[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

April 26, 2012

Consolidated Financial Results for the Fiscal Year Ended March 31, 2012 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchanges: Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock Exchanges
URL: http://www.jti.co.jp/
Representative: Hiroshi Kimura, President, Chief Executive Officer and Representative Director
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Telephone: +81-3-3582-3111
Scheduled date of Annual General Meeting of Shareholders: June 22, 2012
Scheduled date to file Securities Report: June 22, 2012
Scheduled starting date of the dividend payments: June 25, 2012
Drawing up supplementary documents on financial results: Yes
Holding investors' meeting: Yes (for analysts and institutional investors)

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

1. Consolidated financial results for the fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012)

(1) Consolidated operating results

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the year	
Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2012	2,033,825	(1.2)	459,180	14.4	441,355	14.6	328,559	32.1
March 31, 2011	2,059,365	–	401,321	–	385,242	–	248,736	–

	Profit attributable to owners of the parent company		Comprehensive income (loss) for the year		Basic earnings per share	Diluted earnings per share
Year ended	Millions of yen	%	Millions of yen	%	Yen	Yen
March 31, 2012	320,883	31.9	192,143	–	33,700.97	33,687.78
March 31, 2011	243,315	–	(48,967)	–	25,414.33	25,407.09

	Ratio of profit to equity attributable to owners of the parent company	Ratio of profit before income taxes to total assets	Ratio of operating profit to revenue
Year ended	%	%	%
March 31, 2012	20.3	12.1	22.6
March 31, 2011	15.3	10.2	19.5

Reference: Share of profit (loss) in investments accounted for using the equity method:
Fiscal year ended March 31, 2012: ¥2,047 million; Fiscal year ended March 31, 2011: ¥2,330 million

Note: The JT Group has adopted the International Financial Reporting Standards (IFRS) starting in the fiscal year ended March 31, 2012.

(2) Consolidated financial position

	Total assets	Total equity	Equity attributable to owners of the parent company	Ratio of equity attributable to owners of the parent company to total assets	Equity attributable to owners of the parent company per share
As of	Millions of yen	Millions of yen	Millions of yen	%	Yen
March 31, 2012	3,667,007	1,714,626	1,634,050	44.6	171,617.35
March 31, 2011	3,655,201	1,601,311	1,525,145	41.7	160,179.52

(3) Consolidated cash flows

	Net cash flows from (used in) operating activities	Net cash flows from (used in) investing activities	Net cash flows from (used in) financing activities	Cash and cash equivalents at the end of the year
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
March 31, 2012	551,573	(103,805)	(279,064)	404,740
March 31, 2011	406,847	(125,993)	(185,379)	244,240

2. Cash dividends

	Annual dividends per share					Total amount of dividends (total)	Payout ratio (consolidated)	Ratio of dividends to equity attributable to owners of the parent company (consolidated)
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2011	-	2,800.00	-	4,000.00	6,800.00	64,910	26.8	4.1
Year ended March 31, 2012	-	4,000.00	-	6,000.00	10,000.00	95,215	29.7	6.0
Year ending March 31, 2013 (Forecast)	-	30.00	-	30.00	60.00		35.9	

Note: Information about dividends for the year ending March 31, 2013 is provided taking into consideration the effect of the share split to be conducted at a ratio of 200 to one with July 1, 2012 as effective date.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2013 (from April 1, 2012 to March 31, 2013)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the year		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2013	2,120,000	4.2	483,000	5.2	469,000	6.3	324,000	(1.4)	318,000	(0.9)	166.99

Notes: 1. Information about basic earnings per share is provided taking into consideration the effect of the share split to be conducted at a ratio of 200 to one with July 1, 2012 as effective date.
2. The consolidated earnings forecasts for the six months of the fiscal year ending March 31, 2013 are not presented because the Company has not prepared those forecasts.

Notes

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
   a. Changes in accounting policies due to revisions in accounting standards under IFRS: None
   b. Changes in accounting policies due to other reasons: None
   c. Changes in accounting estimates: None

(3) Number of shares issued (common stock)

a. Total number of shares issued at the end of the period (including treasury shares)

As of March 31, 2012	10,000,000 shares
As of March 31, 2011	10,000,000 shares

b. Number of treasury shares at the end of the period

As of March 31, 2012	478,526 shares
As of March 31, 2011	478,526 shares

c. Average number of shares during the period

Fiscal year ended March 31, 2012	9,521,474 shares
Fiscal year ended March 31, 2011	9,573,924 shares

(Reference) Summary of non-consolidated results

Non-consolidated financial results for the fiscal year ended March 31, 2012 (from April 1, 2011 to March 31, 2012) <under Japanese GAAP>

(1) Non-consolidated operating results

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2012	734,902	(1.9)	201,045	8.4	198,071	8.3	142,726	343.0
March 31, 2011	749,252	–	185,422	13.2	182,819	13.1	32,216	(70.0)

	Net income per share	Diluted net income per share
Year ended	Yen	Yen
March 31, 2012	14,989.87	14,984.00
March 31, 2011	3,365.00	3,364.04

* Effective April 1, 2011, JT made a partial revision to its accounting policy. The amount equivalent to tobacco excise taxes has been changed to a method which excludes the amount from net sales and cost of sales. Also, in accordance with the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24), the financial figures for the corresponding period in the previous fiscal year are shown with the retrospective application of the partially revised accounting policy.

(2) Non-consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
March 31, 2012	3,016,651	1,924,739	63.8	202,039.18
March 31, 2011	2,879,354	1,854,401	64.4	194,679.73

Reference: Equity:
As of March 31, 2012: ¥1,923,711 million; As of March 31, 2011: ¥1,853,638 million

Note: Figures above in the table of non-consolidated financial results are prepared in accordance with Japanese GAAP.

* Indication regarding execution of audit procedures

At the time of disclosure of this financial results report, the audit procedures for financial statements in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of earnings forecasts, and other special matters

(1) The JT Group has adopted the International Financial Reporting Standards (IFRS) starting in the fiscal year ended March 31, 2012.

(2) The conciliation between the financial figures under IFRS and Japanese GAAP is shown in the section of “1. Business results, (1) Analysis of consolidated business results, Adoption of IFRS” on page 3, “4. Consolidated financial statements, (6) Notes to consolidated financial statements, First-time adoption of International Financial Reporting Standards” on pages 42

(3) The forward-looking statements, including forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. These statements do not purport that the Company pledges to realize such statements. Please refer to “Caution concerning forward-looking statements” on page 14 and in the supplementary document to the investors’ meeting, **“**Review of the JT-11 medium term management plan results and Business Plan 2012” and “Overview of Consolidated Financial Results for FY 3/2012 and Full-term Forecasts for FY 3/2013**”** for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

(4) The Company plans to conduct a share split at a ratio of 200 to one with July 1, 2012 as effective date.

(5) Please refer to JT’s website (http://www.jti.co.jp/) for materials for investors’ meeting.

Attached Materials

Index

1. Business results 2
(1) Analysis of consolidated business results 2
(2) Analysis of consolidated financial position 9
(3) Basic policy on profit distribution and dividends for fiscal years 2012 and 2013 10
(4) Business and other risks 10
2. Status of the corporate group 11
3. Management policy 12
(1) Basic management policy 12
(2) Medium- to long-term management strategy and issues 12
4. Consolidated financial statements 15
(1) Consolidated statements of financial position 15
(2) Consolidated statements of income and consolidated statements of comprehensive income 17
(3) Consolidated statements of changes in equity 19
(4) Consolidated statements of cash flows 21
(5) Notes on premise of going concern 23
(6) Notes to consolidated financial statements 23
(Basis of preparation) 23
(Significant accounting policies) 24
(Significant accounting estimates and judgments on estimates) 33
(Segment information) 34
(Per share information) 39
(Significant events after the reporting period) 40
(First-time adoption of international financial reporting standards) 42
5. Non-consolidated financial statements 54
(1) Non-consolidated balance sheets 54
(2) Non-consolidated statements of income 58
(3) Non-consolidated statements of changes in net assets 60
(4) Notes on premise of going concern 63

1. Business results

(1) Analysis of consolidated business results

JT-11 medium-term management plan (fiscal 2010 to fiscal 2012)

JT and its group companies (the “JT Group” or the “Group”) formulated mid-term plan (‘JT-11’) for the three-year period from the fiscal year ended March 31, 2010 to the fiscal year ended March 31, 2012 to carry on the strategies the Group had promoted before the period and take them to a higher level, and worked towards the achievement of its long-term vision of becoming a “Company committed to global growth that provides consumers diversified value uniquely available from JT.”

The JT Group achieved the annual-average EBITDA growth rate of 8.6%, which exceeded the group-wide target during the JT-11 period of 5% or more of the annual-average growth (based on the assumption that foreign exchange rates remain the same). This performance was achieved due to the contributions of the Japanese Domestic and International Tobacco Businesses.

The Japanese Domestic Tobacco Business achieved the performance substantially higher than the target to maintain the initially expected EBITDA in the fiscal year ended March 31, 2010, getting through unexpected business environment changes that were beyond the scope of prediction, including considerable tobacco excise tax increases in October 2010 and the occurrence of the Great East Japan Earthquake in 2011. We believe the future profit-growth potential of the business was confirmed as the business realized profit growth despite a substantial decrease in sales volume.

The International Tobacco Business, benefitting from the increase in market share and the growth of GFB(Note), attained a 10% EBITDA growth based on the assumption that foreign exchange rates remain the same, which was the target of JT-11, confirming the business’ continued profit-growth momentum.

The Pharmaceutical Business made efforts to increase and advance compounds in late stage developments and to strengthen our R&D pipeline, and we saw a steady progress such as application of approval of drugs, including single-tablet regimen anti-HIV drug JTK-303, and advancement of anti-dyslipidemia compound JTT-705.

In the Food Business, the “Roots” flagship brand drove strong and steady results for the beverage business, while the processed food business progressively strengthened its business fundamentals to improve profitability, although the pace to attain success is slow.

With regard to dividends, we aimed at a consolidated dividend payout ratio of 30% (after deducting the goodwill amortization effect). We plan to pay out a year-end dividend for the current fiscal year of ¥6,000 per share. Provided that this is approved, the annual dividend per share, including the ¥4,000 interim dividend per share, will be ¥10,000. Net income (after deducting the goodwill amortization effect) became ¥309.9 billion for the fiscal year ended March 31, 2012. Consequently, the consolidated dividend payout ratio (after deducting the goodwill amortization effect) will be on the level of exceeding the target.

*The above financial figures are based on Japanese GAAP, and are unaudited information.

(Note) We have identified eight brands which serve as flagships of the brand portfolio, Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour, which we collectively call the Global Flagship Brands (GFB).

Adoption of IFRS

The JT Group has adopted the International Financial Reporting Standards (IFRS), instead of Japanese GAAP, which was previously adopted, starting with the consolidated financial statements for the fiscal year ended March 31, 2012. The outline of differences between accounting policies under IFRS and Japanese GAAP is shown below.

Reclassification

- Under Japanese GAAP, revenue from transactions of imported tobacco in which TS Network Co., Ltd. is involved as an agency was included in net sales and cost of sales. Under IFRS, however, this is not included in revenue or cost of sales. Certain sales rebates were presented in selling, general, and administrative expenses under Japanese GAAP; however, they are presented in revenue as a deduction from revenue under IFRS.
- The Group presented non-operating income, non-operating expenses, extraordinary income, and extraordinary loss under Japanese GAAP. Under IFRS, among such items, the Group presents financial-related items as financial income or financial costs, and other items as cost of sales, other operating income, share of profit on investments accounted for using the equity method, and selling, general, and administrative expenses, etc.

Differences in recognition and measurement

- Under Japanese GAAP, the Group substantially estimated the amortization period of goodwill, and goodwill was amortized over the years estimated; however, it is not amortized under IFRS.
- Under Japanese GAAP, the Group amortized actuarial gains or losses for calculation of retirement benefit liabilities starting with the year following the year in which they were recognized, allocating the amounts over a certain number of years determined based on the employees' average remaining service period. Under IFRS, the Group recognizes all of the actuarial gains or losses as other comprehensive income at the time of occurrence.
- With regard to the depreciation method of property, plant and equipment (excluding leased assets), the Group mainly adopted the declining-balance method under Japanese GAAP; however, it adopts the straight-line method under IFRS.

The details are shown in the section of "4. Consolidated financial statements, (6) Notes to consolidated financial statements, First-time adoption of International Financial Reporting Standards" on page 42.

The JT Group provides, in addition to the figures reported in the consolidated financial statements, data not defined in IFRS. These data are used for our business management in order to identify performance of each business operation of the Group aiming at its medium- to long-term sustainable growth. Therefore, we believe these data will provide useful information for users of the financial statements to assess the Group's performance.

Core revenue

Concerning the tobacco business, we additionally disclose revenue from JT Group's tobacco products as "core revenue", as breakdown for revenue. Specifically, the figure for the Japanese Domestic Tobacco Business is presented after deducting imported tobacco delivery charges, among others, included in the revenue from the revenue, while the figure for the International Tobacco Business is presented after deducting the revenue accounted for in distribution business and contract manufacturing, among others, from the revenue.

Adjusted EBITDA

As useful information for comparison of the JT Group's performance, adjusted EBITDA is presented, which is obtained by deducting depreciation and amortization, impairment losses on goodwill, and restructuring-related income and costs, from operating profit or loss.

For details, please refer to "(2) Consolidated statements of income and consolidated statements of comprehensive income, Reconciliation from operating profit to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)" on page 17.

(Business results for the current fiscal year)

All of the following financial figures are based on IFRS.

a. General summary

Revenue

Revenue decreased by ¥25.5 billion, or 1.2%, from the previous fiscal year to ¥2,033.8 billion. This was mainly due to the sales volume decline in the Japanese Domestic Tobacco Business caused by the impact of the earthquake and the tax and price increase, along with the strong yen, despite the favorable pricing in the Japanese Domestic and the International Tobacco Businesses.

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Revenue	2,059.4	2,033.8	(25.5)	(1.2)
Japanese Domestic Tobacco Business	665.8	646.2	(19.6)	(2.9)
of which, core revenue (Note)	632.2	611.9	(20.2)	(3.2)
International Tobacco Business	963.5	966.3	2.7	0.3
of which, core revenue (Note)	887.8	894.6	6.8	0.8
Pharmaceutical Business	44.1	47.4	3.3	7.5
Food Business	367.5	359.4	(8.0)	(2.2)

* Figures exclude revenue within consolidated companies.

* Revenue includes revenue from rent of real estate, etc. in addition to revenue from the segments shown above. For details, please refer to "4. Consolidated financial statements, (6) Notes to consolidated financial statements, (Segment information), (2) Profits and performances for reportable segments," on page 34.

(Note) Revenue from imported tobacco delivery charges, among others, is excluded from the Japanese Domestic Tobacco Business. Revenue from the distribution business, contract manufacturing, among others, is excluded from the International Tobacco Business.

Adjusted EBITDA

Operating profit increased by ¥57.9 billion, or 14.4%, from the previous fiscal year to ¥459.2 billion, despite the recording of expenses including compensation payment for leaf tobacco growers voluntarily ceasing cultivation and business restructuring costs in the International Tobacco Business. This was mainly due to the favorable pricing in the Japanese Domestic and the International Tobacco Businesses, an increase in gain on sales of non-current assets, and the absence of a payment for regulatory fine in Canada recorded in the previous fiscal year.

In addition, adjusted EBITDA which exclude depreciation and amortization, compensation payment for leaf tobacco growers voluntarily ceasing cultivation, business restructuring costs in the International Tobacco Business, gain on sales of non-current assets, etc., increased by ¥55.1 billion, or 10.6%, from the previous fiscal year to ¥577.1 billion.

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Adjusted EBITDA	522.0	577.1	55.1	10.6
Japanese Domestic Tobacco Business	247.2	262.3	15.1	6.1
International Tobacco Business	277.9	314.8	36.9	13.3
Pharmaceutical Business	(9.8)	(10.0)	(0.3)	–
Food Business	17.7	20.0	2.3	12.8
Operating profit	401.3	459.2	57.9	14.4

* Operating profit and adjusted EBITDA include operating profit and adjusted EBITDA relating to factors other than the segments shown above. For details, please refer to "4. Consolidated financial statements, (6) Notes to consolidated financial statements, (Segment information), (2) Profits and performances for reportable segments," on page 34.

* Adjusted EBITDA = operating profit + depreciation and amortization + impairment losses on goodwill ± restructuring-related costs and restructuring-related income

Profit attributable to owners of the parent company

Owing to the increase in operating profit, profit before income taxes increased by ¥56.1 billion, or 14.6%, from the previous fiscal year to ¥441.4 billion. Furthermore, profit attributable to owners of the parent company increased by ¥77.6 billion, or 31.9%, from the previous fiscal year to ¥320.9 billion due to a decrease in income tax expense caused by factors including tax deductions made in the current fiscal year for loss on valuation of stocks of subsidiaries and affiliates recorded on the non-consolidated statement of income for the previous fiscal year.

b. Review of operations by business segment

Japanese Domestic Tobacco Business

Total sales volume for cigarettes during the current fiscal year decreased by 26.2 billion cigarettes, or 19.5%, from the previous fiscal year to 108.4 billion cigarettes(Note). This was mainly due to the effects of limited deliveries in terms of the number of brands and delivery volume in the aftermath of the Great East Japan Earthquake and a drop in demand resulting from the tax and price increase of October 2010. Our market share for the current fiscal year was 54.9%, compared with 64.1% for the previous fiscal year. From the second quarter ended September 30, 2011, having put in place a stable supply system, JT made every possible effort to enhance its competitiveness in order to regain market share at an early juncture through efforts such as the active introduction of new products under core brands and the development of effective sales promotions. As a result, market share for the month of March reached 60.0%.

Revenue per 1,000 cigarettes increased by ¥920 to ¥5,502 as a result of the retail price amendment.

As a result of the above, despite the effects of favorable pricing, revenue decreased by ¥19.6 billion, or 2.9%, from the previous fiscal year to ¥646.2 billion, and core revenue decreased by ¥20.2 billion, or 3.2%, from the previous fiscal year to ¥611.9 billion. This mainly reflected the decrease in sales volume.

In addition, despite the decrease in sales volume, adjusted EBITDA increased by ¥15.1 billion, or 6.1%, from the previous fiscal year to ¥262.3 billion, mainly due to the effects of favorable pricing and insurance payouts related to the Great East Japan Earthquake.

(Note) In addition to the figure stated above, during the fiscal year ended March 31, 2012, 3.7 billion cigarettes were sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau that are under the control of JT's China Division.

International Tobacco Business

Among GFB(Note) in the current fiscal year, there was steady growth in shipments of Winston in Russia, Italy and Turkey. LD shipments grew in Russia. As a result, shipment volume of GFB increased by 6.6 billion cigarettes, or 2.6%, from the previous fiscal year to 256.5 billion cigarettes. On the other hand, total shipment volume including GFB decreased by 2.7 billion cigarettes, or 0.6%, from the previous fiscal year to 425.7 billion cigarettes, mainly due to a fall in sales of non-GFB local brands in Russia and industry contraction in Ukraine and Spain.

Although there was a decrease in shipment volume, dollar-based revenue increased by $1,133 million, or 10.3%, from the previous fiscal year to $12,108 million, while dollar-based core revenue increased by $1,098 million or 10.9% from the previous fiscal year to $11,211 million. This was mainly due to the effects of strong pricing and favorable foreign exchange effects on the local currencies of key markets.

Furthermore, adjusted EBITDA increased by $779 million, or 24.6%, from the previous fiscal year to $3,944 million, despite an increase in expenses mainly caused by increases in raw material costs and strengthening of sales promotions. The primary factors for this included the effects of favorable pricing and the absence of a loss from the payment for regulatory fine in Canada recorded in the previous fiscal year.

As a result of the above, despite the effects of a strong yen when making conversions to that currency, revenue increased by ¥2.7 billion or 0.3% from the previous fiscal year, to ¥966.3 billion, core revenue increased by ¥6.8 billion, or 0.8%, from the previous fiscal year to ¥894.6 billion, and adjusted EBITDA increased by ¥36.9 billion, or 13.3%, from the previous fiscal year to ¥314.8 billion.

(Note) We have identified eight brands which serve as flagships of the brand portfolio, Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour, which we collectively call the Global Flagship Brands (GFB).

* The foreign exchange rate in the fiscal year ended March 31, 2012 was ¥79.80 per U.S. dollar, representing a ¥7.99 year-on-year yen appreciation, compared with ¥87.79 per U.S. dollar in the previous fiscal year.

Pharmaceutical Business

In the Pharmaceutical Business, our focus is increasing and advancing compounds in late stage developments and enhancing the research and development pipeline. The number of compounds developed in-house that are under clinical development is now 8(Note). Gilead Sciences, Inc., which is the licensee, has submitted application of approval of drugs, including single-tablet regimen anti-HIV drug JTK-303 to US FDA and EMA, among others.

Revenue in the current fiscal year increased by ¥3.3 billion, or 7.5%, from the previous fiscal year, to ¥47.4 billion mainly due to increased sales at our subsidiary Torii Pharmaceutical Co., Ltd. of products including REMITCH® CAPSULES, an oral antipruritus drug for hemodialysis patients, and Truvada® Tablets, an anti-HIV drug. Adjusted EBITDA was negative ¥10.0 billion (compared to negative ¥9.8 billion in the previous fiscal year) due mainly to an increase in research and development expenses as a result of progress in development.

(Note) Regarding items under clinical development, please refer to “Japan Tobacco Inc. Clinical development (as of April 26, 2012)” of Overview of Consolidated Financial Results for FY 3/2012 and Full ‐ term Forecast for FY3/2013.

Food Business

Revenue declined by ¥8.0 billion, or 2.2%, from the previous fiscal year to ¥359.4 billion. This was mainly due to the impact of the closure of part of the processed food business in the previous fiscal year, despite increased sales in the beverage business mainly due to a solid sales performance by our flagship coffee brand “Roots” and an increase due to growth in staple food products (frozen noodles, packed cooked rice, baked frozen bread) in the processed food business.

In addition, adjusted EBITDA increased by ¥2.3 billion, or 12.8%, from the previous fiscal year to ¥20.0 billion. This was mainly due to effects of increased revenue from “Roots” in the beverage business, increased sales in higher-margin staple food products in the processed food business, and steady improvement of the earnings structure including a reduction in fixed costs.

(Earnings forecasts for the fiscal year ending March 31, 2013)

The consolidated earnings forecasts for the fiscal year ending March 31, 2013 are as follows.

	Fiscal year ended March 31, 2012 (Result)	Fiscal year ending March 31, 2013 (Forecast)	Change
	Billions of yen	Billions of yen	Billions of yen
Revenue	2,033.8	2,120.0	86.2
Japanese Domestic Tobacco Business	646.2	682.0	35.8
of which, core revenue	611.9	649.0	37.1
International Tobacco Business	966.3	1,007.0	40.7
of which, core revenue	894.6	930.0	35.4
Pharmaceutical Business	47.4	50.5	3.1
Food Business	359.4	367.5	8.1
Adjusted EBITDA	577.1	595.0	17.9
Japanese Domestic Tobacco Business	262.3	268.0	5.7
International Tobacco Business	314.8	334.0	19.2
Pharmaceutical Business	(10.0)	(16.0)	(6.0)
Food Business	20.0	21.0	1.0
Operating profit	459.2	483.0	23.8
Profit attributable to owners of the parent company	320.9	318.0	(2.9)

Revenue and adjusted EBITDA

Revenue and adjusted EBITDA are expected to increase. Forecasts for each segment are as follows.

Japanese Domestic Tobacco Business

Total sales volume is expected to be 114.5 billion cigarettes, an increase of 6.1 billion cigarettes from the current fiscal year, despite a decrease in total demand, in the light of such factors as the decline from the impact of the Great East Japan Earthquake in the current fiscal year, as well as our intention to continue working to regain market share in the fiscal year ending March 31, 2013 and beyond.

Taking into account our expectations regarding sales volume, revenue is forecast to be ¥682.0 billion, up by ¥35.8 billion from the current fiscal year, and core revenue is forecast to be ¥649.0 billion, up by ¥37.1 billion from the current fiscal year. Adjusted EBITDA is forecast to be ¥268.0 billion, upwardly revised by ¥5.7 billion, taking into consideration such factors as an increase in expenses in order to regain market share and further strengthen our brand equity amid an increasingly competitive environment.

* Principal assumption of total sales volume forming the basis of the outlook

	Fiscal year ended March 31, 2012 (Result)	Fiscal year ending March 31, 2013 (Forecast)
Total sales volume	108.4 billion cigarettes	114.5 billion cigarettes

International Tobacco Business

Shipment volume of GFB is expected to be 264.0 billion cigarettes, an increase of 7.5 billion cigarettes from the current fiscal year, due mainly to our expectation that shipment volume of Winston and LD will continue growing steadily. For the same reason, total shipment volume including GFB is forecast to be 430.0 billion cigarettes, an increase of 4.3 billion cigarettes from the current fiscal year.

In addition, although we expect unfavorable foreign exchange effects on the local currencies of key markets, revenue is expected to be ¥1,007.0 billion, up by ¥40.7 billion from the current fiscal year, and core revenue is forecast to be ¥930.0 billion, up by ¥35.4 billion from the current fiscal year, mainly because of favorable pricing. Furthermore, adjusted EBITDA is forecast to be ¥334.0 billion, up by 19.2 billion from the current fiscal year, mainly due to the same pricing effects, despite an expected negative impact from the unfavorable foreign exchange effects on the local currencies of key markets.

* Principal assumption of shipment volume and foreign exchange rate forming the basis of the outlook

	Fiscal year ended March 31, 2012 (Result)	Fiscal year ending March 31, 2013 (Forecast)
Total shipment volume	425.7 billion cigarettes	430.0 billion cigarettes
of which, GFB shipment volume	256.5 billion cigarettes	264.0 billion cigarettes
Foreign exchange rate	¥79.80 per U.S. dollar	¥80.00 per U.S. dollar

(Note) The following exchange rates of major currencies against the U.S. dollar are assumed for the current forecast.

Foreign exchange rate per U.S. dollar	Fiscal year ended March 31, 2012 (Result)	Fiscal year ending March 31, 2013 (Forecast)
Ruble	29.40 rubles	30.00 rubles
Pounds sterling	0.63 pounds sterling	0.63 pounds sterling
Euro	0.72 euro	0.75 euros

Pharmaceutical Business

Revenue is expected to be ¥50.5 billion, up by ¥3.1 billion from the current fiscal year, mainly because of increased sales at our subsidiary Torii Pharmaceutical Co., Ltd. Adjusted EBITDA is forecast to be negative ¥16.0 billion (compared to negative ¥10.0 billion in the current fiscal year) due to such factors as increased research and development expenses as a result of progress in development.

Food Business

We will work to achieve sustained growth for the “Roots” brand in the beverage business, while we expect growth in staple food products (frozen noodles, packed cooked rice, baked frozen bread) in the processed foods business. As a result, revenue in the Food Business as a whole is expected to be ¥367.5 billion, up by ¥8.1 billion from the current fiscal year. In terms of profit, although we expect an increase in expenses to strengthen sales capabilities in the beverage business, we will continue working to bolster profitability by concentrating our efforts on high-margin staple food products in the processed food business. For this reason, adjusted EBITDA is forecast to be ¥21.0 billion, up by ¥1.0 billion from the current fiscal year.

Profit attributable to owners of the parent company

While operating profit is expected to increase, profit attributable to owners of the parent company is forecast to be almost in line with the current fiscal year at ¥318.0 billion. This reflects a decrease in income tax expense caused by tax deductions made in the current fiscal year for loss on valuation of stocks of subsidiaries and affiliates recorded in the previous fiscal year.

(Note) The above figures are based on judgments, evaluations, factual understandings, policy formulations and other factors made in accordance with information currently available to the management. They are also based upon certain assumptions required to formulate forward-looking statements as well as information already confirmed to be factual. Actual figures may differ from those forecasted, depending on uncertainties inherent in future forecasts, as well as possible changes in the Company's operations, domestic and foreign economies, stock markets and other conditions. These statements do not purport that the Company pledges to realize such statements. Please refer to the "Caution concerning forward-looking statements" before using the information provided in our forward-looking statements.

(2) Analysis of consolidated financial position

Cash and cash equivalents at the end of the current fiscal year increased by ¥160.5 billion from the end of the previous fiscal year to ¥404.7 billion. Cash and cash equivalents at the end of the previous fiscal year was ¥244.2 billion.

Cash flows from (used in) operating activities

Net cash flows from operating activities during the current fiscal year were ¥551.6 billion, compared with ¥406.8 billion provided in the previous fiscal year. The main factors were the generation of a stable cash inflow from the tobacco business and an increase in tobacco excise taxes payable in the Japanese Domestic Tobacco Business. As a result of holidays for financial institutions, the amount of national tobacco excise tax payable in the Japanese Domestic Tobacco Business for the previous fiscal year is for 12 months, while the amount for the current fiscal year is for 11 months.

Cash flows from (used in) investing activities

Net cash flows used in investing activities during the current fiscal year were ¥103.8 billion, compared with ¥126.0 billion used in the previous fiscal year, despite proceeds from the sale of investment property. This was mainly due to the purchase of property, plant and equipment and an investment to acquire business bases in the Republics of Sudan and South Sudan.

Cash flows from (used in) financing activities

Net cash flows used in financing activities during the current fiscal year were ¥279.1 billion, compared with ¥185.4 billion used in the previous fiscal year. The main factors were repayments of long-term borrowings, the redemption of bonds, and the payment of cash dividends.

Trends in company cash flow indicators are as shown below.

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Ratio of equity attributable to owners of the parent company to total assets (%)	41.7	44.6
Ratio of equity attributable to owners of the parent company to total assets on market value basis (%)	82.2	127.1
Interest-bearing debt to cash flow ratio (%)	174.3	91.1
Interest coverage ratio (times)	21.8	34.5

(Note) Ratio of equity attributable to owners of the parent company to total assets:
equity attributable to owners of the parent company / total assets
Ratio of equity attributable to owners of the parent company to total assets on market value basis:
market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / paid interest

* All indicators are calculated using consolidated-based financial figures.
* Market capitalization is calculated by multiplying the number of issued shares as of the end of the fiscal year (including treasury stock) by the share price on the last day of the fiscal year.
* The figure used for operating cash flow is "net cash flows from operating activities" on the consolidated statements of cash flows.
* Interest-bearing debt includes all liabilities recorded on the consolidated statements of financial position on which interest was paid.

(3) Basic policy on profit distribution and dividends for fiscal years 2012 and 2013

JT aims to achieve sustainable profit growth over the medium to long-term with a view that investing in business for future profit growth is in the best interests of all shareholders. In a similar way, JT believes that providing large-scale returns to shareholders from a short-term perspective restricts opportunities for investing in business for future, results in loss of business competitiveness and shareholder value in the medium- to long-term.

Furthermore, taking into consideration further pursuit of competitive returns for shareholders, JT has put in place targets for the consolidated dividend payout ratio(Note 1) and adjusted earnings per share (EPS) growth rate(Note 2).

Regarding the consolidated dividend payout ratio, taking global players in the Fast-Moving Consumer Goods (FMCG) business(Note 3) as its benchmark, JT aims to realize a consolidated dividend payout ratio of 40% by the fiscal year ending March 31, 2014, and following this in the medium-term, a ratio of 50%. JT aims to achieve an adjusted EPS growth of high single digit per annum over the medium to long-term. JT will base such improvements mainly through business growth, while considering share buy-backs as a complementary initiative.

The planned year-end dividend for the current fiscal year is ¥6,000 per share. Added to the interim dividend of ¥4,000, this would result in an annual dividend of ¥10,000 per share.

In addition, regarding the dividend for the fiscal year ending March 31, 2013(Note 4), JT plans to pay an annual dividend of ¥60 per share (including a ¥30 interim dividend).

(Note 1) Consolidated dividend payout ratio is obtained by dividing annual dividend per share by basic earnings per share.

(Note 2) Adjusted EPS growth rate: Profit growth rate per share obtained by dividing the amount arrived at by subtracting impairment losses on goodwill, restructuring-related income and restructuring-related costs, among others, from profit attributable to owners of the parent company by diluted average number of shares during the period.

(Note 3) Fast Moving Consumer Goods (daily consumer goods)

(Note 4) This takes into consideration the impact of a share split of 200-for-1 scheduled to come into effect on July 1, 2012. The dividend for the fiscal year ending March 31, 2014 on the basis of total shares issued before the share split is an annual dividend of ¥12,000 per share (including a ¥6,000 interim dividend).

(4) Business and other risks

There were no material changes to the items disclosed in the most recent Annual Securities Report (submitted June 24, 2011) or new business or other risks.

With respect to the legal requirement for the Japanese government to hold JT shares, under the “Act on Special Measures for Securing Necessary Financial Resources for the Implementation of Reconstruction Measures Following the Great East Japan Earthquake” (the “Securing Reconstruction Resources Act”), which was promulgated on December 2, 2011, the government must continue to hold more than one-third of all JT shares issued. Under the same Act, it is required for an examination to be made of the feasibility of selling JT shares by reassessing the framework under which the government holds the shares, while taking into consideration the framework of the country’s commitment to tobacco-related business based on the Tobacco Business Act and the like until the fiscal year ending March 31, 2023. In relation to this, in Article 16 of the general budget provisions for Special Account in the fiscal year ending March 31, 2013, it is stated that, pursuant to Article 3 of the Japan Tobacco Inc. Act, the number of Japan Tobacco Inc. shares the special account for the national debt consolidation fund may dispose of in the fiscal year ending March 31, 2013 shall be no more than 1,666,666 shares (however, in the event of a share split or consolidation of shares occurring with respect to the shares, the maximum number of shares that may be disposed of is calculated by multiplying the ratio of said share split or consolidation. In the event of a share split or consolidation of two tiers or more, this shall be the ratio equivalent to the product of all tiers).

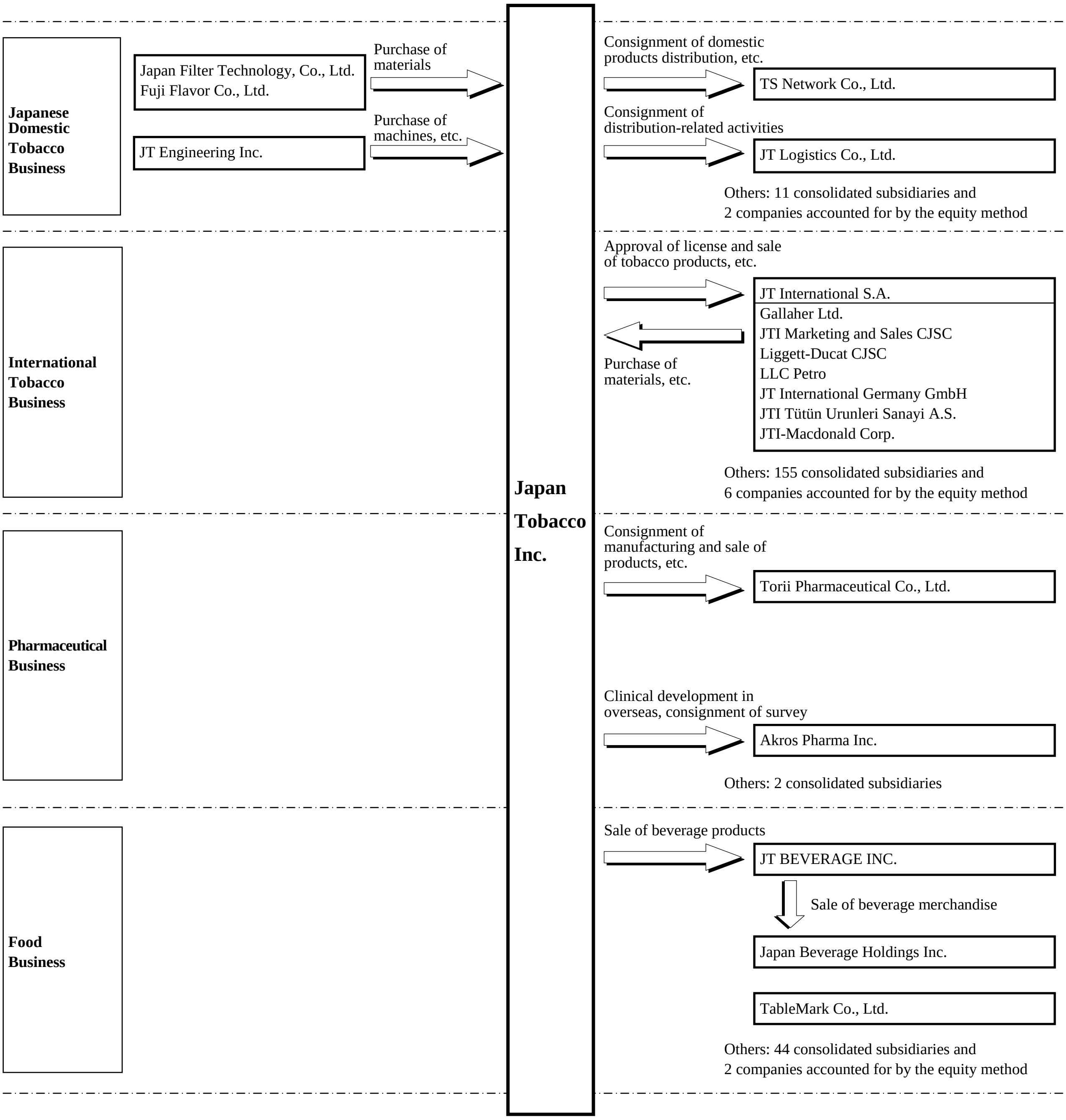
The Outline of the 2012 Tax Reform Proposals determined by the Cabinet of Japan on December 10, 2011 continues to mention that, in order to hold down tobacco consumption from the perspective of national health, a future tax rate increase for the tobacco excise tax is necessary. It also states that, when the future framework of the tobacco business is examined, full consideration will be given to the consistency of such a move with the policies stated in the outlines of the 2010 and 2011 Tax Reform Proposals (amending and abolishing the existing Tobacco Business Act and formulating a new framework for the tobacco business in light of the expected future picture of the tobacco business and the lives of those involved in it), as well as the examination on the sale of JT shares and the framework of holding the shares based on the Securing Reconstruction Resources Act.

2. Status of the corporate group

There have been no material changes in the status of the corporate group (240 consolidated subsidiaries, 11 companies accounted for by the equity method), from the information disclosed in “1. Overview of the JT Group, 3. Business description” in the recent Annual Securities Report (filed June 24, 2011).

The following is an illustration of the business network.

(As of March 31, 2012)



* In addition to the businesses mentioned above, the JT Group runs businesses, etc. relating to the rent of real estate, etc. and there are the subsidiaries and affiliates with respect to these businesses (10 consolidated subsidiaries and 1 company accounted for by the equity method).

3. Management policy

(1) Basic management policy

The JT Group has set itself the mission of creating, developing and nurturing its unique brands to win consumer trust, while understanding and respecting the environment and the diversity of societies and individuals. Each employee and officer of the JT Group will continue to increase cash flows and maximize shareholder value in the medium- to long-term by placing customers first and foremost, behaving with sincerity, maintaining high quality standards in every aspect of their work, making continual enhancements, and bringing together the JT Group's diverse capabilities, and will continue to operate the JT Group in a way that earns the confidence of its various stakeholders.

Furthermore, the "4S Model," which has been the JT's management principles, is designed, placing our consumers at the center, to ensure that in all our activities, we satisfy and fulfill our responsibilities towards consumers, shareholders, employees and society at large, while balancing the interests of these key stakeholder groups. In order to realize this, it is important to have sustainable profit growth. For this purpose, JT believes that it is necessary to steadily implement business investment for profit growth in the future, from a medium to long-term perspective.

(2) Medium- to long-term management strategy and issues

The JT Group has developed Business plan 2012 which follows on from the mid-term plan ('JT-11') over three years ended March 31, 2012. The plan is designed so that the Group can achieve its long-term vision of becoming a "Company committed to global growth that provides consumers diversified value uniquely available from JT."

During the period of "JT-11", in the challenging business environment, the Group operated the business aiming to achieve its group-wide target of annual-average EBITDA growth rate of 5% or more (based on the assumption that foreign exchange rates remain the same) from the level announced in 2009, and consolidated dividend payout ratio of 30% in the medium-term (after deducting the goodwill amortization effect). Therefore, due to robust business growth, EBITDA growth exceeding the target was attained. In addition, if the planned year-end dividend for the current fiscal year is approved, the consolidated dividend payout ratio (after deducting the goodwill amortization effect) will be on the level of exceeding the target.

Going forward, in order to achieving sustainable profit growth and to manage our global business appropriately, the JT Group recognizes that enhancing its ability to adapt to unforeseen changes and events swiftly and flexibly, while challenging business plan assumptions to better anticipate the future - its "adaptability to a changing environment" - is an important theme.

Based on this way of thinking, the JT Group will change its management plans from the previous form, in which it announced medium-term, quantitative targets with set terms of three years in medium-term management plans that were announced once every three years, to a new form in which the term of plans is set at three years but the plans are renewed each year on a rolling basis. In this way, the Group will speed up its response to unexpected changes, thus dealing with them appropriately.

In accordance with the "4S Model" concept, the Group intends to carry out medium- to long-term allocation of management resources with a high priority attached to business investment that contributes to medium- to long-term profit growth. In addition to setting a target for adjusted EBITDA growth rate, the Group will also put in place targets for the consolidated dividend payout ratio and adjusted earnings per share (EPS) growth rate from the perspective of the further pursuit of competitive returns for shareholders. A competitive target for the dividend payout ratio will be set taking global players in the FMCG business as a benchmark. Furthermore, whilst our primary aim is to increase adjusted EPS mainly through profit growth, the Company will also consider an expeditious share buy-back as a complementary initiative.

The group-wide, medium- to long-term profit targets, medium- to long-term targets of returns for shareholders and the targets of each business are as follows:

○ Consolidated medium to long-term profit targets exceed those of JT-11

- Adjusted EBITDA growth of mid to high single digit per annum over the medium to long-term at constant rates of exchange
  - Target 5.2% growth in the fiscal year ending March 31, 2013, in comparison to the prior fiscal year, at constant rates of exchange
- Dividend payout ratio of 40% in the fiscal year ending March 31, 2014, subsequently aiming to reach 50% over the medium-term
  - Target 35.9% in the fiscal year ending March 31, 2013 at constant rates of exchange in comparison to the prior year

- Adjusted EPS growth of high single digit per annum over the medium to long-term at constant rates of exchange

○ Business targets

- Tobacco Business: Grow adjusted EBITDA at mid to high single-digit rate per annum over the mid to long-term in the core business and profit growth engine of the JT Group
  - Japanese Domestic: Highly competitive platform of profitability
  - International: Profit growth engine, generating more than 50% of the Group profit
- Pharmaceutical Business: Strive to establish profitability through rapid and efficient market launch of compounds in late phases of clinical trials
- Food Business: Strengthen profit generation capability through continuous improvement, and contribute to the Group profit

In order to achieve the consolidated medium to long-term profit targets, our strategic focus across all businesses is to achieve quality top line growth. For each business, our strategic focus is to improve cost competitiveness and business foundations that support these efforts, thereby achieving sustainable profit growth.

* In addition to the information provided above, reference information regarding settlement of accounts and earnings forecasts is separately provided in the supplementary document "Review of the JT-11 medium term management plan results and Business Plan 2012" and "Overview of Consolidated Financial Results for FY 3/2012 and Full-term Forecasts for FY 3/2013"

(Caution concerning forward-looking statements)

This material 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, state other forward-looking information, and do not purport that the Company pledges to realize such statements. 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 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

4. Consolidated financial statements (IFRS)

(1) Consolidated statements of financial position

(Millions of yen)

	Date of transition to IFRS As of April 1, 2010	Fiscal year 2011 As of March 31, 2011	Fiscal year 2012 As of March 31, 2012
Assets			
Current assets			
Cash and cash equivalents	154,369	244,240	404,740
Trade and other receivables	308,091	311,202	327,767
Inventories	531,948	488,609	446,617
Other financial assets	21,629	37,349	27,361
Other current assets	147,084	137,910	123,163
Subtotal	1,163,120	1,219,310	1,329,649
Non-current assets held-for-sale	1,366	39,553	1,401
Total current assets	1,164,486	1,258,863	1,331,050
Non-current assets			
Property, plant and equipment	648,580	639,324	619,536
Goodwill	1,388,144	1,176,114	1,110,046
Intangible assets	394,690	330,194	306,448
Investment property	81,087	36,477	67,387
Retirement benefit assets	5,234	6,769	14,371
Investments accounted for using the equity method	23,311	19,072	18,447
Other financial assets	83,502	62,661	67,548
Deferred tax assets	122,107	125,726	132,174
Total non-current assets	2,746,655	2,396,338	2,335,957
Total assets	3,911,142	3,655,201	3,667,007

(Millions of yen)

	Date of transition to IFRS As of April 1, 2010	Fiscal year 2011 As of March 31, 2011	Fiscal year 2012 As of March 31, 2012
Liabilities and equity			
Liabilities			
Current liabilities			
Trade and other payables	301,880	311,787	298,663
Bonds and borrowings	301,683	218,037	211,766
Income taxes payable	54,058	65,651	42,501
Other financial liabilities	13,221	8,446	8,039
Provisions	3,948	4,184	5,686
Other current liabilities	433,459	463,088	590,717
Subtotal	1,108,250	1,071,192	1,157,373
Liabilities directly associated with non-current assets held-for-sale	–	6,297	101
Total current liabilities	1,108,250	1,077,490	1,157,474
Non-current liabilities			
Bonds and borrowings	558,584	478,154	279,750
Other financial liabilities	29,339	14,832	20,994
Retirement benefit liabilities	285,002	311,917	315,020
Provisions	5,628	4,512	4,448
Other non-current liabilities	97,982	94,135	92,235
Deferred tax liabilities	98,655	72,850	82,460
Total non-current liabilities	1,075,190	976,400	794,906
Total liabilities	2,183,440	2,053,889	1,952,380
Equity			
Share capital	100,000	100,000	100,000
Capital surplus	736,407	736,410	736,410
Treasury shares	(74,575)	(94,574)	(94,574)
Other components of equity	12,609	(250,745)	(376,363)
Retained earnings	880,243	1,034,054	1,268,577
Equity attributable to owners of the parent company	1,654,683	1,525,145	1,634,050
Non-controlling interests	73,019	76,166	80,576
Total equity	1,727,702	1,601,311	1,714,626
Total liabilities and equity	3,911,142	3,655,201	3,667,007

(2) Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Revenue	2,059,365	2,033,825
Cost of sales	(953,860)	(892,034)
Gross profit	1,105,506	1,141,791
Other operating income	20,630	48,512
Share of profit in investments accounted for using the equity method	2,330	2,047
Selling, general and administrative expenses	(727,144)	(733,169)
Operating profit	401,321	459,180
Financial income	9,870	5,603
Financial costs	(25,949)	(23,429)
Profit before income taxes	385,242	441,355
Income taxes	(136,506)	(112,795)
Profit for the year	248,736	328,559
Attributable to:		
Owners of the parent company	243,315	320,883
Non-controlling interests	5,421	7,676
Profit for the year	248,736	328,559
Earnings per share		
Basic (Yen)	25,414.33	33,700.97
Diluted (Yen)	25,407.09	33,687.78

Reconciliation from operating profit to adjusted earnings before interest, taxes, depreciation and amortization (EBITDA)

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Operating profit	401,321	459,180
Depreciation and amortization	117,954	118,845
Impairment losses on goodwill	87	–
Restructuring-related income	(11,254)	(29,932)
Restructuring-related costs	13,920	29,039
Adjusted EBITDA	522,029	577,132

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Profit for the year	248,736	328,559
Other comprehensive income		
Exchange differences on translation of foreign operations	(256,784)	(130,331)
Net gain (loss) on derivatives designated as cash flow hedges	–	(166)
Net gain (loss) on revaluation of available-for-sale securities	(6,458)	–
Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	–	4,750
Actuarial gains (losses) on defined benefit retirement plans	(34,461)	(10,669)
Other comprehensive income, net of taxes	(297,703)	(136,416)
Comprehensive income (loss) for the year	(48,967)	192,143
Attributable to:		
Owners of the parent company	(54,486)	185,425
Non-controlling interests	5,519	6,718
Comprehensive income (loss) for the year	(48,967)	192,143

(3) Consolidated statements of changes in equity

(Millions of yen)

	Equity attributable to owners of the parent company						
				Other components of equity			
	Share capital	Capital surplus	Treasury shares	Subscription rights to share	Exchange differences on translation of foreign operations	Net gain (loss) on derivatives designated as cash flow hedges	Net gain (loss) on revaluation of available-for-sale securities
Balance as of April 1, 2010	100,000	736,407	(74,575)	565	–	–	12,044
Profit for the year	–	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	(257,262)	–	(6,290)
Comprehensive income (loss) for the year	–	–	–	–	(257,262)	–	(6,290)
Acquisition of treasury shares	–	–	(20,000)	–	–	–	–
Disposal of treasury shares	–	3	1	(4)	–	–	–
Share-based payments	–	–	–	203	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	–
Other increase (decrease)	–	–	–	–	–	–	–
Total transactions with the owners	–	3	(19,999)	199	–	–	–
Balance as of March 31, 2011	100,000	736,410	(94,574)	763	(257,262)	–	5,754
Cumulative effect of applying a new accounting standard	–	–	–	–	–	(142)	(5,754)
Profit for the year	–	–	–	–	–	–	–
Other comprehensive income	–	–	–	–	(129,966)	(166)	–
Comprehensive income for the year	–	–	–	–	(129,966)	(166)	–
Acquisition of treasury shares	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	–	–	–	–	–
Share-based payments	–	–	–	265	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	–
Other increase (decrease)	–	–	–	–	–	–	–
Total transactions with the owners	–	–	–	265	–	–	–
Balance as of March 31, 2012	100,000	736,410	(94,574)	1,028	(387,228)	(309)	–

(Millions of yen)

	Equity attributable to owners of the parent company						
	Other components of equity						
	Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income	Actuarial gains (losses) on defined benefit retirement plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
Balance as of April 1, 2010	–	–	12,609	880,243	1,654,683	73,019	1,727,702
Profit for the year	–	–	–	243,315	243,315	5,421	248,736
Other comprehensive income (loss)	–	(34,248)	(297,801)	–	(297,801)	98	(297,703)
Comprehensive income (loss) for the year	–	(34,248)	(297,801)	243,315	(54,486)	5,519	(48,967)
Acquisition of treasury shares	–	–	–	–	(20,000)	–	(20,000)
Disposal of treasury shares	–	–	(4)	–	–	–	–
Share-based payments	–	–	203	–	203	–	203
Dividends	–	–	–	(55,565)	(55,565)	(1,666)	(57,230)
Changes in the ownership interest in a subsidiary without loss of control	–	–	–	225	225	(58)	167
Transfer from other components of equity to retained earnings	–	34,248	34,248	(34,248)	–	–	–
Other increase (decrease)	–	–	–	85	85	(647)	(563)
Total transactions with the owners	–	34,248	34,447	(89,503)	(75,052)	(2,371)	(77,423)
Balance as of March 31, 2011	–	–	(250,745)	1,034,054	1,525,145	76,166	1,601,311
Cumulative effect of applying a new accounting standard	5,551	–	(344)	97	(247)	47	(201)
Profit for the year	–	–	–	320,883	320,883	7,676	328,559
Other comprehensive income	4,684	(10,009)	(135,458)	–	(135,458)	(958)	(136,416)
Comprehensive income for the year	4,684	(10,009)	(135,458)	320,883	185,425	6,718	192,143
Acquisition of treasury shares	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	–	–	–	–	–
Share-based payments	–	–	265	–	265	–	265
Dividends	–	–	–	(76,172)	(76,172)	(2,138)	(78,310)
Changes in the ownership interest in a subsidiary without loss of control	–	–	–	(366)	(366)	(137)	(503)
Transfer from other components of equity to retained earnings	(89)	10,009	9,920	(9,920)	–	–	–
Other increase (decrease)	–	–	–	–	–	(80)	(80)
Total transactions with the owners	(89)	10,009	10,185	(86,458)	(76,273)	(2,355)	(78,628)
Balance as of March 31, 2012	10,146	–	(376,363)	1,268,577	1,634,050	80,576	1,714,626

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Cash flows from operating activities		
Profit before income taxes	385,242	441,355
Depreciation and amortization	117,954	118,845
Impairment losses	6,181	7,013
Interest and dividend income	(3,671)	(3,646)
Interest expense	17,087	14,377
Share of profit in investments accounted for using the equity method	(2,330)	(2,047)
(Gain) loss on sale and disposal of property, plant and equipment, intangible assets, and investment property	(5,864)	(22,444)
(Increase) decrease in trade and other receivables	(27,665)	(30,207)
(Increase) decrease in inventories	6,724	27,388
Increase (decrease) in trade and other payables	25,579	(5,365)
Increase (decrease) in retirement benefit liabilities	(8,221)	(9,686)
Decrease (increase) in prepaid tobacco excise taxes	(8,983)	(1,785)
Increase (decrease) in tobacco excise taxes payable	27,627	148,260
Increase (decrease) in consumption taxes payable	14,952	14,807
Other	(1,772)	(13,002)
Subtotal	542,844	683,863
Interest and dividends received	5,053	6,181
Interest paid	(18,670)	(16,006)
Income taxes paid	(122,380)	(122,464)
Net cash flows from operating activities	406,847	551,573
Cash flows from investing activities		
Purchase of securities	(33,508)	(5,697)
Proceed from sale and redemption of securities	36,488	21,622
Purchase of property, plant and equipment	(129,970)	(95,705)
Proceed from sale of property, plant and equipment	8,733	1,919
Proceed from sale of investment property	10,079	34,545
Purchase of intangible assets	(13,909)	(18,252)
Payments into time deposits	(25,299)	(46,648)
Proceed from withdrawal of time deposits	21,169	34,854
Purchase of shares of subsidiaries	–	(33,622)
Proceeds from sale of shares of subsidiaries	–	730
Payments for sales of investments in subsidiaries	(647)	–
Other	871	2,450
Net cash flows from investing activities	(125,993)	(103,805)

(Millions of yen)

	Fiscal year 2011 (From April 1,2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Cash flows from financing activities		
Dividends paid to owners of the parent company	(55,558)	(76,165)
Dividends paid to non-controlling interests	(1,666)	(2,138)
Capital contribution from non-controlling interests	584	629
Increase (decrease) in short-term borrowings and commercial paper	(172,083)	(2,408)
Proceeds from long-term borrowings	62,946	–
Repayments of long-term borrowings	(23,207)	(59,879)
Proceeds from issuance of bonds	79,793	–
Redemption of bonds	(50,300)	(133,333)
Repayments of finance lease obligations	(6,199)	(5,268)
Acquisition of treasury shares	(20,000)	–
Payments for acquisition of interests in subsidiaries from non-controlling interests	(81)	(503)
Proceeds from sale of interests in subsidiaries to non-controlling interests	391	–
Other	0	–
Net cash flows from financing activities	(185,379)	(279,064)
Net increase (decrease) in cash and cash equivalents	95,476	168,704
Cash and cash equivalents at the beginning of the year	154,369	244,240
Effect of exchange rate changes on cash and cash equivalents	(5,604)	(8,204)
Cash and cash equivalents at the end of the year	244,240	404,740

(5) Notes on premise of going concern

No items to report.

(6) Notes to consolidated financial statements

(Basis of preparation)

(1) Compliance with IFRS and first-time adoption

The Group's consolidated financial statements, which satisfy all the requirements concerning the "Specified Company" prescribed in Item 1-(a) to (c) and (d)-(3) of Paragraph 1 of Article 1-2 of the "Ordinance on Terminology, Forms and Preparation Methods of Consolidated Financial Statements" (Ordinance of the Ministry of Finance No. 28 of 1976; hereinafter referred to as "Regulations for Consolidated Financial Statements"), are prepared in accordance with IFRS pursuant to the provision of Article 93 of the same regulations.

The Group first adopted IFRS for the fiscal year ended March 31, 2012, and the date of transition to IFRS (hereinafter referred to as the "date of transition") is April 1, 2010. The effect of transition to IFRS on the Group's financial position, operating results, and state of cash flow for the date of transition and comparative fiscal years, is stated in "First-time adoption of International Financial Reporting Standards."

Except for IFRS that have not been early adopted and exemption provisions permitted by the provisions of IFRS 1 "First-time Adoption of International Financial Reporting Standards" (hereinafter referred to as "IFRS 1"), the Group's accounting policies are in accordance with IFRS effective on March 31, 2012. The exemptions applied are stated in "Significant accounting policies."

(2) Basis of measurement

Except for the financial instruments, etc., stated in "Significant accounting policies," the Group's consolidated financial statements were prepared on a historical cost basis.

(3) Functional currency and presentation currency

In preparing the Group's consolidated financial statements, the Company uses Japanese yen, which is the functional currency of the Company, as the presentation currency. The units are in millions of yen, and figures were rounded off to the nearest million yen.

(4) Early adoption of new standards

The Group has early adopted IFRS 9 "Financial Instruments" (revised in October 2010) (hereinafter referred to as "IFRS 9") from the beginning of the current fiscal year ended March 31, 2012 (April 1, 2011).

IFRS 9 replaces International Accounting Standard (IAS) 39 "Financial Instruments: Recognition and Measurement" (hereinafter referred to as "IAS 39"), and provides two measurement categories for financial instruments: amortized costs and fair value. Changes in fair value of financial assets measured at fair value are recognized in profit or loss. However, changes in fair value of investments in equity instruments, except for equity instruments held for trading purpose, are allowed to be recognized in other comprehensive income.

For the date of transition and the prior fiscal year, financial instruments are accounted for in accordance with the previous accounting principles (Japanese GAAP), applying the exemption from retrospective application of IFRS 7 "Financial Instruments: Disclosures" (hereinafter referred to as "IFRS 7") and IFRS 9 under IFRS 1.

The effect of early adoption described above on the consolidated financial statements at the beginning of the fiscal year ended March 31, 2012 is immaterial.

(5) Reporting period of JT International Holdings B. V. and its subsidiaries

JT International Holdings B. V. (hereinafter referred to as JTIH) and its subsidiaries (hereinafter collectively referred to as the "JTIH Group"), which operate the Group's International Tobacco Business, have a fiscal year end date of December 31. For these companies, the period from January 1, 2011 to December 31, 2011 was used in the process of consolidation for the fiscal year ended March 31, 2012.

In the consolidation process of the Group, consolidation accounting for the JTIH Group (subconsolidation) was conducted first, and then, the process of consolidation accounting for the whole group was performed. The JTIH Group is one of our business operation units, which operates the Group's International Tobacco Business. It manages budgets and actual results on a subconsolidation basis and, as a financial reporting unit, plays a major role in ensuring the accuracy and quality of our financial reporting. Unifying the financial reporting period under the consolidated closing process, as well as ensuring that the same level of quality in consolidated financial reporting under the current system is maintained and satisfying the schedule requirements prescribed in the Companies Act, requires to shorten the closing schedule further across the Group. To achieve this, the review and improvement of the systems and structures of the closing process across the Group are necessary through the following: conducting the process of subconsolidation of the JTIH Group and changing the reporting process to the Company; restructuring the processes of consolidation and preparation of consolidated financial statements, including notes to financial statements; carrying out the proper arrangement of personnel and training; and reviewing the process of approval in financial reporting. As a result, we determined that the unification of reporting periods is impracticable for the near term.

However, under the unification of accounting standards to IFRS, we will promote actions to strengthen and make effective the closing and management systems in Japan and overseas, and will achieve the unification of reporting period at the earliest possible.

Although there is three months difference between the fiscal year end of the JTIH Group and that of the Company, in recent years seasonal and periodical fluctuations have been relatively small in the Group's International Tobacco Business. Therefore, the effect from the mismatch of the reporting period on the Group's consolidated financial position and operating results is limited. With respect to significant transactions conducted and events occurring during the time gap, the necessary adjustments are made and appropriate measures are taken to help financial statement users properly understand and assess the consolidated financial position and operating results of the Group.

(Significant accounting policies)

(1) Basis of consolidation

The consolidated financial statements include financial statements of the Company and its subsidiaries, and interests in investments in associates and joint ventures.

A. Subsidiaries

A subsidiary is an entity that is controlled by the Group; and control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities. The acquisition date of a subsidiary is the date on which the Group obtained control of the subsidiary, and the subsidiary is included in the consolidation from the date of acquisition until the date on which the Group loses control.

In cases where the accounting policies applied by a subsidiary are different from those applied by the Group, adjustments are made to the subsidiary's financial statements, if necessary.

All intra-group balances, transactions, income and expenses are eliminated on consolidation.

Comprehensive income for subsidiaries is attributed to owners of the parent company and non-controlling interests even if this results in the non-controlling interests having a deficit balance.

The consolidated financial statements include the financial statements of subsidiaries whose fiscal year end date is different from that of the parent company since it is impracticable to unify the fiscal year end date. The difference between the fiscal year end date of the subsidiaries and that of the parent company does not exceed three months.

In cases where the financial statements of subsidiaries used for preparing the consolidated financial statements have different fiscal year end date from that of the Company, necessary adjustments are made for the effects of significant transactions or events that occurred between the fiscal year end dates of the subsidiaries and that of the Company.

B. Associates

An associate is an entity of which the Group has significant influence over the financial and operating policy. Investments in associates are accounted for using the equity method from the date on which the Group has the significant influence until the date on which it ceases to have the influence.

The consolidated financial statements include investments in associates with different fiscal year end date from that of the parent company since, primarily due to relations with other shareholders, it is impracticable to unify the fiscal year end date. Necessary adjustments are made for the effects of significant transactions or events that occurred between the fiscal year end dates of the associates and that of the Company.

C. Joint venture

A joint venture is a contractual agreement whereby two or more parties undertake an economic activity that is subject to joint control. Joint ventures are accounted for using the equity method.

(2) Business combination

Business combinations are accounted for using the acquisition method. Consideration transferred in a business combination is measured as the sum of the acquisition-date fair value of the assets transferred in exchange for control over an acquiree, the liabilities assumed and equity interests issued by the Company. Any excess of the consideration of acquisition over the fair value of identifiable assets and liabilities is recognized as goodwill in the consolidated statement of financial position. If the consideration of acquisition is lower than the fair value of the identifiable assets and liabilities, the difference is immediately recognized as profit in the consolidated statement of income. Acquisition-related costs incurred are recognized as expenses. The additional acquisition of non-controlling interests after obtaining control is accounted for as a capital transaction and no goodwill is recognized with respect to such transactions.

As the Group has adopted the exemption provision prescribed in IFRS 1, which an entity can choose to apply, IFRS 3 “Business Combination” is not applied retrospectively with respect to business combinations prior to April 1, 2010. In such cases, the carrying amounts of goodwill based on the previous accounting standard (Japanese GAAP) as at the date of transition becomes the carrying amount for the opening IFRS consolidated statement of financial position.

(3) Foreign currency translation

Consolidated financial statements of the Group are presented in Japanese yen, which is the functional currency of the Company. Each company in the Group specifies its own functional currency and measures transactions based on it.

Foreign currency transactions are translated into Japanese yen at the rates of exchange prevailing at the dates of transactions or an approximation to the rate. Monetary assets and liabilities denominated in foreign currencies are translated into Japanese yen at the rates of exchange prevailing at the fiscal year end date. Differences arising from the translation and settlement are recognized as profit or loss. However, exchange differences arising from the translation of financial instruments designated as hedging instruments for net investment in foreign operations (foreign subsidiaries, etc.), financial assets measured at fair value through other comprehensive income, and cash flow hedges are recognized as other comprehensive income.

The assets and liabilities of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the fiscal year end date, while income and expenses of foreign operations are translated into Japanese yen at the rates of exchange prevailing at the dates of transactions or rates that approximate such rates. The resulting translation differences are recognized as other comprehensive income. In cases where foreign operations are disposed of, the cumulative amount of translation differences related to the foreign operations is recognized as profit or loss in the period of disposition.

Among subsidiaries, the JTIH Group’s fiscal year end date is December 31, and an exchange rate used for the translation is based on its fiscal year end date.

As the Group has adopted the exemption provision prescribed in IFRS 1, which an entity can choose to apply, cumulative amount of translation differences prior to the date of transition is transferred to retained earnings.

(4) Financial instruments

For the date of transition and the prior fiscal year, financial instruments are accounted for in accordance with the previous accounting principles (Japanese GAAP), applying the exemption from retrospective application of IFRS 7 and IFRS 9 under IFRS 1. For the fiscal year ended March 31, 2012, IFRS 7 and IFRS 9 are applied, and the accounting policies are as follows:

A. Financial assets

(i) Initial recognition and measurement

Financial assets are classified into financial assets measured at fair value through profit or loss, or fair value through other comprehensive income, and financial assets measured at amortized cost. The Group determines the classification at initial recognition.

Financial assets are classified as financial assets measured at amortized cost if both of the following conditions are met. Otherwise, they are classified as financial assets measured at fair value.

- The asset is held within a business model whose objective is to hold assets in order to collect contractual cash flows.
- The contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding

For financial assets measured at fair value, each equity instrument is designated as measured at fair value through profit or loss or as measured at fair value through other comprehensive income, except for equity instruments held for trading purposes that must be measured at fair value through profit or loss. Such designations are applied consistently.

All financial assets are measured at the fair value plus transaction costs that are attributable to the financial assets, except for the case of being classified in the category of financial assets measured at fair value through profit or loss.

(ii) Subsequent measurement

After initial recognition, financial assets are measured based on the classification by the following procedures:

(a) Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured at amortized cost using the effective interest method.

(b) Other financial assets

Financial assets other than those measured at amortized cost are measured at fair value. Changes in the fair value of financial assets measured at fair value are recognized as profit or loss. However, changes in the fair value of equity instruments designated as measured at fair value through other comprehensive income are recognized as other comprehensive income and the changes are transferred to retained earnings when equity instruments are derecognized or the decline in its fair value compared to its acquisition cost is significant. Dividends on the financial assets are recognized in profit or loss for the year.

(iii) Derecognition

Financial assets are derecognized when the rights to receive benefits from them expire or are transferred, or when substantially all the risks and rewards of the ownership are transferred.

B. Impairment of financial assets

In accordance with IAS 39, the Group assesses at the end of each reporting period whether there is any objective evidence that financial assets measured at amortized cost are impaired. Evidence of impairment includes significant financial difficulty of the borrower or a group of borrowers, a default or delinquency in interest or principal payments, and bankruptcy of the borrower.

The Group assesses whether objective evidence of impairment exists individually for financial assets that are individually significant, and collectively for financial assets that are not individually significant.

If there is objective evidence that impairment losses on financial assets measured at amortized cost have been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows.

The carrying amount of the financial asset measured at amortized cost and whose impairment is recognized is reduced through use of an allowance for doubtful accounts and impairment losses are recognized in profit or loss. The carrying amount of the same is directly reduced for the impairment when they are expected to become uncollectible in the future and all collaterals are implemented or transferred to the Group. If, in a subsequent period, the amount of the impairment loss provided changes due to an event occurring after the impairment was recognized, the previously recognized impairment losses are adjusted through the allowance account.

C. Financial liabilities

(i) Initial recognition and measurement

Financial liabilities are classified into financial liabilities measured at fair value through profit or loss and financial liabilities measured at amortized cost. The Group determines the classification at initial recognition.

All financial liabilities are measured at fair value at initial recognition. However, financial liabilities measured at amortized cost are measured at cost after deducting transaction costs that are directly attributable to the financial liabilities.

(ii) Subsequent measurement

After initial recognition, financial liabilities are measured based on the classification.

(a) Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities held for trading and financial liabilities designated as measured at fair value through profit or loss at initial recognition.

(b) Financial liabilities measured at amortized cost

After initial recognition, interest-bearing borrowings are measured at amortized cost using the effective interest method. Amortization under the effective interest method and a gain or loss on derecognition is recognized as profit or loss in the consolidated statement of income.

After initial recognition, financial guarantee contracts are measured at the higher of:

- The best estimate of expenditure required to settle the obligation as of the end of the fiscal year, and
- The amount initially recognized less cumulative amortization.

(iii) Derecognition

Financial liabilities are derecognized when the obligation is discharged, cancelled or expired.

D. Offsetting of financial instruments

Financial assets and financial liabilities are offset and presented in the net amount in the consolidated statement of financial position only when there is a legally enforceable right to set off the recognized amounts and the Group intends either to settle on a net basis, or to realize the asset and settle the liability simultaneously.

E. Derivatives and hedge accounting

The Group utilizes derivatives, including forward foreign exchange contracts and interest rate swap contracts, to hedge foreign exchange and interest rate risks, respectively. Derivatives are initially measured at fair value at the date the contract is entered into, and are subsequently remeasured at fair value.

Changes in the fair value of derivatives are recognized as profit or loss in the consolidated statement of income. However, the effective portion of the gain or loss on the hedging instrument in cash flow hedges and hedges of net investment in foreign operations is recognized as other comprehensive income in the consolidated statement of comprehensive income.

At the inception of the hedge, the Group formally designates and documents the hedging relationship to which hedge accounting is applied, and the objectives and strategies of risk management for undertaking the hedge. The documentation includes identification of hedging instruments, the hedged items or transactions, the nature of the risks being hedged and how the hedging instrument's effectiveness is assessed in offsetting the exposure to changes in the hedged item's fair value or cash flows attributable to the hedged risks. Even though these hedges are expected to be highly effective in offsetting changes in fair value or cash flows, they are assessed on an ongoing basis and determined actually to have been highly effective throughout the financial reporting periods for which the hedges were designated.

Hedges that qualify for stringent requirements for hedging accounting are classified in the following categories and accounted for in accordance with IAS 39.

(i) Fair value hedge

Changes in the fair value of derivatives are recognized as profit or loss in the consolidated statement of income. Responding to changes in the fair value of hedged items attributable to the hedged risks, the carrying amount of the hedged item is adjusted and the change is recognized as profit or loss in the consolidated statement of income.

(ii) Cash flow hedge

The effective portion of gain or loss on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized immediately as profit or loss in the consolidated statement of income.

The amounts of hedging instruments recognized in other comprehensive income are reclassified to profit or loss when the transactions of the hedged items affect profit or loss. In cases where hedged items result in the recognition of non-monetary assets or liabilities, the amounts recognized as other comprehensive income are accounted for as adjustments in the original carrying amount of non-monetary assets or liabilities.

When forecast transactions or firm commitment is no longer expected to occur, any related cumulative gain or loss that has been recognized in equity as other comprehensive income is reclassified to profit or loss. When hedging instruments expire, are sold, or terminated or exercised without the replacement or rollover of other hedging instruments, or when the hedge designation is revoked, amounts that have been recognized in other comprehensive income are continued to be recognized in other comprehensive income until the forecast transactions or firm commitments occur.

(iii) Hedge of net investment in foreign operations

Translation difference resulting from hedge of net investment in foreign operations is accounted for similarly to cash flow hedge. The effective portion of gain or loss on hedging instruments is recognized as other comprehensive income in the consolidated statement of comprehensive income, while the ineffective portion is recognized as profit or loss in the consolidated statement of income. Any related cumulative gain or loss that has been recognized in equity as other comprehensive income at the time of the disposal of the foreign operations, is reclassified to profit or loss.

F. Fair value of financial instruments
   Fair value of financial instruments that are being traded in active financial markets at the fiscal year end refers to quoted prices or dealer quotations.
   If there is no active market, fair value of financial instruments is determined using appropriate valuation models.

The previous accounting principles (Japanese GAAP) applied for the date of transition and the prior fiscal year are as follows.

A. Securities
   Securities are classified as held-to-maturity debt securities or available-for-sale securities. Held-to-maturity debt securities are measured at amortized cost. Available-for-sale marketable securities are measured at fair value, with unrealized gains and losses, net of applicable taxes, and recognized in other comprehensive income in the consolidated statement of comprehensive income. The cost of available-for-sale marketable securities sold is determined based on the moving-average method. Non-marketable available-for-sale securities are stated at cost determined by the moving-average method. For significant impairment in fair value that is judged unrecoverable, carrying amounts of securities are reduced to fair value, with a resulting charge to profit or loss.

B. Derivative financial instruments and hedge accounting
   Derivative financial instruments are recognized as either assets or liabilities and measured at fair value, and gains or losses on derivatives are recognized in the consolidated statement of income. For derivatives which qualify for hedge accounting because of high correlation and effectiveness between the hedging instruments and hedged items, gains or losses on derivatives are deferred until the corresponding hedged items are recognized in earnings.
   The Group’s trade payables that are denominated in foreign currencies and have been hedged by foreign exchange forward contracts are translated at the foreign exchange rate stipulated in the contracts. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income. Interest rate and currency swap that qualify for hedge accounting and meet specific matching criteria are not remeasured at market value, but the differential paid or received under the swap agreements are recognized and included in interest expense or income, and long-term debts that are denominated in foreign currencies and have been hedged by interest rate and currency swap contracts are translated at the foreign exchange rate stipulated in the contracts.

(5) Cash and cash equivalents
   Cash and cash equivalents consist of cash on hand, demand deposits, and short-term investments that are readily convertible to known amounts of cash and subject to insignificant risk of change in value, and due within three months from the date of acquisition.

(6) Inventories
   The acquisition cost of inventories includes all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.
   Inventories are measured at the lower of acquisition cost or net realizable value, and the costs are determined by using the weighted-average method. Net realizable value is determined as the estimated selling price in the ordinary course of business less the estimated costs of completion and estimated costs necessary to make the sale.
   Leaf tobacco which are stored for more than 12 months before used for production, is included in current assets since it is held within the normal operating cycle.

(7) Property, plant and equipment
   Property, plant, and equipment is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.
   The acquisition cost includes any costs directly attributable to the acquisition of the asset; and dismantlement, removal and restoration costs; as well as borrowing costs eligible for capitalization.

Except for assets that are not subject to depreciation, such as land, assets are depreciated using the straight-line method over their estimated useful lives. The estimated useful lives of major asset items are as follows:

- Buildings and structures: 38 to 50 years
- Machinery and vehicles: 10 to 15 years

The estimated useful lives and depreciation method are reviewed at each fiscal year end, with the effect of any changes in estimate being accounted for on a prospective basis.

(8) Goodwill and intangible assets

A. Goodwill

Goodwill is stated at acquisition cost less accumulated impairment losses.
Goodwill is not amortized. It is allocated to cash-generating units that are identified according to locations and types of businesses and tested for impairment annually or more frequently if there is any indication for impairment. Impairment losses on goodwill are recognized in the consolidated statement of income and no subsequent reversal is made.

B. Intangible assets

Intangible assets are measured by using the cost model and are stated at cost less accumulated amortization and accumulated impairment losses.
Intangible assets acquired individually are measured at cost at the initial recognition, and the costs of intangible assets acquired in business combinations are recognized at fair value at the acquisition date. Expenditures on internally generated intangible assets are recognized as expense in the period when incurred, except for development expenses that satisfy the capitalization criteria.
Intangible assets with finite useful lives are amortized using the straight-line method over their estimated useful lives and are tested for impairment whenever there is any indication for impairment. The estimated useful lives and amortization method of intangible assets with finite useful lives are reviewed at each fiscal year end, with the effect of any changes in estimate being accounted for on a prospective basis.
The estimated useful lives of major intangible assets with finite useful lives are as follows:

- Trademark: 20 years
- Software: 5 years

Intangible assets with indefinite useful lives and intangible assets that are not ready to use are not amortized, but they are tested for impairment individually or by cash-generating unit annually or more frequently if there is any indication for impairment.

(9) Leases

Leases are classified as finance leases whenever substantially all the risks and rewards of ownership are transferred to the Group. All other leases are classified as operating leases.
In finance lease transactions, leased assets and lease obligations are recognized in the consolidated statement of financial position at the lower of the fair value of the leased property or the present value of the minimum lease payments, each determined at the inception of the lease. Lease payments are apportioned between the financial costs and the reduction of the outstanding obligation based on the effective interest method. Financial costs are recognized in the consolidated statement of income. Leased assets are depreciated using the straight-line method over their estimated useful lives or lease terms whichever shorter.
In operating lease transactions, lease payments are recognized as an expense using the straight-line method over the lease terms in the consolidated statement of income. Contingent rents are recognized as an expense in the period when they are incurred.
Determining whether an arrangement is, or contains, a lease is based on the substance of the arrangement in accordance with International Financial Reporting Interpretations Committee 4 “Determining Whether an Arrangement Contains a Lease,” even if the arrangement does not take the legal form of a lease.

(10) Investment property

Investment property is property held to earn rentals or for capital appreciation or both.
Investment property is measured by using the cost model for property, plant and equipment and is stated at cost less accumulated depreciation and accumulated impairment losses.

(11) Impairment of non-financial assets

The Group assesses at the end of each fiscal year whether there is any indication that an asset may be impaired. If any such indication exists, or in cases where the impairment test is required to be performed each year, the recoverable amount of the asset is estimated. In cases where the recoverable amount cannot be estimated for each asset, it is determined for the cash-generating unit to which the asset belongs. The recoverable amount of an asset or a cash-generating unit is determined at the higher of its fair value less costs to sell or its value in use. If the carrying amount of the asset or cash-generating unit exceeds the recoverable amount, an impairment loss is recognized and the carrying amount is reduced to the recoverable amount. In determining the value in use, estimated future cash flows are discounted to the present value, using pretax discount rates that reflect current market assessments of the time value of money and the risks specific to the asset. In determining the fair value less costs to sell, the Group uses an appropriate valuation model supported by available fair value indicators.

The Group assesses at the end of each fiscal year end whether there is any indication that an impairment loss recognized in prior years for an asset other than goodwill may no longer exist or may have decreased, such as there are any changes in assumptions used for the determination of the recoverable amount. If any such indication exists, the recoverable amount of the asset or cash-generating unit is estimated. In cases where the recoverable amount exceeds the carrying amount of the asset or cash-generating unit, impairment loss is reversed up to the lower of the estimated recoverable amount, or the carrying amount (net of depreciation) that would have been determined if no impairment loss had been recognized in prior years.

(12) Non-current assets held for sale

An asset or asset group that is expected to be recovered through a sale transaction rather than through continuing use is classified into a non-current asset or disposal group held for sale when the following conditions are met: it is highly probable that the asset or asset group will be sold within one year, the asset or asset group is available for immediate sale in its present condition, and the Group management commits to the sale plan. In such cases, the non-current asset is not depreciated or amortized and is measured at the lower of its carrying amount or its fair value less costs to sell.

(13) Employee retirement benefits and mutual aid pension benefits

The Group sponsors defined benefit plans and defined contribution plans as employee retirement benefit plans.

With regard to obligations to bear pension expenses for mutual assistance association incurred with respect to services in or before June 1956 (meaning before enforcement of the Act on the Mutual Aid Association of Public Corporation Employees, etc.) among expenses required by obligations under the government-sponsored pension plan, the Company determines the liability related to the obligation under mutual assistance association, and recognizes the amount in the liability related to retirement benefits.

For each plan the Group calculates the present value of defined benefit obligations, and related current service cost and past service cost using the projected unit credit method. For a discount rate, a discount period is determined based on the period until the expected date of benefit payment in each fiscal year, and the discount rate is determined by reference to market yields at the end of the fiscal year on high quality corporate bonds. Liabilities or assets for defined benefit plans are calculated by the present value of the defined benefit obligation, deducting unrecognized past service cost and the fair value of any plan assets (including adjustments for the asset ceiling for defined benefit plan and minimum funding requirements, if necessary). Expected return on plan assets and interest costs are recognized as financial costs.

Actuarial gains and losses are recognized in full as other comprehensive income and transferred to retained earnings immediately in the period when they are incurred. Past service costs are recognized as an expense using the straight-line method over the average period until the benefits become vested. In cases where the benefits are already vested, immediately following the introduction or amendment of the defined benefit plan, it is recognized as profit or loss in the period when it is incurred.

Cost for retirement benefits for defined contribution plans is recognized as an expense at the time of contribution.

As the Group has adopted the exemption provision prescribed in IFRS 1, which an entity can choose to apply, cumulative amount of actuarial gains and losses in relation to defined benefit plans are transferred in full to retained earnings in the opening consolidated statement of financial position as of the date of transition to IFRS.

(14) Share-based payments

The Company has a stock option plan as an equity-settled share-based payment plan. Share options are estimated at fair value at grant date, and are recognized as an expense over the vesting period in the consolidated statement of income, after considering the number of stock options that are expected to be eventually vested. The corresponding amount is recognized as an increase in equity in the consolidated statement of financial position.

(15) Provisions

The Group has present obligations (legal or constructive) resulting from past events, and recognizes provisions when it is probable that the obligations is required to be settled and the amount of the obligations can be estimated reliably.

Where the effect of the time value of money is material, the amount of provisions is measured at the present value of the expenditures expected to be required to settle the obligations. In calculating the present value, the Group uses the pretax discount rate reflecting current market assessments of the time value of money and the risks specific to the liability.

In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets,” the Group recognizes a provision for restructuring when it has a detailed formal plan for the restructuring, and has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main scheme to those affected by it. Restructuring provisions include only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the entity.

(16) Revenue

A. Sale of goods

The Group mainly engages in the sale of tobacco products, prescription drugs, and processed foods. Revenue from the sale of these goods are recognized when the significant risks and rewards of ownership of the goods transfer to the buyers, the Group retains neither continuing managerial involvement nor effective control over the goods sold, it is probable that the future economic benefits will flow to the Group, and the amount of revenue and the corresponding costs can be measured reliably. Therefore, revenue are usually recognized at the time of delivery of goods. In addition, revenue is recognized at fair value of the consideration received or receivable less discount, rebates and taxes, including consumption taxes.

Since the amount of transactions where the Group is involved as an agency, including tobacco excise taxes, is deducted from revenue, the Group recognizes only the economic benefit inflow as revenue.

B. Interest income

Interest income is recognized using the effective interest rate method.

C. Dividend income

Dividend income is recognized when the shareholder’s right to receive payment is established.

D. Royalties

Royalties are recognized on an accrual basis in accordance with the substance of the relevant agreement.

(17) Government grants

Government grants are recognized at fair value when there is a reasonable assurance that the entity will comply with the conditions attached to them and receive the grants.

In cases where the government grants are related to expense items, they are recognized in profit or loss on a systematic basis over the period in which the related costs for which the grants are intended to compensate are recognized. With regard to government grants for assets, the amount of grants is deducted from the acquisition cost of the assets.

(18) Borrowing costs

With respect to assets that necessarily takes a substantial period of time to get ready for their intended use or sale, the borrowing costs that are directly attributable to the acquisition, construction or production of the assets are capitalized as part of the cost of those assets. Other borrowing costs are recognized as expense in the period when they are incurred.

In addition, with regard to qualifying assets for which construction has started after the date of transition, the Group has capitalized the borrowing costs. With regard to the borrowing costs for construction projects that started before the date of transition, the Group has adopted the exemption provision prescribed in IFRS 1, which an entity can choose to apply, and continued to recognize them as expense.

(19) Income tax expense

Income tax expense in the consolidated statement of income is presented as the total of current income taxes and deferred income taxes.

Current income taxes are measured at the amount that is expected to be paid to or refunded from the taxation authorities. For the calculation of the tax amount the Group uses, the tax rates and tax laws that have been enacted or substantively enacted by the end of the fiscal year. The current income taxes are recognized in profit or loss, except for taxes arising from items that are recognized directly in other comprehensive income or equity and taxes arising from business combinations.

Deferred income taxes are calculated based on the temporary differences between the tax base for assets and liabilities and the carrying amount at the fiscal year end. A deferred tax asset is recognized for deductible temporary differences, carryforward of unused tax credits and unused tax losses to the extent that it is probable that future taxable profit will be available against which they can be utilized. A deferred tax liability is recognized for taxable temporary differences.

The deferred tax asset or liability is not recognized for the following temporary differences from:

- the initial recognition of goodwill
- the initial recognition of assets or liabilities in transactions that are not business combinations and at the time of transaction, affect neither accounting profit nor taxable profit or loss
- deductible temporary differences arising from investments in subsidiaries and associates, and interests in joint arrangements to the extent that it is highly probable that the temporary difference will not reverse in the foreseeable future or that there is a low probability that taxable income to be used for the temporary difference will be earned..
- taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint arrangements to the extent that it is highly probable that the timing of the reversal of the temporary difference is able to be controlled; and the temporary difference will not reverse in the foreseeable future.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the fiscal year when the asset is realized or the liability is settled, based on tax rates that have been enacted or substantively enacted by the fiscal year end.

(20) Treasury shares

Treasury shares are recognized at cost and deducted from equity. No gain or loss is recognized in profit or loss on the purchase, sale or cancellation of the treasury shares. Any difference between the carrying amount and the consideration paid is recognized in capital surplus.

(21) Earnings per share

Basic earnings per share are calculated by dividing profit and loss attributable to ordinary share holders of the parent company by the weighted-average number of ordinary shares issued, adjusted by the number of treasury shares, during the year. Diluted earnings per share are calculated by adjusting the effects of dilutive potential ordinary shares.

(22) Dividends

Dividend distribution to the shareholders of the Company are recognized as liabilities in the period in which for a final dividend the General Meeting of Shareholders approves the distribution and for an interim dividend the Board of Directors approves the distribution.

(23) Adjusted financial measures

The adjusted financial measures are calculated by adding certain adjustment items to the non-adjusted financial data or by deducting the items from the non-adjusted financial data.

The adjustment items are determined by the management’s judgment that they provide effective comparative information on the Group’s performance and that they reflect the way of managing our business appropriately. Adjusted financial measures are presented in the consolidated statement of income, “Segment information” and “Per share information.”

“Restructuring-related income” and “Restructuring-related costs” are adjustment items recognized in line with the execution of a restructuring program.

The adjusted financial measures are not defined under IFRS and are not comparable with equivalent indicators for other entities.

(Significant accounting estimates and judgments on estimates)

Preparation of consolidated financial statements of the Group requires management to make estimates and assumptions in order to measure income, expenses, assets and liabilities. These estimates and assumptions are based on the best judgment of managements in light of the historical experience and various factors deemed to be appropriate as of the fiscal year end date. Given their nature, actual results may differ from those estimates and assumptions.

The estimates and assumptions are continuously reviewed by management. The effects of a change in the estimates and assumptions are recognized prospectively including the period reviewed.

Among the above estimates and assumptions, the followings are items that may have a material effect on the consolidated financial statements of the Group:

A. Impairment of property, plant and equipment, goodwill, intangible assets and investment property
With regard to property, plant and equipment, goodwill, intangible assets and investment property, if there is any indication that the carrying amount of the assets declines below the recoverable amount, the Group conducts an impairment test.
The important elements that serve as a trigger for impairment testing include cases where there are significant changes with adverse effect on the results of past or projected business performance, significant changes in the use of acquired assets or in overall business strategy, deteriorations in industry trends and economic trends. With regard to goodwill, the impairment test is conducted at least once a year, regardless of any indication of the impairment, in order to ensure that the carrying amount exceeds the recoverable amount.
The impairment test is performed by comparing the carrying amount and the recoverable amount of assets. If the recoverable amount declines below the carrying amount, the impairment loss is recognized. The recoverable amount is mainly calculated based on the discounted cash flow model. When discounting, certain assumptions are made for the useful lives and the future cash flows of the assets, discount rates, long-term growth rates, etc. These assumptions are based on the best estimates and judgments made by management; however, there is a possibility that these assumptions may be affected by changes in uncertain future economic conditions, which, if any review is needed, may have a material impact on the amounts recognized in the consolidated financial statements for the next fiscal year or later.

B. Employee retirement benefits and mutual aid pension benefits
The Group has various types of retirement benefit plans, including defined benefit plans.
The present value of defined benefit obligations on each of these plans and the related current related service costs, etc., are calculated based on actuarial assumptions. These actuarial assumptions require estimates and judgments based on variables, such as discount rates and the long-term expected return on plan assets.
The Group obtains advice from external pension actuaries with respect to the appropriateness of these variables and other actuarial assumptions.
The actuarial assumptions are determined based on the best estimates and judgments made by management; however, there is the possibility that these assumptions may be affected by changes in uncertain future economic conditions, which, if any review is needed, may have a material impact on the amounts recognized in the consolidated financial statements for the next fiscal year or later.

C. Provisions
The Group recognizes various provisions, including provisions for asset retirement obligations and restructuring, in the consolidated statement of financial position.
These provisions are recognized based on the best estimates of the expenditures required to settle the obligations taking risks and uncertainty related to obligations into account as of the fiscal year end date. Expenditures required to settle the obligations are calculated by taking possible results into account comprehensively; however, they may be affected by occurrence of unexpected events or changes in conditions, which, if any review is needed, may have a material impact on the amounts recognized in the consolidated financial statements for the next fiscal year or later.

D. Income taxes

The Group operates business activities around the world, and it recognizes tax liabilities and income taxes on the possible outcome from the audit by the tax authorities in each country where the businesses are conducted, based on the reasonable estimation made in accordance with their laws and regulations. Calculating tax liabilities and income taxes requires estimates and judgment with respect to various factors, including the interpretation of tax regulations by taxable entities and the tax authority in the jurisdiction or the experience of past tax audits.
For this reason, there may be differences between the amount of recognized as tax liabilities and income taxes and the amount of actual tax liabilities and income taxes. These differences may have a material impact on the amounts recognized in the consolidated financial statements for the next fiscal year or later.
In addition, deferred tax assets are recognized to the extent that it is probable that taxable income, for which deductible temporary differences may be used, will become available.
In recognizing the deferred tax assets, when judging the possibility of the occurrence of taxable income, we reasonably estimate the timing and amount of taxable income earned in the future based on the business plan and calculate the amount.
The timing when taxable income arises and the amount of such income may be affected by changes in uncertain future economic conditions. Therefore, this may have a material impact on the amounts recognized in the consolidated financial statements for the next fiscal year or later.

(Segment information)

(1) Outline of reportable segments
The reportable segments of the Group are determined based on the operating segments that are components of the Group for which discrete financial information is available, and whose operating results are regularly reviewed by the Board of Directors to make decisions about resources to be allocated to the segment and assess its performance.

The Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs, and foods. With respect to tobacco products, operations are managed separately for domestic and overseas markets. The reportable segments of the Group are composed of four segments: “Japanese Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” and “Food Business.” They are determined by product types, characteristics, and markets.

The “Japanese Domestic Tobacco Business” manufactures and sells tobacco products in domestic areas (which include duty-free shops in Japan and markets in China, Hong Kong, and Macau where JT’s China Division operates). The “International Tobacco Business” manufactures and sells tobacco products overseas mainly through JT International S.A., which controls manufacturing and sales operations. The “Pharmaceutical Business” consists of the research and development, manufacture, and sale of prescription drugs. The “Food Business” consists of the manufacture and sale of beverages, processed foods, and seasonings.

(2) Profits and performances for reportable segments
Revenues and performances for reportable segments of the Group are as follows. The Board of Directors assesses the segment performance and determines resource allocation after reviewing revenues and adjusted EBITDA. Since financial income, financial costs and income tax expense are managed by the Group head office, these income and expenses are excluded from the segment performance. Inter-segment income and transfers within the segments are based on mainly the prevailing market price.

For the fiscal year ended March 31, 2011

(Millions of yen)

	Reportable Segments					Other (Note 3)	Elimination	Consolidated
	Japanese Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceutical	Food	Total			
Revenue								
External revenue (Note 4)	665,819	963,520	44,105	367,457	2,040,901	18,464	–	2,059,365
Intersegment revenue	30,115	37,909	–	117	68,140	9,374	(77,515)	–
Total revenue	695,934	1,001,429	44,105	367,574	2,109,042	27,838	(77,515)	2,059,365
Profit (loss) for reportable segments								
Adjusted EBITDA (Note 1)	247,184	277,878	(9,761)	17,725	533,026	(6,356)	(4,641)	522,029
Other items								
Depreciation and amortization	42,790	51,638	3,544	16,485	114,456	3,648	(150)	117,954
Impairment losses on other than financial assets	728	345	–	3,197	4,270	1,912	–	6,181
Reversal of impairment losses	–	–	–	–	–	–	–	–
Share of profit (loss) in investments accounted for using the equity method	20	2,339	–	(36)	2,323	6	–	2,330
Capital expenditures	55,428	60,907	6,194	24,953	147,481	3,230	(2,310)	148,401

For the fiscal year ended March 31, 2012

(Millions of yen)

	Reportable Segments					Other (Note 3)	Elimination	Consolidated
	Japanese Domestic Tobacco	International Tobacco (Note 2)	Pharma-ceutical	Food	Total			
Revenue								
External revenue (Note 4)	646,187	966,255	47,407	359,420	2,019,269	14,556	–	2,033,825
Intersegment revenue	28,115	27,497	–	92	55,704	9,257	(64,961)	–
Total revenue	674,303	993,752	47,407	359,512	2,074,973	23,813	(64,961)	2,033,825
Profit (loss) for reportable segments								
Adjusted EBITDA (Note 1)	262,257	314,755	(10,031)	19,987	586,968	(8,852)	(983)	577,132
Other items								
Depreciation and amortization	39,567	55,227	3,465	17,528	115,788	3,376	(319)	118,845
Impairment losses on other than financial assets	314	4,610	–	413	5,336	1,677	–	7,013
Reversal of impairment losses	5	–	–	77	82	–	–	82
Share of profit (loss) in investments accounted for using the equity method	31	1,922	–	13	1,966	81	–	2,047
Capital expenditures	56,224	39,141	3,897	15,410	114,671	4,321	(0)	118,992

Reconciliation from adjusted EBITDA to profit before income taxes

For the fiscal year ended March 31, 2011

(Millions of yen)

	Reportable Segments							
	Japanese Domestic Tobacco	International Tobacco	Pharma-ceutical	Food	Total	Other	Elimination	Consolidated
Adjusted EBITDA	247,184	277,878	(9,761)	17,725	533,026	(6,356)	(4,641)	522,029
Depreciation and amortization	(42,790)	(51,638)	(3,544)	(16,485)	(114,456)	(3,648)	150	(117,954)
Impairment losses on goodwill	–	–	–	(87)	(87)	–	–	(87)
Restructuring-related income (Note 5)	–	190	–	2,932	3,122	8,132	–	11,254
Restructuring-related costs (Note 5)	(2,046)	(578)	–	(7,712)	(10,336)	(3,583)	–	(13,920)
Operating profit (loss)	202,347	225,852	(13,305)	(3,627)	411,268	(5,455)	(4,492)	401,321
Financial income								9,870
Financial costs								(25,949)
Profit before income taxes								385,242

For the fiscal year ended March 31, 2012

(Millions of yen)

	Reportable Segments							
	Japanese Domestic Tobacco	International Tobacco	Pharma-ceutical	Food	Total	Other	Elimination	Consolidated
Adjusted EBITDA	262,257	314,755	(10,031)	19,987	586,968	(8,852)	(983)	577,132
Depreciation and amortization	(39,567)	(55,227)	(3,465)	(17,528)	(115,788)	(3,376)	319	(118,845)
Impairment losses on goodwill	–	–	–	–	–	–	–	–
Restructuring-related income (Note 5)	–	564	–	–	564	29,368	–	29,932
Restructuring-related costs (Note 5)	(13,426)	(7,737)	–	(434)	(21,597)	(7,433)	–	(29,039)
Operating profit (loss)	209,265	252,355	(13,497)	2,024	450,147	9,697	(664)	459,180
Financial income								5,603
Financial costs								(23,429)
Profit before income taxes								441,355

Notes: 1. For adjusted EBITDA, the depreciation and amortization, impairment losses on goodwill, and restructuring-related income and costs are excluded.

2. The foreign subsidiaries group, including a core company of JT International S.A., which consists the “International Tobacco Business” segment, has December 31 as the fiscal year end date and the profit or loss, etc., for the period from January 1 to December 31 is recognized in the fiscal years ended March 31, 2011 and 2012.

3. “Other” includes business activities relating to rent of property and corporate expenses not attributable to reportable segments, such as expenses relating to corporate communication and operation of the head office.

4. Core revenue as part of the Japanese Domestic Tobacco Business and the International Tobacco Business are as follows:

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Japanese Domestic Tobacco	632,159	611,925
International Tobacco	887,798	894,636

5. Restructuring-related income includes restructuring income such as gains on sale resulting from disposal of property. Restructuring-related costs includes restructuring costs related to plant closing and others, as well as compensation payment for leaf tobacco growers voluntarily ceasing cultivation and adjustments resulting from the ceasing of classification of non-current assets held for sale.

The principal components of restructuring-related costs are as follows:

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Restructuring costs	13,920	14,052
Compensation payment for leaf tobacco growers voluntarily ceasing cultivation	–	12,469
Adjustments resulting from the ceasing of classification of non-current assets held for sale	–	2,518
Restructuring-related costs	13,920	29,039

Restructuring costs for the fiscal year 2011 includes expenses related to the closing of Odawara plant in the Japanese Domestic Tobacco Business, the business integration and business streamlining measures in the International Tobacco Business, and the implementation of sale and liquidation of subsidiaries associated with liquidation of business.

Restructuring costs for the fiscal year 2012 includes expenses related to the closing of Hofu plant in the Japanese Domestic Tobacco Business and the closing of Hainburg plant in the International Tobacco Business.

(3) Geographic information

The regional breakdown of non-current assets and external revenue are as follows.

Non-current assets

(Millions of yen)

	Date of transition to IFRS As of April 1, 2010	Fiscal year 2011 As of March 31, 2011	Fiscal year 2012 As of March 31, 2012
Japan	562,776	518,479	556,102
Overseas	1,949,726	1,663,630	1,547,315
Consolidated	2,512,502	2,182,109	2,103,417

Note: Non-current assets are segmented by the location of the assets, and financial instruments, deferred tax assets and assets for retirement benefits are excluded.

External revenue

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
		(Millions of yen)
Japan	1,080,027	1,051,702
Overseas	979,339	982,123
Consolidated	2,059,365	2,033,825

Note: The revenue is segmented by the sales destination.

(4) Major customers information
The International Tobacco Business of the Group sells products to a single entity group that engages in distribution business in certain areas. The external revenue from that customer was ¥207,361 million (10.1% of consolidated revenue) for the fiscal year ended March 31, 2011 and ¥236,050 million (11.6% of consolidated revenue) in the fiscal year ended March 31, 2012.

(Per share information)

(1) Basis of calculating basic earnings per share

A. Profit attributable to ordinary share holders of the parent company

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Profit attributable to owners of the parent company	243,315	320,883
Profit not attributable to ordinary share holders of the parent company	–	–
Profit used for calculation of earnings per share	243,315	320,883

B. Weighted-average number of ordinary shares outstanding during the year

(Thousands of shares)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Weighted-average number of ordinary shares during the year	9,574	9,521

(2) Basis of calculating diluted earnings per share

A. Profit attributable to diluted ordinary share holders

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Profit used for calculation of basic earnings per share	243,315	320,883
Profit adjustment	–	–
Profit used for calculation of diluted earnings per share	243,315	320,883

B. Weighted-average number of diluted ordinary shares outstanding during the year

(Thousands of shares)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Weighted-average number of ordinary shares during the year	9,574	9,521
Increased number of ordinary shares under subscription rights to shares	3	4
Weighted-average number of diluted ordinary shares during the year	9,577	9,525

(3) Adjusted diluted earnings per share

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Profit used for calculation of adjusted diluted earnings per share	243,315	320,883
Impairment loss on goodwill	87	–
Restructuring-related income	(11,254)	(29,932)
Restructuring-related costs	13,920	29,039
Adjustments on income tax expense and non-controlling interests in relation to the above	2,005	2,025
Tax expense related to revaluation loss on subsidiaries and associates	–	(31,207)
Adjusted profit for the year	248,073	290,808
Adjusted diluted earnings per share (Yen)	25,903.94	30,530.39

(Significant events after the reporting period)

The Company resolved at a meeting of the Board of Directors held on April 13, 2012 to conduct a share split and adopt a share unit system.

(1) Purpose of share split and adoption of share unit system

For the purpose of enlarging the Company’s investor base by further improving the environment for investors to invest in our shares through reduction of the investment unit amount of the Company’s shares, the decision has been made to split the shares at the ratio of 1:200 or 200 shares to one share. Further, in parallel with the share split, the Company will adopt the share unit system which sets a share trading unit to 100 shares, in line with the Japanese Stock Exchanges Conference’s decision to designate a trading unit to either 100 shares or 1,000 shares by April 1, 2014.

As a result of the share split and adoption of the share unit system, the investment unit amount of the Company’s shares will be one half or 1/2.

(2) Overview of share split

A. Method of the share split

Ordinary shares held by shareholders listed or recorded in the final registry of shareholders as of the record date of Saturday, June 30, 2012 will be split at a ratio of 200 to one.

B. Increase in shares resulting from the share split

Total number of shares issued prior to the share split:	10,000,000 shares
Number of shares to be increased resulting from the share split:	1,990,000,000 shares
Total number of shares issued following the share split:	2,000,000,000 shares

C. Schedule of the share split

Public notice of the record date:	Thursday, May 31, 2012
Record date:	Saturday, June 30, 2012

Effective date: Sunday, July 1, 2012

(3) Adoption of share unit system

A. Size of the newly established share unit

Contingent on the afore-mentioned share split coming into effect, the Company will adopt the share unit system, setting the size of a share unit at 100 shares.

B. Schedule

Effective date: Sunday, July 1, 2012

Per share information on the assumption that the share split was conducted at the beginning of the previous fiscal year and at the beginning of the current fiscal year is respectively as follows:

(Millions of yen)

	Fiscal year 2011 (From April 1, 2010 to March 31, 2011)	Fiscal year 2012 (From April 1, 2011 to March 31, 2012)
Basic earnings per share	127.07	168.50
Diluted earnings per share	127.04	168.44
Adjusted diluted earnings per share	129.52	152.65

Partial amendments of the Articles of Incorporation to change the total number of authorized shares from 40 million shares to 8 billion shares following the share split, and to set the size of a share unit at 100 shares are subject to the approval of the Minister of Finance no later than June 30, 2012.

(First-time adoption of international financial reporting standards)

The consolidated financial statements under IFRS are disclosed in fiscal year 2011. The latest consolidated financial statements prepared in accordance with Japanese GAAP are those related to the consolidated financial statements for the fiscal year ended March 31, 2011. The date of transition is April 1, 2010.

Reconciliations that are required to be disclosed under the first-time adoption of IFRS are as follows:

Items that do not influence retained earnings and comprehensive income are included in “Reclassification” of the reconciliation, and items that influence retained earnings and comprehensive income are included in “Differences in Recognition and Measurement.”

Reconciliation of equity as of April 1, 2010 (the date of transition)

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	155,444	(1,075)	–	154,369	(7)	Cash and cash equivalents
Notes and accounts receivable–trade Allowance for doubtful accounts (current assets)	293,262	15,847	(1,019)	308,091	(1), (7)	Trade and other receivables
Merchandise and finished goods Semi-finished goods Work in process Raw materials and supplies	555,100	(19,221)	(3,931)	531,948	(1), (7)	Inventories
Short-term investment securities	11,950	9,678	–	21,629	(7)	Other financial assets
Other (current assets)	153,471	(6,362)	(25)	147,084	(7)	Other current assets
Deferred tax assets (current assets)	26,615	(26,615)	–	–	(7)	
Total current assets	1,195,843	(27,749)	(4,975)	1,163,120		Subtotal
	–	1,406	(40)	1,366	(2), (7)	Non-current assets held-for-sale
	1,195,843	(26,342)	(5,015)	1,164,486		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	679,561	(60,669)	29,688	648,580	(2), (7)	Property, plant and equipment
Goodwill	1,387,397	–	747	1,388,144	(2)	Goodwill
Right of trademark Other (intangible assets)	381,667	12,912	111	394,690	(2), (7)	Intangible assets
	–	60,374	20,714	81,087	(2), (7)	Investment property
	–	23,391	(18,157)	5,234	(3), (7)	Retirement benefit assets
	–	23,311	–	23,311	(7)	Investments accounted for using the equity method
Investment securities Other (investments and other assets) accounts (investments and other assets) Allowance for doubtful	142,751	(59,591)	342	83,502	(7)	Other financial assets
Deferred tax assets (investments and other assets)	85,376	26,615	10,116	122,107	(7)	Deferred tax assets
Total non-current assets	2,676,753	26,342	43,560	2,746,655		Total non-current assets
Total assets	3,872,596	–	38,546	3,911,142		Total assets

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes and accounts payable–trade	223,201	77,859	821	301,880	(7)	Trade and other payables
Accounts payable–other						
Short-term bank loans Commercial paper Current portion of bonds Current portion of long-term loans payable	301,683	–	–	301,683		Bonds and borrowings
Income taxes payable	54,058	–	–	54,058		Income taxes payable
	–	12,484	737	13,221	(7)	Other financial liabilities
Provision (current liabilities)	39,610	(35,623)	(39)	3,948	(7)	Provisions
Lease obligations National tobacco excise tax payable National tobacco special excise tax payable Local tobacco excise tax payable Consumption tax payable Other (current liabilities)	480,626	(60,223)	13,056	433,459	(4), (7)	Other current liabilities
Deferred tax liabilities (current liabilities)	2,357	(2,357)	–	–	(7)	
Total current liabilities	1,101,535	(7,861)	14,576	1,108,250		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable Long-term loans payable	558,584	–	–	558,584		Bonds and borrowings
	–	28,984	355	29,339	(7)	Other financial liabilities
Provision for retirement benefits	251,902	20,672	12,427	285,002	(3), (7)	Retirement benefit liabilities
Provision for directors' retirement benefits	764	3,440	1,424	5,628	(7)	Provisions
Lease obligations Other (non-current liabilities)	141,954	(47,593)	3,620	97,982	(4), (7)	Other non-current liabilities
Deferred tax liabilities (non-current liabilities)	94,578	2,357	1,720	98,655	(7)	Deferred tax liabilities
Total non-current liabilities	1,047,782	7,861	19,547	1,075,190		Total non-current liabilities
Total liabilities	2,149,318	–	34,122	2,183,440		Total liabilities
Net assets						Equity
Capital stock	100,000	–	–	100,000		Share capital
Capital surplus	736,407	–	–	736,407		Capital surplus
Treasury stock	(74,575)	–	–	(74,575)		Treasury shares
Valuation and translation adjustments Subscription rights to shares	(422,822)	–	435,431	12,609	(3), (5)	Other components of equity
Retained earnings	1,310,670	–	(430,427)	880,243	(6)	Retained earnings
Total shareholders' equity Valuation and translation adjustments Subscription rights to shares	1,649,679	–	5,004	1,654,683		Equity attributable to owners of the parent company
Minority interests	73,599	–	(580)	73,019		Non-controlling interests
Total net assets	1,723,278	–	4,423	1,727,702		Total equity
Total liabilities and net assets	3,872,596	–	38,546	3,911,142		Total liabilities and equity

Notes on reconciliation (April 1, 2010)

(1) Adjustment to trade receivables and inventories
The Group recognized income for certain sale of goods at the time of shipping; however, under IFRS we recognize such income at the time of delivery of goods. The Group reported goods mainly for sales promotions in supplies under the Japanese GAAP; however, they do not meet the definition of assets under IFRS. Therefore, adjustments are made to retained earnings.

(2) Adjustment to property, plant and equipment; goodwill; intangible assets; investment property; and non-current assets held for sale
With regard to the depreciation method of property, plant and equipment (excluding leased assets), the Group mainly adopted the declining-balance method under Japanese GAAP; however, the Group adopts the straight-line method under IFRS. With regard to assets acquired for advertising and for sales promotions, and gains and losses arising from exchange transactions that have economic substance, adjustments are made to retained earnings. Based on the provisions of IFRS 3, the carrying amount of certain goodwill under Japanese GAAP is adjusted retrospectively.

(3) Adjustment for accounting for employee retirement benefits and mutual aid pension benefits
With regard to actuarial gains or losses, under Japanese GAAP the Group amortized them from the year following the year in which they were recognized, allocating the amounts over a certain years determined based on the employees' average remaining service period. Under IFRS, the Group recognizes the actuarial gains or losses in other comprehensive income at the time of occurrence, and immediately transfers them to retained earnings. Retirement benefit liabilities are recalculated based on the provisions of IFRS. Adjustments for the gain or loss that occurred due to the periodic allocation method of retirement benefit obligations are made to retained earnings. With regard to actuarial gains or losses on retirement benefits, reported in net assets by foreign subsidiaries that adopted U.S. GAAP previously, they are transferred to retained earnings under IFRS.

(4) Adjustment for unused paid vacations
The Group recognizes unused paid vacation, for which accounting treatment was not required under Japanese GAAP, in liabilities under IFRS and the adjustments are made to retained earnings.

(5) Adjustment to other components of equity
The Group selected the exemption prescribed in IFRS 1 and transferred all cumulative translation differences related to foreign subsidiaries to retained earnings on the date of transition, April 1, 2010.

(6) Adjustment to retained earnings

(Millions of yen)

	April 1, 2010
Adjustment to trade receivables and inventories (refer to (1))	(4,151)
Adjustment to property, plant and equipment; goodwill; intangible assets; investment property; and non-current assets held for sale (refer to (2))	48,938
Adjustment for accounting for employee retirement benefits and mutual aid pension benefits (refer to (3))	(30,722)
Adjustment for unused paid vacation (refer to (4))	(15,170)
Adjustment to other components of equity (refer to (5))	(435,431)
Other	4,517
Subtotal	(432,018)
Adjustment from tax effects	1,011
Adjustment on non-controlling interests	580
Adjustment to retained earnings	(430,427)

(7) Reclassification
In addition to the above, the Group makes reclassifications to comply with provisions of IFRS. The major reclassifications are as follows:

- All current portions of deferred tax assets and deferred tax liabilities are reclassified to non-current portions.
- “Investment property” and “Non-current assets held for sale” are presented separately in accordance with IFRS.
- Financial assets and financial liabilities are presented separately in accordance with IFRS.
- “Provisions” and “Retirement benefit liabilities” are partially reclassified based on the definitions and requirements under IFRS.

Reconciliation of equity as of March 31, 2011
(the date of latest consolidated financial statements under Japanese GAAP)

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Assets						Assets
Current assets						Current assets
Cash and deposits	117,458	126,782	–	244,240	(8)	Cash and cash equivalents
Notes and accounts receivable–trade Allowance for doubtful accounts (current assets)	299,048	11,903	252	311,202	(1), (8)	Trade and other receivables
Merchandise and finished goods Semi-finished goods Work in process Raw materials and supplies	513,858	(21,161)	(4,088)	488,609	(1), (8)	Inventories
Short –term investments securities	159,098	(121,749)	–	37,349	(8)	Other financial assets
Other (current assets)	133,684	4,226	–	137,910	(8)	Other current assets
Deferred tax assets (current assets)	24,675	(24,675)	–	–	(8)	
Total current assets	1,247,821	(24,675)	(3,836)	1,219,310		Subtotal
	–	20,930	18,623	39,553	(2), (8)	Non-current assets held-for-sale
	1,247,821	(3,745)	14,787	1,258,863		Total current assets
Non-current assets						Non-current assets
Property, plant and equipment	663,551	(55,025)	30,799	639,324	(2), (8)	Property, plant and equipment
Goodwill	1,147,816	–	28,298	1,176,114	(3)	Goodwill
Right of trademark Other (intangible non-current assets)	313,671	12,512	4,011	330,194	(2), (8)	Intangible assets
	–	34,080	2,396	36,477	(2), (8)	Investment property
	–	22,807	(16,038)	6,769	(4), (8)	Retirement benefit assets
	–	19,072	–	19,072	(8)	Investments accounted for using the equity method
Investment securities Other (investments and other assets) accounts (investments and other assets) Allowance for doubtful	116,741	(54,378)	298	62,661	(8)	Other financial assets
Deferred tax assets (investments and other assets)	82,329	24,675	18,723	125,726	(8)	Deferred tax assets
Total non-current assets	2,324,107	3,745	68,486	2,396,338		Total non-current assets
Total assets	3,571,928	–	83,273	3,655,201		Total assets

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
						Liabilities and equity
Liabilities						Liabilities
Current liabilities						Current liabilities
Notes payable and accounts payable–trade Accounts payable–other	237,950	73,837	–	311,787	(8)	Trade and other payables
Short-term bank loans Commercial paper Current portion of bonds Current portion of long-term loans payable	218,037	–	–	218,037		Bonds and borrowings
Income taxes payable	65,651	–	–	65,651		Income taxes payable
	–	8,268	178	8,446	(8)	Other financial liabilities
Provision (current liabilities)	38,778	(34,543)	(50)	4,184	(8)	Provisions
Lease obligations National tobacco excise tax payable National tobacco special excise tax payable Local tobacco excise tax payable Consumption tax payable Other (current liabilities)	500,717	(50,804)	13,174	463,088	(5), (8)	Other current liabilities
Deferred tax liabilities (current liabilities)	2,241	(2,241)	–	–	(8)	
Total current liabilities	1,063,374	(5,484)	13,302	1,071,192		Subtotal
	–	6,297	–	6,297	(8)	Liabilities directly associated with non-current assets held-for-sale
	1,063,374	814	13,302	1,077,490		Total current liabilities
Non-current liabilities						Non-current liabilities
Bonds payable Long-term loans payable	478,154	–	–	478,154		Bonds and borrowings
	–	14,654	177	14,832	(8)	Other financial liabilities
Provision for retirement benefits	231,601	21,967	58,348	311,917	(4), (8)	Retirement benefit liabilities
Provision for directors' retirement benefits	376	4,136	–	4,512	(8)	Provisions
Lease obligations Other (non-current liabilities)	134,590	(43,813)	3,358	94,135	(5), (8)	Other non-current liabilities
Deferred tax liabilities (non-current liabilities)	72,630	2,241	(2,021)	72,850	(8)	Deferred tax liabilities
Total non-current liabilities	917,351	(814)	59,863	976,400		Total non-current liabilities
Total liabilities	1,980,725	–	73,165	2,053,889		Total liabilities
Net assets						Equity
Capital stock	100,000	–	–	100,000		Share capital
Capital surplus	736,410	–	–	736,410		Capital surplus
Treasury stock	(94,574)	–	–	(94,574)		Treasury shares
Other cumulative comprehensive income Subscription rights to shares	(626,969)	–	376,224	(250,745)	(4), (6)	Other components of equity
Retained earnings	1,400,189	–	(366,135)	1,034,054	(7)	Retained earnings
Total shareholders' equity Other cumulative comprehensive income Subscription rights to shares	1,515,056	–	10,089	1,525,145		Equity attributable to owners of the parent company
Minority interests	76,147	–	19	76,166		Non-controlling interests
Total net assets	1,591,203	–	10,109	1,601,311		Total equity
Total liabilities and net assets	3,571,928	–	83,273	3,655,201		Total liabilities and equity

Notes on reconciliation (March 31, 2011)

(1) Adjustment to trade receivables and inventories
The Group recognized income for sale of goods at the time of shipping; however, under IFRS we recognize such income at the time of delivery of goods. The Group reported goods mainly for sales promotions in supplies under Japanese GAAP; however, they do not meet the definition of assets under IFRS. Therefore, adjustments are made to retained earnings.

(2) Adjustment to property, plant and equipment; intangible assets; investment property; and non-current assets held for sale
With regard to the depreciation method of property, plant and equipment (excluding leased assets), the Group mainly adopted the declining-balance method under Japanese GAAP; however, the Group adopts the straight-line method under IFRS. With regard to assets acquired for advertising and general publicity, and for sales promotions, and gains and losses arising from exchange transactions that have economic substance, adjustments are made to retained earnings.

(3) Adjustment for amortization of goodwill
Under Japanese GAAP, we estimated substantially the amortization period and goodwill was amortized over the years estimated; however, since amortization after the date of transition is suspended, the adjustments are made to retained earnings under IFRS.

(4) Adjustment for accounting for employee retirement benefits and mutual aid pension benefits
With regard to actuarial gains or losses, under Japanese GAAP the Group amortized them from the year following the year in which they were recognized, allocating the amounts over a certain years determined based on the employees' average remaining service period. Under IFRS, the Group recognizes the actuarial gains or losses in other comprehensive income and immediately transfers them to retained earnings at the time of occurrence. Retirement benefit liabilities are recalculated based on the provisions of IFRS. Adjustments for the gain or loss that occurred due to periodic allocation method of retirement benefit obligations are made to retained earnings. With regard to actuarial gains or losses on retirement benefits, reported in net assets by foreign subsidiaries that adopted U.S. GAAP previously, they are transferred to retained earnings under IFRS.

(5) Reconciliation for unused paid vacations
The Group recognizes unused paid vacation, for which accounting treatment was not required under Japanese GAAP, as liabilities under IFRS and adjustments are made to retained earnings.

(6) Adjustment to other components of equity
The Group selected the exemptions prescribed in IFRS 1 and transferred all cumulative translation differences related to foreign subsidiaries to retained earnings on the date of transition, April 1, 2010.

(7) Adjustment to retained earnings

(Millions of yen)

	March 31, 2011
Adjustment to trade receivables and inventories (refer to (1))	(3,579)
Adjustment to property, plant and equipment; goodwill; intangible assets; investment property; and non-current assets held for sale (refer to (2))	55,479
Adjustment for amortization of goodwill (refer to (3))	91,097
Adjustment for accounting for employee retirement benefits and mutual aid pension benefits (refer to (4))	(25,310)
Adjustments for unused paid vacation (refer to (5))	(14,838)
Adjustments to other components of equity (refer to (6))	(469,668)
Other	5,428
Subtotal	(361,391)
Adjustment from tax effects	(4,549)
Adjustment on non-controlling interests	(195)
Adjustment to retained earnings	(366,135)

(8) Reclassification

In addition to above, the Group makes reclassification to comply with the provisions of IFRS. Major reclassifications are as follows:

- All of the current portions of deferred tax assets and deferred tax liabilities are reclassified as non-current portions.
- "Investment Property," "Non-current Assets Held for Sale" and "Liabilities directly associated with non-current assets held for sale" are presented separately in accordance with IFRS.
- Financial assets and financial liabilities are presented separately in accordance with IFRS
- "Provisions" and "Retirement Benefit Liabilities" are partially reclassified based on the definitions and requirements under IFRS.

Reconciliation of profit or loss and comprehensive income (Fiscal year 2011) (the latest fiscal year of consolidated financial statements prepared under Japanese GAAP)

(Millions of yen)

Accounts under Japanese GAAP	Japanese GAAP	Reclassification	Differences in recognition and measurement	IFRS	Notes	Accounts under IFRS
Consolidated statement of income						Consolidated statement of income
Net sales	6,194,554	(4,135,281)	92	2,059,365	(1), (4)	Revenue
Cost of sales	(5,074,075)	4,117,153	3,062	(953,860)	(1), (2), (3)	Cost of sales
Gross profit	1,120,480	(18,129)	3,155	1,105,506		Gross profit
	–	21,073	(443)	20,630	(3)	Other operating income
	–	2,330	–	2,330	(3)	Share of profit in investments accounted for using the equity method
Selling, general and administrative expenses	(791,799)	(36,951)	101,606	(727,144)	(3), (4)	Selling, general and administrative expenses
Operating income	328,681	(31,677)	104,318	401,321		Operating profit
Non-operating income	12,029	(12,029)	–	–	(3)	
Non-operating expenses	(28,223)	28,223	–	–	(3)	
Extraordinary income	20,601	(20,601)	–	–	(3)	
Extraordinary loss	(52,590)	52,590	–	–	(3)	
	–	9,277	643	9,870	(3)	Financial income
	–	(26,359)	410	(25,949)	(3), (5)	Financial costs
Income before income taxes and minority interests	280,498	(626)	105,371	385,242		Profit before income taxes
Income taxes-current Income taxes-deferred	(130,890)	626	(6,243)	(136,506)		Income taxes
Net income before minority interests	149,608	–	99,128	248,736		Profit for the year
Consolidated statement of comprehensive income						Consolidated statement of comprehensive income
Other comprehensive income						Other comprehensive income
Foreign currency translation adjustment	(196,361)	–	(60,423)	(256,784)	(6)	Exchange differences on translation of foreign operations
Valuation difference on available-for-sale securities	(6,458)	–	–	(6,458)		Net gain (loss) on revaluation of available-for-sale securities
Pension liability adjustment	(1,216)	–	(33,245)	(34,461)	(7)	Actuarial gains and losses on defined benefit retirement plans
Total other comprehensive income	(204,035)	–	(93,668)	(297,703)		Other comprehensive income, net of taxes
Comprehensive income	(54,427)	–	5,460	(48,967)		Comprehensive income (loss) for the year

Notes on reconciliation (comprehensive income in fiscal year 2011)

(1) Adjustment to revenue

The Group included tobacco excise taxes and other revenue from transactions where the Group was involved as an agency in net sales under Japanese GAAP; however, they are not included in revenue under IFRS.

Certain sales rebates were presented in selling, general, and administrative expenses under Japanese GAAP; however, it is presented in revenue as a deduction from revenue under IFRS.

The Group recognized income for certain sale of goods at the time of shipping; however, under IFRS we recognize such income at the time of the delivery of goods.

(2) Adjustment to cost of sales

The Group included tobacco excise taxes and other cost associated with transactions where the Group was involved as an agency in relation to tobacco sales in cost of sales under Japanese GAAP; however, they are not included in cost of sales under IFRS.

With regard to the depreciation method of property, plant and equipment (excluding lease assets), the Group mainly adopted the declining-balance method under Japanese GAAP; however, it adopts the straight-line method under IFRS.

The calculation of retirement benefit liabilities under Japanese GAAP was recalculated based on the provisions of IFRS. With regard to actuarial gains or losses under Japanese GAAP, the Group amortized them from the year following the year in which they were recognized, allocating the amounts over a certain years determined based on the employee's average remaining service period. Under IFRS, the Group recognizes all of the actuarial gains or losses in other comprehensive income at the time of occurrence.

(3) Adjustment to cost of sales; other operating income; share of profit on investments accounted for using the equity method; selling, general and administrative expenses; and financial income and financial cost

The Group presented non-operating income, non-operating expenses, extraordinary income, and extraordinary loss under Japanese GAAP. Under IFRS, the Group presents financial-related items among such items as financial income or financial costs, and other items as items such as cost of sales, other operating income, share of profit on investments accounted for using the equity method and selling, general, and administrative expenses.

(4) Adjustment to selling, general, and administrative expenses

Sales rebates were presented as selling, general, and administrative expenses under Japanese GAAP; however, revenue is presented after deducting sales rebates under IFRS. With regard to the depreciation method of property, plant and equipment (excluding leased assets), the Group mainly adopted the declining-balance method under Japanese GAAP; however, it adopts the straight-line method under IFRS.

Under Japanese GAAP, we estimated substantially the amortization period of goodwill, and goodwill was amortized over the years estimated; however, it is not amortized under IFRS.

The calculation of retirement benefit liabilities under Japanese GAAP is recalculated based on the provisions of IFRS. With regard to actuarial gains or losses under Japanese GAAP, the Group amortized them from the year following the year in which they were recognized, allocating the amounts over a certain years determined based on the employees' average remaining service period. Under IFRS, the Group recognizes all of the actuarial gains or losses as other comprehensive income at the time of occurrence.

(5) Reconciliation of financial costs

The calculation of retirement benefit liabilities under Japanese GAAP is recalculated based on the provisions of IFRS.

Interest costs and the expected return on plan assets in retirement benefit expenses were reported in the cost of sales or selling, general, and administrative expenses under Japanese GAAP; however, they are reported in financial costs under IFRS.

(6) Adjustment to exchange differences on translation of foreign operations

Under Japanese GAAP, the Group recognized goodwill reported in JTIH Group in USD, the functional currency of JTIH, and translated it into JPY, the reporting currency of the Group. However, under IFRS, the Group recognizes the goodwill reported in JTIH Group in the functional currency of each subsidiary under the JTIH Group, and translates them into JPY, the reporting currency of the Group.

(7) Adjustment to actuarial gains or losses

With regard to actuarial gains or losses from the calculation of retirement benefit liabilities under Japanese GAAP, the Group amortized them from the year following the year in which they were recognized, allocating the amounts over a certain years determined based on the employees' average remaining service period. Under IFRS, all of the actuarial gains or losses is recognized as other comprehensive income at the time of occurrence.

Reconciliation of cash flows (Fiscal year 2011) (the latest fiscal year of consolidated financial statements prepared under Japanese GAAP)

There are no material differences between the consolidated statements of cash flows that were disclosed in accordance with Japanese Accounting Standards and the consolidated statements of cash flows that are disclosed in accordance with IFRS.

5. Non-consolidated financial statements
(1) Non-consolidated balance sheets

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Assets		
Current assets		
Cash and deposits	292	8,263
Accounts receivable-trade	55,919	57,438
Short-term investment securities	139,400	7,000
Merchandise and finished goods	8,438	24,607
Semi-finished goods	102,959	80,958
Work in process	2,032	3,570
Raw materials and supplies	41,141	37,260
Advance payments-trade	484	485
Prepaid expenses	5,207	5,395
Deferred tax assets	12,458	10,760
Short-term loans receivable	-	279,923
Short-term loans receivable from subsidiaries and affiliates	30,965	33,395
Other	21,570	17,794
Allowance for doubtful accounts	(423)	(4)
Total current assets	420,442	566,843
Noncurrent assets		
Property, plant and equipment		
Buildings	397,526	389,205
Accumulated depreciation	(281,032)	(281,876)
Buildings, net	116,494	107,329
Structures	20,072	19,677
Accumulated depreciation	(16,846)	(16,725)
Structures, net	3,225	2,953
Machinery and equipment	338,508	318,517
Accumulated depreciation	(263,096)	(248,536)
Machinery and equipment, net	75,413	69,980
Vehicles	2,939	2,935
Accumulated depreciation	(1,458)	(1,489)
Vehicles, net	1,480	1,447
Tools, furniture and fixtures	81,615	89,256
Accumulated depreciation	(61,104)	(64,288)
Tools, furniture and fixtures, net	20,511	24,968
Land	91,721	91,336
Construction in progress	7,206	12,515
Total property, plant and equipment	316,051	310,528
Intangible assets		
Patent right	221	147
Leasehold right	13	13
Right of trademark	4,906	4,603
Design right	99	88
Software	11,554	9,334
Other	182	6,100
Total intangible assets	16,975	20,287

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Investments and other assets		
Investment securities	27,805	32,764
Stocks of subsidiaries and affiliates	2,018,927	2,019,048
Investments in capital of subsidiaries and affiliates	782	782
Long-term loans receivable	310	290
Long-term loans receivable from subsidiaries and affiliates	14,450	14,464
Long-term prepaid expenses	7,158	6,867
Deferred tax assets	39,698	29,978
Other	17,335	15,355
Allowance for doubtful accounts	(579)	(555)
Total investments and other assets	2,125,886	2,118,994
Total noncurrent assets	2,458,912	2,449,808
Total assets	2,879,354	3,016,651

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Liabilities		
Current liabilities		
Accounts payable-trade	10,526	15,864
Short-term bank loans	-	5
Current portion of bonds	40,000	60,000
Current portion of long-term loans payable	20,200	120
Lease obligations	3,328	4,324
Accounts payable-other	44,272	53,141
Accrued expenses	7,972	2,947
National tobacco excise tax payable	52,703	97,323
National tobacco special excise tax payable	8,151	15,052
Local tobacco excise tax payable	61,868	112,516
Income taxes payable	33,888	9,767
Accrued consumption taxes	23,011	25,608
Advances received	0	42
Deposits received	638	1,136
Cash management system deposits received	232,175	267,817
Unearned revenue	194	193
Provision for bonuses	11,753	12,070
Other	1,018	1,904
Total current liabilities	551,697	679,830
Noncurrent liabilities		
Bonds payable	239,999	180,000
Long-term loans payable	50,160	50,040
Lease obligations	6,096	8,712
Provision for retirement benefits	163,963	160,396
Asset retirement obligations	398	677
Lease and guarantee deposits received	7,254	4,853
Long-term accounts payable-other	5,385	7,406
Total noncurrent liabilities	473,255	412,083
Total liabilities	1,024,952	1,091,912

(Millions of yen)

	As of March 31, 2011	As of March 31, 2012
Net assets		
Shareholders’ equity		
Capital stock	100,000	100,000
Capital surplus		
Legal capital surplus	736,400	736,400
Other capital surplus	10	10
Total capital surpluses	736,410	736,410
Retained earnings		
Legal retained earnings	18,776	18,776
Other retained earnings		
Reserve for reduction entry	37,128	37,113
Special account for reduction entry	1,882	10,595
General reserve	955,300	955,300
Retained earnings brought forward	92,829	150,684
Total retained earnings	1,105,915	1,172,469
Treasury stock	(94,574)	(94,574)
Total shareholders’ equity	1,847,751	1,914,305
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	5,887	9,406
Total valuation and translation adjustments	5,887	9,406
Subscription rights to shares	763	1,028
Total net assets	1,854,401	1,924,739
Total liabilities and net assets	2,879,354	3,016,651

(2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Net sales	749,252	734,902
Cost of sales		
Beginning merchandise and finished goods	35,446	8,438
Cost of products manufactured	263,268	267,706
Cost of purchased goods	534	495
Transfer to other account	3,897	2,485
Ending merchandise and finished goods	8,438	24,607
Cost of sales on real estate business	3,373	3,085
Total cost of sales	290,286	252,631
Gross profit	458,966	482,270
Selling, general and administrative expenses		
Advertising expenses	12,792	12,243
Promotion expenses	54,360	55,780
License fee	3,190	3,813
Transportation and warehousing expenses	22,028	19,184
Compensations, salaries and allowances	33,312	33,435
Retirement benefit expenses	5,721	12,713
Legal welfare expenses	6,039	6,102
Employees' bonuses	6,885	7,336
Provision for bonuses	7,204	7,430
Business consignment expenses	23,432	25,195
Depreciation	17,385	15,513
Research and development expenses	41,956	43,378
Other	39,240	39,104
Total selling, general and administrative expenses	273,543	281,225
Operating income	185,423	201,045
Non-operating income		
Interest income	518	478
Dividends income	4,880	3,651
Rent income from subsidiaries and affiliates	815	823
Other	2,736	2,674
Total non-operating income	8,948	7,626

(Millions of yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Non-operating expenses		
Interest expenses	1,849	1,308
Interest on bonds	3,159	2,978
Financial support for domestic leaf tobacco growers	1,492	2,863
Other	5,053	3,452
Total non-operating expenses	11,552	10,601
Ordinary income	182,819	198,071
Extraordinary income		
Gain on sales of land	8,092	28,067
Gain on sales of other noncurrent assets	77	1,551
Gain on sales of investment securities	1,382	-
Other	82	5,566
Total extraordinary income	9,634	35,185
Extraordinary loss		
Loss on sales of noncurrent assets	716	793
Loss on retirement of noncurrent assets	4,210	7,483
Impairment loss	1,974	3,001
Loss on valuation of stocks of subsidiaries and affiliates	74,942	-
Loss on the Great East Japan Earthquake	8,668	13,425
Cooperation Fee for Terminating Leaf Tobacco Farming	-	12,469
Other	3,354	3,181
Total extraordinary losses	93,864	40,352
Income before income taxes	98,589	192,903
Income taxes-current	62,031	40,244
Income taxes-deferred	4,341	9,933
Total income taxes	66,373	50,178
Net income	32,216	142,726

(3) Non-consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Shareholders' equity		
Capital stock		
Balance at the beginning of current period	100,000	100,000
Balance at the end of current period	100,000	100,000
Capital surplus		
Legal capital surplus		
Balance at the beginning of current period	736,400	736,400
Balance at the end of current period	736,400	736,400
Other capital surplus		
Balance at the beginning of current period	7	10
Changes of items during the period		
Disposal of treasury stock	3	-
Total changes of items during the period	3	-
Balance at the end of current period	10	10
Total capital surplus		
Balance at the beginning of current period	736,407	736,410
Changes of items during the period		
Disposal of treasury stock	3	-
Total changes of items during the period	3	-
Balance at the end of current period	736,410	736,410
Retained earnings		
Legal retained earnings		
Balance at the beginning of current period	18,776	18,776
Balance at the end of current period	18,776	18,776
Other retained earnings		
Reserve for reduction entry		
Balance at the beginning of current period	38,320	37,128
Changes of items during the period		
Provision of reserve for reduction entry	4,969	5,339
Reversal of reserve for reduction entry	(6,162)	(8,192)
Increase in reserve for advanced depreciation incurred from change in tax rate	-	2,839
Total changes of items during the period	(1,193)	(14)
Balance at the end of current period	37,128	37,113
Special account for reduction entry		
Balance at the beginning of current period	4,254	1,882
Changes of items during the period		
Provision of reserve for special account for reduction entry	1,882	9,785
Reversal of reserve for special account for reduction entry	(4,254)	(1,882)
Increase in reserve for special account for advanced depreciation incurred from change in tax rate	-	810
Total changes of items during the period	(2,372)	8,713
Balance at the end of current period	1,882	10,595

(Millions of yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
General reserve		
Balance at the beginning of current period	955,300	955,300
Balance at the end of current period	955,300	955,300
Retained earnings brought forward		
Balance at the beginning of current period	112,613	92,829
Changes of items during the period		
Provision of reserve for reduction entry	(4,969)	(5,339)
Reversal of reserve for reduction entry	6,162	8,192
Increase in reserve for advanced depreciation incurred from change in tax rate	-	(2,839)
Provision of reserve for special account for reduction entry	(1,882)	(9,785)
Reversal of reserve for special account for reduction entry	4,254	1,882
Increase in reserve for special account for advanced depreciation incurred from change in tax rate	-	(810)
Dividends from surplus	(55,565)	(76,172)
Net income	32,216	142,726
Total changes of items during the period	(19,784)	57,855
Balance at the end of current period	92,829	150,684
Total retained earnings		
Balance at the beginning of current period	1,129,264	1,105,915
Changes of items during the period		
Dividends from surplus	(55,565)	(76,172)
Net income	32,216	142,726
Total changes of items during the period	(23,348)	66,554
Balance at the end of current period	1,105,915	1,172,469
Treasury stock		
Balance at the beginning of current period	(74,575)	(94,574)
Changes of items during the period		
Purchase of treasury stock	(20,000)	-
Disposal of treasury stock	1	-
Total changes of items during the period	(19,999)	-
Balance at the end of current period	(94,574)	(94,574)
Total shareholders’ equity		
Balance at the beginning of current period	1,891,095	1,847,751
Changes of items during the period		
Dividends from surplus	(55,565)	(76,172)
Net income	32,216	142,726
Purchase of treasury stock	(20,000)	-
Disposal of treasury stock	4	-
Total changes of items during the period	(43,344)	66,554
Balance at the end of current period	1,847,751	1,914,305

(Millions of yen)

	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2012
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the beginning of current period	10,100	5,887
Changes of items during the period		
Net changes of items other than shareholders' equity	(4,213)	3,519
Total changes of items during the period	(4,213)	3,519
Balance at the end of current period	5,887	9,406
Total valuation and translation adjustments		
Balance at the beginning of current period	10,100	5,887
Changes of items during the period		
Net changes of items other than shareholders' equity	(4,213)	3,519
Total changes of items during the period	(4,213)	3,519
Balance at the end of current period	5,887	9,406
Subscription rights to shares		
Balance at the beginning of current period	565	763
Changes of items during the period		
Net changes of items other than shareholders' equity	199	265
Total changes of items during the period	199	265
Balance at the end of current period	763	1,028
Total net assets		
Balance at the beginning of current period	1,901,760	1,854,401
Changes of items during the period		
Dividends from surplus	(55,565)	(76,172)
Net income	32,216	142,726
Purchase of treasury stock	(20,000)	-
Disposal of treasury stock	4	-
Net changes of items other than shareholders' equity	(4,014)	3,784
Total changes of items during the period	(47,358)	70,338
Balance at the end of current period	1,854,401	1,924,739

(4) Notes on premise of going concern

No items to report.

Supplementary Material

JT's New Executive Appointments

Members of the Board

Subject to approval at the Annual General Meeting of Shareholders scheduled for June 22, 2012.

Chairman of the Board	Hiroshi Kimura
Representative Director	Mitsuomi Koizumi
Representative Director	Yasushi Shingai
Representative Director	Noriaki Okubo
Representative Director	Akira Saeki
Member of the Board	Hideki Miyazaki
Member of the Board	Mutsuo Iwai
Member of the Board	Motoyuki Oka
Member of the Board	Main Kohda

Auditors

Subject to approval at the Annual General Meeting of Shareholders scheduled for June 22, 2012.

Standing Auditor	Hisao Tateishi
Standing Auditor	Futoshi Nakamura
Auditor	Koichi Ueda
Auditor	Yoshinori Imai

Executive Officers

Subject to approval at the Board of Directors meeting scheduled for June 22, 2012.

President	Chief Executive Officer	Mitsuomi Koizumi
Executive Deputy President	Compliance, Strategy, HR, General Administration, Legal and Operational Review & Business Assurance	Yasushi Shingai
Executive Deputy President	Pharmaceutical and Food Businesses	Noriaki Okubo
Executive Deputy President	President, Tobacco Business	Akira Saeki
Executive Deputy President	CSR, Finance and Communications	Hideki Miyazaki
Senior Executive Vice President	Chief Marketing & Sales Officer, Tobacco Business	Kenji Iijima
Senior Executive Vice President	Compliance and General Affairs	Ryoji Chijiiwa
Executive Vice President	Head of Domestic Leaf Tobacco General Division, Tobacco Business	Shinichi Murakami
Senior Vice President	Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business	KazuhitoYamashita
Senior Vice President	Head of Manufacturing General Division, Tobacco Business	Masahiko Sato
Senior Vice President	Head of China Division, Tobacco Business	Atsuhiro Kawamata
Senior Vice President	Head of Central Pharmaceutical Research Institute, Pharmaceutical Business	Junichi Haruta
Senior Vice President	Head of Beverages Business	Ryoko Nagata

Senior Vice President	Chief Strategy Officer	Masamichi Terabatake
Senior Vice President	Chief Communications Officer	Yasuyuki Tanaka
Senior Vice President	Chief R&D Officer, Tobacco Business	Yasuyuki Yoneda
Senior Vice President	Head of Tobacco Business Planning Division, Tobacco Business	Junichi Fukuchi
Senior Vice President	President, Pharmaceutical Business	Muneaki Fujimoto
Senior Vice President	Chief Human Resources Officer	Chito Sasaki
Senior Vice President	Chief Financial Officer	Naohiro Minami
Senior Vice President	Chief General Affairs Officer	Haruhiko Yamada
Senior Vice President	Chief Legal Officer	Kiyohide Hirowatari