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FOR IMMEDIATE RELEASE

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JT's Consolidated Financial Results
Adjusted net sales excluding tax and Net income increased by 4.9% and 24.0% respectively
Consolidated Financial Results for the 6 months ended September 30, 2010

Highlights

- **Adjusted net sales excluding tax**[1] and **Net income**[2] increased to ¥1,035.2 billion and ¥81.9 billion respectively, primarily as a result of heightened demand prior to the 1 October Japanese tobacco excise increase, and strong pricing and favourable foreign exchange rates in the international tobacco business.
- **EBITDA**[3] and **Operating income**[2] increased 9.7% and 21.5% respectively, driven by the factors highlighted above in relation to adjusted net sales excluding tax and net profit. Growth in operating income also resulted from lower depreciation and amortization costs in the Japanese domestic tobacco business.
- **Japanese Domestic Tobacco Business:** Adjusted net sales excluding tax[4] and sales volume[5] grew by 10.2% and by 10.1% respectively primarily as a result of heightened demand ahead of the 1 October tobacco excise increase. Market share for all brands and for the key brands[6] were 64.9% (FY2009: 64.9%) and 45.7%[7] (FY2009: 45.1%) respectively.
- **International Tobacco Business:** Core net sales excluding tax[8] and EBITDA[9] increased by 9.2% and by 11.9% respectively in US dollars, driven by strong pricing and favourable foreign exchange rates. Market share[10] continued to grow in most key markets, despite total shipment volume[11] being 5.2% lower, as a result of industry volume contraction in a number of markets.
- **Forecast:** Whilst EBITDA forecast for the Japanese domestic tobacco business and the international tobacco business at constant rates of exchange remain unchanged, the forecasts have been revised downward in order to reflect changes in foreign exchange rate assumptions. Adjusted net sales excluding tax forecast has also been downwardly revised due to lower sales volume in the Japanese domestic tobacco business and the currency exchange movements affecting the international tobacco business.

Consolidated financial results for the 6 months ended September 30, 2010 Units: Billions of Yen

	2Q FY03/2010 (A)	2Q FY03/2011 (B)	Difference (B)-(A)	Net Change (%)
Net sales including tax	3,054.2	3,298.7	244.4	8.0
Adjusted net sales excluding tax	986.7	1,035.2	48.5	4.9
EBITDA	279.3	306.4	27.0	9.7
Operating income	163.7	198.8	35.1	21.5
Net income[3]	66.0	81.9	15.8	24.0

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

"In a difficult operating environment, our international tobacco business once again achieved increases in both net sales and market share in most key markets. In our domestic tobacco business, we forecast heightened sales volume ahead of the introduction of the 1 October unprecedented excise increase, accommodated the increase in demand smoothly and we will keep monitoring market developments closely. We will continue to meet consumer expectations across our businesses by focussing on product innovations and improvements to further strengthen brand equity."

Results by Business Segment

- **Japanese Domestic Tobacco Business**

Adjusted net sales excluding tax increased by 10.2% to ¥351.4 billion. Sales volume grew by 10.1% to 86.5 billion cigarettes. EBITDA increased by 12.4% to ¥150.1 billion. This growth was driven by heightened demand ahead of the 1 October tobacco excise increase, an equivalent of 1.1 months' sales volume. This increase was in line with forecast.

The all brands' and the key brands' market shares were 64.9% (FY2009: 64.9%) and 45.7% (FY2009: 45.1%), respectively following the heightened demand prior to the tobacco excise increase.

Good progress continued to be made across a range of product innovation and improvement initiatives. In November 2010 the company will launch nationwide "Pianissimo Super Slims Menthol One", which features flavoured threads inside filters for a stronger menthol sensation, combined with low odour and low-smoke technologies. At the same time four "Mild Seven" menthol products in redesigned round-corner packages will be launched, and to meet consumer demand, the company's innovative smokeless tobacco "Zerostyle Mint", currently only available in Tokyo, will be launched in Kanagawa.

Units: Billions of Yen, Billions of Cigarettes

	2Q FY03/2010	2Q FY03/2011	Net change (%)
Net sales including tax	1,575.7	1,732.9	10.0
Adjusted net sales excluding tax	318.8	351.4	10.2
EBITDA	133.5	150.1	12.4
Operating income	106.4	127.7	20.0
Total sales volume	78.6	86.5	10.1

- **International Tobacco Business**

Financial results relate to the period between January 1 and June 30, 2010

Core net sales excluding tax and EBITDA increased by 9.2% to US$ 4,970 million and by 11.9% to US$ 1,684 million respectively, driven by strong pricing and favourable foreign exchange rates. In Japanese Yen, core net sales excluding tax and EBITDA growth were 4.4% and 6.9% respectively, due to currency exchange movements.

Market share has continued to grow in most key markets including Russia, Italy, France, the United Kingdom and Turkey.

Total shipment volume and GFB[12] shipment volume decreased by 5.2% to 204.7 billion cigarettes and by 2.5% to 118.3 billion cigarettes respectively, due to the contraction of industry volumes in a number of markets and the ongoing difficult operating environment in one market within the Rest-of-the-World cluster[13]. During April–June 2010 volume declines were more moderate than the previous quarter.

Units: Billions of Yen, Billions of Cigarettes

	January – June 2009	January – June 2010	Net change (%)
Net sales including tax	1,245.7	1,336.0	7.2
Core net sales excluding tax	435.0	454.0	4.4
EBITDA	143.8	153.8	6.9
Operating income	73.5	86.0	17.1
Total shipment volume	216.1	204.7	-5.2
GFB shipment volume	121.3	118.3	-2.5

➢ **Pharmaceutical Business**

Net sales increased to ¥23.1 billion, as REMITCH® CAPSULES and Truvada® Tablets of Torii Pharmaceutical continued to perform well. EBITDA remained flat at -¥4.8 billion due to increases in costs and expenses. JTT-851, a treatment for diabetes mellitus, entered into the clinical development stage. JT currently has 10 compounds in clinical trial, all of which are listed in the attachment to this release.

Units: Billions of Yen

	2Q FY03/2010 (A)	2Q FY03/2011 (B)	Difference (B) - (A)
Net sales	22.1	23.1	1.0
EBITDA	-4.9	-4.8	0.1
Operating income	-6.8	-6.7	0.0

➢ **Food Business**

Whilst the summer 2010 heat wave and the growth focused initiatives in Roots, our flagship coffee brand, contributed to increased sales in the beverages business, overall net sales declined to ¥196.8 billion due to the closure of the rice wholesale business, the exclusion of certain subsidiaries from the consolidated accounts and lower sales to restaurants in the processed foods and seasonings business. EBITDA improved to ¥9.6 billion, as the beverages business' performance offset lower profits in the processed foods and seasonings business.

Units: Billions of Yen

	2Q FY03/2010 (A)	2Q FY03/2011 (B)	Difference (B) - (A)
Net sales	200.8	196.8	-3.9
EBITDA	8.4	9.6	1.2
Operating income	-5.6	-3.3	2.3

Non-Operating Results & Extraordinary Profits and Losses

Non-operating profits and losses improved to ¥-12.6 billion (2Q FY2009: ¥-28.5 billion) primarily because of lower currency forward contract valuation loss related to cash flow hedging. Extraordinary profits and losses were ¥-25.4 billion (2Q FY2009: ¥2.2 billion). This change was principally due to an agreement payment between JTI-Macdonald Corp., our Canadian subsidiary, and the Canadian authorities relating to the illicit trade of cigarettes in Canada prior to the acquisition by JT. Additionally, when compared to the prior year, fewer non-current assets were sold resulting in a reduced gain.

Forecast for the Fiscal Year Ending March 31, 2011 (consolidated)[14]

The consolidated annual adjusted net sales excluding tax forecast has been downwardly revised by ¥68.0 billion to ¥1,905.0 billion, reflecting lower sales volume for the Japanese domestic tobacco business and changes in foreign exchange rate assumptions in the international tobacco business. Whilst EBITDA forecast for the Japanese domestic tobacco business and the international tobacco business at constant rates of exchange remain unchanged, the consolidated annual EBITDA forecast has been revised downward by ¥18.0 billion to ¥495.0 billion to reflect currency exchange movements.

Units: Billions of Yen

	FY03/2010 Actual (A)	FY03/2011 Previous Forecast (B)	FY03/2011 Updated Forecast (C)	Change from FY03/2011 Previous Forecast (C)-(B)	Change from FY03/2010 Actual (C)-(A)
Net sales including tax	6,134.6	5,980.0	5,910.0	-70.0 (-1.2%)	-224.6 (-3.7%)
Adjusted net sales excluding Tax	1,980.9	1,973.0	1,905.0	-68.0 (-3.4%)	-75.9 (-3.8%)
EBITDA	526.7	513.0	495.0	-18.0 (-3.5%)	-31.7 (-6.0%)
Operating income	296.5	295.0	281.0	-14.0 (-4.7%)	-15.5 (-5.2%)
Net income	138.4	133.0	115.0	-18.0 (-13.5%)	-23.4 (-16.9%)

- For the Japanese domestic tobacco business, adjusted net sales excluding tax forecast has been downwardly revised reflecting lower sales volume in the first half year following the announcement of the price amendment in April of the forthcoming October tobacco excise increase. The EBITDA forecast remains unchanged.

- In the international tobacco business, core net sales excluding tax and EBITDA forecasts have been downwardly revised to reflect changes in foreign exchange rate assumptions. The EBITDA growth forecast for the international tobacco business remains unchanged at 6.2% at constant rates of exchange. Total shipment volume is expected to decline 1.5% compared to the previous year.

- The net sales forecast for the pharmaceutical business was upwardly revised by ¥1.0 billion, to take account of projected net sales increases of both REMITCH® CAPSULES and Truvada® Tablets of Torii Pharmaceutical. An EBITDA improvement is also forecast due to lower selling, general and administrative expenses.

- Whilst sales for the beverages business will likely surpass the original forecast due to the summer 2010 heat wave, the overall net sales forecast has been downwardly revised by ¥7.0 billion as a result of the closure of the rice wholesale business and lower frozen food and fishery product sales to foodservice in the processed foods and seasonings business. The EBITDA forecast has also been revised downward by ¥3.5 billion as a result of lower sales of frozen food and fishery products to foodservice and higher ingredient costs in the processed foods and seasonings business.

- The company announces a first half-year dividend of ¥2,800 per share and forecasts a second half-year dividend of ¥2,800 per share resulting in an annual forecast dividend of ¥5,600 per share for the fiscal year ending March 31 2011.

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[1] were ¥1.980 trillion (US$21,291 million) in the fiscal year ended March 31, 2010.*

**Translated at the rate of ¥93.04 per $1, as of March 31, 2010*

Footnotes:

[1] 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, leaf tobacco, private label, contract manufacturing and other peripheral businesses in the international tobacco business.
[2] Net income and operating income before amortization of goodwill were ¥129.1 billion and ¥246.0 billion, respectively.
[3] 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.
[4] 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.
[5] Sales volume from both domestic duty free and the China Division in the Japanese domestic tobacco business is not incorporated in the figures.
[6] Key brands for the Japanese domestic tobacco business consist of three brands: Mild Seven, Seven Stars and Pianissimo.
[7] 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 in January 2010.
[8] Core net sales excluding tax (which were previously designated "adjusted net sales excluding tax") in the international tobacco business do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.
[9] EBITDA for the international tobacco business is before royalty payments.
[10] Source: AC Nielsen, Core EPOS and JTI internal data on a 12-month rolling average, June 2010.
[11] Total shipment volume (which was previously designated "sales volume") includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.
[12] 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.
[13] JT divides its international markets into four distinct clusters: South and West Europe, North and Central Europe, CIS+, and Rest-of-the-World. Please note that these four clusters are specifically designed to provide insight into our business for guidance purposes only and do not reflect JTI's management structure.
[14] The exchange rate assumptions for US $1.00 have been revised to reflect recent exchange movements as follows; from Ruble 29.50 to 30.10, from UK Sterling 0.65 to 0.64, from Euro 0.68 to 0.75 and from ¥90.00 to ¥87.00.

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.

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1. Summary of Business Performance

(unit: JPY billion)

	6 months ended Sep. 2009	6 months ended Sep. 2010	Change
Sales including excise tax	3,054.2	3,298.7	244.4
Sales excluding excise tax *	986.7	1,035.2	48.5
EBITDA	279.3	306.4	27.0
Operating Income	163.7	198.8	35.1
Recurring Profit	135.1	186.1	51.0
Net Income	66.0	81.9	15.8

* 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, leaf tobacco, private label, contract manufacturing and other peripheral businesses in the international tobacco business

(Reference: Figures for major profit items before goodwill amortization)

Operating Income	213.3	246.0	32.7
Recurring Profit	184.7	233.3	48.6
Net Income	115.6	129.1	13.4

2. Breakdown of net sales

(unit: JPY billion)

	6 months ended Sep. 2009	6 months ended Sep. 2010	Change
Net sales including excise tax *1	3,054.2	3,298.7	244.4
Japanese domestic tobacco	1,575.7	1,732.9	157.2
International tobacco *1	1,245.7	1,336.0	90.3
Adjusted net sales excluding excise tax *1 *2 *3	986.7	1,035.2	48.5
Japanese domestic tobacco *2	318.8	351.4	32.6
International tobacco *1 *3	435.0	454.0	19.0
Pharmaceutical	22.1	23.1	1.0
Food	200.8	196.8	-3.9
Beverages	96.4	100.7	4.3
Processed foods	104.3	96.0	-8.2
Others	9.8	9.7	0.0

*1 International tobacco business: 6 months ended June

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

*3 Excluding revenue from the distribution, leaf tobacco,private label, contract manufacturing and other peripheral businesses

(Reference) (unit: USD million)

International tobacco Core net sales excl. excise tax *1 *3	4,552	4,970	419

3. Leaf tobacco reappraisal profit / loss *

(unit: JPY billion)

	6 months ended Sep. 2009	6 months ended Sep. 2010	Change
Leaf tobacco reappraisal profit / loss	-2.0	-	2.0

* Profit when denoted negative

4. Breakdown of SG&A expenses

(unit: JPY billion)

	6 months ended Sep. 2009	6 months ended Sep. 2010	Change
SG&A	396.2	392.7	-3.5
Personnel *	108.4	109.4	0.9
Advertising and general publicity	8.8	9.3	0.5
Sales promotion	66.5	67.2	0.7
R&D	24.5	24.5	0.0
Depreciation and amortization	37.6	31.3	-6.3
Others	150.1	150.7	0.5

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

5. EBITDA by business segment *1

(unit: JPY billion)

	6 months ended Sep. 2009 (Former standard)	6 months ended Sep. 2009 (New standard)	6 months ended Sep. 2010 (New standard)	Change (New standard)
Consolidated EBITDA	279.3	279.3	306.4	27.0
Operating income	163.7	163.7	198.8	35.1
Depreciation and amortization *2	115.5	115.5	107.5	-8.0
Japanese domestic tobacco EBITDA	138.8	133.5	150.1	16.5
Operating income	110.8	106.4	127.7	21.3
Depreciation and amortization *2	28.0	27.1	22.3	-4.7
International tobacco EBITDA *3	130.2	143.8	153.8	9.9
Operating income	59.8	73.5	86.0	12.5
Depreciation and amortization *2	70.3	70.3	67.7	-2.6
Pharmaceutical EBITDA	-4.9	-4.9	-4.8	0.1
Operating income	-6.8	-6.8	-6.7	0.0
Depreciation and amortization *2	1.8	1.8	1.9	0.0
Food EBITDA	8.4	8.4	9.6	1.2
Operating income	-5.6	-5.6	-3.3	2.3
Depreciation and amortization *2	14.0	14.0	12.9	-1.0
Other/Elimination and corporate EBITDA	6.6	-1.6	-2.4	-0.8
Operating income	5.5	-3.7	-4.8	-1.0
Depreciation and amortization *2	1.1	2.1	2.3	0.2

(Reference) (unit: USD million)

	6 months ended Jun. 2009	6 months ended Jun. 2010	Change
International tobacco EBITDA (Before royalty payment)	1,505	1,684	179

*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: 6 months ended June

6. Amortization relating to major acquisitions

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

International tobacco business	6 months ended Jun. 2009	6 months ended Jun. 2010	Years to amortize
Former RJRI and Gallaher	452	458	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. 2009*	6 months ended Sep. 2010	Years to amortize
TableMark (Former Katokichi)	5.5	4.5	5

* Including one-time goodwill amortization of TableMark's subsidiary

* Termination of goodwill amortization: Dec-12

Trademark amortization relating to major acquisitions (unit: JPY billion)

Japanese domestic tobacco business	6 months ended Sep. 2009	6 months ended Sep. 2010	Years to amortize
Former RJRI	2.8	−	10

* Terminated in Apr-09

(unit: USD million)

International Tobacco Business	6 months ended Jun. 2009	6 months ended Jun. 2010	Years to amortize
Former RJRI and Gallaher	116	121	mainly20

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

7.Capital expenditure

(unit: JPY billion)

	6 months ended Sep. 2009 (Former standard)	6 months ended Sep. 2009 (New standard)	6 months ended Sep. 2010 (New standard)	Change (New standard)
Capital expenditures	55.4	55.4	65.7	10.2
Japanese domestic tobacco	19.5	17.3	19.7	2.3
International tobacco *	23.8	23.8	28.7	4.8
Pharmaceutical	1.3	1.1	1.5	0.4
Food	10.3	10.3	14.3	4.0
Other/Elimination and corporate	0.2	2.7	1.2	-1.5

* International tobacco business: 6 months ended June

8. Cash and cash equivalents *

(unit: JPY billion)

	As of end of Mar. 2010	As of end of Sep. 2010	Change
Cash and cash equivalents	167.3	229.0	61.6

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

9. Interest-bearing debt *

(unit: JPY billion)

	As of end of Mar. 2010	As of end of Sep. 2010	Change
Interest-bearing debt	874.3	639.8	-234.4

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

10. Business data

<Japanese domestic tobacco business>	6 months ended Sep. 2009	6 months ended Sep. 2010	Change
JT sales volume* (billion cigarettes)	78.6	86.5	7.9
Total demand (billion cigarettes)	121.0	133.4	12.4
JT market share	65.0%	64.9%	- 0.1%pt
JT net sales before tax per 1,000 cigarettes (JPY)	12,691	12,686	-5
JT net sales after tax per 1,000 cigarettes (JPY)	4,055	4,053	-2

* Sales volume of domestic duty-free and China division is excluded, which was 1.8 billion for 6 months ended Sep. 2009 and 1.9billion for 6 months ended Sep. 2010, respectively.

<International tobacco business>	6 months ended Jun. 2009	6 months ended Jun. 2010	Change
Total shipment volume* (billion cigarettes)	216.1	204.7	-11.3
GFB shipment volume (billion cigarettes)	121.3	118.3	-3.0
JPY/USD rate for consolidation (JPY)	95.59	91.36	+4.6%
RUB/USD rate for consolidation (RUB)	33.17	30.05	+10.4%
GBP/USD rate for consolidation (GBP)	0.68	0.64	+6.0%
EUR/USD rate for consolidation (EUR)	0.76	0.73	+3.9%

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

<Pharmaceutical business>	6 months ended Sep. 2009	6 months ended Sep. 2010	Change
R&D expenses (parent company) (JPY billion)	11.1	10.8	-0.3

<Food business - Beverage business>	As of end of Mar. 2010	As of end of Sep. 2010	Change
Number of beverage vending machines *	257,000	265,000	8,000
JT-owned	33,000	33,000	0
Combined	82,000	86,000	4,000

* 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.

1. Consolidated financial outlook for the fiscal year ending Mar. 31, 2011 compared to the forecast as of April 2010

(JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax	5,980.0	5,910.0	-70.0
EBITDA	513.0	495.0	-18.0
Operating income	295.0	281.0	-14.0
Recurring profit	276.0	261.0	-15.0
Net income	133.0	115.0	-18.0
Return on Equity	8.0%	6.9%	-1.1%pt
Free cash flow*	135.0	125.0	-10.0

(Reference: Before goodwill amortization) (JPY billion)

Net income	226.0	205.0	-21.0
EPS (JPY)	23,590.59	21,408.96	-2,181.63
Cash dividends per share (JPY)	5,600	5,600	-
Payout Ratio	23.7%	26.2%	2.4%

Consolidated financial outlook by business segment[*4] (JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax[*1]	5,980.0	5,910.0	-70.0
Japanese domestic tobacco	2,832.0	2,848.0	16.0
International tobacco[*1]	2,699.0	2,614.0	-85.0
Adjusted net sales excl. excise tax[*1*2*3]	1,973.0	1,905.0	-68.0
Japanese domestic tobacco[*2]	576.0	568.0	-8.0
International tobacco[*1*3]	944.0	891.0	-53.0
Pharmaceutical	44.5	45.5	1.0
Food	390.0	383.0	-7.0
Others	18.5	18.5	0.0
EBITDA[*1*5]	513.0	495.0	-18.0
Japanese domestic tobacco	219.0	219.0	0.0
International tobacco[*1]	300.0	284.0	-16.0
Pharmaceutical	-14.5	-13.0	1.5
Food	18.5	15.0	-3.5
Others/Elimination and corporate	-10.0	-9.0	1.0
Operating income[*1]	295.0	281.0	-14.0
Japanese domestic tobacco	172.0	172.0	0.0
International tobacco[*1]	166.0	153.0	-13.0
Pharmaceutical	-18.5	-17.0	1.5
Food	-9.0	-12.5	-3.5
Others/Elimination and corporate	-15.5	-14.0	1.5
Depreciation and amortization[*1*6]	218.0	214.0	-4.0
Japanese domestic tobacco	47.0	47.0	0.0
International tobacco[*1]	134.0	131.0	-3.0
Pharmaceutical	4.0	4.0	0.0
Food	27.5	27.5	0.0
Others/Elimination and corporate	5.5	5.0	-0.5

(JPY billion)

Capital expenditures	172.0	165.0	-7.0
Japanese domestic tobacco	62.0	64.5	2.5
International tobacco[*1]	68.0	63.0	-5.0
Pharmaceutical	2.5	3.0	0.5
Food	35.0	31.0	-4.0
Others/Elimination and corporate	4.5	4.5	0.0

(Reference) (unit: USD million)

	Previous forecast	Revised forecast	Change
International tobacco Core net sales excl. excise tax[*1 *3]	10,480	10,240	△ 240
International tobacco EBITDA[*1] (Before royalty payment)	3,330	3,260	△ 70

*1 International tobacco business: Year ended Dec.2009 and Year ending Dec.2010
*2 Excluding revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses
*3 Excluding revenue from the distribution, leaf tobacco,private label, contract manufacturing and other peripheral businesses
*4 With the change of accounting standard for disclosures about Segments of an Enterprise and related information, we changed the definition of the index according to the business segment. EBITDA and OP of Japanese domestic business is before royalty acceptance EBITDA and OP of international business is before royalty payment. In addition we have changed the allocation method of the overhead expenses and CAPEX.
*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

Major assumptions

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

	Previous forecast	Revised forecast	Change
Sales volume	127.5	125.5	-2.0

*Excluding sales of domestic duty-free and China division

(2) International tobacco business (billions of cigarettes, JPY, RUB, GBP, EUR)

	Previous forecast	Revised forecast	Change	
Total shipment volume*	433.0	428.5	-4.5	BNU
GFB shipment volume	250.0	250.0	0.0	BNU
JPY/USD rate	90.00	87.00	+3.4%	JPY
RUB/USD rate	29.50	30.10	-2.0%	RUB
GBP/USD rate	0.65	0.64	+1.6%	GBP
EUR/USD rate	0.68	0.75	-9.3%	EUR

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

Goodwill amortization relating to major acquisitions

International tobacco business (unit: USD million)

	Previous forecast	Revised forecast	Years to amortize
Former RJRI and Gallaher	915	915	20

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

Food Business (unit: JPY billion)

	Previous forecast	Revised forecast	Years to amortize
TableMark (Former Katokichi)	9.1	9.1	5

* Termination of goodwill amortization: Dec-12
** Including one-time goodwill amortization of TableMark's subsidiary

Trademark rights amortization relating to major acquisitions

Japanese domestic tobacco (unit: JPY billion)

	Previous forecast	Revised forecast	Years to amortize
Former RJRI	−	-	10

* Termination of trademark rights amortization: Former RJRI Apr-09

International tobacco business (unit: USD million)

	Previous forecast	Revised forecast	Years to amortize
Former RJRI and Gallaher	240	240	mainly 20

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

2. Consolidated financial outlook for the fiscal year ending Mar. 31, 2011 compared to the results of previous fiscal year

(JPY billion)

	FY 03/2010	Revised forecast	Change
Net sales including excise tax	6,134.6	5,910.0	-224.6
EBITDA	526.7	495.0	-31.7
Operating income	296.5	281.0	-15.5
Recurring profit	255.3	261.0	5.6
Net income	138.4	115.0	-23.4
Return on Equity	8.6%	6.9%	-1.7%pt
Free cash flow*	250.7	125.0	-125.7

(Reference: Before goodwill amortization) (JPY billion)

Net income	235.8	205.0	-30.8
EPS (JPY)	24,621.42	21,408.96	-3,212.46
Cash dividends per share (JPY)	5,800	5,600	-200
Payout Ratio	23.6%	26.2%	2.6%

Consolidated financial outlook by business segment*4 (JPY billion)

	FY ended 03/2010 (Former standard)	FY ended 03/2010 (New standard)	FY ending 03/2011 (New standard)	Change from FY 03/2010 to FY 03/2011 (New standard)
Net sales including excise tax*1	6,134.6	6,134.6	5,910.0	-224.6
Japanese domestic tobacco	3,042.8	3,042.8	2,848.0	-194.8
International tobacco*1	2,633.6	2,633.6	2,614.0	-19.6
Adjusted net sales excl. excise tax*1*2*3	1,980.9	1,980.9	1,905.0	-75.9
Japanese domestic tobacco*2	615.9	615.9	568.0	-47.9
International tobacco*1*3	906.7	906.7	891.0	-15.7
Pharmaceutical	44.0	44.0	45.5	1.3
Food	394.6	394.6	383.0	-11.6
Others	19.5	19.5	18.5	-1.0
EBITDA*1*5	526.7	526.7	495.0	-31.7
Japanese domestic tobacco	257.6	251.2	219.0	-32.2
International tobacco*1	249.8	277.6	284.0	6.3
Pharmaceutical	-9.6	-9.6	-13.0	-3.2
Food	14.4	14.4	15.0	0.5
Others/Elimination and corporate	14.3	-7.0	-9.0	-1.9
Operating income*1	296.5	296.5	281.0	-15.5
Japanese domestic tobacco	203.3	198.7	172.0	-26.7
International tobacco*1	109.1	136.9	153.0	16.0
Pharmaceutical	-13.5	-13.5	-17.0	-3.4
Food	-13.6	-13.6	-12.5	1.1
Others/Elimination and corporate	11.3	-11.8	-14.0	-2.1
Depreciation and amortization*1*6	230.1	230.1	214.0	-16.1
Japanese domestic tobacco	54.3	52.5	47.0	-5.5
International tobacco*1	140.7	140.7	131.0	-9.7
Pharmaceutical	3.9	3.9	4.0	0.0
Food	28.1	28.1	27.5	-0.6
Others/Elimination and corporate	3.0	4.8	5.0	0.1

(JPY billion)

Capital expenditures	137.1	137.1	165.0	27.8
Japanese domestic tobacco	45.8	42.6	64.5	21.8
International tobacco*1	64.5	64.5	63.0	-1.5
Pharmaceutical	2.9	2.6	3.0	0.3
Food	23.4	23.4	31.0	7.5
Others/Elimination and corporate	0.3	3.8	4.5	0.6

(Reference) (unit: USD million)

	FY 03/2010	Revised forecast	Change
International tobacco Core net sales excl. excise tax*1 *3	9,682	10,240	558
International tobacco EBITDA*1 (Before royalty payment)	2,965	3,260	295

*1 International tobacco business: Year ended Dec.2009 and Year ending Dec.2010

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

*3 Excluding revenue from the distribution, leaf tobacco,private label, contract manufacturing and other peripheral businesses

*4 With the change of accounting standard for disclosures about Segments of an Enterprise and related information, we changed the definition of the index according to the business segment. EBITDA and OP of Japanese domestic business is before royalty acceptance EBITDA and OP of international business is before royalty payment. In addition we have changed the allocation method of the overhead expenses and CAPEX.

*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

Major assumptions

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

	FY 03/2010	Revised forecast	Change
Sales volume	151.8	125.5	-26.3

*Excluding sales of domestic duty-free and China division

(2) International tobacco business (billions of cigarettes, JPY, RUB, GBP, EUR)

	FY 03/2010	Revised forecast	Change	
Total shipment volume*	434.9	428.5	-6.4	BNU
GFB shipment volume	243.4	250.0	6.6	BNU
JPY/USD rate	93.65	87.00	+7.6%	JPY
RUB/USD rate	31.77	30.10	+5.6%	RUB
GBP/USD rate	0.65	0.64	+1.0%	GBP
EUR/USD rate	0.73	0.75	-3.3%	EUR

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

Goodwill amortization relating to major acquisitions

International tobacco business (unit: USD million)

	Year ended Dec.2009	Year ending Dec.2010	Years to amortize
Former RJRI and Gallaher	904	915	20

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

Food Business (unit: JPY billion)

	FY ended Mar. 2010**	FY ending Mar. 2011	Years to amortize
TableMark (Former Katokichi)	10.4	9.1	5

* Termination of goodwill amortization: Dec-12

** Including one-time goodwill amortization of TableMark's subsidiary

Trademark rights amortization relating to major acquisitions

Japanese domestic tobacco (unit: JPY billion)

	FY ended Mar. 2010	FY ending Mar. 2011	Years to amortize
Former RJRI	2.9	-	10

* Termination of trademark rights amortization: Former RJRI Apr-09

International tobacco business (unit: USD million)

	Year ended Dec.2009	Year ending Dec.2010	Years to amortize
Former RJRI and Gallaher	242	240	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 03/2009	42.0	40.8	40.7	36.2	159.9
FY 03/2010	39.0	39.5	38.8	34.3	151.8
FY 03/2011	35.9	50.6			

2. Quarterly Retail Price Sales (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	626.9	608.6	607.3	539.9	2,382.8
FY 03/2010	581.7	589.1	578.5	512.3	2,261.7
FY 03/2011	535.4	753.1			

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

3. Quarterly Net Sales Per Thousand Cigarettes (JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	12,699	12,693	12,699	12,699	12,698
FY 03/2010	12,639	12,689	12,691	12,696	12,692
FY 03/2011	12,686	12,686			

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

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	4,056	4,054	4,060	4,058	4,057
FY 03/2010	4,056	4,055	4,057	4,058	4,056
FY 03/2011	4,054	4,052			

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

5. Quarterly JT Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	64.9	64.9	65.2	65.2	65.1
FY 03/2010	65.1	64.8	65.0	64.8	64.9
FY 03/2011	64.5	65.1			

Market Share in Growing Segments

1. 1mg Tar

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	14.5	14.5	14.9	14.9	14.7
FY 03/2010	14.9	14.8	15.2	15.6	15.1
FY 03/2011	15.7	15.2			

(2) 1mg Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	23.2	23.0	23.5	23.7	23.3
FY 03/2010	23.9	23.8	24.1	24.5	24.1
FY 03/2011	24.7	23.7			

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	62.4	63.0	63.3	62.8	62.9
FY 03/2010	62.3	62.2	63.0	63.8	62.8
FY 03/2011	63.6	64.1			

2. Menthol

(1) JT Menthol Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	7.5	7.4	7.8	7.7	7.6
FY 03/2010	7.6	7.9	8.0	8.5	8.0
FY 03/2011	8.4	8.0			

(2) Menthol Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	21.9	22.1	22.2	22.4	22.1
FY 03/2010	22.6	23.2	23.0	23.5	23.1
FY 03/2011	23.9	23.3			

(3) JT Share in Menthol Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	34.3	33.5	35.0	34.5	34.3
FY 03/2010	33.8	34.2	34.7	36.2	34.7
FY 03/2011	35.2	34.1			

3. JPY 320 or above*

(1) JT JPY 320 or above Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	5.2	5.0	5.4	5.2	5.2
FY 03/2010	5.1	5.0	5.2	5.2	5.1
FY 03/2011	5.1	4.7			

(2) JPY 320 or above Product Market Share320 (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	23.9	24.0	24.6	24.5	24.2
FY 03/2010	23.9	23.8	24.1	24.8	24.6
FY 03/2011	24.7	24.4			

(3) JT Share in JPY 320 or above Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	21.7	20.7	22.2	21.4	21.5
FY 03/2010	21.3	21.0	21.4	21.1	20.7
FY 03/2011	20.7	19.5			

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	5.10	4.82	5.04	4.85	4.96
FY 03/2010	4.76	4.66	5.25	5.31	5.21
FY 03/2011	10.91	10.47			

* Pianissimo and Premier have been sold as D-spec products since March 2006.
Bevel Flair have been sold as D-spec products since December 2006.
Caster have been sold as D-spec products since April 2010.

Japan Tobacco Inc. Clinical development (as of October 28, 2010)

Code	Stage*	Key Indication	Mechanism	Characteristics	Rights
JTT-705 (oral)	Phase 2 (Japan)	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")	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.
JTS-653 (oral)	Phase 2 (Japan)	Pain Overactive bladder	TRPV1 antagonist	Improves pain and overactive bladder via antagonism of TRPV1 on sensory neurons - TRPV1: Transient Receptor Potential Vanilloid subtype 1	
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 2 (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 July 29, 2010: JTT-851 entered into clinical trial stage in Japan.
Development of JTT-654 was terminated.

Additional Note:
MedImmune, a US company and a subsidiary of Astra Zeneca, obtained the exclusive worldwide rights (with an exclusion of Japan) to manufacture, develop and commercialize certain anti-ICOS(Inducible costimulator)-antibodies from JT on December 28, 2006. In July 2010, MedImmune updated its external pipeline chart showing that the lead anti-ICOS-antibodies in Phase 1 clinical development.