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JT Announces the Revision of JT's Subsidiary's Earnings Forecasts

Japan Tobacco Inc. (JT) announced today that its consolidated subsidiary, Green Foods Co., Ltd., has revised its earnings forecasts for the fiscal year ended March 31, 2009, as per the attached documents.

Please note that no changes will be made to JT's consolidated earnings forecasts as a result of this revision.

(Attached materials)

Disclosure material of Green Foods Co., Ltd.

Company Name: Green Foods Co., Ltd.
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Green Foods Announces Possible Irrecoverability or Delay in Collection of Claims, Occurrence of Extraordinary Losses, Consolidated Earnings Projections for Fiscal Year Ended March 31, 2009 and Revisions of Non-Consolidated Earnings Forecasts for Fiscal Year Ended March 31, 2009

Green Foods Co., Ltd. (hereinafter, "Green Foods") announced today, as described below, arising of a possibility of irrecoverability or delay in collection of the Company's claims, occurrence of extraordinary losses, consolidated earnings projections for the fiscal year ended March 31, 2009 and revisions of non-consolidated earnings forecasts for the fiscal year ended March 31, 2009, which was publicly announced on February 9, 2009.

The consolidated and non-consolidated earnings forecasts for the fiscal year ended March 31, 2009, disclosed in this release, have factored in the recognition of provision of allowance for doubtful accounts and the occurrence of extraordinary losses, resulting from the arising of a possibility of irrecoverability or delay in collection of claims.

1. Possible irrecoverability or delay in collection of claims (Qingdao San Ping Trade Foods Co., Ltd.)

(1) Outline of the debtor

- 1) Trade name: Qingdao San Ping Trade Foods Co., Ltd.
- 2) Location of head office: 35 Donghai Road, South District, Qingdao, Shandong Province, People's Republic of China
- 3) Title and name of representative: Xianggen Li, President
- 4) Principal business: Processing and wholesale of merchandise
- 5) Capital: 11 million yuan (approximately ¥156 million)

(2) Fact that occurred to the debtor and the date of the occurrence

To ensure high-quality raw materials, the Company paid loans and advances as support for purchase funds, and collected the loans, loan interest and advances from revenue of the debtor by purchasing processed marine products from the debtor. However, comprehensively taking into account the decrease in purchase as a result of the stricter purchase management system of the Company following the problems concerning the safety of foods, the management status and other factors and after consultation with the accounting auditor, we decided at a meeting of the Board of Directors held today to recognize provision of allowance for doubtful accounts of ¥404 million regarding the amount of some claims we hold, for which a possibility of irrecoverability or delay in collection is undeniable.

(3) Type and amount of claims to the debtor and the ratio of the claims to net assets

- 1) Type of claims to the debtor: Claims in the form of loans, claims in the form of loan interest receivable, claims in the form of advances

2) Amount: ¥404 million (as of March 31, 2009)

3) Ratio to net assets of the Company: Ratio to net assets (¥3,207 million) as of the end of the latest fiscal year (March 31, 2008): 12.5%

2. Possible irrecoverability or delay in collection of claims (HAEJIN MOOLSAN Co., LTD.)

(1) Outline of the debtor

1) Trade name: HAEJIN MOOLSAN Co., LTD.

2) Location of head office: 1650-1 Songjeong-dong, Gangseo-gu, Busan, Republic of Korea

3) Title and name of representative: Sun Ximin, Representative Director

4) Principal business: Manufacturing and sale of processed marine products

5) Capital: 3,400 million won (approximately ¥246 million)

(2) Fact that occurred to the debtor and the date of the occurrence

To ensure high-quality raw materials, the Company paid loans and advances as support for purchase funds, and collected the loans, loan interest and advances from revenue of the debtor by purchasing processed marine products from the debtor. However, comprehensively taking into account the decrease in purchase as a result of the stricter purchase management system of the Company following the problems concerning the safety of foods, the management status and other factors and after consultation with the accounting auditor, we decided at a meeting of the Board of Directors held today to recognize provision of allowance for doubtful accounts of ¥182 million regarding the amount of some claims we hold, for which a possibility of irrecoverability or delay in collection is undeniable.

(3) Type and amount of claims to the debtor and the ratio of the claims to net assets

1) Type of claims to the debtor: Claims in the form of loans, claims in the form of loan interest receivable, claims in the form of advance

2) Amount: ¥182 million (as of March 31, 2009)

3) Ratio to net assets of the Company: Ratio to net assets (¥3,207 million) as of the end of the latest fiscal year (March 31, 2008): 5.6%

3. Possible irrecoverability or delay in collection of claims (Zhoushan Gulin Foods Co., Ltd.)

(1) Outline of the debtor

1) Trade name: Zhoushan Gulin Foods Co., Ltd.

2) Location of head office: 2133 Donghai West Road, Putuo, Zhoushan, Zhejiang Province, People's Republic of China

3) Title and name of representative: Xianggen Li, President

4) Principal business: Purchase, processing, sale, etc. of marine products and agricultural by-products

5) Capital: ¥2,000 million

(2) Fact that occurred to the debtor and the date of the occurrence

The Company established Zhoushan Gulin Foods Co., Ltd. ("Zhoushan Gulin Foods") in China for the purpose of manufacturing processed marine products, and supported it with loans of purchase funds, etc., and advances. However, after consultation with the accounting auditor and taking into account the earnings plan and financial situation of Zhoushan Gulin Foods under the influence of the rapid economic slowdown in addition to the issues of Chinese foods and other factors, we decided at a meeting of the Board of Directors held today to recognize provision of allowance for doubtful accounts of ¥750 million regarding the amount of some claims we hold, for which a possibility of irrecoverability or delay in collection is undeniable.

(3) Type and amount of claims to the debtor and the ratio of the claims to net assets

- 1) Type of claims to the debtor: Claims in the form of loans, claims in the form of loan interest receivable, claims in the form of advance
- 2) Amount: ¥750 million (as of March 31, 2009)
- 3) Ratio to net assets of the Company: Ratio to net assets (¥3,207 million) as of the end of the latest fiscal year (March 31, 2008): 23.3%

4. Occurrence of extraordinary losses

(1) Recognition of provision of allowance for doubtful accounts (consolidated and non-consolidated)

On a non-consolidated basis, the Company recognized a total of ¥3,211 million in provision of allowance for doubtful accounts regarding its claims to Zhoushan Gangming Foods Co., Ltd. and Zhoushan KATOKA Food Co., Ltd., which are trading partners described in “Green Foods Announces Possibility of Irrecoverability or Delay in Collection of Claims and Revisions of Consolidated and Non-consolidated Earnings Forecasts for Second Quarter of Fiscal Year Ending March 31, 2009 and Revisions of Non-consolidated Earnings Forecasts for Full Fiscal Year Ending March 31, 2009” as of October 17, 2008, mainly attributable to addition of ¥1,875 million and ¥1,336 million, which is described in the aforementioned paragraphs 1, 2, and 3.

On a consolidated basis, the Company recognized provision of allowance for doubtful accounts of ¥2,461 million, which was obtained by subtracting ¥750 million related to claims to Zhoushan Gulin Foods, specified in the aforementioned paragraph 3 from provision of allowance for doubtful accounts on a non-consolidated basis.

(2) Impairment loss (consolidated and non-consolidated)

On a non-consolidated basis, after consultation with the accounting auditor, the Company recognized impairment loss of ¥725 million in total, mainly due to impairment loss of ¥336 million related to its head office building and that of ¥206 million related to software.

On a consolidated basis, the Company recorded impairment loss of ¥2,279 million, which is a total of the non-consolidated impairment loss and impairment loss of ¥1,553 million yen related to facilities and equipment of Zhoushan Gulin Foods.

(3) Loss on valuation of inventories (consolidated)

On a consolidated basis, after consultation with the accounting auditor, the Company recorded loss on valuation of inventories of ¥639 million regarding raw materials in stock, etc. of Zhoushan Gulin Foods.

(4) Loss on valuation of investments in capital of subsidiaries and affiliates (non-consolidated)

On a non-consolidated basis, after consultation with the accounting auditor, the Company recognized loss on valuation of investments in capital of subsidiaries and affiliated of ¥2,000 million, the whole amount of the shares in Zhoushan Gulin Foods, in consideration of the earnings plan and financial situation of Zhoushan Gulin Foods.

Mainly due to the factors mentioned above, we recognized extraordinary losses of ¥5,383 million on consolidated basis and that of ¥5,940 million on a non-consolidated basis.

5. Consolidated earnings projections for fiscal year ended March 31, 2009

(1) Fiscal year forecasts (April 1, 2008 to March 31, 2009)

(Millions of yen)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)
Earnings forecast for fiscal year ended March 2009 (A)	14,485	(977)	(1,273)	(7,793)

Note: Figures for the results of the fiscal year ended March 31, 2008 are not available, since we started preparing consolidated financial statements from the second quarter of the fiscal year ended March 31, 2009.

(2) Summary of operating results

The Japanese economy during the fiscal year ended March 31, 2009, entered a trend of recession characterized by rises in crude oil prices and prices of food raw materials, slowdown in growth of exports to the U.S. resulting from the deceleration of the U.S. economy, sharp decreases in housing starts and lowering of business capital investment intention.

In the foods industry, to which the Company belongs, the competition environment is harsher than ever, as foods companies are required to further enhance their quality management systems as a result of growing social interest in safety and security of food.

Under such circumstances, to maximize corporate value, the Company and its Group business companies have been striving to maintain or increase earnings from existing businesses and proceeding with discussions under a basic agreement on taking over of the marine products business, concluded in April 2008, to push forward with initiatives for new business development.

For the fiscal year ended March 31, 2009, net sales of the Company stood at ¥14,485 million due to decreases in demand for conger eel products and eel products imported from China, which are flagship products of the Company, resulting from the issue of safety of food. Gross margin declined, since sales of conger eel products and eel products, which have higher profitability than other products, dropped and loss on valuation of merchandise in stock was recognized under cost of sales. With regard to selling, general and administrative expenses, expenses attendant upon businesses of overseas subsidiaries and preparations for the acquisition of subsidiaries increased, while provision of allowance for doubtful accounts was posted due in part to the filing for court protection from creditors under the Civil Rehabilitation Act by Tsukiji Suisan Co., Ltd. Consequently, the Company expects to record an operating loss of ¥977 million and ordinary loss of ¥1,273 million. Net loss will amount to ¥7,793 million because of the recognition of extraordinary losses described in the aforementioned paragraph 4.

6. Revisions of non-consolidated earnings forecasts for fiscal year ended March 2009

(1) Fiscal year forecasts (April 1, 2008 to March 31, 2009)

	Net sales	Operating income (loss)	Ordinary income (loss)	Net income (loss)
Previous forecast (A)	13,990	(326)	(432)	(1,379)
Revised forecast (B)	14,135	(786)	(856)	(7,933)
Change (B - A)	145	(460)	(424)	(6,554)
Change (%)	1.0%	-	-	-

(2) Reason for revision

In "Green Foods Revises Non-consolidated Earnings Forecasts for Fiscal Year Ending March 31, 2009," released on February 9, 2009, Green Foods took into consideration the declining demand and other factors, and forecasted ¥13,990 million in net sales, ¥326 million in operating loss, ¥432 million in ordinary loss and ¥1,379 million in net loss.

The previous earnings forecasts are now being revised mainly because of the occurrence of extraordinary losses described in the aforementioned paragraph 4.

Though net sales are expected to increase slightly from the previous forecasts, gross margin is projected to decline by ¥149 million mainly due to the recognition of loss on valuation of merchandise in stock under cost of sales. Selling, general and administrative expenses are projected to increase because of the following factors. Commissions paid will amount to ¥117 million and remunerations paid will stand at ¥33 million, primarily attributable to businesses of overseas subsidiaries, while provision of allowance

for doubtful accounts due in part to the filing for court protection from creditors under the Civil Rehabilitation Act by Tsukiji Suisan Co., Ltd. will total ¥104 million and depreciation because of capital investment attendant upon preparations for the acquisition of subsidiaries will amount to ¥18 million. Accordingly, the Company forecasts operating loss of ¥786 million and ordinary loss of ¥856 million, with interest income standing at ¥17 million.

Net loss is forecasted to be ¥7,933 million, as extraordinary losses described in the aforementioned paragraph 4 will be recognized and the amount of income tax adjustment will be reviewed.

Note: The figures provided in the above forecasts are forward-looking estimates based on information that was available at the time. Making such estimates involves many uncertainties. Actual earnings, etc. may be different to the figures stated here as a result of a change of circumstances etc.