

JAPAN TOBACCO INC.

Yasuyuki Tanaka
Chief Communications Officer

Morgan Stanley Global Consumer & Retail Conference
New York, 16 November 2010

*Please be reminded that the figures shown on these slides may be different from those shown in the financial statements as they are intended to facilitate understanding of individual businesses.

*For details, please refer to the footnotes on the slides.



Caution concerning forward-looking statements

Forward-Looking and Cautionary Statements

This presentation contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements reflect future expectations, identify strategies, discuss market trends, contain projections of operational results and financial conditions, and 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 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 related to the use of tobacco products;
- (2) legal or regulatory developments and changes; including, without limitation, tax increases and restrictions on sales, marketing and use of tobacco products, 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 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.

Financial Results for 1H FY 3 / 2011



Consolidated Financial Results for 1H FY 3 / 2011 : Executive Summary

- Adjusted net sales and profits both grew.
- In the Japanese domestic tobacco business, adjusted net sales and profits grew due to a heightened demand ahead of the excise-led price increase.
- In the international tobacco business, core net sales and EBITDA increased as pricing and favorable currency exchange movements offset a shipment volume decline due to industry contraction. Market share gains continued.

Consolidated Financial Results : 1H FY 3 / 2011

(JPY BN)	<u>2009</u> <u>1H</u>	<u>2010</u> <u>1H</u>	<u>Change</u>		<u>2009</u> <u>1H</u>	<u>2010</u> <u>1H</u>	<u>Change</u>
Adjusted Net Sales excluding tax ¹⁾	986.7	1,035.2	+4.9%				
EBITDA	279.3	306.4	+9.7%				
				<Reference : Before goodwill amortization >			
Operating Income	163.7	198.8	+21.5%	Operating Income ²⁾	213.3	246.0	+15.3%
Recurring Profit	135.1	186.1	+37.8%	Recurring Profit ²⁾	184.7	233.3	+26.3%
Net Income	66.0	81.9	+24.0%	Net Income ²⁾	115.6	129.1	+11.6%

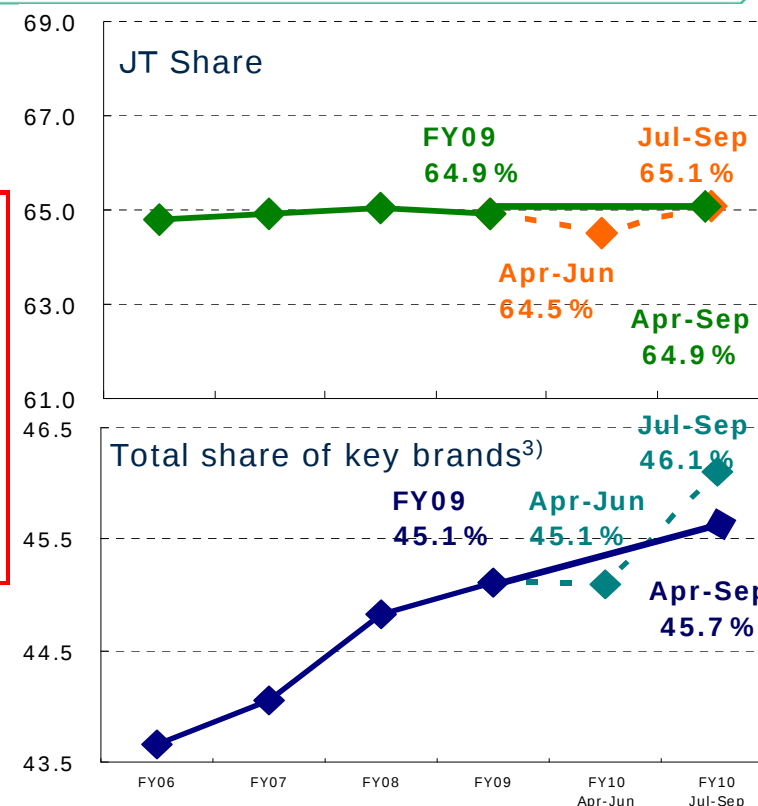
- Adjusted net sales excluding tax and EBITDA increased 4.9% and 9.7%, respectively, due to a volume increase caused by heightened demand ahead of the excise-led price increase in the Japanese domestic tobacco business and pricing and favorable currency exchange movements in the international tobacco business.
- Recurring profit increased 37.8% because of lower exchange losses and a decline in interest payments, in addition to the operating income increase.
- Quarterly net income increased 24.0%, as the recurring profit increase was offset by the payment of a fine to the Canadian government and a decline in profits from the sale of fixed assets.

1) 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 Japanese domestic tobacco business, as well as distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses in the international tobacco business.

2) Before good will amortization

Japanese Domestic Tobacco Business : 1H FY 3 / 2011

	2009 1H	2010 1H	Change
(BNU, JPY BN)			
Total Sales Volume	78.6	86.5	+ 10.1 %
Adjusted Net Sales excluding tax ¹⁾	318.8	351.4	+ 10.2 %
EBITDA ²⁾	133.5	150.1	+ 12.4 %
Operating Income	106.4	127.7	+ 20.0 %



- Adjusted net sales and profits grew due to a volume increase caused by a heightened demand ahead of the October excise-led price increase.
- The key brands' share in the first half rose due to a heightened demand ahead of the excise-led price increase while the overall JT products' market share remained flat.
- We will steadily implement measures to develop products which offer good value for price and create superior sales outlets while carefully watching the sales trend following the price amendment.

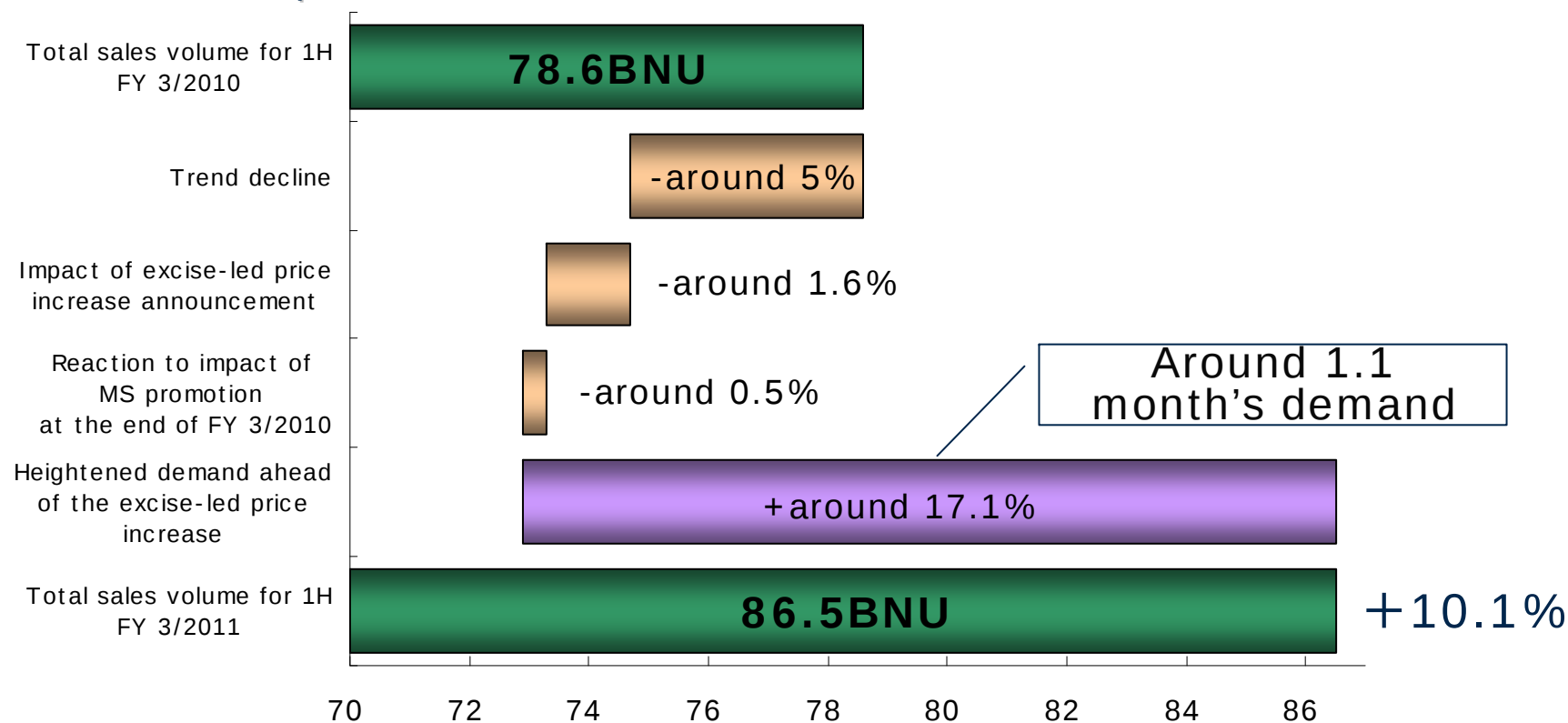
1) Adjusted net sales excluding tax do not include revenue from the imported tobacco, domestic duty free, the China Division, and other peripheral businesses.

2) Before royalty payments from JTI, a part of overhead cost allocation was canceled after accounting standard change.

3) Mild Seven, Seven Stars, Pianissimo (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).

Japanese Domestic Tobacco Business : 1H FY 3/2011

【Volume Roadmap:2009 1H to 2010 1H】



- Heightened demand ahead of the October excise-led price increase was almost in line with expectations.
- We responded to the heightened demand in a way to prevent disruptions to the supply-demand condition.

International Tobacco Business Jul-Sep FY 3 / 2011 (preliminary)



International Tobacco Business : Executive Summary-Results for Jul-Sep FY 3 / 2011 (preliminary)

- Total and GFB shipment volumes in the Jul-Sep period returned to positive growth as anticipated.
- Share of market continued to grow in most key markets.
- Core net sales in the Jul-Sep period grew 5.8% due to pricing and shipment volume increase. At constant rates of exchange, core net sales grew 8.9%
- Core net sales in Jan-Sep period grew 8.0%. At constant rates of exchange, core net sales grew 5.6%.

International Tobacco Business : Results for Jul-Sep FY 3 / 2011 (preliminary)

<Jul-Sep (preliminary)>

(BNU, MM\$)	<u>2010</u> <u>Jan-Mar</u>	<u>2010</u> <u>Apr-Jun</u>	<u>2010</u> <u>Jul-Sep</u>	<u>2010</u> <u>Jan-Sep</u>
Total Shipment Volume ¹⁾	94.1	110.7	114.8	319.5
	(-6.8 %)	(-3.9 %)	(+4.8 %)	(-1.9 %)
GFB Shipment Volume	54.6	63.7	66.7	185.1
	(-4.4 %)	(-0.9 %)	(+9.4 %)	(+1.5 %)
Core Net Sales excl. tax ²⁾	2,372	2,598	2,621	7,591
	(+10.4 %)	(+8.1 %)	(+5.8 %)	(+8.0 %)
Core Net Sales excl. tax per thousand ³⁾ (US\$)	25.5	23.7	23.0	24.0
	(+18.6 %)	(+12.4 %)	(+1.0 %)	(+10.1 %)
<i>【at constant rates of exchange】</i>				
Core Net Sales excl. tax ²⁾	2,185	2,541	2,697	7,423
	(+1.8 %)	(+5.7 %)	(+8.9 %)	(+5.6 %)
Core Net Sales excl. tax per thousand ³⁾ (US\$)	23.5	23.2	23.7	23.4
	(+9.2 %)	(+10.0 %)	(+3.9 %)	(+7.6 %)

- Total and GFB shipment volumes returned to positive growth of 4.8% and 9.4%, respectively.
- Core net sales grew 5.8% due to pricing and shipment volume increases.
- At constant rates of exchange, core net sales grew 8.9%.

1) Total shipment volume (which was previously designated "sales volume") includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.

2) Core net sales excluding tax do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.

10 3) Core net sales per thousand cigarettes are based on total shipment volume (which was previously designated "sales volume") as defined in footnote 1) excluding shipment volume of joint ventures, and core net sales as defined in footnote 2).



International Tobacco Business: Performance by cluster

【Total shipment volume¹⁾ (Change from the same period last year)】 <Jul-Sep (preliminary)>

	<u>2010 Jan-Mar</u>	<u>2010 Apr-Jun</u>	<u>2010 Jul-Sep</u>	<u>2010 Jan-Sep</u>
Total	-6.8%	-3.9%	+4.8%	-1.9%
S & W Europe	-9.2%	-3.1%	+2.3%	-3.4%
N & C Europe	+6.9%	+4.1%	-0.5%	+3.3%
CIS+	-9.7%	-7.3%	+0.8%	-5.1%
Rest of the World	-5.9%	-0.6%	+18.6%	+3.2%

【GFB shipment volume (Change from the same period last year)】

	<u>2010 Jan-Mar</u>	<u>2010 Apr-Jun</u>	<u>2010 Jul-Sep</u>	<u>2010 Jan-Sep</u>
Total	-4.4%	-0.9%	+9.4%	+1.5%
S & W Europe	-8.9%	-0.9%	+4.0%	-2.0%
N & C Europe	+16.2%	+11.5%	+4.5%	+10.3%
CIS+	-5.3%	-5.3%	+6.9%	-1.0%
Rest of the World	-4.5%	+3.2%	+21.7%	+5.9%

- S&WE: Continued momentum in Italy (Winston) and France (Winston/Camel) resulted in total and GFB shipment volume growth.
- N&CE: Strong performances of Sterling and Amber Leaf in the UK and shipment volume increases in other markets offset the impact of higher trade inventory in June in the UK. GFB shipment volume continued to grow.
- CIS+: Total and GFB shipment volumes returned to positive growth driven by strong performance in Russia. In Russia, year-on-year growth was due to market share gains. GFB(Winston and LD) was the main driver of the growth. Industry contraction is decelerating compared with 1H.
- RoW: Growth momentum in the Middle East and Turkey continued. The high growth was leveraged by comparison with previous year's lower shipment volumes in the Middle East, Turkey and Taiwan due to shipment phasing or higher trade inventory in the Jul-Sep period of prior year.

1) Total shipment volume (which was previously designated "sales volume") includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.



International tobacco business GFB shipment volume

<July-Sep (preliminary)>

	<u>2010</u> <u>Jan-Mar</u>	<u>2010</u> <u>Apr-Jun</u>	<u>2010</u> <u>Jul-Sep</u>	<u>2010</u> <u>Jan-Sep</u>	
(BNU) GFB	54.6 (-4.4%)	63.7 (-0.9%)	66.7 (+9.4%)	185.1 (+1.5%)	
Shipment Volume					
Winston	27.2 (-6.5%)	32.0 (-0.6%)	33.0 (+12.4%)	92.1 (+1.7%)	
Camel	9.5 (-4.7%)	10.7 (+1.5%)	11.3 (+5.3%)	31.6 (+0.8%)	
Mild Seven	4.4 (-9.3%)	4.9 (+6.4%)	5.0 (+16.8%)	14.2 (+4.1%)	
B&H	2.5 (-6.3%)	2.7 (-0.1%)	2.7 (-6.2%)	7.9 (-4.2%)	
Silk Cut	1.1 (-6.8%)	1.1 (-6.8%)	1.1 (-11.6%)	3.3 (-8.5%)	
LD	7.4 (+9.2%)	9.3 (-1.4%)	10.1 (+10.8%)	26.8 (+5.8%)	
Sobranie	0.3 (+16.2%)	0.2 (-44.0%)	0.4 (-13.5%)	0.9 (-16.1%)	
Glamour	2.2 (-4.8%)	2.7 (-14.1%)	3.2 (+6.3%)	8.1 (-4.3%)	

International Tobacco Business: Market Share in Key Markets

	<u>2009</u> <u>Sep¹⁾</u>	<u>2010</u> <u>Jun¹⁾</u>	<u>2010</u> <u>Sep¹⁾</u>		<i>Excise tax change</i>	<i>Price increase</i>
Italy	18.1%	19.0%	19.4 %	Italy	-	-
France	14.6%	15.5%	15.8 %	France	-	-
Spain	20.5%	20.7%	20.7 %	Spain	<i>Jul²⁾</i>	<i>Jan, Jun</i>
UK	41.0%	41.0%	40.8 %	UK	<i>Jan³⁾, Mar</i>	<i>Jan, Mar</i>
Russia	36.5%	36.9%	37.0 %	Russia	<i>Jan</i>	<i>Jan, Jun-Jul⁴⁾</i>
Turkey	18.5%	20.6%	21.8 %	Turkey	<i>Jan</i>	<i>Jan</i>
Taiwan	38.7%	37.1%	37.8 %	Taiwan	-	-

1) 12-month rolling average

Source: AC Nielsen, Core EPOS and JTI internal data

2) Increase in VAT

3) Increase in VAT

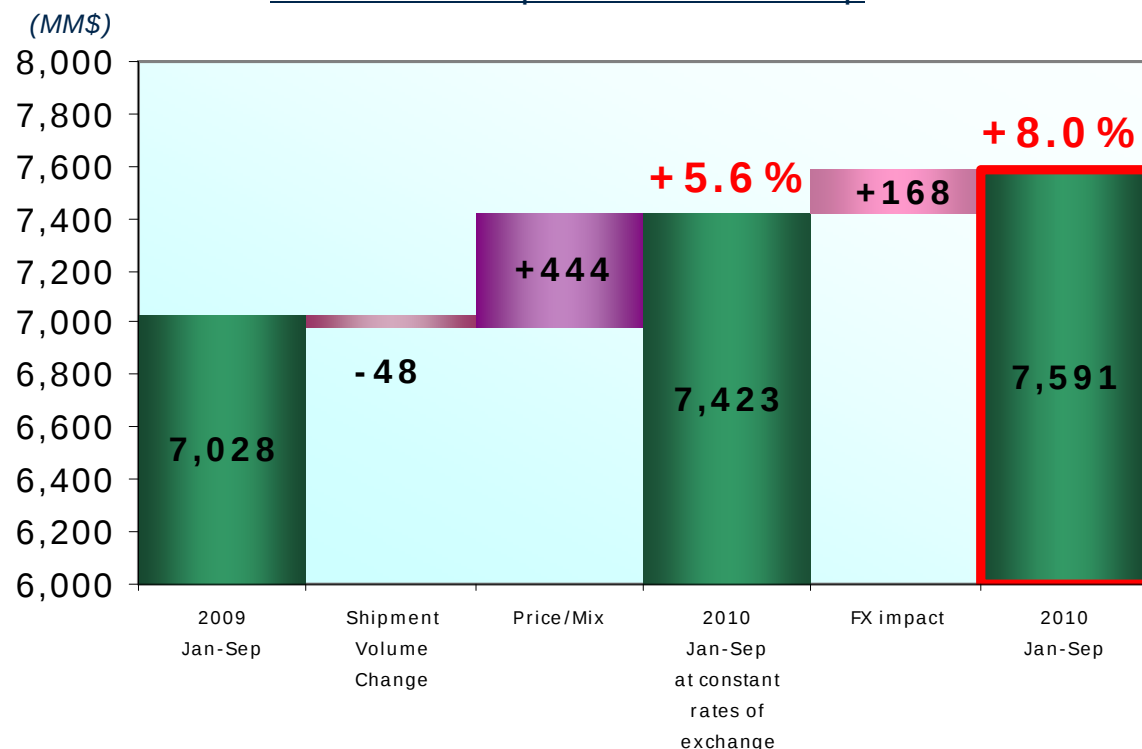
4) Sub Premium & below brands - Increase in June
Premium & above brands - Increase in July

- Share of market continued to grow year-on-year in most key markets.

International Tobacco Business: Results for Jan-Sep FY 3 / 2011 (preliminary)

<Jan-Sep (preliminary)>

Core Net Sales excl. tax ¹⁾:
2009 Jan-Sep to 2010 Jan-Sep



	Jan-Sep 09 Average	Jan-Sep 10 Average	Change
RUB/\$	32.54	30.24	+7.6%
GBP/\$	0.66	0.65	+1.4%
EUR/\$	0.74	0.75	-1.2%

- Core net sales grew 8.0% due to pricing and favorable currency exchange movements in Jan-Sep period.
- At constant rates of exchange, core net sales increased 5.6% in the same period.

1) Core net sales excluding tax do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.

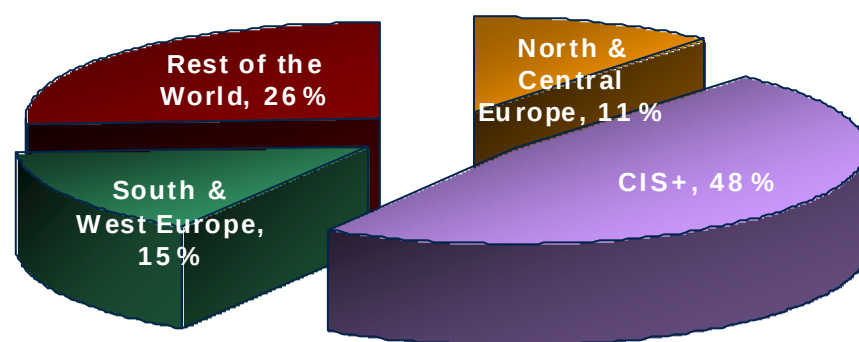


International tobacco business

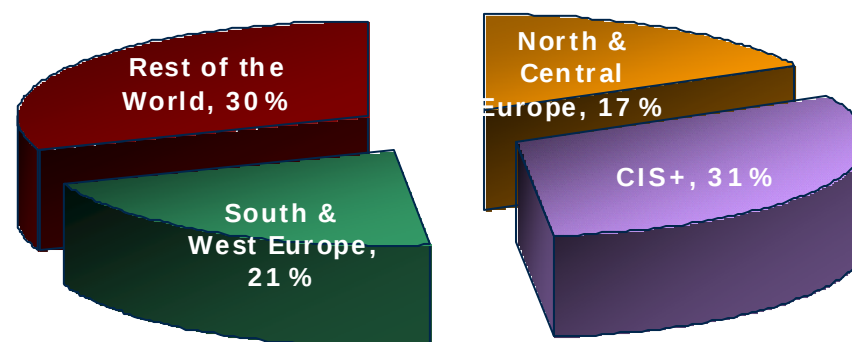
July-Sep FY3 / 2011 Composition Ratio by Region

<Jan-Sep (preliminary)>

Shipment Volume¹⁾



Core Net Sales excluding tax²⁾



Note:

JT revised the calculation of cluster composition

1) Total shipment volume (which was previously designated "sales volume") includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.

2) Core net sales excluding tax do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.

Full-Term Forecasts for FY 3 / 2011



Forecasts: Executive Summary

- EBITDA for the international tobacco business at constant rates of exchange remains unchanged at 6.2% growth.
- The EBITDA forecast for the Japanese domestic tobacco business remains unchanged.
- The forecast for adjusted net sales excluding tax was revised down due to the negative impact of revised exchange rate assumptions in the international business, reduced sales volume forecasts for Japanese domestic tobacco business and slack sales of products for restaurants in the processed food business and others.
- The forecast for consolidated EBITDA was revised down mainly due to the negative impact of revised exchange rate assumptions.

International Tobacco Business: Forecasts for FY 3/2011

	<u>FY 3/2010</u>	<u>FY 3/2011</u>		<u>Difference from</u>	<u>Change from</u>
	<u>Actual</u>	<u>Initial Forecast</u>	<u>Revised Forecast</u>	<u>Initial Forecast</u>	<u>FY 3/2010</u>
(BNU, JPY BN)	a	b	c	(c-b)	(c-a)/a
Total Shipment Volume ¹⁾	434.9	433.0	428.5	-4.5	-1.5%
GFB Shipment Volume	243.4	250.0	250.0	—	+2.7%
Core Net Sales excl. tax ²⁾	906.7	944.0	891.0	-53.0	-1.7%
EBITDA ³⁾	277.6	300.0	284.0	-16.0	+2.3%
(MM\$)					
Core Net Sales excl. tax ²⁾	9,682	10,480	10,240	-240	+5.8%
Core Net Sales excl. tax ²⁾ at constant rates of exchange	9,682	10,060	10,110	+50	+4.4%
EBITDA ³⁾	2,965	3,330	3,260	-70	+9.9%
EBITDA ³⁾ at constant rates of exchange	2,965	3,150	3,150	—	+6.2%

- EBITDA at constant rates of exchange remains unchanged at 6.2% growth.
- Dollar-based core net sales and EBITDA are forecast to grow 5.8% and 9.9%, respectively, under revised exchange rate assumptions.
- Total shipment volume is expected to decline 1.5% year-on-year.

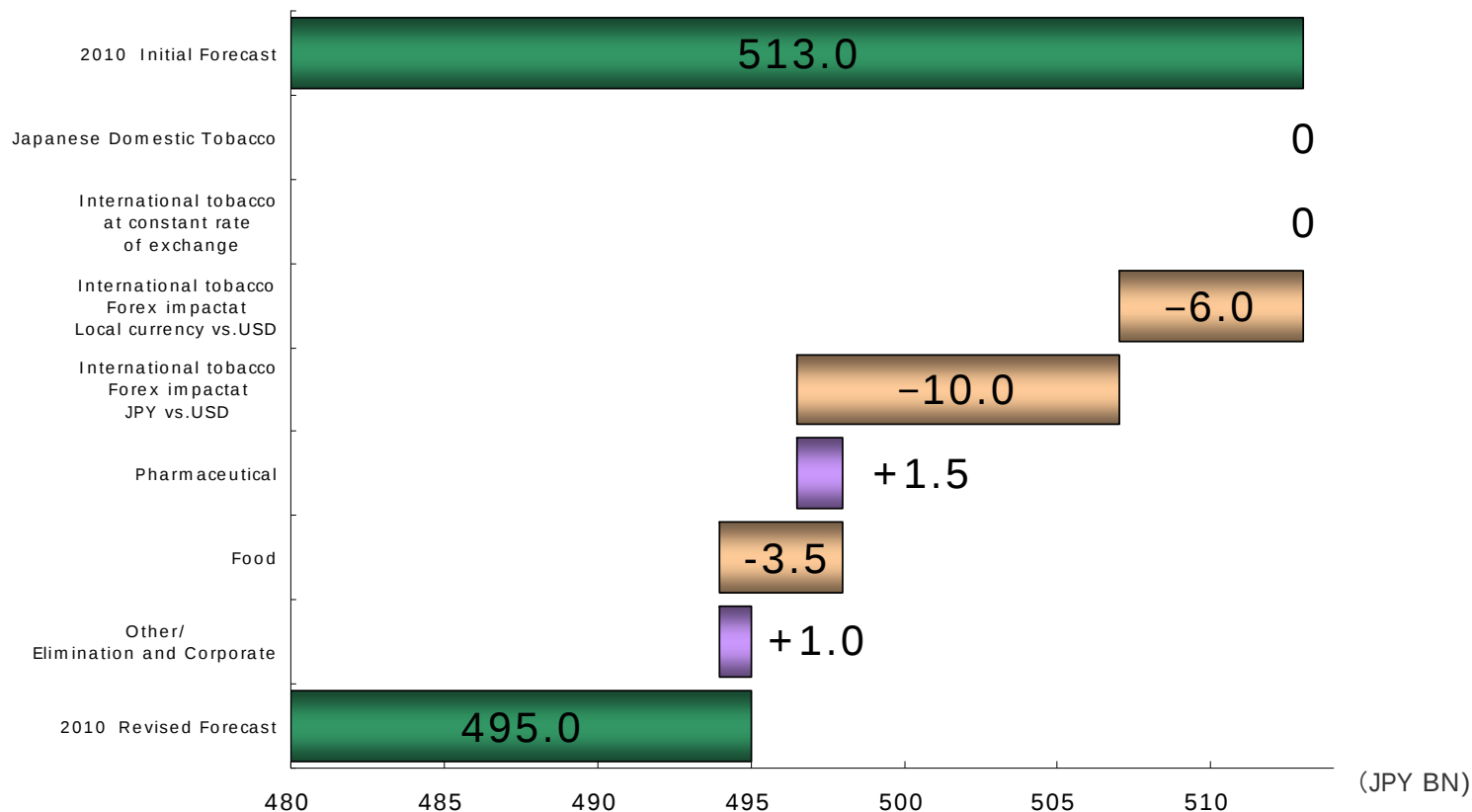
1) Total shipment volume (which was previously designated "sales volume") includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.

2) Core net sales excluding tax do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.

3) Before royalty payments to JT

Forecasts for FY 3 / 2011

EBITDA Forecast : Initial Forecast to Revised Forecast



- EBITDA forecast for the Japanese domestic tobacco business and dollar based EBITDA forecast at constant rates of exchange for the International tobacco business remain unchanged from the initial forecast.
- Consolidated EBITDA was revised down mainly due to revised exchange rate assumptions.

Thank you for your attention !

<Appendix>

Consolidated Financial Results for 1H FY 3/2011

Slide 22&23: International Tobacco Business : 1H FY 3/2011

Slide 24: Pharmaceutical Business : 1H FY 3/2011

Slide 25: Food Business : 1H FY 3/2011

Full-Term Forecasts for FY 3/2011

Slide:26: Forecasts for FY 3/2011

Slide 27: Japanese Domestic Tobacco Business: Forecasts for FY 3/2011

Slide 28: International Tobacco Business: Exchange rate assumptions

Slide 29: Pharmaceutical Business: Forecasts for FY 3/2011

Slide 30: Food Business: Forecasts for FY 3/2011

International Tobacco Business : 1H FY 3 / 2011

(BNU,MM\$)	<u>2009 1H</u>	<u>2010 1H</u>	<u>Change</u>				
Total Shipment Volume ¹⁾	216.1	204.7	-5.2 %				
GFB Shipment Volume	121.3	118.3	-2.5 %				
Core Net Sales excl. tax ²⁾	4,552	4,970	+9.2 %				
Core Net Sales excl. tax per thousand ³⁾ (US\$)	21.3	24.5	+15.3 %				
EBITDA ⁴⁾	1,505	1,684	+11.9 %		<u>Jan-Jun 09</u> Average	<u>Jan-Jun 10</u> Average	Change
EBITDA ⁴⁾ (JPY BN)	143.8	153.8	+6.9 %	RUB/\$	33.17	30.05	+10.4 %
<i>[at constant rates of exchange]</i>				GBP/\$	0.68	0.64	+6.0 %
Core Net Sales excl. tax ²⁾	4,552	4,727	+3.8 %	EUR/\$	0.76	0.73	+3.9 %
Core Net Sales excl. tax per thousand ³⁾ (US\$)	21.3	23.3	+9.6 %	JPY/\$	95.59	91.36	+4.6 %
EBITDA ⁴⁾	1,505	1,606	+6.7 %				

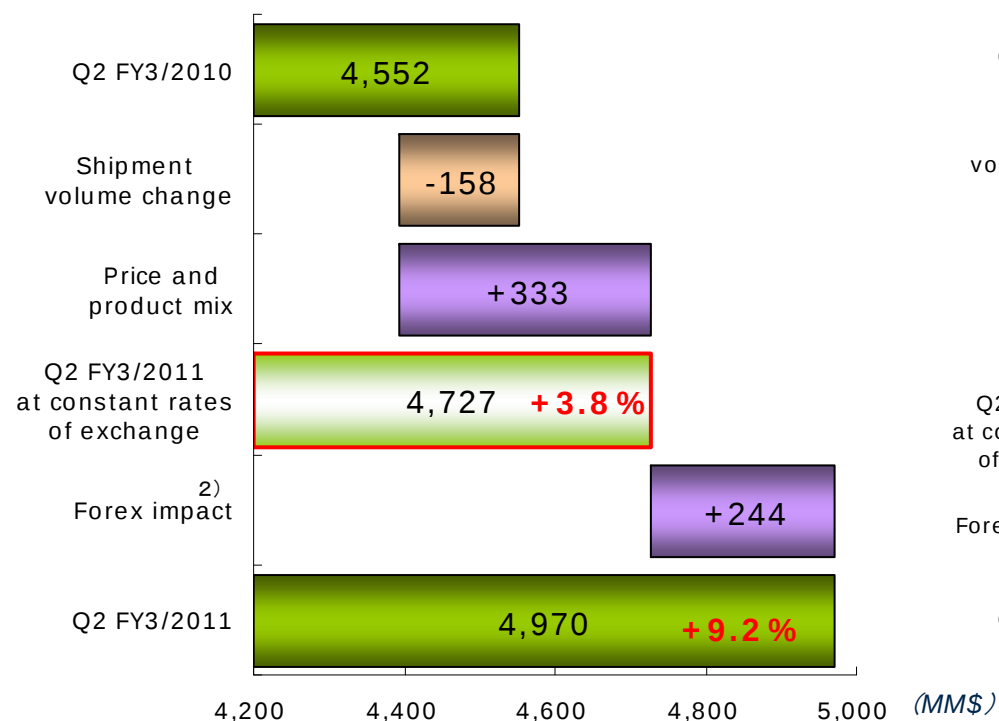
- Core net sales and EBITDA in 1H increased year-on-year as pricing and favorable currency exchange movements more than offset the impact of shipment volume decline.

1) Total shipment volume (which was previously designated "sales volume") includes cigars, pipe tobacco and snus, but does not include private label and contract manufacturing products.
2) Core net sales excluding tax do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.

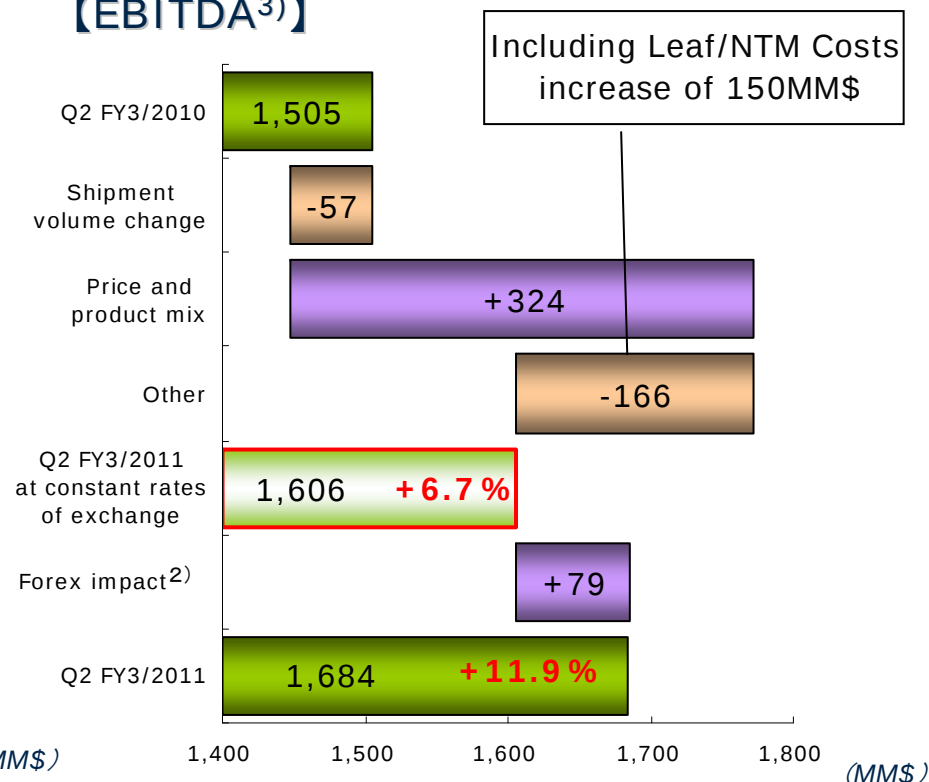
3) Core net sales per thousand cigarettes are based on total shipment volume (which was previously designated "sales volume") as defined in footnote 1) excluding shipment volume of joint ventures, and core net sales as defined in footnote 2).
4) Before royalty payments to JT

International Tobacco Business : 1H FY 3 / 2011

【Core net sales excl.tax¹⁾】



【EBITDA³⁾】



- Core net sales and EBITDA grew 9.2% and 11.9%, respectively, due to pricing and favorable currency exchange movements.
- At constant rates of exchange, core net sales and EBITDA grew 3.8% and 6.7%, respectively.
- Yen-based EBITDA grew 6.9% despite the strong yen.

1) Core net sales excluding tax do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.

2) Forex impact is the fluctuation between USD and other currencies

3) Before royalty payment to JT

Pharmaceutical Business : 1H FY 3 / 2011

(JPY BN)	2009 1H	2010 1H	Change
Net Sales	22.1	23.1	+ 1.0
EBITDA	-4.9	-4.8	+ 0.1
Operating Income	-6.8	-6.7	+ 0.0

Start of clinical development

Clinical development (as of Oct 28, 2010)

Code	Key Indication	Stage
JTT-705(oral)	Dyslipidemia	Phase 2 (Japan)
JTT-130(oral)	Dyslipidemia	Phase 2 (Japan) Phase 2 (Overseas)
JTK-303(oral)	HIV infection	Phase 1 (Japan)
JTT-302(oral)	Dyslipidemia	Phase 2 (Overseas)
JTT-305(oral)	Osteoporosis	Phase 2 (Japan)
JTS-653(oral)	Pain Overactive bladder	Phase 2 (Japan)
JTK-656(oral)	HIV infection	Phase 1 (Overseas)
JTT-751(oral)	Hyperphosphate mia	Phase 2 (Japan)
JTK-853(oral)	Hepatitis C	Phase 1 (Overseas)
JTT-851(oral)	Type 2 diabetes mellitus	Phase 1 (Japan)

- Despite sales growth due to Torii Pharmaceutical's strong performance, EBITDA remained flat as a result of a cost rise.
- JTT-851 entered the clinical development stage.

Food Business : 1H FY 3 / 2011

(JPY BN)	2009 1H	2010 1H	<u>Change</u>
Net Sales	200.8	196.8	- 3.9
Beverages	96.4	100.7	+ 4.3
Processed foods	104.3	96.0	- 8.2
EBITDA	8.4	9.6	+ 1.2
Operating Income	-5.6	-3.3	+ 2.3



- Sales for the beverage business grew due to the summer heat waves and initiatives focused on Roots.
- Sales for the food business declined mainly due to the closure of rice wholesale business, a drop in sales of products to restaurants in the processed food business and the exclusion of some subsidiaries from the consolidated results.
- EBITDA increased as the slack sales of products for restaurants in the processed food business was offset by the strong performance of the beverage business.

Forecasts for FY 3 / 2011

	<u>FY 3/2010</u>	<u>FY 3/2011</u>		<u>Difference from</u>	<u>Change from</u>
	<u>Actual</u>	<u>Initial Forecast</u>	<u>Revised Forecast</u>	<u>Initial Forecast</u>	<u>FY 3/2010</u>
(JPY BN)	a	b	c	(c-b)	(c-a)/a
Adjusted Net Sales excl. tax ¹⁾	1,980.9	1,973.0	1,905.0	-68.0	-3.8%
EBITDA	526.7	513.0	495.0	-18.0	-6.0%
Operating Income	296.5	295.0	281.0	-14.0	-5.2%
Recurring Profit	255.3	276.0	261.0	-15.0	2.2%
Net Income	138.4	133.0	115.0	-18.0	-16.9%
ROE (%)	8.6	8.0	6.9	-1.1ppt	-1.7ppt
FCF	250.7	135.0	125.0	-10.0	-50.1%
<Reference: Before goodwill amortization >					
Net Income ²⁾	235.8	226.0	205.0	-21.0	-13.1%
EPS(yen) ²⁾	24,621.42	23,590.59	21,408.96	-2,181.63	-13.0%
Dividend per share(yen)	5,800	5,600	5,600	—	-200
Payout Ratio (%) ²⁾	23.6%	23.7%	26.2%	+2.4ppt	+2.6ppt

- The EBITDA forecasts for the domestic and international tobacco businesses at constant rates of exchange remain unchanged from the initial forecasts.
- The forecast for consolidated EBITDA was revised down mainly due to changes in exchange rate assumptions in the international tobacco business and others.
- Regarding the disposal of “Shinagawa Seaside Forest” which is under the public offering process, the opening of bids is scheduled for late November and signing of sales contracts is scheduled in early January (The current forecast does not include the profit from sales of this property).

1) 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 Japanese domestic tobacco business, as well as distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses in the international tobacco business.

2) Before good will amortization

Japanese Domestic Tobacco Business: Forecasts for FY 3/2011

	<u>FY 3/2010</u>		<u>FY 3/2011</u>		
	<u>Actual</u>	<u>Initial Forecast</u>	<u>Revised Forecast</u>	<u>Difference from</u>	<u>Change from</u>
	a	b	c	<u>Initial Forecast</u>	<u>FY 3/2010</u>
				(c-b)	(c-a)/a
(BNU,JPY BN)					
Total Sales Volume	151.8	127.5	125.5	-2.0	-17.3%
Adjusted Net Sales excl. tax ¹⁾	615.9	576.0	568.0	-8.0	-7.8%
EBITDA ²⁾	251.2	219.0	219.0	-	-12.8%
Operating Income	198.7	172.0	172.0	-	-13.5%

“Zerostyle Mint”

To be sold in Kanagawa Prefecture following Tokyo from mid-November.



- Total sales volume and adjusted net sales forecasts were revised down due to impact of the excise-led price increase announcement in the first half.
- The EBITDA forecast remains unchanged.

International Tobacco Business: Exchange rate assumptions

	<u>10 Initial Assumption</u> a	<u>10 Revised Assumption</u> b	<u>Change from Initial Assumption</u> b vs a	<u>Jan-Sep 10 Average</u> c
RUB/USD	29.50	30.10	-2.0%	30.24
GBP/USD	0.65	0.64	+1.6%	0.65
EUR/USD	0.68	0.75	-9.3%	0.75
JPY/USD	90.00	87.00	+3.4%	89.49

- Exchange rate assumptions updated based on prevailing rates.
- The positive currency impact on the dollar based EBITDA, originally forecasted at USD 180 million is revised down to USD 110 million.
- Yen-based EBITDA is forecast to decline by JPY 10 billion, due to the strong yen

Pharmaceutical Business: Forecasts for FY 3 / 2011

	<u>FY 3/2010</u>	<u>FY 3/2011</u>		<u>Difference</u>	<u>Change from</u>
	<u>Actual</u>	<u>Initial</u>	<u>Revised</u>	<u>from</u>	<u>FY 3/2010</u>
(BNU, JPY BN)	a	Forecast	Forecast	<u>Initial</u>	<u>(c-a)/a</u>
		b	c	<u>Forecast</u>	
				(c-b)	
Net Sales	44.0	44.5	45.5	+1.0	+1.3
EBITDA	-9.6	-14.5	-13.0	+1.5	-3.2
Operating Income	-13.5	-18.5	-17.0	+1.5	-3.4

- The forecasts for net sales and EBITDA were revised upward due to the strong performance of Torii Pharmaceutical and revision of SG&A expenses.

Food Business: Forecasts for FY 3/2011

	<u>FY 3/2010</u>	<u>FY 3/2011</u>		<u>Difference</u>	<u>Change from</u>
	<u>Actual</u>	<u>Initial</u>	<u>Revised</u>	<u>from</u>	<u>FY 3/2010</u>
	a	b	c	<u>Initial</u>	(c-a)/a
				<u>Forecast</u>	
				(c-b)	
(BNU,JPY BN)					
Net Sales	394.6	390.0	383.0	-7.0	-11.6
EBITDA	14.4	18.5	15.0	-3.5	+0.5
Operating Income	-13.6	-9.0	-12.5	-3.5	+1.1



- The sales forecast was revised down as the positive impact of the heat waves on the beverages business was offset by the abolition of the business of wholesaling polished rice and slack sales of frozen products for restaurants and fishery products.
- The EBITDA and operating income forecasts were revised down due to slack sales of products for restaurants in the processed foods business and higher raw material prices.

[Reference Material]

**Analysis of Consolidated Financial Results
for Q2 FY 3 / 2011 and Full-term Forecast for FY 3 / 2011**



Caution concerning forward-looking statements

Forward-Looking and Cautionary Statements

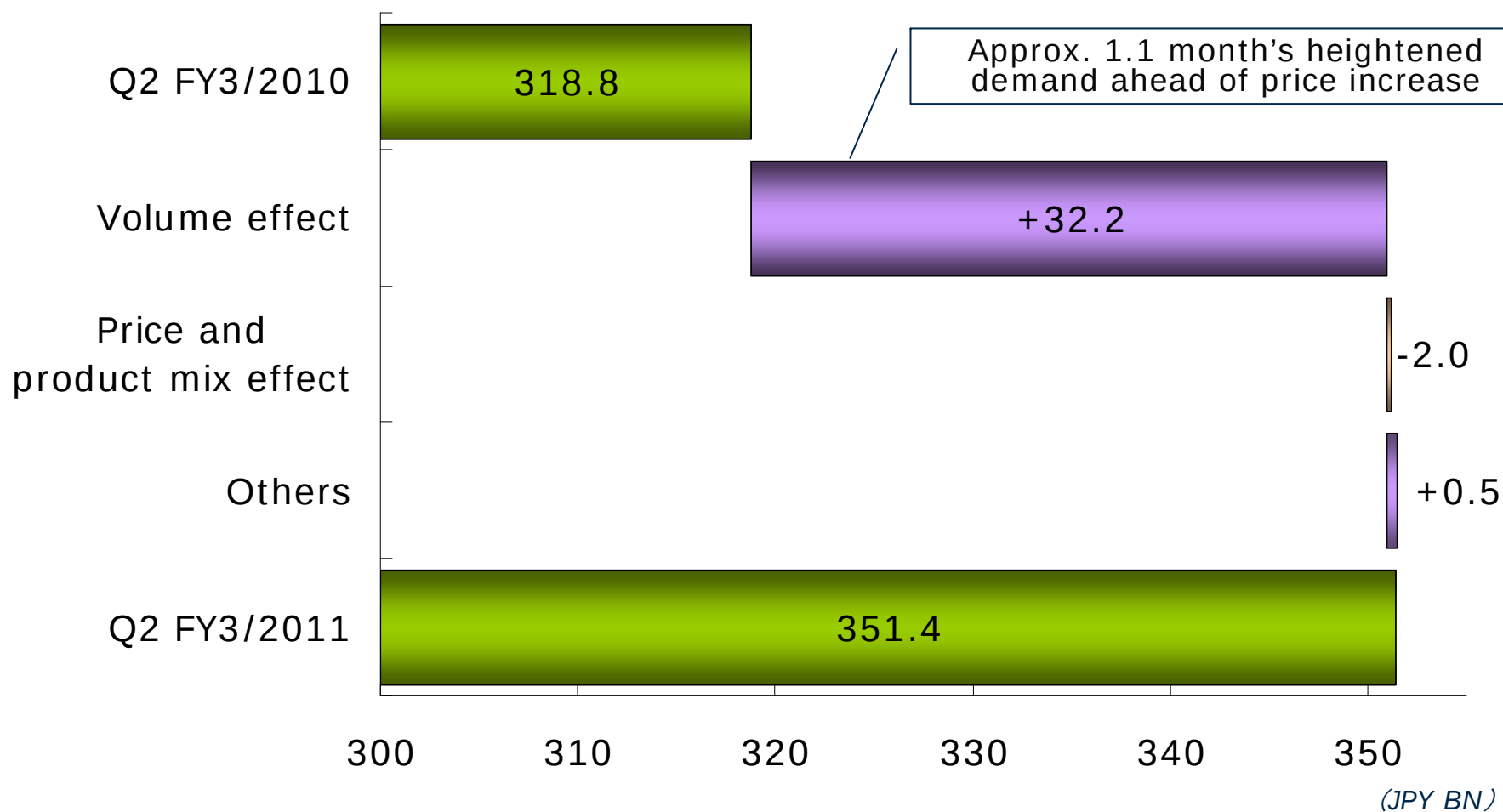
This presentation contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of operational results and financial condition and 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 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, 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.

Q2 Results for FY 3 / 2011

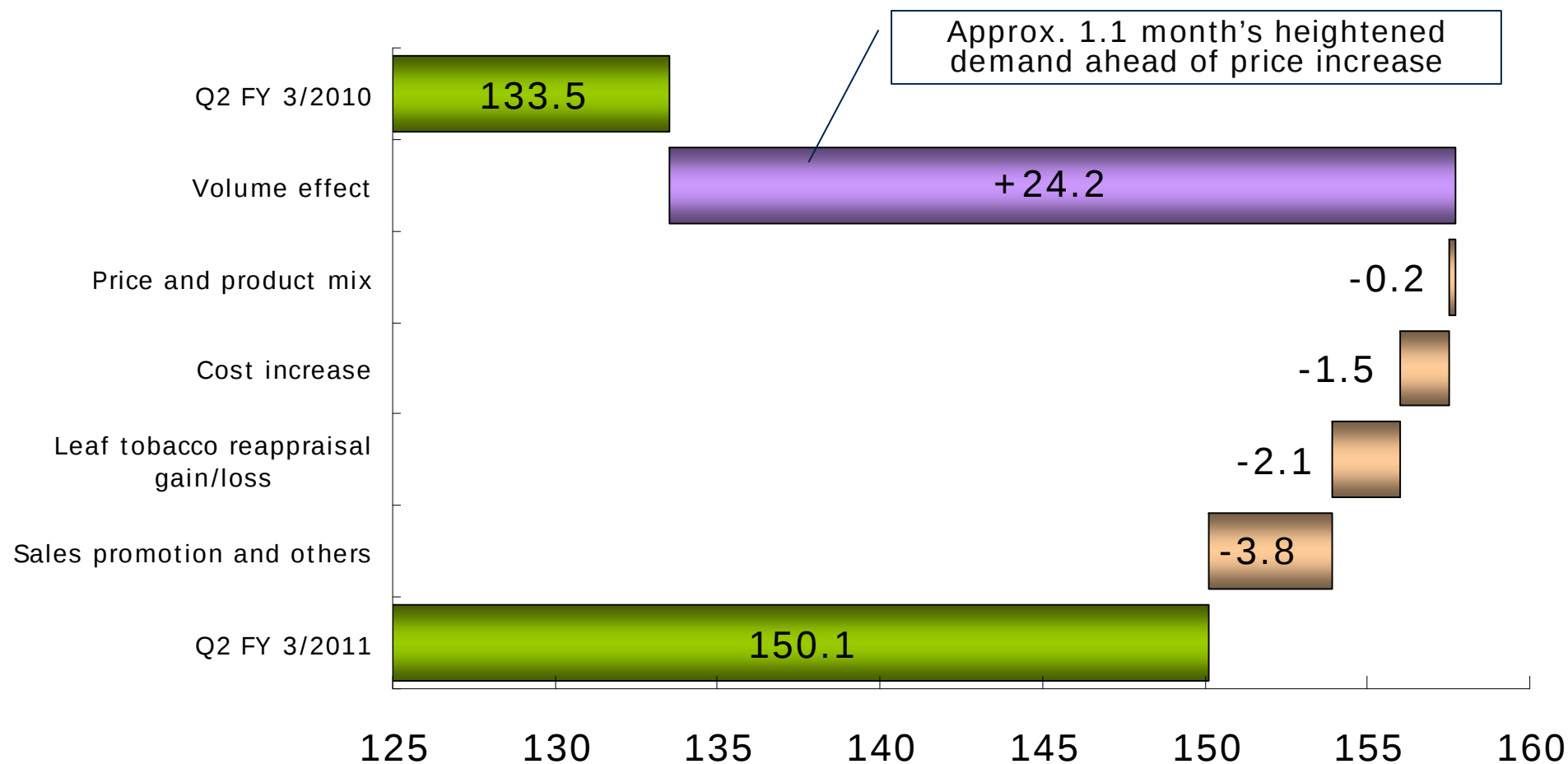
□ Japanese Domestic Tobacco Business – Adjusted Net sales excluding tax 1)



1) Adjusted net sales excluding tax do not account for revenue from the imported tobacco, domestic duty free, the China Division, and other peripheral businesses.

Q2 Results for FY 3 / 2011

□ Japanese Domestic Tobacco Business – EBITDA ¹⁾



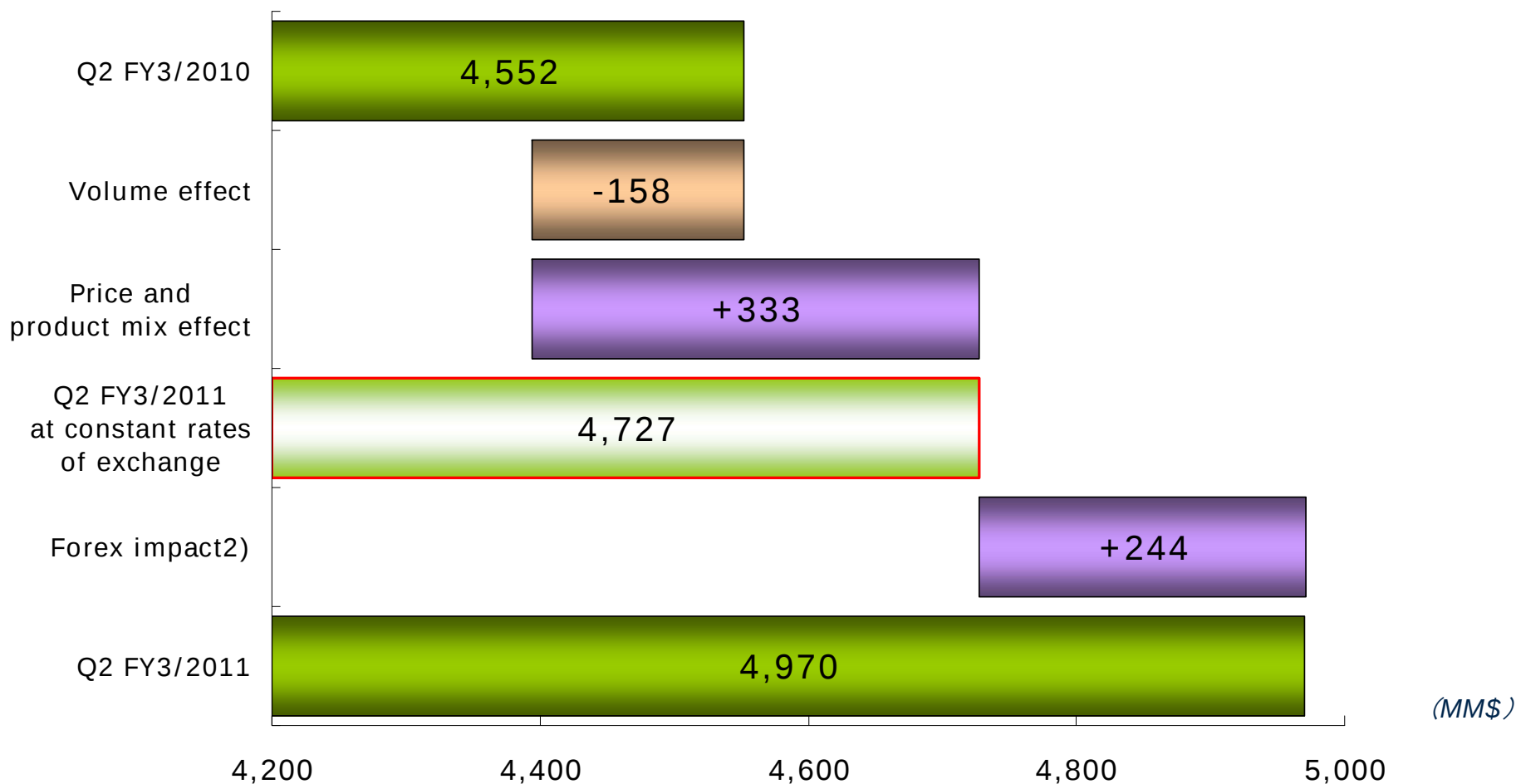
(JPY BN)

1) Before royalty payments from JTI, a part of overhead cost allocation canceled after accounting standard change.

Q2 Results for FY 3 / 2011

□ International Tobacco Business

– Core Net sales excluding tax 1)



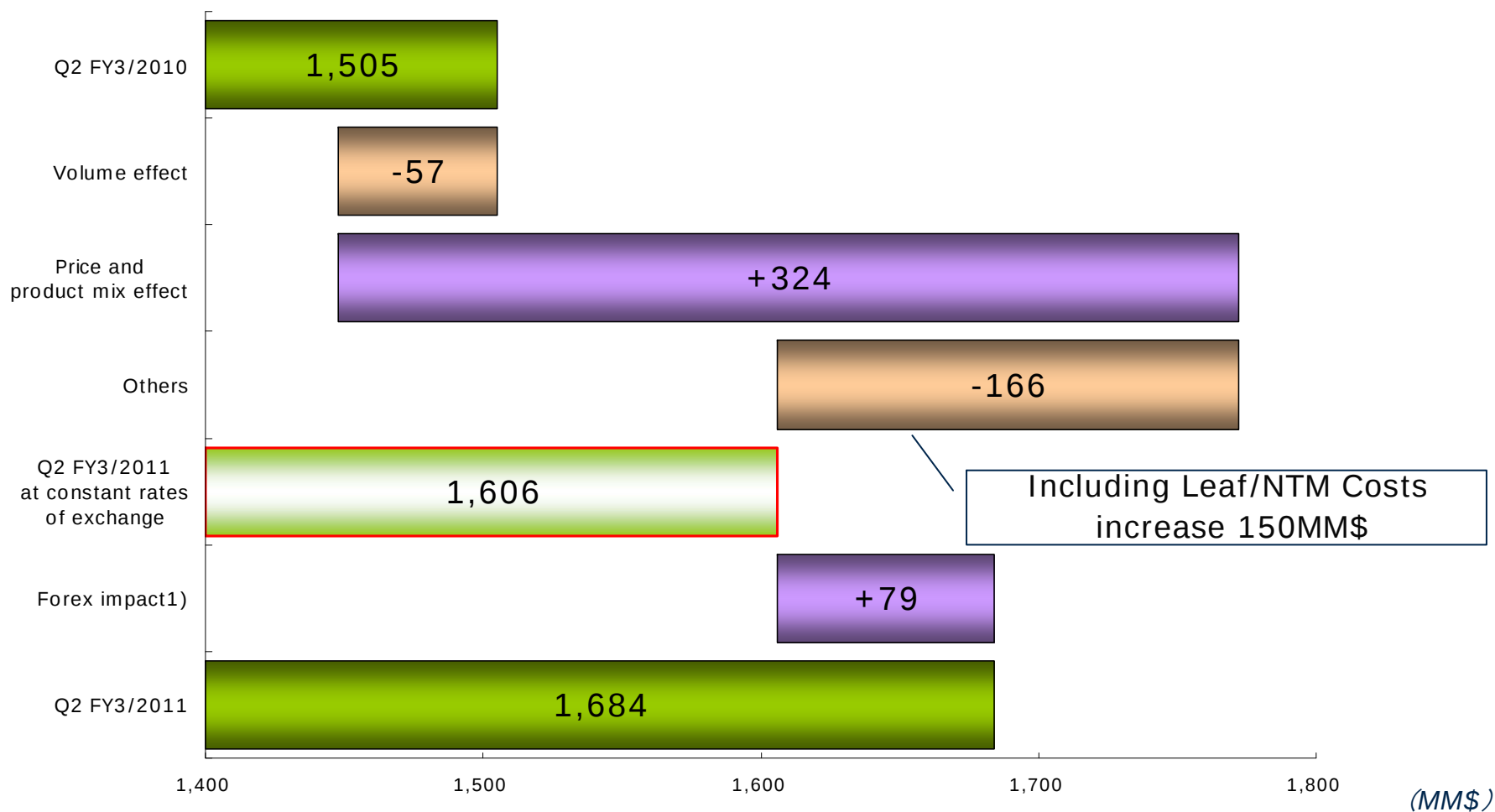
1) Core net sales excluding tax do not include revenue from distribution, leaf tobacco, private label, contract manufacturing and other peripheral businesses.

2) Forex impact is the fluctuation between USD and other currencies ⁵



Q2 Results for FY 3 / 2011

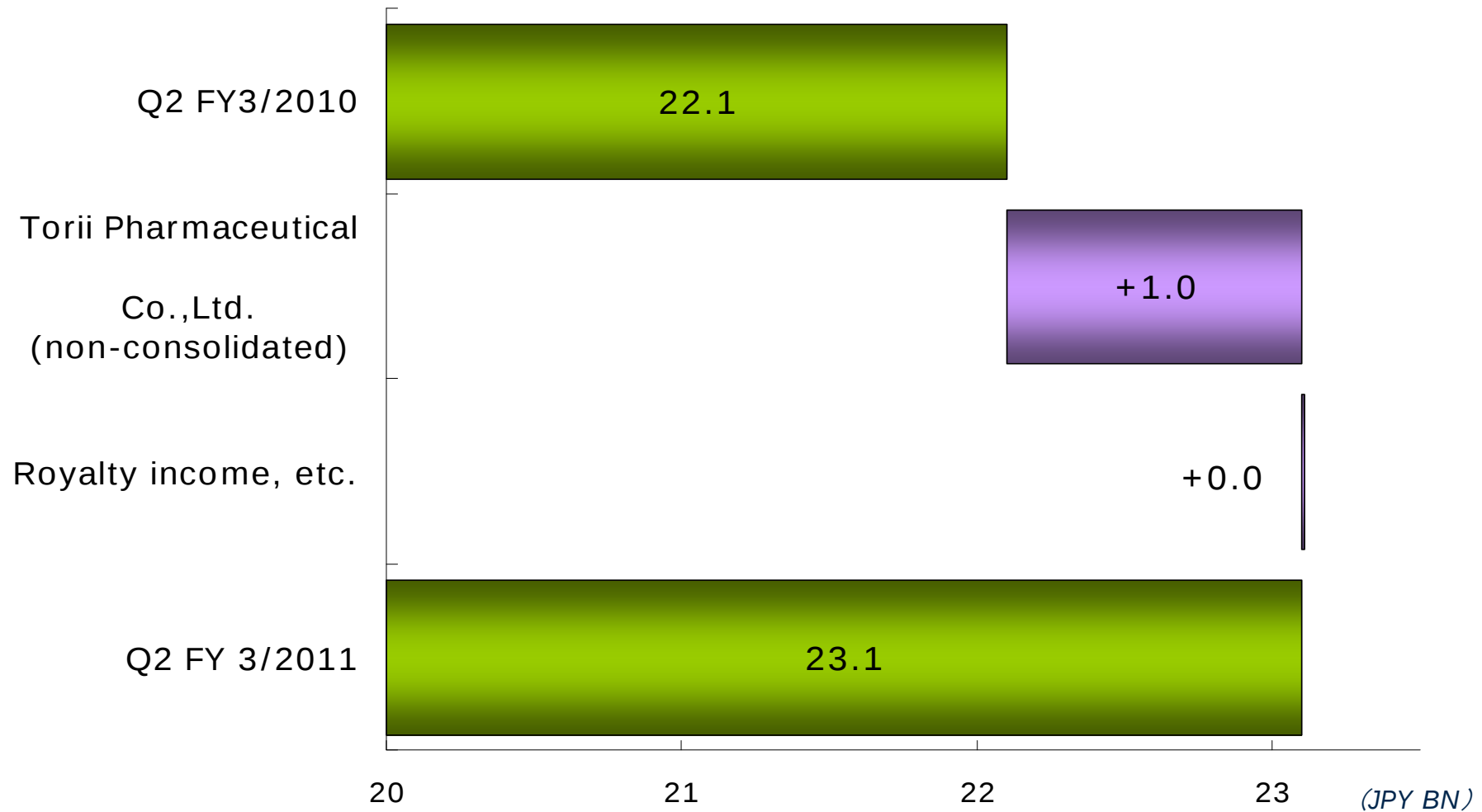
□ International Tobacco Business - EBITDA before royalty payments to JT



1) Forex impact is the fluctuation between USD and other currencies

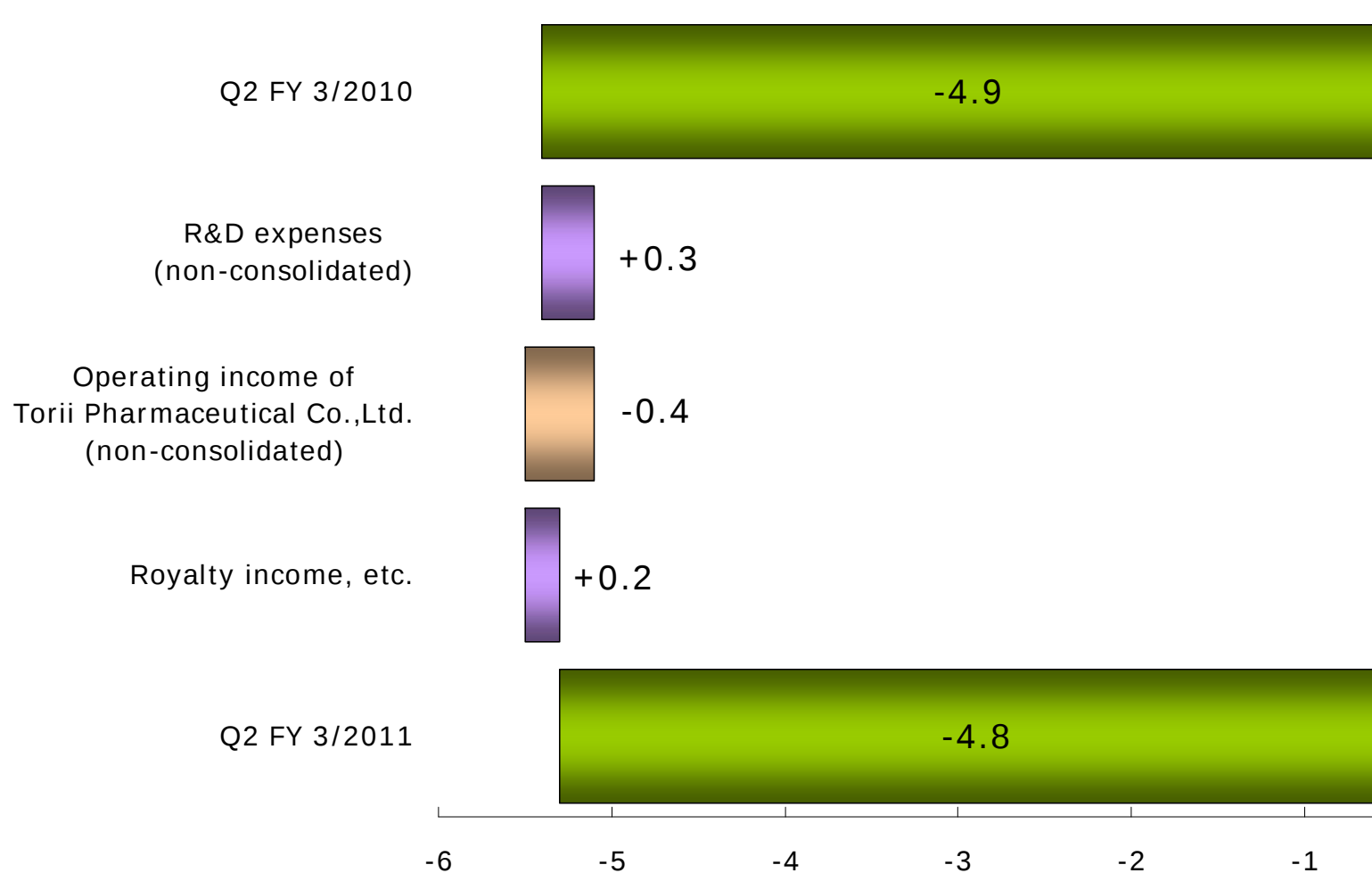
Q2 Results for FY 3 / 2011

□ Pharmaceutical Business - Net sales



Q2 Results for FY 3 / 2011

□ Pharmaceutical Business - EBITDA

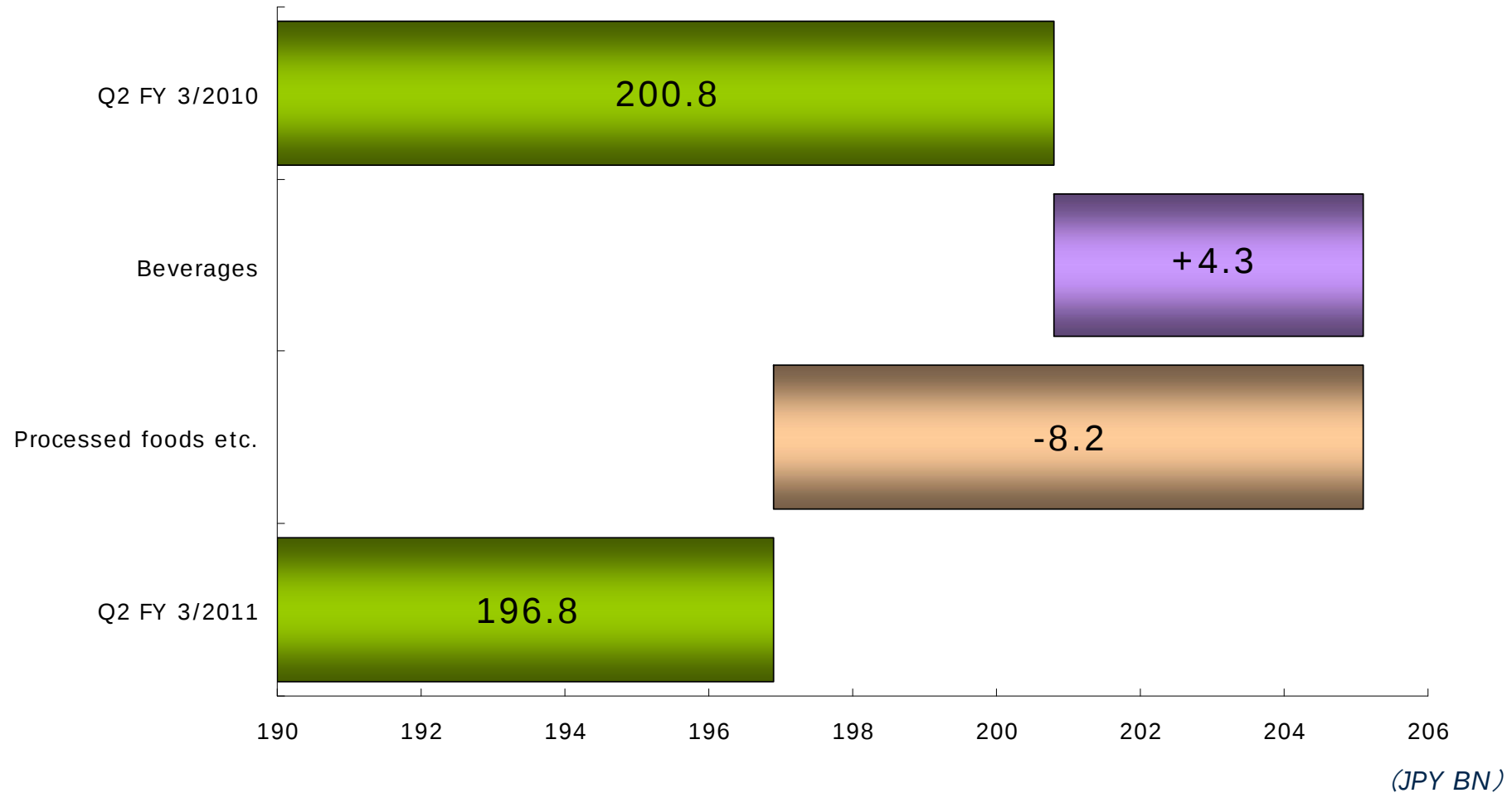


(JPY BN)



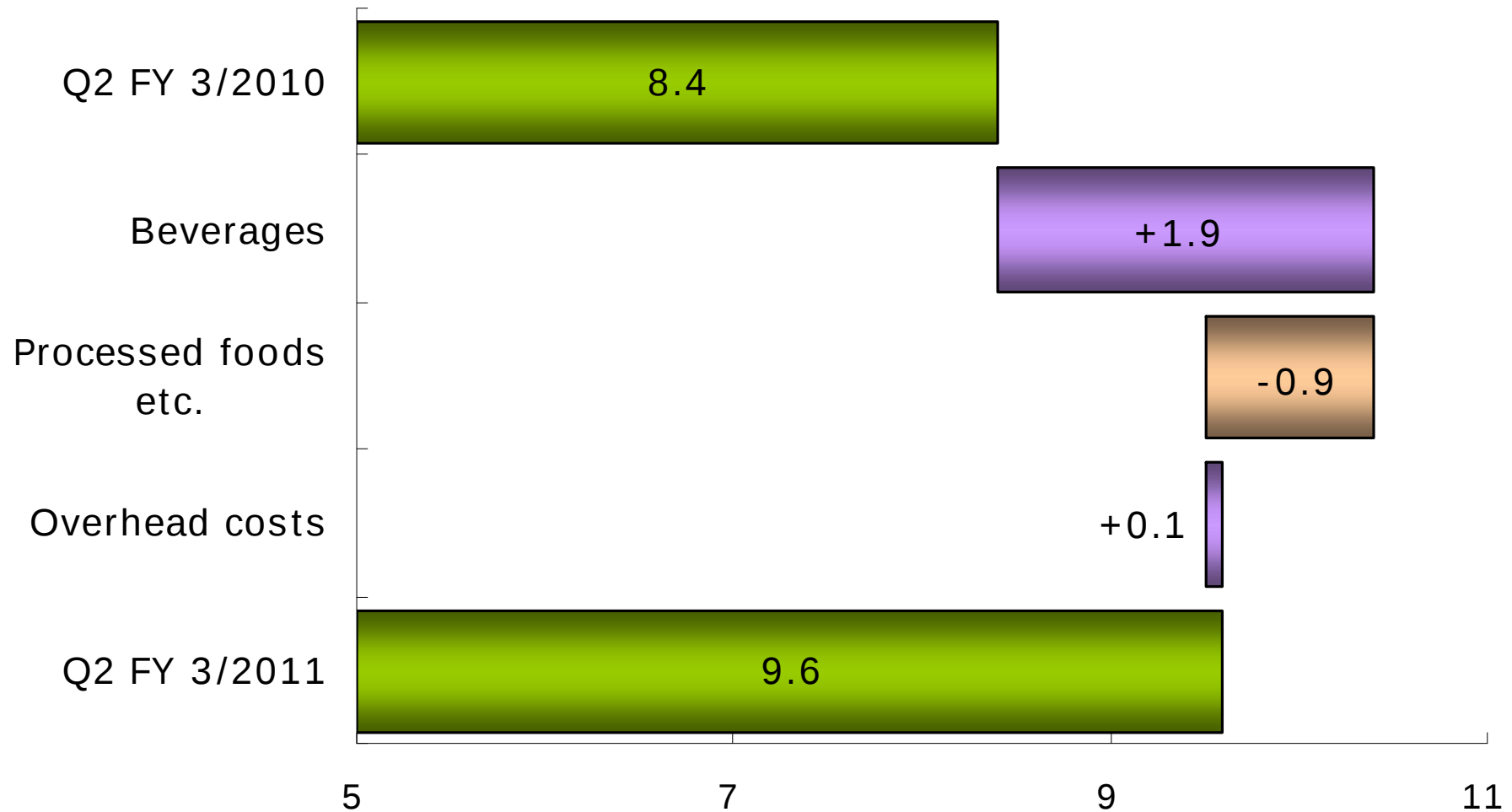
Q2 Results for FY 3 / 2011

□ Food Business - Net sales



Q2 Results for FY 3 / 2011

□ Food Business - EBITDA



(JPY BN)



Q2 Results for FY 3 / 2011

□ Recurring profit



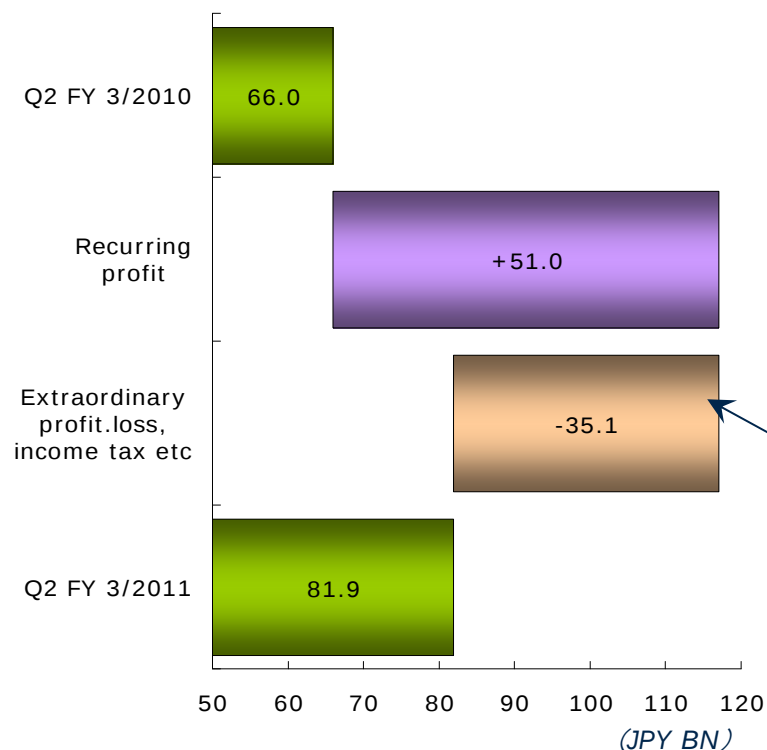
Positive factors:

- Decrease in loss on foreign exchange (12BN)
- Decrease in interest payment (6BN)

Negative factors:

- Decrease in interest income and dividend income(2.2BN) etc.

□ Net income



Negative factors:

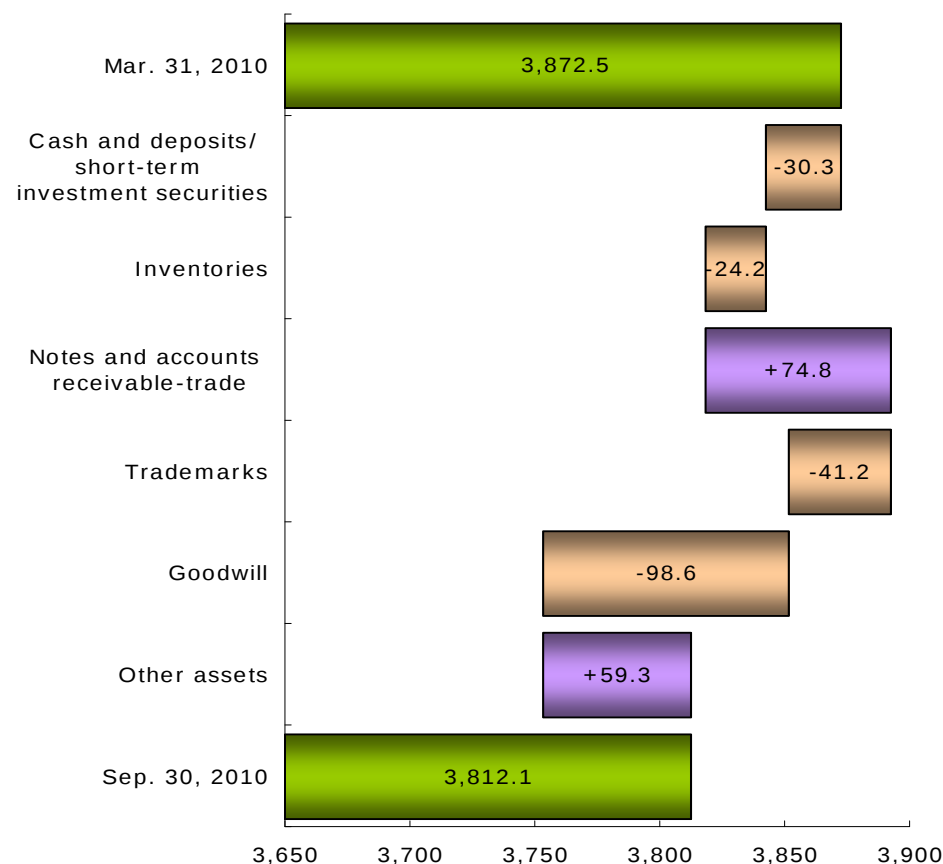
- Account for payment of a fine to the Canadian authorities (13.3BN)
- Decrease in profit on sale of property, plant and equipment (9.8BN) etc.
- Increase in corporation tax and others (7.2BN)

[This slide intentionally left blank]

Summary of Consolidated B/S as of Sep. 30, 2010

□ Assets

Compared to B/S as of Mar. 31, 2010



□ Current Assets: up JPY 116.0 BN

【Decrease in cash and deposits/short-term investment securities】 down 30.3 BN

- Payment of a fine to the Canadian authorities
- Repayment of interest-bearing debts

【Decrease in inventories】 down JPY 24.2 BN

- Decrease in semi-finished products for the Japanese Domestic Tobacco Business

【Increase in notes and accounts receivable-trade】 up JPY 74.8 BN

- Top line growth in the Japanese Domestic Tobacco Business.
- Top line growth in the International Tobacco Business.

【Increase in other current assets】 up JPY 95.7 BN

- Increase of securities purchased under repurchase agreements

□ Fixed Assets: down JPY 176.4 BN

【Decrease in Trademarks】 down JPY 41.2 BN

- Depreciation of local currencies against US\$, strong yen and amortization in International Tobacco Business

【Decrease in Goodwill】 down JPY 98.6 BN

【Decrease Property Plant and Equipment】 down JPY 19.2 BN

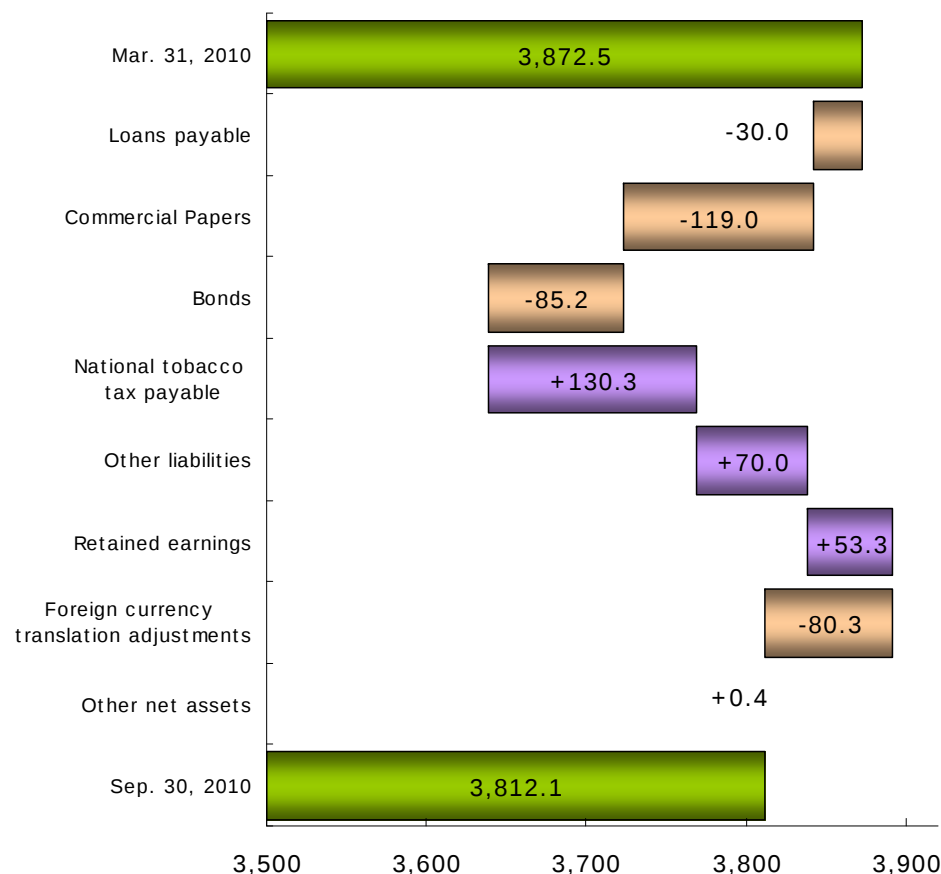
- Depreciation
- Effect of strong yen in the International Tobacco Business.

(JPY BN)

Summary of Consolidated B/S as of Sep. 30, 2010

▣ Liabilities & Net Assets

Compared to B/S as of Mar. 31, 2010



(JPY BN)

▣ Liabilities : down JPY 33.8 BN

【Decrease in Loans payable】
down JPY 30.0BN

【Decrease in Commercial papers】
down JPY 119.0 BN

【Decrease in Bonds】 down JPY 85.2 BN

【Increase in National tobacco excise tax payable】 up JPY 130.3 BN

•a heightened demand ahead of the October price increase in the Japanese domestic tobacco business

▣ Net Assets : down JPY 26.6 BN

【Increase in Retained earnings】
up JPY 53.3 BN

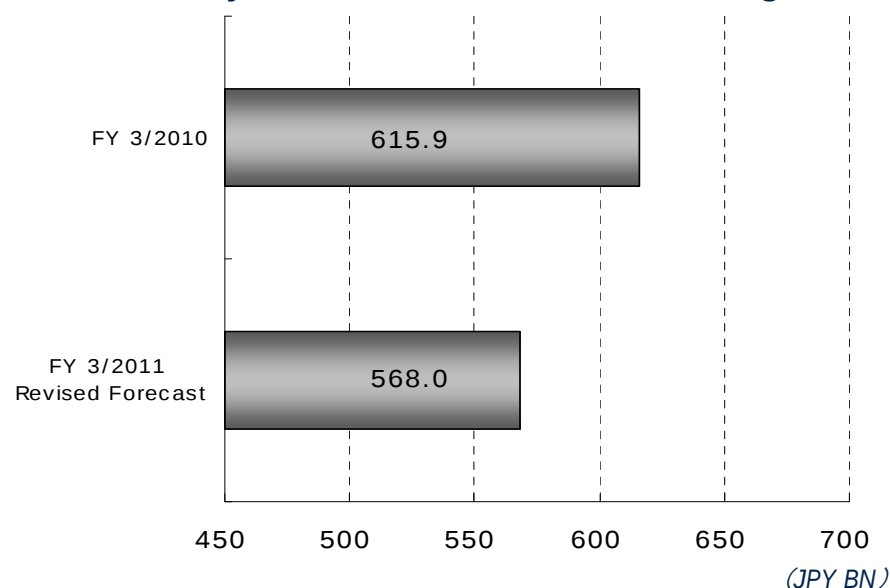
【Decrease in Foreign currency translation adjustment】 down JPY 80.3 BN

•Appreciation of JPY against US\$
(From US\$1= JPY 92.10 to US\$1= 88.48)

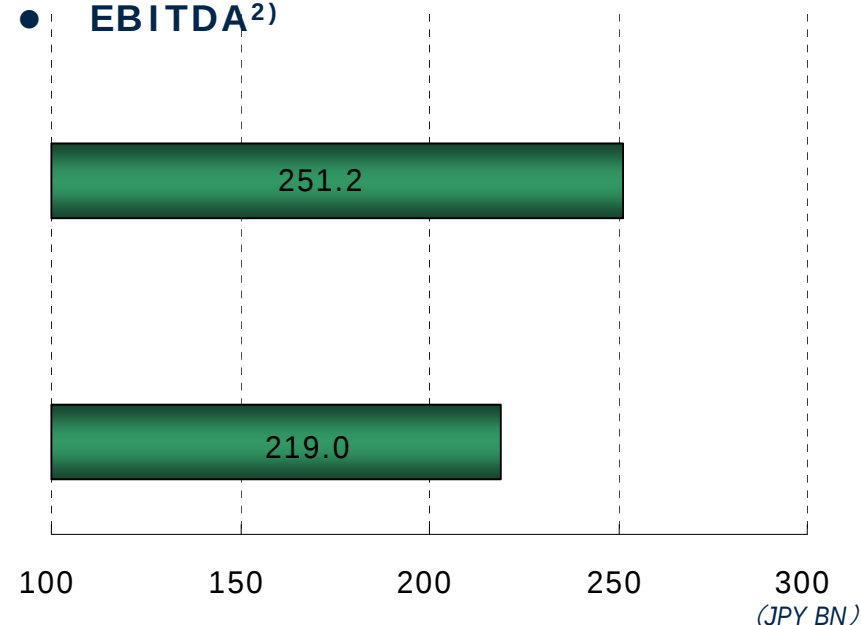
Revised Forecast for FY 3/2011 compared to results of the previous fiscal year

□ Japanese Domestic Tobacco Business – Adjusted Net Sales excluding tax¹⁾ / EBITDA²⁾

● Adjusted Net Sales excluding tax¹⁾



● EBITDA²⁾



【Negative factors】

□ Decrease in JT sales volume:

151.8BN units → 125.5 BN units
(down 26.3 BN units)

【Negative factors】

- Decrease in JT sales volume
(down 26.3 BN units): approx. JPY 80.0 BN
- Completion of Leaf tobacco reappraisal: 4.1BN
- Increase in costs and others: approx. JPY 7.0 BN

【Positive factors】

- Price effect: approx. JPY 59.0 BN

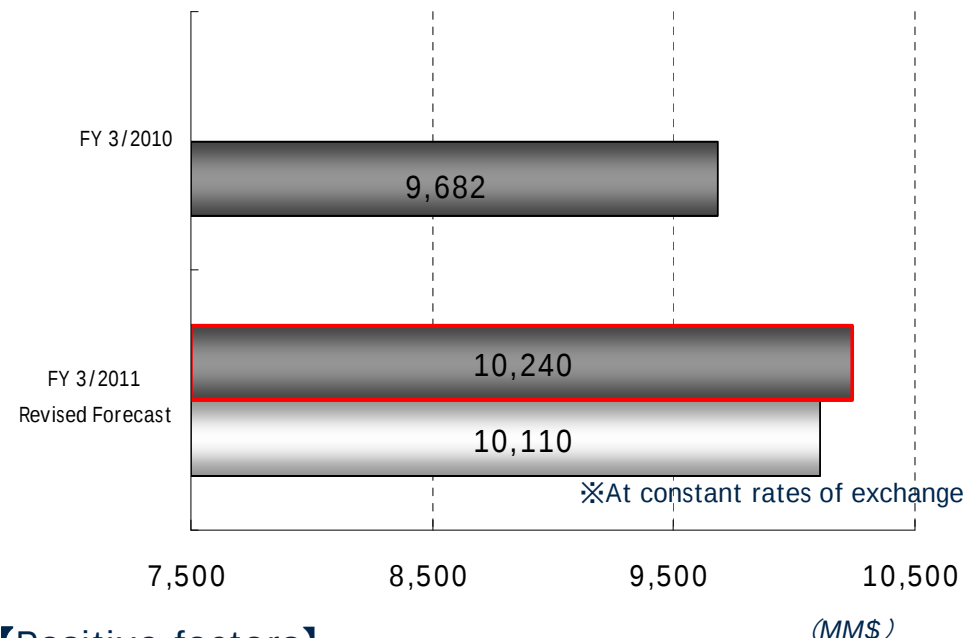
1)Net sales excluding tax does not account for imported tobacco, domestic duty-free, the China division and others.

2)Before royalty payments from JTI, part of overhead cost allocation canceled after accounting standard change

Revised Forecast for FY 3/2011 compared to results of the previous fiscal year

□ International Tobacco Business – Core Net Sales excluding tax¹⁾ / EBITDA²⁾

● Core Net Sales excluding tax¹⁾



【Positive factors】

- Top-line growth driven by pricing in key markets

(Reference)

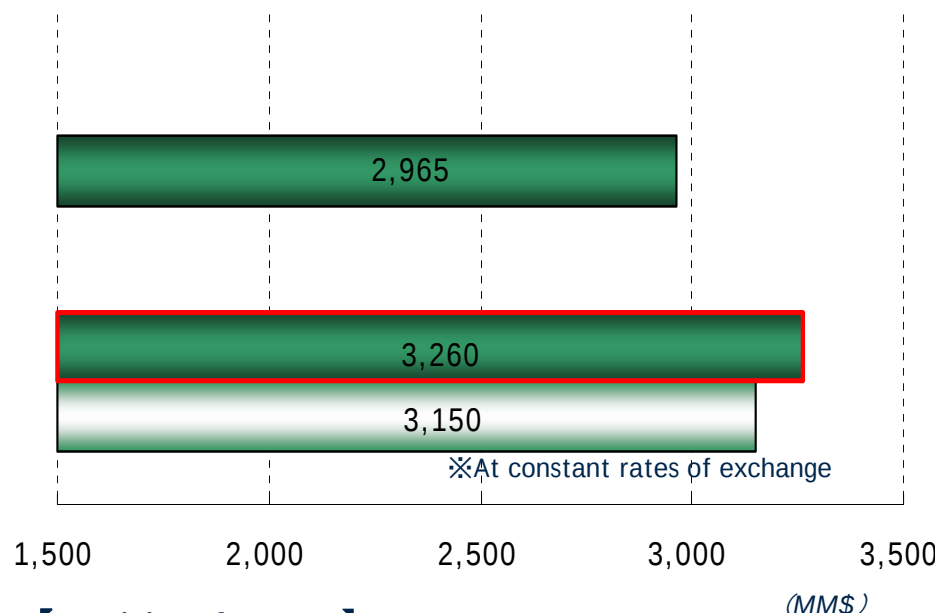
Core Net Sales excluding tax¹⁾:

From JPY906.7 BN to JPY 891.0 BN (down JPY 15.7 BN)

JPY/US\$ foreign exchange rate:

From US\$1=JPY93.65 to JPY 87.00(up 6.65)

● EBITDA²⁾



【Positive factors】

- Top-line growth driven by pricing in key markets

(Reference)

EBITDA²⁾: From JPY 277.6 BN to JPY 284.0 BN

(up JPY 6.3 BN)

JPY/US\$ foreign exchange rate:

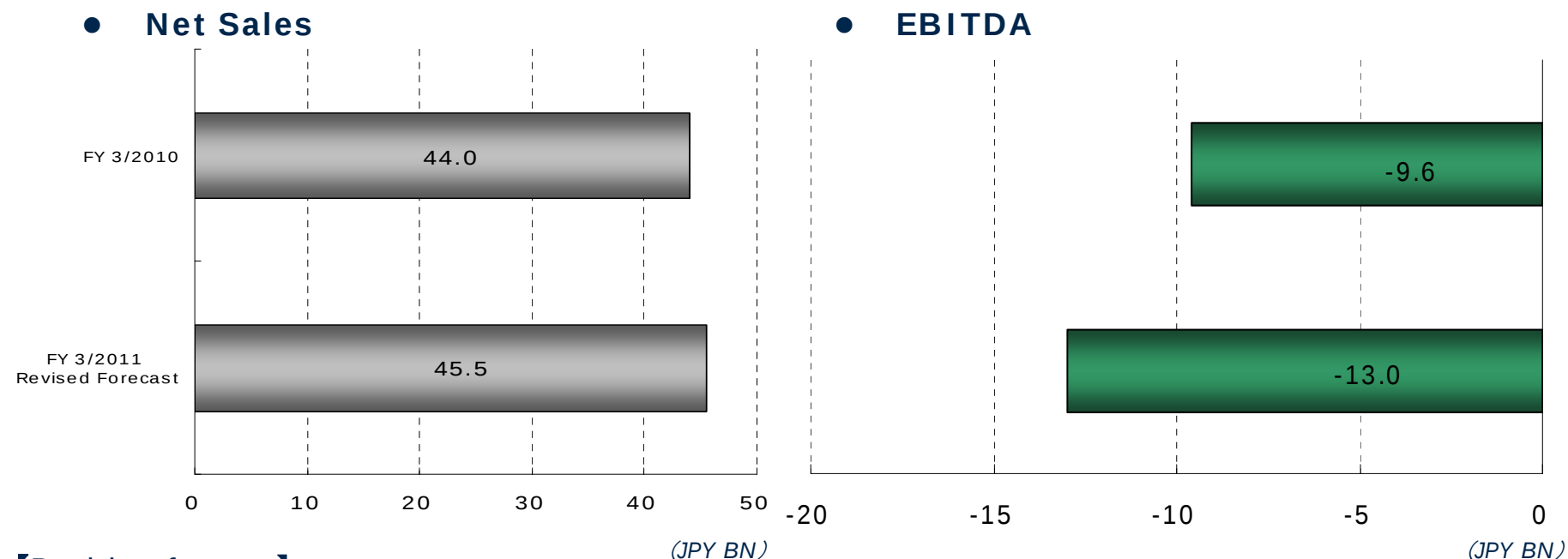
From US\$1=JPY93.65 to JPY 87.00(up JPY 6.65)

1) Core Net sales excluding tax does not include revenue from the distribution, leaf Tobacco, private label, contract manufacturing and other peripheral businesses

2) Before royalty payments to JT

Revised Forecast for FY 3/2011 compared to results of the previous fiscal year

□ Pharmaceutical Business– Net Sales/EBITDA



【Positive factors】

- Increase in sales of Torii Pharmaceutical Co. Ltd.: JPY 42.4 BN to JPY 44.5 BN (up JPY 2.0 BN)

【Negative factors】

- Decrease of royalty income and absence of the one time revenue etc. which we received in FY3/2010

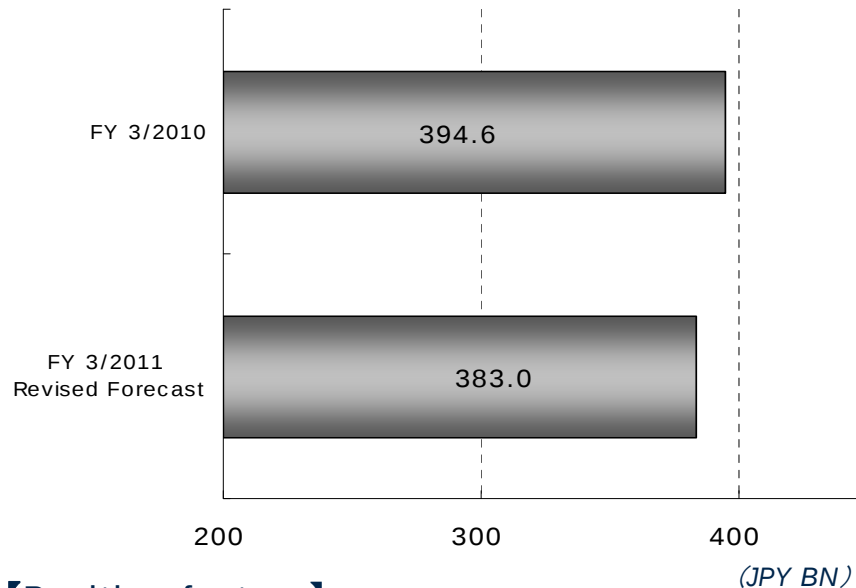
【Negative factors】

- Decrease in operating income of Torii Pharmaceutical Co., Ltd.: JPY 6.1 BN to JPY 4.5 BN (down JPY 1.6 BN)
- Increase in R&D expenses including Torii based on progress made in development
- Absence of royalty and one time revenue etc. which we received in FY3/2010

Revised Forecast for FY 3/2011 compared to results of the previous fiscal year

□ Food Business– Net Sales/EBITDA

● Net Sales



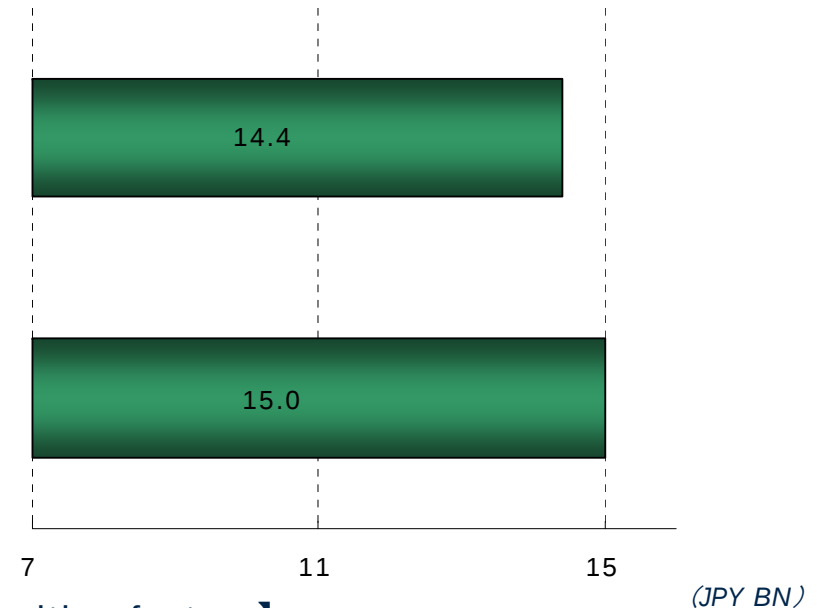
【Positive factors】

- Growth in key business

【Negative factors】

- Choice and concentration of the operation in Table Mark group

● EBITDA

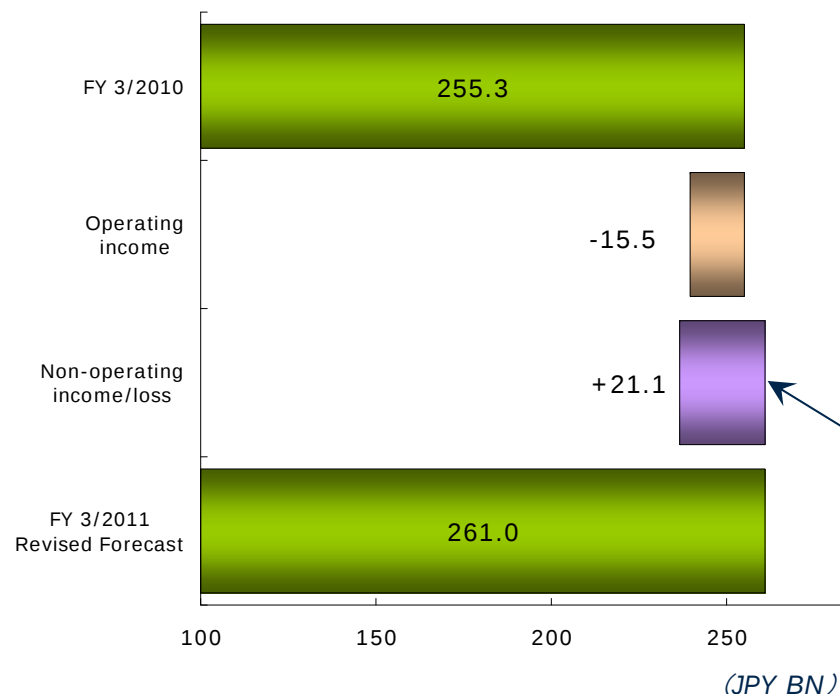


【Positive factors】

- Strengthen our flagship canned coffee product “Roots” which celebrates 10-year anniversary in 2010
- Strategically focused on staple food products as well as seasonings (eg. Yeast extract) and cost reduction

Revised Forecast for FY 3/2011 compared to results of the previous fiscal year

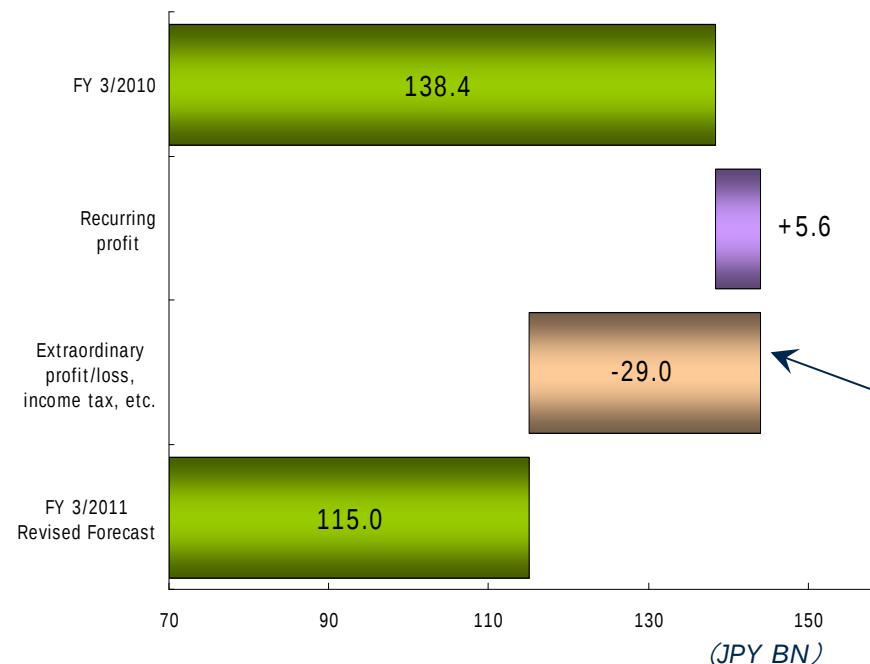
□ Recurring profit



Positive factors:

- Decrease in loss on foreign exchange etc.

□ Net income



Positive factors:

- Decrease in business restructuring cost
- Decrease in impairment loss

Negative factors:

- Decrease from previous years' reversal of liability on fine levied under UK competition law(16.7BN)
- Expense for agreement with Canadian authorities: around 13BN
- Decrease in profit on sale of property, plant and equipment etc.