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FOR IMMEDIATE RELEASE

Tokyo, April 28, 2010

JT's Consolidated Financial Results Exceeds the Original Forecast Announced in 'JT-11'

Full Fiscal Year Ended March 31, 2010

Highlights

Consolidated Financial Results for the Full Fiscal Year ended March 31, 2010

- **Key Figures:** EBITDA[1], operating income[2] and net income[2] all exceeded the original forecast announced in JT-11[3]. In comparison to prior fiscal year, net income improved by 12.2% to ¥138.4 billion (FY2008: ¥123.4 billion) due primarily to improvements in extraordinary profits. Adjusted net sales excluding tax[4] and EBITDA[1] declined by 11.7% to ¥1,980.9 billion (FY2008: ¥2,243.1billion) and 18.5% to ¥526.7 billion (FY2008: ¥646.2 billion), respectively.
- **Japanese Domestic Tobacco Business:** Sales volume[5], adjusted net sales excluding tax[6] and EBITDA declined. Market share of all brands was basically flat year on year.
- **International Tobacco Business:** Market share[7] increased year on year in most key markets, although total sales volume[8] decreased 2.5%. Favourable pricing and volume gains in Europe drove adjusted net sales excluding tax to increase by 7.2% and EBITDA to increase by 14.9% at constant rates of exchange[9]. On a reported basis, adjusted net sales excluding tax and EBITDA declined by 16.1% and 26.1% respectively due to adverse currency movements.
- **Dividends:** The company's board is recommending that the year end dividend is increased by 7.1% to ¥3,000 per share (FY2008: ¥2,800), made up of ¥2,800 in respect of each ordinary share and ¥200 in respect of each commemorative share, at an annualized sum of ¥5,800 (FY2008: ¥5,400).

Consolidated financial results for fiscal year ended March 31, 2010 Units: Billions of Yen

	Fiscal Year Ended March 31, 2009 (A)	Fiscal Year Ended March 31, 2010 (B)	Difference (B)-(A)	Net Change (%)	Fiscal Year Ended March 31, 2010 Original Forecast
Net sales including tax	6,832.3	6,134.6	-697.6	-10.2	6,000.0
Adjusted net sales excluding tax[4]	2,243.1	1,980.9	-262.1	-11.7	1,985.0
EBITDA[1]	646.2	526.7	-119.5	-18.5	475.0
Operating income[2]	363.8	296.5	-67.3	-18.5	244.0
Net income[2]	123.4	138.4	15.0	12.2	100.0

Annual Forecast for the Full Fiscal Year ending March 31, 2011

- **Consolidated Annual Forecast:** Decreases are forecast with adjusted net sales excluding tax at ¥1,973.0 billion, EBITDA at ¥513.0 billion and net income at ¥133.0 billion.
- **Japanese Domestic Tobacco Business:** Adjusted net sales excluding tax and EBITDA are forecast to decrease to ¥576.0 billion and ¥219.0 billion respectively. These forecasts take account of the introduction of the tobacco excise tax increase in October 2010 which is likely to impact sales volumes substantially.
- **International Tobacco Business:** EBITDA is forecast to increase by 12.3% in US dollars compared to prior year, and 6.2% at constant rates of exchange.

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

"Despite the difficult operating environment, our international tobacco business delivered a resilient performance and increased market share in most key markets. In the year ahead, the market environment within which both of our tobacco businesses operate will remain challenging. In both our home market and across our international business we will continue to invest in our brand equity. In addition, in our home market, we will take all necessary measures to mitigate the impact of the planned excise increase and anticipated resulting volume decline. In our international business, we will continue to focus on initiatives to sustain top-line growth."

Results by Business Segment

➢ Japanese Domestic Tobacco Business

Sales volume[5] declined 5.0% to 151.8 billion cigarettes. This volume decline was primarily due to the expected decline in market demand which accelerated slightly in the second half of the fiscal year. Affected by the declining sales volume, adjusted net sales excluding tax declined by 5.1% to ¥ 615.9 billion.

EBITDA declined by 5.4% to ¥257.6 billion. Operating income increased by 8.0% to ¥203.3 billion, due primarily to the completion in April 2009 of the amortization of costs related to former RJRI[10] trademark rights.

Market share of all brands was basically flat year on year at 64.9%. Market share of key brands[11], which consist of Mild Seven, Pianissimo and Seven Stars, increased to 45.1%[12].

Units: Billions of Yen, Billions of Cigarettes

	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Net change (%)
Net sales including tax	3,200.4	3,042.8	-4.9
Adjusted net sales excluding tax[6]	648.8	615.9	-5.1
EBITDA[1]	272.2	257.6	-5.4
Operating income	188.2	203.3	8.0
Total sales volume[5]	159.9	151.8	-5.0

➢ International Tobacco Business

Financial results relate to the period between January 1 and December 31, 2009

Total sales volume[8] decreased 2.5% to 434.9 billion cigarettes. Good volume growth in Turkey, the United Kingdom, Russia and Italy did not compensate for declines in Iran, Ukraine and the Philippines. Favorable pricing combined with volume gains in Europe drove adjusted net sales excluding tax to increase by 7.2% and EBITDA to increase by 14.9% at constant rates of exchange[9]. On a reported basis, adjusted net sales excluding tax[13] and EBITDA[14] declined by 16.1% and 26.1% respectively due to adverse currency movements.

Market share[7] increased year on year in key markets of Italy, Spain, France, the United Kingdom, Russia and Turkey. In Italy, market share increased from 17.1% to 18.5% and, in the United Kingdom, market share rose from 39.1% to 40.4%. In Russia, despite accelerated market contraction and down-trading, sales volume grew 1.4%, resulting from LD and Glamour’s strong performances. Market share in Russia continued to increase from 35.7% to 36.8%.

Sales volume of our Global Flagship Brands[15] decreased slightly by 0.9% to 243.4 billion cigarettes. Sales volume for LD grew by 18.2%, reflecting its Mid/Value positioning, with solid performances in Russia, Poland, Ukraine and Turkey. Glamour’s sales volume increased 7.9% with strong growth in Russia. Sales volume for Winston decreased by 4.1%. Strong volume growth for Winston in Italy, France and Turkey was offset by declines in Iran due to the continuing unstable operating environment, in the Philippines where the business model changed, in Ukraine with excise-led market contraction and in Russia with down-trading coupled with market contraction. Sales volume of Camel and Mild Seven decreased to 1.8% and 3.0% respectively.

Units: Billions of Yen, Billions of Cigarettes

	January – Dec. 2008	January – Dec. 2009	Net change (%)
Net sales including tax	3,118.3	2,633.6	-15.5
Adjusted net sales excluding tax[13]	1,080.8	906.7	-16.1
EBITDA[14]	337.9	249.8	-26.1
Operating income	174.7	109.1	-37.6
Total sales volume[8]	445.9	434.9	-2.5
GFB sales volume	245.5	243.4	-0.9

➢ **Pharmaceutical Business**

Net sales and EBITDA decreased to ¥44.0 billion and to ¥-9.6 billion respectively, due to the absence of milestone revenue related to two compounds (JTT-705, a drug licensed to Roche for the treatment of dyslipidemia, and JTK-303, an anti-HIV agent licensed to Gilead Sciences). The absence of an upfront payment for JTT-305, a compound for the treatment of osteoporosis licensed to Merck, also affected net sales and EBITDA. REMITCH® CAPSULES, Truvada® Tablets and Serotone® by Torii Pharmaceutical performed well. JTK-853, an anti-hepatitis C drug advanced into the clinical development stage during the third quarter. JT currently has 10 compounds in clinical trial, all of which are listed in the attachment to this release.

Units: Billions of Yen

	Fiscal Year Ended March 31, 2009(A)	Fiscal Year Ended March 31, 2010(B)	Difference (B) - (A)
Net sales	56.7	44.0	-12.6
EBITDA	4.8	-9.6	-14.5
Operating income	1.0	-13.5	-14.6

➢ **Food Business**

Net sales were affected by the company's withdrawal from the chilled processed food business and the exclusion of select subsidiaries from the consolidated accounts. EBITDA of the core business[16], improved slightly from the previous year, as a result of declining raw material costs and continuing cost cutting efforts. However, overall, EBITDA decreased to ¥14.4 billion due to a temporary loss recorded in the fishery business.

Units: Billions of Yen

	Fiscal Year Ended March 31, 2009(A)	Fiscal Year Ended March 31, 2010(B)	Difference (B) - (A)
Net sales	435.9	394.6	-41.3
EBITDA	17.0	14.4	-2.5
Operating income	-11.4	-13.6	-2.2

Non-Operating Results & Extraordinary Profits and Losses

Non-operating losses improved by ¥15.0 billion to ¥-41.1 billion. This improved position resulted from lower interest payments and smaller valuation losses due to net investment hedging in respect of euro-denominated bonds and loans held by overseas subsidiaries. Extraordinary profits and losses improved by ¥66.1 billion to ¥20.6 billion, primarily due to the absence of expenditure associated with the introduction of "taspo" and the reduction of expenditure related to business restructuring. The figure was also improved by a gain from the reversal of liability on a fine levied under the UK competition law.

Forecast for the Fiscal Year Ending March 31, 2011 (consolidated)[17]

For the fiscal year ending March 31, 2011, consolidated net sales and profits are forecast to decline, due to anticipated weaker performance of our Japanese domestic tobacco business which is expected to be partially offset by the growth of our international tobacco business. Consolidated adjusted net sales excluding tax is forecast to be ¥1,973.0 billion. Consolidated annual EBITDA and operating income are forecast to be ¥513.0 billion and ¥295.0 billion respectively. Extraordinary losses are forecast to increase due partly to the reduction in the gain from the sale of non-current assets and also to an agreement payment between JTI-Macdonald Corp., our Canadian subsidiary, and the Canadian authorities relating to the illicit trade of cigarettes in Canada, which has been reached on 13th April 2010. Consolidated net income is forecast to be ¥133.0 billion.

Units: Billions of Yen

	Fiscal Year Ended March 31, 2010 Actual (A)	Fiscal Year Ending March 31, 2011 Forecast (B)	Difference (B)-(A)	Net Change (%)
Net sales including tax	6,134.6	5,980.0	-154.6	-2.5
Adjusted net sales excluding Tax	1,980.9	1,973.0	-7.9	-0.4
EBITDA	526.7	513.0	-13.7	-2.6
Operating income	296.5	295.0	-1.5	-0.5
Net income	138.4	133.0	-5.4	-3.9

- **Japanese Domestic Tobacco Business[18]:** Adjusted net sales excluding tax are forecast to decline by 6.5% to ¥576.0 billion to take account of the introduction of the tobacco excise tax increase on 1st October 2010. This tax increase is anticipated to cause an unprecedented sales volume decline of 16.0% to 127.5 billion cigarettes. Given that the impact of this decline can not be offset solely by JT's cost reduction efforts, on 28th April 2010, JT has applied for an amendment of its retail prices in excess of the excise tax hikes in order to provide the quality and services which will continue to satisfy its consumers. A temporary increase in demand, which is estimated at approximately the equivalent of one-month's sales volume, is expected prior to the introduction of the tobacco tax increase. EBITDA forecast is projected to decrease by 12.8% to ¥219.0 billion in comparison to prior fiscal year.

- **International Tobacco Business [18]:** EBITDA in US dollars is forecast to grow 12.3% at prevailing exchange rates. At constant rates of exchange, EBITDA is forecast to grow 6.2%. Adjusted net sales excluding tax are forecast to grow to ¥944.0 billion, and EBITDA is forecast to grow to ¥300.0 billion. Total sales volume is expected to decline slightly whilst the sales volume of Global Flagship Brands is forecast to increase by 2.7%.

- **Pharmaceutical Business**: The forecast for net sales is expected to remain unchanged at ¥44.5 billion. However, EBTIDA is expected to decline due to an increase in R&D expenditures.

- **Food Business:** The net sales forecast is ¥390.0 billion. In our beverage business, we will continue to strengthen our flagship canned coffee product, 'Roots', which celebrates its 10 year anniversary in 2010. In our food business, we will remain strategically focused on staple food products[19] as well as seasoning (eg. yeast extract) and will continue to target cost savings. As a result of these initiatives in our beverage and food operations, EBTIDA is projected to increase to ¥18.5 billion.

- **Projected Half-Year and Year-End Dividend:** The company is projecting half-year and year-end dividends per share of ¥2,800 each for the fiscal year ending March 31, 2011, at an annualized sum of ¥5,600.

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Japan Tobacco Inc. is a leading international tobacco product company. It markets internationally recognized cigarette brands including Winston, Camel, Mild Seven and Benson & Hedges. With diversified operations, JT is actively present in pharmaceuticals and foods. The company's net sales were ¥6.134 trillion in the fiscal year ended March 31, 2010.

Footnotes:

1 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.
2 Operating income and net income before amortization of goodwill were ¥393.9 billion and ¥235.8 billion, respectively.
3. JT-11 is the medium-term management plan which was announced at the end April 2009. It covers the three year period through to the fiscal year ending March 31st 2012.
4 Adjusted net sales excluding tax do not include revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses in the domestic tobacco business. Nor does it include revenue from distribution, private label, contract manufacturing and other peripheral businesses in the international tobacco business.
5 Sales volume from both domestic duty free and the China Division were not incorporated in the above figures.
6 Adjusted net sales excluding tax does not include revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses.
7 Source: AC Nielsen, Core EPOS and JTI internal data on the 12-month rolling average, December 2009.
8 Total sales volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing
9 EBITDA for international tobacco business before royalty payments, at constant rates of exchange.
10 R.J. Reynolds International.
11 Key brands for the Japanese domestic tobacco business consist of three brands: Mild Seven, Seven Stars and Pianissimo.
12 The market share figure for key brands is inclusive and retrospective of market share figures for 'icene' and 'Lucia', which were integrated into Pianissimo family on January 2010.
13 Adjusted net sales excluding tax do not include revenue from the distribution, private label, contract manufacturing and other peripheral businesses.
14 EBITDA for international tobacco business, after royalty payments.
15 Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie, and Glamour.
16 Core business are: beverages, processed food and seasoning.
17 Previous exchange rate assumptions for US 1 dollar were; 31.77 ruble, 0.65 UK sterling, 0.73 euro and 93.65 yen. The revised exchange rate assumptions for US 1 dollar are; 29.50 ruble, 0.65 UK sterling, 0.68 euro and 90.00 yen.
18 'Accounting Standard for Disclosures about Segments of an Enterprise and Related information' (Statement No.17) came into force on 1st April 2010. The forecast figures for fiscal year ending March 31st 2011 have been calculated in accordance with this new accounting standard.
19 Staple food products are: frozen noodels, frozen and packed cooked rice, frozen bread.

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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