending Mar. 31, 2012 compared to the forecast as of July 2011

*This guidance is made in accordance with the Japanese accounting standards.
*For the international tobacco business, financial results for the fiscal year ending March 2012 are disclosed on IFRS basis, after making the necessary conversion to the Japanese accounting standards (for example, amortization of goodwill).

(JPY billion)

	Previous forecast	Revised forecast	Change	Rates of Change
Net sales *1	2,446.0	2,497.0	+51.0	+2.1%
Adjusted net sales *2*3*4	1,915.0	1,895.0	-20.0	-1.0%
EBITDA	550.0	537.0	-13.0	-2.4%
Operating income	336.0	329.0	-7.0	-2.1%
Recurring profit	324.0	318.0	-6.0	-1.9%
Net income	161.0	161.0	+0.0	+0.0%
Return on Equity	10.4%	10.4%	+0.0ppt	
Free cash flow	300.0	312.0	+12.0	+4.0%

(Reference: Before goodwill amortization) (JPY billion)

	Previous forecast	Revised forecast	Change	Rates of Change
Net income	246.0	242.0	-4.0	-1.6%
EPS (JPY)	25,836.34	25,416.23	-420.11	-1.6%
Cash dividends per share (JPY)	8,000	8,000	+0.0	+0.0%
Payout Ratio	31.0%	31.5%	+0.5ppt	

Consolidated financial outlook by business segment (JPY billion)

	Previous forecast	Revised forecast	Change	Rates of Change
Net sales *1*2	2,446.0	2,497.0	+51.0	+2.1%
Japanese domestic tobacco *1	1,023.0	1,100.0	+77.0	+7.5%
International tobacco *1*2	993.0	958.0	-35.0	-3.5%
Adjusted net sales *2*3*4	1,915.0	1,895.0	-20.0	-1.0%
Japanese domestic tobacco *3	564.5	569.0	+4.5	+0.8%
International tobacco *2*4	919.0	887.0	-32.0	-3.5%
Pharmaceutical	49.0	50.0	+1.0	+2.0%
Food	365.5	373.0	+7.5	+2.1%
Others	17.0	16.0	-1.0	-5.9%
EBITDA *2*5	550.0	537.0	-13.0	-2.4%
Japanese domestic tobacco	241.0	244.0	+3.0	+1.2%
International tobacco *2	313.0	302.0	-11.0	-3.5%
Pharmaceutical	-17.5	-14.0	+3.5	-
Food	20.0	20.0	+0.0	+0.0%
Others/Elimination and corporate	-7.0	-15.0	-8.0	-
Operating income *2	336.0	329.0	-7.0	-2.1%
Japanese domestic tobacco	195.5	199.0	+3.5	+1.8%
International tobacco *2	182.0	176.0	-6.0	-3.3%
Pharmaceutical	-21.5	-18.0	+3.5	-
Food	-8.0	-8.5	-0.5	-
Others/Elimination and corporate	-12.0	-19.0	-7.0	-
Depreciation and amortization *2*6	214.0	208.0	-6.0	-2.8%
Japanese domestic tobacco	45.5	45.0	-0.5	-1.1%
International tobacco *2	131.0	126.0	-5.0	-3.8%
Pharmaceutical	4.0	4.0	+0.0	+0.0%
Food	28.0	28.5	+0.5	+1.8%
Others/Elimination and corporate	5.0	4.0	-1.0	-20.0%

(JPY billion)

Capital expenditures *2	133.0	134.0	+1.0	+0.8%
Japanese domestic tobacco	60.5	63.5	+3.0	+5.0%
International tobacco *2	44.0	43.0	-1.0	-2.3%
Pharmaceutical	3.0	3.0	+0.0	+0.0%
Food	21.0	20.0	-1.0	-4.8%
Others/Elimination and corporate	4.5	4.0	-0.5	-11.1%

(Reference) International Tobacco Business (unit: USD million)

	Previous forecast	Revised forecast	Change	Rates of Change
Core net sales *2*4	11,490	11,230	-260	-2.3%
Core net sales at constant rate *2*4*7	10,880	10,930	+50	+0.5%
EBITDA *2	3,920	3,830	-90	-2.3%
EBITDA at constant rate*2*7	3,710	3,810	+100	+2.7%

*1 Excluding tobacco excise taxes
*2 International tobacco business: Year ended Dec.2010 and Year ending Dec.2011
*3 Excluding revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses
*4 Excluding revenue from the distribution, contract manufacturing and other peripheral businesses
*5 EBITDA=operating income + depreciation and amortization *6
*6 Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill
*7 Assuming the exchange rates for fiscal year ended March 2011 and year ending March 2012 remain the same.

Major assumptions

(1) Japanese domestic tobacco business (billions of cigarettes)

	Previous forecast	Revised forecast	Change	Rates of Change
Sales volume	102.0	103.0	+1.0	+1.0%

*Excluding sales of domestic duty-free and China division

(2) International tobacco business

(billions of cigarettes, JPY, RUB, GBP, EUR, CHF, TWD)

	Previous forecast	Revised forecast	Change	Rates of Change	
Total shipment volume*	428.0	426.0	-2.0	-0.5%	BNU
GFB shipment volume	257.0	257.0	+0.0	-	BNU
JPY/USD rate	80.00	79.00	-1.00	+1.3%	JPY
RUB/USD rate	28.50	30.00	+1.50	-5.0%	RUB
GBP/USD rate	0.61	0.62	+0.01	-1.6%	GBP
EUR/USD rate	0.70	0.71	+0.01	-1.4%	EUR
CHF/USD rate	0.90	0.90	-0.00	–	CHF
TWD/USD rate	28.70	29.00	+0.30	-1.0%	TWD

*Total shipment includes cigars, pipe tobacco and snus, but does not include contract manufacturing products.

Goodwill amortization relating to major acquisitions

International tobacco business (unit: USD million)

	Previous forecast	Revised forecast	Year to amortize
Former RJRI and Gallaher	930	930	20

* Termination of goodwill amortization: Former RJRI Apr/19, Former Gallaher Mar/27
Goodwill includes Former RJRI, Former Gallaher and others.

Food Business (unit: JPY billion)

	Previous forecast	Revised forecast	Year to amortize
TableMark	9.0	9.0	5

* Termination of goodwill amortization: Dec/12

Trademark rights amortization relating to major acquisitions

International tobacco business (unit: USD million)

	Previous forecast	Revised forecast	Year to amortize
Former RJRI and Gallaher	250	250	20

* Termination of trademark rights amortization: Former RJRI Apr/19, Former Gallaher Mar/27

Consolidated financial outlook for the fiscal year ending Mar. 31, 2012 compared to the results of previous fiscal year

*This guidance is made in accordance with the Japanese accounting standards.
*For the international tobacco business, financial results for the fiscal year-ended March 2011 are disclosed on US GAAP basis, whereas for the fiscal year ending March 2012, the figures will be disclosed on IFRS basis, after making the necessary conversion to the Japanese accounting standards (for example, amortization of goodwill). Due to this change, according to the accounting standards of retroactive adjustment, we disclose the adjusted data of the FY 3/2011 as the new base.

(JPY billion,%)

	FY 03/2011 (Former Standard)	FY 03/2011 (New Standard)	FY 03/2012 (Revised Forecast)	Change	Rate of change
Net sales[*1]	2,486.1	2,432.6	2,497.0	+64.4	+2.6%
Adjusted net sales[*2*3*4]	1,956.6	1,946.9	1,895.0	-52.0	-2.7%
EBITDA	541.1	542.5	537.0	-5.6	-1.0%
Operating income	328.6	333.2	329.0	-4.2	-1.3%
Recurring profit	312.4	313.0	318.0	+4.9	+1.6%
Net income	144.9	145.3	161.0	+15.6	+10.8%
Return on Equity	9.2%	9.2%	10.4%	+1.2ppt	
Free cash flow	299.7	299.7	312.0	+12.3	+4.1%
(Reference: Before goodwill amortization)					
Net income	236.0	233.3	242.0	+8.6	+3.7%
EPS (JPY)	24,657.57	24,378.59	25,416.23	+1,037.65	+4.3%
Cash dividends per share (JPY)	6,800	6,800	8,000	+1,200	+17.6%
Payout Ratio	27.6%	27.9%	31.5%	+3.6ppt	

Consolidated financial outlook by buisiness segment (JPY billion, %)

	FY 03/2011 (Former Standard)	FY 03/2011 (New Standard)	FY 03/2012 (Revised Forecast)	Change	Rate of change
Net sales[*1*2]	2,486.1	2,432.6	2,497.0	+64.4	+2.6%
Japanese domestic tobacco[*1]	1,027.8	1,027.8	1,100.0	+72.1	+7.0%
International tobacco[*1*2]	1,017.0	963.5	958.0	-5.5	-0.6%
Adjusted net sales[*2*3*4]	1,956.6	1,946.9	1,895.0	-52.0	-2.7%
Japanese domestic tobacco[*3]	617.9	617.9	569.0	-48.9	-7.9%
International tobacco[*2*4]	897.4	887.7	887.0	-0.8	-0.1%
Pharmaceutical	46.9	46.9	50.0	+3.0	+6.4%
Food	375.0	375.0	373.0	-2.0	-0.5%
Others	19.2	19.2	16.0	-3.2	-16.8%
EBITDA[*2*5]	541.1	542.5	537.0	-5.6	-1.0%
Japanese domestic tobacco	257.6	257.6	244.0	-13.7	-5.3%
International tobacco[*2]	288.1	293.0	302.0	+9.0	+3.1%
Pharmaceutical	-13.2	-13.2	-14.0	-0.7	-
Food	17.2	17.2	20.0	+2.7	+15.8%
Others/Elimination and corporate	-8.7	-12.1	-15.0	-2.9	-
Operating income[*2]	328.6	333.2	329.0	-4.2	-1.3%
Japanese domestic tobacco	212.9	212.9	199.0	-13.9	-6.5%
International tobacco[*2]	156.1	164.0	176.0	+12.0	+7.3%
Pharmaceutical	-17.4	-17.4	-18.0	-0.5	-
Food	-9.4	-9.4	-8.5	+0.9	-
Others/Elimination and corporate	-13.5	-16.8	-19.0	-2.1	-
Depreciation and amortization[*2*6]	212.4	209.3	208.0	-1.4	-0.6%
Japanese domestic tobacco	44.7	44.7	45.0	+0.2	+0.5%
International tobacco[*2]	132.0	128.9	126.0	-3.0	-2.3%
Pharmaceutical	4.1	4.1	4.0	-0.1	-3.5%
Food	26.6	26.6	28.5	+1.8	+6.8%
Others/Elimination and corporate	4.7	4.7	4.0	-0.8	-16.3%

(JPY billion, %)

Capital expenditures[*2]	146.0	146.0	134.0	-12.0	-8.2%
Japanese domestic tobacco	55.9	55.9	63.5	+7.5	+13.4%
International tobacco[*2]	60.9	60.9	43.0	-17.9	-29.4%
Pharmaceutical	2.8	2.8	3.0	+0.1	+3.9%
Food	25.0	25.0	20.0	-5.0	-20.0%
Others/Elimination and corporate	1.2	1.2	4.0	+2.8	+224.7%

(Reference)International Tobacco Business (unit: USD million, %)

	2010 (Former standard)	2010 (New standard)	2011 (Revised Forecast)	Change	Rate of change
Core net sales[*2*4]	10,223	10,113	11,230	+1,117	+11.0%
Core net sales at constant rate[*2*4*7]	10,223	10,113	10,930	+817	+8.1%
EBITDA[*2]	3,282	3,338	3,830	+492	+14.8%
EBITDA at constant rate[*2*7]	3,282	3,338	3,810	+472	+14.2%

*1 Excluding tobacco exercise tax

*2 International tobacco business: Year ended Dec.2010 and Year ending Dec.2011

*3 Excluding revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses

*4 Excluding revenue from the distribution, contract manufacturing and other peripheral businesses

*5 EBITDA=operating income + depreciation and amortization[*6]

*6 Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

*7 Assuming the exchange rates for fiscal year ended March 2011 and year ending March 2012 remain the same

Major assumptions

(1) Japanese domestic tobacco business (billions of cigarettes,%)

	FY 03/2011 (Actual)	FY 03/2012 (Revised Forecast)	Change	Rate of change
Sales volume	134.6	103.0	-316.0	-23.5%

*Excluding sales of domestic duty-free and China division

(2) International tobacco business

	2010 (Actual)	2011 (Revised Forecast)	Change	Rate of change	
Total shipment volume*	428.4	426.0	-2.4	-0.6%	BNU
GFB shipment volume	249.8	257.0	+7.2	+2.9%	BNU
JPY/USD rate	87.79	79.00	-8.79	+11.1%	JPY
RUB/USD rate	30.36	30.00	-0.36	+1.2%	RUB
GBP/USD rate	0.65	0.62	-0.03	+4.0%	GBP
EUR/USD rate	0.75	0.71	-0.04	+5.3%	EUR
CHF/USF rate	1.05	0.90	-0.15	+16.4%	CHF
TWD/USD rate	31.73	29.00	-2.73	+9.4%	TWD

*Total shipment includes cigars, pipe tobacco and snus, but does not include contract manufacturing products.

Goodwill amortization relating to major acquisitions

International tobacco business (unit: USD million)

	2010(Actual)	2011 (Revised Forecast)	Years to amortize
Former RJRI and Gallaher	916	930	20

＊Termination of goodwill amortization: Former RJRI Apr/19, Former Gallaher Mar/27

Goodwill includes Former RJRI, Former Gallaher and others

Food Business (unit: JPY million)

	FY 03/2011 (Actual)	FY 03/2012 (Revised Forecast)	Years to amortize
Tablemark	9.0	9.0	5

* Termination of goodwill amortization: Dec/12

Trademark rights amortization relating to major acquisitions

International tobacco business (unit: USD million)

	2010(Actual)	2011 (Revised Forecast)	Years to amortize
Former RJRI and Gallaher	242	250	mainly20

* Termination of trademark rights amortization: Former RJRI Apr /19, Former Gallaher Mar/27

Data of JT products in Japanese market

* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

Japanese Domestic Tobacco Business Results

1. Quarterly Sales Volume (billions of cigarettes)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	39.0	39.5	38.8	34.3	151.8
FY 03/2011	35.9	50.6	20.3	27.7	134.6
FY 03/2012	18.4	32.4			

2. Quarterly Retail Price Sales (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	581.7	589.1	578.5	512.3	2,261.7
FY 03/2011	535.4	753.1	413.3	566.9	2,268.9
FY 03/2012	373.6	662.5			

* Retail price sales = sales volume * fixed retail price.

3. Quarterly Net Sales Excluding Excise Tax Per Thousand Cigarettes (JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	4,056	4,055	4,057	4,058	4,056
FY 03/2011	4,054	4,052	5,539	5,533	4,582
FY 03/2012	5,444	5,516			

* Net sales excluding excise tax per thousand cigarettes
= (retail price sales-retailer margins-consumption tax-excise taxes)/sales volume×1,000

4. Quarterly JT Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	65.1	64.8	65.0	64.8	64.9
FY 03/2011	64.5	65.1	62.7	62.6	64.1
FY 03/2012	40.8	59.3			

Market Share in Growing Segments

1. 1mg Tar

(1) JT 1mg Tar Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	14.9	14.8	15.2	15.6	15.1
FY 03/2011	15.7	15.2	15.2	15.4	15.4
FY 03/2012	9.8	14.1			

(2) 1mg Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	23.9	23.8	24.1	24.5	24.1
FY 03/2011	24.7	23.7	24.0	24.3	24.2
FY 03/2012	24.7	23.9			

(3) JT Share in 1mg Tar Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	62.3	62.2	63.0	63.8	62.8
FY 03/2011	63.6	64.1	63.3	63.5	63.7
FY 03/2012	39.6	58.8			

2. Menthol

(1) JT Menthol Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	7.6	7.9	8.0	8.5	8.0
FY 03/2011	8.4	8.0	8.7	8.4	8.3
FY 03/2012	3.2	6.3			

(2) Menthol Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	22.6	23.2	23.0	23.5	23.1
FY 03/2011	23.9	23.3	25.7	25.3	24.3
FY 03/2012	26.1	24.2			

(3) JT Share in Menthol Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	33.8	34.2	34.7	36.2	34.7
FY 03/2011	35.2	34.1	33.8	33.3	34.2
FY 03/2012	12.4	26.2			

3. JPY 440 or above*

(1) JT JPY 440 or above Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	5.1	5.0	5.2	5.2	5.1
FY 03/2011	5.1	4.7	17.4	16.7	9.3
FY 03/2012	8.1	15.1			

(2) JPY 440 or above Product Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	23.9	23.8	24.1	24.8	24.6
FY 03/2011	24.7	24.4	38.3	37.4	29.4
FY 03/2012	37.6	36.4			

(3) JT Share in JPY 440 or above Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	21.3	21.0	21.4	21.1	20.7
FY 03/2011	20.7	19.5	45.5	44.7	29.1
FY 03/2012	21.5	41.3			

* JPY 320 or above, before Oct 2010

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2010	4.76	4.66	5.25	5.31	5.21
FY 03/2011	10.91	10.47	10.44	11.02	10.70
FY 03/2012	5.41	9.19			

* Caster have been sold as D-spec products since April 2010.

Japan Tobacco Inc. Clinical development (as of October 31, 2011)

Code(Generic Name)	Stage*	Key Indication	Mechanism /dosage form	Characteristics	Rights
JTK-303 (elvitegravir)	In preparation for NDA filing of single-tablet regimen containing JTK-303 (Japan)	HIV infection	Integrase inhibitor /oral	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV	Gilead Sciences (U.S.) obtained the rights to develop and commercialize this compound worldwide, with the exception of Japan. The company has submitted the single-tablet regimen containing JTK-303 (elvitegravir) to the U.S. Food and Drug Administration (FDA) for approval.
JTT-705 (dalcetrapib)	Phase 2 (Japan)	Dyslipidemia	CETP modulator /oral	Decreases LDL and increases HDL by modulation of CETP activity -CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL -HDL: High-density lipoprotein ("good cholesterol") -LDL: Low-density lipoprotein ("bad cholesterol")	Roche (Switzerland) obtained the rights to develop and commercialize the compound worldwide, with the exception of Japan. >Development stage by Roche: Phase 3
JTT-130 (granotapide)	Phase 2 (Japan) Phase 2 (Overseas)	Dyslipidemia	MTP inhibitor /oral	Treatment of dyslipidemia by reducing absorption of cholesterol and triglycerides via inhibition of MTP -MTP: Microsomal Triglyceride Transfer Protein	
JTT-302	Phase 2 (Overseas)	Dyslipidemia	CETP inhibitor /oral	Decreases LDL and increases HDL by inhibition of CETP	
JTT-751 (Ferric Citrate)	Phase 3 (Japan)	Hyperphosphatemia	Phosphate binder /oral	Decreases serum phosphorous level by binding phosphate derived from dietary in the gastrointestinal tract	JT obtained the rights to develop and commercialize this compound in Japan from Keryx Biopharmaceuticals (U.S.) (Developed jointly with Torii)
JTK-853	Phase 1 (Overseas)	Hepatitis C	HCV RNApolymerase inhibitor /oral	Treatment of Hepatitis C by inhibiting HCV RNA- polymerase which relates to viral proliferation	
JTT-851	Phase 1 (Japan)	Type 2 diabetes mellitus	G protein-coupled receptor 40 agonist /oral	Decreases blood glucose by stimulation of glucose-dependent insulin secretion	
JTZ-951	Phase 1 (Japan)	Anemia associated with chronic kidney disease	HIF-PHD inhibitor /oral	Increases red blood cells by accelerating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PHD. -HIF-PHD: Hypoxia Inducible Factar-Prolyl Hydroxylase Domain containing protein	

*Based on the first dose

Updates since the previous announcement on July 28, 2011:

Developments of JTT-305 and JTK-656 have been terminated.
JTZ-951 has entered into the clinical trial stage in Japan.
Single-tablet regimen containing JTK-303 (elvitegravir) has been submitted to the U.S. Food and Drug Administration (FDA) for approval, according to Gilead Sciences (U.S.)