Financial Highlights

Japan Tobacco Inc. and Consolidated Subsidiaries / FY3/2011

Business Scale

JT Group Sales Volume

Japanese Domestic Tobacco Business **134.6** Billions of cigarettes

International Tobacco Business **428.4** Billions of cigarettes

JT Group Share in Global Cigarette Market (Source: Euromonitor)

9.8%

Adjusted Net Sales Excluding Excise Taxes*[1]

1,956.6 Billions of yen

EBITDA

541.1 Billions of yen

Profitability

EBITDA Margin*[2]

27.7%

ROE

9.2%

Per Share Data

Diluted EPS

15,137 yen up 4.8%

Diluted EPS (excluding the impact of goodwill amortization)

24,650 yen up 0.1%

Stability

Free Cash Flow

299.8 Billions of yen

D/E Ratio

0.47 times

Return of Profits to Shareholders

The Per Share Dividend

6,800 yen

The Dividend Payout Ratio

44.9%

27.6% (Excluding the Impact of Goodwill Amortization)

Business Scale: The JT Group's total tobacco sales volume in Japan and abroad comes to approximately 563 billion cigarettes per year, representing around 10% of the global market. In addition to the domestic and international tobacco businesses, the JT Group engages in the pharmaceutical and food businesses, and its annual consolidated sales including excise taxes stand at approximately ¥6,190 billion, adjusted net sales excluding excise taxes at approximately ¥1,960 billion and consolidated EBITDA at more than ¥540 billion.

Profitability: With the high profitability of the tobacco business, the ratio of EBITDA to adjusted net sales excluding taxes comes to around 28% and ROE stands at between 9% and 10%.

Per Share Profits: Per share EPS grew as a result of an increase in EBITDA, recurring profit and net income, despite adjusted net sales excluding taxes decreased slightly.

Stability: Free cash flow increased to approximately ¥300 billion supported by a stable cash flow generated by the tobacco business.

D/E Ratio is about 0.5 times.

Return of Profits to Shareholders: The per share dividend was set at ¥6,800. The dividend payout ratio excluding the impact of goodwill amortization rose from last year to 27.6%.

*[1] Japanese domestic tobacco: excluding excise taxes and revenue from the imported tobacco, domestic duty free, the China Division, and other miscellaneous. International tobacco: excluding excise taxes and revenue from distribution, contract manufacturing and other peripheral business.

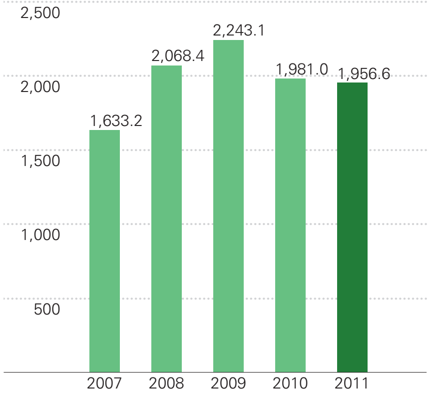
*[2] EBITDA margin on Adjusted Net Sales excluding excise taxes (1,956.6 billion yen as of FY3/2011)

Financial data disclosed herein are rounded.

Japan Tobacco Inc. and Consolidated Subsidiaries / Years ended March 31

Net Sales Excluding Excise Taxes

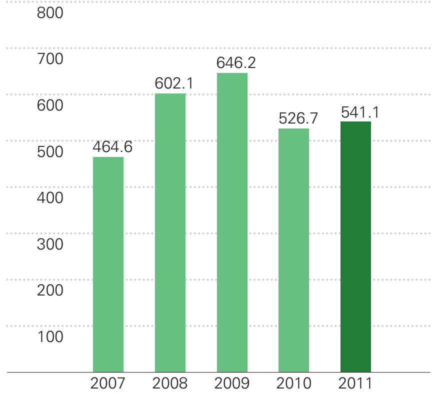
(Billions of yen)



Please see Note 2 on page 4.

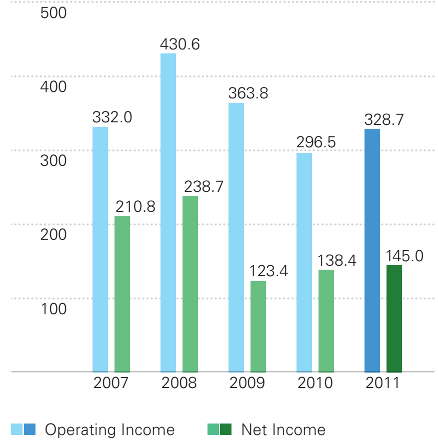
EBITDA

(Billions of yen)



Operating Income and Net Income

(Billions of yen)

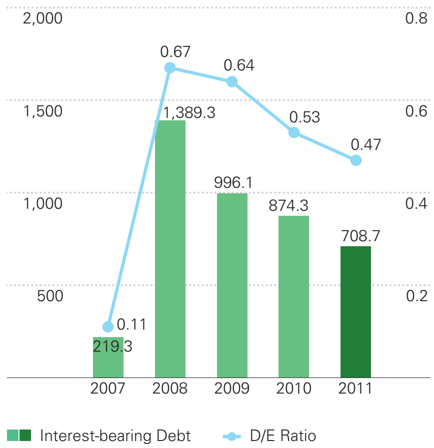


Total Equity and ROE

(Billions of yen/%)

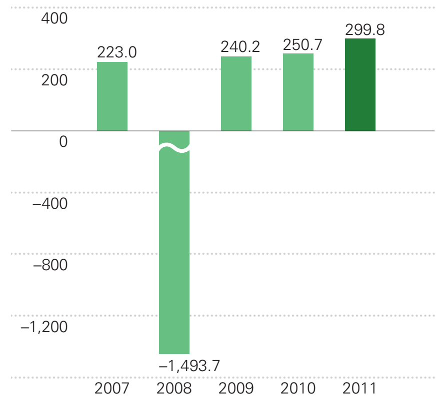
Interest-bearing Debt and D/E Ratio

(Billions of yen/times)



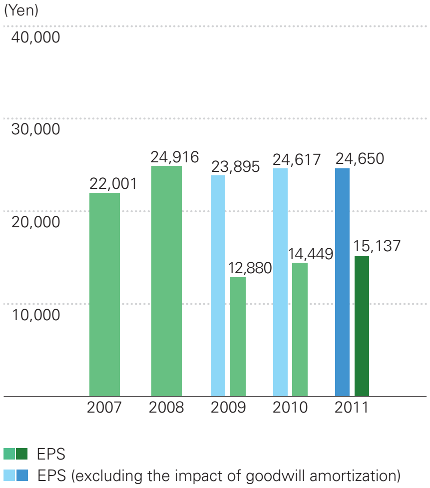
Free Cash Flow

(Billions of yen)



EPS

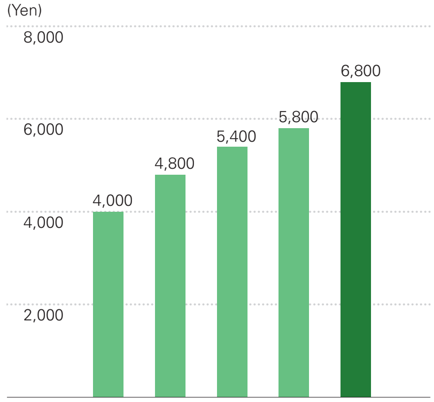
(Yen)



Note: 2007–2009 EPS
2010–2011 Diluted EPS

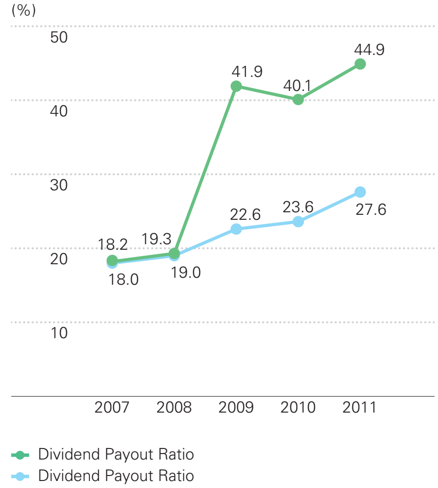
Cash Dividends Applicable to the Year

(Yen)



Dividend Payout Ratio on a Consolidated Basis

(%)



Financial data disclosed herein are rounded.

Consolidated Five-Year Financial Summary

Japan Tobacco Inc. and Consolidated Subsidiaries / Years ended March 31

					Billions of yen	Millions of U.S. dollars (Note 1)
	2007	2008	2009	2010	**2011**	**2011**
For the year:						
Net Sales excluding excise taxes (Note 2)	1,633.2	2,068.4	2,243.1	1,981.0	**1,956.6**	**23,531**
Japanese Domestic Tobacco	729.4	715.0	648.8	616.0	**617.9**	**7,431**
International Tobacco	550.3	946.0	1,080.8	906.8	**897.5**	**10,793**
Pharmaceutical	45.5	49.1	56.8	44.1	**47.0**	**565**
Food	286.6	336.4	436.0	394.7	**375.0**	**4,510**
Others	21.4	21.9	20.8	19.5	**19.2**	**231**
EBITDA (Note 3, Note 4)	464.6	602.1	646.2	526.7	**541.1**	**6,508**
Japanese Domestic Tobacco	326.5	306.7	272.3	251.3	**257.7**	**3,099**
International Tobacco	112.7	270.8	338.0	277.7	**288.2**	**3,466**
Pharmaceutical	(8.2)	(6.3)	4.9	(9.7)	**(13.3)**	**(160)**
Food	12.0	8.4	17.0	14.5	**17.3**	**208**
Others	21.6	22.1	13.1	13.3	**12.9**	**155**
Elimination/Corporate	0.1	0.5	0.9	(20.4)	**(21.7)**	**(261)**
Depreciation and Amortization (Note 3)	132.6	171.5	282.4	230.2	**212.4**	**2,555**
Operating Income (Note 4)	332.0	430.6	363.8	296.5	**328.7**	**3,953**
Japanese Domestic Tobacco	245.4	222.3	188.3	198.7	**212.9**	**2,561**
International Tobacco	81.1	205.4	174.8	136.9	**156.1**	**1,878**
Pharmaceutical	(11.2)	(9.6)	1.0	(13.6)	**(17.4)**	**(209)**
Food	6.7	0.7	(11.5)	(13.7)	**(9.4)**	**(113)**
Others	9.3	10.4	9.7	10.6	**10.0**	**120**
Elimination/Corporate	0.7	1.4	1.5	(22.4)	**(23.5)**	**(283)**
Net Income	210.8	238.7	123.4	138.4	**145.0**	**1,743**
Free Cash Flow (FCF) (Note 5)	223.0	(1,493.7)	240.2	250.7	**299.8**	**3,605**
At year-end:						
Total Assets	3,364.7	5,087.2	3,879.8	3,872.6	**3,571.9**	**42,958**
Interest-bearing Debt (Note 6)	219.3	1,389.3	996.1	874.3	**708.7**	**8,524**
Liabilities	1,340.0	2,932.6	2,255.5	2,149.3	**1,980.7**	**23,821**
Total Equity	2,024.6	2,154.6	1,624.3	1,723.3	**1,591.2**	**19,137**
Ratios:						
Return on equity (ROE)	11.3%	11.8%	6.8%	8.6%	**9.2%**	—
Return on assets (ROA)	10.7%	10.5%	8.4%	7.8%	**8.9%**	—
Equity Ratio	58.3%	40.8%	40.0%	42.6%	**42.4%**	—
Amounts per share: (in yen)						—
Net Income (Note 7)	¥ 22,001	¥ 24,916	¥ 12,880	¥ 14,449	**¥ 15,137**	—
Total Equity	204,618	216,707	162,088	172,140	**159,040**	—
Cash Dividends Applicable to the Year	4,000	4,800	5,400	5,800	**6,800**	—
Dividend Payout Ratio excluding goodwill amortization (Note 8)	18.0%	19.0%	22.6%	23.6%	**27.6%**	—

Notes: 1. Figures stated in U.S. dollars in this report are translated at the rate of ¥83.15 per $1, as of March 31, 2011.

2. 2007–2008: Excluding imported tobacco in the Japanese domestic tobacco and distribution business in the international tobacco, respectively.
2009–: Excluding the imported tobacco, domestic duty free, the China Division and other miscellaneous items in the Japanese domestic tobacco business, in addition to the distribution, contract manufacturing and other peripheral businesses in the international tobacco business

3. EBITDA = operating income + depreciation and amortization
Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

4. 2010–: Before royalty payment for the international tobacco business. Before acceptance of royalty payment for the Japanese domestic tobacco business. A part of overhead cost & CAPEX allocation were changed.

5. FCF = (cash flow from operating activities + cash flow from investing activities) excluding the following items:
From "cash flow from operating activities": Dividends received / interest received and its tax effect / interest paid and its tax effect
From "cash flow from investing activities": Cash outflow from purchase of marketable securities / proceeds from sales of marketable securities / cash outflow from purchases of investment securities / proceeds from sales of investment securities / others (but not business-related investment securities, which are included in the investment securities item)

6. Interest-bearing Debt includes lease obligation from FY3/2009

7. Diluted net income per share.

8. Dividend payout ratio is calculated by adding goodwill amortization to net income.

9. Financial data disclosed herein are basically rounded.

To Our Stakeholders

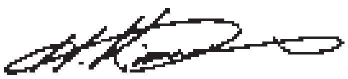
First and foremost, we would like to express our sincere sympathy for the people affected by the tragedy of the Great East Japan Earthquake that took place on March 11, 2011. We pray for an early recovery from the disaster.

Looking back at the fiscal year ended March 2011, the JT Group performed strongly despite a difficult business environment both in Japan and abroad. In the Japanese domestic tobacco business, we secured revenue and profit growth through strategic pricing and brand-loyalty enhancing measures, more than offsetting a significant volume decline due to a tax increase of unprecedented scale. In the international tobacco business, we achieved another year of remarkable results, driving the profit growth of the JT Group. We maintained our focus on top-line growth led by global flagship brands (GFB), despite industry contraction in many countries due to the prolonged global recession and tighter regulation.

The new fiscal year ending March 2012 began with severe challenges to our product supply in the Japanese domestic market following the Great East Japan Earthquake. While we will take more vigorous and proactive measures to minimize the impact of natural disasters in the future, we are now focusing our efforts towards overcoming the current situation in order to recover our market share as quickly as possible. Furthermore, we will continue to invest in our product quality and services in order to withstand the increased retail prices. In the international tobacco business, we are seeing encouraging signs in the business environment along with a slowdown of industry contraction in some key markets since the second half of 2010. We aim to achieve 10% growth in EBITDA at constant rates of exchange through quality top-line growth and strict cost-control, but without compromising on investments to strengthen our business.

Overall, we will strive to achieve the company-wide objectives under the JT-11 medium-term management plan by combining the diverse domestic and overseas resources of the JT Group. In addition, we will further strengthen our business foundations with a view to seizing future growth opportunities.

June 2011



Yoji Wakui
Chairman of the Board

Hiroshi Kimura
President and CEO and
Representative Director

Yoji Wakui
Chairman of the Board

Hiroshi Kimura
President and CEO and
Representative Director

QUESTIONS

- Great East Japan Earthquake
- FY3/2011 financial results
- International tobacco business: situation in key markets
- Planned actions in FY3/2012
- Plan for use of cash

Hiroshi Kimura
President and CEO and
Representative Director

Great East Japan Earthquake

QUESTION

Can you update us on the impact of the Great East Japan Earthquake?

ANSWER

Following the Great East Japan Earthquake, we have been facing challenges posed to our product supply in the Japanese domestic market. However, we are gradually restoring a stable supply and are making every effort to ensure the resumption of normal shipments by early August. In addition, in order to quickly recover our market share, we will endeavor to strengthen our competitiveness.

The Great East Japan Earthquake, which occurred on March 11, 2011, is the greatest challenge that Japan has faced in the postwar period, and is expected to have a significant impact on our values, economic, political and social system, energy policy and enterprise management.

The JT Group must consider how it should conduct its business post-March 11, and like other Japanese companies, we will take more vigorous and proactive measures to minimize the impact of earthquakes and other natural disasters in the future, such as securing alternative sources of leaf and other materials, and strengthening back-up structures for domestic and overseas production facilities.

FY3/2011 financial results

QUESTION

What is your assessment of the financial results for the fiscal year ended March 2011?

ANSWER

Overall, I would say that all of our businesses performed strongly in FY3/2011, despite the business environment remaining difficult. The Group EBITDA increased, driven by the Japanese domestic and international tobacco businesses. In the Japanese domestic tobacco business, strategic pricing more than offset the volume decline that followed the tax-led price increase. Likewise, pricing was the key driver for the international tobacco business, more than offsetting volume declines due to market contraction in a number of markets. Operating income, recurring profit and net income all increased.

EBITDA increased while adjusted net sales excluding taxes declined slightly. Both operating income and recurring profit recorded double-digit growth, while net income grew by 4.7% despite a large net loss from extraordinary items.

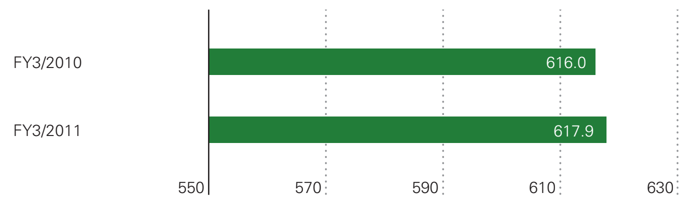
In the Japanese domestic tobacco business, EBITDA increased even though adjusted net sales excluding taxes remained broadly flat. In effect, we offset the volume decline that followed the excise tax increase in October 2010 by implementing strategic pricing and measures to enhance brand loyalty.

In the international tobacco business, the business environment continued to be challenging due to industry contraction in many countries from the prolonged global recession and tighter regulations. By focusing on top-line growth led by GFB, the international tobacco business continued to drive the profit growth of the JT Group.

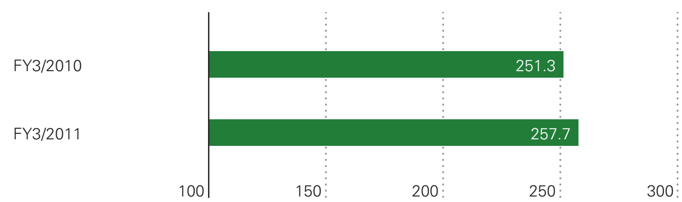
In the pharmaceutical business, we made progress in the clinical development of compounds, including those in late phases of clinical trials, and strengthened our R&D pipeline.

As for the food business, the beverage business performed steadily, while the processed food business remained stable despite a difficult business environment. We continued to focus on core products, such as staple foods, and strengthened our production facilities. In addition, we made steady progress on business integration.

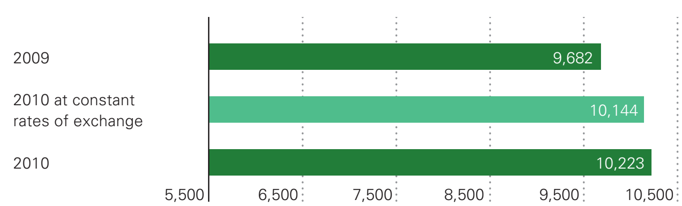
Adjusted Net Sales Excl. Excise Taxes* in Japanese Domestic Tobacco Business
(Billions of yen)



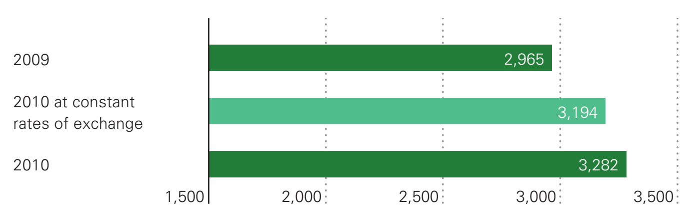
EBITDA** in Japanese Domestic Tobacco Business
(Billions of yen)



Core Net Sales Excluding Taxes*** in the International Tobacco Business
(Millions of US dollars)****



EBITDA** in the International Tobacco Business
(Millions of US dollars)****



* Excluding revenue from imported tobacco, domestic duty-free, the China Division, and others.
** EBITDA=operating income+depreciation and amortization
*** Excluding revenue from distribution and contract manufacturing.
**** The US dollar is the reporting currency for our international tobacco business.
Financial data disclosed in the CEO interview are rounded.

International tobacco business: situation in key markets

QUESTION

How did the international tobacco business succeed in increasing its market share in most key markets?

ANSWER

These positive results are mainly driven by our balanced brand portfolio, performing strongly in all price segments, as well as our continuous efforts and investment in our brands to enhance brand equity.

In many key markets, we have witnessed industry contraction and accelerated down-trading due to the recession and sharp increases in tobacco excise taxes in 2009 and 2010. However, in the second half of 2010, industry volumes started to show signs of improvement and in some key markets we observed signs of recovery. Under these circumstances, the international tobacco business succeeded in increasing market share in all key markets except the United Kingdom. This positive performance was the result of our balanced brand portfolio, our steady efforts to enhance brand equity and strong trade marketing activities.

In Russia, the market share of Winston, the No. 1 brand in the country, increased further. LD, the No. 3 brand in the market, experienced strong growth. We are also leveraging Camel and Russian Style in the premium segment, further strengthening a strong No. 2 position. Thus, our market share leadership in Russia has been reinforced. Moreover, in other key markets such as Turkey, France and Italy, Winston and other GFB are driving JTI's market share growth.

Planned actions in FY3/2012

QUESTION

As the business environment continues to be challenging in Japan and abroad, what actions will the JT Group take?

ANSWER

We will remain focused on consumers and do our utmost to achieve our objectives. In the Japanese domestic tobacco business, we will put emphasis on both product development and sales activities. The international tobacco business will continue to focus on top-line growth.

Our business environment in the past two years has been marked by industry contraction, including Japan, and foreign exchange fluctuations.

In Japan, industry volume declined due to an unprecedented tax hike and the damage inflicted by the Great East Japan Earthquake. To better satisfy our customers, we will continue seeking to improve the overall quality of our products, in addition to actively launching new extensions in our key brands and by implementing enhanced sales promotion activities.

In the international business, the prolonged global recession and tighter regulations resulted in industry contraction. In order to achieve 10% EBITDA growth year-on-year at constant rates of exchange, we will continue focusing on GFB to grow our top-line, leveraging pricing opportunities and broadening our market base.

These changes in the business environment far exceeded our assumptions in the JT-11 medium-term management plan. Nevertheless, we will do all we can to achieve our goal of 5% Group EBITDA growth as set out in JT-11.

(Actual results may differ materially from those estimated in these statements as a result of a number of factors, including, but not limited to, those described in "Major Risks of Businesses.")

Plan for use of cash

QUESTION

How does the JT Group, which can expect a stable cash flow from the tobacco business, plan to use the cash? Will there be any change in the objective on the distribution of profits to shareholders?

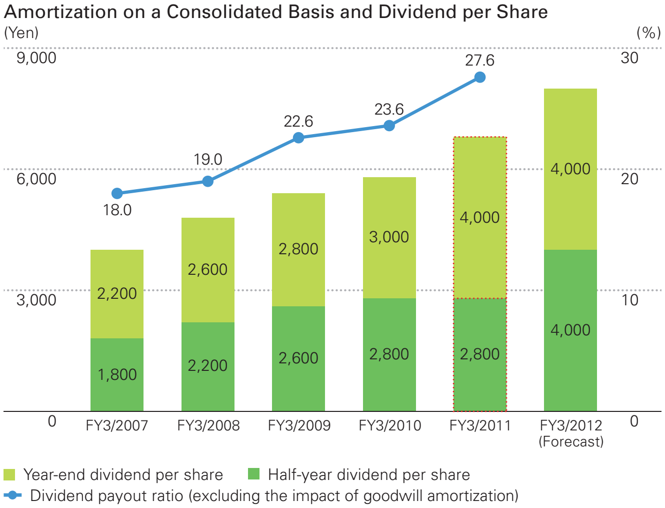
ANSWER

We will use the cash for business investment to grow further as well as to repay interest-bearing debts. In addition, we will maintain our existing policy regarding the distribution of profits to shareholders, including dividends.

In the business year ended March 2011, despite a challenging business environment, we utilized cash generated by our businesses to invest in our future growth as well as to steadily reduce interest-bearing debts.

Furthermore, in accordance with the existing policy on the allocation of resources, we will pay an annual dividend of 6,800 yen per share, including an interim dividend, for the fiscal year ended March 2011. The dividend payout ratio, excluding the goodwill amortization, is 27.6%. When including the recent repurchase of our own shares, worth around 20 billion yen, total returns to shareholders amount to approximately 85 billion yen.

Changes in Dividend Payout Ratio Excluding the Impact of Goodwill Amortization on a Consolidated Basis and Dividend per Share



In the fiscal year ending March 2012, although the business environment has greater elements of uncertainty than ever before, we are determined to maintain sustainable profit growth in the medium to long term by overcoming the current difficulties.

The JT Group regards dividends as the main means to return profits to shareholders, and we have consistently increased our dividend, targeting a payout ratio of 30%, excluding the goodwill amortization, in the medium term.

In keeping with this policy, we plan to pay an annual dividend of 8,000 yen per share for the fiscal year ending March 2012. We will pursue efforts to continuously increase our per share dividend.

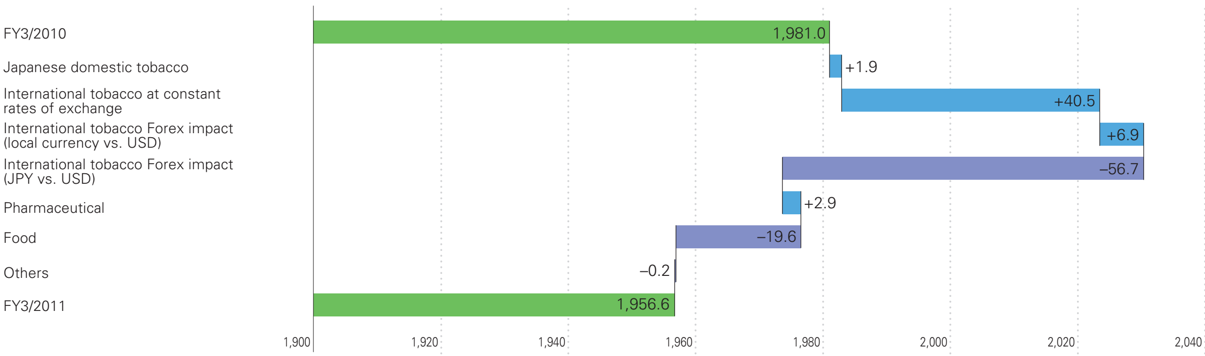
June 2011

Analysis of the Results of FY3/2011*1

*1 International tobacco business: Year ended Dec. 2009 and Year ended Dec. 2010

Adjusted Net Sales*2

(Billions of yen)

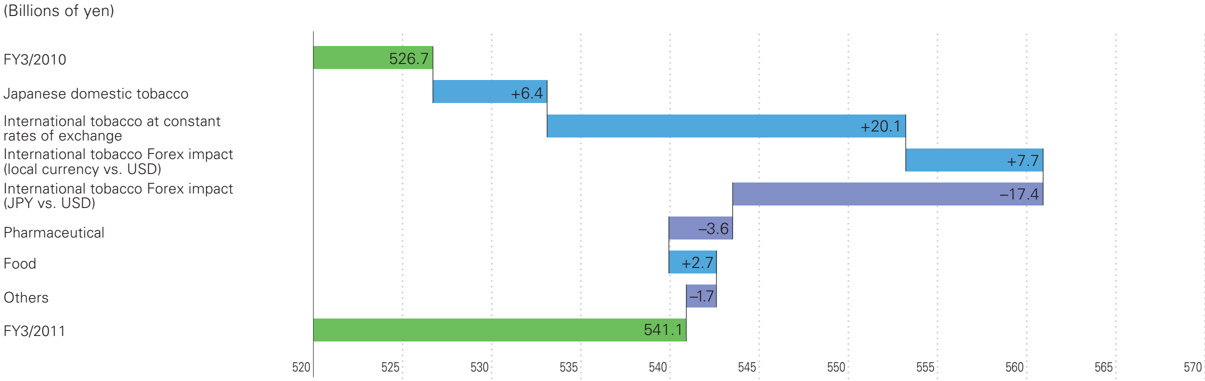


- Net sales in the Japanese domestic tobacco business remained broadly flat, as the strategic pricing offset the volume decline following the tax-led price increase.
- Net sales in the International tobacco business were affected by the yen's appreciation. On a U.S. dollar basis, net sales increased mainly driven by continued price/mix improvement.
- Net sales in the Pharmaceutical business increased driven by the strong performance of Torii Pharmaceutical and the milestone revenue of out-licensed compounds.
- Net sales for the beverage business grew due to the summer heat waves and steady sales growth of Roots brand. However, net sales for the processed food business declined due to the closure of the rice wholesale business, the exclusion of some subsidiaries from the consolidation and a decline in sales to restaurants. Overall, net sales in the food business declined.

*2 Japanese domestic tobacco: excluding excise taxes and revenue from the imported tobacco, domestic duty free, China Division and other peripheral business.
International tobacco: excluding excise taxes and revenue from the distribution, contract manufacturing and other peripheral business.

EBITDA*3

(Billions of yen)

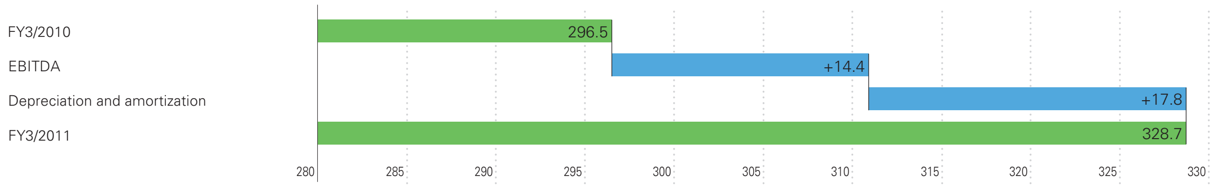


- EBITDA in the Japanese domestic business increased as the strategic pricing more than offset the volume decline following the tax-led price increase.
- EBITDA in the International tobacco business increased mainly driven by continued price/mix improvement. Yen based EBITDA grew despite the impact of strong yen.
- EBITDA in the Pharmaceutical business declined due to an up-front payment by Torii Pharmaceutical in respect of a license agreement, despite an increase in net sales.
- EBITDA in the Food business grew due to the steady performance of the beverage business and in the absence of the one-time loss in the fishery product business in the prior year.

*3 EBITDA = operating income + depreciation and amortization
Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

Operating Income

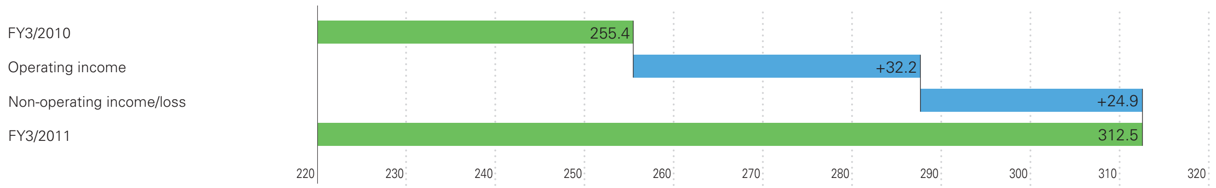
(Billions of yen)



- Operating income grew driven by EBITDA increase and decrease in amortization of goodwill in U.S. dollar terms, as a result of the yen's appreciation.

Recurring Profit*4

(Billions of yen)

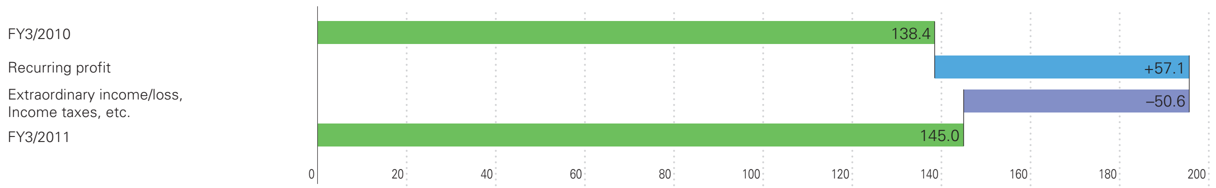


- Recurring profit increased due to improvement in foreign exchange profit/loss conditions and in financial income/payments, in addition to an increase in the consolidated operating income.

*4 Recurring profit is calculated by combining operating income with profits and losses arising from financing activities and other non-operating profits and losses, except for nonrecurring profits and losses or those on prior years' adjustment.

Net Income

(Billions of yen)



- Net income increased driven by the increase in recurring profit despite the deterioration in extraordinary income/loss due to 1) a decrease in profit on sales of property, plant and equipment, 2) absence of previous years' reversal of liability on fines levied under the UK competition law, 3) expenses for a settlement with Canadian authorities, and 4) losses arising from the Great East Japan Earthquake.

Breakdown of Net Sales

(Billions of yen)

	FY3/2010	FY3/2011
Adjusted net sales excl. excise taxes*5*6*7	1,981.0	**1,956.6**
Japanese domestic tobacco*6	616.0	**617.9**
International tobacco*5*7	906.8	**897.5**
Pharmaceutical	44.1	**47.0**
Food	394.7	**375.0**
Others	19.5	**19.2**

*5 International tobacco business: Year ended Dec. 2009 and Year ended Dec. 2010
*6 Excluding revenue from the imported tobacco, domestic duty free, China Division and other peripheral business.
*7 Excluding revenue from the distribution, contract manufacturing and other peripheral business.

EBITDA by Business Segment

(Billions of yen)

	FY3/2010	**FY3/2011**
Consolidated EBITDA	526.7	**541.1**
Operating income	296.5	**328.7**
Depreciation and amortization*8	230.2	**212.4**
Japanese domestic tobacco EBITDA	251.3	**257.7**
Operating income	198.7	**212.9**
Depreciation and amortization*8	52.5	**44.8**
International tobacco EBITDA*9	277.7	**288.2**
Operating income	136.9	**156.1**
Depreciation and amortization*8	140.7	**132.0**
Pharmaceutical EBITDA	–9.7	**–13.3**
Operating income	–13.6	**–17.4**
Depreciation and amortization*8	3.9	**4.1**
Food EBITDA	14.5	**17.3**
Operating income	–13.7	**–9.4**
Depreciation and amortization*8	28.2	**26.7**
Others*10 EBITDA	–7.1	**–8.8**
Operating income	–11.9	**–13.5**
Depreciation and amortization*8	4.8	**4.8**

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

*9 International tobacco business: Year ended Dec. 2009 and Year ended Dec. 2010

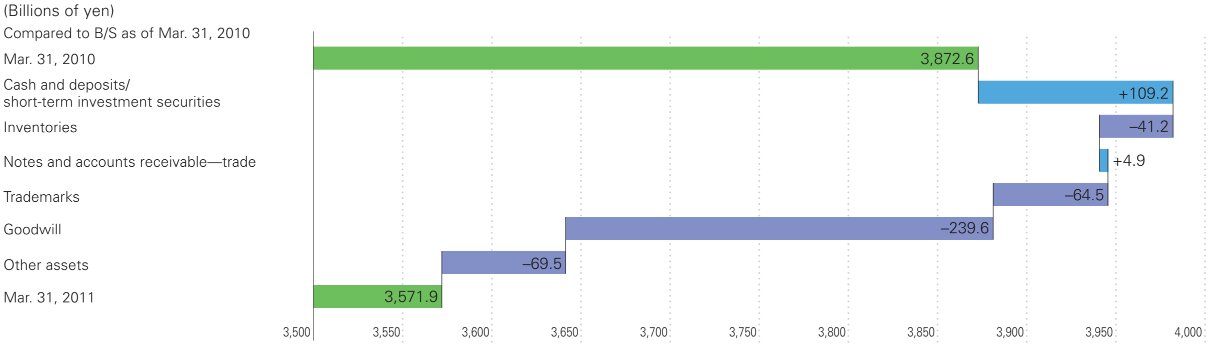
*10 Other peripheral business, elimination and corporate expenses

Average Exchange Rate

	2009 Jan. to Dec. average	**2010 Jan. to Dec. average**
YEN/USD	93.65	**87.79**
RUB/USD	31.77	**30.36**
GBP/USD	0.65	**0.65**
EUR/USD	0.73	**0.75**

Consolidated Balance Sheet (Assets)

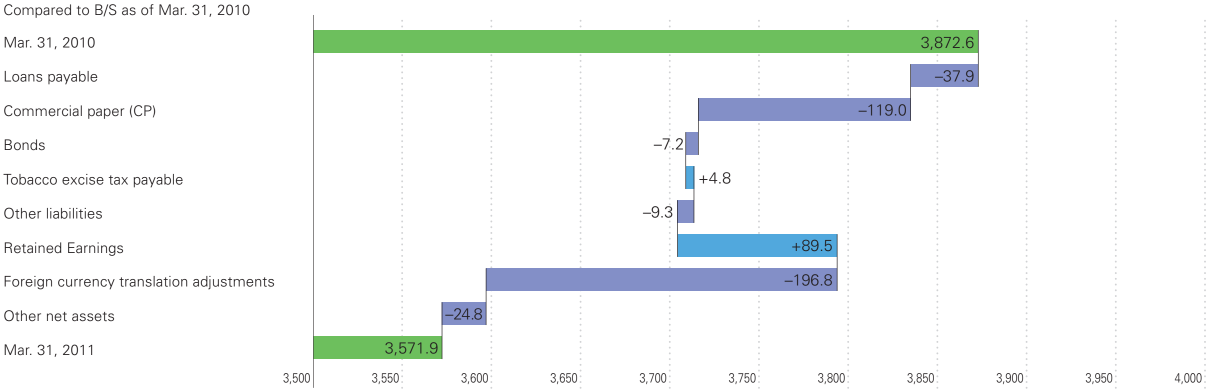
(Billions of yen)



- Total assets decreased due to the effect of yen appreciation and lower goodwill and trademark amortization.

Consolidated Balance Sheet (Debt and Equity)

(Billions of yen)



- Debt and Equity decreased due to the repayment of commercial paper, and lower foreign currency transaction adjustments as a result of the yen's appreciation.