

<Key Q&A>

Consolidated Group Result:

Q: How was the overview of consolidated financial results for the first quarter of the fiscal year ending March 2012?

A: In the first quarter of the fiscal year ending March 2012, adjusted net sales and EBITA declined, affected by volume decline following tax and price increase and earthquake impact in the Japanese domestic tobacco business and foreign exchange impact of strong yen in the International tobacco business.

Extraordinary profits and losses deteriorated due to additional losses related to the impact of the Great East Japan Earthquake and restructuring costs, which outweighed the absence of the payment of a fine to the Canadian authorities made in the previous year. However, net income grew due to a decrease in corporate tax payment resulting from decline in profits.

Q: What do you expect the forecast for the year ending March 2012?

A: For the fiscal year ending March 2012, consolidated profits are projected to grow due to pricing in the Japanese domestic tobacco business as well as in the international tobacco business, which will more than offset decline in sales volume in the Japanese domestic tobacco business caused by tax and price increase and earthquake impact, and foreign exchange impact of strong yen in the international tobacco business.

In the Japanese domestic tobacco business, adjusted net sales and profits are projected to decline affected by volume decline caused by the tax and price increase and the earthquake impact.

In the international tobacco business, core net sales and profits are projected to increase driven by price/mix.

In the pharmaceutical business, net sales are projected to increase while profits are projected to decline due to increased in R&D expenses by considering the progress of compound development.

In the food business, profits are projected to grow, driven by increase in profitability through concentration of resources on flagship brand "Roots", staple food products, such as frozen noodles, cooked packed rice and baked frozen bread, and seasonings.

Japanese Domestic Tobacco Business:

Q. How was volume performance for the first quarter of the fiscal year ending March 2012?

A. Following the Great East Japan Earthquake, we temporarily suspended shipment, and after resuming shipment, we limited the range of products shipped and placed a ceiling on the purchase order. However, as we sequentially resumed shipment, we expedited shipment of all 73 products to July 18 and we removed the purchase order ceilings for 57 products. We plan to remove the purchase order ceilings for all products on August 1. In addition to tax and price increase in last October, since the earthquake impact forced us to restrict supply, sales volume declined 48.8%. From now on, we will make maximum efforts to strengthen our competitiveness, including aggressive and effective new product launches primarily for our key brands as well as effective promotion of sales campaign.

Q. What do you expect the volume forecast for the year ending March 2012?

A. Annual sales volume is projected at 102.0 billion cigarettes due to impact from tax and price increase and earthquake

International Tobacco Business:

Q. How was volume performance for the second quarter of 2011?

A. For the April to June period, GFB shipment volume increased 4.0% due to strong performance of Winston and LD in Russia (resumption of up-trading), Winston in Italy (momentum). Total shipment volume remained almost flat at -0.2%, as the positive performance in various markets could not offset the sales volume decline following tax and price increase in Ukraine and Spain.

Q. How were core net sales excluding tax performance for the second quarter of 2011?

A. US Dollar based core net sales excluding tax grew 9.3%, driven by price/mix and favorable currency exchange movements. At constant rates of exchange, US Dollar based core net sales grew by 6.2%. Price/mix which continued to be the growth driver for the April-June period, is improving in Russia, UK, Ukraine, France, Kazakhstan, Taiwan and Korea.