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JT's Consolidated Financial Results for the 3 months ended June 30, 2011

- **Japanese Domestic Tobacco Business: Total sales volume decreased following the October 2010 tax and price increase and the Great East Japan Earthquake. The volume decline was within the range of forecasts previously provided.**
- **International Tobacco Business: The profit growth engine of the JT Group continued to deliver strong results driven by favourable pricing and increased GFB[1] shipment volume. Market share[2] continued to increase in most key markets.**

Results for the 3 months ended June 30, 2011

- **Adjusted net sales excluding tax**[3] and **EBITDA**[4] declined by 13.1% and 8.4% respectively, due to the negative impact of the October 2010 tax and price increase and the earthquake on the Japanese domestic tobacco business. **Net income**[5] increased by 2.4%.
- **Japanese Domestic Tobacco Business:** Total sales volume[6] decreased by 48.8% due to the October 2010 tax and price increase and the earthquake. This decline was within the range of forecasts previously provided. Adjusted net sales excluding tax[7] and EBITDA declined by 31.4% and 20.9% respectively. During the quarter, the business' performance has improved progressively.
- **International Tobacco Business:**, Core net sales excluding tax[8] and EBITDA increased by 4.4% and 10.3% respectively in US dollars, driven by strong pricing and a 2.1% increase in GFB shipment volume. Core net sales excluding tax and EBITDA in US dollars grew 6.5% and 16.7% respectively at constant rates of exchange. Market share increased in most key markets, including Turkey, Taiwan, Italy, France and Russia.

Consolidated financial results for the 3 months ended June 30, 2011 Units: Billions of Yen

	1Q FY03/2011[9] (A)	1Q FY03/2012 (B)	Difference (B)-(A)	Net Change (%)
Adjusted net sales excluding tax	471.5	409.6	-61.9	-13.1
EBITDA	133.0	121.8	-11.2	-8.4
Operating income	79.5	71.9	-7.5	-9.5
Net income	22.1	22.7	0.5	2.4

Forecast for the year ending March 31, 2012

- While **adjusted net sales excluding tax** is forecast to decline by 1.6%, **EBITDA** and **net income** are forecast to increase by 1.4% and 10.8% respectively. The net sales decline is due to the temporary impact of the earthquake on the domestic tobacco business and an expected stronger appreciation of the Japanese yen against the US dollar in the international tobacco business. Earnings increases will be driven by favourable pricing in both the Japanese and the international tobacco businesses.

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

"Our domestic tobacco business' performance is adversely affected by the unprecedented tax and price increase and the earthquake, but the full year forecasts remain within the range previously provided. Now that the supply of all products has resumed and purchase order ceilings on the majority of our products have been removed, we are doing our utmost to strengthen our competitiveness, with the aim of regaining market share as quickly as possible. Our international tobacco business continued to generate strong revenue, GFB and market share growth. We are forecasting another year of increased EBITDA and net income group-wide."

Results by Business Segment

➢ **Japanese Domestic Tobacco Business**

Following the October 2010 tax and price hike and the earthquake, total sales volume decreased by 48.8%, which was within the range of forecasts previously provided. Adjusted net sales excluding tax and EBITDA declined by 31.4% and 20.9% respectively. During the quarter the business' performance has improved progressively as the number of products shipped and the shipment volume sequentially increased following resumption on April 11. The total sales volume decline is rapidly recovering, from -81.1% in April to -27.1% in June in comparison to the same period last year. In July the shipment of all 73 products has resumed and the purchase order ceiling for 57 products has been removed. The underlying performance now appears solid.

From the second quarter, a number of initiatives to enhance JT's primary brands will be introduced, including the launch of "Seven Stars Cutting Menthol" at the end of August. Enhanced marketing and promotion activities will also be undertaken with the aim of regaining market share as quickly as possible.

Units: Billions of Yen, Billions of Cigarettes

	1Q FY03/2011	1Q FY03/2012	Net change (%)
Adjusted net sales excluding tax	146.1	100.3	-31.4
EBITDA	58.3	46.1	-20.9
Operating income	47.2	36.5	-22.6
Total sales volume	35.9	18.4	-48.8

➢ **International Tobacco Business**

Financial results for January 1 - March 31, 2011

On a reported basis, core net sales excluding tax and EBITDA in US dollars continued to grow by 4.4% and 10.3% respectively. Core net sales excluding tax and EBITDA grew by 6.5% and 16.7% respectively at constant rates of exchange, driven by strong pricing and increased GFB shipment volume. Due to the strong appreciation of the Japanese yen against the US dollar, core net sales excluding tax declined and EBITDA remained flat.

The operating environment has continued to show signs of recovery since the second half of 2010. GFB shipment volume increased by 2.1% driven by Winston and LD in Russia, where GFB shipment volume grew by 9.2%, by Winston in Turkey and by Mild Seven in Taiwan and Korea. Total shipment volume[10] increased by 0.5% despite declines in Spain and Ukraine.

Market share increased in most key markets, including Turkey, Taiwan, Italy, France and Russia.

Units: Billions of Yen, Billions of Cigarettes

	January – March 2010 [9]	January – March 2011	Net change (%)
Core net sales excluding tax	212.5	201.4	-5.2
EBITDA	74.2	74.3	0.2
Operating income	40.4	43.0	6.5
Total shipment volume	94.1	94.5	0.5
GFB shipment volume	54.6	55.8	2.1

JT

Pharmaceutical Business

Net sales increased to ¥11.9 billion. Both Torii Pharmaceutical's REMITCH® CAPSULES and Truvada® Tablets continued to perform well, offsetting a further fall in sales of Futhan® protease inhibitor. EBITDA decreased to -¥3.5 billion primarily due to an R&D expenditure increase as we made progress in product development.

Currently JT has nine compounds in clinical trial, following the termination of the development of JTS-653. All current compounds are listed in the attachment to this release.

Units: Billions of Yen

	1Q FY03/2011 (A)	1Q FY03/2012 (B)	Difference (B) - (A)
Net sales	11.8	11.9	0.1
EBITDA	-2.0	-3.5	-1.4
Operating income	-3.0	-4.4	-1.4

Food Business

Despite a solid performance from our flagship coffee brand Roots, a growth in the sales of staple food products[11] and increased demands resulting from the earthquake, overall sales decreased by ¥4.3 billion to ¥91.8 billion. This was primarily due to the closure of the rice wholesale business in the previous fiscal year. EBITDA increased by ¥2.0 billion to ¥6.1 billion, driven by a sales increase in the beverages business, the concentration of resources on high-margin staple food products and a reduction in fixed costs.

Units: Billions of Yen

	1Q FY03/2011 (A)	1Q FY03/2012 (B)	Difference (B) - (A)
Net sales	96.2	91.8	-4.3
EBITDA	4.0	6.1	2.0
Operating income	-2.3	-0.7	1.5

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

Non-operating profits and losses improved to -¥3.9 billion (1Q FY03/2011: -¥8.6 billion) primarily because of improved currency exchange gains and losses.

Extraordinary profits and losses were -¥20.6 billion (1Q FY03/2011: -¥17.6 billion.) The losses include the earthquake related costs of ¥9.7 billion and business restructuring costs related to Austria.

Net income was ¥22.7 billion (1Q FY03/2011: ¥22.1 billion), due to the absence of an non-recurring agreement payment made in the previous financial year between JTI-Macdonald Corp, our Canadian subsidiary, and the Canadian authorities relating to the illicit trade of cigarettes prior to the acquisition by JT and reduced income tax payments.

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

EBITDA and net income are forecast to increase by 1.4% and 10.8% respectively, as a result of favourable pricing in both the Japanese domestic and the international tobacco businesses. Adjusted net sales excluding tax is forecast to decline by 1.6%. The EBITDA forecast remains within the range of forecasts previously provided.

Units: Billions of Yen

	FY03/2011 Actual [9] (A)	FY03/2012 Previous Forecast (B)	FY03/2012 Updated Forecast (C)	Change from FY03/2011 Actual (C)-(A)
Adjusted net sales excluding tax	1,946.9	1,925.0 – 1,970.0	1,915.0	-32.0 (-1.6%)
EBITDA	542.5	540.0 – 574.0	550.0	7.4 (1.4%)
Operating income	333.2	-	336.0	2.8 (0.8%)
Net income	145.3	-	161.0	15.6 (10.8%)

- **Japanese Domestic Tobacco Business:** Due to the October 2010 tax and price increase and the temporary impact following the earthquake, total sales volume is forecast to be 102.0 billion. The adjusted net sales excluding tax, EBITDA and total sales volume forecasts remain within the range of forecasts previously provided.

Units: Billions of Yen, Billions of Cigarettes

	FY03/2011 Actual (A)	FY03/2012 Previous Forecast (B)	FY03/2012 Updated Forecast (C)	Change from FY03/2011 Actual (C)-(A)
Adjusted net sales excluding tax	617.9	552.0 – 598.0	564.5	-53.4 (-8.6%)
EBITDA	257.6	227.0 – 261.0	241.0	-16.7 (-6.5%)
Operating income	212.9	-	195.5	-17.4 (-8.2%)
Total sales volume	134.6	100.0 – 108.0	102.0	-32.6 (-24.2%)

- **International Tobacco Business:** The core net sales excluding tax and EBITDA forecasts have been increased to US$10,880 million and US$3,710 million respectively at constant rates of exchange, reflecting further improvement in the business' outlook. This EBITDA forecast represents an increase of 11.2% year on year. On a Japanese yen basis, these forecasts have been revised to ¥919.0 billion and ¥313.0 billion respectively to reflect our revised exchange rate assumptions about the appreciation of the Japanese yen against the US dollar[12].

- **Pharmaceutical Business:** The net sales forecast remains unchanged at ¥49.0 billion. The EBITDA forecast has been revised to -¥17.5 billion from the previous forecast of -¥16.5 billion due to re-examined R&D expenditure.

- **Food Business:** The net sales forecast has been revised to ¥365.5 billion from the previous forecast of ¥370.0 billion. The EBITDA forecast remains unchanged at ¥20.0 billion, as we continue to focus on increasing earnings through enhancing the "Roots" brand equity, concentrating resources on high-margin staple food products and seasonings (eg. yeast extract) and continuing to reduce overall business costs.

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 excluding tax 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, March 2011.
[3] Adjusted net sales excluding tax on a consolidated basis do not include 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 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 ¥43.5 billion and ¥92.8 billion, respectively.
[6] Sales volume from both domestic duty free and the China Division in the Japanese domestic tobacco business is not incorporated in the figures.
[7] Adjusted net sales excluding tax in the Japanese domestic tobacco business does not include revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses.
[8] Core net sales excluding tax do not include revenue from distribution, contract manufacturing and other peripheral businesses.
[9] 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.
[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] The exchange rate assumption for US $1.00 has been revised from ¥82.00 to ¥80.00. For other currencies, the exchange rate assumptions for US $1.00 are; Russian Ruble 28.50, UK Sterling 0.61, Euro 0.70, Swiss Franc 0.90 and Taiwan Dollar 28.70.

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.

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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,%)

	3 months ended Jun. 2010 (Former)	3 months ended Jun. 2010 (New)	3 months ended Jun. 2011 (New)	Change (New)	Rates of Change
Net sales excluding excise tax	601.4	588.5	588.1	-0.3	-0.1%
Adjusted net sales excluding excise tax *	474.1	471.5	409.6	-61.9	-13.1%
EBITDA	132.6	133.0	121.8	-11.2	-8.4%
Operating Income	79.1	79.5	71.9	-7.5	-9.5%
Recurring Profit	71.5	70.9	68.0	-2.8	-4.1%
Net Income	22.8	22.1	22.7	+0.5	+2.4%

* 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	4.4	4.4	-60.6	-65.1	-
(Reference: Figures for major profit items before goodwill amortization)					
Operating Income	102.5	102.9	92.8	-10.1	-9.8%
Recurring Profit	95.0	94.3	88.9	-5.4	-5.8%
Net Income	46.2	45.6	43.5	-2.0	-4.5%

2. Breakdown of net sales (unit: JPY billion,%)

	3 months ended Jun. 2010 (Former)	3 months ended Jun. 2010 (New)	3 months ended Jun. 2011 (New)	Change (New)	Rates of Change
Net sales excluding excise tax *1	601.4	588.5	588.1	-0.3	-0.1%
Japanese domestic tobacco	242.3	242.3	263.3	+20.9	+8.6%
International tobacco *1	246.1	233.2	216.9	-16.3	-7.0%
Adjusted net sales excluding excise tax *1 *2 *3	474.1	471.5	409.6	-61.9	-13.1%
Japanese domestic tobacco *2	146.1	146.1	100.3	-45.8	-31.4%
International tobacco *1 *3	215.1	212.5	201.4	-11.1	-5.2%
Pharmaceutical	11.8	11.8	11.9	+0.1	+1.1%
Food	96.2	96.2	91.8	-4.3	-4.5%
Beverages	46.8	46.8	49.0	+2.1	+4.7%
Processed foods	49.3	49.3	42.7	-6.5	-13.3%
Others	4.8	4.8	4.1	-0.7	-15.2%

*1 International tobacco business: 3 months ended Mar.2010 and Mar.2011
*2 Excluding revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses.
*3 Excluding revenue from the distribution, contract manufacturing and other peripheral businesses.

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

	3 months ended Mar.2010 (Former)	3 months ended Mar.2010 (New)	3 months ended Mar.2010 (New)	Change (New)	Rates of Change
Core net sales excl. excise tax *1 *3	2,372	2,343	2,447	+104	+4.4%
Core net sales excl. excise tax *1 *3 at constant rate	2,372	2,343	2,495	+152	+6.5%

3. Breakdown of SG&A expenses (unit: JPY billion,%)

	3 months ended Jun. 2010 (Former)	3 months ended Jun. 2010 (New)	3 months ended Jun. 2011 (New)	Change (New)	Rates of Change
SG&A	190.6	190.3	178.7	-11.5	-6.1%
Personnel *	57.4	57.2	54.6	-2.6	-4.5%
Advertising and general publicity	4.3	4.3	3.2	-1.1	-25.7%
Sales promotion	29.8	29.8	24.2	-5.5	-18.6%
R&D	12.3	12.2	12.9	+0.6	+5.5%
Depreciation and amortization	16.1	16.1	13.9	-2.1	-13.4%
Others	70.5	70.5	69.6	-0.8	-1.2%

* 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,%)

	3 months ended Jun. 2010 (Former)	3 months ended Jun. 2010 (New)	3 months ended Jun. 2011 (New)	Change (New)	Rates of Change
Consolidated EBITDA	132.6	133.0	121.8	-11.2	-8.4%
Operating income	79.1	79.5	71.9	-7.5	-9.5%
Depreciation and amortization *2	53.4	53.5	49.8	-3.6	-6.9%
Japanese domestic tobacco EBITDA	58.3	58.3	46.1	-12.1	-20.9%
Operating income	47.2	47.2	36.5	-10.6	-22.6%
Depreciation and amortization *2	11.1	11.1	9.6	-1.5	-13.5%
International tobacco EBITDA *3	72.8	74.2	74.3	+0.1	+0.2%
Operating income	39.1	40.4	43.0	+2.6	+6.5%
Depreciation and amortization *2	33.7	33.7	31.2	-2.5	-7.4%
Pharmaceutical EBITDA	-2.0	-2.0	-3.5	-1.4	-
Operating income	-3.0	-3.0	-4.4	-1.4	-
Depreciation and amortization *2	0.9	0.9	0.9	+0.0	-5.4%
Food EBITDA	4.0	4.0	6.1	+2.0	+51.3%
Operating income	-2.3	-2.3	-0.7	+1.5	-
Depreciation and amortization *2	6.4	6.4	6.9	+0.5	+8.0%
Other/Elimination and corporate EBITDA	-0.6	-1.5	-1.2	+0.2	-
Operating income	-1.8	-2.6	-2.3	+0.3	-
Depreciation and amortization *2	1.1	1.1	1.0	-0.1	-9.4%

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

	3 months ended Mar.2010 (Former)	3 months ended Mar.2010 (New)	3 months ended Mar.2010 (New)	Change (New)	Rates of Change
EBITDA	804	818	903	+84	+10.3%
EBITDA at constant rates of exchange	804	818	954	+136	+16.7%

*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
*3 International tobacco business: 3 months ended Mar.2010 and Mar.2011

5. Amortization relating to major acquisitions

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

International tobacco business	3 months ended Mar. 2010	3 months ended Mar. 2011	Years to amortize
Former RJRI and Gallaher	229	222	20

* Including former RJRI, Gallaher and others
* Termination of goodwill amortization: Former RJRI Apr-19, Former Gallaher Mar-27

(unit: JPY billion)

Food business	3 months ended Jun. 2010	3 months ended Jun. 2011	Years to amortize
TableMark (Former Katokichi)	2.2	2.2	5

* Termination of goodwill amortization: Dec-12

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

International Tobacco Business	3 months ended Mar. 2010	3 months ended Mar. 2011	Years to amortize
Former RJRI and Gallaher	61	62	mainly20

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

6.Capital expenditure (unit: JPY billion,%)

	3 months ended Jun. 2010 (Former)	3 months ended Jun. 2010 (New)	3 months ended Jun. 2011 (New)	Change (New)	Rates of Change
Capital expenditures	31.2	31.2	22.7	-8.4	-27.0%
Japanese domestic tobacco	8.4	8.4	10.4	+1.9	+23.8%
International tobacco *	14.6	14.6	7.2	-7.4	-50.5%
Pharmaceutical	0.9	0.9	0.8	+0.0	-9.2%
Food	6.6	6.6	3.6	-3.0	-45.8%
Other/Elimination and corporate	0.5	0.5	0.6	+0.1	+24.8%

* International tobacco business: 3 months ended Mar.2010 and Mar.2011

7. Cash and cash equivalents * (unit: JPY billion)

	As of end of Mar. 2011	As of end of Jun. 2011	Change
Cash and cash equivalents	276.5	178.1	-98.4

* 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 Jun. 2011	Change
Interest-bearing debt	708.7	731.7	+23.0

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

9. Business data

<Japanese domestic tobacco business>	3 months ended Jun. 2010	3 months ended Jun. 2011	Change	Rates of Change
JT sales volume* (billion cigarettes)	35.9	18.4	-17.5	-48.8%
Total demand (billion cigarettes)	55.7	45.1	-10.6	-19.1%
JT market share	64.5%	40.8%	-23.7%pt	
JT net sales after tax per 1,000 cigarettes (JPY)	4,054	5,444	+1,391	+34.3%

* Sales volume of domestic duty-free and China division is excluded, which was 0.9 billion for 3 months ended Jun. 2010 and 0.8billion for 3 months ended Jun. 2011, respectively.

<International tobacco business>	3 months ended Mar. 2010	3 months ended Mar. 2011	Change	Rates of Change
Total shipment volume* (billion cigarettes)	94.10	94.5	+0.40	+0.5%
GFB shipment volume (billion cigarettes)	54.60	55.8	+1.20	+2.1%
JPY/USD rate for consolidation (JPY)	90.69	82.31	-8.38	+10.2%
RUB/USD rate for consolidation (RUB)	29.85	29.30	-0.55	+1.9%
GBP/USD rate for consolidation (GBP)	0.62	0.63	+0.01	-1.5%
EUR/USD rate for consolidation (EUR)	0.70	0.75	+0.04	-6.0%
CHF/USD rate for consolidation (CHF)	1.04	0.96	-0.08	+8.4%
TWD/USD rate for consolidation (TWD)	32.09	29.51	-2.58	+8.7%

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

<Pharmaceutical business>	3 months ended Jun. 2010	3 months ended Jun. 2011	Change	Rates of Change
R&D expenses (parent company) (JPY billion)	5.5	5.6	+0.1	+0.0%

<Food business - Beverage business>	As of end of Mar. 2011	As of end of Jun. 2011	Change
Number of beverage vending machines *	265,000	266,000	+1,000
JT-owned	33,000	33,000	+0
Combined	83,000	84,000	+1,000

* 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 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 excl. excise tax*1	2,486.1	2,432.6	2,446.0	+13.4	+0.5%
Adjusted net sales excl. Excise tax*2*3*4	1,956.6	1,946.9	1,915.0	-32.0	-1.6%
EBITDA	541.1	542.5	550.0	+7.4	+1.4%
Operating income	328.6	333.2	336.0	+2.8	+0.8%
Recurring profit	312.4	313.0	324.0	+10.9	+3.5%
Net income	144.9	145.3	161.0	+15.6	+10.8%
Return on Equity	9.2%	9.2%	10.4%	+1.2%pt	
Free cash flow	299.7	299.7	300.0	+0.3	+0.1%
(Reference: Before goodwill amortization)					
Net income	236.0	233.3	246.0	+12.6	+5.4%
EPS (JPY)	24,657.57	24,378.59	25,836.34	+1,457.75	+6.0%
Cash dividends per share (JPY)	6,800	6,800	8,000	+1,200	+17.6%
Payout Ratio	27.6%	27.9%	31.0%	+3.1%pt	

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 excl. excise tax*1*2	2,486.1	2,432.6	2,446.0	+13.4	+0.5%
Japanese domestic tobacco*1	1,027.8	1,027.8	1,023.0	-4.9	-0.5%
International tobacco*1*2	1,017.0	963.5	993.0	+29.5	+3.1%
Adjusted net sales excl. excise tax*2*3*4	1,956.6	1,946.9	1,915.0	-32.0	-1.6%
Japanese domestic tobacco*3	617.9	617.9	564.5	-53.4	-8.6%
International tobacco*2*4	897.4	887.7	919.0	+31.2	+3.5%
Pharmaceutical	46.9	46.9	49.0	+2.0	+4.3%
Food	375.0	375.0	365.5	-9.5	-2.5%
Others	19.2	19.2	17.0	-2.2	-11.6%
EBITDA*2*5	541.1	542.5	550.0	+7.4	+1.4%
Japanese domestic tobacco	257.6	257.6	241.0	-16.7	-6.5%
International tobacco*2	288.1	293.0	313.0	+20.0	+6.8%
Pharmaceutical	-13.2	-13.2	-17.5	-4.2	–
Food	17.2	17.2	20.0	+2.7	+15.8%
Others/Elimination and corporate	-8.7	-12.1	-7.0	+5.1	-
Operating income*2	328.6	333.2	336.0	+2.8	+0.8%
Japanese domestic tobacco	212.9	212.9	195.5	-17.4	-8.2%
International tobacco*2	156.1	164.0	182.0	+18.0	+10.9%
Pharmaceutical	-17.4	-17.4	-21.5	-4.0	–
Food	-9.4	-9.4	-8.0	+1.4	–
Others/Elimination and corporate	-13.5	-16.8	-12.0	+4.9	–
Depreciation and amortization*2*6	212.4	209.3	214.0	+4.6	+2.2%
Japanese domestic tobacco	44.7	44.7	45.5	+0.7	+1.6%
International tobacco*2	132.0	128.9	131.0	+2.0	+1.6%
Pharmaceutical	4.1	4.1	4.0	-0.1	-3.5%
Food	26.6	26.6	28.0	+1.3	+4.9%
Others/Elimination and corporate	4.7	4.7	5.0	+0.2	+4.6%

(JPY billion, %)

Capital expenditures*2	146.0	146.0	133.0	-13.0	-8.9%
Japanese domestic tobacco	55.9	55.9	60.5	+4.5	+8.1%
International tobacco*2	60.9	60.9	44.0	-16.9	-27.8%
Pharmaceutical	2.8	2.8	3.0	+0.1	+3.9%
Food	25.0	25.0	21.0	-4.0	-16.0%
Others/Elimination and corporate	1.2	1.2	4.5	+3.3	+265.3%

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

	2010 (Former standard)	2010 (New standard)	2011 (Revised Forecast)	Change	Rate of change
Core net sales excl. excise tax*2*4	10,223	10,113	11,490	+1,377	+13.6%
Core net sales excl. excise tax at constant rate*2*4*7	10,223	10,113	10,880	+767	+7.6%
EBITDA*2	3,282	3,336	3,920	+584	+17.5%
EBITDA at constant rate*2*7	3,282	3,336	3,710	+374	+11.2%

*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	102.0	-336.0	-24.2%

*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	428.0	-0.4	-0.1%	BNU
GFB shipment volume	249.8	257.0	+7.2	+2.9%	BNU
JPY/USD rate	87.79	80.00	-7.8	+9.7%	JPY
RUB/USD rate	30.36	28.50	-1.9	+6.5%	RUB
GBP/USD rate	0.65	0.61	-0.0	+6.6%	GBP
EUR/USD rate	0.75	0.70	-0.1	+7.1%	EUR
CHF/USF rate	1.05	0.90	-0.1	+16.7%	CHF
TWD/USD rate	31.73	28.70	-3.0	+10.6%	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: Fromer RJRI Apr-19, Former Gallaher Mar-27

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

	Initial forecast	Revised forecast	Change
Net sales excl. excise tax *1	-	2,446.0	-
Adjusted net sales excl. excise tax *2*3*4	1,925.0 ～ 1,970.0	1,915.0	-55.0 ～ -10.0
EBITDA	540.0 ～ 574.0	550.0	-24.0 ～ +10.0
Operating income	-	336.0	-
Recurring profit	-	324.0	-
Net income	-	161.0	-
Return on Equity	-	10.4%	-
Free cash flow	-	300.0	-

(Reference: Before goodwill amortization) (JPY billion)

	Initial forecast	Revised forecast	Change
Net income	-	246.0	-
EPS (JPY)	-	25,836.34	-
Cash dividends per share (JPY)	8,000	8,000	+0
Payout Ratio	-	31.0%	-

Consolidated financial outlook by business segment (JPY billion)

	Initial forecast	Revised forecast	Change
Net sales excl. excise tax *1*2		2,446.0	
Japanese domestic tobacco *1		1,023.0	
International tobacco *1*2		993.0	
Adjusted net sales excl. excise tax *2*3*4	1,925.0 ～ 1,970.0	1,915.0	-55.0 ～ -10.0
Japanese domestic tobacco *3	552.0 ～ 598.0	564.5	-33.5 ～ +12.5
International tobacco *2*4	937.0	919.0	-18.0
Pharmaceutical	49.0	49.0	+0.0
Food	370.0	365.5	-4.5
Others	16.5	17.0	+0.5
EBITDA *2*5	540.0 ～ 574.0	550.0	-24.0 ～ +10.0
Japanese domestic tobacco	227.0 ～ 261.0	241.0	-20.0 ～ +14.0
International tobacco *2	318.0	313.0	-5.0
Pharmaceutical	-16.5	-17.5	-1.0
Food	20.0	20.0	+0.0
Others/Elimination and corporate	-10.5	-7.0	+3.5
Operating income *2	-	336.0	-
Japanese domestic tobacco	-	195.5	-
International tobacco *2	185.0	182.0	-3.0
Pharmaceutical	-20.5	-21.5	-1.0
Food	-	-8.0	-
Others/Elimination and corporate	-	-12.0	-
Depreciation and amortization *2*6	-	214.0	-
Japanese domestic tobacco	-	45.5	-
International tobacco *2	133.0	131.0	-2.0
Pharmaceutical	4.0	4.0	+0.0
Food	-	28.0	-
Others/Elimination and corporate	-	5.0	-

(JPY billion)

	Initial forecast	Revised forecast	Change
Capital expenditures *2	-	133.0	-
Japanese domestic tobacco	-	60.5	-
International tobacco *2	45.0	44.0	-1.0
Pharmaceutical	3.0	3.0	+0.0
Food	-	21.0	-
Others/Elimination and corporate	-	4.5	-

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

	Initial forecast	Revised forecast	Change
Core net sales excl. excise tax *2*4	11,430	11,490	+60
Core net sales excl. excise tax at constant rate *2*4*7	10,820	10,880	+60
EBITDA *2	3,880	3,920	+40
EBITDA at constant rate*2*7	3,670	3,710	+40

*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

Major assumptions

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

	Initial forecast	Revised forecast	Change
Sales volume	100.0 ～ 108.0	102.0	-6.0 ～ +2.0

*Excluding sales of domestic duty-free and China division

(2) International tobacco business

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

	Initial forecast	Revised forecast	Change	
Total shipment volume*	428.0	428.0	0.0	BNU
GFB shipment volume	257.0	257.0	0.0	BNU
JPY/USD rate	82.00	80.00	+2.5%	JPY
RUB/USD rate	28.50	28.50	0%	RUB
GBP/USD rate	0.61	0.61	0%	GBP
EUR/USD rate	0.70	0.70	0%	EUR
CHF/USD rate	0.90	0.90	0%	CHF
TWD/USD rate	28.70	28.70	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)

	Initial 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)

	Initial forecast	Revised forecast	Year to amortize
TableMark	9.0	90.0	5

* Termination of goodwill amortization: Dec-12

Trademark rights amortization relating to major acquisitions

International tobacco business (unit: USD million)

	Initial 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

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				

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				

* 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				

* 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				

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				

(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				

(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				

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				

(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				

(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				

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				

(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				

(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				

* 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				

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

Japan Tobacco Inc. Clinical development (as of July 28, 2011)

Code	Stage*	Key Indication	Mechanism	Characteristics	Rights
JTT-705 (oral)	Phase 2 (Japan)	Dyslipidemia	CETP modulator	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 (oral)	Phase 2 (Japan) Phase 2 (Overseas)	Dyslipidemia	MTP inhibitor	Treatment of dyslipidemia by reducing absorption of cholesterol and triglycerides via inhibition of MTP -MTP: Microsomal Triglyceride Transfer Protein	
JTK-303 (oral)	Phase 1 (Japan)	HIV infection	Integrase inhibitor	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV -HIV: Human Immunodeficiency Virus	Gilead Sciences (U.S.) obtained the rights to develop and commercialize this compound worldwide, with the exception of Japan. >Development stage by Gilead Sciences: Phase 3
JTT-302 (oral)	Phase 2 (Overseas)	Dyslipidemia	CETP inhibitor	Decreases LDL and increases HDL by inhibition of CETP -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")	
JTT-305 (oral)	Phase 2 (Japan)	Osteoporosis	CaSR antagonist	Increases BMD and decreases new vertebral fractures by accelerating endogenous PTH secretion via antagonism of circulating Ca on CaSR in parathyroid cells -BMD: Bone Mineral Density -PTH: Parathyroid Hormone -CaSR: Calcium-Sensing Receptor	Merck (U.S.) obtained the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTK-656 (oral)	Phase 1 (Overseas)	HIV infection	Integrase inhibitor	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV - HIV: Human Immunodeficiency Virus	
JTT-751 (oral)	Phase 3 (Japan)	Hyperphosphatemia	Phosphate binder	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 (oral)	Phase 1 (Overseas)	Hepatitis C	HCV RNApolymerase inhibitor	Treatment of Hepatitis C by inhibiting HCV RNA- polymerase which relates to viral proliferation	
JTT-851 (oral)	Phase 1 (Japan)	Type 2 diabetes mellitus	G protein-coupled receptor 40 agonist	Decreases blood glucose by stimulation of glucose-dependent insulin secretion	

*Based on the first dose

Updates since the previous announcement on May 12, 2011: Development of JTS-653 was terminated.