

Consolidated Financial and Business Results for Q1 FY 3/2006



August 1, 2005

Japan Tobacco Inc.

Cautions for this material

Forward-Looking and Cautionary Statements

This presentation contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of operational results and financial condition and 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 from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

- (1) health concerns 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.

Corporate-wide Challenge for FY 3/2006

Implementation of growth strategies and promotion of management activities toward sustainable growth

Topic during Q1 of FY 3/2006

A new fighting force has been established to accomplish "JT PLAN-V" under changes in the personnel composition and the business structure along with the implementation of measures for enhancement of the business structure, etc.

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Business Results of Q1 FY 3/2006

Highlights of the results

- ◆ The profitability was largely improved due to shift to an effective and efficient business structure at home, and a profit growth of the international tobacco business, etc.

(JPY billion)

	Q1 FY3/2005	Q1 FY3/2006	Change
Sales(including tax)	1,161.0	1,151.0	-10.0
Sales(excluding tax)	494.4	492.7	-1.6
EBITDA	98.6	115.8	17.2
Operating income	67.4	85.5	18.0
Recurring profit	65.5	84.3	18.8
Quarterly net income	43.3	47.5	4.2

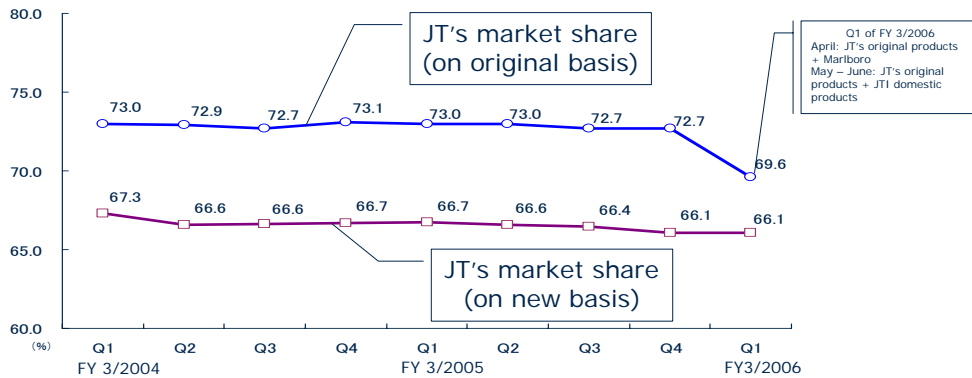
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Progress of Q1 FY3/2006 (Domestic Tobacco Business)

Implementation of growth strategies and further reinforcement of cost competitiveness

JT's market share leveled off on the new measurement basis



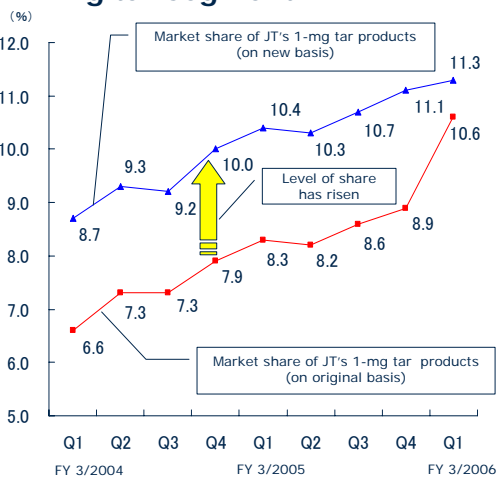
Note 1: Figures in the graph do not include sales from the China, Hong Kong and Macau markets and domestic duty-free sales.
Note 2: Original measurement basis: JT's original products + Marlboro to the end of April 2005 + JTI products for the Japan market from May 2005 (Camel, Winston, Salem, etc.)
New measurement basis: JT's original products + JTI products for the Japan market (Camel, Winston, Salem, etc.)

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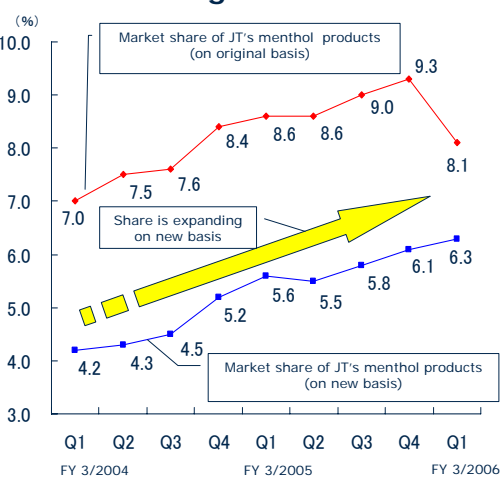


Progress of Q1 FY3/2006 (Domestic Tobacco Business)

1-mg tar segment



Menthol segment



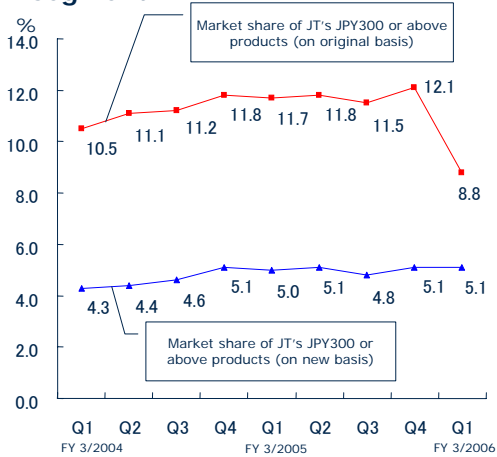
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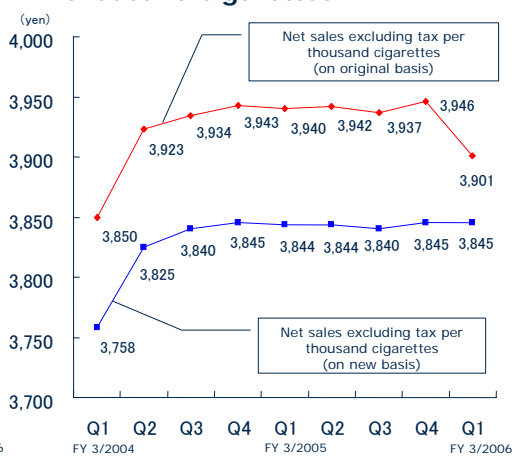


Progress of Q1 FY3/2006 (Domestic Tobacco Business)

JPY300 or above product segment



Net sales excluding tax per thousand cigarettes



Note 1: Figures in the graph do not include sales from the China, Hong Kong and Macau markets and domestic duty-free sales.
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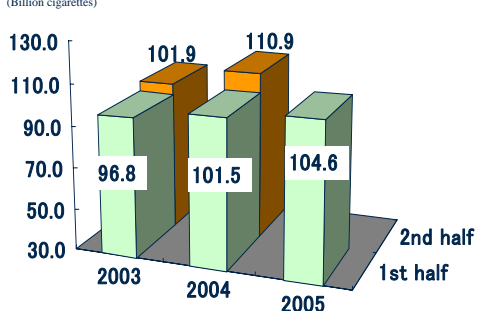


Progress of Q1 FY3/2006 (International Tobacco Business)

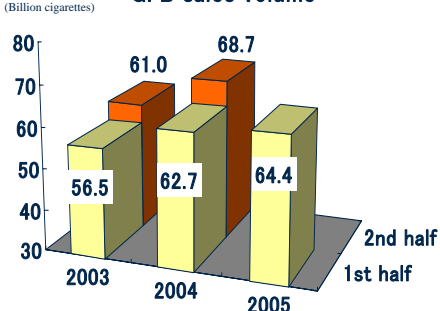
Strengthen Global Flagship Brand(GFB) equity and concentrate on core markets

Total sales volume and GFB sales volume increased steadily.

Total sales volume (Billion cigarettes)



GFB sales volume (Billion cigarettes)



Note 1: The China Division is excluded.
 Note 2: For the international tobacco business, Jan-Mar 2005 results are consolidated into the Q1 FY3/2006 results

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Progress of Q1 FY3/2006 (Pharmaceutical and Foods)

Pharmaceutical business

Achievement of the business goals outlined in "JT PLAN-V"*

- ◆ The business goal was accomplished because JTT-305 entered a clinical development.

* "Place three compounds with the potential to become world-class drugs in clinical development"
JTK-303 and JTT-302 entered clinical development during FY 3/2005.

Foods business

Aiming to further increase the business value as well as maintaining the profitable structure

- ◆ Following the previous fiscal year, the foods business were in favorable conditions for this first quarter.

Forecasts for FY 3/2006 (announced on April 27, 2005)

- ⌘ The first quarter ended with favorable results as expected.
- ⌘ Forecasts for the fiscal year ending March 31, 2006 remain unchanged from the announcement on April 27, 2005.

(JPY billion)

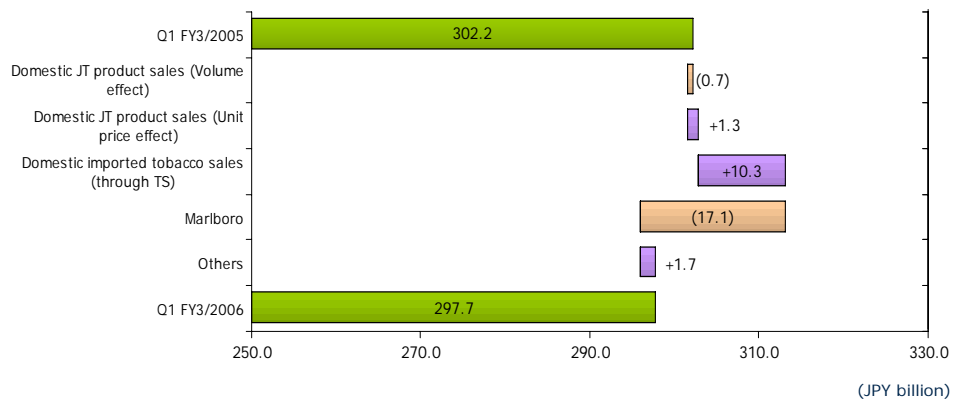
	FY 3/2005 Actual results	FY 3/2006 Forecasts	Change
Sales	4,664.5	4,640.0	-24.5
EBITDA	400.1	423.0	22.8
Operating income	273.3	297.0	23.6
Recurring profit	270.2	293.0	22.7
Net income	62.5	180.0	117.4
ROE	4.2%	11.4%	7.2%
FCF	269.4	108.0	-161.4

Analysis of Consolidated Financial Results for Q1 FY3/2006



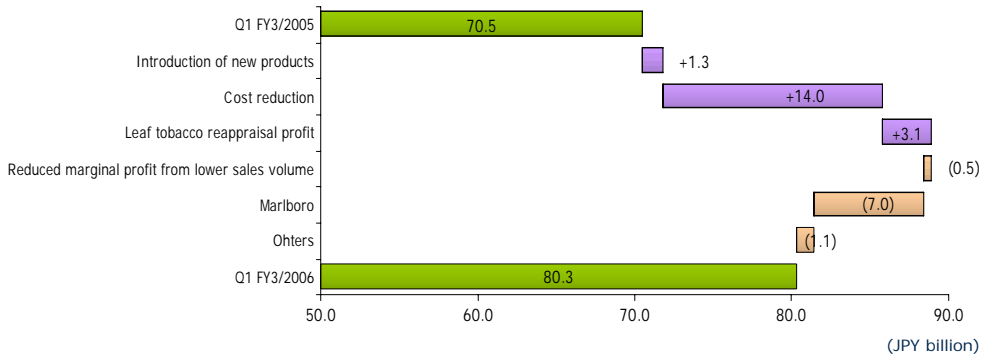
Q1 FY3/2006 Results

Domestic Tobacco Business – Net sales excluding tobacco excise tax from JPY 302.2 billion to JPY 297.7 billion (down JPY 4.5 billion)
 (Reference) Excluding imported tobacco sales from JPY 219.4 billion to JPY 204.5 billion (down JPY 14.8 billion)



Q1 FY3/2006 Results

Domestic Tobacco Business – EBITDA from JPY 70.5 billion to JPY 80.3 billion (up JPY 9.7 billion)



Domestic Tobacco Business – Operating income from JPY 50.8 billion to JPY 59.6 billion (up JPY 8.7 billion)

- ◆ Depreciation and amortization*: from JPY 19.7 billion to JPY 20.7 billion (up JPY 0.9 billion)

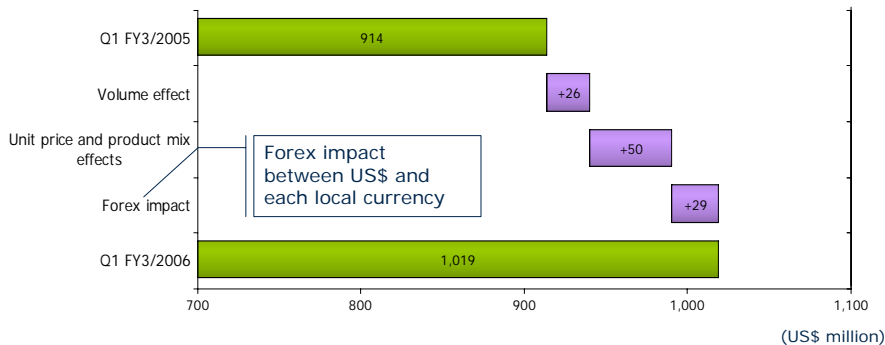
*Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

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Q1 FY3/2006 Results

International Tobacco Business – Net sales excluding tobacco excise tax from US\$ 914 million to US\$ 1,019 million (up US\$ 105 million)



(Reference) International Tobacco Business – Net sales excluding tobacco excise tax
from JPY 98.6 billion to JPY 106.5 billion (up JPY 7.8 billion)

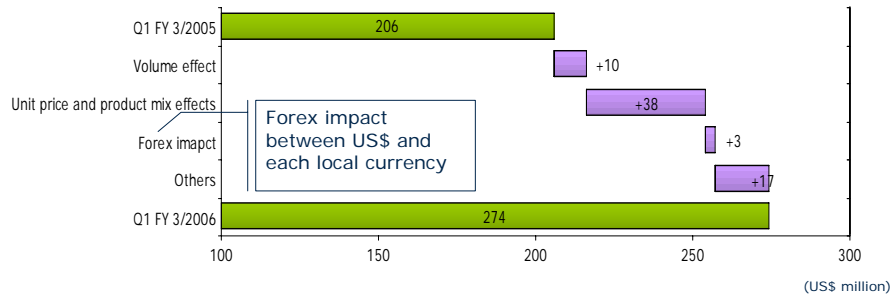
- ◆ JPY/US\$ foreign exchange rate: from US\$1 = JPY 107.36 to US\$1 = JPY 104.55 (up JPY 2.81)

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Q1 FY3/2006 Results

International Tobacco Business - EBITDA from US\$ 206 million to US\$ 274 million (up US\$ 68 million)



(Reference) International Tobacco Business-EBITDA *1: from JPY 18.7 billion to JPY 24.8 billion (up JPY 6.0 billion)
 International Tobacco Business-Operating income: from JPY 13.8 billion to JPY 19.5 billion (up JPY 5.7 billion)
 ◆ Depreciation and amortization*2: from JPY 4.9 billion to JPY 5.3 billion (up JPY 0.3 billion)
 ◆ JPY/US\$ foreign exchange rate: from US\$1=JPY 107.36 to US\$1=JPY 104.55 (up JPY2.81)

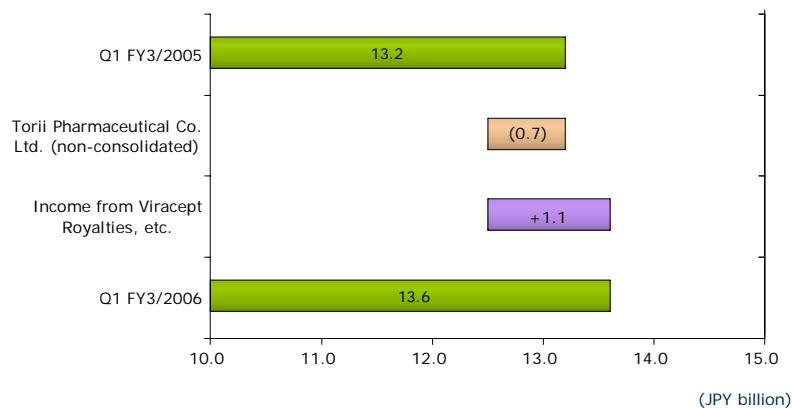
*1 After royalty payment *2 Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

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Q1 FY3/2006 Results

Pharmaceuticals Business - Net Sales from JPY 13.2 billion to JPY 13.6 billion (up JPY 0.3 billion)

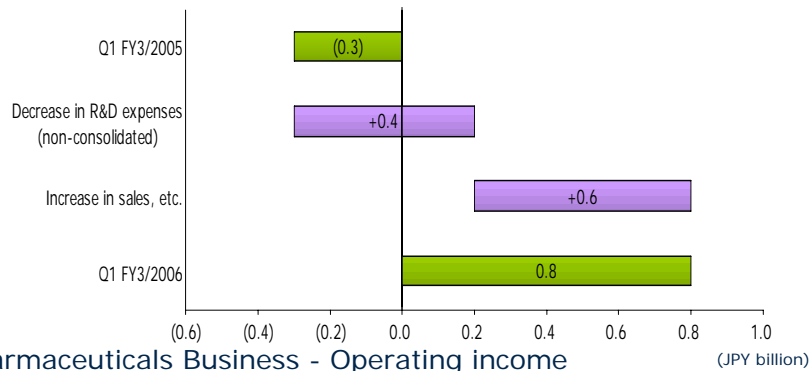


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Q1 FY3/2006 Results

- Pharmaceuticals Business - EBITDA
from JPY -0.3 billion to JPY 0.8 billion (up JPY 1.1 billion)



- Pharmaceuticals Business - Operating income
from JPY -1.2 billion to JPY +0.03 billion (up JPY 1.2 billion)
 - Depreciation and amortization*: from JPY 0.8 billion to JPY 0.8 billion (down JPY 0.08 billion)

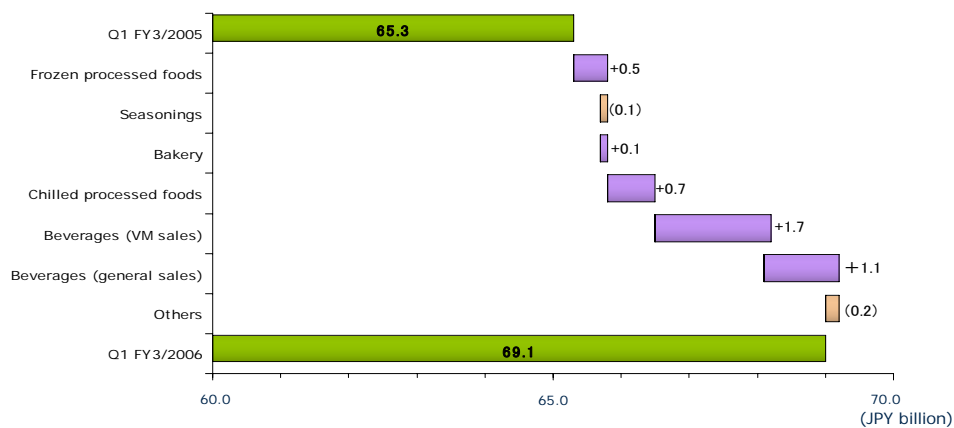
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Q1 FY3/2006 Results

- Foods Business – Net Sales
from JPY 65.3 billion to JPY 69.1 billion (up JPY 3.7 billion)

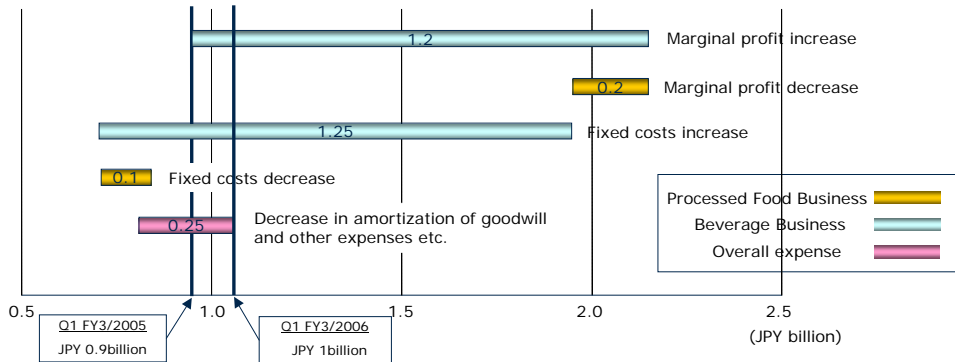


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Q1 FY3/2006 Results

Foods business – Operating Income from JPY 0.9 billion to JPY 1.0 billion (up JPY 0.06 billion)



Foods business – EBIDA from JPY 2.4 billion to JPY 2.4 billion (up JPY 0.04 billion)

- ◆ Increase in Operating Income (JPY 0.06 billion) included the effect of decrease in depreciation and amortization* (JPY 0.01 billion)

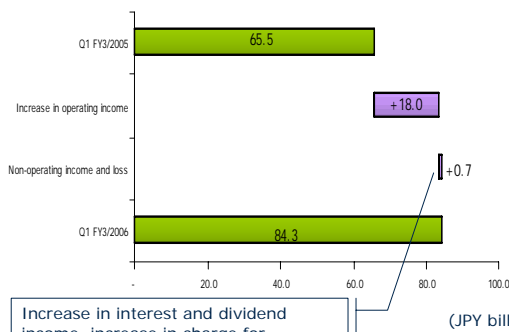
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Q1 FY3/2006 Results

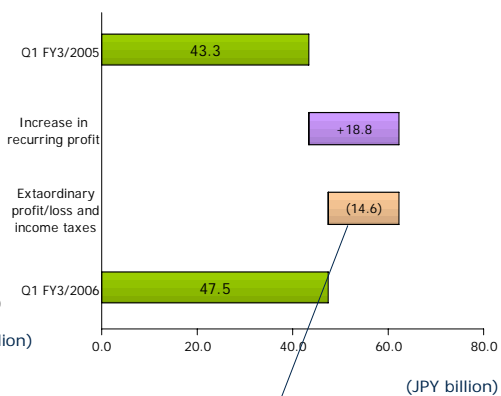
Recurring Profit



Increase in interest and dividend income, increase in charge for obligations under the Public Official Mutual Assistance Association Law, etc.

Increase in profit on sales of fixed assets (JPY +0.9 billion), increase in loss on sales of fixed assets (JPY -1.8 billion), increase in loss on disposal of fixed assets (JPY -0.3 billion), increase in business restructuring costs (JPY -3.6 billion), loss on impairment of fixed assets (JPY -1.3 billion), increase in income taxes (JPY -8.7 billion), etc.

Net Income



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