

[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.]

<JT logo>

To Our Shareholders and Investors

Business Report

<Logo> Report on the Consolidated Financial Results for the First Three Months of the Fiscal Year
Ending March 31, 2013

<Logo> JT NEWS

<Logo> JT Group Products

<Logo> CLOSE UP! (JT Group Companies / Business Divisions)

<Logo> JT Topics

<Logo> A lesson from the past at the end of a journey

<Photo>

Example of smoke separation consulting service: TOKYO Solamachi East Yard 3rd floor smoking space
(Opened May 22)

<Photo>

Shogi Japan Series

(JT Official Pro Tournament: June 16 to November 18, TableMark Kids Tournament: June 16 to
November 18)

<Photo>

Competed in the London Olympics

Players Otomo and Takeshita (JT Marvelous), Wrestler Hamaguchi (Japan Beverage wrestling team)

Volume 38

TOP MESSAGE

Revenue and profits grew in the consolidated financial results for the three months ended June 30, 2012, driven by the top-line performance of the tobacco business. Overall, this was a solid start in line with our annual forecast.

Consolidated financial results for the three months ended June 30, 2012

Revenue and profits grew in the consolidated financial results for the three months ended June 30, 2012, driven by the top-line performance of the tobacco business. Top-line growth was driven by sales volume growth in the domestic tobacco business in reaction to the impact of the earthquake in the same period of the previous fiscal year, as well as strong pricing and growth in shipment volume in the international tobacco business. As a result, revenue grew by 17.2%, adjusted EBITDA grew 37.0% and operating profit grew 68.2%. Profit attributable to owners of the parent company grew 83.2%.

Forecast for consolidated financial results for FY ending March 31, 2013

We did not change the forecast announced in April. Each business division will continue to pursue its own strategy so as to achieve our target.

Acquisition of Gryson

We announced the conclusion of an acquisition agreement for all outstanding shares of Gryson on May 24, 2012. Headquartered in Belgium, Gryson has established an important presence in the Roll Your Own (“RYO”) and Make Your Own (“MYO”) market across several European countries including France, Belgium, Luxembourg, Spain and Portugal, as well as in a number of other countries. Our acquisition of Gryson offers an attractive opportunity to enhance our presence in the growing and profitable RYO/MYO market in Europe. We will capitalize on Gryson’s well-managed, innovative and successful business and their expertise. We expect to complete the acquisition within the current year.

Mitsuomi Koizumi, President & CEO

Consolidated Financial Results for the First Three Months of the Fiscal Year Ending March 31, 2013
(FY2012)

(Billions of yen)

	Three months ended June 30, 2012	Year-on-year change
Revenue	512.1	+17.2%
Adjusted EBITDA ^{*1} at constant rates of exchange	166.1	+45.8%
Adjusted EBITDA ^{*1}	156.0	+37.0%
Operating profit	128.6	+68.2%
Profit for the period ^{*2}	84.5	+83.2%

*1. Adjusted EBITDA = operating profit + depreciation of property, plant and equipment + amortization of intangible assets + impairment losses on goodwill ± restructuring-related income and restructuring-related costs

*2. Attributable to owners of the parent company

Domestic Tobacco Business

Revenue and profit growth driven by strong sales volume increase

Total sales volume, core revenue and adjusted EBITDA all increased significantly in reaction to the impact of the earthquake in the same period of the previous fiscal year.

(Billions of yen)

	Three months ended June 30, 2012	Year-on-year change
Core revenue	165.3	+59.2%
Adjusted EBITDA	76.6	+108.5%

JT total sales volume

Total sales volume increased 59.5% in reaction to the impact of the earthquake in the same period of the previous fiscal year.

(Billions of cigarettes)

	Three months ended June 30, 2012	Year-on-year change
JT sales volume	29.4	+59.5%

JT Share

Market share continued to recover steadily thanks to new products launches and sales promotions.

International Tobacco Business

Strong top-line growth

Due to strong pricing effects, as well as shipment volume increases especially in GFB, core revenue and adjusted EBITDA grow strongly by 11.6% and 11.8%, respectively. Yen-based adjusted EBITDA increased 7.8% despite the effect of the strong yen.

(Millions of dollar)

	Three months ended June 30, 2012	Year-on-year change
Core revenue	2,731	+11.6%
Adjusted EBITDA	1,008	+11.8%
Yen-based adjusted EBITDA	¥80.0 billion	+7.8%

Shipment volume

GFB shipment volume increased 9.5% despite market volume declines. Thanks to our continued investment into the brands, shipment volume of Winston increased in Russia, Spain and Italy, while shipment volume of LD increased in Russia and Poland.

(Billions of cigarettes)

	Three months ended June 30, 2012	Year-on-year change
JTI shipment volume	98.9	+4.7%
GFB shipment volume	61.1	+9.5%

Share

Market share continued to grow year on year in most of our key markets.

	March 2011	March 2012	Year-on-year change
France	16.1%	16.6%	+0.5%pt
Spain	20.7%	21.6%	+1.0%pt
Italy	20.0%	21.0%	+1.0%pt
U.K.	39.0%	38.7%	-0.3%pt
Russia	37.4%	36.9%	-0.5%pt
Turkey	23.1%	24.7%	+1.6%pt
Taiwan	38.6%	37.9%	-0.7%pt

* Data sourced from AC Nielsen, Logista, Altadis and JTI data. 12 months moving average market share.

* “%pt” is an abbreviation of “percentage point.”

Pharmaceutical Business

Development of JTT-705 discontinued (at licensee), steady progress for JTK-303 and MEK Inhibitor

Revenue grew as sales of REMITCH capsules and Truvada tablets at Torii Pharmaceutical continued to increase, by ¥1.4 billion to ¥12.7 billion. On the other hand, losses in adjusted EBITDA worsened by ¥0.8 billion to minus ¥3.5 billion due to increased R&D expenses from advances in compound developments.

A total of 8 compounds are now in clinical development. Furthermore, Gilead Sciences, our licensee company, has announced that it has filed for U.S. FDA application for the single-tablet regimen containing JTK-303 as well as for JTK-303 as mono agent. Filings have also been made to the European Medical Association.

Pharmaceutical business: Clinical development (as of July 30, 2012)

Code (generic name)	Key indication	Characteristics	Rights	Stage
JTK-303 (elvitegravir)	HIV infection	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV - HIV: Human Immunodeficiency Virus	Gilead Sciences (U.S.) obtained the rights to develop and commercialize this compound worldwide from JT, with the exception of Japan. * Development stage by Gilead Sciences: The company has submitted the single-tablet regimen containing JTK-303 (elvitegravir) as well as for JTK-303 as mono agent to the U.S. FDA and the European Medical Association for approval.	NDA filing (Japan)
JTT-705 (dalcetrapib)	Dyslipidemia	Decreases LDL and increases HDL by modulation of CETP activity - CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL - HDL: High-density lipoprotein ("good cholesterol") - LDL: Low-density lipoprotein ("bad cholesterol")	Roche (Switzerland) obtained the rights to develop and commercialize the compound worldwide from JT, with the exception of Japan. (On May 7, 2012, Roche announced that it had abandoned development.)	Phase 2 (Japan)
JTT-302	Dyslipidemia	Decreases LDL and increases HDL by inhibition of CETP - CETP: Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL - HDL: High-density lipoprotein ("good cholesterol") - LDL: Low-density lipoprotein ("bad cholesterol")		Phase 2 (Overseas)
JTT-751 (ferric citrate)	Hyperphosphatemia	Decreases serum phosphorous level by binding phosphate derived from dietary in the gastrointestinal tract	JT obtained the rights to develop and commercialize this compound in Japan from Keryx Biopharmaceuticals (U.S.) (Developed jointly with Torii Pharmaceutical)	Phase 3 (Japan)

Code (generic name)	Key indication	Characteristics	Rights	Stage
JTT-851	Type 2 diabetes	Promotes glucose-dependent insulin secretion and corrects high blood sugar		Phase 2 (Japan) Phase 1 (Overseas)
JTZ-951	Anemia associated with chronic kidney disease	Increases red blood cells by accelerating production of erythropoietin, an erythropoiesis-stimulating hormone, via inhibition of HIF-PHD - HIF-PHD: Hypoxia Inducible Factor-Prolyl Hydroxylase Domain containing protein		Phase 1 (Japan) Phase 1 (Overseas)
JTE-051	Autoimmune/allergic diseases	Suppresses overactive immune response via inhibition of the signal to activate T cells related to immune response		Phase 1 (Overseas)
JTE-052	Autoimmune/allergic diseases	Suppresses overactive immune response via inhibition of JAK, which contributes to the signal to activate immune response - JAK: Janus kinase		Phase 1 (Japan)

* The beginning of a development stage is based on when the administration of the drug commences.

Changes since the previous announcement on April 26, 2012:

As Gilead Science, our licensee company, filed a new drug application for JTK-303 as mono agent, this is indicated in the Rights column.

Regarding JTT-705, our licensee company Roche announced on May 7, 2012 that it had abandoned development of the drug. This is also indicated in the Rights column.

Food Business

Revenue and profit declined, but steady initiatives to achieve top-line growth continued

Revenue declined by ¥1.5 billion to ¥88.5 billion, as both the beverage and processed food businesses were affected by, among other factors, a decline in reaction to the temporary demand increase created by the earthquake in the previous fiscal year. Adjusted EBITDA also declined, by ¥1.4 billion to ¥4.4 billion as increased sales of staple food were not enough to offset the decline in revenue in the beverage business or the increased cost of raw materials in the processed food business.

(Billions of yen)

	Three months ended June 30, 2012	Year-on-year change
Revenue	88.5	-1.5
Adjusted EBITDA	4.4	-1.4

Forward-looking and cautionary statements

This material contains forward-looking statements about our industry, business, plans and objectives, financial condition and results of operations that are based on our current expectations, assumptions, estimates and projections. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of our financial condition, or state other forward-looking information. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those suggested by any forward-looking statement. These forward-looking statements are not intended to be construed as our assurance for it to materialize in the future, we assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) health concerns relating to the use of tobacco products;
- (2) legal or regulatory developments and changes, including, without limitation, tax increases and restrictions on the sale, marketing and usage of tobacco products, and governmental investigations and privately imposed smoking restrictions;
- (3) litigation in Japan and elsewhere;
- (4) our ability to further diversify our business beyond the tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside of Japan;
- (6) competition and changing consumer preferences;
- (7) the impact of any acquisitions or similar transactions;
- (8) local and global economic conditions; and
- (9) fluctuations in foreign exchange rates and the costs of raw materials.

Consolidated Financial Statements

Consolidated statements of financial position

(Millions of yen)

	As of March 31, 2012	As of June 30, 2012	Increase (Decrease)
Assets			
Current assets	1,331,050	1,363,828	32,778
Non-current assets	2,335,957	2,493,521	157,563
Property, plant and equipment	619,536	641,900	22,364
Goodwill	1,110,046	1,221,858	111,812 *1
Intangible assets	306,448	327,899	21,451
Investment property	67,387	64,842	(2,545)
Retirement benefit assets	14,371	16,304	1,933
Investments accounted for using the equity method	18,447	19,589	1,141
Other financial assets	67,548	65,325	(2,223)
Deferred tax assets	132,174	135,803	3,629
Total assets	3,667,007	3,857,348	190,341
Liabilities and equity			
Liabilities			
Current liabilities	1,157,474	1,146,783	(10,691) *2
Non-current liabilities	794,906	815,065	20,159
Total liabilities	1,952,380	1,961,848	9,467
Equity			
Equity attributable to owners of the parent company	1,634,050	1,812,416	178,366
Share capital	100,000	100,000	–
Capital surplus	736,410	736,410	–
Treasury shares	(94,574)	(94,574)	–
Other components of equity	(376,363)	(225,304)	151,059 *3
Retained earnings	1,268,577	1,295,883	27,307
Non-controlling interests	80,576	83,084	2,508
Total equity	1,714,626	1,895,500	180,874
Total liabilities and equity	3,667,007	3,857,348	190,341

Note: Yen amounts are rounded to the nearest million.

*1. Goodwill: Increased due to strong local currencies and weakness in the yen against US\$.

*2. Current liabilities: Decreased due to repayment of debt.

*3. Other components of equity: The amount of foreign exchange difference with foreign operations shrank because of strong local currencies and weakness in the yen against US\$.

Consolidated statements of income

(Millions of yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012	Increase (Decrease)
Revenue	436,795	512,108	75,313
Cost of sales	(195,226)	(216,812)	(21,587)
Gross profit	241,569	295,296	53,726
Other operating income	2,052	3,027	975
Share of profit in investments accounted for using the equity method	380	246	(134)
Selling, general and administrative expenses	(167,561)	(169,972)	(2,411)
Operating profit	76,441	128,597	52,156 *4
Financial income	1,554	1,085	(469)
Financial costs	(5,854)	(5,291)	563
Profit before income taxes	72,141	124,391	52,251
Income taxes	(24,359)	(37,985)	(13,627)
Profit for the period	47,782	86,406	38,624
Profit for the period attributable to:			
Owners of the parent company	46,126	84,521	38,396
Non-controlling interests	1,656	1,885	228
Profit for the period	47,782	86,406	38,624

Note: Yen amounts are rounded to the nearest million.

*4. Operating profit: Increased due to higher sales volume in the domestic tobacco business and pricing effects in the international tobacco business.

Consolidated statements of comprehensive income

(Millions of yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012	Increase (Decrease)
Profit for the period	47,782	86,406	38,624
Other comprehensive income, net of taxes	111,622	151,211	39,589
Comprehensive income for the period	159,404	237,617	78,213
Comprehensive income for the period attributable to:			
Owners of the parent company	157,489	235,422	77,934
Non-controlling interests	1,915	2,194	279
Comprehensive income for the period	159,404	237,617	78,213

Note: Yen amounts are rounded to the nearest million.

Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2011	Three months ended June 30, 2012	Increase (Decrease)
Net cash flows from operating activities	(38,095)	98,124	136,218
Net cash flows from investing activities	(21,493)	(26,419)	(4,926)
Net cash flows from financing activities	(134,247)	(140,501)	(6,254) *5
Net increase (decrease) in cash and cash equivalents	(193,835)	(68,796)	125,039
Cash and cash equivalents at the beginning of the period	244,240	404,740	160,500
Effect of exchange rate changes on cash and cash equivalents	1,843	4,756	2,913
Cash and cash equivalents at the end of the period	52,248	340,700	288,452

Note: Yen amounts are rounded to the nearest million.

*5. Net cash flows from financing activities: Mainly due to repayment of long-term debt and payment of dividends.

JT NEWS

SPECIAL TOPICS

Thank you for your support!

The London Olympics ends after some thrilling contests

This summer, the London Olympics caught up the whole of Japan in a swirl of emotions. Volleyball players Yoshie Takeshita and Ai Otomo of the JT Marvelous team competed as members of “*Hi no tori Nippon*,” Japan’s national women’s team, while Kyoko Hamaguchi of JT Group company Japan Beverage competed in the 72 kg weight class in the women’s wrestling. They all put in outstanding performances.

The sight of them bravely matching strong opponents from around the world was undoubtedly a source of inspiration and support for JT Group employees.

These athletes are already looking ahead to their next challenges. The JT Group will continue carrying out activities that contribute to the development and improvement of culture through sport, so please carry on your enthusiastic support!

Great performances against strong opponents!!

Women’s volleyball <Logo>

<Photo>

Ai Otomo

Born 1982, Miyagi Prefecture.

Having started playing volleyball in the first year of junior high school, Ai Otomo joined NEC in 2000. She competed at the 2004 Athens Olympics and joined JT Marvelous in 2009. This time, Ms. Otomo achieved a remarkable recovery from a serious injury last year to make her second appearance in the Olympics.

<Photo>

Yoshie Takeshita

Born 1978, Fukuoka Prefecture.

Yoshie Takeshita started playing volleyball in the third year of elementary school. She joined NEC in 1996 and later joined JT Marvelous in 2002. At London, she made her third consecutive Olympics appearance as the “world’s best setter,” following on from appearances at Athens in 2004 and Beijing in 2008.

Women’s wrestling 72 kg weight class <Logo>

<Photo>

Kyoko Hamaguchi

Born 1978, Tokyo.

Kyoko Hamaguchi is a member of Japan Beverage's wrestling team. She won her first world championship title in the 75 kg weight class in 1997, and went on to achieve her third consecutive title in 1999. During this time, she was named the female wrestler of the year by the International Federation of Associated Wrestling Styles (FILA) in 1998. Ms. Hamaguchi won a bronze medal at the 2004 Athens Olympics, having been a flag bearer for the Japanese team at the opening ceremony. She won her second consecutive bronze medal at the 2008 Beijing Olympics.

JT Group Products

Introducing New Tobacco Products

Elegance and splendor for people with sophisticated and mature tastes

Pianissimo Precia Dia's Menthol

Released!

Pianissimo Precia Dia's Menthol

Launched in late July!

- Size: FSK^{*1}
- Filter type: White filter with flavored thread function
- Tar value: 6 mg per cigarette
- Nicotine value: 0.4 mg per cigarette
- Packaging: FSK super slim round box containing 20 cigarettes
- Price: ¥440

<Logo>

Pianissimo Precia Dia's Menthol, a 6 mg tar strong menthol cigarette in the FSK^{*1} super slim category with elegance and splendor for people with sophisticated and mature tastes, has been launched nationwide.

First launched in 1995, Pianissimo boasts a product lineup offering a range of smoking feels, functionalities and designs to meet the diverse needs of consumers, making it one of the most popular menthol brands on the market.

Pianissimo Precia Dia's Menthol provides a strong, crisp menthol sensation and a solid, satisfying smoking experience, but like other cigarettes in the Pianissimo lineup, it is smooth and mild. D-spec^{*2} technologies have also been incorporated to reduce unpleasant cigarette smells.

*1. Approximately 100 mm in size

*2. The collective name for products that, using JT technologies, have been engineered to reduce the unpleasant "cigarette smell" and instead give off pleasant aromas.

Comments from person in charge

Despite its super slim size, Pianissimo Precia Dia's Menthol delivers a straightforward, strong menthol sensation and a solid, satisfying smoking experience.

The packaging sports a refined diamond-studded pendant against a chic wine-red backdrop, embodying commanding strength and splendor. Thanks to the super slim shape of the cigarettes, even a pack of 20 is

compact and easy to carry around stylishly.

The name Dia's comes from the word "diamond," as diamonds are symbolic of inner strength and the elegance and splendor befitting mature tastes.

With the launch of Pianissimo Precia Dia's Menthol, JT has strengthened its menthol product lineup and will continue its pursuit of further customer satisfaction. Why not give this smart and refined super slim, strong menthol product a try?

<Photo>

Yukari Hayashi, Marketing & Sales Group, Brand Planning Division, Tobacco Business, Japan Tobacco Inc.

Introducing New Beverage Products

<Photo>

<Logo>

Renewal

> Highly popular among consumers for its aluminum bottle that releases the aroma!

> The popular full aroma and rich taste provided in a hot drink

Roots “Aroma Black Hot Blend”

275g aluminum bottle/¥130 (tax not included)

Comments from person in charge

Aluminum bottle coffee, which can be carried around and drunk at your own pace, has dramatically expanded the canned coffee scene. In the rapidly growing market for aluminum bottle coffee, “Aroma Black,” which was released in 2003, is a pioneering brand that has continued to drive the market. Roots “Aroma Black Hot Blend,” which is the latest renewal of the brand, is a version of “Aroma Black” that is intended to be drunk hot and is highly popular for its full aroma and rich taste. The product, which warms up the spirit and the body, incorporates a variety of innovations so it can be enjoyed hot, including the blend of coffee and the taste. Why not give it a try?

Ryo Tanaka, Product General Department, Soft Drink Business Division, Japan Tobacco Inc.

<Photo>

<Photo>

<Logo>

> Be happy with peaches! Feel refreshed!

> Juiciness and a delicious flavor combining peaches with spring water

Recommended

Peach Spring Water

500ml pet bottle

¥140 (tax not included)

<Logo>

The secret to the delicious flavor

It actually contains peach juice.

But even though it's juice, the liquid is clear.

The clear juice and spring water come together to create a clear taste.

Be happy with peaches♪ Feel refreshed↑

Recommended

Peach Spring Water Sparkling

500ml pet bottle

¥140 (tax not included)

<Photo>

Introducing New Food Products

<Photo>

Released

Freshly Baked Curry Bread Stick for Microwaving

Pack of 1

> Stick-shaped curry bread for warming up in the microwave

> The bread is filled from end to end with the quality ingredients and spices of the curry filling!

Takeshi Nishio, Product Development Division, TableMark Co., Ltd.

<Photo>

Comments from person in charge

This autumn a curry bread product was newly added to our “Bakers Select” frozen bread lineup, which has found favor among consumers since its launch last year. After being filled end to end with curry so that the filling can be enjoyed from the first bite, the bread is frozen quickly, maintaining its delicious freshly baked taste. The crispy texture of the bread can be enjoyed at any time simply by heating it in the microwave. Since it has a stick shape that makes it easy to eat with one hand and comes in a packet of one, this product can easily be made available for customers to sample in the shop.

<Photo>

Sanuki Menkobo 7 Ingredient *Udon* Noodles Hot-Pot

Released

1 serving/382g

> *Udon* noodles hot-pot combining the flavor of miso with 7 ingredients including pork, satoimo (taro) potatoes and fried tofu

> Features a mild, sweet soup in which mixed miso is complemented with bonito, kelp and other flavors

<Photo>

Released

Shitamachi Yoshokuya Chicken Rice

400g

<Photo>

Released

Steaming Rice Porridge With Germinated Brown Rice

1 serving/250g

CLOSE UP!

Introducing JT Group companies and business divisions to our shareholders.

Navigation by an employee in charge of corporate communications!

<Logo> TableMark Co., Ltd.

Uonuma Mizunosato Factory

TableMark Co., Ltd., which is the core of the JT Group's food business, is engaged in creating products boasting a wide variety of innovative ideas based on the concept of "providing products that your loved ones would want to eat."

An employee in charge of corporate communications will provide an explanation of these products and the quality control at TableMark Co., Ltd.

<Photo>

The Uonuma Mizunosato Factory is open to the public.

Please see our website for details.

<http://www.tablemark.co.jp/> (only in Japanese)

Koji Ono, Corporate Communications Division, TableMark Co., Ltd.

"Provide products that your loved ones would want to eat."

Here at TableMark Co., Ltd., we run our business with this concept in mind. Against the background of an aging population and shrinking birthrate, a decline in the number of people in one household, as well as economic changes, the needs of customers are changing day by day. With our high technological capabilities and a product safety management structure of the highest standard, we continuously deliver delicious tastes that are "familiar yet new," with the aim of providing food products that customers choose for their reassuring familiarity.

Having taken the time to painstakingly make these products, we hope our customers will enjoy them in a wide variety of places and situations.

These are products that are made at the Uonuma Mizunosato Factory

<Photo>

In 1974 we launched the world's first frozen sanuki *udon* noodles with the aim of introducing the tastiness of authentic sanuki *udon* noodles to the whole country!

<Photo>

Sanuki *Udon* Noodles 5 packs

<Photo>

Sanuki *Udon* Noodles 3 packs

<Photo>

Sanuki *Udon* Noodles made with Japanese-Wheat 3 packs

This product is heated through the two stages* of “pressure heating” and “steam cooking.” As it is cooked on the tray without having to move rice from a pot, the rice grains stay succulent without being crushed!

<Photo> <Photo>

Steaming Japanese Koshihikari Rice 3 packs

Steaming Japanese Koshihikari Rice 5 packs

* A method in which rice is cooked by steaming it after heat is infused through to the center of the uncooked rice by using pressure from high temperatures.

Factual Snippet About TableMark

September 1 is “Disaster Prevention Day.” At TableMark Co., Ltd., we recommend for customers to build up a “rolling stock” of food by maintaining a surplus of foodstuff they use in the course of daily life. For details, please search for “recommended rolling stock” with your PC or cell phone (only in Japanese).

<Logo>

Uonuma Mizunosato Factory

Location 1687-7, Aza-Yairohara, Tokamachi, Uonuma-shi, Niigata

Start of operations November 1, 2010

Floor space Site 61,000 m², factory floor 15,870 m²

Employees Approx. 80 persons

<Photo>

<Photo>

This is an overall picture of the cutting-edge factory

With its fully automated production line at a total length of about 140 meters, the Uonuma Mizunosato Factory manufactures 21,000 packs of frozen *udon* noodles and 6,000 packs of package-prepared rice every hour. Of these products, Sanuki *Udon* Noodles has garnered praise for its authentic taste. With the idea that seeing the production process first hand helps to provide reassurance to customers, the factory is open to visits by members of the public and features a straight path that provides visitors with a good view of the factory.

<Picture>

At the Uonuma Mizunosato Factory, a unique traceability system called “TM-TAS” that can trace the production records of individual packs has been introduced. By providing identification symbols for product packaging, this system is able to assign records, including for the use of raw materials and production management, by time within a production lot, thus enabling the swift provision of information in response to customer inquiries. Since the data that is obtained is also used for process

management, it contributes to the manufacture of products that customers can enjoy with confidence.

We will continue to increase not only product safety but also the quality of our products.

<Photo>

Navigation by an employee in charge of corporate communications!

<Logo> Torii Pharmaceutical Co., Ltd.

Torii Pharmaceutical Co., Ltd. celebrates the 140th anniversary of its founding this year.

Under its mission to contribute to the improvement of human health and to fulfill its responsibilities to customers, shareholders, society and employees, by supplying world-class pharmaceutical products, Torii Pharmaceutical Co., Ltd. continues to carry out its daily business.

<Photo>

Torii Pharmaceutical Co., Ltd. plays a part in the JT Group's pharmaceutical business. I will explain our concept of contributing to the improvement of human health by supplying pharmaceutical products!

Ryosuke Otsu, Planning Department, Torii Pharmaceutical Co., Ltd.

In the pharmaceuticals sector it is necessary to invest large amounts of resources into research and development, and the technology necessary for developing new pharmaceuticals is becoming more and more sophisticated. It is extremely difficult to get a new drug approved, and it takes a large amount of time before a drug can be sold. Even so, on the basis of our pride in being a long-established pharmaceutical maker and the trust we have built up thus far, we fully intend not just to manufacture and sell drugs, but also to take up the challenge of carrying out research and development for improvements in dosage forms for existing products, as well as new drugs in our specialty fields including sublingual immunotherapy products (under license) for cedar pollen allergies. In doing so, we aim to continue contributing to the development of the medical field and the improvement of human health through the creation of new value.

In 1998, Torii Pharmaceutical Co., Ltd. became a member of the JT Group. Through the realization by its members of their respective roles, the JT Group forms a cooperative network in which the synergistic effects of its constituent companies are maximized. Torii Pharmaceutical Co., Ltd. develops and launches excellent pharmaceutical products not only through its own activities but also through cooperation with JT.

<Logo> <Logo>

<Photo>

REMITCH[®] capsules (Oral antipruritus drug for hemodialysis patients)

<Photo>

Truvada[®] tablets (Antiviral chemotherapy)

* REMITCH and Truvada were launched in cooperation with JT. They are core products of Torii Pharmaceutical Co., Ltd.

Factual Snippet About Torii Pharmaceutical

This is the company symbol of Torii Pharmaceutical Co., Ltd. If one looks closely at the symbol, readers of Japanese will notice that the symbol is made up of the Japanese characters “To,” “ri” and “i.” This has been the symbol mark of Torii Pharmaceutical Co., Ltd. since 1964.

<Logo>

Torii Pharmaceutical Co., Ltd.

Location Torii Nihonbashi Bldg., 4-1, Nihonbashi-Honcho 3-chome, Chuo-ku, Tokyo

Description of Business Manufacturing and marketing of pharmaceutical products

Established November 1, 1921 (Founded in 1872)

Employees 927 persons (as of March 31, 2012)

<Photo>

Head office

<Photo>

Sakura site (factory and research facility)

To deliver products that can be used with peace of mind

Pharmaceutical products are directly relevant to people’s lives as well as their health. For this reason, pharmaceutical companies must continue to provide a stable supply of medicine while also securing and guaranteeing high levels of quality and safety, from the stage of a product’s development to after it is sold. To this end, we strive to maintain the quality of a product and secure product safety from the procurement of raw materials up to the point at which a product reaches patients.

Regarding existing products, we also make concerted efforts to improve the quality of life of patients by such means as responding to calls from patients to make products easier to take or use.

In addition, in common with other companies that handle medicines, we must be highly ethical in our business activities. As such, we strive not only to make all of our employees acutely aware of this fact and provide excellent medicines to those associated with the medical field and their patients, but also to provide appropriate information including the side effects of products.

<Photo>

KAYEXALATE® DRYSYRUP 76%

(Hyperkalemia improvement agent)

* A new formulation of an existing product for which the experience of taking a dosage (the ease of taking the medicine) has been improved

<Photos>

JT TOPICS

Report of Shareholder Questionnaire Results

We would like to thank you for your cooperation in the questionnaire sent out with the June 2012 Business Report Volume 37. We received responses from about 7,500 shareholders.

The following are results of the questionnaire on complimentary gifts for shareholders (Shareholder Special Benefit Plan) and share holding status.

Shareholder Special Benefit Plan

Contents of this year's complimentary gifts for shareholders

Satisfied	75.5%
Not satisfied	4.5%
No opinion	18.4%
Unclear	1.5%

The breakdown of shareholders choices of complimentary gifts were: beverage set (approximately 50%), rice set (approximately 30%), soup and condiment set (approximately 15%) and donation (approximately 5%).

JT's Stock

How many shares of JT's stock do you own?

1	25.2%
2	9%
3	4.8%
4	2.3%
5	41.9%
6 to 9	2.7%
10 to 14	5.7%
15 or more	5.5%
None at present	0.4%
Unclear	2.4%

How long have you held JT's stock?

Less than 6 months	1.4%
Between 6 months and less than 1 year	1.3%
Between 1 year and less than 3 years	8.3%

Between 3 years and less than 5 years	13.0%
Between 5 years and less than 10 years	25.3%
10 years or more	46.3%
Unclear	4.4%

Out of shareholders with holding of 10 years or more, 75% have been holding shares since the listing in October 1994. Of shareholders with holding of between 5 years and less than 10 years, 50% have been holding shares since the third public offering in June 2004. Average number of shares held of 4.8, over an average period of 10 years.

Holding of stock

Reason for holding JT's stock

	(%)
Expecting stable growth in results	61.3
Attracted by complimentary gifts to shareholders	28.0
Sound financial composition	25.1
Attracted by dividends	23.5
Attracted by development of pharmaceutical business	23.1
Global business expansion	17.7
Attracted by development of food business	17.2
Position / predominance in sector	16.0
High level of technology / capacity in research and development	15.6

Approximately 30% of our shareholders have chosen complimentary gifts to shareholders as their reason for holding JT's stock. We continue to work for the further enhancement of our complimentary gifts in order to be able to provide attractive complimentary gifts for shareholders.

In addition, a large proportion of shareholders have indicated that JT's dividends are an attractive reason for holding stock. With respect to dividends, our "Business Plan 2012" announced in April includes the aim of increasing the consolidated dividend payout ratio from approximately 30% in FY2011 to 40% by FY2013, with a further, medium- to long-term target of 50%. We will strive to improve the attractiveness of our shareholders returns.

Shareholder Special Benefit Plan

Announcement on donations by shareholders through the Shareholder Special Benefit Plan

In the Shareholder Special Benefit Plan for shareholders as of March 31, 2012 we provided an option in which shareholders can opt to forego the complimentary gift and instead use the equivalent money to make a donation to reconstruction support efforts in response to the Great East Japan Earthquake. 1,146 shareholders chose to make a donation through this option. We would like to announce that these donations totaled ¥3,068,000, which was contributed by JT to the Central Community Chest of Japan's "Red Feather Disaster Relief Volunteer & NPO Support Fund" on July 31.

We would like to express our sincere gratitude to all of the shareholders who chose to make a donation.

<Logo> The Central Community Chest of Japan

The Central Community Chest of Japan carries out activities in all 47 prefectures of Japan, such as planning community chest campaigns, awareness enhancing advertizing, research and study, and supporting community chest activities in prefectures, with the Red Feather as its symbol. The organization also has a large role in the promotion of public welfare business in the private sector through such means as the acceptance and coordination of donation money for use by several prefectures.

We would like to thank our shareholders for their cooperation.

How to receive your complimentary gift

We started forwarding the complimentary gifts to shareholders as of March 31, 2012 from late July. If there are any shareholders who are yet to receive their complimentary gifts, please contact the JT Shareholder Special Benefit Plan Office, the details of which are displayed below.

Similarly, since the complimentary gifts were forwarded to the addresses of shareholders recorded in the shareholder registry as of March 31, 2012, we would like to request any shareholders who changed their address in April or later as a result of moving, etc. to inform the JT Shareholder Special Benefit Plan Office. Please also carry out the address change procedures at the securities company where you have your account. For those shareholders using special accounts, we ask that you carry out the procedures at Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

<Photos>

JT Shareholder Special Benefit Plan Office

(Merchandise distribution agent: JT Creative Service Co., Ltd.)

0120-791-187 (toll-free number available only in Japan)

(Business hours: 9 a.m. to 5 p.m. on weekdays excluding public holidays)

The Lure of Tobacco Smoke

A lesson from the past at the end of a journey

The Prince Takamado Collection Gallery, Tokyo National Museum [Tokyo]

<Photo>

The delicate beauty that sublimates Japan's heritage

The enduring world of netsuke

The Prince Takamado Collection Gallery, which displays contemporary netsuke collected by Prince Takamado, a world-famous collector of the figurines, as well as Princess Takamado, was put on display in the second floor of the Japanese Gallery (Honkan) of the Tokyo National Museum from November 2011.

The Prince Takamado Collection Gallery was conceived as a permanent exhibition at the Tokyo National Museum in accordance with the wish of Prince Takamado, who had a strong desire for the skill and heritage of netsuke, which have been crafted since the Edo period, to be made available to future generations by allowing them to view genuine contemporary netsuke first hand.

Netsuke originally signified a fastener used to prevent items such as cigarette cases from being dropped and lost when hung on the sash of a kimono and carried around. Because the people of the period also regarded netsuke as accessories that expressed a person's individual tastes, netsuke have been made in a wide variety of shapes throughout their history. In modern times, netsuke are now made mainly for ornamental purposes. For this reason, these kinds of netsuke are known as contemporary netsuke and have come to be distinguished from the netsuke of the Edo period, which were actually used as fasteners. Despite having a place among the representative crafts of Japan, netsuke are not particularly well known in general. Even so, any visitor who views the contemporary netsuke in The Prince Takamado Collection Gallery is likely to be fascinated by their world and the new sensations they inspire with their themes, materials, colors, textures and other qualities. Above all, visitors are likely to be fascinated by the way the netsuke so strongly passes on and sublimates the skills and heritage built up by the ancestors of the modern Japanese people.

<Photo>

The Prince Takamado Collection Gallery uses part of the imperial suite used when members of the Imperial Family visited the museum, with features such as the chandeliers and wallpaper remaining unchanged.

<Photo>

The display case for the netsuke has been in use since around 1938, when the present Honkan was constructed. The case blends in with the classical and dignified atmosphere of the room.

<Photo>

There are continually 50 netsuke items on display, and the items displayed are changed round every three months. The contents of the display are chosen by Princess Takamado herself, taking into account the diversity of netsuke.

<Photo>

In Room 10, which is next to The Prince Takamado Collection Gallery of contemporary netsuke, there was an exhibition titled “*Ukiyo-e* and Fashion” with the theme of clothing in the Edo period, at which visitors could view classical netsuke made in the Edo period.

In FY2012, the Tokyo National Museum is holding on a special exhibition to celebrate the museum’s 140th anniversary. From October 30 to December 9, “The Go Collection of Netsuke” including items made by famous netsuke makers from the Edo period to the Meiji era, and “The Prince Takamado Collection of Netsuke,” a commemorative exhibition marking the tenth year since Prince Takamado’s passing, will be held simultaneously.

■ Tokyo National Museum

Location

13-9, Ueno Park, Taito-ku, Tokyo 110-8712

(Walk for 10 minutes from Koen Exit of Ueno Station or South Exit of Uguisudani Station on the JR Line. Walk for 15 minutes from Ueno Station and Nezu Station on the Tokyo Metro Line and Keisei Ueno Station on the Keisei Line.)

Inquiries: Tel 03-5777-8600 (Hello Dial)

Opening hours: 9:30 a.m. to 5 p.m. (Last admission 30 minutes before closing) * Times may change according to the season

Closed: Mondays (or the following Tuesday if Monday is a public holiday)

Admission: Adults: ¥600, University students: ¥400 (Group discount for groups of 20 or more)

<http://www.tnm.jp/>

<Map>

Share Handling Procedures

Shareholders holding accounts with securities companies

[Procedures and contents of inquiries]

- Change in registered address, name, etc.
- Change in method to receive dividends or remittance account
- Requests for purchase or sale of shares less than one unit and similar matters

=> The securities company where the account is opened

- Shipment / return of mail items
- Dividends after the payment period has passed
- Problems including non-receipt of documents and loss of dividend warrants and similar matters

=> Mitsubishi UFJ Trust and Banking Corporation

Shareholders using special accounts

[All procedures and inquiries]

- Change in registered address, name, etc.
- Change in method to receive dividends or remittance account
- Requests for purchase or sale of shares less than one unit
- Shipment / return of mail items
- Dividends after the payment period has passed
- Other general inquiries on business concerning shares and similar matters

=> Inquiries

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

0120-232-711 (toll-free number available only in Japan; 9 a.m. to 5 p.m. on weekdays)

Requests for procedure forms

- Requests by interactive voice response telephone service

0120-244-479 (toll-free number available only in Japan; 24 hours)

How to receive dividends

Shareholders can receive dividends safely and securely by opting to receive them by bank remittance.

Cash	Shareholder	Dividend warrants	JT
		←==	
		Dividend warrants	Japan Post Bank Post Office
		==>	
Bank remittance	Designated financial institution account	Dividends	JT
		←==	
	◇ In the case of receiving dividends by designating a deposit account at a bank, etc. for each issue held		
	Designated financial institution account X	Dividends	JT
		←==	
	Designated financial institution account Y	Dividends	Company A
		←==	
	◇ In the case of receiving dividends for all issues held in a lump-sum at a deposit account held at a bank, etc.		
	Designated financial institution account X	Dividends	JT
		←==	
Designated financial institution account X	Dividends	Company A	
	←==		
◇ In the case of receiving dividends in a trading account held at a securities company (if a balance exists at several securities companies, dividends are allocated according to balance)			
Securities company X / JT shares / ● shares	Dividends from ● shares	JT	
	←==		
Securities company Y / JT shares / ○ shares	Dividends from ○ shares		
	←==		
* Not available for use by shareholders who use special accounts			

Members of the Board, Auditors, and Executive Officers

Members of the Board

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

Auditors

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

Executive Officers (*shikkoyakuin*)

President, Chief Executive Officer	Mitsuomi Koizumi
Executive Deputy President, Assistant to CEO in Compliance, Strategy, HR, General Administration, Legal, Operational Review and Business Assurance	Yasushi Shingai
Executive Deputy President, Assistant to CEO in Pharmaceutical Business and Food Business	Noriaki Okubo
Executive Deputy President, President, Tobacco Business	Akira Saeki
Executive Deputy President, Assistant to CEO in CSR, Finance and Communications	Hideki Miyazaki
Senior Executive Vice President, Chief Marketing & Sales Officer, Tobacco Business	Kenji Iijima
Senior Executive Vice President, Assistant to CEO in Compliance and General Administration	Ryoji Chijiwa
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	Kazuhiro Yamashita
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 Soft Drink Business Division	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 and Vice President, Legal Division	Kiyohide Hirowatari

Trends in Share Price

Share prices of JT, from IPO on October 27, 1994 to July 2012 (closing prices on the TSE, monthly basis)

<Chart of JT's share price>

First sale

Sale by bidding

Contract price ¥1,362,000 to ¥2,110,000 (fixed date of the contract price August 29, 1994)

Sale without bidding

Sale price ¥1,438,000 (fixed date of the sale price August 31, 1994)

Second sale

Sale price ¥815,000 (fixed date of the sale price June 17, 1996)

Third sale

Sale price ¥843,000 (fixed date of the sale price June 7, 2004)

* The Company implemented stock split of 200-for-1 on July 1, 2012. The share prices before that date are retroactively adjusted although the share prices listed above as the sales price for first sale through third sale have not been revised to reflect such split.

<Photo>

JT forest Chizu

Spring activity (May 27)

<Photo>

TableMark Co., Ltd.

Uonuma Mizunosato Factory

Memo for Shareholders

Closing date: March 31 of each year

Annual General Meeting of Shareholders: June of each year

Record date for year-end dividend: March 31 of each year

Record date for interim dividend: September 30 of each year

Share trade unit: 100 shares

Method of public notice:

Electronic public notice

Public notices will be posted on JT's website: <http://www.jti.co.jp/>

* If JT is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice in "The Nikkei" newspaper.

Shareholder registry administrator/special-account managing institution:

Mitsubishi UFJ Trust and Banking Corporation

■ Office for handling business

4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

■ Inquiry/mailing address

10-11, Higashisuna 7-chome, Koto-ku, Tokyo 137-8081, Japan

Mitsubishi UFJ Trust and Banking Corporation

Corporate Agency Division

0120-232-711 (toll-free number available only in Japan; 9 a.m. to 5 p.m. on weekdays)

■ Request for procedure forms related to special account

The special-account managing institution accepts requests for administrative procedure for shareholders

using special accounts (including notification of change of address, forms for designation or change of direct deposit of dividends, and forms for requesting procedures for inheritance of shares) at 0120-244-479 (toll-free number available only in Japan) 24 hours a day.

Concerning share handling procedures:

Shareholders are asked to contact the securities company where they have accounts.

This Report was printed using vegetable oil inks along with FSC approved paper to protect our forests.

Japan Tobacco Inc.

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