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FOR IMMEDIATE RELEASE

JT Upwardly Revises Results Forecast and Announces Consolidated Financial Results for 6-Month Period that Ended September 30, 2008

TOKYO, October 30, 2008 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its upward revision of its consolidated financial results forecast for the fiscal year ending March 31, 2009, and its consolidated financial results for the six-month period that ended September 30, 2008.

1. CEO Message

“Supported by strong performance in our international tobacco business, we are able to upwardly revise our sales and earnings forecasts and expect to achieve record highs in net sales and EBITDA, indicating that our business strategy is headed in the right direction,” said Hiroshi Kimura, President and CEO of JT. “Despite a challenging operating environment, we aim to achieve domestic market share increases for two consecutive fiscal years by enhancing brand equity.”

2. Overview of Upward Revisions of Consolidated Financial Results for the Fiscal Year Ending March 31, 2009

- JT management has upwardly revised its consolidated net sales and earnings forecasts for the fiscal year ending March 31, 2009, taking into account top-line growth momentum and the positive impact of the projected exchange rate against the yen, which was revised from 100 yen to 103 yen against the dollar, in the international tobacco business, along with upfront revenue payments in the pharmaceutical business. Forecasted net sales for the full year were revised from ¥6.61 trillion to ¥6.87 trillion, while forecasted EBITDA, operating income, and net income grew from ¥593 billion to ¥634 billion, from ¥311 billion to ¥348 billion, and from ¥148 billion to ¥160 billion respectively.

3. Overview of Consolidated Six-Month Financial Results

- JT’s consolidated net sales and EBITDA¹ increased 20.0 percent and 17.1 percent respectively, due mainly to strong performance of the international tobacco business. However, operating income decreased 6.7 percent, due primarily to goodwill amortization in relation to the Gallaher acquisition. Net income decreased 47.5 percent due to a variety of factors including foreign exchange appraisal losses at the end of the period related to euro-denominated bonds, and losses on disposition and impairment related to the company’s unused dormitories and increased costs associated with the introduction of the “taspo” card.

¹ EBITDA was calculated as: operating income + depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill.



- During the six-month period that ended September 30, 2008, JT increased its domestic market share by 0.2 percentage points to 64.9 percent, compared to the same period last year, due to continued marketing efforts focusing on core brands including Mild Seven. However, net sales in the domestic tobacco business decreased 3.5 percent, due mainly to the decline of total demand, while operating income decreased 15.2 percent due in part to increased costs related to sales promotions.
- JT's international tobacco business², a driving force for profit growth for the JT Group, recorded increases in net sales excluding tax and its distribution business by 35.3 percent, and EBITDA by 56.3 percent, compared to the same period in the previous year. This was mainly driven by steady top-line growth centered on the company's Global Flagship Brands³ (GFB) along with the integration of the Gallaher business.

4. Consolidated Six-Month Financial Results for the Period that Ended September 30, 2008

Units: Billions of Yen

	Apr.-Sep. 2007	Apr.-Sep. 2008	Net change (%)
Net sales	2,914.0	3,497.0	20.0
EBITDA	294.8	345.3	17.1
Operating income	219.1	204.5	-6.7
Net income	132.3	69.4	-47.5

5. Results by Business Segment

➤ **Domestic Tobacco Business**

	Apr.-Sep. 2007	Apr.-Sep. 2008	Net change (%)
Net sales including tax (billions of yen)	1,723.3	1,662.3	-3.5
Net sales excluding tax ⁴ (billions of yen)	365.1	351.6	-3.7
EBITDA (billions of yen)	165.4	145.5	-12.0
Operating income (billions of yen)	124.5	105.6	-15.2
Sales volume ⁵ (billions of cigarettes)	85.8	82.9	-3.3

² The results of the international tobacco business from January to June 2008 were incorporated into JT's consolidated financial results for the six-month period that ended September 30, 2008

³ Global Flagship Brands (GFB) include eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie, and Glamour.

⁴ Excluding the sales of imported tobacco by TS Network Co., Ltd as well.

⁵ Sales volume from both domestic duty free and the "China Division" were not incorporated in the above figures, which totaled 1.9 billion cigarettes in the six-month period that ended September 30, 2008.



During the six-month period that ended September 30, 2008, JT continued marketing efforts focusing on its core brand, Mild Seven, as well as the strengthening of over-the-counter sales channels through the enhancement of in-store displays, including those in convenience stores. The company increased its overall domestic market share by 0.2 percentage points to 64.9 percent, as well as the market share for the Mild Seven brand by 0.6 percentage points to 32.3 percent compared to the same period in the previous year.

While total cigarette consumption has continued to decline due to demographic factors, anticipated downward inventory adjustments by retailers following the introduction of “taspo,” were not made to levels expected by the company during the period. While an additional business day during the period, compared to the same period in the previous year, had a positive impact on sales, sales volume for the business decreased 3.3 percent compared to the same period of last year.

Net sales decreased by 3.5 percent, and operating income decreased 15.2 percent, due in part to increased costs related to sales promotions.

➤ **International Tobacco Business**

	Jan. – Jun. 2007 ⁶	Jan. – Jun. 2008	Net change (%)
Net sales including tax (billions of yen)	1,005.4	1,564.1	55.6
Net sales excluding tax ⁷ (billions of yen)	402.9	545.2	35.3
EBITDA (billions of yen)	118.3	184.9	56.3
Operating income (billions of yen)	92.7	100.1	8.0
Total sales volume (billions of cigarettes)	159.3	221.1	38.8
GFB sales volume ⁸ (billions of cigarettes)	88.3	119.2	34.9

In the six-month period that ended June 30, 2008⁹, total sales volume for JT’s international tobacco business continued to grow steadily, due in part to the solid performance of GFB. Total sales volume increased 38.8 percent compared to the same period last year, and GFB sales volume increased 34.9 percent as compared to the same period. This was led by the strong performance of Winston, Camel and Mild Seven, in addition to the integration of the Gallaher business. The growth in GFB sales volume was led by increased sales of Winston in Russia, Ukraine, Turkey, Spain, the Near East, and the Philippines; Camel in Italy, Russia, and Spain; and Mild Seven in Korea, Taiwan and Russia. GFB performance also reflected the additional contribution of B&H and Silk Cut in the United Kingdom and Ireland; and LD, Sobranie and Glamour in Russia, Ukraine, and Kazakhstan.

⁶ Gallaher’s business results were incorporated into JT’s international tobacco business results after April 18, 2007.

⁷ Excluding the distribution business in JT’s international tobacco business as well.

⁸ Global Flagship Brands (GFB) include eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie, and Glamour. GFB sales volume figures prior to the acquisition of Gallaher included Winston, Camel and Mild Seven only.

⁹ The results of the international tobacco business from January to June 2008 were incorporated into JT’s consolidated financial results for the six-month period that ended September 30, 2008.



Net sales, excluding tax and the sales from the distribution business, grew 35.3 percent compared to the same period last year. Solid top-line growth in the business and the strengthened value of the Russian ruble contributed to overcoming the negative impact of the increased value of the yen against the U.S. dollar during the period, and a considerable growth in EBITDA of ¥66.6 billion was achieved. As a result, operating income increased by 8.0 percent compared to the same period in the previous year.

While U.S. dollar based EBITDA before royalty payments to JT increased US\$802 million compared to the same period last year, approximately 10 percent of the growth was brought by U.S. dollar depreciation against local currencies during the period.

➤ **Pharmaceutical Business**

Units: Billions of Yen

	Apr.-Sep. 2007	Apr.-Sep. 2008	Net change (%)
Net sales	22.1	26.8	21.0
EBITDA	-5.8	0.2	-
Operating income	-7.4	-1.5	-

In the six-month period that ended September 30, 2008, JT's pharmaceutical business increased net sales by 21.0 percent compared to the same period last year. This was due mainly to revenue received as milestone payments related to the development of "JTT-705," a compound for the treatment of dyslipidemia licensed to Roche, and "JTK-303," a compound for the treatment of HIV infection licensed to Gilead. Operating losses improved by ¥5.8 billion compared to the same period last year, due mainly to milestone revenue and profit increases at Torii Pharmaceutical Co., Ltd., a subsidiary of JT.

JT continues to enhance its R&D pipeline and currently has 10 compounds under clinical trial, including the new compound "JTK-656," which has entered into clinical trials, while the development of "JTT-553" and "JTK-652" were terminated during the fiscal year.

➤ **Foods Business**

Units: Billions of Yen

	Apr.-Sep. 2007	Apr.-Sep. 2008 ¹⁰	Net change (%)
Net sales	152.0	233.4	53.5
EBITDA	5.9	3.4	-41.2
Operating income	3.7	-5.6	-

¹⁰ Katokichi Co., Ltd. became a subsidiary of JT on January 8, 2008, following a successful tender offer for the shares of the company. Katokichi's business was incorporated into JT's consolidated financial results from January 1, 2008 onward.



Net sales for the processed foods business decreased following a voluntary product recall related to the company's frozen foods products, and sales in the beverage business declined for the period due to factors including weather conditions and increased competition. However net sales for JT's foods business increased 53.5 percent during the period, reflecting consolidation of the business including Katokichi Co., Ltd. The EBITDA of this business decreased by 41.2 percent to ¥3.4 billion, due mainly to the increased expenses and rising prices of raw materials. At the same time, operating income posted a loss of ¥5.6 billion resulting from goodwill amortization related to the acquisition of Katokichi.

JT continues to strengthen its strategies for the beverage, processed foods and seasonings businesses, and the company is implementing firmer safety measures for its foods business in order to establish the highest level of standards for food safety. This is being managed under three objectives: "reduction of risks," "enhancement to customer response systems" and "improvement to organization and structure."

The "Overview of Consolidated Financial Results for First Half FY 3/2009," which is available at (http://www.jti.co.jp/JTI_E/IR/08/Supplemental20081030_E.pdf), provides additional information regarding these initiatives.

6. Revised Outlook for the Fiscal Year Ending March 31, 2009 (Consolidated)

JT management updated its forecasts for net sales and earnings for the fiscal year ending March 31, 2009, taking into account the factors mentioned below.

- The forecasted figure for domestic cigarette sales volume for the current fiscal year remained unchanged at 159 billion cigarettes.
- In the international tobacco business, the company expects top-line growth momentum to continue. Despite one time factors including inventory adjustment in the CIS and European markets and the impact this will have on sales volume in the fourth quarter ending December 31, 2008, the company upwardly revised both the total sales volume and GFB sales volume estimates for the year based on the continuing top-line growth momentum. While the company anticipates U.S. dollar appreciation against local currencies including British pounds and the Russian ruble from October onward, the stronger Russian ruble against the U.S. dollar during January to September 2008 surpassed the negative impact. In addition, the projected exchange rate against the yen, which was revised from 100 yen to 103 yen against the dollar (taking into account the average between January and September 2008, and current momentum), positively impacts forecasted EBITDA for the current fiscal year.
- In the pharmaceutical business, the company has signed a licensing agreement with Merck for its compound "JTT-305," and expects to receive upfront payments under the agreement.
- In the foods business, the company anticipates sales decreases in the beverage business and with processed marine products, while the company expects to recover in sales of the chilled processed foods business.



Units: Billions of Yen

	FY03/2008 Actual	FY03/2009 Previous Forecast	FY03/2009 Updated Forecast	Change from FY03/2009 Previous Forecast (C-B)	Change from FY03/2008 Actual (C-A)
	(A)	(B)	(C)		
Net sales	6,409.7	6,610.0	6,870.0	260.0 (3.9%)	460.2 (7.2%)
EBITDA	602.0	593.0	634.0	41.0 (6.9%)	31.9 (5.3%)
Operating income	430.5	311.0	348.0	37.0 (11.9%)	-82.5 (-19.2%)
Net income	238.7	148.0	160.0	12.0 (8.1%)	-78.7 (-33.0%)

Please refer to the attached data sheet for additional details regarding the forecasts.

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Japan Tobacco Inc. is the world's third largest international manufacturer of tobacco products. The company manufactures internationally recognized cigarette brands including Winston, Camel, Mild Seven and Benson & Hedges. Since its privatization in 1985, JT has actively diversified its operations into pharmaceuticals and foods. The company's net sales were ¥6.409 trillion in the fiscal year ended March 31, 2008.

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.

1. Breakdown of net sales

(unit: JPY billion)

	6 months ended Sep. 2007	6 months ended Sep. 2008	Change
Net sales including excise tax ^{*1}	2,914.0	3,497.0	583.0
Domestic tobacco	1,723.3	1,662.3	-60.9
Excluding imported tobacco	1,108.8	1,070.4	-38.4
International tobacco ^{*1}	1,005.4	1,564.1	558.6
Excluding distribution business	925.7	1,398.1	472.4
Net sales excluding excise tax ^{*1,2}	953.2	1,167.4	214.1
Domestic tobacco ^{*2}	365.1	351.6	-13.5
International tobacco ^{*1,2}	402.9	545.2	142.3
Pharmaceutical	22.1	26.8	4.6
Foods	152.0	233.4	81.4
Beverages	101.8	98.3	-3.5
Processed foods	50.2	135.1	84.9
Others	10.9	10.2	-0.6

*1 International tobacco business: 6 months ended June, 2008

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

2. Leaf tobacco reappraisal profit / loss *

(unit: JPY billion)

	6 months ended Sep. 2007	6 months ended Sep. 2008	Change
Leaf tobacco reappraisal profit / loss	-2.0	-2.0	-

* Profit when denoted negative

3. Breakdown of SG&A expenses

(unit: JPY billion)

	6 months ended Sep. 2007	6 months ended Sep. 2008	Change
SG&A	326.7	446.4	119.7
Personnel *	90.3	117.2	26.9
Advertising and general publicity	10.0	12.4	2.4
Sales promotion	69.8	80.7	10.8
R&D	21.8	25.2	3.3
Depreciation and amortization	35.4	43.9	8.5
Others	99.1	166.8	67.6

* 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. 2007	6 months ended Sep. 2008	Change
Consolidated EBITDA	294.8	345.3	50.5
Operating income	219.1	204.5	-14.5
Depreciation and amortization ^{*2}	75.6	140.7	65.0
Domestic tobacco EBITDA	165.4	145.5	-19.9
Operating income	124.5	105.6	-18.9
Depreciation and amortization ^{*2}	40.9	39.9	-0.9
International tobacco EBITDA ^{*3}	118.3	184.9	66.6
Operating income	92.7	100.1	7.4
Depreciation and amortization ^{*2}	25.5	84.8	59.2
Pharmaceutical EBITDA	-5.8	0.2	6.0
Operating income	-7.4	-1.5	5.8
Depreciation and amortization ^{*2}	1.5	1.8	0.2
Foods EBITDA	5.9	3.4	-2.4
Operating income	3.7	-5.6	-9.3
Depreciation and amortization ^{*2}	2.2	9.1	6.8
Others EBITDA	11.7	10.4	-1.3
Operating income	5.9	5.0	-0.8
Depreciation and amortization ^{*2}	5.8	5.3	-0.5

(Reference)

(unit: USD million)

International tobacco EBITDA (Before royalty payment)	1,058	1,860	802
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*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, 2008

5. Amortization relating to major acquisitions

(unit: JPY billion)

	6 months ended Sep. 2007	6 months ended Sep. 2008	Years to amortize	Termination
JT				
Former RJRI				
Trademark rights	14.6	14.6	10	Apr-09
Patents	0.4	-	8	Apr-07
Katokichi				
Goodwill	-	4.6	5	Dec-12

(unit: USD million)

	6 months ended June. 2007	6 months ended June. 2008	Years to amortize
JT International			
Former RJRI and Gallaher			
Trademark rights *	75	143	mainly 20
Goodwill	-	453	20

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

6. Capital expenditure

(unit: JPY million)

	6 months ended Sep. 2007	6 months ended Sep. 2008	Change
Capital expenditures	57.0	48.8	-8.2
Domestic tobacco	29.5	19.4	-10.0
International tobacco *	20.2	18.6	-1.6
Pharmaceutical	1.5	1.6	0.0
Foods	2.4	5.6	3.1
Others	4.3	3.3	-1.0

* International tobacco business: 6 months ended June, 2008

7. Cash and cash equivalents *

(unit: JPY billion)

	As of end of Mar. 2008	As of end of Sep. 2008	Change
Cash and cash equivalents	218.8	179.1	-39.7

* 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. 2008	As of end of Sep. 2008	Change
Interest-bearing debt	1,389.2	1,264.5	-124.7

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

9. Business data

	6 months ended Sep. 2007	6 months ended Sep. 2008	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	85.8	82.9	-2.8
Total demand (billion cigarettes)	132.6	127.7	-4.8
JT market share	64.7%	64.9%	0.2%pt
JT net sales before tax per 1,000 cigarettes (JPY)	12,696	12,696	0
JT net sales after tax per 1,000 cigarettes (JPY)	4,054	4,055	1

* Sales volume of domestic duty-free and China division is excluded, which was 1.7 billion for FY ended Sep. 2007 and 1.9 billion for FY ended Sep. 2008, respectively.

	6 months ended June. 2007	6 months ended June. 2008	Change
<International tobacco business>			
Total sales volume (billion cigarettes)	159.3	221.1	61.8
GFB sales volume (billion cigarettes)	88.3	119.2	30.8
JPY/USD rate for consolidation (JPY)	120.15	104.89	-15.26

	6 months ended Sep. 2007	6 months ended Sep. 2008	Change
<Pharmaceutical business>			
R&D expenses (parent company) (JPY billion)	11.4	12.1	0.7

	As of end of Mar. 2008	As of end of Sep. 2008	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	257,000	257,000	0
JT-owned	35,500	34,000	-1,500
Combined	71,500	75,000	3,500

* 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 6 months ended Sep 2008

1. Consolidated financial outlook for fiscal year ending March 31, 2009 compared to the forecast as of May 2008

	(JPY billion)		
	Previous forecast	Revised forecast	Change
Net sales including excise tax	6,610.0	6,870.0	260.0
EBITDA	593.0	634.0	41.0
Operating income	311.0	348.0	37.0
Recurring profit	278.0	290.0	12.0
Net income	148.0	160.0	12.0
Return on equity	7.7%	9.3%	1.6%pt
Free cash flow	265.0	229.0	-36.0

	(JPY billion)		
	Previous forecast	Revised forecast	Change
Capital expenditures	149.0	154.0	5.0
Domestic tobacco	63.0	62.0	-1.0
International tobacco	56.0	65.0	9.0
Pharmaceutical	3.0	3.5	0.5
Foods	23.0	21.0	-2.0
Other businesses	4.0	2.5	-1.5

Consolidated financial outlook by business segment (JPY billion)

	(JPY billion)		
	Previous forecast	Revised forecast	Change
Net sales including excise tax	6,610.0	6,870.0	260.0
Domestic tobacco	3,165.0	3,169.0	4.0
Excluding imported tobacco	2,049.0	2,052.0	3.0
International tobacco	2,896.0	3,155.0	259.0
Excluding distribution business	2,618.0	2,822.0	204.0
Pharmaceutical	44.5	54.5	10.0
Foods	486.0	478.0	-8.0
EBITDA	593.0	634.0	41.0
Domestic tobacco	261.0	264.0	3.0
International tobacco	301.0	334.0	33.0
Pharmaceutical	-8.0	1.0	9.0
Foods	26.0	22.5	-3.5
Operating income	311.0	348.0	37.0
Domestic tobacco	173.0	180.0	7.0
International tobacco	144.0	169.0	25.0
Pharmaceutical	-12.0	-3.0	9.0
Foods	-4.0	-7.0	-3.0
Depreciation and amortization	282.0	286.0	4.0
Domestic tobacco	88.0	84.0	-4.0
International tobacco	157.0	165.0	8.0
Pharmaceutical	4.0	4.0	0.0
Foods	30.0	29.5	-0.5

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	Previous forecast	Revised forecast	Change
Sales volume	159.0	159.0	0.0

Excluding sales of domestic duty-free and China division

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

	Previous forecast	Revised forecast	Change
Total sales volume	450.0	452.0	2.0
GFB sales volume*	243.0	244.0	1.0
JPY/USD rate	100.00	103.00	3.00

2. Consolidated financial outlook for fiscal year ending March 31, 2009 compared to the results of previous fiscal year

	(JPY billion)		
	FY 03/2008	Revised forecast	Change
Net sales including excise tax	6,409.7	6,870.0	460.2
EBITDA	602.0	634.0	31.9
Operating income	430.5	348.0	-82.5
Recurring profit	362.6	290.0	-72.6
Net income	238.7	160.0	-78.7
Return on equity	11.8%	9.3%	-2.5%pt
Free cash flow	-1,493.7	229.0	1,722.7

	(JPY billion)		
	FY 03/2008	Revised forecast	Change
Capital expenditures	129.5	154.0	24.4
Domestic tobacco	57.2	62.0	4.7
International tobacco	48.4	65.0	16.5
Pharmaceutical	4.2	3.5	-0.7
Foods	6.0	21.0	14.9
Other businesses	14.7	2.5	-12.2

Consolidated financial outlook by business segment (JPY billion)

	(JPY billion)		
	FY 03/2008	Revised forecast	Change
Net sales including excise tax	6,409.7	6,870.0	460.2
Domestic tobacco	3,362.3	3,169.0	-193.3
Excluding imported tobacco	2,169.2	2,052.0	-117.2
International tobacco	2,639.9	3,155.0	515.0
Excluding distribution business	2,381.0	2,822.0	440.9
Pharmaceutical	49.0	54.5	5.4
Foods	336.4	478.0	141.5
EBITDA	602.0	634.0	31.9
Domestic tobacco	306.7	264.0	-42.7
International tobacco	270.7	334.0	63.2
Pharmaceutical	-6.2	1.0	7.2
Foods	8.3	22.5	14.1
Operating income	430.5	348.0	-82.5
Domestic tobacco	222.3	180.0	-42.3
International tobacco	205.3	169.0	-36.3
Pharmaceutical	-9.6	-3.0	6.6
Foods	0.6	-7.0	-7.6
Depreciation and amortization	171.5	286.0	114.4
Domestic tobacco	84.3	84.0	-0.3
International tobacco	65.3	165.0	99.6
Pharmaceutical	3.3	4.0	0.6
Foods	7.6	29.5	21.8

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	FY 03/2008	Revised forecast	Change
Sales volume	167.7	159.0	-8.7

Excluding sales of domestic duty-free and China division

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

	FY 03/2008	Revised forecast	Change
Total sales volume	385.6	452.0	66.4
GFB sales volume*	203.2	244.0	40.8
JPY/USD rate	117.85	103.00	-14.85

Goodwill amortization relating to major acquisitions

International tobacco business (unit: USD million)

	Goodwill amount as the basis for the amortization	FY ending Mar.2009	Years to amortize
Former RJRI and Gallaher	18,159	908	20

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

Foods Business (unit: JPY billion)

	Goodwill amount as the basis for the amortization	FY ending Mar.2009	Years to amortize
Katokichi	45.0	9.0	5

* Termination of goodwill amortization: Dec-12

Trademark rights amortization relating to major acquisitions

JT (unit: JPY billion)

	FY ended Mar. 2008	FY ending Mar. 2009	Years to amortize
Former RJRI	29.3	29.3	10

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

JT International (unit: USD million)

	Year ended Dec. 2007	Year ending Dec. 2008	Years to amortize
Former RJRI and Gallaher	220	284	mainly 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.

Domestic Tobacco Business Results

1. Quarterly Sales Volume (billions of cigarettes)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	54.0	36.8	44.6	39.3	174.9
FY 03/2008	42.7	43.0	43.7	38.2	167.7
FY 03/2009	42.0	40.8			

2. Quarterly Retail Price Sales (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	740.3	547.5	664.6	587.0	2,539.5
FY 03/2008	636.7	641.4	651.6	570.0	2,499.8
FY 03/2009	626.9	608.6			

* 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 03/2007	11,663	12,677	12,688	12,699	12,371
FY 03/2008	12,698	12,694	12,704	12,702	12,699
FY 03/2009	12,699	12,693			

* 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 03/2007	3,852	4,050	4,050	4,056	3,990
FY 03/2008	4,056	4,053	4,063	4,057	4,057
FY 03/2009	4,056	4,054			

* 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 03/2007	65.5	64.2	64.7	64.5	64.8
FY 03/2008	64.9	64.5	65.3	65.0	64.9
FY 03/2009	64.9	64.9			

Market Share in Growing Segments

1. 1mg Tar

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	12.4	12.5	13.3	13.6	12.9
FY 03/2008	13.9	13.7	14.0	14.3	14.0
FY 03/2009	14.5	14.5			

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	61.3	60.9	62.4	62.2
FY 03/2008	62.0	61.6	62.1	62.0
FY 03/2009	62.4	63.0		

2. Menthol

(1) JT Menthol Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	6.7	6.9	6.7	7.1	6.8
FY 03/2008	7.2	7.5	7.2	7.5	7.4
FY 03/2009	7.5	7.4			

(2) JT Share in Menthol Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	35.0	34.1	33.8	34.8
FY 03/2008	34.9	35.2	34.0	34.4
FY 03/2009	34.3	33.5		

3. JPY 320 or above*

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	5.7	5.4	5.2	5.5	5.5
FY 03/2008	5.6	5.2	5.4	5.3	5.4
FY 03/2009	5.2	5.0			

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	24.3	22.5	22.6	23.2
FY 03/2008	23.5	22.0	22.5	21.9
FY 03/2009	21.7	20.7		

* JPY 300 or above until Apr-Jun. 2006

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	4.12	3.84	3.85	4.34	4.04
FY 03/2008	4.41	4.10	4.77	5.13	4.59
FY 03/2009	5.10	4.82			

* 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 30, 2008)

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) obtains 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 triglyceride via inhibition of MTP -MTP: Microsomal Triglyceride Transfer Protein	
JTK-303 (oral)	Phase1 (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)	Phase2 (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.) obtains the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTT-552 (oral)	Phase2 (Japan)	Hyperuricemia	URAT1 inhibitor	Decreases serum urate concentration by increasing urinary urate excretion via inhibition of URAT1. -URAT 1: Urate Transporter 1	
JTT-651 (oral)	Phase1 (Japan)	Type 2 diabetes mellitus	GP inhibitor	Decreases blood glucose by suppression of glucose output from liver via inhibition of GP -GP: Glycogen Phosphorylase	
JTS-653 (oral)	Phase 1 (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	
JTT-654 (oral)	Phase 1 (Overseas)	Type 2 diabetes mellitus	HSD-1 inhibitor	Improves type 2 diabetes through reducing excessive glucocorticoid action by inhibiting HSD-1 - HSD1: 11beta-hydroxysteroid dehydrogenase type 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	

Updates since the previous announcement on July 31, 2008:

1. JTK-656 entered into clinical trial overseas.
2. Exclusive worldwide rights were licensed to Merck (excluding Japan) for the development and commercialization of JTT-305.