



FOR IMMEDIATE RELEASE

Tokyo, February 7, 2011

JT's Consolidated Financial Results for the 9 months ended December 31, 2010

- **Net sales and EBITDA forecasts increased - now marginally below prior year numbers**
- **Significant volume decline following the excise increase in the Japanese domestic tobacco business, although trends are better than earlier forecasts**
- **Continued growth in the international tobacco business**

Highlights

- **Adjusted net sales excluding tax¹ and EBITDA²** remained flat in comparison to the same period of prior year at ¥1,487.6 billion and ¥424.5 billion, respectively. Growth in the international tobacco business offset sales declines in the Japanese domestic tobacco business.
- **Operating income³ and Net income³** increased 4.8% and 11.8% respectively, reflecting increased sales in the international tobacco business and lower depreciation and amortization costs in the Japanese domestic tobacco business. Net income was additionally affected by improvement in non-operating expenses.
- **Japanese Domestic Tobacco Business:** Following heightened demand in the second quarter ahead of the 1st October tobacco excise increase, sales volume⁴ decreased by 9.0% (2Q: +27.9%, 3Q:-47.7%). Adjusted net sales excluding tax⁵ decreased by 2.6%. Market shares for all brands and for the key brands⁶ were 64.4% (FY2009: 64.9%) and 44.9%⁷ (FY2009: 45.1%).
- **International Tobacco Business:** Core net sales excluding tax⁸ and EBITDA⁹ continued to grow, increasing by 8.0% and 12.4% respectively in US dollars, driven by strong pricing and favourable foreign exchange rates. Increases were also recorded at constant rates of exchange and in Japanese Yen. GFB¹⁰ shipment volume regained momentum, increasing by 1.5%. Market share¹¹ continued to grow in most key markets.
- **Forecast:** Although the sales volume for the Japanese domestic tobacco business is forecast to decrease 36% in the second half of the fiscal year, we are increasing our full year forecast, primarily due to better than expected latest trends in that business. Adjusted net sales excluding tax and EBITDA forecasts are revised to ¥1,958.0 billion and ¥523.0 billion respectively, slightly below the prior year numbers.

Consolidated financial results for the 9 months ended December 31, 2010

Units: Billions of Yen

	3Q FY03/2010 (A)	3Q FY03/2011 (B)	Difference (B)-(A)	Net Change (%)
Net sales including tax	4,651.8	4,647.9	-3.9	-0.1
Adjusted net sales Excluding tax	1,496.1	1,487.6	-8.5	-0.6
EBITDA	425.7	424.5	-1.1	-0.3
Operating income	252.5	264.5	12.0	4.8
Net income	106.9	119.5	12.6	11.8

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

“While our domestic tobacco business is affected by a significant reduction in demand following the introduction of the October excise increase, latest sales volume trends are steadier than expected. Given the prices consumers must now pay for tobacco products, we will continue to focus on offering quality brands and services that meet their expectations. Internationally, our EBITDA growth was strong with GFB volume growth and market share increases in most key markets.”



Results by Business Segment

➤ **Japanese Domestic Tobacco Business**

Total sales volume¹² decreased by 9.0%. Sales volume increased 27.9% in the second quarter caused by heightened demand ahead of the 1st October tobacco excise and retail price increases. This increase was followed by a 47.7% fall off in demand in the third quarter. While this fall off was significant, recent trends are better than earlier forecasts. Adjusted net sales excluding tax and EBITDA decreased by 2.6% to ¥464.1 billion and by 7.0% to ¥185.1 billion respectively in April-December.

The all brands' and the key brands' market shares were 64.4% (FY2009: 64.9%) and 44.9% (FY2009: 45.1%) respectively.

Marketing initiatives with a focus on product innovation and improvements continued. In January "Mild Seven D-SPEC One 100's BOX" was launched nationwide, featuring JT's D-spec technology which reduces cigarette smells. Later this month the packaging of five non-menthol "Mild Seven" products will be redesigned to incorporate round-corner boxes.

Units: Billions of Yen, Billions of Cigarettes			
	3Q FY03/2010	3Q FY03/2011	Net change (%)
Net sales including tax	2,352.9	2,310.2	-1.8
Adjusted net sales excluding tax	476.4	464.1	-2.6
EBITDA	199.1	185.1	-7.0
Operating income	159.3	151.4	-4.9
Total sales volume	117.4	106.8	-9.0

➤ **International Tobacco Business**

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

Core net sales excluding tax and EBITDA increased by 5.6% to US\$ 7,423 million and by 7.8% to US\$ 2,538 million respectively at constant rates of exchange, driven by strong pricing. In Japanese Yen, the increases were 1.8% and 5.9% respectively, despite the strong appreciation of the currency.

Market share has continued to grow in the key markets of Turkey, Italy, France and Russia.

Total shipment volume¹³ decreased by 1.9% to 319.5 billion cigarettes due to industry contraction in Russia, Ukraine, Romania and Spain. GFB shipment volume increased by 1.5% to 185.1 billion cigarettes largely due to increases in the Middle East, Turkey, Poland, France and Korea. During July–September 2010, total shipment volume increased by 4.8% compared to the same period in 2009.

Units: Billions of Yen, Billions of Cigarettes			
	January – September 2009	January – September 2010	Net change (%)
Net sales including tax	1946.5	1993.5	2.4
Core net sales excluding tax	667.3	679.3	1.8
EBITDA	223.5	236.7	5.9
Operating income	117.9	136.8	16.1
Total shipment volume	325.6	319.5	-1.9
GFB shipment volume	182.4	185.1	1.5



➤ **Pharmaceutical Business**

Net sales increased to ¥35.9 billion, as Torii Pharmaceutical's REMITCH[®] CAPSULES, an anti-pruritus drug for hemodialysis patients, and its Truvada[®] Tablets, an anti-HIV drug, continued to perform well. Revenue received as milestone payments also contributed to the increase in net sales. EBITDA remained virtually flat at -¥6.4 billion due to increases in costs and expenses. JT currently has 10 compounds in clinical trial, all of which are listed in the attachment to this release.

Units: Billions of Yen

	3Q FY03/2010 (A)	3Q FY03/2011 (B)	Difference (B) - (A)
Net sales	34.3	35.9	1.6
EBITDA	-6.2	-6.4	-0.1
Operating income	-9.1	-9.4	-0.2

➤ **Food Business**

While the summer 2010 heat wave and the good performance mainly driven by Roots, our flagship coffee brand, contributed to increased sales in the beverages business, overall net sales declined to ¥293.6 billion due to the closure of the rice wholesale business, the exclusion of certain subsidiaries from the consolidated accounts and lower out-of-home product sales in the processed foods and seasonings business. EBITDA improved to ¥14.2 billion, as the beverages business' performance offset lower profits in the processed foods and seasonings business.

Units: Billions of Yen

	3Q FY03/2010 (A)	3Q FY03/2011 (B)	Difference (B) - (A)
Net sales	303.2	293.6	-9.5
EBITDA	14.0	14.2	0.1
Operating income	-7.3	-5.5	1.8

Non-Operating Results & Extraordinary Profits and Losses

Non-operating profits and losses improved to ¥-16.1 billion (3Q FY2009: ¥-36.9 billion) primarily because of lower currency forward contract valuation losses relating to cash flow hedging and reduced interest expense. Extraordinary profits and losses were ¥-25.4 billion (3Q FY2009: ¥1.0 billion). This change was due to fewer non-current asset disposals when compared to the prior year, resulting in a reduced gain. In addition, 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, also affected the loss figure.



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

Full year forecasts for adjusted net sales excluding tax and EBITDA have been upwardly revised to ¥1,958.0 billion and ¥523.0 billion respectively, marginally below the prior year numbers. This increase primarily reflects better than expected latest trends in the domestic tobacco business following the introduction of the October tobacco excise increase which has exacerbated ongoing market contraction.

Units: Billions of Yen

	FY03/2010 Actual	FY03/2011 Previous Forecast	FY03/2011 Updated Forecast	Change from FY03/2011 Previous Forecast (C)-(B)	Change from FY03/2010 Actual (C)-(A)
	(A)	(B)	(C)	(C)-(B)	(C)-(A)
Net sales including tax	6,134.6	5,910.0	6,120.0	210.0	-14.6 (-0.2%)
Adjusted net sales excluding Tax	1,980.9	1,905.0	1,958.0	53.0	-22.9 (-1.2%)
EBITDA	526.7	495.0	523.0	28.0	-3.7 (-0.7%)
Operating income	296.5	281.0	308.0	27.0	11.4 (3.9%)
Net income	138.4	115.0	136.0	21.0	-2.4 (-1.8%)

- For the Japanese domestic tobacco business, the adjusted net sales excluding tax and EBITDA forecasts have been increased, reflecting updates to sales volume forecast. Total sales volume is forecast to decrease 36% in the second half of the fiscal year and 12.1% in the full year, following the introduction of the October tobacco excise increase.
- In the international tobacco business, core net sales excluding tax and EBITDA forecasts have been marginally increased, primarily to take account of currency exchange movements.
- The pharmaceutical's net sales forecast has been upwardly revised to take account of an increase in milestone revenue. However, while revenue has increased, the EBITDA forecast has been revised downward to reflect an upfront payment made by Torii Pharmaceutical in respect of a license agreement to develop and commercialise allergy immunotherapy products in Japan.
- In the food business, net sales and EBITDA forecasts have been increased to reflect the positive performance of the beverages business.



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 tax¹ 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 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.

³ Net income and operating income before amortization of goodwill were ¥188.9 billion and ¥334.0 billion, respectively.

⁴ Sales volume from both domestic duty free and the China Division in the Japanese domestic tobacco business is not incorporated in the figures.

⁵ 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.

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 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.

¹¹ Source: AC Nielsen and JTI internal data on a 12-month rolling average, September 2010.

¹² Sales volume from both domestic duty free and the China Division in the Japanese domestic tobacco business is not incorporated in the figures.

¹³ Total shipment volume (which was previously designated "sales volume") includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing.

¹⁴ The exchange rate assumptions for US \$1.00 are; Ruble 30.10, UK Sterling 0.64, Euro 0.75 and ¥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.

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

1. Summary of Business Performance

(unit: JPY billion)

	9 months ended Dec. 2009	9 months ended Dec. 2010	Change
Net Sales including excise tax	4,651.8	4,647.9	-3.9
Net Sales excluding excise tax *	1,496.1	1,487.6	-8.5
EBITDA	425.7	424.5	-1.1
Operating Income	252.5	264.5	12.0
Recurring Profit	215.6	248.4	32.8
Net Income	106.9	119.5	12.6

* 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	326.9	334.0	7.0
Recurring Profit	290.0	317.8	27.8
Net Income	181.3	188.9	7.6

2. Breakdown of net sales

(unit: JPY billion)

	9 months ended Dec. 2009	9 months ended Dec. 2010	Change
Net sales including excise tax ^{*1}	4,651.8	4,647.9	-3.9
Japanese domestic tobacco	2,352.9	2,310.2	-42.7
International tobacco ^{*1}	1,946.5	1,993.5	46.9
Adjusted net sales excluding excise tax ^{*1 *2 *3}	1,496.1	1,487.6	-8.5
Japanese domestic tobacco ^{*2}	476.4	464.1	-12.2
International tobacco ^{*1 *3}	667.3	679.3	11.9
Pharmaceutical	34.3	35.9	1.6
Food	303.2	293.6	-9.5
Beverages	142.7	149.3	6.5
Processed foods	160.5	144.3	-16.1
Others	14.7	14.4	-0.2

*1 International tobacco business: 9 months ended Sep

*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	7,028	7,591	563
Core net sales excl. excise tax ^{*1 *3}			

3. Leaf tobacco reappraisal profit / loss *

(unit: JPY billion)

	9 months ended Dec. 2009	9 months ended Dec. 2010	Change
Leaf tobacco reappraisal profit / loss	-3.1	-	3.1

* Profit when denoted negative

4. Breakdown of SG&A expenses

(unit: JPY billion)

	9 months ended Dec. 2009	9 months ended Dec. 2010	Change
SG&A	598.1	581.4	-16.7
Personnel *	161.9	157.3	-4.5
Advertising and general publicity	14.7	14.7	0.0
Sales promotion	102.9	101.2	-1.7
R&D	36.9	37.4	0.4
Depreciation and amortization	55.1	45.8	-9.2
Others	226.4	224.6	-1.7

* 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)

	9 months ended Dec. 2009 (Former standard)	9 months ended Dec. 2009 (New standard)	9 months ended Dec. 2010 (New standard)	Change (New standard)
Consolidated EBITDA	425.7	425.7	424.5	-1.1
Operating income	252.5	252.5	264.5	12.0
Depreciation and amortization ^{*2}	173.1	173.1	160.0	-13.1
Japanese domestic tobacco EBITDA	205.1	199.1	185.1	-13.9
Operating income	163.9	159.3	151.4	-7.8
Depreciation and amortization ^{*2}	41.1	39.7	33.6	-6.1
International tobacco EBITDA ^{*3}	202.9	223.5	236.7	13.2
Operating income	97.3	117.9	136.8	18.9
Depreciation and amortization ^{*2}	105.6	105.6	99.8	-5.7
Pharmaceutical EBITDA	-6.2	-6.2	-6.4	-0.2
Operating income	-9.1	-9.1	-9.4	-0.1
Depreciation and amortization ^{*2}	2.9	2.9	3.0	0.1
Food EBITDA	14.0	14.0	14.2	0.1
Operating income	-7.3	-7.3	-5.5	1.8
Depreciation and amortization ^{*2}	21.4	21.4	19.7	-1.6
Other/Elimination and corporate EBITDA	9.8	-4.7	-5.1	-0.4
Operating income	7.7	-8.2	-8.8	-0.6
Depreciation and amortization ^{*2}	2.1	3.4	3.6	0.1

(Reference)

(unit: USD million)

	9 months ended Sep. 2009	9 months ended Sep. 2010	Change
International tobacco EBITDA (Before royalty payment)	2,354	2,646	291

*1 EBITDA=operating income + depreciation and amortization²

*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: 9 months ended Sep

6. Amortization relating to major acquisitions

(unit: USD million)

Goodwill Amortization relating to major acquisitions	9 months ended Dec. 2009	9 months ended Dec. 2010	Years to amortize
International tobacco business			
Former RJRI and Gallaher	680	687	20

* Including former RJRI, Gallaher and others

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

Food business	9 months ended Dec. 2009*	9 months ended Dec. 2010	Years to amortize
TableMark (Former Katokichi)	8.0	6.8	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	9 months ended Dec. 2009	9 months ended Dec. 2010	Years to amortize
Former RJRI	2.8	-	10

* Terminated in Apr-09

International Tobacco Business	9 months ended Sep. 2009	9 months ended Sep. 2010	Years to amortize
Former RJRI and Gallaher	179	180	mainly 20

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

7. Capital expenditure

(unit: JPY billion)

	9 months ended Dec. 2009 (Former standard)	9 months ended Dec. 2009 (New standard)	9 months ended Dec. 2010 (New standard)	Change (New standard)
Capital expenditures	92.5	92.5	104.5	11.9
Japanese domestic tobacco	31.2	28.6	36.7	8.0
International tobacco *	41.0	41.0	42.6	1.5
Pharmaceutical	2.0	1.8	2.3	0.5
Food	17.7	17.7	20.8	3.0
Other/Elimination and corporate	0.3	3.2	2.0	-1.2

* International tobacco business: 9 months ended Sep

8. Cash and cash equivalents *

(unit: JPY billion)

	As of end of Mar. 2010	As of end of Dec. 2010	Change
Cash and cash equivalents	167.3	253.0	85.6

* 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 Dec. 2010	Change
Interest-bearing debt	874.3	724.7	-149.6

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

10. Business data

<Japanese domestic tobacco business>	9 months ended Dec. 2009	9 months ended Dec. 2010	Change
JT sales volume* (billion cigarettes)	117.4	106.8	-10.5
Total demand (billion cigarettes)	180.8	165.8	-14.9
JT market share	65.0%	64.4%	- 0.6%pt
JT net sales before tax per 1,000 cigarettes (JPY)	12,691	13,572	881
JT net sales after tax per 1,000 cigarettes (JPY)	4,056	4,335	279

* Sales volume of domestic duty-free and China division is excluded, which was 2.8 billion for 9 months ended Dec. 2009 and 2.7 billion for 9 months ended Dec. 2010, respectively.

<International tobacco business>	9 months ended Sep. 2009	9 months ended Sep. 2010	Change
Total shipment volume* (billion cigarettes)	325.6	319.5	-6.1
GFB shipment volume (billion cigarettes)	182.4	185.1	2.7
JPY/USD rate for consolidation (JPY)	94.96	89.49	+6.1%
RUB/USD rate for consolidation (RUB)	32.54	30.24	+7.6%
GBP/USD rate for consolidation (GBP)	0.66	0.65	+1.4%
EUR/USD rate for consolidation (EUR)	0.74	0.75	-1.2%

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

<Pharmaceutical business>	9 months ended Dec. 2009	9 months ended Dec. 2010	Change
R&D expenses (parent company) (JPY billion)	16.5	16.3	-0.1

<Food business - Beverage business>	As of end of Mar. 2010	As of end of Dec. 2010	Change
Number of beverage vending machines *	257,000	267,000	10,000
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.

Data sheets for 9 months ended Dec. 2010

Data Sheet (2)

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

(JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax	5,910.0	6,120.0	210.0
EBITDA	495.0	523.0	28.0
Operating income	281.0	308.0	27.0
Recurring profit	261.0	291.0	30.0
Net income	115.0	136.0	21.0
Return on Equity	6.9%	8.1%	1.2%pt
Free cash flow*	125.0	225.0	100.0
(Reference: Before goodwill amortization) (JPY billion)			
Net income	205.0	227.0	22.0
EPS (JPY)	21,408.96	23,694.95	2,285.99
Cash dividends per share (JPY)	5,600	5,600	-
Payout Ratio	26.2%	23.6%	-2.6%

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

	Previous forecast	Revised forecast	Change
Net sales including excise tax ^{*1}	5,910.0	6,120.0	210.0
Japanese domestic tobacco	2,848.0	3,024.0	176.0
International tobacco ^{*1}	2,614.0	2,650.0	36.0
Adjusted net sales excl. excise tax ^{*1*2*3}	1,905.0	1,958.0	53.0
Japanese domestic tobacco ^{*2}	568.0	611.0	43.0
International tobacco ^{*1*3}	891.0	897.5	6.5
Pharmaceutical	45.5	46.0	0.5
Food	383.0	385.0	2.0
Others	18.5	18.5	0.0
EBITDA ^{*1*5}	495.0	523.0	28.0
Japanese domestic tobacco	219.0	245.0	26.0
International tobacco ^{*1}	284.0	288.0	4.0
Pharmaceutical	-13.0	-15.0	-2.0
Food	15.0	16.0	1.0
Others/Elimination and corporate	-9.0	-10.5	-1.5
Operating income ^{*1}	281.0	308.0	27.0
Japanese domestic tobacco	172.0	199.0	27.0
International tobacco ^{*1}	153.0	155.0	2.0
Pharmaceutical	-17.0	-19.0	-2.0
Food	-12.5	-11.0	1.5
Others/Elimination and corporate	-14.0	-16.0	-2.0
Depreciation and amortization ^{*1*6}	214.0	215.0	1.0
Japanese domestic tobacco	47.0	46.0	-1.0
International tobacco ^{*1}	131.0	133.0	2.0
Pharmaceutical	4.0	4.0	0.0
Food	27.5	27.0	-0.5
Others/Elimination and corporate	5.0	5.5	0.5
(JPY billion)			
Capital expenditures	165.0	159.0	-6.0
Japanese domestic tobacco	64.5	59.0	-5.5
International tobacco ^{*1}	63.0	61.0	-2.0
Pharmaceutical	3.0	3.0	0.0
Food	31.0	32.0	1.0
Others/Elimination and corporate	4.5	4.0	-0.5

(Reference) (unit: USD million)

	Previous forecast	Revised forecast	Change
International tobacco	10,240	10,223	△ 17
Core net sales excl. excise tax ^{*1*3}			
International tobacco EBITDA ^{*1}	3,260	3,281	21
(Before royalty payment)			

*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	125.5	133.5	8.0

*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*	428.5	428.4	-0.1
GFB shipment volume	250.0	249.8	-2.0
JPY/USD rate	87.00	87.79	-0.9%
RUB/USD rate	30.10	30.36	-0.9%
GBP/USD rate	0.64	0.65	-1.5%
EUR/USD rate	0.75	0.75	-

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

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	6,120.0	-14.6
EBITDA	526.7	523.0	-3.7
Operating income	296.5	308.0	11.4
Recurring profit	255.3	291.0	35.6
Net income	138.4	136.0	-2.4
Return on Equity	8.6%	8.1%	-0.5%pt
Free cash flow*	250.7	225.0	-25.7
(Reference: Before goodwill amortization) (JPY billion)			
Net income	235.8	227.0	-8.8
EPS (JPY)	24,621.42	23,694.95	-926.47
Cash dividends per share (JPY)	5,800	5,600	-200
Payout Ratio	23.6%	23.6%	-

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	6,120.0	-14.6
Japanese domestic tobacco	3,042.8	3,042.8	3,024.0	-18.8
International tobacco ^{*1}	2,633.6	2,633.6	2,650.0	16.3
Adjusted net sales excl. excise tax ^{*1*2*3}	1,980.9	1,980.9	1,958.0	-22.9
Japanese domestic tobacco ^{*2}	615.9	615.9	611.0	-4.9
International tobacco ^{*1*3}	906.7	906.7	897.5	-9.2
Pharmaceutical	44.0	44.0	46.0	1.9
Food	394.6	394.6	385.0	-9.6
Others	19.5	19.5	18.5	-1.0
EBITDA ^{*1*5}	526.7	526.7	523.0	-3.7
Japanese domestic tobacco	257.6	251.2	245.0	-6.2
International tobacco ^{*1}	249.8	277.6	288.0	10.3
Pharmaceutical	-9.6	-9.6	-15.0	-5.3
Food	14.4	14.4	16.0	1.5
Others/Elimination and corporate	14.3	-7.0	-10.5	-3.4
Operating income ^{*1}	296.5	296.5	308.0	11.4
Japanese domestic tobacco	203.3	198.7	199.0	0.2
International tobacco ^{*1}	109.1	136.9	155.0	18.0
Pharmaceutical	-13.5	-13.5	-19.0	-5.4
Food	-13.6	-13.6	-11.0	2.6
Others/Elimination and corporate	11.3	-11.8	-16.0	-4.1
Depreciation and amortization ^{*1*6}	230.1	230.1	215.0	-15.1
Japanese domestic tobacco	54.3	52.5	46.0	-6.5
International tobacco ^{*1}	140.7	140.7	133.0	-7.7
Pharmaceutical	3.9	3.9	4.0	0.0
Food	28.1	28.1	27.0	-1.1
Others/Elimination and corporate	3.0	4.8	5.5	0.6
(JPY billion)				
Capital expenditures	137.1	137.1	159.0	21.8
Japanese domestic tobacco	45.8	42.6	59.0	16.3
International tobacco ^{*1}	64.5	64.5	61.0	-3.5
Pharmaceutical	2.9	2.6	3.0	0.3
Food	23.4	23.4	32.0	8.5
Others/Elimination and corporate	0.3	3.8	4.0	0.1

(Reference) (unit: USD million)			
	FY 03/2010	Revised forecast	Change
International tobacco			
Core net sales excl. excise tax ^{*1*3}	9,682	10,223	540
International tobacco EBITDA ^{*1} (Before royalty payment)	2,965	3,281	316

^{*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	133.5	-18.3

*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	428.4	-6.5
GFB shipment volume	243.4	249.8	6.5
JPY/USD rate	93.65	87.79	+6.7%
RUB/USD rate	31.77	30.36	+4.6%
GBP/USD rate	0.65	0.65	+0.2%
EUR/USD rate	0.73	0.75	-3.0%

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

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

	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	20.3		

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	413.3		

* 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	17,349		

* 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	5,539		

* Net sales excluding excise tax per thousand cigarettes

= (retail price sales-retailer margins-consumption tax-excise taxes)/sales volume×1,000

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	62.7		

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	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	24.0		

(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	63.3		

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	8.7		

(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	25.7		

(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	33.8		

3. JPY 440 or above*

(1) JT JPY 440 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	17.4		

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

	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	38.3		

(3) JT Share in JPY 440 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	45.5		

* JPY 320 or above, before Oct 2010

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2009	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	10.44		

* 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 February 7, 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.
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 RNA polymerase 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 October 28, 2010: none

Additional Note:

Glaxo Smithkline (U.K.) has announced in January 2011 that the MEK inhibitor, which has been licensed from JT, has entered Phase 3 study for melanoma.