



**FOR IMMEDIATE RELEASE**

Tokyo, February 9, 2010

**JT Increases Annual EBITDA Forecast by ¥9 billion  
and Annual Net Income Forecast by ¥14 billion**  
*Consolidated Financial Results for the 9 months ended December 31, 2009*

**Highlights**

Annual Forecast

- Consolidated annual EBITDA forecast increased by ¥9.0 billion to ¥514.0 billion (previous forecast: ¥505.0 billion). Net income forecast increased by ¥14.0 billion to ¥122.0 billion (previous forecast: ¥108.0 billion).
- EBITDA forecast for the international tobacco business projected to grow 14.9% at constant rates of exchange (previous forecast: 13.0% growth).
- Consolidated EBITDA forecast increase driven by stronger projected sales volume in the international tobacco business, particularly in the United Kingdom and favorable currency movement.

Consolidated Group Results for Nine-Months

- Net sales excluding tax<sup>1</sup> and EBITDA<sup>2</sup> declined by 15.2% to ¥1,496.1 billion (2008: ¥1,764.1 billion) and 21.4% to ¥425.7 billion (2008: ¥541.3 billion), respectively.
- The domestic tobacco business' sales volume<sup>3</sup> and net sales excluding tax<sup>4</sup> were lower due to the anticipated ongoing decline in market demand. However, JT's market share remained solid.
- In the international tobacco business, whilst total sales volume<sup>5</sup> declined by 3.7%, net sales excluding tax increased by 5.7% and EBITDA increased by 9.0% at constant rates of exchange<sup>6</sup>, due to favorable pricing. Market share<sup>7</sup> increases were achieved in most key markets.

Consolidated financial results for nine-months (April-December 2009)

Units: Billions of Yen

	April – Dec. 2008(A)	April – Dec. 2009(B)	Difference (B)-(A)	Net Change (%)
Net sales including tax	5,346.1	4,651.8	-694.2	-13.0
Net sales excluding tax <sup>1</sup>	1,764.1	1,496.1	-267.9	-15.2
EBITDA <sup>2</sup>	541.3	425.7	-115.6	-21.4
Operating income <sup>8</sup>	329.6	252.5	-77.1	-23.4
Net income <sup>8</sup>	131.4	106.9	-24.5	-18.7

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

“The international tobacco business continued to grow market share in most of our key markets, reflecting its solid underlying business momentum. In our domestic tobacco business, challenging times are expected with the coming tax increase. To ensure we remain well positioned in this profitable home market, we will continue to strengthen our brands and distribution, and implement appropriate pricing.”

1 Net sales excluding tax does not include revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses in the domestic tobacco business. Nor does it include revenue from distribution, 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 Sales volume from both domestic duty free and the China Division were not incorporated in the above figures.



## Results by Business Segment

### ➤ Domestic Tobacco Business

The expected decline in market demand accelerated slightly in the third quarter. As a result, sales volume declined 5.0% to 117.4 billion cigarettes compared to the same period last year (2008: 123.6 billion cigarettes). The volume decline related to the introduction of “taspo”, the age verification system for cigarette vending machines, is expected to diminish during the fiscal year.

Net sales excluding tax declined by 5.1% to ¥ 476.4 billion. EBITDA declined by 3.8% to ¥205.1 billion. Operating income increased by 7.7% to ¥163.9 billion, due to the completion in April 2009 of the amortization of costs related to former RJRI<sup>9</sup> trademark rights.

Building on our strong domestic business platform, we continued to strengthen our brand portfolio through six nationwide product launches<sup>10</sup> primarily for our key brands<sup>11</sup> of Mild Seven, Seven Stars and Pianissimo. JT also introduced new sales promotions to further secure product presence in retail outlets. As a result, our market share remained solid at 65%.

Units: Billions of Yen, Billions of Cigarettes

	April – Dec. 2008	April – Dec. 2009	Net change (%)
Net sales including tax	2,478.1	2,352.9	-5.1
Net sales excluding tax <sup>4</sup>	501.7	476.4	-5.1
EBITDA <sup>2</sup>	213.2	205.1	-3.8
Operating income	152.2	163.9	7.7
Total sales volume <sup>3</sup>	123.6	117.4	-5.0

### ➤ International Tobacco Business

#### Financial results relate to the period between January 1 and September 30, 2009

Total sales volume declined by 3.7% to 325.6 billion cigarettes and Global Flagship Brands<sup>12</sup> sales volume declined by 1.7% to 182.4 billion cigarettes. Whilst net sales excluding tax<sup>13</sup> and EBITDA<sup>14</sup> declined due to adverse currency movements, at constant rates of exchange, net sales excluding tax increased by 5.7% and EBITDA increased by 9.0%. The growth was driven by favorable pricing. Good volume growth in Italy, France, the United Kingdom and Turkey was offset by declines in Iran, Ukraine and the Philippines.

Year-on-year market share increases were achieved in most key markets, including Italy, Spain, France, the United Kingdom, Russia and Turkey. In Russia, one of JT’s key international markets, sales volume grew 1.1% and market share increased from 35.5% to 36.5%. In the United Kingdom, market share increased from 39.2% to 40.2%, and in Italy from 16.8% to 18.1%.

Overall, our well balanced Global Flagship Brands portfolio performed well. Sales volume of LD and Glamour showed strong growth at 18.7% and 10.9% respectively, offsetting lower sales volumes of Winston and Camel (-5.3% and -3.2%, respectively).

Units: Billions of Yen, Billions of Cigarettes

	January – Sep. 2008	January – Sep. 2009	Net change (%)
Net sales including tax	2,456.9	1,946.5	-20.8
Net sales excluding tax <sup>13</sup>	851.2	667.3	-21.6
EBITDA <sup>14</sup>	297.3	202.9	-31.7
Operating income	170.5	97.3	-42.9
Total sales volume	338.1	325.6	-3.7
GFB sales volume	185.5	182.4	-1.7

<sup>4</sup> Net sales excluding tax does not include revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses.

<sup>5</sup> Total sales volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.



### ➤ Pharmaceutical Business

Net sales and EBITDA decreased to ¥34.3 billion and to ¥-6.2 billion respectively, due to the absence of milestone revenue related to two compounds ( JTT-705, a drug licensed to Roche for the treatment of dyslipidemia, and JTK-303, an anti-HIV agent licensed to Gilead Sciences). The absence of an upfront payment for JTT-305, a compound for the treatment of osteoporosis licensed to Merck, also affected net sales and EBITDA. REMITCH<sup>®</sup> CAPSULES, Truvada<sup>®</sup> Tablets and Serotone<sup>®</sup> by Torii Pharmaceutical performed well. JT currently has ten compounds in clinical trial.

Units: Billions of Yen

	April-Dec. 2008 (A)	April – Dec. 2009 (B)	Difference (B) - (A)
Net sales	48.1	34.3	-13.7
EBITDA	8.5	-6.2	-14.8
Operating income	5.8	-9.1	-14.9

### ➤ Food Business

Whilst net sales decreased to ¥303.2 billion, EBITDA increased to ¥14.0 billion. Net sales were affected by the company's withdrawal from the chilled processed food business and the exclusion of select subsidiaries from the consolidated accounts. Gains in EBITDA were largely due to changes in lease accounting. Excluding this effect, EBITDA improved by ¥0.7 billion due to lower material costs and continued cost cutting efforts.

Units: Billions of Yen

	April-Dec. 2008 (A)	April-Dec. 2009 (B)	Difference (B) - (A)
Net sales	347.7	303.2	-44.5
EBITDA	5.7	14.0	8.2
Operating income	-7.8	-7.3	0.4

### Non-Operating Results & Extraordinary Profits and Losses

Non-operating losses improved by ¥23.6 billion to ¥-36.9 billion. This improved position arose as a result of lower interest payments and smaller valuation losses due to net investment hedging in respect of euro-denominated bonds and loans held by overseas subsidiaries. Extraordinary profits and losses improved by ¥29.6 billion to ¥1.0 billion, primarily due to the absence of expenditure associated with the introduction of “taspo” and the reduction of expenditure related to business restructuring.

6 EBITDA for international tobacco business before royalty payments, at constant rates of exchange.

7 Source: AC Nielsen, Core EPOS and JTI internal data on the 12-month rolling average, September 2009.

8 Operating income and net income before amortization of goodwill were ¥326.9 billion and ¥181.3 billion, respectively.

9 R.J. Reynolds International.

10 Mild Seven 100's Box, Mild Seven Lights 100's Box, Seven Stars Black Charcoal Menthol Box, Pianissimo Icene Menthol One, Cabin Roast, Winston Lights Box

11 Key brands for the domestic tobacco business consist of three brands: Mild Seven, Seven Stars and Pianissimo.

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

13 Net sales excluding tax does not include revenue from the distribution, private label, contract manufacturing and other peripheral businesses.

14 EBITDA for international tobacco business, after royalty payments.



### Forecast for the Fiscal Year Ending March 31, 2010 (consolidated)

Due to stronger projected sales volume in the international tobacco business and favorable currency movements<sup>15</sup>, consolidated annual EBITDA is now forecast to be increased by ¥9.0 billion to ¥514.0 billion, an increase of 1.8% (previous forecast: ¥505.0 billion). The forecast for extraordinary profits and losses improved by ¥7.0 billion to ¥-7.0 billion (previous forecast ¥-14.0 billion). The forecast for the consolidated annual net income is increased by ¥14.0 billion to ¥122.0 billion, an increase of 13.0% (previous forecast: ¥108.0 billion).

Units: Billions of Yen

	FY/09 Actual (A)	FY/10 Previous Forecast in Oct. 2009 (B)	FY/10 Updated Forecast (C)	Change from FY/10 Previous Forecast (C-B)	Change from FY/09 Actual (C) – (A)
Net sales including tax	6,832.3	6,090.0	6,130.0	40.0 (0.7%)	-702.3 (-10.3%)
Net sales excluding tax	2,243.2	1,974.0	1,982.0	8.0 (0.4%)	-261.2 (-11.6%)
EBITDA	646.2	505.0	514.0	9.0 (1.8%)	-132.2 (-20.5%)
Operating income	363.8	272.0	283.0	11.0 (4.0%)	-80.8 (-22.2%)
Net income	123.4	108.0	122.0	14.0 (13.0%)	-1.4 (-1.1%)

- In the domestic tobacco business, the forecast for net sales excluding tax has been lowered by ¥3.0 billion to ¥616.0 billion reflecting declining sales volume. As a result of continuous cost cutting efforts, the EBITDA forecast remains unchanged from the previous forecast at ¥246.0 billion.
- Forecast EBITDA for the international tobacco business has been increased. EBITDA is now projected to grow 14.9% at constant rates of exchange. Net sales excluding tax are forecast to increase by 2.7% in comparison to the previous forecast. The increase in the net sales forecast is due to stronger projected sales volume, particularly in the United Kingdom and the Middle East.
- The pharmaceutical business' net sales and EBITDA forecasts have also been revised upward by ¥0.5 billion to ¥44.5 billion and by ¥0.5 billion to ¥-10.5 billion, respectively.
- In the food business, net sales forecasts have been lowered by ¥14.0 billion to ¥395.0 billion due to continuing low consumer spending and the slowdown in the fishery products market. The negative impact on the annual EBITDA forecast, ¥0.5 billion to ¥15.0 billion, has been minimized primarily as a result of concentrating our activities on core products, which has improved the earnings structure.

<sup>15</sup> Previous exchange rate assumptions for US 1 dollar were; 32.25 ruble, 0.65 UK sterling, 0.73 euro and 93 yen. The revised exchange rate assumptions for US 1 dollar are; 31.77 ruble, 0.65 UK sterling, 0.73 euro and 93.65 yen.



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*Japan Tobacco Inc. is a leading international tobacco product company. It markets internationally recognized cigarette brands including Winston, Camel, Mild Seven and Benson & Hedges. With diversified operations, JT is actively present in pharmaceuticals and foods. The company's net sales were ¥6.832 trillion in the fiscal year ended March 31, 2009.*

#### **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  
Yuka Sugimoto, Associate General Manager  
Media and Investor Relations Division  
Japan Tobacco Inc.  
Tokyo: +81-3-5572-4292

Data sheets for 9 months ended Dec 2009

1. Summary of Business Performance

(unit: JPY billion)

	9 months ended Dec. 2008	9 months ended Dec. 2009	Change
Sales including excise tax	5,346.1	4,651.8	-694.2
Sales excluding excise tax	1,764.1	1,496.1	-267.9
EBITDA	541.3	425.7	-115.6
Operating Income	329.6	252.5	-77.1
Recurring Profit	269.0	215.6	-53.4
Net Income	131.4	106.9	-24.5

\* Excluding revenue from imported tobacco, domestic duty free, the China Division and other miscellaneous in the domestic tobacco business, the distribution, private label, contract manufacturing and other peripheral businesses in the international tobacco business

(Reference: Before goodwill amortization)

Operating Income	410.1	326.9	-83.1
Recurring Profit	349.4	290.0	-59.4
Net Income	211.9	181.3	-30.5

2. Breakdown of net sales

(unit: JPY billion)

	9 months ended Dec. 2008	9 months ended Dec. 2009	Change
Net sales including excise tax <sup>1</sup>	5,346.1	4,651.8	-694.2
Domestic tobacco	2,478.1	2,352.9	-125.1
International tobacco <sup>1</sup>	2,456.9	1,946.5	-510.3
Net sales excluding excise tax <sup>1,2,3</sup>	1,764.1	1,496.1	-267.9
Domestic tobacco <sup>2</sup>	501.7	476.4	-25.3
International tobacco <sup>1,3</sup>	851.2	667.3	-183.8
Pharmaceutical	48.1	34.3	-13.7
Foods	347.7	303.2	-44.5
Beverages	145.1	142.7	-2.4
Processed foods	202.6	160.5	-42.1
Others	15.1	14.7	-0.4

<sup>1</sup> International tobacco business: 9 months ended Sep. 2009

<sup>2</sup> Excluding revenue from the imported tobacco, domestic duty free, the China Division, and other miscellaneous.

<sup>3</sup> Excluding revenue from the distribution, private label, contract manufacturing and other peripheral businesses.

(Reference)

(unit: USD million)

International tobacco	8,043	7,028	-1,015
Net sales excluding tax <sup>1,3</sup>			

3. Leaf tobacco reappraisal profit / loss \*

(unit: JPY billion)

	9 months ended Dec. 2008	9 months ended Dec. 2009	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. 2008	9 months ended Dec. 2009	Change
SG&A	683.5	598.1	-85.3
Personnel *	177.5	161.9	-15.6
Advertising and general publicity	19.7	14.7	-5.0
Sales promotion	126.6	102.9	-23.6
R&D	35.3	36.9	1.6
Depreciation and amortization	66.0	55.1	-10.8
Others	258.2	226.4	-31.8

\* 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<sup>1</sup>

(unit: JPY billion)

	9 months ended Dec. 2008	9 months ended Dec. 2009	Change
Consolidated EBITDA	541.3	425.7	-115.6
Operating income	329.6	252.5	-77.1
Depreciation and amortization <sup>2</sup>	211.6	173.1	-38.5
Domestic tobacco EBITDA	213.2	205.1	-8.0
Operating income	152.2	163.9	11.7
Depreciation and amortization <sup>2</sup>	60.9	41.1	-19.8
International tobacco EBITDA <sup>3</sup>	297.3	202.9	-94.3
Operating income	170.5	97.3	-73.1
Depreciation and amortization <sup>2</sup>	126.8	105.6	-21.2
Pharmaceutical EBITDA	8.5	-6.2	-14.8
Operating income	5.8	-9.1	-14.9
Depreciation and amortization <sup>2</sup>	2.7	2.9	0.1
Foods EBITDA	5.7	14.0	8.2
Operating income	-7.8	-7.3	0.4
Depreciation and amortization <sup>2</sup>	13.6	21.4	7.8
Others EBITDA	15.3	10.0	-5.2
Operating income	7.3	8.1	0.7
Depreciation and amortization <sup>2</sup>	7.9	1.9	-6.0

(Reference)

(unit: USD million)

International tobacco EBITDA (Before royalty payment)	2,950	2,354	-595
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<sup>1</sup> EBITDA=operating income + depreciation and amortization<sup>2</sup>

<sup>2</sup> Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

<sup>3</sup> International tobacco business: 9 months ended Sep. 2009

6. Amortization relating to major acquisitions

(unit: JPY billion)

	9 months ended Dec. 2008	9 months ended Dec. 2009	Years to amortize	Termination
JT				
Former RJRI				
Trademark rights	22.0	2.8	10	Apr-09
Katokichi				
Goodwill	6.9	8.0	5	Dec-12

\* Katokichi Goodwill amortization in FY2009 includes one-time goodwill amortization of Katokichi's subsidiary

(unit: USD million)

	9 months ended Sep. 2008	9 months ended Sep. 2009	Years to amortize
JT International			
Former RJRI and Gallaher			
Trademark rights *	213	178	mainly 20
Goodwill	680	679	20

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

7. Capital expenditure

(unit: JPY billion)

	9 months ended Dec. 2008	9 months ended Dec. 2009	Change
Capital expenditures	85.0	92.5	7.4
Domestic tobacco	30.1	31.2	1.1
International tobacco *	36.7	41.0	4.3
Pharmaceutical	2.2	2.0	-0.1
Foods	10.8	17.7	6.9
Others	4.9	0.3	-4.6

\* International tobacco business: 9 months ended Sep. 2009

8. Cash and cash equivalents \*

(unit: JPY billion)

	As of end of Mar. 2009	As of end of Dec. 2009	Change
Cash and cash equivalents	169.8	152.5	-17.3

\* 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. 2009	As of end of Dec. 2009	Change
Interest-bearing debt	996.0	844.5	-151.5

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

10. Business data

	9 months ended Dec. 2008	9 months ended Dec. 2009	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	123.6	117.4	-6.2
Total demand (billion cigarettes)	190.2	180.8	-9.4
JT market share	65.0%	65.0%	0.0%pt
JT net sales before tax per 1,000 cigarettes (JPY)	12,697	12,691	-6
JT net sales after tax per 1,000 cigarettes (JPY)	4,057	4,056	-1

\* Sales volume of domestic duty-free and China division is excluded, which was 3.1 billion for 9 months ended Dec. 2008 and 2.8 billion for 9 months ended Dec. 2009, respectively.

	9 months ended Sep. 2008	9 months ended Sep. 2009	Change
<International tobacco business>			
Total sales volume* (billion cigarettes)	338.1	325.6	-12.5
GFB sales volume (billion cigarettes)	185.5	182.4	-3.1
JPY/USD rate for consolidation (JPY)	105.84	94.96	10.88

\* Including cigars, pipe tobacco and snus, excluding private label and contract manufacturing products

	9 months ended Dec. 2008	9 months ended Dec. 2009	Change
<Pharmaceutical business>			
R&D expenses (parent company) (JPY billion)	17.8	16.5	-1.3

	As of end of Mar. 2009	As of end of Dec. 2009	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	254,000	257,500	3,500
JT-owned	32,000	32,000	0
Combined	76,500	82,000	5,500

\* 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 9 months ended Dec 2009

1. Consolidated financial outlook for fiscal year ending March 31, 2010 compared to the forecast as of October 2009

(JPY billion)			
	Previous forecast	Revised forecast	Change
Net sales including excise tax	6,090.0	6,130.0	40.0
EBITDA	505.0	514.0	9.0
Operating income	272.0	283.0	11.0
Recurring profit	235.0	246.0	11.0
Net income	108.0	122.0	14.0
Return on equity	6.8%	7.6%	0.8%pt
Free cash flow	169.0	212.0	43.0
(Reference: Before goodwill amortization)			
Net income	205.0	219.0	14.0

(JPY billion)			
	Previous forecast	Revised forecast	Change
Capital expenditures	162.0	150.0	-12.0
Domestic tobacco	59.0	47.0	-12.0
International tobacco	62.0	64.0	2.0
Pharmaceutical	3.0	3.0	0.0
Foods	35.0	34.0	-1.0
Other businesses	1.0	1.0	0.0

Consolidated financial outlook by business segment (JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax <sup>1</sup>	6,090.0	6,130.0	40.0
Domestic tobacco	3,048.0	3,040.0	-8.0
International tobacco <sup>1</sup>	2,577.0	2,633.0	56.0
Net sales excluding excise tax <sup>1,2,3</sup>	1,974.0	1,982.0	8.0
Domestic tobacco <sup>2</sup>	619.0	616.0	-3.0
International tobacco <sup>1,3</sup>	882.0	906.0	24.0
Pharmaceutical	44.0	44.5	0.5
Foods	409.0	395.0	-14.0
EBITDA	505.0	514.0	9.0
Domestic tobacco	246.0	246.0	0.0
International tobacco	240.0	249.0	9.0
Pharmaceutical	-11.0	-10.5	0.5
Foods	15.5	15.0	-0.5
Operating income	272.0	283.0	11.0
Domestic tobacco	190.0	191.0	1.0
International tobacco	100.0	109.0	9.0
Pharmaceutical	-15.0	-14.5	0.5
Foods	-12.5	-13.0	-0.5
Depreciation and amortization	233.0	231.0	-2.0
Domestic tobacco	56.0	55.0	-1.0
International tobacco	140.0	140.0	0.0
Pharmaceutical	4.0	4.0	0.0
Foods	28.0	28.0	0.0

(unit: USD million)			
International tobacco	9,480	9,682	202
Net sales excluding tax <sup>1,3</sup>			
International tobacco EBITDA <sup>1</sup>	2,880	2,964	84
(Before royalty payment)			

<sup>1</sup> International tobacco business: Year ended Dec.2009

<sup>2</sup> Excluding revenue from the imported tobacco, domestic duty free, the China Division, and other miscellaneous.

<sup>3</sup> Excluding revenue from the distribution, private label, contract manufacturing and other peripheral businesses

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	Previous forecast	Revised forecast	Change
Sales volume	152.5	152.0	-0.5

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*	432.0	434.9	2.9
GFB sales volume	242.0	243.4	1.4
JPY/USD rate	93.00	93.65	0.65

\*Total volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufactured products

Goodwill amortization relating to major acquisitions

(unit: USD million)			
International tobacco business	Year ended Dec.2008	Year ending Dec.2009	Years to amortize
Former RJRI and Gallaher	910	903	20

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

Foods Business (unit: JPY billion)

	FY ended Mar. 2009	FY ending Mar. 2010**	Years to amortize
Katokichi	9.2	10.2	5

\* Termination of goodwill amortization: Dec-12

\*\* Including one-time goodwill amortization of Katokichi's subsidiary (1billion yen)

2. Consolidated financial outlook for fiscal year ending March 31, 2010 compared to the results of previous fiscal year

(JPY billion)			
	FY 03/2009	Revised forecast	Change
Net sales including excise tax	6,832.3	6,130.0	-702.3
EBITDA	646.2	514.0	-132.2
Operating income	363.8	283.0	-80.8
Recurring profit	307.5	246.0	-61.5
Net income	123.4	122.0	-1.4
Return on equity	6.8%	7.6%	0.8%pt
Free cash flow	240.1	212.0	-28.1

(Reference: Before goodwill amortization)

Net income	228.9	219.0	-9.9
EPS(JPY)	23,894.55	22,859.91	-1,034.64
Cash dividends per share(JPY)	5,400	5,600	200
Payout Ratio	22.6%	24.5%	1.9%pt

(JPY billion)			
	FY 03/2009	Revised forecast	Change
Capital expenditures	134.2	150.0	15.7
Domestic tobacco	46.5	47.0	0.4
International tobacco	59.7	64.0	4.2
Pharmaceutical	3.4	3.0	-0.4
Foods	23.2	34.0	10.7
Other businesses	1.1	1.0	-0.1

Consolidated financial outlook by business segment (JPY billion)

	FY 03/2009	Revised forecast	Change
Net sales including excise tax <sup>1</sup>	6,832.3	6,130.0	-702.3
Domestic tobacco	3,200.4	3,040.0	-160.4
International tobacco <sup>1</sup>	3,118.3	2,633.0	-485.3
Net sales excluding excise tax <sup>1,2,3</sup>	2,243.2	1,982.0	-261.2
Domestic tobacco <sup>2</sup>	648.8	616.0	-32.8
International tobacco <sup>1,3</sup>	1,080.8	906.0	-174.8
Pharmaceutical	56.7	44.5	-12.2
Foods	435.9	395.0	-40.9
EBITDA	646.2	514.0	-132.2
Domestic tobacco	272.2	246.0	-26.2
International tobacco	337.9	249.0	-88.9
Pharmaceutical	4.8	-10.5	-15.3
Foods	17.0	15.0	-2.0
Operating income	363.8	283.0	-80.8
Domestic tobacco	188.2	191.0	2.7
International tobacco	174.7	109.0	-65.7
Pharmaceutical	1.0	-14.5	-15.5
Foods	-11.4	-13.0	-1.5
Depreciation and amortization	282.4	231.0	-51.4
Domestic tobacco	84.0	55.0	-29.0
International tobacco	163.1	140.0	-23.1
Pharmaceutical	3.8	4.0	0.1
Foods	28.4	28.0	-0.4

(unit: USD million)			
International tobacco	10,445	9,682	-762
Net sales excluding tax <sup>1,3</sup>			
International tobacco EBITDA <sup>1</sup>	3,452	2,964	-487
(Before royalty payment)			

<sup>1</sup> International tobacco business: Year ended Dec.2009

<sup>2</sup> Excluding revenue from the imported tobacco, domestic duty free, the China Division, and other miscellaneous.

<sup>3</sup> Excluding revenue from the distribution, private label, contract manufacturing and other peripheral businesses

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	FY 03/2009	Revised forecast	Change
Sales volume	159.9	152.0	-7.9

Excluding sales of domestic duty-free and China division

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

	FY 03/2009	Revised forecast	Change
Total sales volume*	445.9	434.9	-11.0
GFB sales volume	245.5	243.4	-2.1
JPY/USD rate	103.48	93.65	-9.83

\*Total volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufactured products

Trademark rights amortization relating to major acquisitions

(unit: JPY billion)			
JT	FY ended Mar. 2009	FY ending Mar. 2010	Years to amortize
Former RJRI	29.4	2.4	10

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

JT International (unit: USD million)

	Year ended Dec.2008	Year ending Dec.2009	Years to amortize
Former RJRI and Gallaher	273	240	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 03/2008	42.7	43.0	43.7	38.2	167.7
FY 03/2009	42.0	40.8	40.7	36.2	159.9
FY 03/2010	39.0	39.5	38.8		

**2. Quarterly Retail Price Sales** (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	636.7	641.4	651.6	570.0	2,499.8
FY 03/2009	626.9	608.6	607.3	539.9	2,382.8
FY 03/2010	581.7	589.1	578.5		

\* 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 03/2008	12,698	12,694	12,704	12,702	12,699
FY 03/2009	12,699	12,693	12,699	12,699	12,698
FY 03/2010	12,693	12,689	12,691		

\* 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 03/2008	4,056	4,053	4,063	4,057	4,057
FY 03/2009	4,056	4,054	4,060	4,058	4,057
FY 03/2010	4,056	4,055	4,057		

\* 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 03/2008	64.9	64.5	65.3	65.0	64.9
FY 03/2009	64.9	64.9	65.2	65.2	65.1
FY 03/2010	65.1	64.8	65.0		

**Market Share in Growing Segments**

**1. 1mg Tar**

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	13.9	13.7	14.0	14.3	14.0
FY 03/2009	14.5	14.5	14.9	14.9	14.7
FY 03/2010	14.9	14.8	15.2		

(2) 1mg Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	22.4	22.3	22.5	23.0	22.5
FY 03/2009	23.2	23.0	23.5	23.7	23.3
FY 03/2010	23.9	23.8	24.1		

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	62.0	61.6	62.1	62.0	61.9
FY 03/2009	62.4	63.0	63.3	62.8	62.9
FY 03/2010	62.3	62.2	63.0		

**2. Menthol**

(1) JT Menthol Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	7.2	7.5	7.2	7.5	7.4
FY 03/2009	7.5	7.4	7.8	7.7	7.6
FY 03/2010	7.6	7.9	8.0		

(2) Menthol Market Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	20.7	21.4	21.2	21.8	21.3
FY 03/2009	21.9	22.1	22.2	22.4	22.1
FY 03/2010	22.6	23.2	23.0		

(3) JT Share in Menthol Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	34.9	35.2	34.0	34.4	34.6
FY 03/2009	34.3	33.5	35.0	34.5	34.3
FY 03/2010	33.8	34.2	34.7		

**3. JPY 320 or above\***

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	5.6	5.2	5.4	5.3	5.4
FY 03/2009	5.2	5.0	5.4	5.2	5.2
FY 03/2010	5.1	5.0	5.2		

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	23.7	23.7	24.1	24.0	23.9
FY 03/2009	23.9	24.0	24.6	24.5	24.2
FY 03/2010	23.9	23.8	24.1		

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	23.5	22.0	22.5	21.9	22.5
FY 03/2009	21.7	20.7	22.2	21.4	21.5
FY 03/2010	21.3	21.0	21.4		

\* JPY 300 or above until Apr-Jun. 2006

**4. Quarterly D-spec Product Share** (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2008	4.41	4.10	4.77	5.13	4.59
FY 03/2009	5.10	4.82	5.04	4.85	4.96
FY 03/2010	4.76	4.66	5.25		

\* 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 February 9, 2010)

Code	Stage	Key Indication	Mechanism	Characteristics	Rights
JTT-705 (oral)	Phase 2 (Japan)	Dyslipidemia	CETP inhibitor	Decreases LDL and increases HDL by inhibition of CETP  -CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL -HDL: High-density lipoprotein ("good cholesterol") -LDL: Low-density lipoprotein ("bad cholesterol")	Roche (Switzerland) obtained the rights to develop and commercialize the compound worldwide, with the exception of Japan.  *Development stage by Roche: Phase 3
JTT-130 (oral)	Phase 2 (Japan) Phase 2 (Overseas)	Dyslipidemia	MTP inhibitor	Treatment of dyslipidemia by reducing absorption of cholesterol and triglycerides via inhibition of MTP  -MTP: Microsomal Triglyceride Transfer Protein	
JTK-303 (oral)	Phase 1 (Japan)	HIV infection	Integrase inhibitor	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV  -HIV: Human Immunodeficiency Virus	Gilead Sciences (U.S.) obtained the rights to develop and commercialize this compound worldwide, with the exception of Japan.  *Development stage by Gilead Sciences: Phase 3
JTT-302 (oral)	Phase 2 (Overseas)	Dyslipidemia	CETP inhibitor	Decreases LDL and increases HDL by inhibition of CETP  -CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL -HDL: High-density lipoprotein ("good cholesterol") -LDL: Low-density lipoprotein ("bad cholesterol")	
JTT-305 (oral)	Phase 2 (Japan)	Osteoporosis	CaSR antagonist	Increases BMD and decreases new vertebral fractures by accelerating endogenous PTH secretion via antagonism of circulating Ca on CaSR in parathyroid cells  -BMD: Bone Mineral Density -PTH: Parathyroid Hormone -CaSR: Calcium-Sensing Receptor	Merck (U.S.) obtained the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTS-653 (oral)	Phase 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 (Japan) Phase 2 (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	
JTT-751 (oral)	Phase 2 (Japan)	Hyperphosphatemia	Phosphate binder	Decreases serum phosphorous level by binding phosphate derived from dietary in the gastrointestinal tract	JT obtained the rights to develop and commercialize this compound in Japan from Keryx Biopharmaceuticals (U.S.) (Developed jointly with Torii)
JTK-853 (oral)	Phase 1 (Overseas)	Hepatitis C	HCV RNAPolymerase inhibitor	Treatment of Hepatitis C by inhibiting HCV RNA- polymerase which relates to viral proliferation	

Updates since the previous announcement on October 29, 2009:

JTK-853 entered into clinical trial stage overseas.