

[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 Nine Months of the Fiscal Year
Ending March 31, 2013

<Logo> JT NEWS

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Mevius launched in February 2013

<Photo>

JT International Business Results for 2012

<Photo>

An event sponsored by JT and TableMark

Volume 40

TOP MESSAGE

Revenue and profits grew in the consolidated financial results for the nine months ended December 31, 2012, driven by continuing strong top-line performance by the tobacco business. As a result, the full-year consolidated financial forecast has been revised upwardly.

Intensifying competition was a key common element in all our businesses' operations. The tobacco business, in particular, faced a difficult business environment, characterized by industry contraction and tighter regulations. Nevertheless, the continuing investment into the tobacco business aimed at sustainable medium- to long-term profit growth is steadily yielding results. In Japan, the new brand name "Mevius" was finally launched in February. JT will work to further strengthen brand equity on a global scale with the aim of growing the brand into the number one global premium brand. (See pages 15-17 for more information on Mevius.)

Consolidated financial results for the nine months ended December 31, 2012

Revenue, adjusted EBITDA, operating profit and profit attributable to owners of the parent company increased 4%, 8.5%, 13.2% and 13.7%, year on year, respectively, driven by a strong top-line performance by the tobacco business. Top-line growth was driven by a sales volume increase in the domestic tobacco business and strong pricing and growth in GFB shipment volume in the international tobacco business.

Consolidated financial forecast for the fiscal year ending March 31, 2013

The revenue forecast was upwardly revised, and year-on-year growth of 4.1% is now expected. This revision takes into account the effect of strong pricing in the international tobacco business, and the U.S. dollar exchange rates against the yen and other major currencies, which are now more advantageous than they were forecasted to be when the last full-year consolidated financial forecast was announced at the end of the first six months.

Adjusted EBITDA at constant rates of exchange was upwardly revised due to solid top-line growth in the tobacco business, and growth of 13.3% is now forecasted. Adjusted EBITDA on a financial reporting basis and operating profit are forecasted to increase 6.0% and 11.3%, year on year, respectively.

Profit attributable to owners of the parent company was also upwardly revised, and 2.8% year-on-year growth is now forecasted.

Taking this upward revision into consideration, the year-end dividend forecast has been upwardly revised to ¥35 per share, an increase of ¥5 compared to the previous forecast of ¥30 per share. Combined with the interim dividend, the annual dividend is forecasted to be ¥65 per share.

Mitsuomi Koizumi, President & CEO

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

(Billions of yen)

	Nine months ended December 31, 2012	Year-on-year change
Revenue	1,608.4	+4.0%
Adjusted EBITDA ^{*1} at constant rates of exchange	529.5	+16.1%
Adjusted EBITDA ^{*1}	494.5	+8.5%
Operating profit	411.7	+13.2%
Profit for the period ^{*2}	263.7	+13.7%

*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 were driven by a sales volume increase

Benefiting from the results of new product launches and strengthened sales promotion initiatives, we steadily recovered market share and achieved sales volume increase compared with the previous fiscal year, which was impacted by the earthquake. This resulted in increases in revenue and adjusted EBITDA. While aggressively promoting marketing activities for the evolution of Mild Seven into Mevius, the domestic tobacco business will launch various campaigns and continue with efforts to recover market share.

(Billions of yen)

	Nine months ended December 31, 2012	Year-on-year change
Core revenue	502.8	+10.2%
Adjusted EBITDA	226.9	+13.3%

Total sales volume

Total sales volume increased due to strengthening of sales promotion initiatives.

(Billions of cigarettes)

	Nine months ended December 31, 2012	Year-on-year change
Total sales volume	89.4	+10.5%

Market share

Initiatives such as the launch of new products and various sales promotion campaigns have resulted in a recovery in market share. Market share also grew favorably following the design changes that were made to Mild Seven in November.

International Tobacco Business

Increased revenue and profit from strong pricing and growth in GFB shipment volume

Due to strong pricing and shipment volume increases, especially in GFB, from January to September 2012, as well as and the impact of acquisitions, core revenue and adjusted EBITDA grew strongly by 4.6% and 5.8%, respectively. Yen-based adjusted EBITDA increased 4.2%.

(Millions of dollar)

	Nine months ended December 31, 2012	Year-on-year change
Core revenue	8,853	+4.6%
Adjusted EBITDA	3,351	+5.8%
Yen-based adjusted EBITDA	¥266.0 billion	+4.2%

Shipment volume

GFB shipment volume increased 5.1% despite market volume declines. Thanks to our continued brand investment, shipment volume of Winston increased in Russia and Turkey, while shipment volume of LD increased in Turkey, Russia and Kazakhstan.

(Billions of cigarettes)

	Nine months ended December 31, 2012	Year-on-year change
JTI shipment volume	327.9	+2.6%
GFB shipment volume	202.5	+5.1%

Market share

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

	September 2011	September 2012	Year-on-year change
France	16.3%	16.7%	+0.4%pt
Spain	20.9%	21.9%	+1.0%pt
Italy	20.5%	21.6%	+1.1%pt
U.K.	39.0%	39.0%	+0.0%pt
Russia	37.3%	36.5%	-0.8%pt
(GFB share)	20.1%	21.6%	+1.5%pt
Turkey	23.6%	25.9%	+2.4%pt
Taiwan	38.4%	38.7%	+0.3%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

Marketing approval filed for three compounds in Japan

As for the compounds in late phase of development, new drug applications have been filed in Japan for the following two compounds: anti-HIV single-tablet regimen containing JTK-303 and JTT-751 for the treatment of hyperphosphatemia. Torii Pharmaceutical has filed an application in Japan for TO-194SL, a sublingual immunotherapy drug for Japanese cedar pollinosis.

Revenue increased by ¥4.3 billion to ¥41.2 billion from the continued performance of REMITCH CAPSULES and Truvada by Torii Pharmaceutical. Revenue also grew from increase in milestone revenue at JT. On the other hand, losses in adjusted EBITDA worsened by ¥3 billion to a loss of ¥8.6 billion due to an increase in R&D expenses at JT and Torii Pharmaceutical from progress in compound development.

Pharmaceutical business: Clinical development (as of January 31, 2013)

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. Single-tablet regimen containing JTK-303: Application submitted to the European Medical Association JTK-303 as mono agent: Applications submitted to the U.S. FDA and the European Medical Association	NDA filing of single-tablet regimen containing JTK-303 In preparation for NDA filing of JTK-303 as mono agent (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)	NDA filing (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 2 (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 October 30, 2012:

Marketing approval filed for the single-tablet regimen containing JTK-303 in Japan (December 6, 2012)

Marketing approval filed for JTT-751 in Japan (January 7, 2013)

Beverage Business

Continued enhancement of brand equity and strengthening of trade marketing capability with a focus on 'Roots'

Processed Food Business

Business grew steadily, driven by continued performance of staple food products

In the beverage business, revenue decreased due to intensified competition and from unfavorable comparison to the same period of the previous fiscal year which had a temporary demand increase after the earthquake. Adjusted EBITDA declined due to the revenue decline and unfavorable change of our sales composition. We will continue to focus on trade marketing of Roots.

In the processed food business, revenue increased from top-line growth, driven by continued performance of staple food products, which more than compensated for the negative impact of the closure of the processed fishery product business. Despite higher raw material cost, adjusted EBITDA grew in the absence of legal expenses incurred in the same period of the previous fiscal year. We will continue to focus on staple food products and top-line growth.

Beverage business (Billions of yen)

	Nine months ended December 31, 2012	Year-on-year change
Revenue	144.5	-1.5
Adjusted EBITDA	10.5	-0.9

Processed food business (Billions of yen)

	Nine months ended December 31, 2012	Year-on-year change
Revenue	131.9	+1.4
Adjusted EBITDA	5.2	+3.6

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 December 31, 2012	Increase (Decrease)
Assets			
Current assets	1,331,050	1,359,162	28,113
Non-current assets	2,335,957	2,393,395	57,438
Property, plant and equipment	619,536	633,459	13,923
Goodwill	1,110,046	1,160,357	50,311 *1
Intangible assets	306,448	311,580	5,132
Investment property	67,387	60,208	(7,179)
Retirement benefit assets	14,371	16,379	2,008
Investments accounted for using the equity method	18,447	20,635	2,188
Other financial assets	67,548	67,790	242
Deferred tax assets	132,174	122,987	(9,186)
Total assets	3,667,007	3,752,557	85,550
Liabilities and equity			
Liabilities			
Current liabilities	1,157,474	1,086,728	(70,746) *2
Non-current liabilities	794,906	801,040	6,134
Total liabilities	1,952,380	1,887,769	(64,612)
Equity			
Equity attributable to owners of the parent company	1,634,050	1,783,188	149,137
Share capital	100,000	100,000	–
Capital surplus	736,410	736,410	–
Treasury shares	(94,574)	(94,574)	–
Other components of equity	(376,363)	(366,998)	9,365
Retained earnings	1,268,577	1,408,350	139,773 *3
Non-controlling interests	80,576	81,601	1,025
Total equity	1,714,626	1,864,788	150,162
Total liabilities and equity	3,667,007	3,752,557	85,550

Note: Yen amounts are rounded to the nearest million.

*1. Goodwill: Increased due to the acquisition of Gryson and the effect of foreign currency movement on overall goodwill.

*2. Current liabilities: The amount of interest-bearing debt decreased due to repayment of borrowings and redemption of bonds.

*3. Retained earnings: Increased due to appropriation of profit for the period despite the payment of cash dividends.

Consolidated statements of income

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012	Increase (Decrease)
Revenue	1,546,177	1,608,399	62,222 *4
Cost of sales	(678,117)	(684,081)	(5,965)
Gross profit	868,060	924,317	56,258
Other operating income	27,923	18,241	(9,682)
Share of profit in investments accounted for using the equity method	1,769	2,649	880
Selling, general and administrative expenses	(534,182)	(533,551)	631
Operating profit	363,570	411,656	48,086
Financial income	4,665	3,370	(1,295)
Financial costs	(16,405)	(22,984)	(6,579)
Profit before income taxes	351,830	392,042	40,212
Income taxes	(114,013)	(123,409)	(9,396)
Profit for the period	237,818	268,633	30,816
Profit for the period attributable to:			
Owners of the parent company	231,961	263,701	31,740
Non-controlling interests	5,857	4,933	(924)
Profit for the period	237,818	268,633	30,816

Note: Yen amounts are rounded to the nearest million.

*4. Revenue: Increased mainly due to an increase in sales volume in the domestic tobacco business from the same period of the previous fiscal year, in which there was an impact from the earthquake, and a shipment volume increase and favorable pricing in the international tobacco business.

Consolidated statements of comprehensive income

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012	Increase (Decrease)
Profit for the period	237,818	268,633	30,816
Other comprehensive income, net of taxes	(115,332)	(364)	114,969
Comprehensive income for the period	122,485	268,270	145,784
Comprehensive income for the period attributable to:			
Owners of the parent company	116,882	263,183	146,301
Non-controlling interests	5,604	5,087	(517)
Comprehensive income for the period	122,485	268,270	145,784

Note: Yen amounts are rounded to the nearest million.

Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2011	Nine months ended December 31, 2012	Increase (Decrease)
Net cash flows from operating activities	467,088	344,714	(122,373) *5
Net cash flows from investing activities	(76,117)	(117,696)	(41,579)
Net cash flows from financing activities	(246,749)	(271,781)	(25,032)
Net increase (decrease) in cash and cash equivalents	144,222	(44,762)	(188,984)
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	(9,373)	(16,459)	(7,086)
Cash and cash equivalents at the end of the period	379,089	343,519	(35,570)

Note: Yen amounts are rounded to the nearest million.

*5. Net cash flows from operating activities: The decrease is due to tobacco excise tax payment at the end of the nine months ended December 31, 2011 being one month less than at the end of the nine months ended December 31, 2012 owing to the effect of financial institution holidays.

JT NEWS

Shogi Japan Series JT Official Pro Tournament, TableMark Kids Tournament
Guinness World Records™ Recognizes Shogi Record for the First Time

<Photo>

Promoting the message of “Building Character with Shogi,” the Shogi Japan Series is held in 11 regions around Japan as a way of bringing greater vibrancy to local society and contributing to the sound development of young people through the traditional Japanese game of shogi. The watch-and-learn JT Official Pro Tournament and the play-and-learn TableMark Kids Tournament are both held on the same days at the same venues. First held in 1981, the tournaments have been steadily growing in size. So much so, that a record 9,599 children took part in the FY2012 tournament, and more than 27,000 people attended the series across all the regions combined, making it one of the largest shogi events in Japan. At the Tokyo Tournament, the final stage held at the Tokyo Big Sight on November 18, 2012, the first shogi world record was successfully achieved and recognized by Guinness World Records™, undertaken to encourage more people to partake in the future. Adjudicators from Guinness World Records™ carefully counted the number of games that was being played by a total of 3,196 children in the first round. Afterwards, Aya McMillan, a Guinness World Records™ adjudicator announced: “In accordance with the official rules, the number of games of shogi played was 1,574, which is recognized as a Guinness World Record.” To which, the children shouted “Hooray!” with arms raised high. Everyone, including the accompanying adults and organizers shared the jubilation with beaming smiles. In the final stage of the “JT Official Pro Tournament,” title defender Yoshiharu Habu, aiming for his third consecutive victory, faced off against ninth-dan ranked Toshiaki Kubo. After a match filled with sieges and defenses, Toshiaki Kubo won the game on the 109th move, winning his first, long-coveted JT Cup. Having sponsored this series since the first tournament, JT proudly supports its aims, and from FY2012, this support is now a Group-wide activity with TableMark Co., Ltd. also becoming a sponsor.

<Photo>

JT President Mitsuomi Koizumi awarding the JT Cup to first-time winner, Toshiaki Kubo.

<Photo>

With serious expressions, children focus on the game

Result of the Guinness World Records™ Recognition

- Target event: Tokyo Tournament, Shogi Japan Series TableMark Kids Tournament
- Application category: [Most games of shogi played simultaneously in one location.]
- Applicant: Japan Shogi Association, JT, TableMark
- Recognized result: 1,574 games/3,196 participants

Introducing New Tobacco Products

Mild Seven evolves to Mevius.

New brand name Mevius launched in February

The brand “Mild Seven” has been renewed under a new brand name “Mevius” from February as part of a medium- to long-term branding strategy of making it the number one global premium brand. The regular products will continue to provide the “smooth flavor and aroma” that has been well received by many customers to date. In the menthol lineup, the renewal to “Mevius” will be used as an opportunity to consolidate the two “Mild Seven” menthol series “Aqua” and “Impact” as the 100% natural menthol, higher-grade series “Mevius Premium Menthol,” which has been newly launched nation-wide from February.

15 Standard Products

<Photo>

Mevius

Tar value: 10mg/Nicotine value: 0.8mg

<Photo>

Mevius Lights

Tar value: 8mg/Nicotine value: 0.7mg

<Photo>

Mevius Super Lights

Tar value: 6mg/Nicotine value: 0.5mg

<Photo>

Mevius Extra Lights

Tar value: 3mg/Nicotine value: 0.3mg

<Photo>

Mevius One

Tar value: 1mg/Nicotine value: 0.1mg

<Photo>

Mevius Box

Tar value: 10mg/Nicotine value: 0.8mg

<Photo>

Mevius Lights Box

Tar value: 8mg/Nicotine value: 0.7mg

<Photo>

Mevius Super Lights Box

Tar value: 6mg/Nicotine value: 0.5mg

<Photo>

Mevius Extra Lights Box

Tar value: 3mg/Nicotine value: 0.3mg

<Photo>

Mevius One Box

Tar value: 1mg/Nicotine value: 0.1mg

<Photo>

Mevius 100's Box

Tar value: 10mg/Nicotine value: 0.8mg

<Photo>

Mevius Lights 100's Box

Tar value: 8mg/Nicotine value: 0.7mg

<Photo>

Mevius Super Lights 100's Box

Tar value: 6mg/Nicotine value: 0.5mg

<Photo>

Mevius Extra Lights 100's Box

Tar value: 3mg/Nicotine value: 0.3mg

<Photo>

Mevius One 100's Box

Tar value: 1mg/Nicotine value: 0.1mg

Value-added Products

<Photo>

Mevius D-SPEC Super Lights Box

Tar value: 6mg/Nicotine value: 0.5mg

<Photo>

Mevius D-SPEC One 100's Box

Tar value: 1mg/Nicotine value: 0.1mg

<Photo>

Mevius Style Plus 6

Tar value: 6mg/Nicotine value: 0.5mg

<Photo>

Mevius Style Plus One

Tar value: 1mg/Nicotine value: 0.1mg

<Photo>

Mevius Impact One 100's Box

Tar value: 1mg/Nicotine value: 0.1mg

Menthol Products

With the use of 100% natural menthol, the products offer a clear and refreshing flavor that immediately spreads in the mouth, while maintaining the smooth menthol sensation.

<Photo>

Mevius Premium Menthol 8

Tar value: 8mg/Nicotine value: 0.7mg

<Photo>

Mevius Premium Menthol 5

Tar value: 5mg/Nicotine value: 0.4mg

<Photo>

Mevius Premium Menthol One

Tar value: 1mg/Nicotine value: 0.1mg

<Photo>

Mevius Premium Menthol One 100's

Tar value: 1mg/Nicotine value: 0.1mg

* This page is intended as an explanation of JT's business for shareholders. As such, it is not intended to promote product sales to consumers or to encourage them to smoke.

Introducing New Beverage Products

<Photo>

Renewal

> Hot-blend coffee with enhanced aromatic appeal

> Smooth taste with no detracting flavors

Roots “Aroma Black Hot Blend”

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

Comments from person in charge

Roots “Aroma Black Hot Blend,” since its launch in 2005, is highly popular as an aluminum bottle coffee for its full aroma and rich taste. On this occasion, we have implemented a renewal with even fuller aroma and refined taste. In order to extract a more opulent aroma, a new blend designed for hot coffee was adopted. Also, a smoother, richer taste has been achieved by optimizing the extraction temperature to suit drinking the beverage hot. The packaging includes a gold panel to suggest the image of high-class and gentle warmth suitable for a hot product, and the idea of a satisfying full aroma is expressed by the illustration of a fragrant coffee bean.

Mitsunori Masuda, Brand Planning Department, Soft Drink Business Division, Japan Tobacco Inc.

<Photo>

<Photo>

> “Yamada Nishiki” is used for the rice flour and rice malt that is the ingredient of rice-malt saccharified solution

> Product promoting FOOD ACTION NIPPON

Recommended

Komezukuri Tokusen-jikommi

410ml pet bottle

¥140 (tax not included)

<Photo>

> Authentic green-tea taste just like from a tea pot

> Using “Shin-Tsujiri Uji Powdered Tea”

Recommended

Tsujiri Green Tea Containing Uji Powdered Tea

500ml pet bottle

¥140 (tax not included)

JT Group Products

Introducing New Food Products

<Logo>

Released on March 1

> Using our original technology, we offer new ways to enjoy *udon* noodles

> Put it straight into the microwave without taking it out from its packaging. The tray container saves on dishwashing!

<Photo>

Udon DELI S tir-Fry Style

1 serving/250g

<Photo>

Udon DELI R ipe-Tomato Style

1 serving/280g

<Photo>

Udon DELI White Sesame Dandan Style

1 serving/272g

Comments from person in charge

We provide three sauce varieties as new ways to enjoy the familiar *udon* noodles. The product comes with a generous serving of vegetables. Please rediscover the deliciousness and appeal of *udon* noodles.

Emi Takeuchi, Team Leader, Marketing Division, TableMark Co., Ltd.

<Photo>

<Logo>

Released on March 1

> Revival of a simple but nostalgic taste!

<Photo>

Shitamachi Yoshokuya Shrimp Pilaff

400g

<Photo>

Shitamachi Yoshokuya Curried Rice

400g

<Logo>

Released on March 4

> Convenient single rice bowl serving

<Photo>

Steaming Rice

Akitakomachi Rice, grown in Akita prefecture

2 packs of 2 x 120g servings

International tobacco business results for 2012

Strong business results boosted by top-line growth from shipment volume growth and favorable pricing

On February 1, 2013, “JT International Business Results for 2012” was held for institutional investors at JT Art Hall “Affinis.” JT International’s President & Chief Executive Officer, Pierre de Labouchere, Deputy Chief Executive Officer, Mutsuo Iwai, and Chief Financial Officer, Roland Kostantos, presented the business results for 2012. The summary of the presentation is as follows.

> The presentation is available on JT website:
<http://www.jti.co.jp/investors/explain/index.html>

<Business result for 2012 (January to December)>

In 2012, JT International (hereafter “JTI”) again achieved strong business results amid a difficult business environment.

By boosting brand equity through ongoing investment, JTI realized improvements in price and product mix thanks to GFB shipment volume growth and solid price rises. In addition, shipment volume growth was achieved from geographical expansion. Consequently, adjusted EBITDA grew 22.5% from the previous year at constant rates of exchange and 9.1% on a financial reporting basis, which was affected by unfavorable foreign exchange.

Amid an industry contraction, GFB shipment volume grew 4.8% compared with the previous year. In addition, the effect of the acquisitions of Gryson and tobacco companies in Sudan helped total shipment volume grow by 2.5%.

JTI also managed to expand market share in most of its key markets as a result of continuing investment to develop balanced brand portfolios and strengthen brand equity. Our brand portfolio is well-balanced in a way that enables us to target both up-trading and down-trading.

Core revenue was boosted by shipment volume growth and strong pricing, growing 12.6% from the previous year at constant rates of exchange and 5.4% on a financial reporting basis with the foreign exchange effect.

In 2013, JTI expects the continuation of a difficult business environment, under the shadow of economic recession, political instability and tightening regulations. In spite of the difficult environment, JTI continues to invest in further strengthening brand equity and is committed to again achieving strong business results, aiming for adjusted EBITDA growth of 10% at constant rates of exchange.

Presentation conducted by the JTI management

President & Chief Executive Officer, Pierre de Labouchere, Deputy Chief Executive Officer, Mutsuo Iwai, and Chief Financial Officer, Roland Kostantos

<Photos>

■ Core revenue (January to December 2012)

(Millions of dollar)

	Core revenue	Year-on-year change
At constant rates of exchange	12,623	+12.6%
Financial reporting basis	11,817	+5.4%

■ Adjusted EBITDA (January to December 2012)

(Millions of dollar)

	Adjusted EBITDA	Year-on-year change
At constant rates of exchange	4,830	+22.5%
Financial reporting basis	4,302	+9.1%

■ Market share (cigarette, roll your own tobacco)

	2011	2012	Year-on-year change
France	16.0%	17.4%	+1.4%pt
Italy	20.5%	21.4%	+1.0%pt
Russia	37.1%	36.5%	-0.6%pt
Spain	20.2%	20.8%	+0.6%pt
Taiwan	38.2%	38.9%	+0.7%pt
Turkey	24.1%	26.3%	+2.2%pt
U.K.	38.3%	39.3%	+1.0%pt

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

<Expanding the revenue base>

Roll your own tobacco

Roll your own tobacco is rapidly growing in some European markets.

Through GFB and roll your own tobacco brands such as Amber Leaf, JTI has established a strong position in this category over a long period of time. In 2012, JTI acquired Gryson, a roll your own tobacco manufacturer with a large market share in Europe. This acquisition has enabled JTI to become the second largest roll your own tobacco manufacturer in Europe.

By combining JTI's marketing power and distribution network with Gryson's portfolio of products and market regions, JTI has gained a new growth opportunity.

<Photo>

Ploom

JTI has jointly developed a storage battery operated device with Ploom whom JTI formed an alliance with in December 2011. A variety of blends, including GFB, have been developed for use with the device.

Unlike so-called "electronic cigarettes," Ploom's next-generation alternative tobacco device is a high value-added product for the enjoyment of the authentic flavor of tobacco that uses only vaporization without combustion. In 2013, JTI plans to introduce Ploom products to multiple markets and is working busily in preparation for these launches in each region.

<Photo>

Shisha (waterpipe tobacco)

In November 2012, JTI made an announcement concerning the acquisition of Nakhla, a large global waterpipe tobacco manufacturer based in Egypt. Once the necessary procedures for the acquisition are completed, it will be the first time that a global tobacco manufacturer has forayed into this growth category.

JTI considers this acquisition will lead to future expansion of the revenue base as it will provide the opportunity to target customer needs in a new product category. Moreover, in addition to expanding the waterpipe tobacco category by utilizing JTI's marketing power and distribution network, another merit of the acquisition is to provide a foothold into Egypt's cigarette market.

<Photo>

<Brand portfolio>

Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour. These eight GFB brands are driving the quality top-line growth. Below, we introduce the trends in sales for four of these brands in 2012.

<Logo> Winston

Winston achieved record results, securing its position as the world's second best brand. Through proactive packaging innovations and expansion of the product lineup, Winston has been growing in new regions such as Central Asia, Caucasia and the Middle East.

(Billions of cigarettes)

2011	2012	Year-on-year change
130.7	139.4	+6.7%

<Logo> Camel

Through innovation investment and expansion of the product lineup, Camel attracted even more customers, and its shipment volume and market share both grew. Its share also grew in Camel's top 10 markets, where we introduced new package design, and in the Netherlands, it was the fastest growing cigarette brand.

(Billions of cigarettes)

2011	2012	Year-on-year change
40.5	40.7	+0.4%

<Logo> Mild Seven

Overseas, Mild Seven belongs in the premium price range. Amid the difficult business environment, we achieved the solid results of shipment volume growth in most of the markets, showing the strength of the brand. The design change has been completed in all overseas markets and the innovation to the new brand name "Mevius" is planned to be completed in 2013.

(Billions of cigarettes)

2011	2012	Year-on-year change
18.9	18.9	–

<Logo> LD

LD ranks as the second most popular international value brand. The brand equity, boosted by innovation, has achieved strong shipment volume growth. In 2012, 24 new products were launched in 33 existing markets and aggressive marketing was conducted to increase sales.

(Billions of cigarettes)

2011	2012	Year-on-year change
40.5	45.1	+11.4%

JT TOPICS

<Logo>

Final Showdown of Japan's Major Championship

2012 Golf Nippon Series JT Cup

Deciding the Champion of Champions

<Photo>

Hiroyuki Fujita clinches event's first hat-trick title!

The 2012 Golf Nippon Series JT Cup, the final event on the men's 2012 Japan Golf Tour, was held at Tokyo Yomiuri Country Club (Inagi, Tokyo) from November 29 to December 2, 2012. This series is one of Japan's Four Majors, the other three being the Japan PGA Championship, the Japan Open Golf Championship, and the Japan Golf Tour Championship. To join the field, players must pass the stringent conditions of being either a winner of a current-year major tournament in Japan or in the top 25 players of the money list. The event also attracted attention as the decider of the recipient of the largest amount of annual prize money in Japan as well as Japan's highest winner's prize, therefore the JT Cup truly is the tournament that decides the "Champion of Champions." Over the four days, 25,803 spectators stopped by to grab a glimpse of this hard-fought showdown. The players performed spectacularly and showed true champion quality in a contest that thrilled the fans.

<Photo>

Report of the 2012 Golf Nippon Series JT Cup

<Photo>

The trophy was awarded by Mitsuomi Koizumi, President & CEO of JT.

<Photo>

Players who enlivened the 2012 Japan Golf Tour and made the final showdown

Last year, in the 2011 Golf Nippon Series JT Cup, Hiroyuki Fujita became only the fifth golfer in the history of this tournament to achieve back-to-back victories. This year, he established a new record. Tying the record tournament score of 61 on the first day with 1 eagle and 7 birdies, he ended the second day with 1 eagle and 2 birdies. Despite making 4 bogeys on the third day, he steadily improved in a performance that he himself rated as 9/10 for both putts and shots and entered a runaway lead. As a result, he clinched overall victory by 5 shots from second place to achieve an amazing record-breaking third consecutive victory. In an interview after the tournament, Fujita said: "I don't know whether I deserve being the annual prize winner, but it was an overall victory and so allow me to enjoy it this year (laughs).

I am the champion of the champions!” Through this triumphant yell, one felt a release of the pressure that he had been under; it revealed emotions of relief and pride toward having achieved the final victory. Fujita is expected to continue to be a force in 2013 in not only the Japan Golf Tour but also international major tournaments. All eyes are upon him, expectantly waiting for future great feats.

Notable players of the tournament

<Photo>

Fourth place Kyung-Tae Kim

Kyung-Tae Kim continued to take the lead among a strong group of Korean players in the 2012 Japan Golf Tour.

<Photo>

Fifth place Toru Taniguchi

Taniguchi and Fujita are called the “Forties Combo” sparking up the men’s golf tour.

<Photo>

Tie for sixth place Ryo Ishikawa

In winning last year’s tournament, Ishikawa achieved his 10th victory in a major tournament in Japan and he is expected to improve further.

<Photo>

JT PLAZA

Each year, the JT PLAZA is set up, and it provides a popular rest space. Filled with spectators, there was a quiz competition about JT’s “Roots” brand canned coffee, sampling of Tablemark products, and it ran a campaign presenting “original tournament-themed three-tee sets” to customers who purchased JT beverages.

<Photo>

Hole-in-one Prize

¥2 million prize money and additional “Roots Aroma Black” prizes for the hole-in-one prize on the famous 18th hole were provided.

The Lure of Tobacco Smoke

A lesson from the past at the end of a journey

Fukuromono Museum [Tokyo]

<Photo>

Learn about the history of tobacco pouches and various other small bags at the museum of a century-old manufacturer

The Fukuromono Museum in Sumida-ku, Tokyo, was opened in 2004 by Azumaya, a small bag manufacturer and retailer established in 1914.

The name “fukuromono” is general term that refers to various kinds of pouches including wallets and purses. The very first of such *fukuromono* are said to have been tobacco pouches, and a variety of tobacco pouches are on display in the museum. One of the more interesting exhibits is the collection space of the East Japan Handbag Manufacture Association, which is changed annually each November. A tobacco pouch that is about 20 cm wide has been on display since 2012. Its largeness compared with regular sizes is really worth seeing.

By being able to admire the manual sewing machine and other bag-manufacturing tools previously used by Azumaya and to feel the tactile qualities of the animal hides, such as cow, pig, lizard and crocodilian, used in the leather products, visitors can get a glimpse of the *fukuromono* craft.

While the objects on display each have an appeal, the popularity of the museum space is also enhanced by its “at-home” atmosphere.

The museum’s ninety-year-old curator Yoshiko Kido and deputy curator, daughter Kazue, provide visitors with a highly detailed accounts of the collection on display. Just visiting the museum to listen to anecdotes concerning the exhibition and the two’s experience will be enough to broaden one’s knowledge on *fukuromono*.

<Photo>

Tobacco pouch in the East Japan Handbag Manufacture Association’s collection. This exhibition, which can only be seen here, was made possible by the long history of the store and its trusted relationship with the association.

<Photo>

Panels on the wall above the exhibition cases describe in detail the histories and varieties of *fukuromono*.

<Photo>

From the exhibit of a manual sewing machine and other manufacturing tools of *fukuromono*, one feels the history of Azumaya.

<Photo>

The Fukuromono Museum belongs to the “Small Museum” movement. This is a movement in Sumida-ku, Tokyo, by businesses that exhibit collections of products, tools, documents etc. related to industry or culture by using the facilities of factories or private houses. Currently, about 30 premises are registered as such. Other participating museums in Ryogoku include the Sumo Photo Museum and the Poaulownia Wood Furniture Museum. You may encounter many more discoveries if you also add these museums to your excursion plans. In addition, running alongside the Sumida River next to the Fukuromono Museum is a paved area excellent for enjoying a relaxing stroll. Why not wander this area, which once flourished due to the convenience of river transportation and which is steeped in industry, culture and history, and picture the lives of people in the past, considering the human qualities that we all share.

■ Fukuromono Museum

Location

1-1-7, Ryogoku, Sumida-ku, Tokyo 130-0026, Japan

(Walk for 7 minutes from Ryogoku Station on the JR Line. Walk for 13 minutes from Higashi-Nihonbashi Station, Asakusabashi Station and Morishita Station or walk for 14 minutes from Hamamachi Station on the Toei Subway Line)

Inquiries: Tel 03- 3631- 6353

Opening hours: 1 p.m. to 4 p.m.

Closed: First and third Saturdays of the month and Sundays

Admission: Free

<http://www.azumaya.bz/museum.html>

<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)

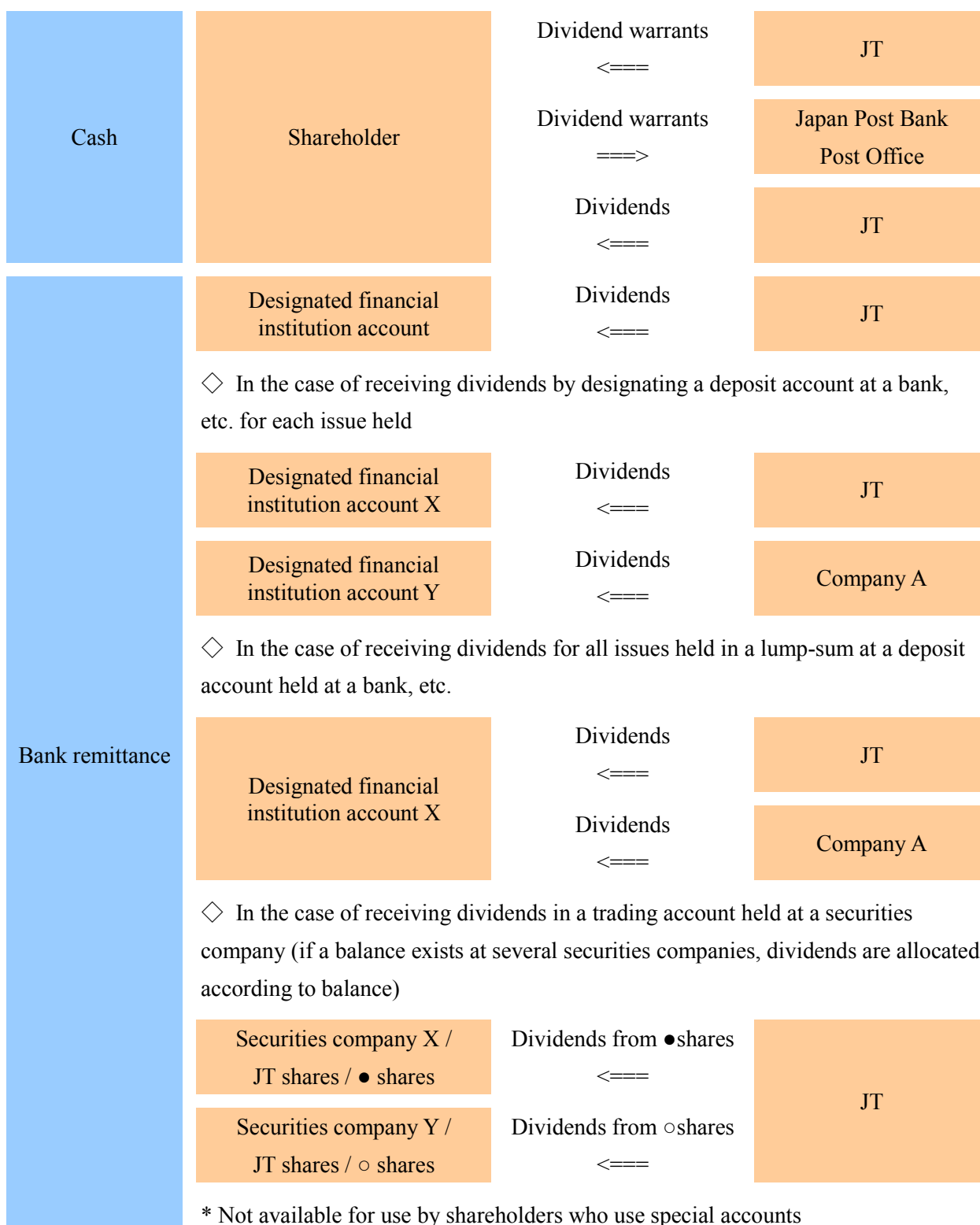
Requests for procedure forms

- 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.



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 January 2013 (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)

* JT 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 sale price for first sale through third sale have not been revised to reflect such split.

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.

How to Receive Your Complimentary Gift

From mid-December, JT started forwarding the complimentary gifts to shareholders registered as of September 30, 2012. If there are any shareholders who are yet to receive their complimentary gifts, please contact us at the toll-free number below.

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)

Complimentary gifts for shareholders are forwarded to the address recorded in the shareholder registry as of September 30, 2012. In the event of a change of address as a result of moving, etc., we ask that you please immediately notify the securities company where you have your account. For those shareholders using special accounts, we ask that you please immediately notify Mitsubishi UFJ Trust and Banking Corporation, the special-account managing institution.

Announcement on Donations by Shareholders through the Shareholder Special Benefit Plan

In the Shareholder Special Benefit Plan for shareholders as of September 30, 2012, we provided an option in which shareholders can opt to forego the complimentary gift and instead make a donation to reconstruction support in response to the Great East Japan Earthquake. 1,120 shareholders chose to make a donation through this option. We would like to announce that these donations totaled ¥3,272,000, which was contributed by JT to the Central Community Chest of Japan's "Red Feather Disaster Relief Volunteer & NPO Support Fund" on February 1.

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

Japan Tobacco Inc.

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Tel.: +81-3-3582-3111

URL: <http://www.jti.co.jp/>

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