

October 28, 2010

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Differences Between Consolidated Financial Results for the Six Months Ended September 30, 2010 and September 30, 2009

Japan Tobacco Inc. (JT) today announced differences between its consolidated financial results for the six months of the fiscal year ending March 31, 2011 (from April 1, 2010 to September 30, 2010) and the same period of the previous fiscal year.

1. Differences of Consolidated Financial Results

(Millions of yen)

	Net sales	Operating income	Ordinary income	Net income
Performance of six months ended September 30, 2009 (A)	3,054,254	163,727	135,133	66,068
Performance of six months ended September 30, 2010 (B)	3,298,734	198,884	186,191	81,954
Change (B-A)	244,479	35,156	51,058	15,886
Rate of change (%)	8.0%	21.5%	37.8%	24.0%

2. Reasons for Differences

(1) Net sales

The Japanese domestic tobacco business experienced a rise in sales volume attributable to heightened demand ahead of the October tobacco excise tax hike and retail price amendment, and the International Tobacco Business saw a decrease in sales volume and negative effects from conversions due to an appreciated yen be offset by the effects of unit price increase and positive impact from local currency exchanges in major markets. This resulted in a year-on-year increase in net sales of ¥244.4 billion, or 8.0%, to ¥3.2987 trillion.

(2) Operating income

Mainly caused by effects from increased sales in the Japanese Domestic Tobacco Business and the International Tobacco Business, operating income jumped ¥35.1 billion, or 21.5%, from the same period of the previous fiscal year to ¥198.8 billion.

(3) Ordinary income

An improvement in foreign exchange losses resulting from hedging activities effected in the course of business and a decrease in interest expenses due to the repayment of loans payable and redemption of bonds, etc. improved non-operating income/loss by ¥15.9 billion. With the ¥35.1

billion increase in operating income, ordinary income rose ¥51.0 billion, or 37.8%, from the same period of the previous fiscal year to ¥186.1 billion.

(4) Net income

In addition to a lower gain on sales of noncurrent assets, the recording of a loss from the payment for regulatory fine in Canada and the recording of costs geared towards strengthening the business system of the Food Business, among others, resulted in the deterioration of extraordinary income/loss by ¥27.7 billion. These partially offset an increase amounting to ¥51.0 billion in ordinary income, consequently, income before income taxes and minority interests rose ¥23.2 billion, from the same period of the previous fiscal year to ¥160.6 billion. Net income, affected by a ¥7.2 billion increase in the amount of income taxes recorded due to higher income before income taxes and minority interests, among other factors, increased ¥15.8 billion, or 24.0%, from the same period of the previous fiscal year to ¥81.9 billion.

For details, please refer to the “Consolidated Financial Results for the Six Months Ended September 30, 2010 <under Japanese GAAP>” which JT released today.

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