

# Overview of Consolidated Financial Results for Q3 FY 03/2009 and Full-term Forecasts for FY 03/2009



## 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.



## Consolidated Financial Results for Q3 FY 03/2009

### Summary of Business Performance

Sales and EBITDA increased because of the continued top-line growth of the international tobacco business and the consolidation of Gallaher, while operating income and other profit items posted declines due to the start of goodwill amortization related to the international tobacco business and the foods business.

(Unit: JPY billion)

	Q3 FY 03/2008	Q3 FY 03/2009	Change
Sales incl. Tax	4,704.2	5,346.1	641.8 (+13.6%)
Sales excl. Tax	1,908.9	2,220.3	311.3 (+16.3%)
EBITDA	486.2	541.3	55.1 (+11.3%)
Operating Income	366.7	329.6	-37.1 (-10.1%)
Recurring Profit	327.1	269.0	-58.0 (-17.8%)
Net Income	220.3	131.4	-88.8 (-40.3%)

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

Operating Income	368.0	410.1	42.0 (+11.4%)
Recurring Profit	328.3	349.4	21.0 (+6.4%)
Net Income	221.6	211.9	-9.6 (-4.4%)

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## Consolidated Financial Results for Q3 FY 03/2009

### Domestic Tobacco Business

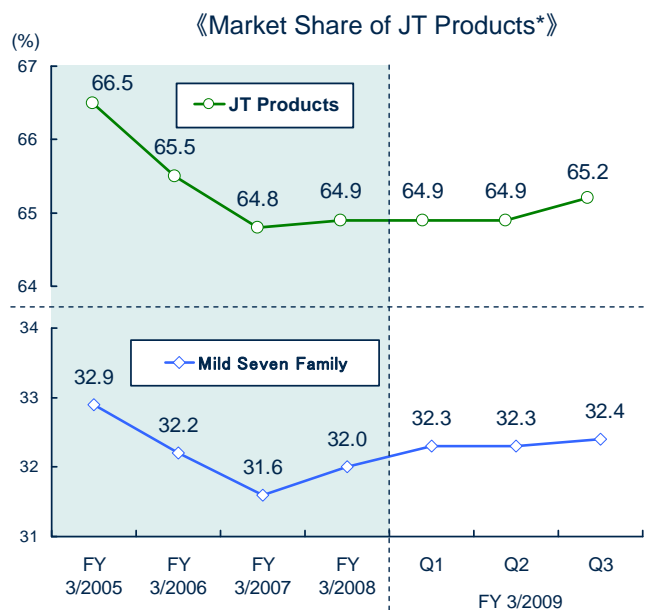
Both sales and profits declined due to a drop in the sales volume and increased sales promotion and other costs.

(Unit: JPY billion)

	Q3 FY 03/2008	Q3 FY 03/2009	Change
Sales incl. Tax	2,594.8	2,478.1	-116.6 (-4.5%)
Sales excl. Tax (Excl. Imports)	550.9	526.8	-24.0 (-4.4%)
EBITDA	244.6	213.2	-31.4 (-12.9%)
Operating Income	182.1	152.2	-29.9 (-16.4%)

(Unit: billion cigarettes)

Sales Volume of JT Products	129.5	123.6	-5.8 (-4.5%)
Total Demand	199.6	190.2	-9.3 (-4.7%)
Market Share of JT Products(%)	64.9%	65.0%	0.1



\* New basis=JT original brands + JTI brands sold in Japan (Camel, Winston, Salem, etc.)

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# Consolidated Financial Results for Q3 FY 03/2009

## International Tobacco Business

EBITDA increased sharply year-on-year as a result of continued top-line growth, driven by a strong GFB performance and the full inclusion of Gallaher.

(Unit: JPY billion)

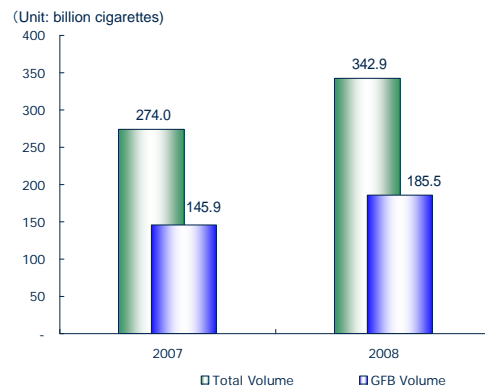
	Q3 FY 03/2008	Q3 FY 03/2009	Change
Sales incl. Tax	1,825.3	2,456.9	631.5 (+34.6%)
Sales excl. Tax (Excl. distribution business)	679.1	867.6	188.4 (+27.8%)
<b>EBITDA (JPY)</b>	217.1	297.3	80.1 (+36.9%)
Operating Income	174.0	170.5	-3.5 (-2.0%)

	2007	2008	Change
Total Volume (billion cigarettes)	274.0	342.9	68.9 (+25.2%)
GFB Volume (billion cigarettes)	145.9	185.5	39.5 (+27.1%)
Exchange Rate (JPY/USD)	119.41	105.84	-13.57

(Reference) Before royalty payment to JT (Unit: USD million)

	2007	2008	Change
<b>EBITDA (USD)</b>	1,933	2,949	1,015 (+52.5%)

《Sales Volume in January-September》



【Movements of Major Currencies versus USD in January-September】

	2007 Jan.-Sept.	2008 Jan.-Sept.	Jan.-Sept. Year-on-Year Change
EUR/\$	0.74	0.66	11.7% strong euro
GBP/\$	0.50	0.51	2.1% weak pound
RUB/\$	25.88	24.05	7.1% strong ruble

Note: The results of the international tobacco business in January-September are included in the consolidated results.

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## International Tobacco Business Results for January - December 2008 (preliminary results)

### 2008 FY Results (like-for-like)

(Unit: billion cigarettes)

	FY 03/2008*					FY 03/2009				
	Jan.-March	April-June	July-Sep.	Oct.-Dec.	Total	Jan.-March	April-June	July-Sep.	Oct.-Dec.	Total
Total Volume	95.0	109.0	114.6	111.6	430.2	103.9 (+9.4%)	117.2 (+7.5%)	121.8 (+6.3%)	109.3 (-2.0%)	452.3 (+5.1%)
GFB Volume	46.7	55.1	57.6	57.3	216.6	55.6 (+19.1%)	63.5 (+15.4%)	66.3 (+15.2%)	60.0 (+4.8%)	245.5 (+13.3%)
Net Sales excl. Tax** (million of US\$)	2,064	2,340	2,333	2,339	9,076	2,471 (+19.7%)	2,728 (+16.6%)	2,999 (+28.5%)	2,455 (+4.9%)	10,652 (+17.4%)
Net Sales Per 1,000 Cigarettes excl. Tax**(US\$)	21.7	21.5	20.4	21.0	21.1	23.8 (+9.4%)	23.3 (+8.4%)	24.6 (+21.0%)	22.5 (+7.1%)	23.6 (+11.6%)
EBITDA*** (million of US\$)	2,830					3,452 (+22.0%)				

#### ➤ GFB sales volume growth rate\*



+13.8%



+10.3%



+11.4%

#### ➤ Sales volume growth rate for each cluster\*



■ South & West Europe	+7.3%
■ North & Central Europe	-2.1%
■ CIS+	+3.2%
■ Rest of the World	+11.3%

\* FY 3/2008 (like-for-like basis): Includes the proforma figure for Gallaher's full-year results

\*\* Sales excluding distribution business

\*\*\* Before royalty payment to JT

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## Consolidated Financial Results for Q3 FY 03/2009

### Pharmaceutical Business

Sales increased and improvements were made on the profit front due to a lump-sum payment from Merck following the licensing of JTT-305 and milestone revenue related to the progress made in the development of JTT-705, which has been licensed to Roche.

(Unit: JPY billion)

	Q3 FY 03/2008	Q3 FY 03/2009	Change
Sales	39.7	48.1	8.3 (+21.0%)
EBITDA	-1.9	8.5	10.5 -
Operating Income	-4.3	5.8	10.1 -

JTT-705: Advanced to Phase 3 at Roche, to which JTT-705 was licensed.  
(announced in April 2008 by Roche)

JTK-303: Advanced to Phase 3 at Gilead Sciences, to which JTK-303 was licensed.  
(announced in July 2008 by Gilead Sciences)

JTT-305: To be licensed to Merck.  
(announced in September 2008)

Clinical Development (as of February 9, 2009)

Code	Indication	Stage
JTT-705 (oral)	Dyslipidemia	Japan: Phase2
JTT-130 (oral)	Dyslipidemia	Japan: Phase2 Overseas: Phase2
JTK-303 (oral)	HIV infection	Japan: Phase1
JTT-302 (oral)	Dyslipidemia	Overseas: Phase2
JTT-305 (oral)	Osteoporosis	Japan: Phase2
JTT-651 (oral)	Type 2 diabetes mellitus	Japan: Phase1
JTS-653 (oral)	Pain Overactive bladder	Japan: Phase1
JTT-654 (oral)	Type 2 diabetes mellitus	Japan: Phase1 Overseas: Phase1
JTK-656 (oral)	HIV infection	Overseas: Phase1

※Changes from the previous disclosure (October 30, 2008):  
\*JTT-654 entered phase 1 clinical development in Japan.  
\*Development of JTT-552 was abandoned.

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## Consolidated Financial Results for Q3 FY 03/2009

### Foods Business

Although sales increased due to the consolidation of the Katokichi Group, the foods business posted an operating loss because of increased general expenses, the rising prices of raw materials and the goodwill amortization.

(Unit: JPY billion)

	Q3 FY 03/2008	Q3 FY 03/2009	Change
Sales	227.7	347.7	120.0 (+52.7%)
EBITDA	9.0	5.7	-3.3 (-36.4%)
Operating Income	5.6	-7.8	-13.4 -



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## Full-Term Forecasts for FY 03/2009

### ■ Domestic Tobacco Business

We have raised the forecasts of sales and profits in line with an upward revision of the sales volume forecast, and aim to achieve a market share increase for the second straight year.

(Unit: JPY billion)

	FY 03/2008 Actual (A)	FY 03/2009 Previous Forecast (B)	FY 03/2009 Revised Forecast (C)	Change from Previous Forecast (C-B)	Change from FY 03/2008 Actual (C-A)
Sales incl. Tax	3,362.3	3,169.0	3,202.0	33.0 (+1.0%)	-160.3 (-4.8%)
Sales incl. Tax (Excl. imports)	2,169.2	2,052.0	2,063.0	11.0 (+0.5%)	-106.2 (-4.9%)
EBITDA	306.7	264.0	267.0	3.0 (+1.1%)	-39.7 (-13.0%)
Operating Income	222.3	180.0	183.0	3.0 (+1.7%)	-39.3 (-17.7%)

【Major Assumptions】

(Unit: billion cigarettes)

Sales Volume of JT Products	167.7	159.0	160.0	1.0 (+0.6%)	-7.7 (-4.6%)

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## Full-Term Forecasts for FY 03/2009

### ■ International Tobacco Business

Growth momentum continues in line with the forecast provided in October 2008

(Unit: JPY billion)

	FY 03/2008 Actual (A)	FY 03/2009 Previous Forecast (B)	FY 03/2009 Revised Forecast (C)	Change from Previous Forecast (C-B)	Change from FY 03/2008 Actual (C-A)
Sales incl. Tax	2,639.9	3,155.0	3,118.0	-37.0 (-1.2%)	478.0 (+18.1%)
Sales incl. Tax (Excl. distribution business)	2,381.0	2,822.0	2,787.0	-35.0 (-1.2%)	405.9 (+17.0%)
EBITDA (JPY)	270.7	334.0	338.0	4.0 (+1.2%)	67.2 (+24.8%)
Operating Income	205.3	169.0	174.0	5.0 (+3.0%)	-31.3 (-15.3%)

(Reference) Before royalty payment to JT

(Unit: USD million)

EBITDA (USD)	2,452	3,430	3,452	22 (+0.6%)	1,000 (+40.8%)

【Major Assumptions】

Total Volume (billion cigarettes)	385.6	452.0	452.3	0.3 (+0.1%)	66.7 (+17.3%)
GFB Volume (billion cigarettes)	203.2	244.0	245.5	1.5 (+0.6%)	42.3 (+20.8%)
Exchange Rate (JPY/USD)	117.85	103.00	103.48	0.48	-14.37

(Reference) Like for Like

Total Volume (billion cigarettes)	430.2	452.0	452.3	0.3 (+0.1%)	22.1 (+5.1%)
GFB Volume (billion cigarettes)	216.6	244.0	245.5	1.5 (+0.6%)	28.9 (+13.3%)

Note1: The consolidated results include those of JTI from January-December.

Note2: The results for FY 03/2008 include those of Gallaher between April 18 and December 31, 2007.

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## Full-Term Forecasts for FY 03/2009

### Pharmaceutical Business

We have raised forecasts, reflecting additional revenue related to JTT-305, which was licensed to Merck.

(Unit: JPY billion)

	FY 03/2008 Actual (A)	FY 03/2009 Previous Forecast (B)	FY 03/2009 Revised Forecast (C)	Change from Previous Forecast (C-B)	Change from FY 03/2008 Actual (C-A)
Sales	49.0	54.5	56.0	1.5 (+2.8%)	6.9 (+14.1%)
EBITDA	-6.2	1.0	3.0	2.0 (+200.0%)	9.2
Operating Income	-9.6	-3.0	-1.0	2.0	8.6

### Foods Business

We have revised forecasts downward amid weak sales of frozen processed foods and beverage products due to a slump in consumer spending caused by the rapid economic downturn as well as the exclusion of a subsidiary from the consolidated results following withdrawal from the chilled processed foods business.

(Unit: JPY billion)

	FY 03/2008 Actual* (A)	FY 03/2009 Previous Forecast (B)	FY 03/2009 Revised Forecast (C)	Change from Previous Forecast (C-B)	Change from FY 03/2008 Actual (C-A)
Sales	336.4	478.0	442.0	-36.0 (-7.5%)	105.5 (+31.4%)
EBITDA	8.3	22.5	17.0	-5.5 (-24.4%)	8.6 (+103.5%)
Operating Income	0.6	-7.0	-11.0	-4.0	-11.6

\*The results for FY 03/2008 include those of Katokichi between January 1 and March 31.

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## Full-Term Forecasts for FY 03/2009

### Forecasts of Consolidated Financial Results

We have raised the forecasts of EBITDA, operating income and recurring profit, and sales and EBITDA are expected to hit record highs.

(Unit: JPY billion)

	FY 03/2008 Actual (A)	FY 03/2009 Previous Forecast (B)	FY 03/2009 Revised Forecast (C)	Change from Previous Forecast (C-B)	Change from FY 03/2008 Actual (C-A)
Sales incl. Tax	6,409.7	6,870.0	6,830.0	-40.0 (-0.6%)	420.2 (+6.6%)
EBITDA	602.0	634.0	638.0	4.0 (+0.6%)	35.9 (+6.0%)
Operating Income	430.5	348.0	355.0	7.0 (+2.0%)	-75.5 (-17.5%)
Recurring Profit	362.6	290.0	302.0	12.0 (+4.1%)	-60.6 (-16.7%)
Net Income	238.7	160.0	138.0	-22.0 (-13.8%)	-100.7 (-42.2%)
ROE(%)	11.8	9.3	8.4	-0.9	-3.4
FCF	-1,493.7	229.0	247.0	18.0	1,740.7

[Reference: Net income, Payout Ratio and EPS before goodwill amortization]

Net Income	242.5	264.0	243.0	-21.0 (-8.0%)	0.4 (+0.2%)
Payout Ratio	19.0%	18.9%	20.5%	1.6%	1.5%
EPS (JPY)	25,321.86	27,557.18	25,365.13	-2,192.05	43.27

Note: The results for FY 03/2008 include those of Gallaher between April 18 and December 31 and those of Katokichi between January 1 and March 31.

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## [Reference Material]

### Analysis of Consolidated Financial Results for Q3 FY 03/2009 and Full-term Forecast for FY 03/2009



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### Forward-Looking and Cautionary Statements

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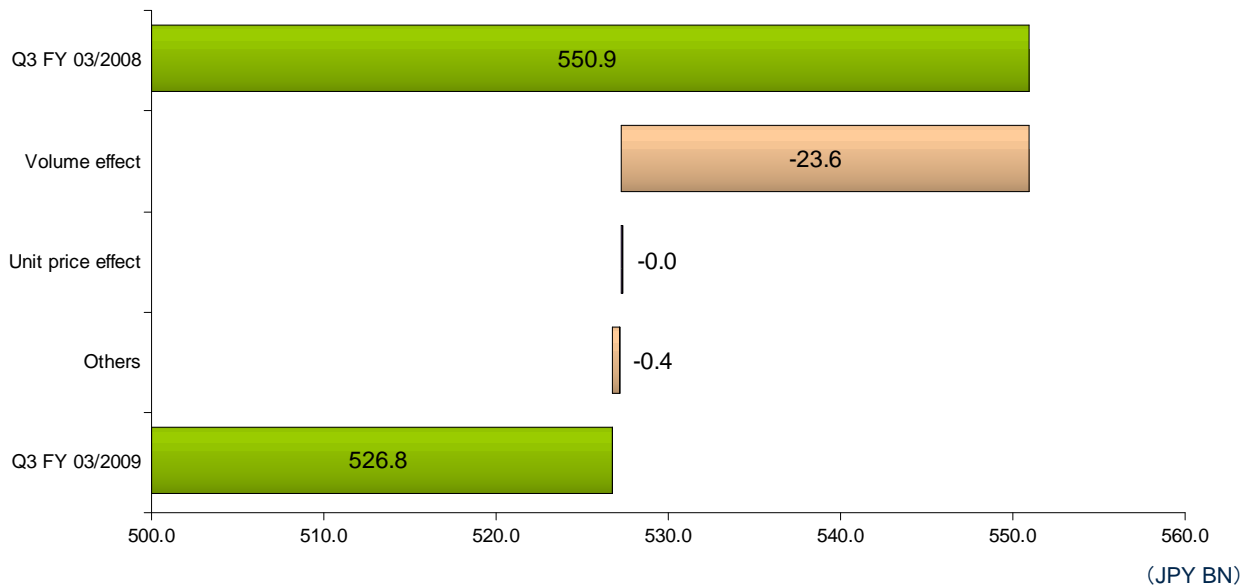
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- (3) litigation in Japan and elsewhere;
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## Results for Q3 FY 03/2009

### ■ Domestic Tobacco Business – Net sales excl. tobacco excise tax\*



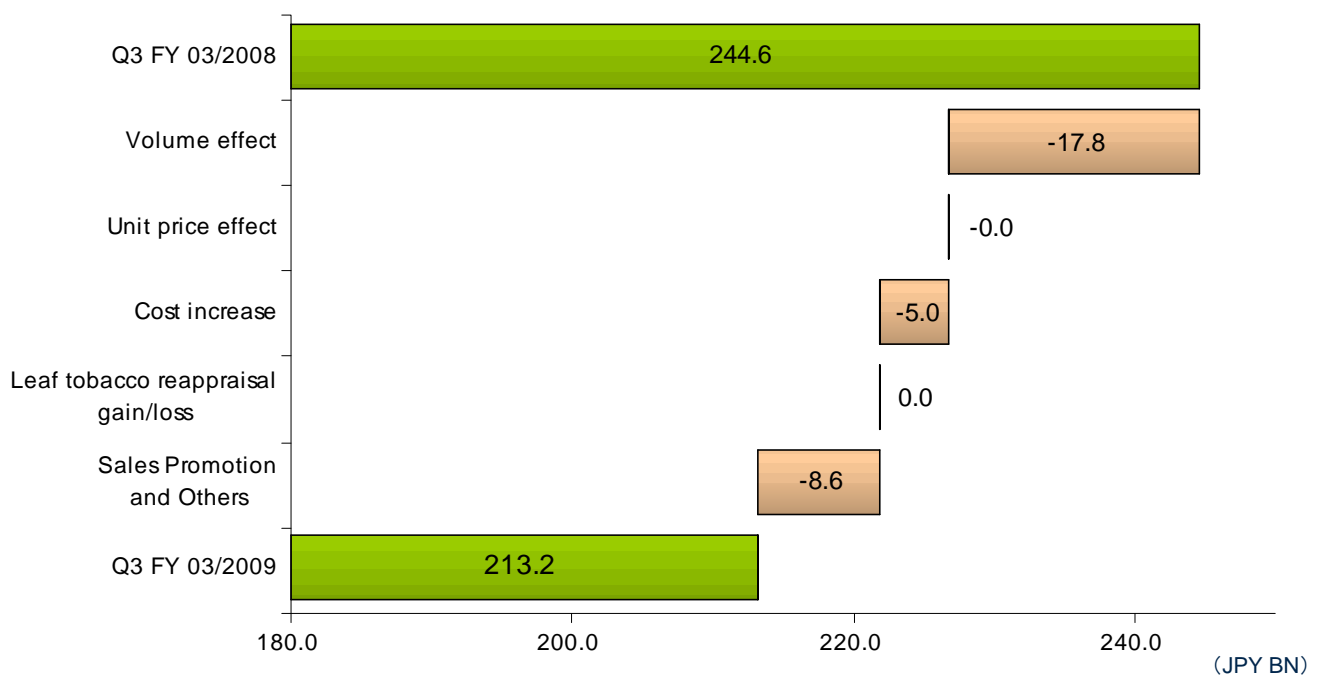
\*Excluding imported tobacco

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## Results for Q3 FY 03/2009

### ■ Domestic Tobacco Business – EBITDA



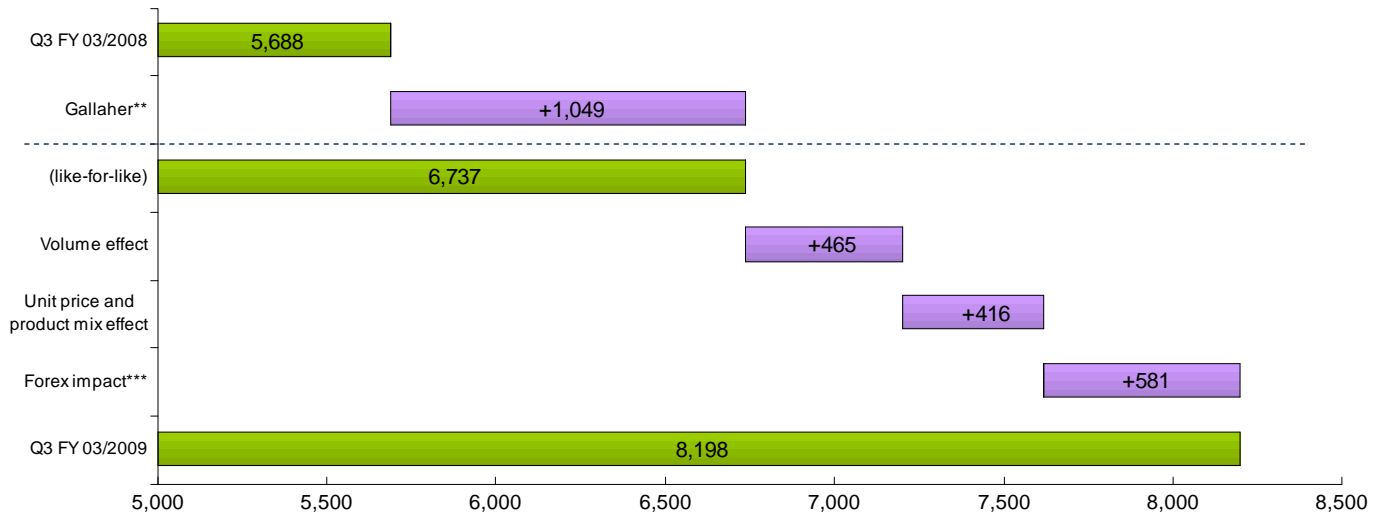
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# Results for Q3 FY 03/2009

## International Tobacco Business – Net sales excl. tobacco excise tax\*



(Reference) Industry segment information basis

(US\$ MM)

International Tobacco Business - Net sales excluding tobacco excise tax\* :

From JPY 679.1 bn to JPY 867.6 bn (up JPY 188.4 bn)

\* Sales of distribution business, which was formally handled by Gallaher is excluded from the result.

\*\* The theoretical figure of Gallaher before integration.

\*\*\* Forex impact is the impact between US\$ and each local currency.

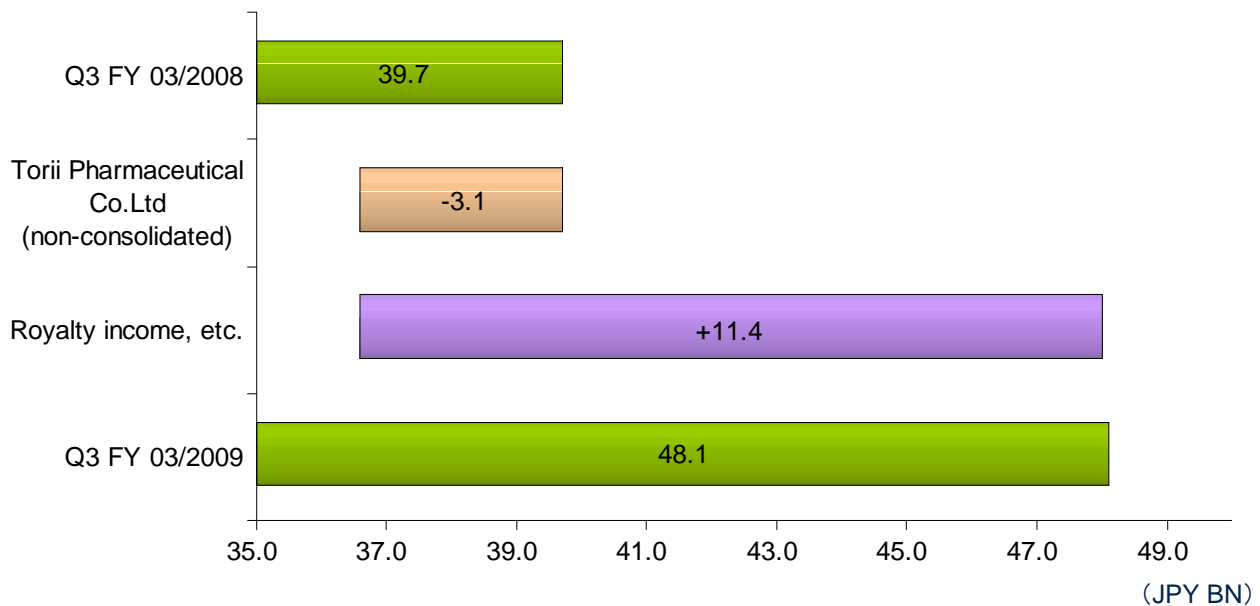


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## Results for Q3 FY 03/2009

### ■ Pharmaceutical Business – Net sales

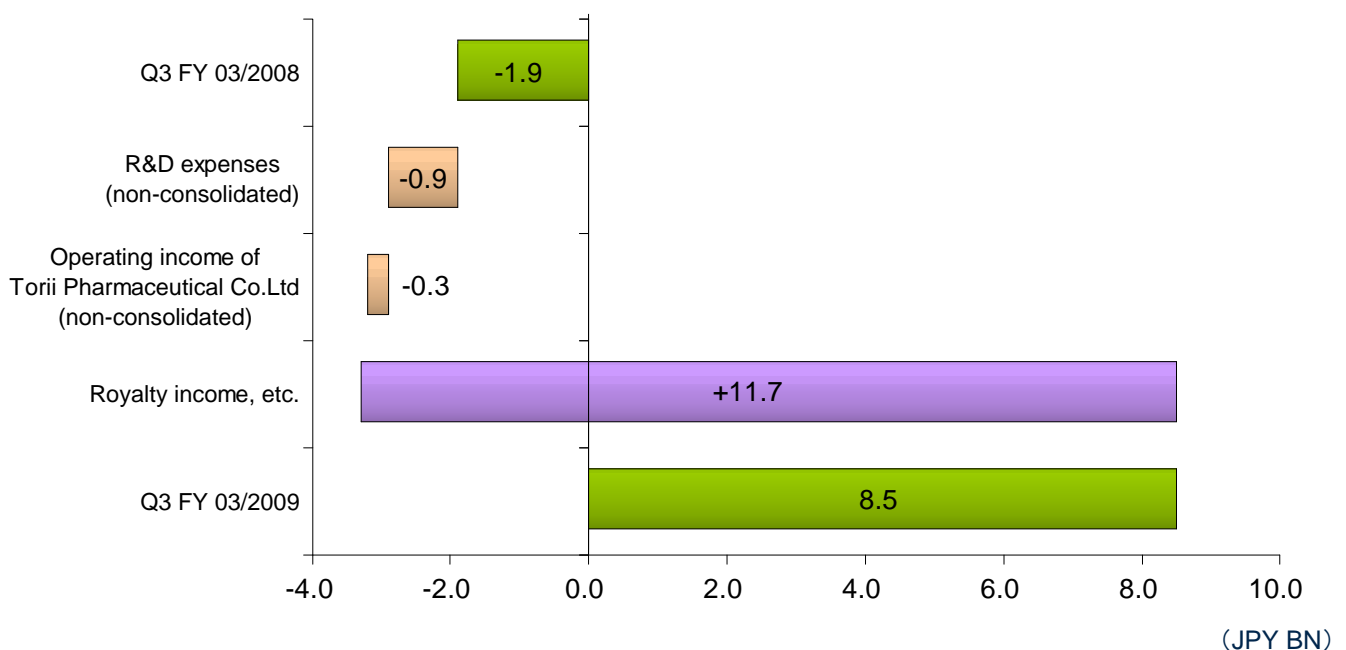


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## Results for Q3 FY 03/2009

### ■ Pharmaceutical Business – EBITDA

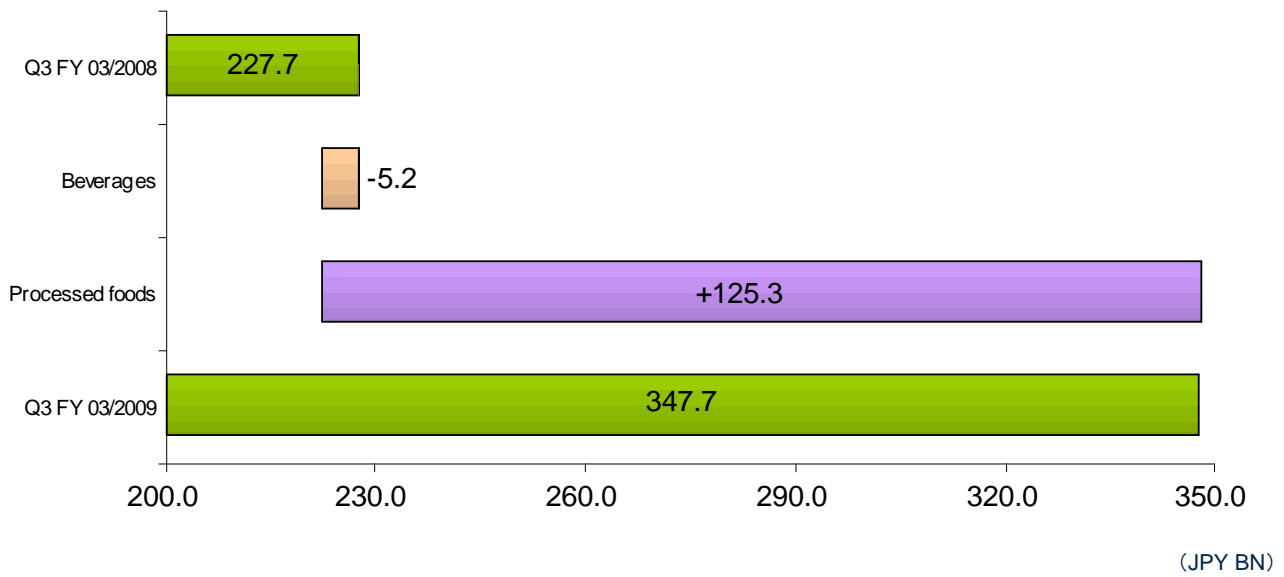


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## Results for Q3 FY 03/2009

### ■ Foods Business – Net Sales

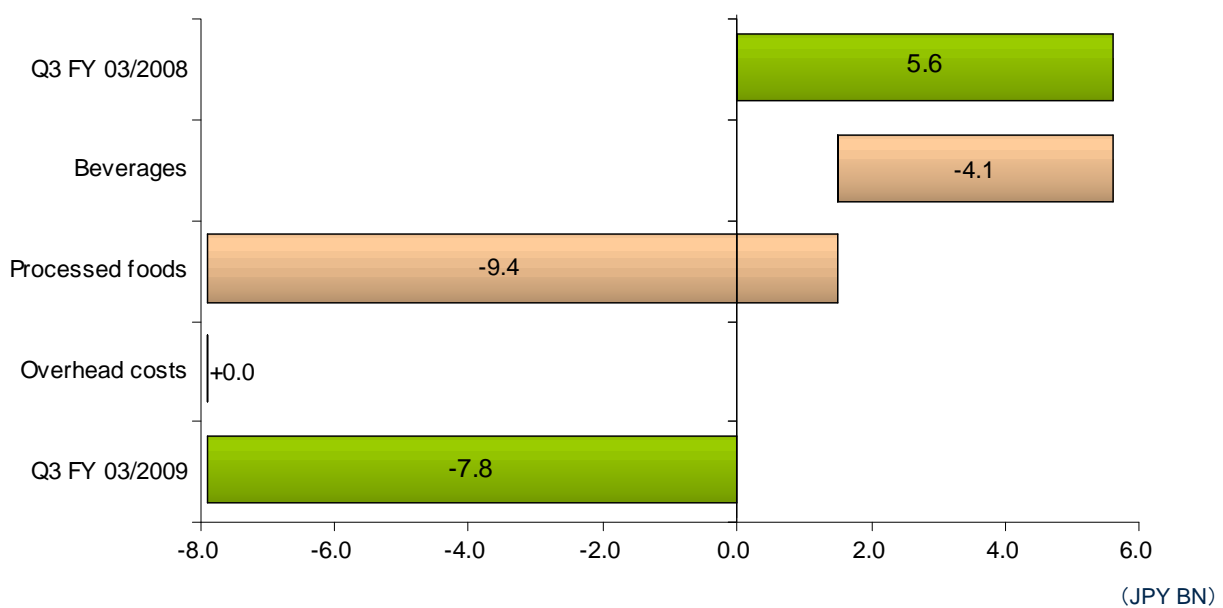


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## Results for Q3 FY 03/2009

### ■ Foods Business – Operating income

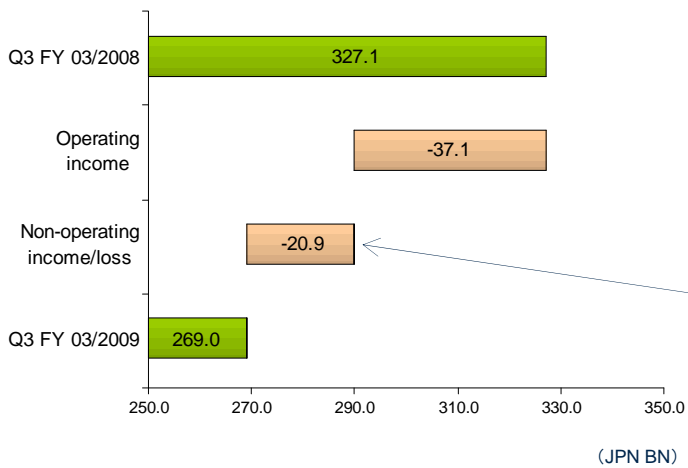


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# Results for Q3 FY 03/2009

## Recurring profit



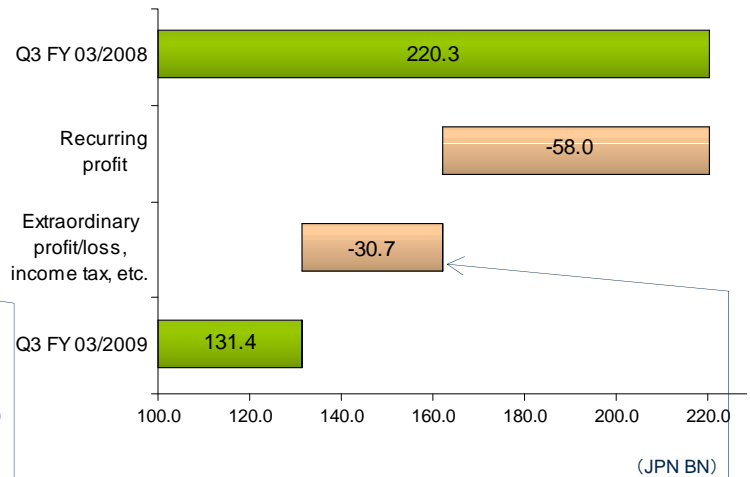
**Positive factors:**

-Decrease of financial support for domestic leaf tobacco growers (1.2bn) etc.

**Negative factors:**

-Increase of loss on foreign exchange (15.5bn)  
 -Increase of interest payment (7.9bn)  
 -Decrease of interest income(4.9bn) etc.

## Net income



**Positive factors:**

-Increase of profit on sale of property, plant and equipment (1.6bn) etc.

**Negative factors:**

-Increase of business restructuring costs(19.4bn)  
 -Increase of impairment loss(9.5bn)  
 -Increase of loss on disposition of property, plant and equipment (3.5bn), etc.



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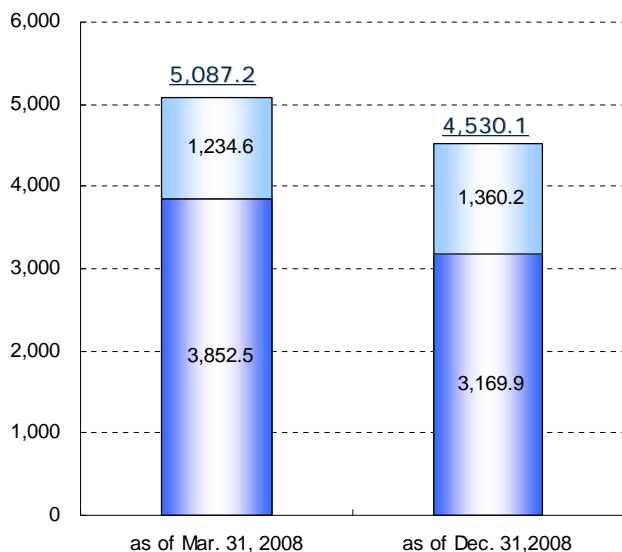


## Summary of Consolidated B/S as of Dec. 31, 2008

### ASSETS

Compared to B/S as of Mar. 31, 2008

(JPY bn)



□ Current Assets

■ Fixed Assets

■ Current Assets – up JPY 125.5 bn

■ Fixed Assets – down JPY 682.5 bn

- ◆ Decrease of Goodwill: down JPY 437.9 bn
- ◆ Decrease of Trademarks: down JPY 133.6 bn

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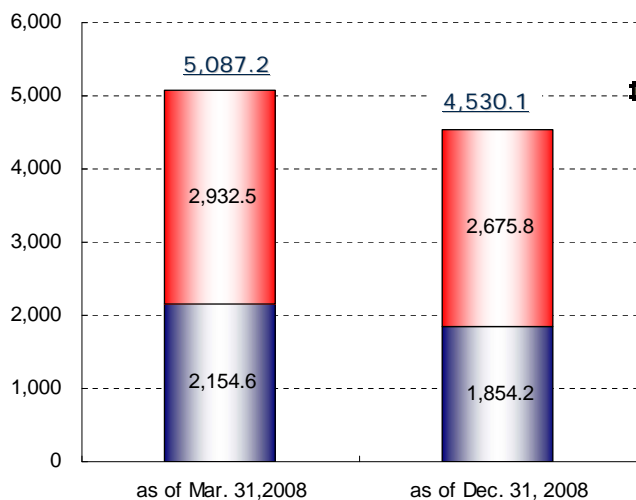


## Summary of Consolidated B/S as of Dec. 31, 2008

### LIABILITIES & NET ASSETS

Compared to B/S as of Mar. 31, 2008

(JPY bn)



□ Total Liabilities

■ Total Net Assets

■ Total Liabilities – down JPY 256.6 bn

■ Total Net Assets – down JPY 300.3 bn

- ◆ Retained earnings: down JPY 111.4 bn
- ◆ Foreign currency translation adjustments: down JPY 177.8 bn

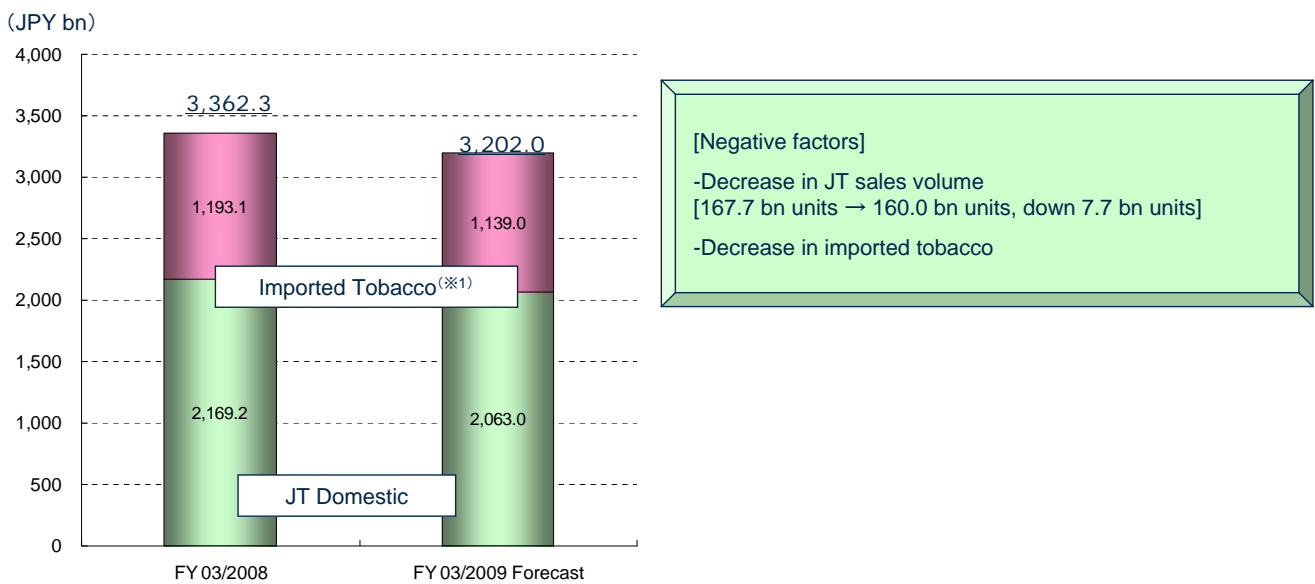
➤ Ratio of equity capital: 40.8% → 39.3%

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## Forecasts for FY 03/2009 compared to results of the previous fiscal year

### ■ Domestic Tobacco Business – Net sales incl. tobacco excise tax



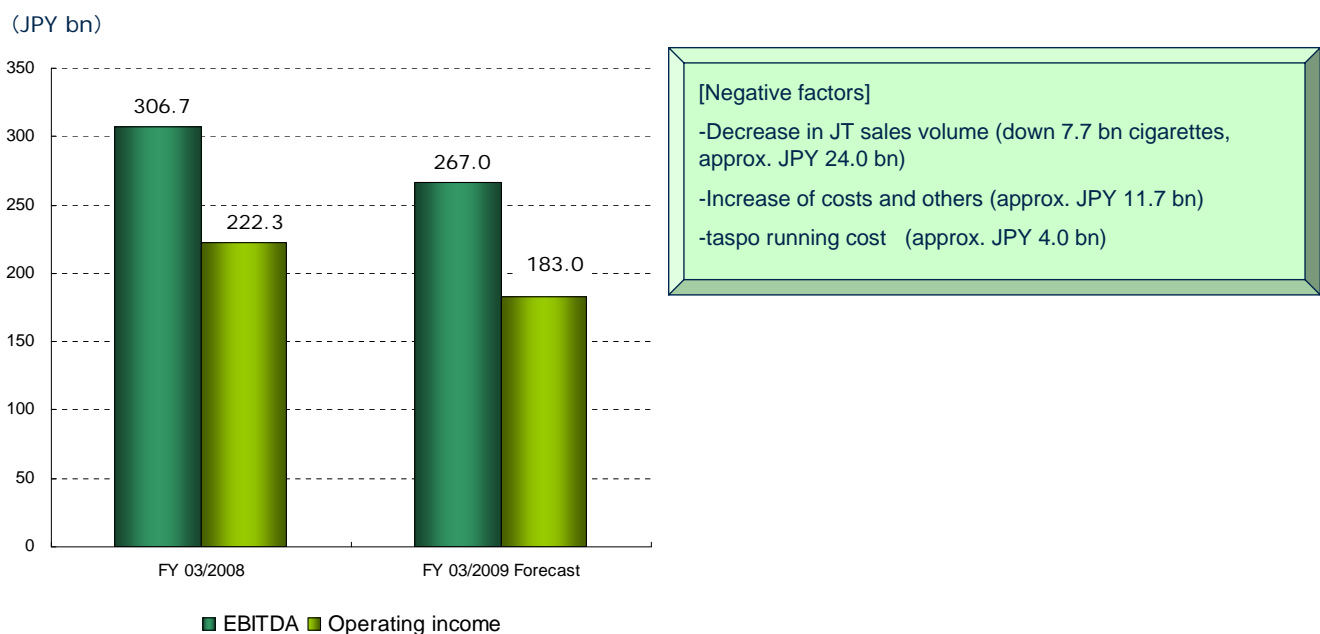
(Note): On the consolidated basis, net sales of domestic tobacco business includes imported tobacco sales, which are handled by TS Network, a subsidiary of JT.

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## Forecasts for FY 03/2009 compared to results of the previous fiscal year

### ■ Domestic tobacco business - EBITDA / Operating income

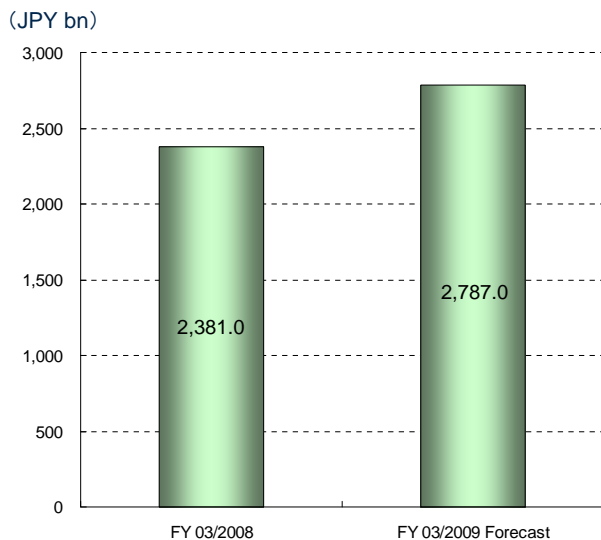


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## Forecasts for FY 03/2009 compared to results of the previous fiscal year

### International Tobacco Business – Net sales incl. tobacco excise tax



[Positive factors]

- top line growth, mainly by GFB
- Full year consolidation of Gallaher

JPY/US\$ foreign exchange rate:

From US\$1=JPY 117.85 to US\$1=JPY 103.48 (up JPY 14.37)

Note1) International tobacco results consolidates Jan.-Dec.

Note2) FY 03/2008 results consolidates 8.5 months of Gallaher.

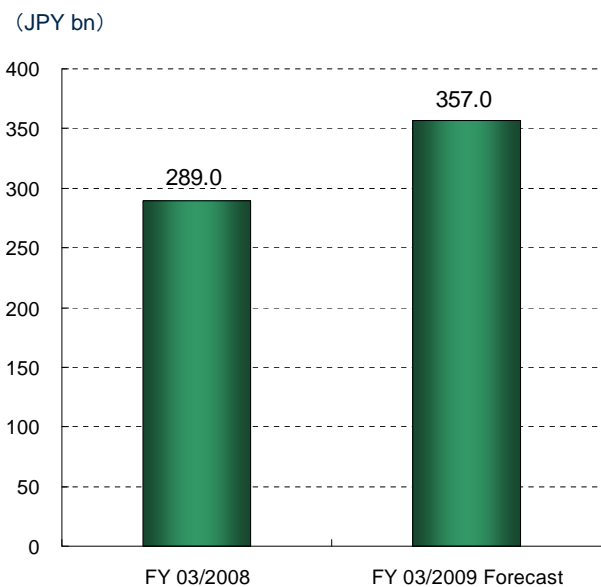
Note3) Sales of distribution business, which was formally handled by Gallaher is excluded.

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## Forecasts for FY 03/2009 compared to results of the previous fiscal year

### International Tobacco Business - EBITDA before royalty payment to JT



[Positive factors]

- top line growth, mainly by GFB
- Full year consolidation of Gallaher

(Reference) Industry segment information basis

EBITDA:

From JPY 270.7 bn to JPY 338.0 bn (up JPY 67.2 bn)

Operating Income:

From JPY 205.3 bn to JPY 174.0 bn (down JPY 31.3 bn)

JPY/US\$ foreign exchange rate:

From US\$1=JPY 117.85 to US\$1=JPY 103.48 (up JPY 14.37)

Note1) International tobacco results consolidates Jan.-Dec.

Note2) FY 03/2008 includes approx. 8.5 months of the f-Gallaher business.

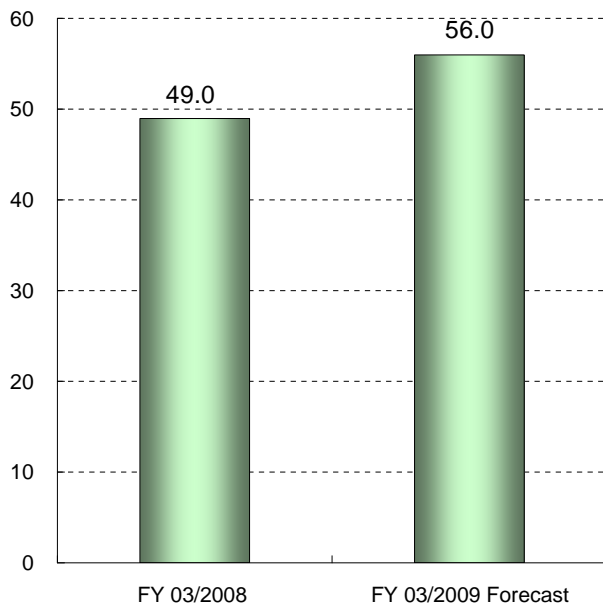
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## Forecasts for FY 03/2009 compared to results of the previous fiscal year

### ■ Pharmaceutical Business – Net sales

(JPY bn)



[Positive factors]

-One-time revenue from licensing of "JTT-305"

[Negative factors]

-Decrease in net sales of Torii Pharmaceutical Co. Ltd.  
[JPY 40.8 bn → JPY 36.7bn (down JPY 4.1bn)]

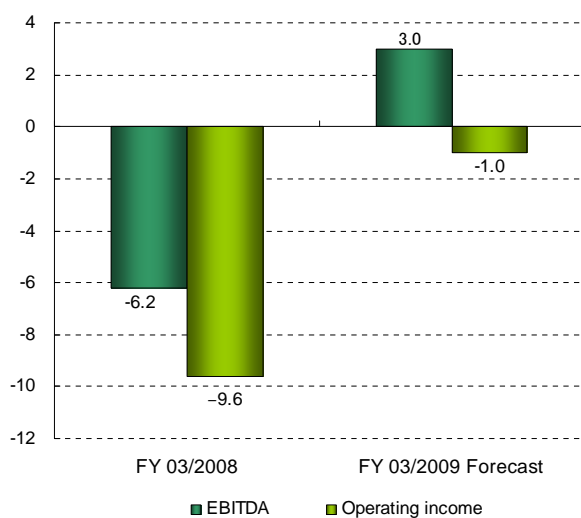
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## Forecasts for FY 03/2009 compared to results of the previous fiscal year

### ■ Pharmaceutical Business - EBITDA / Operating income

(JPY bn)



[Positive factors]

-One-time revenue from licensing of "JTT-305"

[Negative factors]

-Increase in R&D expenses (non-consolidated)

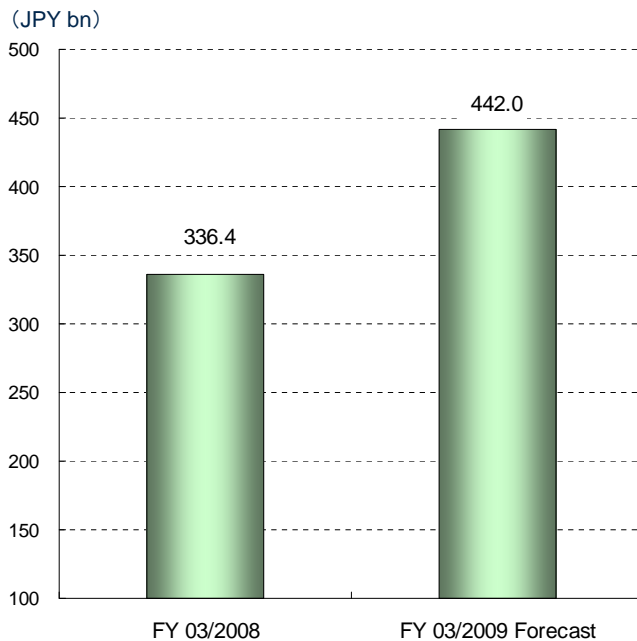
-Decrease in operating income of Torii Pharmaceutical Co. Ltd.  
[JPY 5.1bn → JPY 4.2bn (down JPY 0.9bn)]

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### # Foods Business – Net sales



[Positive factors]

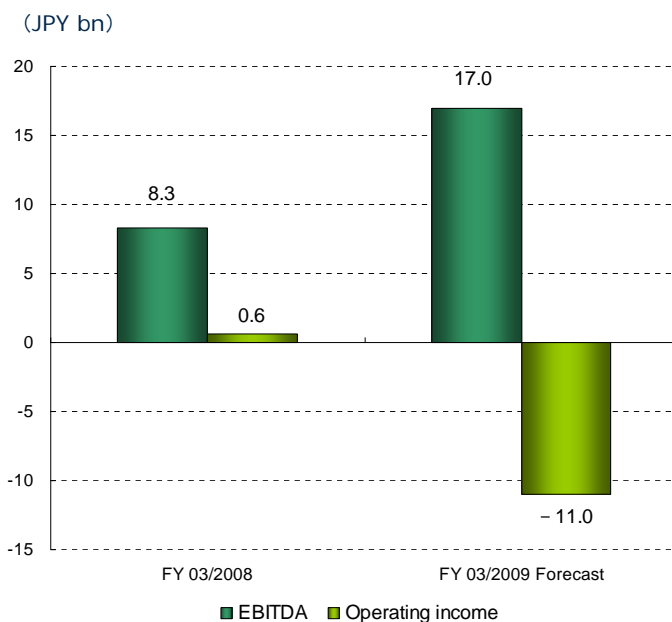
- Full year consolidation of Katokichi and newly consolidation of Fuji Foods

[Negative factors]

- Decrease of sales in chilled processed foods business
- Decrease of sales in former JT's processed foods business
- Decrease of sales in beverage business by intensified competition and slump in consumer spending



### # Foods Business - EBITDA / Operating income



[Positive factors]

- Full year consolidation of Katokichi
- \*EBITDA: Increase of amortization cost by the change of lease accounting disposition

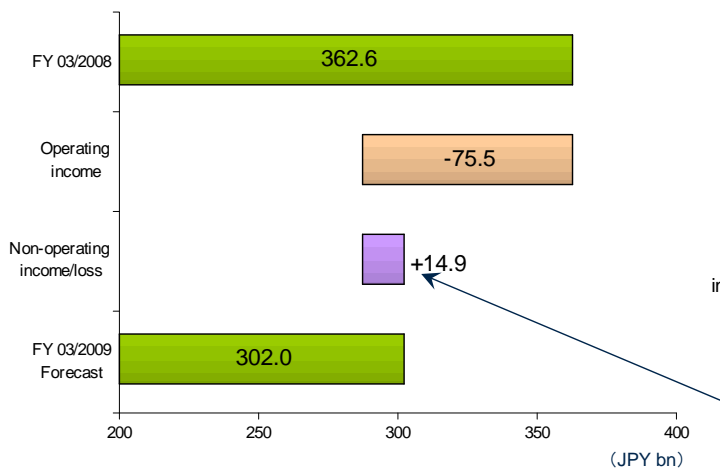
[Negative factors of Operating income]

- Increase of amortization of goodwill (Katokichi and Fuji Foods)
- Decrease of sales in beverage business by intensified competition and slump in consumer spending
- Decrease of former JT's processed foods business etc.



# Forecasts for FY 03/2009 compared to results of the previous fiscal year

## Recurring Profit



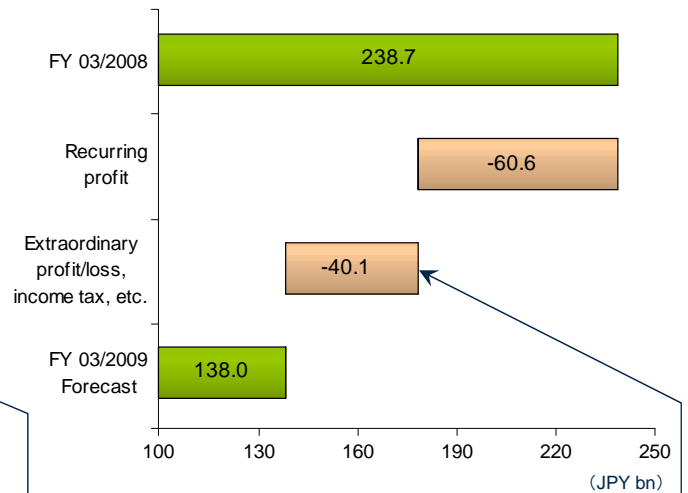
**Positive factors:**

-Improvement of loss on foreign exchange  
(Cost for currency option contract and Euro dominated bonds) etc.

**Negative factors:**

-Increase of interest payment  
(Full year consolidation of overseas bank loans interest related to the acquisition of Gallaher) etc.

## Net income



**Negative factors:**

-Decrease of profit on sale of property, plant and equipment (Decrease of the sales from large scaled properties)  
-Account for business restructuring costs  
-Increase of loss due to impairment (Demolition of the former company condominium) etc.





## 1. Summary of Business Performance

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
Sales including excise tax	4,704.2	5,346.1	641.8
Sales excluding excise tax	1,908.9	2,220.3	311.3
EBITDA	486.2	541.3	55.1
Operating Income	366.7	329.6	-37.1
Recurring Profit	327.1	269.0	-58.0
Net Income	220.3	131.4	-88.8

(Reference: Figures for major profit items before goodwill amortization)

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
Operating Income	368.0	410.1	42.0
Recurring Profit	328.3	349.4	21.0
Net Income	221.6	211.9	-9.6

## 2. Breakdown of net sales

(unit: JPY billion)

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
Net sales including excise tax <sup>1</sup>	4,704.2	5,346.1	641.8
Domestic tobacco	2,594.8	2,478.1	-116.6
Excluding imported tobacco	1,673.5	1,598.7	-74.7
International tobacco <sup>1</sup>	1,825.3	2,456.9	631.5
Excluding distribution business	1,649.4	2,196.7	547.2
Net sales excluding excise tax <sup>1 2</sup>	1,514.2	1,805.6	291.3
Domestic tobacco <sup>2</sup>	550.9	526.8	-24.0
International tobacco <sup>1 2</sup>	679.1	867.6	188.4
Pharmaceutical	39.7	48.1	8.3
Foods	227.7	347.7	120.0
Beverages	150.4	145.1	-5.2
Processed foods	77.3	202.6	125.3
Others	16.5	15.1	-1.4

<sup>1</sup> International tobacco business: 9 months ended Sep. 2008<sup>2</sup> Net sales excluding excise tax: Excluding imported tobacco in domestic tobacco and distribution business in international tobacco, respectively.

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

(unit: JPY billion)

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
Leaf tobacco reappraisal profit / loss	-3.1	-3.1	-

\* Profit when denoted negative

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

(unit: JPY billion)

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
SG&A	516.1	683.5	167.4
Personnel *	142.1	177.5	35.3
Advertising and general publicity	16.4	19.7	3.3
Sales promotion	111.8	126.6	14.8
R&D	32.8	35.3	2.5
Depreciation and amortization	57.3	66.0	8.6
Others	155.4	258.2	102.7

\* 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)

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
Consolidated EBITDA	486.2	541.3	55.1
Operating income	366.7	329.6	-37.1
Depreciation and amortization <sup>2</sup>	119.4	211.6	92.2
Domestic tobacco EBITDA	244.6	213.2	-31.4
Operating income	182.1	152.2	-29.9
Depreciation and amortization <sup>2</sup>	62.5	60.9	-1.5
International tobacco EBITDA <sup>3</sup>	217.1	297.3	80.1
Operating income	174.0	170.5	-3.5
Depreciation and amortization <sup>2</sup>	43.0	126.8	83.7
Pharmaceutical EBITDA	-1.9	8.5	10.5
Operating income	-4.3	5.8	10.1
Depreciation and amortization <sup>2</sup>	2.4	2.7	0.3
Foods EBITDA	9.0	5.7	-3.3
Operating income	5.6	-7.8	-13.4
Depreciation and amortization <sup>2</sup>	3.4	13.6	10.1
Others EBITDA	17.5	15.3	-2.2
Operating income	8.8	7.3	-1.5
Depreciation and amortization <sup>2</sup>	8.7	7.9	-0.7

(Reference)

(unit: USD million)

International tobacco EBITDA (Before royalty payment)	1,933	2,949	1,015
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<sup>1</sup> EBITDA=operating income + depreciation and amortization<sup>2</sup><sup>2</sup> Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill<sup>3</sup> International tobacco business: 9 months ended Sep. 2008

## 6. Amortization relating to major acquisitions

(unit: JPY billion)

	9 months ended Dec. 2007	9 months ended Dec. 2008	Years to amortize	Termination
JT				
Former RJRI				
Trademark rights	22.0	22.0	10	Apr-09
Patents	0.5	-	8	Apr-07
Katokichi				
Goodwill	-	6.9	5	Dec-12

(unit: USD million)

	9 months ended Sep. 2007	9 months ended Sep. 2008	Years to amortize
JT International			
Former RJRI and Gallaher			
Trademark rights *	147	213	mainly 20
Goodwill	-	680	20

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

## 7. Capital expenditure

(unit: JPY billion)

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
Capital expenditures	84.4	85.0	0.5
Domestic tobacco	43.8	30.1	-13.7
International tobacco *	27.7	36.7	8.9
Pharmaceutical	2.3	2.2	-0.1
Foods	3.9	10.8	6.8
Others	7.8	4.9	-2.8

\* International tobacco business: 9 months ended Sep. 2008

## 8. Cash and cash equivalents \*

(unit: JPY billion)

	As of end of Mar. 2008	As of end of Dec. 2008	Change
Cash and cash equivalents	218.8	260.8	42.0

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

## 9. Interest-bearing debt \*

(unit: JPY billion)

	As of end of Mar. 2008	As of end of Dec. 2008	Change
Interest-bearing debt	1,389.2	1,083.3	-305.9

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

## 10. Business data

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	129.5	123.6	-5.8
Total demand (billion cigarettes)	199.6	190.2	-9.3
JT market share	64.9%	65.0%	0.1%pt
JT net sales before tax per 1,000 cigarettes (JPY)	12,699	12,697	-2
JT net sales after tax per 1,000 cigarettes (JPY)	4,057	4,057	0

\* Sales volume of domestic duty-free and China division is excluded, which was 2.7 billion for FY ended Dec. 2007 and 3.1 billion for FY ended Dec. 2008, respectively.

	9 months ended Sep. 2007	9 months ended Sep. 2008	Change
<International tobacco business>			
Total sales volume (billion cigarettes)	274.0	342.9	68.9
GFB sales volume (billion cigarettes)	145.9	185.5	39.5
JPY/USD rate for consolidation (JPY)	119.41	105.84	-13.57

	9 months ended Dec. 2007	9 months ended Dec. 2008	Change
<Pharmaceutical business>			
R&D expenses (parent company) (JPY billion)	16.8	17.8	0.9

	As of end of Mar. 2008	As of end of Dec. 2008	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	257,000	257,000	0
JT-owned	35,500	33,000	-2,500
Combined	71,500	76,000	4,500

\* 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.

Data sheets for 9 months ended Dec 2008

1. Consolidated financial outlook for fiscal year ending March 31, 2009 compared to the forecast as of October 2008

(JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax	6,870.0	6,830.0	-40.0
EBITDA	634.0	638.0	4.0
Operating income	348.0	355.0	7.0
Recurring profit	290.0	302.0	12.0
Net income	160.0	138.0	-22.0
Return on equity	9.3%	8.4%	-0.9%pt
Free cash flow	229.0	247.0	18.0

(Reference: Net income before goodwill amortization)

Net income	264.0	243.0	-21.0
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(JPY billion)

	Previous forecast	Revised forecast	Change
Capital expenditures	154.0	140.0	-14.0
Domestic tobacco	62.0	55.0	-7.0
International tobacco	65.0	60.0	-5.0
Pharmaceutical	3.5	3.5	0.0
Foods	21.0	19.5	-1.5
Other businesses	2.5	2.0	-0.5

Consolidated financial outlook by business segment

(JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax	6,870.0	6,830.0	-40.0
Domestic tobacco	3,169.0	3,202.0	33.0
Excluding imported tobacco	2,052.0	2,063.0	11.0
International tobacco	3,155.0	3,118.0	-37.0
Excluding distribution business	2,822.0	2,787.0	-35.0
Pharmaceutical	54.5	56.0	1.5
Foods	478.0	442.0	-36.0
EBITDA	634.0	638.0	4.0
Domestic tobacco	264.0	267.0	3.0
International tobacco	334.0	338.0	4.0
Pharmaceutical	1.0	3.0	2.0
Foods	22.5	17.0	-5.5
Operating income	348.0	355.0	7.0
Domestic tobacco	180.0	183.0	3.0
International tobacco	169.0	174.0	5.0
Pharmaceutical	-3.0	-1.0	2.0
Foods	-7.0	-11.0	-4.0
Depreciation and amortization	286.0	283.0	-3.0
Domestic tobacco	84.0	84.0	0.0
International tobacco	165.0	164.0	-1.0
Pharmaceutical	4.0	4.0	0.0
Foods	29.5	28.0	-1.5

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	Previous forecast	Revised forecast	Change
Sales volume	159.0	160.0	1.0

Excluding sales of domestic duty-free and China division

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

	Previous forecast	Revised forecast	Change
Total sales volume	452.0	452.3	0.3
GFB sales volume*	244.0	245.5	1.5
JPY/USD rate	103.00	103.48	0.48

Goodwill amortization relating to major acquisitions

International tobacco business (unit: USD million)

	Goodwill amount as the basis for the amortization	FY ending Mar.2009	Years to amortize
Former RJRI and Gallaher	18,159	908	20

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

Foods Business (unit: JPY billion)

	Goodwill amount as the basis for the amortization	FY ending Mar.2009	Years to amortize
Katokichi	45.0	9.0	5

\* Termination of goodwill amortization: Dec-12

2. Consolidated financial outlook for fiscal year ending March 31, 2009 compared to the results of previous fiscal year

(JPY billion)

	FY 03/2008	Revised forecast	Change
Net sales including excise tax	6,409.7	6,830.0	420.2
EBITDA	602.0	638.0	35.9
Operating income	430.5	355.0	-75.5
Recurring profit	362.6	302.0	-60.6
Net income	238.7	138.0	-100.7
Return on equity	11.8%	8.4%	-3.4%pt
Free cash flow	-1,493.7	247.0	1,740.7

(Reference: Net income before goodwill amortization)

Net income	242.5	243.0	0.4
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(JPY billion)

	FY 03/2008	Revised forecast	Change
Capital expenditures	129.5	140.0	10.4
Domestic tobacco	57.2	55.0	-2.2
International tobacco	48.4	60.0	11.5
Pharmaceutical	4.2	3.5	-0.7
Foods	6.0	19.5	13.4
Other businesses	14.7	2.0	-12.7

Consolidated financial outlook by business segment

(JPY billion)

	FY 03/2008	Revised forecast	Change
Net sales including excise tax	6,409.7	6,830.0	420.2
Domestic tobacco	3,362.3	3,202.0	-160.3
Excluding imported tobacco	2,169.2	2,063.0	-106.2
International tobacco	2,639.9	3,118.0	478.0
Excluding distribution business	2,381.0	2,787.0	405.9
Pharmaceutical	49.0	56.0	6.9
Foods	336.4	442.0	105.5
EBITDA	602.0	638.0	35.9
Domestic tobacco	306.7	267.0	-39.7
International tobacco	270.7	338.0	67.2
Pharmaceutical	-6.2	3.0	9.2
Foods	8.3	17.0	8.6
Operating income	430.5	355.0	-75.5
Domestic tobacco	222.3	183.0	-39.3
International tobacco	205.3	174.0	-31.3
Pharmaceutical	-9.6	-1.0	8.6
Foods	0.6	-11.0	-11.6
Depreciation and amortization	171.5	283.0	111.4
Domestic tobacco	84.3	84.0	-0.3
International tobacco	65.3	164.0	98.6
Pharmaceutical	3.3	4.0	0.6
Foods	7.6	28.0	20.3

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	FY 03/2008	Revised forecast	Change
Sales volume	167.7	160.0	-7.7

Excluding sales of domestic duty-free and China division

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

	FY 03/2008	Revised forecast	Change
Total sales volume	385.6	452.3	66.7
GFB sales volume*	203.2	245.5	42.3
JPY/USD rate	117.85	103.48	-14.37

Trademark rights amortization relating to major acquisitions

JT (unit: JPY billion)

	FY ended Mar. 2008	FY ending Mar. 2009	Years to amortize
Former RJRI	29.3	29.3	10

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

JT International (unit: USD million)

	Year ended Dec. 2007	Year ending Dec. 2008	Years to amortize
Former RJRI and Gallaher	220	284	mainly 20

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

Data of JT products in Japanese market

\* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

**Domestic Tobacco Business Results**

**1. Quarterly Sales Volume** (billions of cigarettes)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	54.0	36.8	44.6	39.3	174.9
FY 03/2008	42.7	43.0	43.7	38.2	167.7
FY 03/2009	42.0	40.8	40.7		

**2. Quarterly Retail Price Sales** (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	740.3	547.5	664.6	587.0	2,539.5
FY 03/2008	636.7	641.4	651.6	570.0	2,499.8
FY 03/2009	626.9	608.6	607.3		

\* 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 03/2007	11,663	12,677	12,688	12,699	12,371
FY 03/2008	12,698	12,694	12,704	12,702	12,699
FY 03/2009	12,699	12,693	12,699		

\* 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 03/2007	3,852	4,050	4,050	4,056	3,990
FY 03/2008	4,056	4,053	4,063	4,057	4,057
FY 03/2009	4,056	4,054	4,060		

\* 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 03/2007	65.5	64.2	64.7	64.5	64.8
FY 03/2008	64.9	64.5	65.3	65.0	64.9
FY 03/2009	64.9	64.9	65.2		

**Market Share in Growing Segments**

**1. 1mg Tar**

(1) JT 1mg Tar Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	12.4	12.5	13.3	13.6	12.9
FY 03/2008	13.9	13.7	14.0	14.3	14.0
FY 03/2009	14.5	14.5	14.9		

(2) JT Share in 1mg Tar Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	61.3	60.9	62.4	62.2
FY 03/2008	62.0	61.6	62.1	62.0
FY 03/2009	62.4	63.0	63.3	

**2. Menthol**

(1) JT Menthol Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	6.7	6.9	6.7	7.1	6.8
FY 03/2008	7.2	7.5	7.2	7.5	7.4
FY 03/2009	7.5	7.4	7.8		

(2) JT Share in Menthol Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	35.0	34.1	33.8	34.8
FY 03/2008	34.9	35.2	34.0	34.4
FY 03/2009	34.3	33.5	35.0	

**3. JPY 320 or above\***

(1) JT JPY 320 or above Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	5.7	5.4	5.2	5.5	5.5
FY 03/2008	5.6	5.2	5.4	5.3	5.4
FY 03/2009	5.2	5.0	5.4		

(2) JT Share in JPY 320 or above Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	24.3	22.5	22.6	23.2
FY 03/2008	23.5	22.0	22.5	21.9
FY 03/2009	21.7	20.7	22.2	

\* JPY 300 or above until Apr-Jun. 2006

**4. Quarterly D-spec Product Share** (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	4.12	3.84	3.85	4.34	4.04
FY 03/2008	4.41	4.10	4.77	5.13	4.59
FY 03/2009	5.10	4.82	5.04		

\* 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 February 9, 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.
JTT-651 (oral)	Phase 1 (Japan)	Type 2 diabetes mellitus	GP inhibitor	Decreases blood glucose by suppression of glucose output from liver via inhibition of GP  -GP: Glycogen Phosphorylase	
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	

Updates since the previous announcement on October 30, 2008: JTT-654 entered into clinical trial in Japan.  
Development of JTT-552 was terminated.