



FOR IMMEDIATE RELEASE

Tokyo, April 28, 2010

## JT's Consolidated Financial Results Exceeds the Original Forecast Announced in 'JT-11' Full Fiscal Year Ended March 31, 2010

### Highlights

#### Consolidated Financial Results for the Full Fiscal Year ended March 31, 2010

- **Key Figures:** EBITDA<sup>1</sup>, operating income<sup>2</sup> and net income<sup>2</sup> all exceeded the original forecast announced in JT-11<sup>3</sup>. In comparison to prior fiscal year, net income improved by 12.2% to ¥138.4 billion (FY2008: ¥123.4 billion) due primarily to improvements in extraordinary profits. Adjusted net sales excluding tax<sup>4</sup> and EBITDA<sup>1</sup> declined by 11.7% to ¥1,980.9 billion (FY2008: ¥2,243.1 billion) and 18.5% to ¥526.7 billion (FY2008: ¥646.2 billion), respectively.
- **Japanese Domestic Tobacco Business:** Sales volume<sup>5</sup>, adjusted net sales excluding tax<sup>4</sup> and EBITDA declined. Market share of all brands was basically flat year on year.
- **International Tobacco Business:** Market share<sup>7</sup> increased year on year in most key markets, although total sales volume<sup>8</sup> decreased 2.5%. Favourable pricing and volume gains in Europe drove adjusted net sales excluding tax to increase by 7.2% and EBITDA to increase by 14.9% at constant rates of exchange<sup>9</sup>. On a reported basis, adjusted net sales excluding tax and EBITDA declined by 16.1% and 26.1% respectively due to adverse currency movements.
- **Dividends:** The company's board is recommending that the year end dividend is increased by 7.1% to ¥3,000 per share (FY2008: ¥2,800), made up of ¥2,800 in respect of each ordinary share and ¥200 in respect of each commemorative share, at an annualized sum of ¥5,800 (FY2008: ¥5,400).

Consolidated financial results for fiscal year ended March 31, 2010

Units: Billions of Yen

	Fiscal Year Ended March 31, 2009 (A)	Fiscal Year Ended March 31, 2010 (B)	Difference (B)-(A)	Net Change (%)	Fiscal Year Ended March 31, 2010 Original Forecast
Net sales including tax	6,832.3	6,134.6	-697.6	-10.2	6,000.0
Adjusted net sales excluding tax <sup>4</sup>	2,243.1	1,980.9	-262.1	-11.7	1,985.0
EBITDA <sup>1</sup>	646.2	526.7	-119.5	-18.5	475.0
Operating income <sup>2</sup>	363.8	296.5	-67.3	-18.5	244.0
Net income <sup>2</sup>	123.4	138.4	15.0	12.2	100.0

#### Annual Forecast for the Full Fiscal Year ending March 31, 2011

- **Consolidated Annual Forecast:** Decreases are forecast with adjusted net sales excluding tax at ¥1,973.0 billion, EBITDA at ¥513.0 billion and net income at ¥133.0 billion.
- **Japanese Domestic Tobacco Business:** Adjusted net sales excluding tax and EBITDA are forecast to decrease to ¥576.0 billion and ¥219.0 billion respectively. These forecasts take account of the introduction of the tobacco excise tax increase in October 2010 which is likely to impact sales volumes substantially.
- **International Tobacco Business:** EBITDA is forecast to increase by 12.3% in US dollars compared to prior year, and 6.2% at constant rates of exchange.

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

“Despite the difficult operating environment, our international tobacco business delivered a resilient performance and increased market share in most key markets. In the year ahead, the market environment within which both of our tobacco businesses operate will remain challenging. In both our home market and across our international business we will continue to invest in our brand equity. In addition, in our home market, we will take all necessary measures to mitigate the impact of the planned excise increase and anticipated resulting volume decline. In our international business, we will continue to focus on initiatives to sustain top-line growth.”



## Results by Business Segment

### ➤ Japanese Domestic Tobacco Business

Sales volume<sup>5</sup> declined 5.0% to 151.8 billion cigarettes. This volume decline was primarily due to the expected decline in market demand which accelerated slightly in the second half of the fiscal year. Affected by the declining sales volume, adjusted net sales excluding tax declined by 5.1% to ¥ 615.9 billion.

EBITDA declined by 5.4% to ¥257.6 billion. Operating income increased by 8.0% to ¥203.3 billion, due primarily to the completion in April 2009 of the amortization of costs related to former RJRI<sup>10</sup> trademark rights.

Market share of all brands was basically flat year on year at 64.9%. Market share of key brands<sup>11</sup>, which consist of Mild Seven, Pianissimo and Seven Stars, increased to 45.1%<sup>12</sup>.

Units: Billions of Yen, Billions of Cigarettes

	Fiscal Year Ended March 31, 2009	Fiscal Year Ended March 31, 2010	Net change (%)
Net sales including tax	3,200.4	3,042.8	-4.9
Adjusted net sales excluding tax <sup>6</sup>	648.8	615.9	-5.1
EBITDA <sup>1</sup>	272.2	257.6	-5.4
Operating income	188.2	203.3	8.0
Total sales volume <sup>5</sup>	159.9	151.8	-5.0

### ➤ International Tobacco Business

#### Financial results relate to the period between January 1 and December 31, 2009

Total sales volume<sup>8</sup> decreased 2.5% to 434.9 billion cigarettes. Good volume growth in Turkey, the United Kingdom, Russia and Italy did not compensate for declines in Iran, Ukraine and the Philippines. Favorable pricing combined with volume gains in Europe drove adjusted net sales excluding tax to increase by 7.2% and EBITDA to increase by 14.9% at constant rates of exchange<sup>9</sup>. On a reported basis, adjusted net sales excluding tax<sup>13</sup> and EBITDA<sup>14</sup> declined by 16.1% and 26.1% respectively due to adverse currency movements.

Market share<sup>7</sup> increased year on year in key markets of Italy, Spain, France, the United Kingdom, Russia and Turkey. In Italy, market share increased from 17.1% to 18.5% and, in the United Kingdom, market share rose from 39.1% to 40.4%. In Russia, despite accelerated market contraction and down-trading, sales volume grew 1.4%, resulting from LD and Glamour's strong performances. Market share in Russia continued to increase from 35.7% to 36.8%.

Sales volume of our Global Flagship Brands<sup>15</sup> decreased slightly by 0.9% to 243.4 billion cigarettes. Sales volume for LD grew by 18.2%, reflecting its Mid/Value positioning, with solid performances in Russia, Poland, Ukraine and Turkey. Glamour's sales volume increased 7.9% with strong growth in Russia. Sales volume for Winston decreased by 4.1%. Strong volume growth for Winston in Italy, France and Turkey was offset by declines in Iran due to the continuing unstable operating environment, in the Philippines where the business model changed, in Ukraine with excise-led market contraction and in Russia with down-trading coupled with market contraction. Sales volume of Camel and Mild Seven decreased to 1.8% and 3.0% respectively.

Units: Billions of Yen, Billions of Cigarettes

	January – Dec. 2008	January – Dec. 2009	Net change (%)
Net sales including tax	3,118.3	2,633.6	-15.5
Adjusted net sales excluding tax <sup>13</sup>	1,080.8	906.7	-16.1
EBITDA <sup>14</sup>	337.9	249.8	-26.1
Operating income	174.7	109.1	-37.6
Total sales volume <sup>8</sup>	445.9	434.9	-2.5
GFB sales volume	245.5	243.4	-0.9



➤ **Pharmaceutical Business**

Net sales and EBITDA decreased to ¥44.0 billion and to ¥-9.6 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. JTK-853, an anti-hepatitis C drug advanced into the clinical development stage during the third quarter. JT currently has 10 compounds in clinical trial, all of which are listed in the attachment to this release.

Units: Billions of Yen

	Fiscal Year Ended March 31, 2009(A)	Fiscal Year Ended March 31, 2010(B)	Difference (B) - (A)
Net sales	56.7	44.0	-12.6
EBITDA	4.8	-9.6	-14.5
Operating income	1.0	-13.5	-14.6

➤ **Food Business**

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. EBITDA of the core business<sup>16</sup>, improved slightly from the previous year, as a result of declining raw material costs and continuing cost cutting efforts. However, overall, EBITDA decreased to ¥14.4 billion due to a temporary loss recorded in the fishery business.

Units: Billions of Yen

	Fiscal Year Ended March 31, 2009(A)	Fiscal Year Ended March 31, 2010(B)	Difference (B) - (A)
Net sales	435.9	394.6	-41.3
EBITDA	17.0	14.4	-2.5
Operating income	-11.4	-13.6	-2.2

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

Non-operating losses improved by ¥15.0 billion to ¥-41.1 billion. This improved position resulted from 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 ¥66.1 billion to ¥20.6 billion, primarily due to the absence of expenditure associated with the introduction of "taspo" and the reduction of expenditure related to business restructuring. The figure was also improved by a gain from the reversal of liability on a fine levied under the UK competition law.



**Forecast for the Fiscal Year Ending March 31, 2011 (consolidated)**<sup>17</sup>

For the fiscal year ending March 31, 2011, consolidated net sales and profits are forecast to decline, due to anticipated weaker performance of our Japanese domestic tobacco business which is expected to be partially offset by the growth of our international tobacco business. Consolidated adjusted net sales excluding tax is forecast to be ¥1,973.0 billion. Consolidated annual EBITDA and operating income are forecast to be ¥513.0 billion and ¥295.0 billion respectively. Extraordinary losses are forecast to increase due partly to the reduction in the gain from the sale of non-current assets and also to an agreement payment between JTI-Macdonald Corp., our Canadian subsidiary, and the Canadian authorities relating to the illicit trade of cigarettes in Canada, which has been reached on 13<sup>th</sup> April 2010. Consolidated net income is forecast to be ¥133.0 billion.

Units: Billions of Yen

	Fiscal Year Ended March 31, 2010 Actual (A)	Fiscal Year Ending March 31, 2011 Forecast (B)	Difference (B)-(A)	Net Change (%)
Net sales including tax	6,134.6	5,980.0	-154.6	-2.5
Adjusted net sales excluding Tax	1,980.9	1,973.0	-7.9	-0.4
EBITDA	526.7	513.0	-13.7	-2.6
Operating income	296.5	295.0	-1.5	-0.5
Net income	138.4	133.0	-5.4	-3.9

- **Japanese Domestic Tobacco Business**<sup>18</sup>: Adjusted net sales excluding tax are forecast to decline by 6.5% to ¥576.0 billion to take account of the introduction of the tobacco excise tax increase on 1st October 2010. This tax increase is anticipated to cause an unprecedented sales volume decline of 16.0% to 127.5 billion cigarettes. Given that the impact of this decline can not be offset solely by JT's cost reduction efforts, on 28<sup>th</sup> April 2010, JT has applied for an amendment of its retail prices in excess of the excise tax hikes in order to provide the quality and services which will continue to satisfy its consumers. A temporary increase in demand, which is estimated at approximately the equivalent of one-month's sales volume, is expected prior to the introduction of the tobacco tax increase. EBITDA forecast is projected to decrease by 12.8% to ¥219.0 billion in comparison to prior fiscal year.
- **International Tobacco Business**<sup>18</sup>: EBITDA in US dollars is forecast to grow 12.3% at prevailing exchange rates. At constant rates of exchange, EBITDA is forecast to grow 6.2%. Adjusted net sales excluding tax are forecast to grow to ¥944.0 billion, and EBITDA is forecast to grow to ¥300.0 billion. Total sales volume is expected to decline slightly whilst the sales volume of Global Flagship Brands is forecast to increase by 2.7%.
- **Pharmaceutical Business**: The forecast for net sales is expected to remain unchanged at ¥44.5 billion. However, EBITDA is expected to decline due to an increase in R&D expenditures.
- **Food Business**: The net sales forecast is ¥390.0 billion. In our beverage business, we will continue to strengthen our flagship canned coffee product, 'Roots', which celebrates its 10 year anniversary in 2010. In our food business, we will remain strategically focused on staple food products<sup>19</sup> as well as seasoning (eg. yeast extract) and will continue to target cost savings. As a result of these initiatives in our beverage and food operations, EBITDA is projected to increase to ¥18.5 billion.
- **Projected Half-Year and Year-End Dividend**: The company is projecting half-year and year-end dividends per share of ¥2,800 each for the fiscal year ending March 31, 2011, at an annualized sum of ¥5,600.



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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 ¥6.134 trillion in the fiscal year ended March 31, 2010.*

**Footnotes:**

- 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.
- 2 Operating income and net income before amortization of goodwill were ¥393.9 billion and ¥235.8 billion, respectively.
- 3 JT-11 is the medium-term management plan which was announced at the end April 2009. It covers the three year period through to the fiscal year ending March 31<sup>st</sup> 2012.
- 4 Adjusted net sales excluding tax do 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.
- 5 Sales volume from both domestic duty free and the China Division were not incorporated in the above figures.
- 6 Adjusted net sales excluding tax does not include revenue from the imported tobacco, domestic duty free, the China Division and other peripheral businesses.
- 7 Source: AC Nielsen, Core EPOS and JTI internal data on the 12-month rolling average, December 2009.
- 8 Total sales volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing
- 9 EBITDA for international tobacco business before royalty payments, at constant rates of exchange.
- 10 R.J. Reynolds International.
- 11 Key brands for the Japanese domestic tobacco business consist of three brands: Mild Seven, Seven Stars and Pianissimo.
- 12 The market share figure for key brands is inclusive and retrospective of market share figures for 'icene' and 'Lucia', which were integrated into Pianissimo family on January 2010.
- 13 Adjusted net sales excluding tax do not include revenue from the distribution, private label, contract manufacturing and other peripheral businesses.
- 14 EBITDA for international tobacco business, after royalty payments.
- 15 Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie, and Glamour.
- 16 Core business are: beverages, processed food and seasoning.
- 17 Previous exchange rate assumptions for US 1 dollar were; 31.77 ruble, 0.65 UK sterling, 0.73 euro and 93.65 yen. The revised exchange rate assumptions for US 1 dollar are; 29.50 ruble, 0.65 UK sterling, 0.68 euro and 90.00 yen.
- 18 'Accounting Standard for Disclosures about Segments of an Enterprise and Related information' (Statement No.17) came into force on 1<sup>st</sup> April 2010. The forecast figures for fiscal year ending March 31<sup>st</sup> 2011 have been calculated in accordance with this new accounting standard.
- 19 Staple food products are: frozen noodles, frozen and packed cooked rice, frozen bread.

**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.

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Data sheets for FY ended Mar.2010

1. Summary of Business Performance

(unit: JPY billion)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
Net sales including excise tax	6,832.3	6,134.6	-697.6
Adjusted net sales excl. excise tax *	2,243.1	1,980.9	-262.1
EBITDA	646.2	526.7	-119.5
Operating Income	363.8	296.5	-67.3
Recurring Profit	307.5	255.3	-52.2
Net Income	123.4	138.4	15.0

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

(Reference: Before goodwill amortization)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
Operating Income	469.3	393.9	-75.3
Recurring Profit	413.0	352.8	-60.2
Net Income	228.9	235.8	6.9

2. Breakdown of net sales

(unit: JPY billion)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
Net sales including excise tax <sup>1</sup>	6,832.3	6,134.6	-697.6
Japanese domestic tobacco	3,200.4	3,042.8	-157.6
International tobacco <sup>1</sup>	3,118.3	2,633.6	-484.6
Adjusted net sales excl. excise tax <sup>1 2 3</sup>	2,243.1	1,980.9	-262.1
Japanese domestic tobacco <sup>2</sup>	648.8	615.9	-32.8
International tobacco <sup>1 3</sup>	1,080.8	906.7	-174.0
Pharmaceutical	56.7	44.0	-12.6
Foods	435.9	394.6	-41.3
Beverages	187.3	186.1	-1.2
Processed foods	248.6	208.5	-40.0
Others	20.7	19.5	-1.2

<sup>1</sup> International tobacco business: Year ended Dec.2008 and 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.

(Reference)

(unit: USD million)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
International tobacco	10,445	9,682	-762
Adjusted net sales excl. excise tax <sup>1 3</sup>			

3. Leaf tobacco reappraisal profit / loss \*

(unit: JPY billion)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
Leaf tobacco reappraisal profit / loss	-4.1	-4.1	-

\* Profit when denoted negative

4. Breakdown of SG&A expenses

(unit: JPY billion)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
SG&A	914.1	815.5	-98.5
Personnel *	231.5	216.0	-15.4
Advertising and general publicity	25.6	21.9	-3.7
Sales promotion	162.3	143.7	-18.6
R&D	47.2	49.6	2.3
Depreciation and amortization	113.0	72.5	-40.4
Others	334.1	311.5	-22.6

\* 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)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
Consolidated EBITDA	646.2	526.7	-119.5
Operating income	363.8	296.5	-67.3
Depreciation and amortization <sup>2</sup>	282.4	230.1	-52.2
Japanese domestic tobacco EBITDA	272.2	257.6	-14.6
Operating income	188.2	203.3	15.0
Depreciation and amortization <sup>2</sup>	84.0	54.3	-29.7
International tobacco EBITDA <sup>3</sup>	337.9	249.8	-88.0
Operating income	174.7	109.1	-65.6
Depreciation and amortization <sup>2</sup>	163.1	140.7	-22.4
Pharmaceutical EBITDA	4.8	-9.6	-14.5
Operating income	1.0	-13.5	-14.6
Depreciation and amortization <sup>2</sup>	3.8	3.9	0.0
Foods EBITDA	17.0	14.4	-2.5
Operating income	-11.4	-13.6	-2.2
Depreciation and amortization <sup>2</sup>	28.4	28.1	-0.2
Others EBITDA	13.1	13.3	0.1
Operating income	9.6	10.5	0.8
Depreciation and amortization <sup>2</sup>	3.4	2.7	-0.6

(Reference)

(unit: USD million)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
International tobacco EBITDA (Before royalty payment)	3,452	2,965	-487

<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: Year ended Dec.2008 and Year ended Dec.2009

6. Amortization relating to major acquisitions

Goodwill amortization relating to major acquisitions

(unit: USD million)

	Year ended Dec. 2008	Year ended Dec. 2009	Years to amortize
JT International			
Former RJRI and Gallaher	910	903	20

\* Goodwill includes Former RJRI, Former Gallaher and others.

(unit: JPY billion)

	FY ended Mar. 2009	FY ended Mar. 2010	Years to amortize	Termination
Foods business				
TableMark(FormerKatokichi)	9.6	10.4	5	Dec-12

\* TableMark(FormerKatokichi) Goodwill amortization in FY ended Mar.2010 includes one-time goodwill amortization of TableMark(FormerKatokichi)'s subsidiary

Trademark amortization relating to major acquisitions

(unit: JPY billion)

	FY ended Mar. 2009	FY ended Mar. 2010	Years to amortize	Termination
Japanese domestic tobacco business				
Former RJRI	29.4	2.9	10	Apr-09

(unit: USD million)

	Year ended Dec. 2008	Year ended Dec. 2009	Years to amortize
JT International			
Former RJRI and Gallaher	273	242	mainly 20

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

7. Capital expenditure

(unit: JPY billion)

	FY ended Mar. 2009	FY ended Mar. 2010	Change
Capital expenditures	134.2	137.1	2.8
Japanese domestic tobacco	46.5	45.8	-0.6
International tobacco *	59.7	64.5	4.7
Pharmaceutical	3.4	2.9	-0.4
Foods	23.2	23.4	0.2
Others	1.1	0.3	-0.7

\* International tobacco business: Year ended Dec.2008 and Year ended Dec.2009

8. Cash and cash equivalents \*

(unit: JPY billion)

	As of end of Mar. 2009	As of end of Mar. 2010	Change
Cash and cash equivalents	169.8	167.3	-2.4

\* 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 Mar. 2010	Change
Interest-bearing debt	996.0	874.3	-121.7

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

10. Business data

	FY ended Mar. 2009	FY ended Mar. 2010	Change
<Japanese domestic tobacco business>			
JT sales volume* (billion cigarettes)	159.9	151.8	-8.0
Total demand (billion cigarettes)	245.8	233.8	-11.9
JT market share	65.1%	64.9%	- 0.2%pt
JT net sales before tax per 1,000 cigarettes (JPY)	12,698	12,692	-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 3.6 billion for FY ended Mar. 2009 and 3.6billion for FY ended Mar. 2010, respectively.

	Year ended Dec. 2008	Year ended Dec. 2009	Change
<International tobacco business>			
Total sales volume* (billion cigarettes)	445.9	434.9	-11.0
GFB sales volume (billion cigarettes)	245.5	243.4	-2.1
JPY/USD rate for consolidation (JPY)	103.48	93.65	-9.83

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

	FY ended Mar. 2009	FY ended Mar. 2010	Change
<Pharmaceutical business>			
R&D expenses (parent company) (JPY billion)	23.2	21.9	-1.3

	As of end of Mar. 2009	As of end of Mar. 2010	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	254,000	257,000	3,000
JT-owned	32,000	33,000	1,000
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.

11. Number of employees\*

	As of end of Mar. 2009	As of end of Mar. 2010	Change
Number of employees (consolidated basis)	47,977	49,665	1,688
Japanese domestic tobacco	11,281	11,282	1
International tobacco	23,227	24,751	1,524
Pharmaceutical	1,616	1,634	18
Foods	10,975	11,143	168
Other businesses	429	352	-77
Corporate	449	503	54
Number of employees (parent company)	8,908	8,961	53
Number of employees based on enrollment (parent company)	9,973	9,883	-90

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

Data sheets for FY ended Mar. 2010

Consolidated financial outlook for the fiscal year ending Mar. 31, 2011 compared to the results of previous fiscal year

(JPY billion)			
	FY ended Mar. 2010(Actual)	FY ending Mar. 2011(Forecast)	Change
Net sales including excise tax	6,134.6	5,980.0	-154.6
EBITDA	526.7	513.0	-13.7
Operating income	296.5	295.0	-1.5
Recurring profit	255.3	276.0	20.6
Net income	138.4	133.0	-5.4
Return on Equity	8.6%	8.0%	-0.6%pt
Free cash flow	250.7	135.0	-115.7

(Reference: Before goodwill amortization)

(JPY billion)			
	FY ended Mar. 2010	FY ending Mar. 2011	Change
Net income	235.8	226.0	-9.8
EPS(JPY)	24,621.42	23,590.59	-1,030.83
Cash dividends per share(JPY)	5,800	5,600	-200
Payout Ratio	23.6%	23.7%	0.1%

(JPY billion)			
	FY ended Mar.2010 (New standard) <sup>1</sup>	FY ending Mar.2011 (New standard) <sup>2</sup>	Change
Capital expenditures	137.1	172.0	34.8
Japanese domestic tobacco	42.6	62.0	19.3
International tobacco <sup>1</sup>	64.5	68.0	3.4
Pharmaceutical	2.6	2.5	-0.1
Foods	23.4	35.0	11.5
Other businesses/Elimination and corporate	3.8	4.5	0.6

(Reference) (unit: USD million)

International tobacco	9,682	10,480	798
Adjusted net sales excl. excise tax <sup>1,3</sup>			
International tobacco EBITDA <sup>1</sup> (Before royalty payment)	2,965	3,330	365

<sup>1</sup> International tobacco business: Year ended Dec.2009 and Year ending Dec.2010

<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

Consolidated financial outlook by business segment<sup>4</sup>

(JPY billion)

	FY ended Mar.2010 (former standard)	FY ended Mar.2010 (New standard)	FY ending Mar.2011 (New standard)	Change from FY Mar.2010 to FY Mar.2011
Net sales including excise tax <sup>1</sup>	6,134.6	6,134.6	5,980.0	-154.6
Japanese domestic tobacco	3,042.8	3,042.8	2,832.0	-210.8
International tobacco <sup>1</sup>	2,633.6	2,633.6	2,699.0	65.3
Adjusted net sales excl. excise tax <sup>1,2,3</sup>	1,980.9	1,980.9	1,973.0	-7.9
Japanese domestic tobacco <sup>2</sup>	615.9	615.9	576.0	-39.9
International tobacco <sup>1,3</sup>	906.7	906.7	944.0	37.2
Pharmaceutical	44.0	44.0	44.5	0.5
Foods	394.6	394.6	390.0	-4.6
Other businesses/Elimination and corporate	19.5	19.5	18.5	-1.0
EBITDA <sup>1,5</sup>	526.7	526.7	513.0	-13.7
Japanese domestic tobacco	257.6	251.2	219.0	-32.2
International tobacco <sup>1</sup>	249.8	277.6	300.0	22.3
Pharmaceutical	-9.6	-9.6	-14.5	-4.8
Foods	14.4	14.4	18.5	4.0
Other businesses/Elimination and corporate	14.3	-7.0	-10.0	-2.9
Operating income <sup>1,5</sup>	296.5	296.5	295.0	-1.5
Japanese domestic tobacco	203.3	198.7	172.0	-26.7
International tobacco <sup>1</sup>	109.1	136.9	166.0	29.0
Pharmaceutical	-13.5	-13.5	-18.5	-5.0
Foods	-13.6	-13.6	-9.0	4.6
Other businesses/Elimination and corporate	11.3	-11.8	-15.5	-3.6
Depreciation and amortization <sup>1,6</sup>	230.1	230.1	218.0	-12.1
Japanese domestic tobacco	54.3	52.5	47.0	-5.5
International tobacco <sup>1</sup>	140.7	140.7	134.0	-6.7
Pharmaceutical	3.9	3.9	4.0	0.0
Foods	28.1	28.1	27.5	-0.6
Other businesses/Elimination and corporate	3.0	4.8	5.5	0.6

<sup>4</sup> With the change of accounting standard for disclosures about Segments of an Enterprise and related information, we changed the definition of the index according to the business segment. EBITDA and OP of Japanese domestic business is before royalty acceptance. EBITDA and OP of international business is before royalty payment. In addition we have changed the allocation method of the overhead expenses and CAPEX.

<sup>5</sup> EBITDA=operating income + depreciation and amortization<sup>6</sup>

<sup>6</sup> Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

Major assumptions

Goodwill amortization relating to major acquisitions

(1) Japanese domestic tobacco business (billions of cigarettes)

	FY ended Mar.2010	FY ending Mar.2011	Change
Sales volume	151.8	127.5	-24.3

\*Excluding sales of domestic duty-free and China division

International tobacco business (unit: USD million)

	Year ended Dec.2009	Year ending Dec.2010	Years to amortize
Former RJRI and Gallaher	904	915	20

\* Termination of goodwill amortization: Former RJRI Apr-19, Former Gallaher Mar-27  
Goodwill includes Former RJRI, Former Gallaher and others.

(2) International tobacco business (billions of cigarettes,JPY,RUB,GBP,EUR)

	FY ended Mar.2010	FY ending Mar.2011	Change
Total sales volume*	434.9	433.0	-1.9
GFB sales volume	243.4	250.0	6.6
JPY/USD rate	93.65	90.00	-3.65
RUB/USD rate	31.77	29.50	-2.27
GBP/USD rate	0.65	0.65	0.00
EUR/USD rate	0.73	0.68	-0.05

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

Foods Business (unit: JPY billion)

	FY ended Mar. 2010**	FY ending Mar. 2011	Years to amortize
TableMark(FormerKatokichi)	10.4	9.1	5

\* Termination of goodwill amortization: Dec-12

\*\* Including one-time goodwill amortization of TableMark's subsidiary

Trademark rights amortization relating to major acquisitions

Japanese domestic tobacco (unit: JPY billion)

	FY ended Mar. 2010	FY ending Mar. 2011	Years to amortize
Former RJRI	2.9	-	10

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

International tobacco (unit: USD million)

	Year ended Dec.2009	Year ending Dec.2010	Years to amortize
Former RJRI and Gallaher	242	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.

### Japanese 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	34.3	151.8

#### 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	512.3	2,261.7

\* 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	12,696	12,692

\* 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	4,058	4,056

\* 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	15.6	15.1

##### (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	24.5	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	63.8	62.8

#### 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	8.5	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	23.5	23.1

##### (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	36.2	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	5.2	5.1

##### (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	24.8	24.6

##### (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	21.1	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 03/2008	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	5.31	5.21

\* 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 April 28, 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 RNA polymerase inhibitor	Treatment of Hepatitis C by inhibiting HCV RNA- polymerase which relates to viral proliferation	

Updates since the previous announcement on February 9, 2010: none

Additional Information: Glaxo Smithkline (U.K.) obtained the exclusive, worldwide rights to manufacture, develop and commercialize certain MEK inhibitors from JT on April 18, 2006. In March 2010, GSK updated its pipeline chart showing that the lead MEK inhibitor has entered into Phase 2 clinical development from Phase 1.

## Supplementary Material

### JT's New Executive Appointments

#### Members of the Board

Subject to approval at the Annual General Meeting of Shareholders, to be held on June 24, 2010.

Chairman of the Board	Yoji Wakui
Representative Director	Hiroshi Kimura
Representative Director	Munetaka Takeda
Representative Director	Masaaki Sumikawa
Representative Director	Mitsuomi Koizumi
Representative Director	Masakazu Shimizu
Member of the Board	Noriaki Okubo
Member of the Board	Mutsuo Iwai
Member of the Board	Yasushi Shingai

#### Auditors

Subject to approval at the Annual General Meeting of Shareholders, to be held on June 24, 2010.

Standing Auditor	Hisao Tateishi
Standing Auditor	Gisuke Shiozawa
Auditor	Takanobu Fujita
Auditor	Koichi Ueda

## **Executive Officers**

Subject to approval at the meeting of the Board of Directors, to be held on June 24, 2010.

President	Chief Executive Officer	Hiroshi Kimura
Executive Deputy President	Assistant to CEO in Compliance and Finance	Munetaka Takeda
Executive Deputy President	Assistant to CEO in Strategy, HR, Legal, Operational Review & Business Assurance and Food Business	Masaaki Sumikawa
Executive Deputy President	President, Tobacco Business	Mitsuomi Koizumi
Executive Deputy President	Assistant to CEO in CSR, Communications and General Administration	Masakazu Shimizu
Senior Executive Vice President	Head of Manufacturing General Division, Tobacco Business	Kenji Iijima
Senior Executive Vice President	President, Pharmaceutical Business	Noriaki Okubo
Senior Executive Vice President	Chief Legal Officer	Ryuichi Shimomura
Executive Vice President	Chief Marketing & Sales Officer, Tobacco Business	Yoshihisa Fujisaki
Executive Vice President	Chief R&D Officer, Tobacco Business	Tadashi Iwanami
Executive Vice President	Head of Tobacco Business Planning Division, Tobacco Business	Akira Saeki
Executive Vice President	Chief Strategy Officer and Executive Vice President in charge of Food Business	Mutsuo Iwai
Executive Vice President	Chief Financial Officer	Hideki Miyazaki

Senior Vice President	Head of Domestic Leaf Tobacco General Division, Tobacco Business	Shinichi Murakami
Senior Vice President	Head of China Division, Tobacco Business	Atsuhiro Kawamata
Senior Vice President	Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business	Kazuhito Yamashita
Senior Vice President	Head of Central Pharmaceutical Research Institute, Pharmaceutical Business	Junichi Haruta
Senior Vice President	Head of Soft Drink Business Division,	Ryoko Nagata
Senior Vice President	Chief Human Resources Officer	Satoshi Matsumoto
Senior Vice President	Chief General Affairs Officer	Ryoji Chijiwa
Senior Vice President	Chief Communications Officer	Yasuyuki Tanaka