To Our Stakeholders

Message from Top Management

Since adopting the "JT Brand-ing Declaration" in 2002, which is a statement of the JT Group Mission, and the "Brand-ing Spirit," which is a guideline for achieving the mission, JT has engaged in activities to disseminate them inside and outside the group in an effort to share the corporate philosophy on a group-wide basis and enhance the value of our corporate brand. We have adopted a new JT Group Mission and the JT Group WAY, which is an action plan for achieving this mission, to coincide with the start of "JT-11."

The new "JT Group Mission" is not different in concept to the previous one. Rather it expresses the existing concept in a more plain and concise statement. We have reaffirmed our belief that all our products, services and activities constitute a brand, which enables us to form a strong bond with our customers.

Yoji Wakui
Chairman of the Board

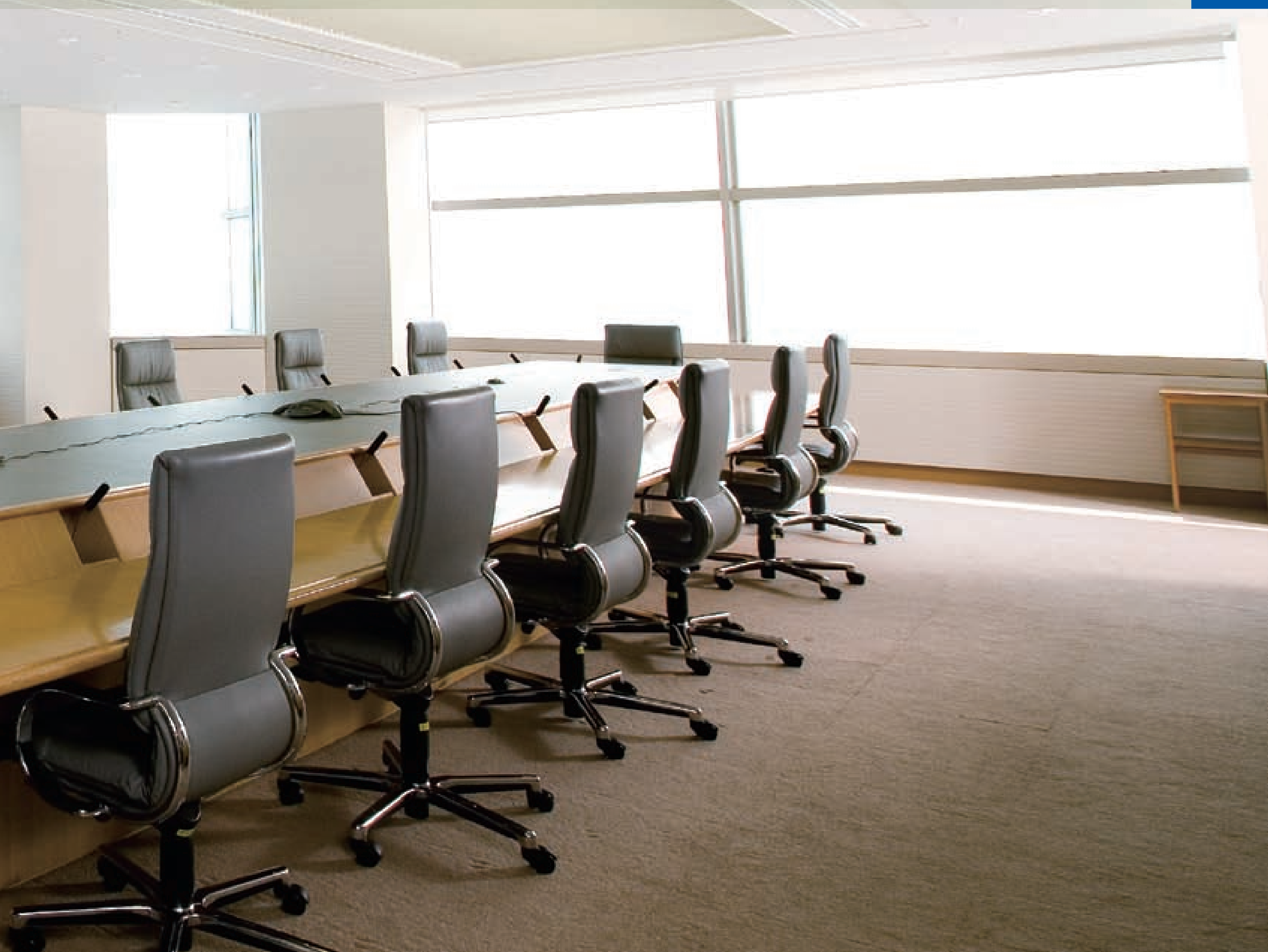
Hiroshi Kimura
President and CEO
and Representative Director

The JT Group has set itself a mission to “create, develop and nurture its unique brands to win consumer trust, while understanding and respecting the environment, and the diversity of societies and individuals.” We aim to increase cash flow and enhance corporate value by fulfilling the expectations of our consumers, behaving responsibly, striving for quality in everything we do through continuous improvement and leveraging diversity across the JT Group so that we can gain the trust of all of our stakeholders.

June 2009

Yoji Wakui
Chairman of the Board

Hiroshi Kimura
President and CEO and Representative Director



To Our Stakeholders

Financial Results for FY 3/2009 and Medium-Term Management Plan “JT-11”

Hiroshi Kimura
President and CEO
and Representative Director

A Look Back at FY 3/2009

The global economy in the later part of the fiscal year ending March 31, 2009, was marked by economic deterioration not only the in U.S. and Europe, but also in Asia, as the worldwide financial crisis moved into the real economy. The Japanese economy was also impacted as characterized by drastic drops in corporate earnings and rapid deterioration of the employment situation.

While this economic climate impacted our business mainly in the fourth quarter, the JT Group's EBITDA achieved a new record high of ¥646.2 billion, far surpassing the companywide objective of increasing EBITDA by ¥20 billion compared with FY 3/2006 under the Medium-Term Management Plan "JT2008," as it did in the previous year.

The JT Group steadfastly executed measures as contained in our mid-term management plan "JT2008," working towards the realization of sustainable growth for the future. Under "JT2008," the JT Group acquired Gallaher for its international tobacco business in April 2007 and, for its food business, the Katokichi Group in January 2008, in an effort to expand the business foundation by proactively obtaining external resources.

In the domestic tobacco business, overall cigarette demand continued to decrease due to structural factors such as a contraction of the adult population, growing awareness about the health risks associated with smoking and tightening of smoking-related regulations. Competition also intensified, mainly in retail-store sales, following the introduction of the age verification cigarette vending machine. However, we achieved a second consecutive year of market share increase through wider presence of JT products at retail stores and launching new products in an effective manner.

The international tobacco business posted new record highs in sales volume, net sales and EBITDA, through the consistent application of its strategy. Top-line growth remained as overriding priority with a focus on Global Flagship Brands (GFB) and we reaped the benefits of a rapid integration with Gallaher. This good result came in spite of a weaker fourth quarter, as a result of depreciation of the Russian Ruble and British Pound.

In the pharmaceutical business, net sales increased sharply because of the receipt of an upfront payment for the out-licensing of an anti-osteoporosis compound and a milestone revenue associated with progress in the development of a compound for the treatment of dyslipidemia that was licensed to a partner. These licensing-related revenues more than made up for a decline in net sales at Torii Pharmaceutical Co., Ltd. that was caused by an overhaul of the product lineup, a drug price revision and the promotion of the use of generic drugs.

In the food business, net sales increased mainly due to the consolidation of the results of the Katokichi Group. The consolidation of this group more than offset the negative impact of the frozen foods products contamination on the processed food business and the negative effects of unfavorable weather conditions and increased competition on the beverages business as well as the impact of a slump in general consumption caused by the recent severe economic downturn. Meanwhile, regarding the management of food safety, we are steadily implementing measures to establish the highest standard of safety management.

Financial Results for FY 3/2009: Both Net Sales and EBITDA Hit New Record Highs

Net Sales

Net sales excluding excise taxes increased by ¥226.7 billion (up 11.0%) from the previous year to ¥2,295.1 billion, as an increase in the sales volume in the international tobacco business, including the first time full-year results of Gallaher, and the Katokichi Group more than offset a decline in overall cigarette demand in the domestic tobacco business and the impact of the yen's appreciation on the calculation of the financial results of overseas subsidiaries.

EBITDA and Operating Income

EBITDA increased by ¥44.1 billion (up 7.3%) from the previous year to a ¥646.2 billion as a result of continued strong top-line growth of the international tobacco business and the full-year inclusion of Gallaher. This more than offset a decline in profits in the domestic tobacco business, mainly caused by decreased sales volume and increased sales promotion expenses. Operating income declined by ¥66.7 billion (down 15.5%) from the previous year to ¥363.8 billion due to the inclusion of goodwill amortization in the international tobacco business following a revision of accounting standards as well as the inclusion of the full-year cost of goodwill amortization of the Katokichi Group. However, excluding the impact of these goodwill amortization costs, operating income increased by ¥34.9 billion (up 8.0%).

Recurring Profit

The non-operating profit-loss balance improved by ¥11.7 billion, as a decrease in exchange losses more than offset the impact of the inclusion of full-year interest payments due to the acquisition of Gallaher. However, recurring profit declined by ¥55.1 billion (down 15.2%) from the previous year to ¥307.6 billion due to a decrease in operating income. Excluding the impact of the goodwill amortization cost, recurring profit also increased by ¥46.5 billion (up 12.7%).

Net Income

Income before income taxes and minority interest decreased by ¥110.5 billion (down 29.6 %) from the previous year to ¥262.1 billion as a result of a decline in profits from the sale of fixed assets, losses related to the demolition of company-owned residences for employees, expenses incurred by the international tobacco business in relation to a revision of the business model in the Philippines and the cost of reorganizing the Katokichi Group's business operations. Net income declined by ¥115.3 billion (down 48.3%) to ¥123.4 billion because of the impact of the goodwill amortization costs, which are not included in the calculation of tax expenses. Excluding the impact of the goodwill amortization, net income decreased slightly.

Dividends

We have announced an annual dividend of ¥5,400 per share for the fiscal year ended March 2009, including an interim dividend.

We have been continuously raising the level of our dividend so that we can achieve a consolidated dividend payout ratio of 20% (excluding the impact of goodwill amortization). The dividend payout ratio for the fiscal year ended March 2009 exceeded the 20% target.

Highlights of Consolidated Financial Results

(Billions of Yen)

	FY 3/2008 Results	**FY 3/2009 Results**	Change
Net Sales including excise taxes	6,409.7	**6,832.3**	422.6 (+6.6%)
Net Sales excluding excise taxes*	2,068.4	**2,295.1**	226.7 (+11.0%)
EBITDA	602.1	**646.2**	44.1 (+7.3%)
Operating Income	430.6	**363.8**	–66.7 (–15.5%)
Recurring Profit	362.7	**307.6**	–55.1 (–15.2%)
Net Income	238.7	**123.4**	–115.3 (–48.3%)

* Net sales excluding excise taxes does not account for sales of imported tobacco in the domestic business and revenue from the distribution business in the international tobacco business.

[Reference: Figures for major profit items before goodwill amortization]

Operating Income	434.4	**469.3**	34.9 (+8.0%)
Recurring Profit	366.6	**413.1**	46.5 (+12.7%)
Net Income	242.6	**228.9**	–13.7 (–5.6%)
EPS (yen)	25,321.86	**23,894.55**	–1,427.31 (–5.6%)
Per-share dividend (yen)	4,800	**5,400**	600 (+12.5%)
Dividend payout ratio (%)	19.0%	**22.6%**	+3.6%pt

Medium-Term Management Plan "JT-11"

In an effort to realize our objective of becoming a "company committed to global growth that provides consumers diversified value uniquely available from JT," we have developed Medium-Term Management Plan "JT-11," which covers the three years through the fiscal year ending March 2012 and which builds on the strategies we have pursued until now.

During the period of "JT2008," we succeeded in earning profits that far exceeded our targets by expanding our business foundation through acquisitions including the Gallaher Group and the Katokichi Group.

"JT-11" covers a period during which the JT Group will aim to secure strong business momentum through investment for the future and continuous improvement in business operations in anticipation of possible changes in the business environment. As a company-wide objective, we aim to achieve a compound annual growth rate of at least 5% for EBITDA through growth momentum, with the forecasts for the fiscal year ending March 2010 used as the basis. To this end, we will make efforts to achieve sustainable growth in all of the domestic tobacco, international tobacco, pharmaceutical, and food businesses.

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The company-wide objective and business segment objectives during the period of "JT-11" are as follows:

Company-wide objective	**Through growth momentum across the Group's business, achieve a CAGR of 5% for consolidated EBITDA, based on the forecasted figure for FY 3/2010**

Business segment objective	
Domestic Tobacco business	**Maintain the EBITDA forecasted for FY 3/2010**
International Tobacco business	**Continue to achieve EBITDA growth of at least 10% at constant rates of exchange, based on the forecasted figure for FY 3/2010**
Pharmaceutical business	**Increase and advance compounds in a late phase of clinical trial and enhance the R&D pipeline**
Food business	**Generate an additional ¥10 billion in EBITDA based on the forecasted figure for FY 3/2010**

The EBITDA, the basis of JT-11, are following forecasted EBITDA for FY 3/2010, which was announced on April 30, 2009.

Consolidated EBITDA	**¥475.0 billion**

Domestic Tobacco EBITDA	**¥246.0 billion**
International Tobacco EBITDA(*)	**USD2,500 million**
Food EBITDA	**¥18.0 billion**

* EBITDA before royalty payment

In the international tobacco business the assumed exchange rates for key currencies are 36 Russian Ruble per 1 USD, 0.73 British Pound per 1 USD and 0.81 Euro per 1 USD. The assumed exchange rate for Japanese Yen is ¥95 per 1 USD.

Our actual operating results may differ significantly from those described above as a result of a number of factors including, but not limited to discussed in the "Major Risks of Businesses."

June 2009