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**FOR IMMEDIATE RELEASE**

**JT has Embarked on a Solid Start to Achieving  
its Fiscal Year Outlook Ending March 31, 2010**

**TOKYO, July 30, 2009** --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its consolidated financial results for the first quarter that ended June 30, 2009. While the first quarter net sales and EBITDA were negatively affected by factors including currency fluctuations, the last year's trade inventory adjustments at the introduction of the "taspo" age verification vending machines in Japan, a planned business model change in the Philippines and shipment issues in the Near East, JT sees it has embarked on a solid start to achieving financial outlook for the fiscal year ending March 31, 2010, given its robust share performance in the domestic tobacco market and continued growth momentum in its key international tobacco markets, which include Russia, the United Kingdom and lead European markets. Net income increased due to improvements in non-operating and extraordinary incomes/expenses, including foreign exchange gain/loss, losses related to impairment and disposal of assets, and an absence of expenses related to the introduction of "taspo."

**1. CEO Message**

"We are off to a good start to achieving our outlook for this fiscal year" said Hiroshi Kimura, President and CEO of JT. "Negative currency exchange and the factors specific to the markets concerned affected our first quarter performance. Nevertheless, our fundamental momentum remains solid in both the domestic and international tobacco businesses. We remain alert to currency and economic volatilities, while the effects have been within the range of our estimates."

**2. Highlights of the First Quarter**

- Sales volume<sup>1</sup> for the domestic tobacco business decreased 7.2 percent to 39.0 billion cigarettes compared to the same period last year, largely due to the last year's trade inventory adjustments related to the introduction of the "taspo" age verification vending machines, which took place between March and July 2008. Excluding this effect, our sales volume decline of 4.2 percent was in line with our plan assumptions.
- The international tobacco business' net sales excluding tax<sup>2</sup> declined 21.0 percent compared to the same period last year to ¥201.3 billion, primarily due to the negative currency impacts. Net sales excluding tax grew 7.9 percent at constant rates of exchange. While total sales volume<sup>3</sup> decreased 1.4 percent to 100.9 billion cigarettes, sales volume for Global Flagship Brands<sup>4</sup> increased 2.6 percent to 57.1 billion cigarettes. Sales volume growth was largely attributed to the continued momentum in Russia, the United Kingdom and lead European markets, which was offset by a planned change in the business model in the Philippines and shipment issues in the Near East.
- Given the fundamentals in JT's domestic and international tobacco businesses remain solid, and the pharmaceutical and the foods businesses have been performing in line with the outlook, the company maintains its outlook for the fiscal year ending March 31, 2010.

Units: Billions of Yen

	1Q FY03/2009(A)	1Q FY03/2010(B)	Difference (B)-(A)	Net change (%)
Net sales including tax	1,719.8	1,463.1	-256.6	-14.9
Net sales excluding tax <sup>5</sup>	559.2	474.8	-84.4	-15.1
EBITDA <sup>6</sup>	180.6	142.5	-38.0	-21.1
Operating income <sup>7</sup>	110.4	84.2	-26.1	-23.7
Net income	16.9	42.8	25.9	153.5

<sup>1</sup> Sales volume from both domestic duty free and the China Division were not incorporated in the above figures.

<sup>2</sup> Net sales excluding tax does not account for revenue from the distribution, private label, contract manufacturing and other peripheral businesses.

<sup>3</sup> Total sales volume includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.



### 3. Results by Business Segment

#### ➤ Domestic Tobacco Business

Sales volume decreased 7.2 percent in comparison to the same period last year to 39.0 billion cigarettes, largely due to the last year's trade inventory adjustments related to the introduction of the "taspo" age verification vending machines, which took place between March and July 2008. Excluding this effect, our volume decline of 4.2 percent was in line with our plan assumptions. In the meantime, JT's share of market has been performing robustly at 65.1 percent, thanks to sales promotions aimed at securing product visibility and new product launches around its key brands.

Units: Billions of Yen, Billions of Cigarettes

	1Q FY03/2009 (A)	1Q FY03/2010 (B)	Net change (%)
Net sales including Tax	842.6	779.7	-7.5
Net sales excluding Tax <sup>8</sup>	170.6	158.3	-7.2
EBITDA	75.5	69.6	-7.9
Operating income	55.8	54.6	-2.2
Sales volume	42.0	39.0	-7.2

#### ➤ International Tobacco Business

Net sales excluding tax and EBITDA declined 21.0 percent and 28.3 percent, respectively in comparison to the same period last year, primarily because of the currency impacts. Net sales excluding tax and EBITDA each grew 7.9 percent and 7.1 percent, respectively, at constant rates of exchange. Although the total sales volume decreased 1.4 percent, GFB sales volume increased 2.6 percent. Sales volume growth was largely attributed to the continued momentum in Russia, the United Kingdom and lead European markets, which were offset by a planned change in the business model in the Philippines and shipment issues in the Near East. While the company will continue to closely monitor currency fluctuations and economic downturns, it remains committed to achieving the forecasted EBITDA for the fiscal year ending March 31, 2010, through a combination of price increases and cost optimization.

Units: Billions of Yen, Billions of Cigarettes

	January - March 2008	January - March 2009	Net change (%)
Net sales including tax	743.3	568.3	-23.5
Net sales excluding tax <sup>9</sup>	254.7	201.3	-21.0
EBITDA	94.7	67.9	-28.3
Operating income	52.2	33.3	-36.1
Total sales volume	102.4	100.9	-1.4
GFB sales volume	55.6	57.1	2.6

<sup>4</sup> Global Flagship Brands (GFB) consist of eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie, and Glamour.

<sup>5</sup> Net sales excluding tax does not account for revenue from the imported tobacco, domestic duty free, the China Division, and other miscellaneous in the domestic tobacco business, in addition to the distribution, private label, contract manufacturing and other peripheral businesses in the international tobacco business.

<sup>6</sup> 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.

<sup>7</sup> Operating income excluding goodwill amortization related to the international tobacco business and the foods business was ¥109.2 billion yen.

<sup>8</sup> Net sales excluding tax does not account for revenue from the imported tobacco, domestic duty free, the China Division and other miscellaneous.

<sup>9</sup> Net sales excluding tax does not account for revenue from the distribution, private label, contract manufacturing and other peripheral businesses.



### ➤ Pharmaceutical Business

Net sales and EBITDA decreased to ¥11.1 billion and -¥2.3 billion respectively, in the first quarter because there was no milestone revenue for JTT-705, a drug licensed to Roche for the treatment of dyslipidemia. Nonetheless, performance of the pharmaceutical business has been in line with the forecasted figures with the launch of REMITCH® CAPSULES in March, which is an oral antipruritus drug. The company currently has nine compounds in clinical trial.

Units: Billions of Yen

	1Q FY03/2009	1Q FY03/2010	Net change (%)
Net sales	16.1	11.1	-31.0
EBITDA	3.0	-2.3	-
Operating income	2.1	-3.2	-

### ➤ Food Business

The food business recorded declining net sales of ¥98.8 billion. While the beverage business has been performing steadily, the processed food business was affected by the exclusion of its chilled processed food subsidiary from its consolidation following the company's withdrawal from the business field, and the restructuring of subsidiaries related to the business integration. Operating income decreased by ¥0.9 billion to -¥3.6 billion due mainly to goodwill amortization related to the acquisition of Green Foods Co., Ltd.

Units: Billions of Yen

	1Q FY03/2009	1Q FY03/2010	Net change (%)
Net sales	112.6	98.8	-12.2
EBITDA	1.8	3.8	109.2
Operating income	-2.7	-3.6	-

## 4. Outlook for the Fiscal Year Ending March 31, 2010 (consolidated)

The company maintains its financial outlook for the fiscal year ending March 31, 2010, in view of the solid fundamentals of the domestic and international tobacco businesses, and the pharmaceutical and the foods businesses whose performances are in line with the outlook.

Units: Billions of Yen

	Fiscal year ended March 31, 2009 Actual (A)	Fiscal year ending March 31, 2010 Forecast (B)	Difference (B)-(A)	Net change (%)
Net sales including tax	6,832.3	6,000.0	-832.3	-12.2
Net sales excluding tax <sup>10</sup>	2,243.6	1,985.0	-258.6	-11.5
EBITDA	646.2	475.0	-171.2	-26.5
Operating income	363.8	244.0	-119.8	-32.9
Net income	123.4	100.0	-23.4	-19.0

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<sup>10</sup> Net sales excluding tax does not account for revenue from the imported tobacco, domestic duty free, the China Division and other miscellaneous in the domestic tobacco business, in addition to the distribution, private label, contract manufacturing and other peripheral businesses in the international tobacco business.



*Japan Tobacco Inc. is one of the leading international manufacturers of tobacco products. The company manufactures internationally recognized cigarette brands including Winston, Camel, Mild Seven and Benson & Hedges. Since its privatization in 1985, JT has actively diversified its operations into pharmaceuticals and foods. The company's net sales were ¥6.832 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.

## 1. Summary of Business Performance

(unit: JPY billion)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
Sales including excise tax	1,719.8	1,463.1	-256.6
Sales excluding excise tax <sup>*</sup>	559.2	474.8	-84.4
EBITDA	180.6	142.5	-38.0
Operating Income	110.4	84.2	-26.1
Recurring Profit	72.5	78.8	6.2
Net Income	16.9	42.8	25.9

\* 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: Figures for major profit items before goodwill amortization)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
Operating Income	137.2	109.2	-27.9
Recurring Profit	99.3	103.7	4.4
Net Income	43.6	67.8	24.1

## 2. Breakdown of net sales

(unit: JPY billion)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
Net sales including excise tax <sup>*1</sup>	1,719.8	1,463.1	-256.6
Domestic tobacco	842.6	779.7	-62.8
International tobacco <sup>*1</sup>	743.3	568.3	-175.0
Net sales excluding excise tax <sup>*1 *2 *3</sup>	559.2	474.8	-84.4
Domestic tobacco <sup>*2</sup>	170.6	158.3	-12.2
International tobacco <sup>*1 *3</sup>	254.7	201.3	-53.4
Pharmaceutical	16.1	11.1	-4.9
Foods	112.6	98.8	-13.7
Beverages	46.6	46.9	0.3
Processed foods	65.9	51.9	-14.0
Others	5.0	4.9	0.0

\*1 International tobacco business: 3 months ended March, 2009

\*2 Excluding revenue from the imported tobacco, domestic duty free, the China Division, and other miscellaneous.

\*3 Excluding revenue from the distribution, private label, contract manufacturing and other peripheral businesses.

## 3. Leaf tobacco reappraisal profit / loss \*

(unit: JPY billion)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
Leaf tobacco reappraisal profit / loss	-1.0	-1.0	-

\* Profit when denoted negative

## 4. Breakdown of SG&amp;A expenses

(unit: JPY billion)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
SG&A	214.8	192.9	-21.8
Personnel <sup>*</sup>	57.9	54.4	-3.5
Advertising and general publicity	5.3	4.1	-1.1
Sales promotion	36.0	29.2	-6.7
R&D	11.2	12.1	0.9
Depreciation and amortization	22.4	20.1	-2.3
Others	81.8	72.8	-9.0

\* 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)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
Consolidated EBITDA	180.6	142.5	-38.0
Operating income	110.4	84.2	-26.1
Depreciation and amortization <sup>*2</sup>	70.1	58.2	-11.9
Domestic tobacco EBITDA	75.5	69.6	-5.9
Operating income	55.8	54.6	-1.2
Depreciation and amortization <sup>*2</sup>	19.7	14.9	-4.7
International tobacco EBITDA <sup>*3</sup>	94.7	67.9	-26.7
Operating income	52.2	33.3	-18.8
Depreciation and amortization <sup>*2</sup>	42.4	34.5	-7.9
Pharmaceutical EBITDA	3.0	-2.3	-5.4
Operating income	2.1	-3.2	-5.4
Depreciation and amortization <sup>*2</sup>	0.8	0.9	0.0
Foods EBITDA	1.8	3.8	2.0
Operating income	-2.7	-3.6	-0.9
Depreciation and amortization <sup>*2</sup>	4.5	7.5	2.9
Others EBITDA	5.1	3.2	-1.8
Operating income	2.5	2.9	0.4
Depreciation and amortization <sup>*2</sup>	2.6	0.3	-2.2

(Reference)

(unit: USD million)

	948	789	-159
International tobacco EBITDA (Before royalty payment)			

\*1 EBITDA=operating income + depreciation and amortization<sup>†</sup>

\*2 Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

\*3 International tobacco business: 3 months ended March, 2009

## 6. Amortization relating to major acquisitions

(unit: JPY billion)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Years to amortize	Termination
JT				
Former RJRI				
Trademark rights	7.3	2.7	10	Apr-09
Katokichi				
Goodwill	2.2	3.2	5	Dec-12

(unit: USD million)

	Year ended Mar. 2008	Year ended Mar. 2009	Years to amortize
JT International			
Former RJRI and Gallaher			
Trademark rights <sup>*</sup>	71	56	mainly 20
Goodwill	226	227	20

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

## 7. Capital expenditure

(unit: JPY billion)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
Capital expenditures	20.3	26.3	5.9
Domestic tobacco	8.2	8.7	0.4
International tobacco <sup>*</sup>	6.4	11.8	5.3
Pharmaceutical	0.8	0.6	-0.1
Foods	2.8	4.6	1.7
Others	1.7	0.0	-1.7

\* International tobacco business: 3 months ended March, 2009

8. Cash and cash equivalents<sup>\*</sup>

(unit: JPY billion)

	As of end of Mar. 2009	As of end of Jun. 2009	Change
Cash and cash equivalents	169.8	122.5	-47.2

\* Cash and cash equivalents = cash and deposits + marketable securities + securities purchased under repurchase agreements

9. Interest-bearing debt<sup>\*</sup>

(unit: JPY billion)

	As of end of Mar. 2009	As of end of Jun. 2009	Change
Interest-bearing debt	996.0	972.2	-23.8

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

## 10. Business data

(unit: JPY billion)

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	42.0	39.0	-3.0
Total demand (billion cigarettes)	64.8	59.9	-4.8
JT market share	64.9%	65.1%	0.2%pt
JT net sales before tax per 1,000 cigarettes (JPY)	12,699	12,693	-6
JT net sales after tax per 1,000 cigarettes (JPY)	4,056	4,056	0

\* Sales volume of domestic duty-free and China division is excluded, which was 1.0 billion for FY ended Mar. 2008 and 0.9 billion for FY ended Mar. 2009, respectively.

	Year ended Mar. 2008	Year ended Mar. 2009	Change
<International tobacco business>			
Total sales volume* (billion cigarettes)	102.4	100.9	-1.4
GFB sales volume (billion cigarettes)	55.6	57.1	1.5
JPY/USD rate for consolidation (JPY)	105.25	93.76	△11.49

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

	3 months ended Jun. 2008	3 months ended Jun. 2009	Change
<Pharmaceutical business>			
R&D expenses (parent company) (JPY billion)	5.8	5.4	-0.4

	As of end of Mar. 2009	As of end of Jun. 2009	Change
<Foods business - Beverage business>			
Number of beverage vending machines <sup>*</sup>	254,000	255,000	1,000
JT-owned	32,000	31,000	-1,000
Combined	76,500	80,000	3,500

\* Beverage vending machines include vending machines for cans and packs, etc. and for cups owned by other companies and operated by our subsidiary. "JT-owned" vending machines are owned by JT. "Combined" vending machines are owned by our subsidiaries or affiliates, and focus on selling JT brand beverages but also sell non-JT brand beverages.

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

	(JPY billion)		
	FY ended Mar. 2009 (Actual)	FY ending Mar. 2010 (Forecast)	Change
Net sales including excise tax	6,832.3	6,000.0	-832.3
EBITDA	646.2	475.0	-171.2
Operating income	363.8	244.0	-119.8
Recurring profit	307.5	227.0	-80.5
Net income	123.4	100.0	-23.4
Return on Equity	6.8%	6.2%	-0.6%pt
Free Cash Flow*	240.1	169.0	-71.1

\*Free Cash Flow is cash flow from operating activities plus cash flow from investing activities less the items below:

<From cash flow from operating activities>

- Interest received, dividend received and tax implication by deducting the items (assumption of corporate tax rate: 42%)
- Interest paid and the tax implication by deducting the item (assumption of corporate tax rate: 42%)

<From cash flow from investing activities>

- Purchases of and proceeds from sale of marketable securities
- Purchases of and proceeds from sale of investment securities and others

FCF calculated according to the above adjustment may not be equal to FCF shown on the above table. The difference comes from purchases of and proceeds from sale of business investment securities which are included in investment securities on the Cash flow statement but excluded from the adjustment above.

(Reference: Net income before goodwill amortization)

Net income	228.9	197.0	-31.9
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## Consolidated financial outlook by business segment (JPY billion)

	FY ended Mar. 2009	FY ending Mar. 2010	Change
Net sales including excise tax <sup>*1</sup>	6,832.3	6,000.0	-832.3
Domestic tobacco	3,200.4	3,048.0	-152.4
International tobacco	3,118.3	2,475.0	-643.3
Net sales excluding excise tax <sup>*1*2*3</sup>	2,243.6	1,985.0	-258.6
Domestic tobacco <sup>*2</sup>	648.8	619.0	-29.8
International tobacco <sup>*1*3</sup>	1,081.2	890.0	-191.2
Pharmaceutical	56.7	43.0	-13.7
Foods	435.9	413.0	-22.9
EBITDA	646.2	475.0	-171.2
Domestic tobacco	272.2	246.0	-26.2
International tobacco	337.9	209.0	-128.9
Pharmaceutical	4.8	-12.5	-17.3
Foods	17.0	18.0	0.9
Operating income	363.8	244.0	-119.8
Domestic tobacco	188.2	188.0	-0.2
International tobacco	174.7	71.0	-103.7
Pharmaceutical	1.0	-16.5	-17.5
Foods	Δ 11.4	-8.0	3.4
Depreciation and amortization	282.4	231.0	-51.4
Domestic tobacco	84.0	58.0	-26.0
International tobacco	163.1	138.0	-25.0
Pharmaceutical	3.8	4.0	0.1
Foods	28.4	26.0	-2.4

(Reference) (unit: USD million)

International tobacco	10,445	9,370	Δ 1,075
Adjusted net sales excluding tax <sup>*1*3</sup>			
International tobacco EBITDA <sup>*1</sup> (Before royalty payment)	3,452	2,500	Δ 951

\*1 International tobacco business: Year ended Dec.2009

\*2 Excluding revenue from the imported tobacco, domestic duty free, the China Division, and other miscellaneous.

\*3 Excluding revenue from the distribution, private label, contract manufacturing and other peripheral businesses

\* Please note that the company has been including revenue from cigars, pipe tobacco and snus into its net sales figure, while sales volume for those products is accounted

	(JPY billion)		
	FY ended Mar. 2009	FY ending Mar. 2010	Change
Capital expenditures	134.2	166.0	31.7
Domestic tobacco	46.5	65.0	18.4
International tobacco	59.7	64.0	4.2
Pharmaceutical	3.4	3.0	-0.4
Foods	23.2	32.0	8.7
Other	1.1	1.0	-0.1

	(JPY)		
	FY ended Mar. 2009	FY ending Mar. 2010	Change
Dividend per share	5,400	5,600	200
Pay-out Ratio	41.9%	53.6%	11.7%
(goodwill amortization adjusted)	22.6%	27.2%	4.6%pt

## Major assumptions

## Domestic tobacco business (billions of cigarettes)

	FY ended Mar. 2009	FY ending Mar. 2010	Change
Sales volume	159.9	152.5	-7.4

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

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

	FY ended Mar. 2009	FY ending Mar. 2010	Change
Total Sales volume <sup>*</sup>	445.9	456.0	10.1
GFB sales volume	245.5	262.0	16.5
JPY/USD rate	103.48	95.00	-8.48

\*Includes cigars, pipe tobacco and snus, excludes private label and contract manufacturing products

## Goodwill amortization relating to major acquisitions

## International tobacco business (unit: USD million)

	FY ended Mar. 2009	FY ending Mar. 2010	Years to amortize	Termination
Former RJRI and Gallaher	910	910	20	Mar-27

\* 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	Termination
Katokichi	9.2	9.2	5	Dec-12

## Trademark rights amortization relating to major acquisitions

## JT (unit: JPY billion)

	FY ended Mar. 2009	FY ending Mar. 2010	Years to amortize	Termination
Former RJRI	29.4	2.4	10	Apr-09

## JT International (unit: USD million)

	FY ended Mar. 2009	FY ending Mar. 2010	Years to amortize	Termination
Former RJRI and Gallaher	273	220	mainly 20	Mar-27

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

## &lt;FORWARD LOOKING STATEMENTS&gt;

This material 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 private restrictions relating to the use of tobacco products and the impact of government studies;
3. litigation in Japan and elsewhere;
4. our ability to successfully 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

## 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				

#### 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				

\* 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				

\* 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				

\* 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				

### 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				

##### (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				

##### (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				

#### 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				

##### (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				

##### (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				

#### 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				

##### (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				

##### (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				

\* 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				

\* 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 July 30, 2009)

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 1 (Overseas)	Type 2 diabetes mellitus	HSD-1 inhibitor	Improves type 2 diabetes through reducing excessive glucocorticoid action by inhibiting HSD-1  - HSD1: 11beta-hydroxysteroid dehydrogenase type 1	
JTK-656 (oral)	Phase 1 (Overseas)	HIV infection	Integrase inhibitor	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV  - HIV: Human Immunodeficiency Virus	
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)

Updates since the previous announcement on April 30, 2009: none