

Consolidated Financial Results for 1H FY 3/2008 and Full-term Forecasts for FY 3/2008



Caution concerning forward-looking statements

Forward-Looking and Cautionary Statements

This presentation contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements reflect future expectations, identify strategies, discuss market trends, contain projections of operational results and financial conditions, and 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 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 related to the use of tobacco products;
- (2) legal or regulatory developments and changes; including, without limitation, tax increases and restrictions on sales, marketing and use of tobacco products, 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 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.



Financial Results for 1H FY 3/2008



Results for 1H FY 3/2008

■ Summary of Performance

Sales and profits recorded historical highs due to the continuing top-line growth of the international tobacco business, as well as the addition of Gallaher results to the consolidated performance.

(Unit: JPY billion)

	1H FY 3/2007	1H FY 3/2008	Change
Sales incl. Taxes	2,377.6	2,914.0	536.4 (+22.6%)
Sales excl. Taxes	1,022.3	1,198.6	176.3 (+17.2%)
EBITDA	242.3	294.8	52.5 (+21.7%)
Operating Income	177.8	219.1	41.3 (+23.2%)
Recurring Profit	177.2	201.0	23.7 (+13.4%)
Net Income	122.6	132.3	9.7 (+7.9%)



Results for 1H FY 3/2008

Domestic Tobacco Business

The sales volume declined due to retail price revisions resulting from a tax hike in July 2007. As a result, though the average selling price rose thanks to a revision of the price of Mild Seven, both sales and profits declined due to rise in materials costs and sales promotion expenses.

(Unit: JPY billion)

	1H FY 3/2007	1H FY 3/2008	Change
Sales incl. Taxes	1,731.1	1,723.3	-7.8 (-0.5%)
Sales excl. Taxes (Excl. imported cigarettes)	373.8	365.1	-8.7 (-2.3%)
EBITDA	174.2	165.4	-8.7 (-5.0%)
Operating Income	134.8	124.5	-10.2 (-7.6%)

(Unit: billion cigarettes)

	90.9	85.8	-5.1 (-5.6%)
Sales Volume of JT Products			

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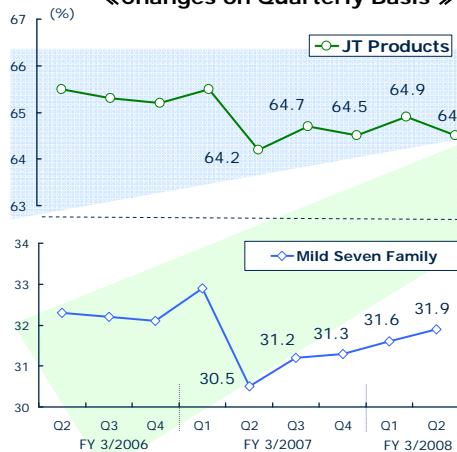


Results for 1H FY 3/2008

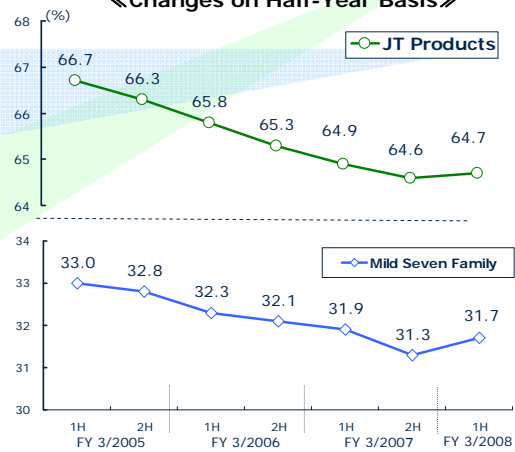
Domestic Tobacco Business – Market Share of JT Products ※

※ New Basis = JT original products + JTI products for Japanese market (Camel, Winston, Salem, etc.)

«Changes on Quarterly Basis»



«Changes on Half-Year Basis»



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Results for 1H FY 3/2008

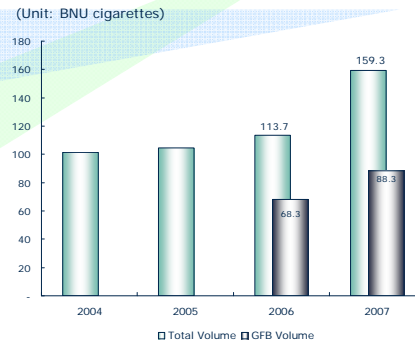
International Tobacco Business

Results far exceeded the figures for the previous year due to the top-line growth, as well as the addition of Gallaher's results to the consolidated performance.

(Unit: JPY billion)

	1H FY 3/2007	1H FY 3/2008	Change
Sales incl. Taxes	468.3	1,005.4	537.1 (+114.7%)
Sales excl. Taxes (Excl. Distribution Business)	256.2	403.0	146.7 (+57.3%)
EBITDA	54.7	118.3	63.5 (+116.0%)
Operating Income	39.7	92.7	52.9 (+133.4%)
Exchange Rate (JPY/USD)	115.73	120.15	4.42
(Reference) Before royalty payment to JT (Unit: USD million)			
EBITDA	532	1,058	526 (+98.9%)

«Total sales volume in January to June»



Note) GFBs in 2006: Winston, Camel, Mild Seven
GFBs in 2007 (after April 18, 2007):
Winston, Camel, Mild Seven, B&H, Silk Cut, LD, Sobranie, Glamour

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Results for 1H FY 3/2008

Pharmaceutical Business

Both sales and profits declined due to the temporary income in the previous year from the product licensing-out and an increase in R&D expenses.

However, three new items moved into the clinical development stage, and efforts are underway to ensure steady advance in clinical development and enhance the R&D pipeline.

(Unit: JPY billion)

	1H FY 3/2007	1H FY 3/2008	Change
Sales	23.0	22.1	-0.9 (-4.1%)
EBITDA	-3.9	-5.8	-1.9 -
Operating Income	-5.3	-7.4	-2.0 -

Clinical Development (as of October 31, 2007)

Code	Indication	Stage
JTT-705 (oral)	Dyslipidemia	Japan: Phase 1
JTT-130 (oral)	Hyperlipidemia	Japan: Phase 2 Overseas: Phase 2
JTK-303 (oral)	HIV infection	Japan: Phase 1
JTT-302 (oral)	Dyslipidemia	Overseas: Phase 2
JTT-305 (oral)	Osteoporosis	Japan: Phase 2 Overseas: Phase 1
JTT-552 (oral)	Hyperuricemia	Japan: Phase 1
JTT-553 (oral)	Obesity	Overseas: Phase 1
JTT-651 (oral)	Type 2 diabetes mellitus	Japan: Phase 1
JTK-652 (oral)	Hepatitis C	Overseas: Phase 1

Newly introduced into clinical development

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Results for 1H FY 3/2008

■ Foods Business

Despite sales growth in the beverage and processed foods businesses, profits declined due to increasing materials and labor costs. Efforts are underway to improve and strengthen the foundation of the business.

(Unit: JPY billion)

	1H FY 3/2007	1H FY 3/2008	Change
Sales	144.6	152.0	7.4 (+5.1%)
EBITDA	7.1	5.9	-1.2 (-17.6%)
Operating Income	4.3	3.7	-0.6 (-14.4%)



Roots "Product"



Green Tea
"Tsuji"



"Obento Daininki" Series
"Fukkura Omelet"



"Imadoki Wasen" Series
"Renkon Hasami Fry"

Full-term Forecasts for FY 3/2008

Full-term Forecasts for FY 3/2008

Domestic Tobacco Business

The forecasts for EBITDA and operating income remain unchanged at the initially estimated levels.

(Unit: JPY billion)

	FY 3/2007 Actual (A)	FY 3/2008 Initial Forecast (B)	FY 3/2008 Revised Forecast (C)	Change from Initial Forecast (C-B)	Change from FY 3/2007 Actual (C-A)
Sales incl. Taxes	3,416.2	3,398.0	3,368.0	-30.0 (-0.9%)	-48.2 (-1.4%)
Sales incl. Taxes (Excl. Imported Tobacco)	2,200.0	2,169.0	2,171.0	2.0 (+0.1%)	-29.0 (-1.3%)
EBITDA	326.4	300.0	300.0	0.0 (No change)	-26.4 (-8.1%)
Operating Income	245.3	213.0	213.0	0.0 (No change)	-32.3 (-13.2%)

【Major assumptions】

(Unit: billion cigarettes)

	174.9	168.0	168.0	0.0 (No change)	-6.9 (-4.0%)
Sales Volume of JT Products					

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Full-term Forecasts for FY 3/2008

International Tobacco Business

Upward revision for EBITDA forecast, due to the continuing top-line growth.

(Unit: JPY billion)

	FY 3/2007 Actual (A)	FY 3/2008 1Q Revised Forecast (B)	FY 3/2008 Revised Forecast (C)	Change from 1Q Forecast (C-B)	Change from FY 3/2007 Actual (C-A)
Sales incl. Taxes	999.6	2,650.0	2,630.0	-20.0 (-0.8%)	1,630.3 (+163.1%)
Sales incl. Taxes (Excl. Distribution Business)	999.6	-	2,370.0	-	1,370.3 (+137.1%)
EBITDA	112.6	252.0	254.0	2.0 (+0.8%)	141.3 (+125.4%)
Operating Income	81.0	203.0	193.0	-10.0 (-4.9%)	111.9 (+138.0%)

(Reference)

(Unit: USD million)

	1,090	2,250	2,310	60 (+2.7%)	1,220 (+111.9%)
EBITDA (Before royalty payment to JT)					

【Major Assumptions】

	240.1	380.0	385.0	5.0 (+1.3%)	144.9 (+60.3%)
Total Sales Volume (billion cigarettes)					
GFB Sales Volume (billion cigarettes)	146.8	202.0	203.0	1.0 (+0.5%)	56.2 (+38.3%)
Exchange Rate (JPY/USD)	116.38	120.00	118.00	-2.00	1.62

Note 1: Revised forecasts include F-JTI results from Jan.-Dec. 2007 and approx. 8.5 months of F-Gallaher results.

Note 2: GFBs in FY 3/2007: Winston, Camel, Mild Seven

GFBs in FY 3/2008 (after April 18, 2007): Winston, Camel, Mild Seven, B&H, Silk Cut, LD, Sobranie, Glamour

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Full-term Forecasts for FY 3/2008

Pharmaceutical Business

- Downward revision due to a contract lump-sum payment for the introduction of new compound.

(Unit: JPY billion)

	FY 3/2007 Actual (A)	FY 3/2008 Initial Forecast (B)	FY 3/2008 Revised Forecast (C)	Change from Initial Forecast (C-B)	Change from FY 3/2007 Actual (C-A)
Sales	45.4	44.0	43.5	-0.5 (-1.1%)	-1.9 (-4.3%)
EBITDA	-8.1	-11.5	-13.0	-1.5	-4.8
Operating Income	-11.2	-15.0	-16.5	-1.5	-5.2

Foods Business

- Downward revision due to reduced profit of chilled processed foods.

(Unit: JPY billion)

	FY 3/2007 Actual (A)	FY 3/2008 Initial Forecast (B)	FY 3/2008 Revised Forecast (C)	Change from Initial Forecast (C-B)	Change from FY 3/2007 Actual (C-A)
Sales	286.5	298.0	297.0	-1.0 (-0.3%)	10.4 (+3.6%)
EBITDA	12.0	12.5	11.5	-1.0 (-8.0%)	-0.5 (-4.3%)
Operating Income	6.7	8.0	7.0	-1.0 (-12.5%)	0.2 (+4.4%)

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Full-term Forecasts for FY 3/2008

Consolidated Financial Forecasts

The forecasts reflect the amortization of trademarks accompanied by Gallaher acquisition.

(Unit: JPY billion)

	FY 3/2007 Actual (A)	FY 3/2008 1Q Revised Forecast (B)	FY 3/2008 Revised Forecast (C)	Change from 1Q Forecast (C-B)	Change from FY 3/2007 Actual (C-A)
Sales incl. Taxes	4,769.3	6,410.0	6,360.0	-50.0 (-0.8%)	1,590.6 (+33.4%)
EBITDA	464.6	574.0	572.0	-2.0 (-0.3%)	107.3 (+23.1%)
Operating Income	331.9	419.0	405.0	-14.0 (-3.3%)	73.0 (+22.0%)
Recurring Profit	312.0	382.0	370.0	-12.0 (-3.1%)	57.9 (+18.6%)
Net Income	210.7	256.0	256.0	0.0 (No change)	45.2 (+21.5%)

Note: Revised forecasts for the international tobacco business include f-JTI results from Jan.-Dec. 2007 and approx. 8.5 months of f-Gallaher results.

Trademarks and goodwill accompanied by Gallaher acquisition (at the time of acquisition)

- Value of trademarks: approx. USD 4.4 billion (approx. JPY 523.2 billion, amortized from FY 3/2008)
- Value of goodwill: approx. USD 14.7 billion (approx. JPY 1,751.5 billion, to be amortized from FY 3/2009)
- Amortization period: 20 years

Note1) The yen equivalent of trademarks and goodwill are calculated by the JPY/USD rate at the time of acquisition (April 18, 2007)
Note2) These figures may be revised, as a result of purchase-price-allocation.

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[Reference Material]

Analysis of Consolidated Financial Results for 1H FY 3/2008 and Full-term Forecast for FY 3/2008



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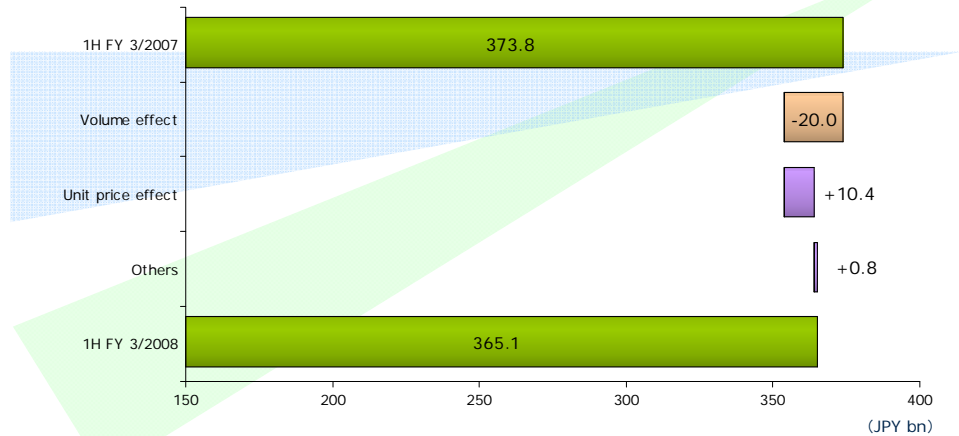
- (1) health concerns relating to the use of tobacco products;
- (2) legal or regulatory developments and changes; including, without limitation, tax increases and restrictions on the sale, marketing and usage of tobacco products, governmental investigations and privately imposed smoking restrictions;
- (3) litigation in Japan and elsewhere;
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Results for 1H FY 3/2008

Domestic Tobacco Business – Net sales excl. tobacco excise tax*

*Excluding imported tobacco

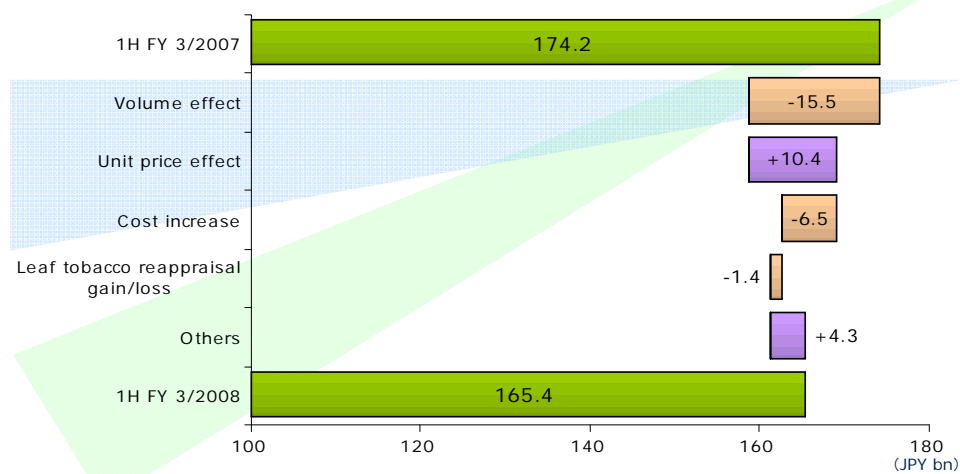


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Results for 1H FY 3/2008

Domestic Tobacco Business – EBITDA

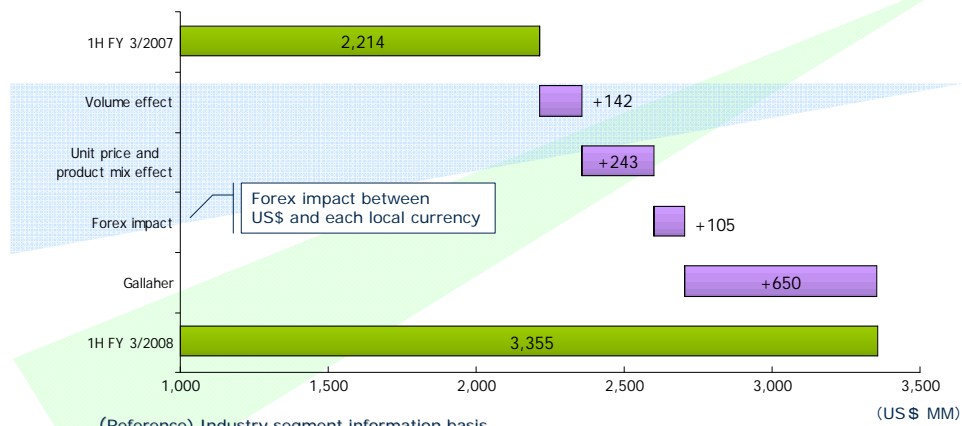


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Results for 1H FY 3/2008

International Tobacco Business – Net sales excl. tobacco excise tax* *Excluding distribution business



(Reference) Industry segment information basis
International Tobacco Business - Net sales excluding tobacco excise tax :
From JPY 256.2 bn to 403.0 bn (up 146.7bn)

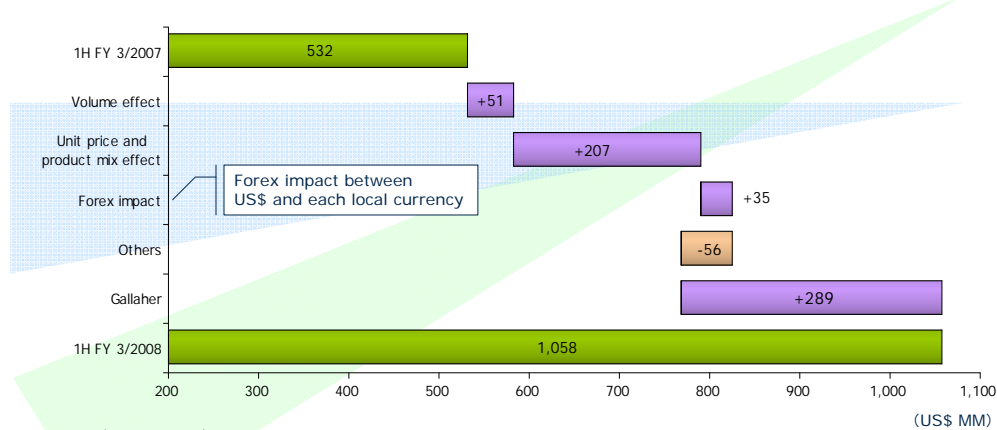
Note: Sales of distribution business, which was formally handled by Gallaher is excluded from the result.

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Results for 1H FY 3/2008

International Tobacco Business - EBITDA (before royalty payment to JT)



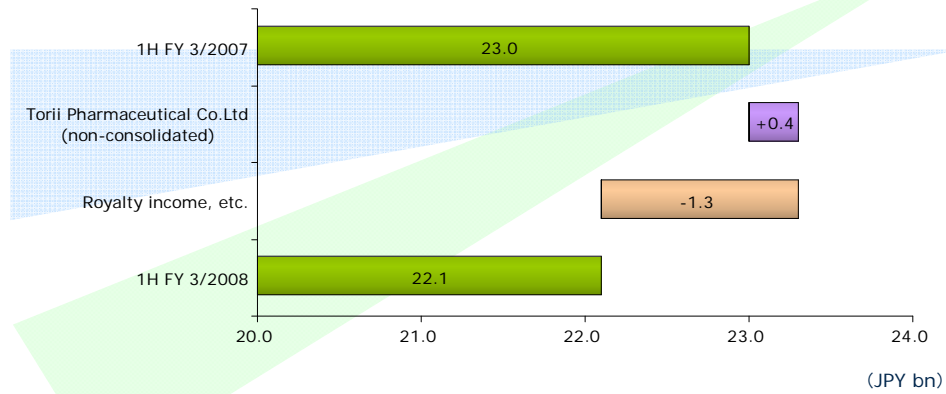
(Reference) Industry segment information basis
International Tobacco Business – EBITDA: From JPY 54.7 bn to 118.3 bn
(up JPY 63.5 bn)

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Results for 1H FY 3/2008

Pharmaceutical Business – Net sales

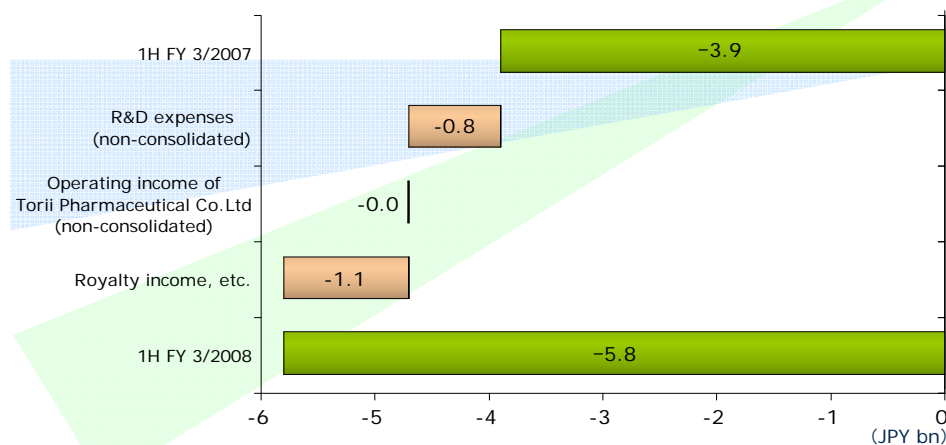


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Results for 1H FY 3/2008

Pharmaceutical Business – EBITDA

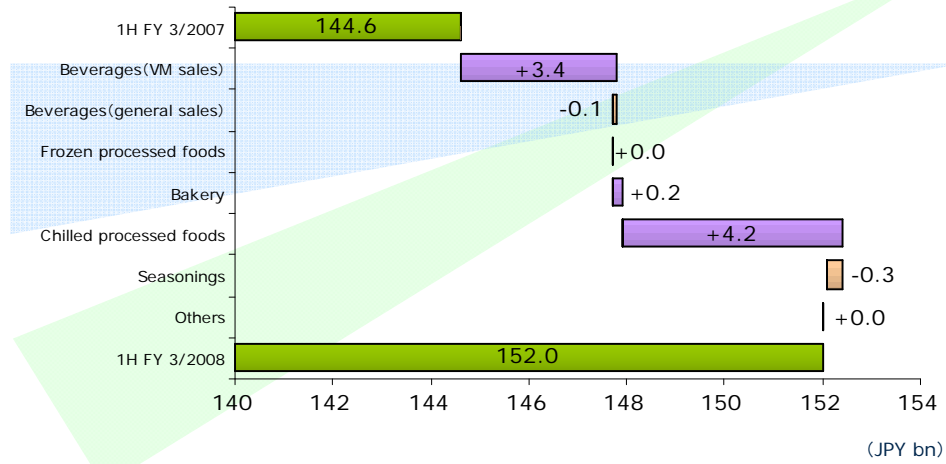


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Results for 1H FY 3/2008

Food Business – Net Sales

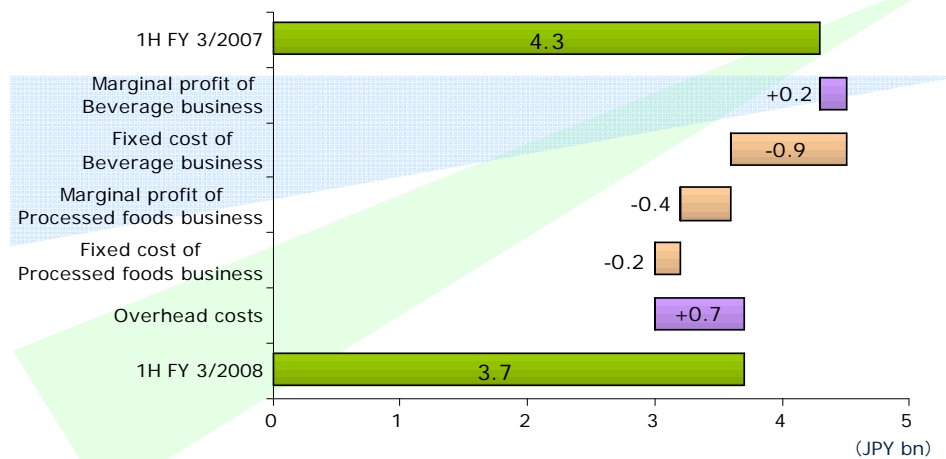


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Results for 1H FY 3/2008

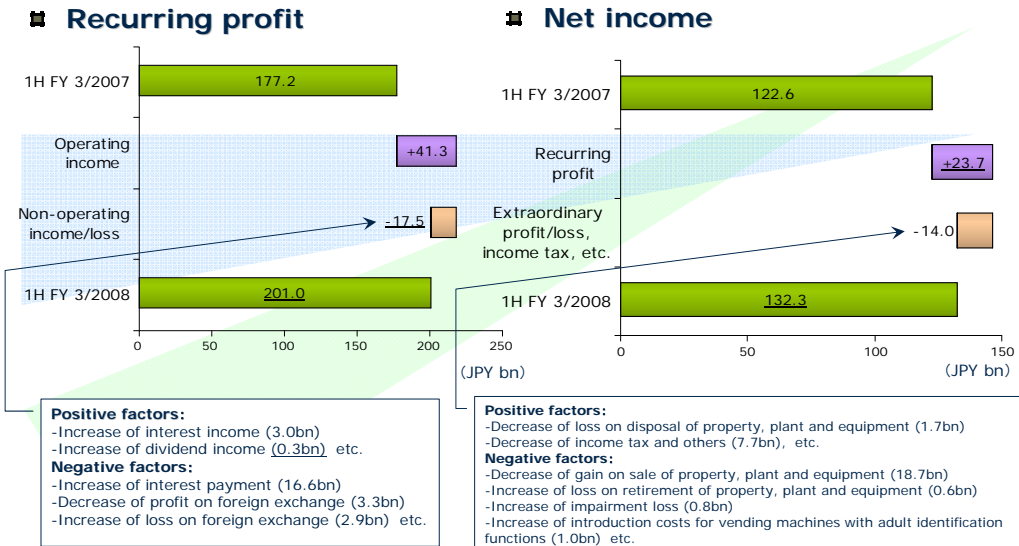
Food Business – Operating Income



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Results for 1H FY 3/2008



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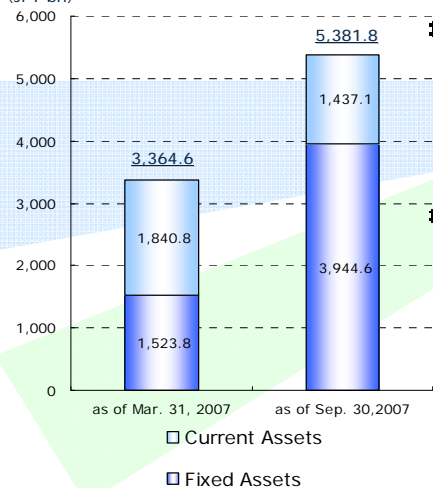
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Summary of Consolidated B/S as of Sep. 30, 2007

ASSETS

(JPY bn)



Compared to B/S as of Mar. 31, 2007 (Main Factor)

Current Assets – down JPY 403.6 bn

- Cash and cash equivalents*: down JPY 773.7 bn
*Cash and cash equivalents = cash and deposits + marketable securities + securities purchased under repurchase agreements

- Operating receivables*: up JPY 213.8 bn
*Operating receivables = Trade notes and accounts receivable

Fixed Assets – up JPY 2,420.8 bn

- Increased by capital expenditure: JPY 57.0 bn

- Decreased by depreciation and amortization*: JPY 75.6 bn

*Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets, long-term prepaid expenses and goodwill

- Increase of Goodwill: JPY 1,828.8 bn

- Increase of Trademarks: JPY 530.8 bn

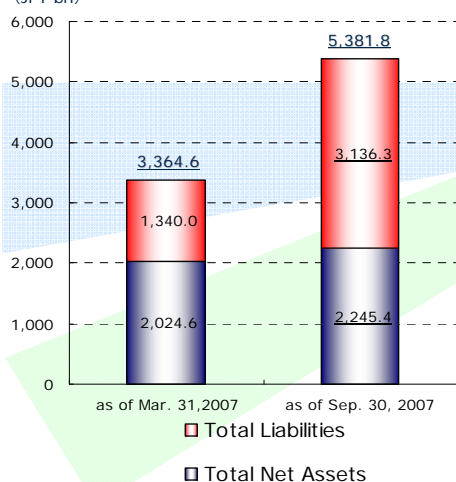
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Summary of Consolidated B/S as of Sep. 30, 2007

LIABILITIES & NET ASSETS

(JPY bn)



Compared to B/S as of Mar. 31, 2007 (Main factor)

Total Liabilities – up JPY 1,796.3 bn

- Interest-bearing debt*: up JPY 1,178.5 bn
* Interest-bearing debt = short-term bank loans + bonds + long-term bank loans

- Tobacco excise taxes payable*: up JPY 199.2 bn

* Tobacco excise taxes payable = national tobacco excise taxes payable + national special tobacco excise taxes payable + local tobacco excise taxes payable

Total Net Assets – up JPY 220.8 bn

- Retained earnings: up JPY 100.9 bn

- Foreign currency translation adjustments: up JPY 135.3 bn

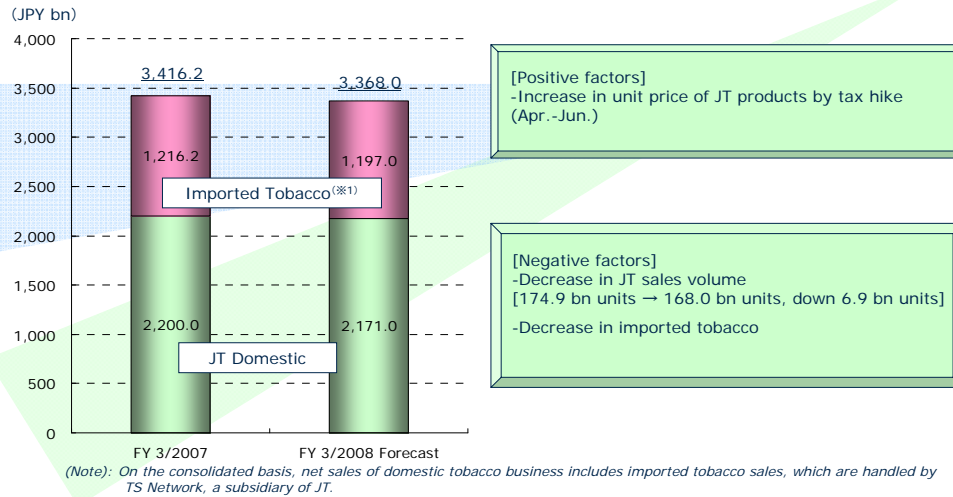
> Ratio of equity capital: 58.3% → 40.5%

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Forecast for FY 3/2008 compared to results of the previous fiscal year

Domestic Tobacco Business – Net sales incl. tobacco excise tax

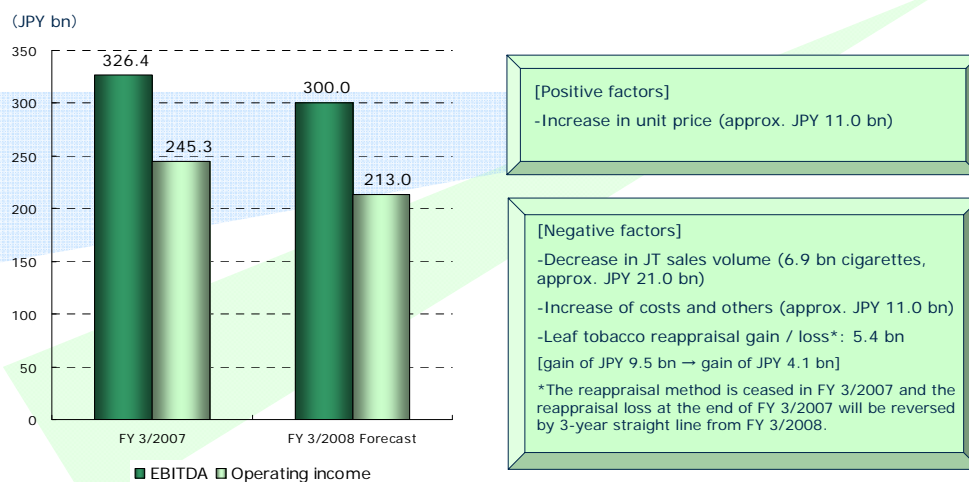


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Forecast for FY 3/2008 compared to results of the previous fiscal year

Domestic tobacco business - EBITDA / Operating income



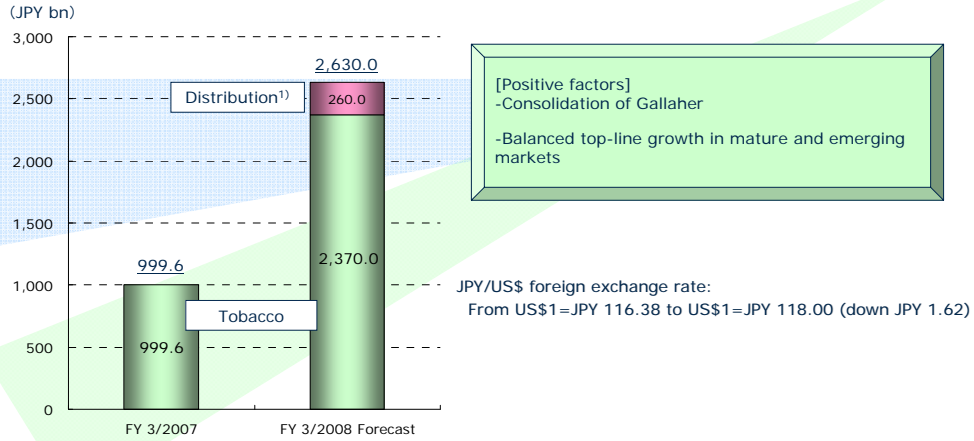
(Note): There is no revision for forecast of FY 3/2008.

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Forecast for FY 3/2008 compared to results of the previous fiscal year

International Tobacco Business – Net sales incl. tobacco excise tax



[Positive factors]
-Consolidation of Gallaher
-Balanced top-line growth in mature and emerging markets

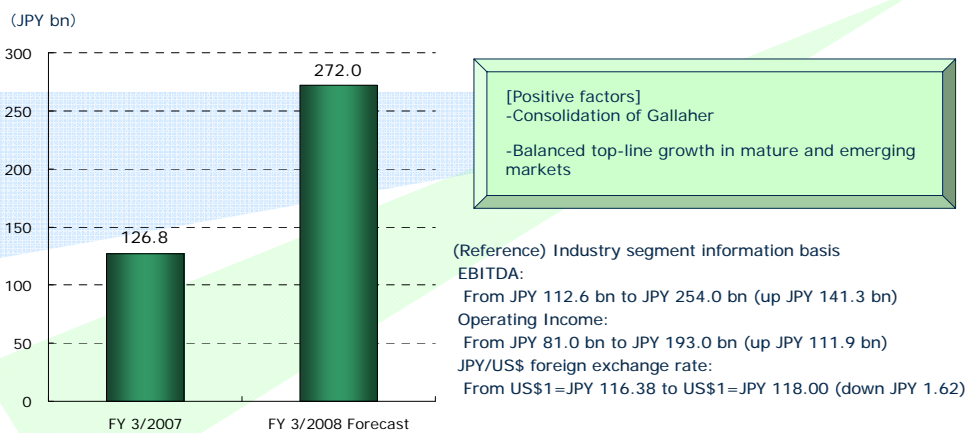
Note1) On the consolidated basis, net sales of international tobacco business includes distribution sales, which was formally handled by Gallaher.
Note2) This revised forecast includes approx. 8.5 months of the f-Gallaher business.

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Forecast for FY 3/2008 compared to results of the previous fiscal year

International Tobacco Business - EBITDA before royalty payment to JT



[Positive factors]
-Consolidation of Gallaher
-Balanced top-line growth in mature and emerging markets

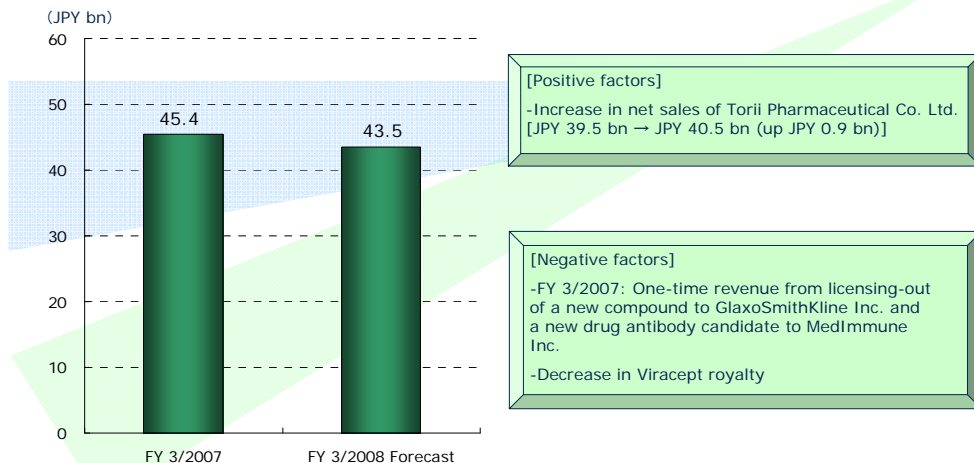
Note: This revised forecast includes approx. 8.5 months of the f-Gallaher business.

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Forecast for FY 3/2008 compared to results of the previous fiscal year

■ Pharmaceutical Business – Net sales

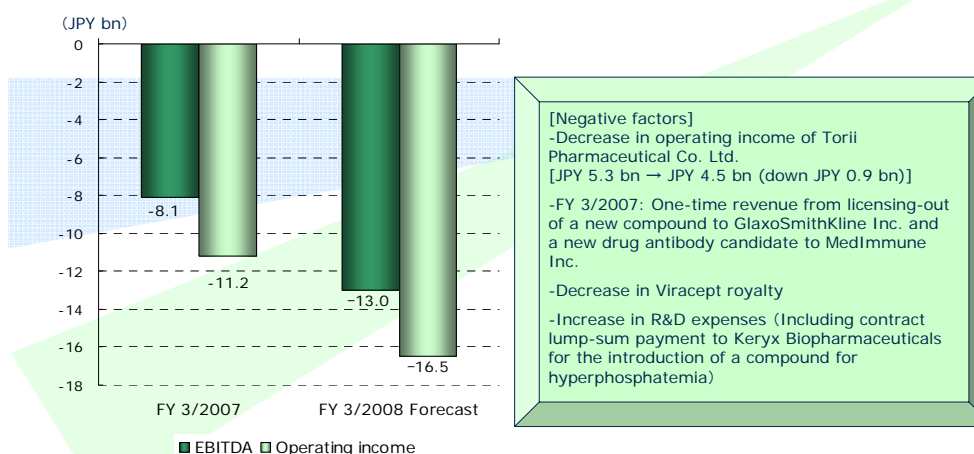


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Forecast for FY 3/2008 compared to results of the previous fiscal year

■ Pharmaceutical Business - EBITDA / Operating income

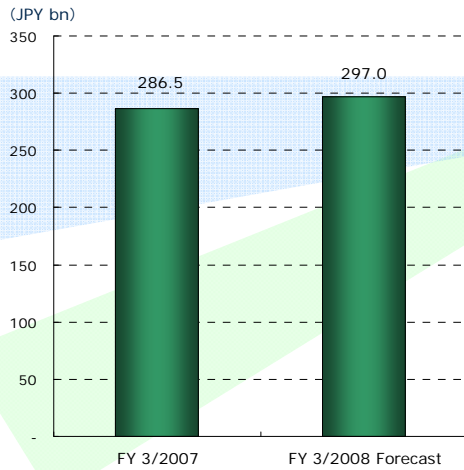


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Forecast for FY 3/2008 compared to results of the previous fiscal year

■ Foods Business – Net sales



[Positive factors]

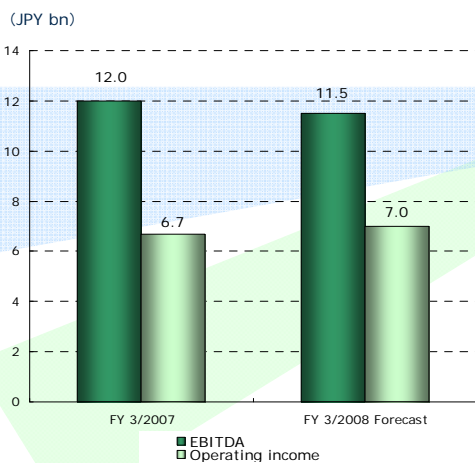
- Steady expansion of vending machine sales channels centering on Beverage business
- Developing and launching new products by thoroughly pursuing differentiation in frozen processed foods business
- Expansion in bakery business

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Forecast for FY 3/2008 compared to results of the previous fiscal year

■ Foods Business - EBITDA / Operating income



[Positive factors]

- Increase in marginal profits by top-line growth
- Decrease in amortization of goodwill

[Negative factors]

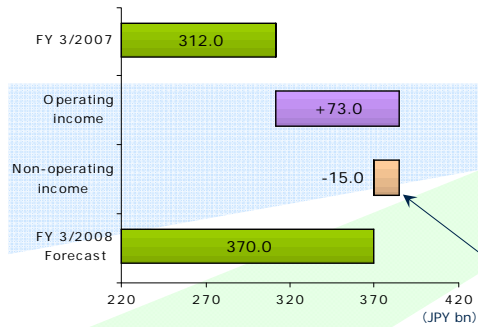
- Increase in fixed costs by scale expansion
- Decrease in profit margin by rise in cost of raw materials

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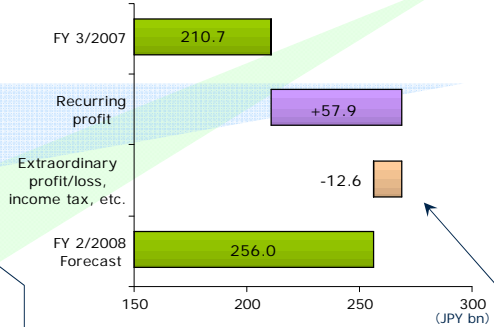


Forecast for FY 3/2008 compared to results of the previous fiscal year

Recurring Profit



Net income



Positive factors:

-Decrease of currency hedging costs and the formation costs of bridge-loans related to the acquisition of Gallaher, etc.

Negative factors:

-Increase in interest payment and decrease of interest income related to the acquisition of Gallaher
 -Increase in interest payment related to the existing debt of Gallaher, etc.

Negative factors:

-Decrease of income tax
 -Decrease of extraordinary profit/loss (net)

Note: This revised forecast includes approx. 8.5 months of the f-Gallaher business.



1. Breakdown of net sales

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
Net sales including excise tax	2,377.6	2,914.0	536.4
Domestic tobacco	1,731.1	1,723.3	-7.8
Excluding imported tobacco	1,116.1	1,108.8	-7.3
International tobacco ^{*1}	468.3	1,005.4	537.1
Excluding distribution business	468.3	925.7	457.3
Net sales excluding excise tax ^{*1,2}	808.1	953.3	145.1
Domestic tobacco ^{*2}	373.8	365.1	-8.7
International tobacco ^{*1,2}	256.2	403.0	146.7
Pharmaceutical	23.0	22.1	-0.9
Foods	144.6	152.0	7.4
Beverages	98.6	101.8	3.2
Processed foods	46.0	50.2	4.1
Others	10.3	10.9	0.6

*1 International tobacco: 6 months ended Jun. 2007

*2 Net sales excluding excise tax: Excluding imported tobacco in domestic tobacco and distribution business in international tobacco, respectively.

5. Amortization relating to major acquisitions

(unit: JPY billion)

JT	6 months ended Sep. 2006	6 months ended Sep. 2007	Years to amortize	Termination
Former RJRI				
Trademark rights	14.6	14.6	10	Apr-09
Patents	2.0	0.4	8	Apr-07

JT International (unit: USD million)

	6 months ended Jun. 2006	6 months ended Jun. 2007	Years to amortize
Former RJRI and Gallaher			
Trademark rights *	30.0	75.0	mainly 20
Goodwill	-	-	20 est.

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

6. Capital expenditure

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
Capital expenditures	44.6	57.0	12.3
Domestic tobacco	23.4	29.5	6.0
International tobacco *	13.2	20.2	6.9
Pharmaceutical	1.4	1.5	0.1
Foods	2.1	2.4	0.2
Others	4.7	4.3	-0.3

* International tobacco: 6 months ended Jun. 2007

7. Cash and cash equivalents *

(unit: JPY billion)

	As of end of Mar. 2007	As of end of Sep. 2007	Change
Cash and cash equivalents	1,185.6	411.9	-773.7

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

8. Interest-bearing debt *

(unit: JPY billion)

	As of end of Mar. 2007	As of end of Sep. 2007	Change
Interest-bearing debt	219.2	1,397.7	1,178.5

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

9. Business data

<Domestic tobacco business>	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
JT sales volume* (billion cigarettes)	90.9	85.8	-5.1
Total demand (billion cigarettes)	139.9	132.6	-7.3
JT market share	64.9%	64.7%	-0.2%pt
JT net sales before tax per 1,000 cigarettes(JPY)	12,074	12,696	622
JT net sales after tax per 1,000 cigarettes(JPY)	3,932	4,054	122

* Sales volume of domestic duty-free and China division is excluded, which was 1.7 billion for 6 months ended Sep. 2006 and 1.7 billion for 6 months ended Sep. 2007, respectively.

<International tobacco business>	6 months ended Jun. 2006	6 months ended Jun. 2007	Change
Total sales volume (billion cigarettes)	113.7	159.3	45.7
JPY/USD rate for consolidation (JPY)	115.73	120.15	4.42

<Pharmaceutical business>	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
R&D expenses (parent company) (JPY billion)	10.5	11.4	0.8

<Foods business - Beverage business>	As of end of Mar. 2007	As of end of Sep. 2007	Change
Number of beverage vending machines *	250,500	255,000	4,500
JT-owned	38,000	37,000	-1,000
Combined	66,000	69,000	3,000

* 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.

10. Number of employees*

	As of end of Mar. 2007	As of end of Sep. 2007	Change
Number of employees (consolidated basis)	33,428	45,143	11,715
Domestic tobacco	11,534	11,667	133
International tobacco	12,401	23,776	11,375
Pharmaceutical	1,554	1,628	74
Foods	7,084	7,200	116
Other businesses	461	463	2
Corporate	394	409	15
Number of employees (parent company)	8,930	9,095	165
Number of employees based on enrollment (parent company)	9,984	10,144	160

* Number of employees is counted at working base, unless otherwise indicated.

2. Leaf tobacco reappraisal profit / loss *

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
Leaf tobacco reappraisal profit / loss	-3.5	-2.0	1.4

* Profit when denoted negative

3. Breakdown of SG&A expenses

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
SG&A	281.3	326.7	45.3
Personnel *	75.1	90.3	15.2
Advertising and general publicity	10.0	10.0	0.0
Sales promotion	58.1	69.8	11.6
R&D	20.4	21.8	1.3
Depreciation and amortization	28.3	35.4	7.0
Others	89.2	99.1	9.9

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

4. EBITDA by business segment^{*1}

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
Consolidated EBITDA	242.3	294.8	52.5
Operating income	177.8	219.1	41.3
Depreciation and amortization ^{*2}	64.4	75.6	11.1
Domestic tobacco EBITDA	174.2	165.4	-8.7
Operating income	134.8	124.5	-10.2
Depreciation and amortization ^{*2}	39.3	40.9	1.5
International tobacco EBITDA ^{*3}	54.7	118.3	63.5
Operating income	39.7	92.7	52.9
Depreciation and amortization ^{*2}	15.0	25.5	10.5
Pharmaceutical EBITDA	-3.9	-5.8	-1.9
Operating income	-5.3	-7.4	-2.0
Depreciation and amortization ^{*2}	1.4	1.5	0.1
Foods EBITDA	7.1	5.9	-1.2
Operating income	4.3	3.7	-0.6
Depreciation and amortization ^{*2}	2.8	2.2	-0.6
Others EBITDA	10.2	11.7	1.5
Operating income	4.1	5.9	1.7
Depreciation and amortization ^{*2}	6.0	5.8	-0.2

(Reference)

(unit: USD million)

International tobacco EBITDA (Before royalty payment)	532	1,058	526
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*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: 6 months ended Jun. 2007

1. Consolidated financial outlook for fiscal year ending March 31, 2008 compared to the forecast as of August 2007

(JPY billion)

	August forecast	Revised forecast	Change
Net sales including excise tax	6,410.0	6,360.0	-50.0
EBITDA	574.0	572.0	-2.0
Operating income	419.0	405.0	-14.0
Recurring profit	382.0	370.0	-12.0
Net income	256.0	256.0	0.0
Return on equity	12.2%	12.5%	0.3%pt
Free cash flow*	-	-1,440.0	-

*Free Cash Flow is cash flow from operating activities plus cash flow from investing activities less the items below:

- <Cash flow from operating activities>
 - Interest received, dividend received and tax implication by deducting the items
 - Interest paid and the tax implication by deducting the item
- <Cash flow from investing activities>
 - Purchases of and proceeds from sale of marketable securities
 - Purchases of and proceeds from sale of investment securities and others

FCF calculated according to the above adjustment may not be equal to FCF shown on the above table. The difference comes from purchases of and proceeds from sale of business investment securities which are included in investment securities on the cash flow statement but excluded from the adjustment above.

(JPY billion)

	August forecast	Revised forecast	Change
Capital expenditures	146.0	142.0	-4.0
Domestic tobacco	64.0	67.0	3.0
International tobacco	55.0	50.0	-5.0
Pharmaceutical	3.0	4.5	1.5
Foods	6.5	6.0	-0.5
Other businesses	17.0	15.5	-1.5

Consolidated financial outlook by business segment (JPY billion)

	August forecast	Revised forecast	Change
Net sales including excise tax	6,410.0	6,360.0	-50.0
Domestic tobacco	3,398.0	3,368.0	-30.0
Excluding imported tobacco	2,169.0	2,171.0	2.0
International tobacco	2,650.0	2,630.0	-20.0
Excluding distribution business	-	2,370.0	-
Pharmaceutical	44.0	43.5	-0.5
Foods	298.0	297.0	-1.0
EBITDA	574.0	572.0	-2.0
Domestic tobacco	300.0	300.0	0.0
International tobacco	252.0	254.0	2.0
Pharmaceutical	-11.5	-13.0	-1.5
Foods	12.5	11.5	-1.0
Operating income	419.0	405.0	-14.0
Domestic tobacco	213.0	213.0	0.0
International tobacco	203.0	193.0	-10.0
Pharmaceutical	-15.0	-16.5	-1.5
Foods	8.0	7.0	-1.0

Major assumptions
(1) Domestic tobacco business (billions of cigarettes)

	August forecast	Revised forecast	Change
Sales volume	168.0	168.0	0.0

Excluding sales of domestic duty-free and China division

(2) International tobacco business (billions of cigarettes, JPY)

	August forecast	Revised forecast	Change
Total sales volume	380.0	385.0	5.0
GFB sales volume*	202.0	203.0	1.0
JPY/USD rate	120.00	118.00	-2.00

*GFB of FY 3/2008: Winston, Camel, Mild Seven, B&H, Silk Cut, LD, Sobranie, Glamour

2. Consolidated financial outlook for fiscal year ending March 31, 2008 compared to the results of previous fiscal year

(JPY billion)

	FY 03/2007	Revised forecast	Change
Net sales including excise tax	4,769.3	6,360.0	1,590.6
EBITDA	464.6	572.0	107.3
Operating income	331.9	405.0	73.0
Recurring profit	312.0	370.0	57.9
Net income	210.7	256.0	45.2
Return on equity	11.3%	12.5%	1.2%pt
Free cash flow*	223.0	-1,440.0	-1,663.0

*Free Cash Flow is cash flow from operating activities plus cash flow from investing activities less the items below:

- <Cash flow from operating activities>
 - Interest received, dividend received and tax implication by deducting the items
 - Interest paid and the tax implication by deducting the item
- <Cash flow from investing activities>
 - Purchases of and proceeds from sale of marketable securities
 - Purchases of and proceeds from sale of investment securities and others

FCF calculated according to the above adjustment may not be equal to FCF shown on the above table. The difference comes from purchases of and proceeds from sale of business investment securities which are included in investment securities on the cash flow statement but excluded from the adjustment above.

(JPY billion)

	FY 03/2007	Revised forecast	Change
Capital expenditures	102.1	142.0	39.8
Domestic tobacco	55.2	67.0	11.7
International tobacco	32.0	50.0	17.9
Pharmaceutical	3.0	4.5	1.4
Foods	4.8	6.0	1.1
Other businesses	8.0	15.5	7.4

Consolidated financial outlook by business segment (JPY billion)

	FY 03/2007	Revised forecast	Change
Net sales including excise tax	4,769.3	6,360.0	1,590.6
Domestic tobacco	3,416.2	3,368.0	-48.2
Excluding imported tobacco	2,200.0	2,171.0	-29.0
International tobacco	999.6	2,630.0	1,630.3
Excluding distribution business	999.6	2,370.0	1,370.3
Pharmaceutical	45.4	43.5	-1.9
Foods	286.5	297.0	10.4
EBITDA	464.6	572.0	107.3
Domestic tobacco	326.4	300.0	-26.4
International tobacco	112.6	254.0	141.3
Pharmaceutical	-8.1	-13.0	-4.8
Foods	12.0	11.5	-0.5
Operating income	331.9	405.0	73.0
Domestic tobacco	245.3	213.0	-32.3
International tobacco	81.0	193.0	111.9
Pharmaceutical	-11.2	-16.5	-5.2
Foods	6.7	7.0	0.2

Major assumptions
(1) Domestic tobacco business (billions of cigarettes)

	FY 03/2007	Revised forecast	Change
Sales volume	174.9	168.0	-6.9

Excluding sales of domestic duty-free and China division

(2) International tobacco business (billions of cigarettes, JPY)

	2006	Revised forecast	Change
Total sales volume	240.1	385.0	144.9
GFB sales volume*	146.8	203.0	56.2
JPY/USD rate	116.38	118.00	1.62

*GFB of FY 3/2007: Winston, Camel, Mild Seven

GFB of FY 3/2008: Winston, Camel, Mild Seven, B&H, Silk Cut, LD, Sobranie, Glamour

* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

* **Original measurement Basis** = JT original products + Marlboro cigarettes (until April 2005) + JTI products for the Japan market from May 2005 onward

* **New measurement Basis** = JT original products + JTI products for the Japan market

Domestic Tobacco Business Results

1. Quarterly Sales Volume (billions of cigarettes)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	50.5	48.5	48.1	42.2	189.4
FY 03/2007	54.0	36.8	44.6	39.3	174.9
FY 03/2008	42.7	43.0			

* The above mentioned figures include sales of Marlboro cigarettes until April 2005 and JTI products (Camel, Winston, Salem etc.) for the domestic market from May 2005 onward.

2. Quarterly Retail Price Sales (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	694.7	664.2	658.2	578.0	2,595.2
FY 03/2007	740.3	547.5	664.6	587.0	2,539.5
FY 03/2008	636.7	641.4			

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

* The above mentioned figures include sales of Marlboro cigarettes until April 2005 and JTI products (Camel, Winston, Salem etc.) for the domestic market from May 2005 onward.

3. Quarterly Net Sales Per Thousand Cigarettes (JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	11,715	11,653	11,657	11,667	11,674
FY 03/2007	11,663	12,677	12,688	12,699	12,371
FY 03/2008	12,698	12,694			

* Net sales per thousand cigarettes

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

* The above mentioned figures include sales of Marlboro cigarettes until April 2005 and JTI products (Camel, Winston, Salem etc.) for the domestic market from May 2005 onward.

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	3,901	3,845	3,849	3,857	3,864
FY 03/2007	3,852	4,050	4,050	4,056	3,990
FY 03/2008	4,056	4,053			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	3,845	3,846	3,849	3,857	3,849
FY 03/2007	3,852	4,050	4,050	4,056	3,990
FY 03/2008	4,056	4,053			

* 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 (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	69.6	65.4	65.3	65.2	66.4
FY 03/2007	65.5	64.2	64.7	64.5	64.8
FY 03/2008	64.9	64.5			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	66.1	65.5	65.3	65.2	65.5
FY 03/2007	65.5	64.2	64.7	64.5	64.8
FY 03/2008	64.9	64.5			

Market Share in Growing Segments

1. 1mg Tar

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	10.6	11.7	12.2	12.5	11.7
FY 03/2007	12.4	12.5	13.3	13.6	12.9
FY 03/2008	13.9	13.7			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	11.3	11.7	12.2	12.5	11.9
FY 03/2007	12.4	12.5	13.3	13.6	12.9
FY 03/2008	13.9	13.7			

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	55.7	60.4	60.8	61.6
FY 03/2007	61.3	60.9	62.4	62.2
FY 03/2008	62.0	61.6		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	59.7	60.4	60.8	61.6
FY 03/2007	61.3	60.9	62.4	62.2
FY 03/2008	62.0	61.6		

2. Menthol

(1) JT Menthol Product Share (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	8.1	6.5	6.6	6.7	7.0
FY 03/2007	6.7	6.9	6.7	7.1	6.8
FY 03/2008	7.2	7.5			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	6.3	6.5	6.6	6.7	6.5
FY 03/2007	6.7	6.9	6.7	7.1	6.8
FY 03/2008	7.2	7.5			

(2) JT Share in Menthol Segment (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	45.1	34.4	34.9	35.1
FY 03/2007	35.0	34.1	33.8	34.8
FY 03/2008	34.9	35.2		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	34.7	34.4	34.9	35.1
FY 03/2007	35.0	34.1	33.8	34.8
FY 03/2008	34.9	35.2		

3. JPY 320 or above*

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	8.8	5.1	5.4	5.9	6.3
FY 03/2007	5.7	5.4	5.2	5.5	5.5
FY 03/2008	5.6	5.2			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	5.1	5.2	5.4	5.9	5.4
FY 03/2007	5.7	5.4	5.2	5.5	5.5
FY 03/2008	5.6	5.2			

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	39.1	22.2	23.1	24.5
FY 03/2007	24.3	22.5	22.6	23.2
FY 03/2008	23.5	22.0		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	22.6	22.3	23.2	24.5
FY 03/2007	24.3	22.5	22.6	23.2
FY 03/2008	23.5	22.0		

* JPY 300 or above until Apr-Jun. 2006

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	0.91	1.24	1.78	3.12	1.72
FY 03/2007	4.12	3.84	3.85	4.34	4.04
FY 03/2008	4.41	4.10			

* 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.

Japan Tobacco Inc. Clinical development (as of October 31, 2007)

Code	Stage	Indication	Mechanism	Characteristics	Rights
JTT-705 (oral)	Phase1(JPN)	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) obtains the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTT-130 (oral)	Phase2(JPN) Phase2(Overseas)	Hyperlipidemia	MTP inhibitor	Treatment of hyperlipidemia by reducing absorption of cholesterol and triglyceride via inhibition of MTP -MTP:Microsomal Triglyceride Transfer Protein	
JTK-303 (oral)	Phase1(JPN)	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.) obtains the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTT-302 (oral)	Phase2(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)	Phase2(JPN) Phase1(Overseas)	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	
JTT-552 (oral)	Phase1(JPN)	Hyperuricemia	URAT1 inhibitor	Decreases serum urate concentration by increasing urinary urate excretion via inhibition of URAT1. -URAT 1: Urate Transporter 1	
JTT-553 (oral)	Phase1(Overseas)	Obesity	DGAT1 inhibitor	Reduces fat absorption from the small intestine and inhibits fat synthesis in adipose tissue via inhibition of DGAT1 -DGAT1: Acyl CoA: diacylglycerol acyltransferase 1	
JTT-651 (oral)	Phase1(JPN)	Type 2 diabetes mellitus	GP inhibitor	Decreases blood glucose by suppression of glucose output from liver via inhibition of GP -GP:Glycogen Phosphorylase	
JTK-652 (oral)	Phase1(Overseas)	Hepatitis C	Entry inhibitor	Treatment of hepatitis C by inhibiting the infection process of HCV into hepatocytes -HCV:Hepatitis C Virus	

Changes from the previous announcement on August 9, 2007:

JTK-652 entered into clinical trial stage overseas.