

Consolidated Financial and Business Results for Q3 FY 3/2007 and Full-term Forecasts for FY 3/2007



Caution concerning forward-looking statements

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, 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.



Points in Q3 Results and Performance Forecasts

Steady implementation of measures towards achievement of the mid-term management plan "JT2008"

■ Results for Q3 FY 3/2007

- ◆ Continued to maintain trend of increasing profits.

■ Performance Forecasts for FY 3/2007

◆ Compared to the interim forecasts

EBITDA and operating income have been revised upward due to the cost reduction of domestic tobacco business and the growth in profits of international tobacco business. Recurring profit and net income have been revised downward as a result of taking into account the financial costs associated with acquisition.

◆ Compared to the previous fiscal year

Revised forecast: Expecting a record-high in all profit indices and an increase of approx. JPY 18 billion in EBITDA on a year-on-year basis.

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Results for Q3 FY 3/2007

■ Summary of Performance

- ◆ Continued to maintain trend of increasing profits.

(Unit: JPY billion)

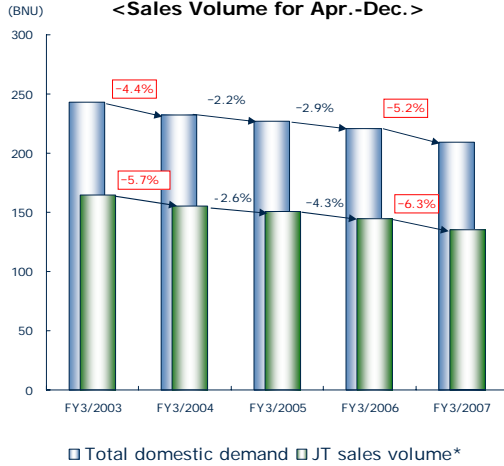
	Q3 FY 3/2006	Q3 FY 3/2007	Change
Sales incl. taxes	3,550.3	3,637.4	87.1
Sales exc l. taxes	1,531.5	1,563.1	31.5
EBITDA	345.7	371.1	25.3
Operating income	251.8	273.4	21.6
Recurring profit	243.5	276.0	32.4
Quarterly net income	164.0	193.4	29.4

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Results for Q3 FY 3/2007 (Domestic Tobacco Business)

<Sales Volume for Apr.-Dec.>



□ Total domestic demand □ JT sales volume*

*New basis = JT original products + JTI products for the Japan market (Camel, Winston, Salem, etc.)

October 2006

- ◆ Launched five new brands such as CABIN ONE Tasty 100's Box (trial sale limited to certain regions)

December 2006

- ◆ Redesigned 9 Mild Seven brands such as Mild Seven soft package products
- ◆ Launched MILD SEVEN Super Lights 100's Box (trial sale limited to certain regions)
- ◆ Launched CABIN ONE Tasty 100's Box nationwide



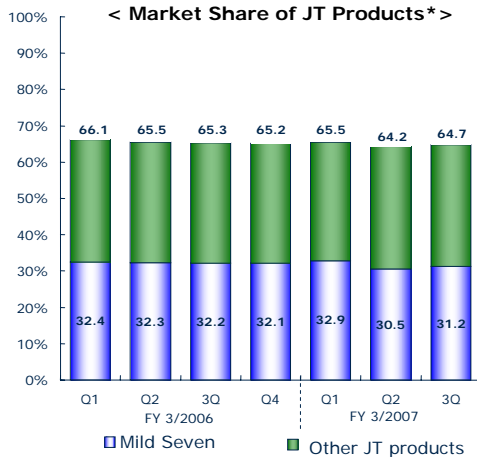
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Results for Q3 FY 3/2007 (Domestic Tobacco Business)

- ◆ Overcame fall in sales volume by reducing costs, increasing unit sales price, etc. and secured an increase in profit.

< Market Share of JT Products* >



*New basis = JT original products + JTI products for the Japan market (Camel, Winston, Salem, etc.)

	(Unit: JPY billion)		
	Q3 FY 3/2006	Q3 FY 3/2007	Change
Sales excl. taxes	906.7	884.4	-22.2
EBITDA	241.4	256.5	15.0
Operating income	176.7	196.7	20.0

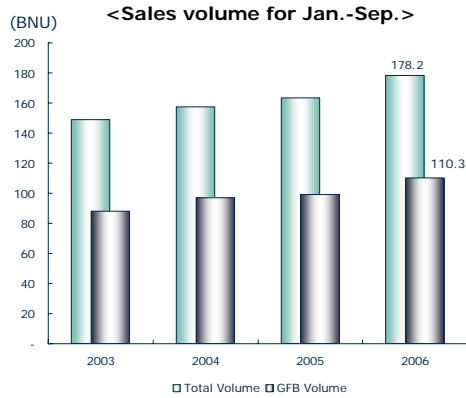
	(Unit: billion cigarettes)		
	Q3 FY 3/2006	Q3 FY 3/2007	Change
JT sales volume	147.2	135.5	-11.6

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Results for Q3 FY 3/2007 (International Tobacco Business)

- Performance exceeded that of previous year despite price competition in the Spanish market.



(Unit: JPY billion)

	Q3 FY 3/2006	Q3 FY 3/2007	Change
Sales excl. taxes	355.8	408.5	52.6
EBITDA	76.1	93.7	17.5
Operating income	59.6	70.9	11.2
Exchange rate (JPY/USD)	107.90	115.90	8.00

(Reference) Before royalty payment to JT (Unit: USD million)

	Q3 FY 3/2006	Q3 FY 3/2007	Change
EBITDA*	756	902	146

* Like-for-like basis: Excluding JTI products sold in Japan

(Note): Results of international tobacco business are for Jan.-Sep. 2006.

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Results for Q3 FY 3/2007 (Pharmaceutical Business)

- Steady advancement of clinical developments and enhancement of R&D pipeline

Clinical Developments (as of Feb 8, 2007)

Code	Indication	Stage
JTT-705 (oral)	Dyslipidemia	Japan: Phase1
JTT-130 (oral)	Hyperlipidemia	Japan: Phase2 Overseas: Phase2
JTK-303 (oral)	HIV	Japan: Phase1
JTT-302 (oral)	Dyslipidemia	Overseas: Phase1
JTT-305 (oral)	Osteoporosis	Japan: Phase2 Overseas: Phase1
JTT-551 (oral)	Type 2 diabetes mellitus	Japan: Phase1 Overseas: Phase1
JTT-552 (Oral)	Hyperuricemia	Japan: Phase1

Progress in Q1

Progress in Q2

Progress in Q3

(Unit: JPY billion)

	Q3 FY 3/2006	Q3 FY 3/2007	Change
Sales	38.8	36.0	-2.8
EBITDA	-0.2	-5.1	-4.9
Operating income	-2.6	-7.3	-4.7

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Results for Q3 FY 3/2007 (Foods Business)

■ Steady progress according to plan

(Unit: JPY billion)

	Q3 FY 3/2006	Q3 FY 3/2007	Change
Sales	212.7	218.5	5.7
EBITDA	9.6	10.7	1.0
Operating income	5.4	6.6	1.1



Roots "AROMA BLACK"



"Obento Daininki"
Series
"Mini Harumaki"



"Imadoki Wazen" Series
"Renkon Hasami Age"

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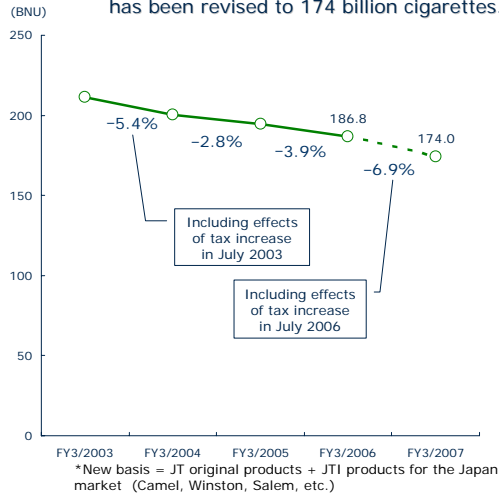
Full-term Forecasts for FY 3/2007



Full-term Forecasts for FY 3/2007 (Domestic Tobacco Business)

Expected JT Sales Volume

- Interim forecast of 176 billion cigarettes has been revised to 174 billion cigarettes.



Reinforcement of Brand Equity

- Enhancement of MILD SEVEN Brand
Launched "The Blue Collection" campaign in December 2006.



Expanded sale of MILD SEVEN Super Lights 100's Box nationwide in February 2007.



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Full-term Forecasts for FY 3/2007 (Domestic Tobacco Business)

Compared to the interim forecasts

Sales including taxes have been revised downward due to reduction in total demand.

EBITDA and operating income have been revised upward as a result of overcoming fall in sales volume through cost reduction, etc.

Compared to the previous fiscal year

Expected to outperform the previous fiscal year due to effect of price revision, improvement in leaf tobacco reappraisal profit and loss, etc.

(unit: JPY billion)

	FY 3/2006 Actual A	FY 3/2007 Interim Forecast B	FY 3/2007 Revised Forecast C	Change from Interim Forecast C-B	Change from FY 3/2006 Actual C-A
Sales incl. taxes	3,405.2	3,430.0	3,397.0	-33.0	-8.2
EBITDA	305.7	313.0	316.0	3.0	10.2
Operating income	220.0	229.0	234.0	5.0	13.9

[Main assumptions]

(unit: billion cigarettes)

JT sales volume	189.4	176.0	174.0	-2.0	-15.4
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Full-term forecasts for FY 3/2007 (International Tobacco Business)

- ◆ **Compared to the interim forecast**

Revised forecast confirms the achievability of our objective, "Grow sustainable EBITDA in the mid-teens" in this financial period.

- ◆ **Compared to the previous fiscal year**

EBITDA : maintain double digit growth for six consecutive years

(Unit: JPY billion)

	FY 3/2006 Actual	FY 3/2007 Interim Forecast	FY 3/2007 Revised Forecast	Change from FY 3/2006 Actual	%
	A	B	C	C-A	(C-A)/A
Sales incl. taxes	881.1	990.0	999.0	117.8	13.4
EBITDA	94.0	109.0	112.0	17.9	19.0
Operating income	71.0	78.0	81.0	9.9	14.0

(Reference) Before royalty payment to JT

(Unit: USD million)

	FY 3/2006 Actual	FY 3/2007 Interim Forecast	FY 3/2007 Revised Forecast	Change from FY 3/2006 Actual	%
	A	B	C	C-A	(C-A)/A
EBITDA*	925	1,070	1,090	165	17.8

* Like-for-like basis: Excluding JT1 products sold in Japan

	FY 3/2006 Actual	FY 3/2007 Interim Forecast	FY 3/2007 Preliminary Forecast	Change from FY 3/2006 Actual	%
	A	B	C	C-A	(C-A)/A
Total volume (BNU)	220.3	239.0	240.1	19.8	9.0
GFB volume (BNU)	133.8	147.0	149.1	15.3	11.4
Exchange rate (JPY/USD)	110.26	116.00	116.38	6.12	

(Notes): Forecast of international tobacco is for Jan.-Dec. 2006.

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Full-term Forecasts for FY 3/2007 (Pharmaceutical & Foods Business)

■ Pharmaceutical Business

- ◆ **Compared to interim forecasts:** Slight increase in both sales and profits in consideration of one-time revenue associated with licensing, etc.
- ◆ **Compared to the previous fiscal year:** Profits are expected to decrease due to increase in R&D expenses, expected decrease in profits of Torii Pharmaceutical Co., Ltd., etc.

(Unit: JPY billion)

	FY 3/2006 Actual	FY 3/2007 Interim Forecast	FY 3/2007 Revised Forecast	Change from Interim Forecast	Change from FY 3/2006 Actual
	A	B	C	C-B	C-A
Sales	49.2	44.5	45.0	0.5	-4.2
EBITDA	-1.8	-9.5	-9.0	0.5	-7.1
Operating income	-5.0	-12.5	-12.0	0.5	-6.9

■ Foods Business

- ◆ **Compared to interim forecasts:** Making progress in line with interim forecast
- ◆ **Compared to the previous fiscal year:** Revenue is expected to increase due to expansion in business volume but profits are expected to be almost the same as in the previous year

(Unit: JPY billion)

	FY 3/2006 Actual	FY 3/2007 Interim Forecast	FY 3/2007 Revised Forecast	Change from Interim Forecast	Change from FY 3/2006 Actual
	A	B	C	C-B	C-A
Sales	278.3	286.0	286.0	0.0	7.6
EBITDA	11.8	12.0	12.0	0.0	0.1
Operating income	6.3	7.0	6.5	-0.5	0.1

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Full-term Forecasts for FY 3/2007

⌘ Compared to interim forecasts

EBITDA and operating income have been revised upward due to the cost reduction of domestic tobacco business and the growth in profit of international tobacco business. Recurring profit and net income have been revised downward as a result of taking into account the financial costs associated with acquisition.

⌘ Compared to the previous fiscal year

EBITDA, operating income, recurring profit and net income are all expected to reach record highs.

(Unit: JPY billion)

	FY 3/2006 Actual	FY 3/2007 Interim Forecast	FY 3/2007 Revised Forecast	Change from Interim Forecast	Change from FY 3/2006 Actual
	A	B	C	C-B	C-A
Sales incl. taxes	4,637.6	4,770.0	4,740.0	-30.0	102.3
EBITDA	433.3	444.0	452.0	8.0	18.6
Operating income	306.9	308.0	318.0	10.0	11.0
Recurring profit	297.8	310.0	298.0	-12.0	0.1
Net income	201.5	206.0	202.0	-4.0	0.4
ROE(%)	12.4	11.2	10.9	- 0.3pt	- 1.5pt
FCF	145.5	354.0	364.0	10.0	218.4

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[Reference Material]

Analysis of Consolidated Financial Results for Q3 FY 3/2007 and Forecast for FY 3/2007



Caution concerning forward-looking statements

Forward-Looking and Cautionary Statements

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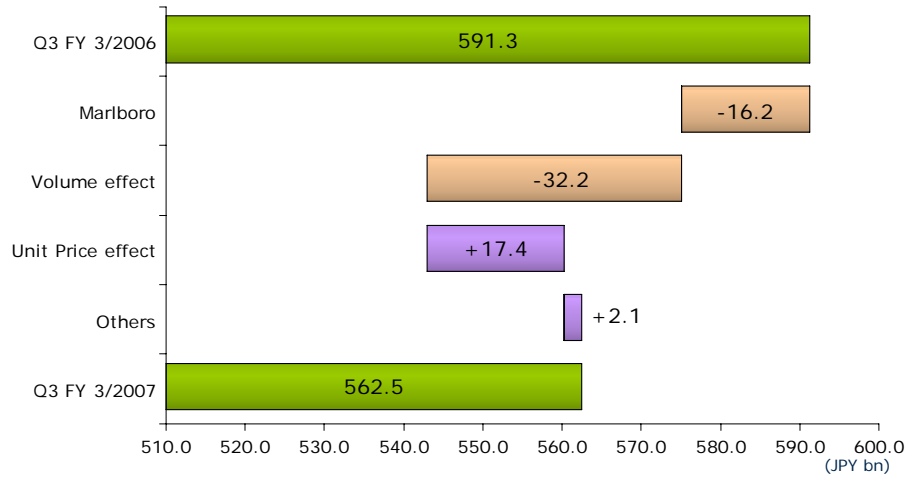
- (1) health concerns relating to the use of tobacco products;
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- (3) litigation in Japan and elsewhere;
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Results for Q3 FY 3/2007

Domestic Tobacco Business – Net sales excl. tobacco excise tax*

*Excluding imported tobacco

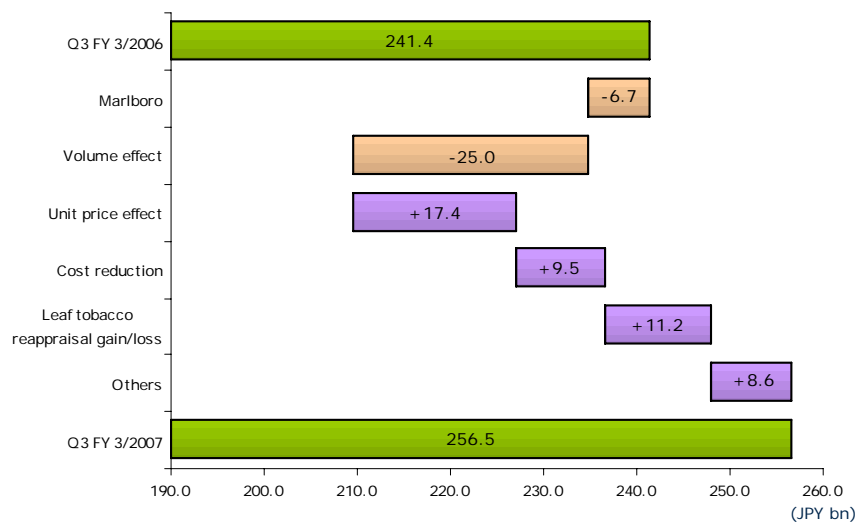


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Results for Q3 FY 3/2007

Domestic Tobacco Business - EBITDA

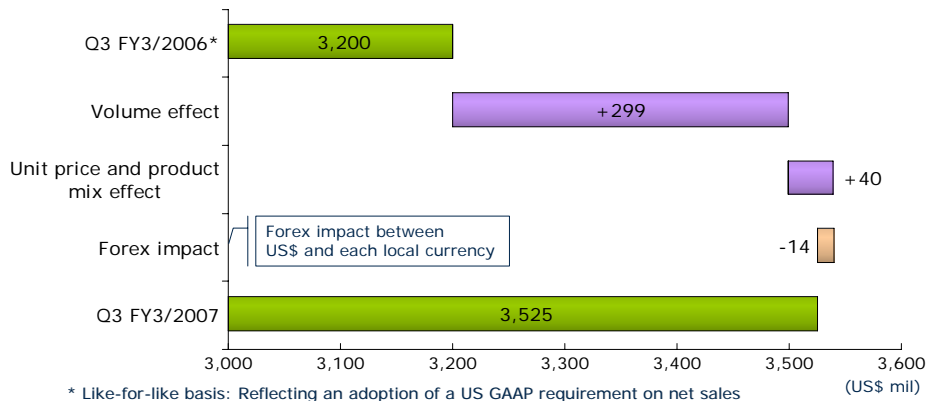


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Results for 3Q FY 3/2007

International Tobacco Business – Net sales excl. tobacco excise tax



(Reference) Industry segment information basis

International Tobacco Business - Net sales excluding tobacco excise tax:
From JPY 355.8 bn to JPY 408.5 bn (up JPY 52.6 bn)

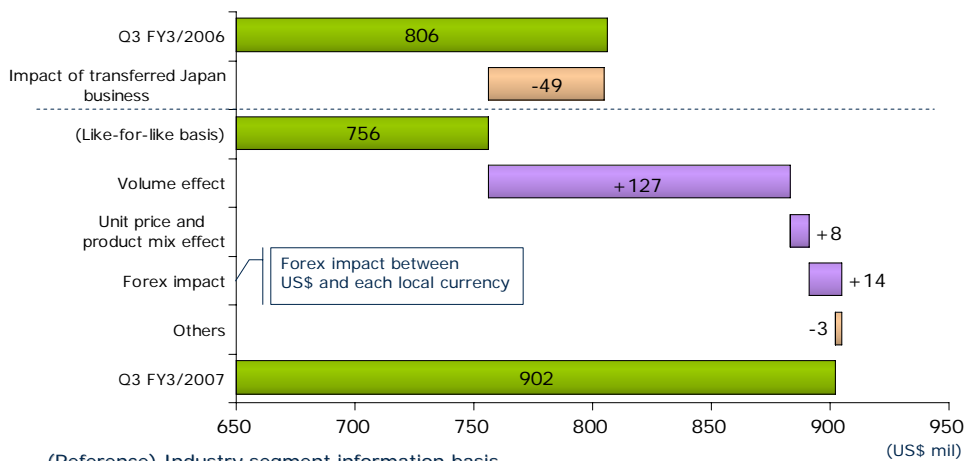
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Results for 3Q FY 3/2007

International Tobacco Business - EBITDA (before royalty payment to JT)

Like-for-like basis: From US\$ 756 mil to US\$ 902 mil (up 19.3%)



(Reference) Industry segment information basis

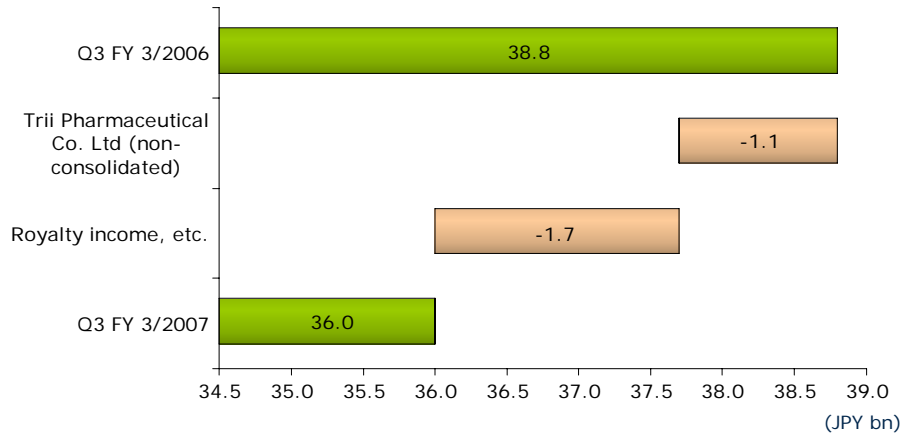
International Tobacco Business – EBITDA: From JPY 76.1 bn to JPY 93.7 bn (up JPY 17.5 bn)

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Results for Q3 FY 3/2007

■ Pharmaceutical Business – Net sales

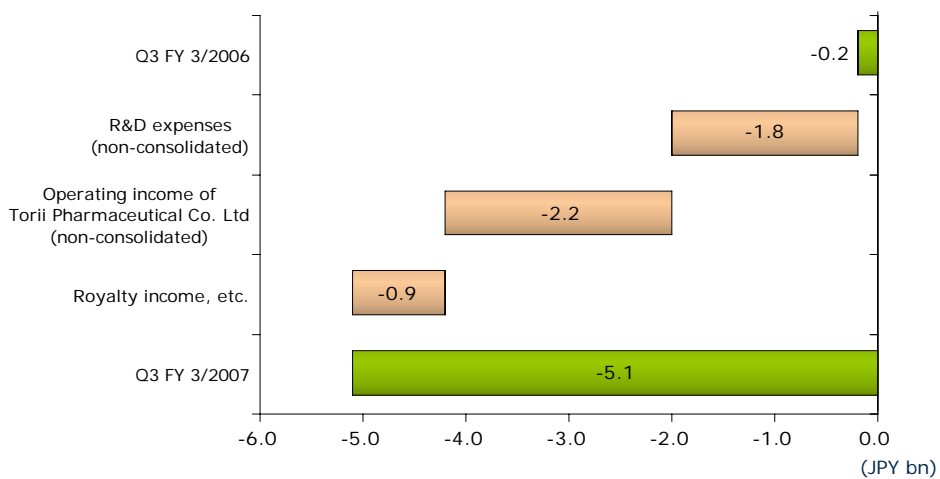


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Results for Q3 FY 3/2007

■ Pharmaceutical Business – EBITDA

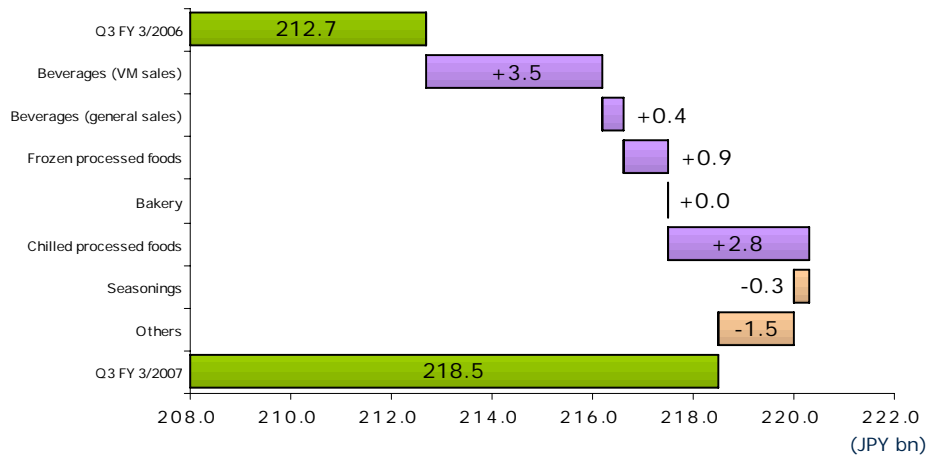


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Results for Q3 FY 3/2007

Foods Business – Net sales

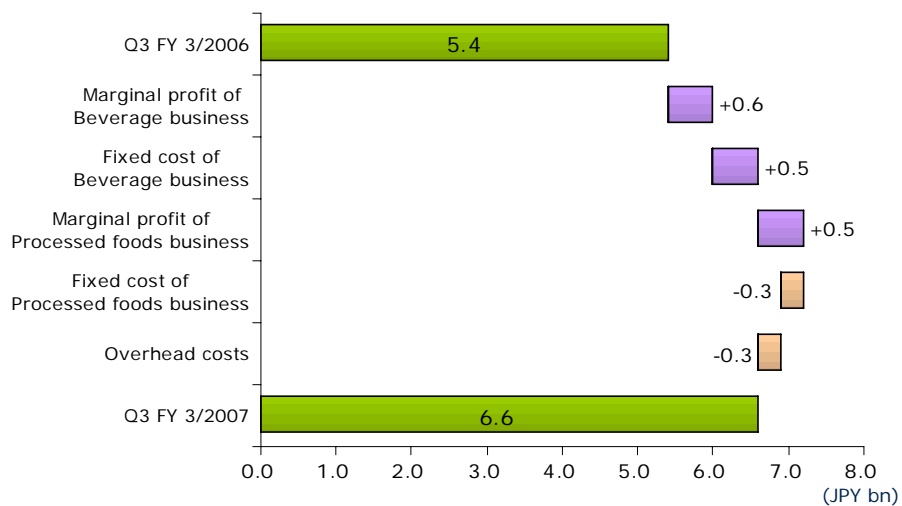


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Results for Q3 FY 3/2007

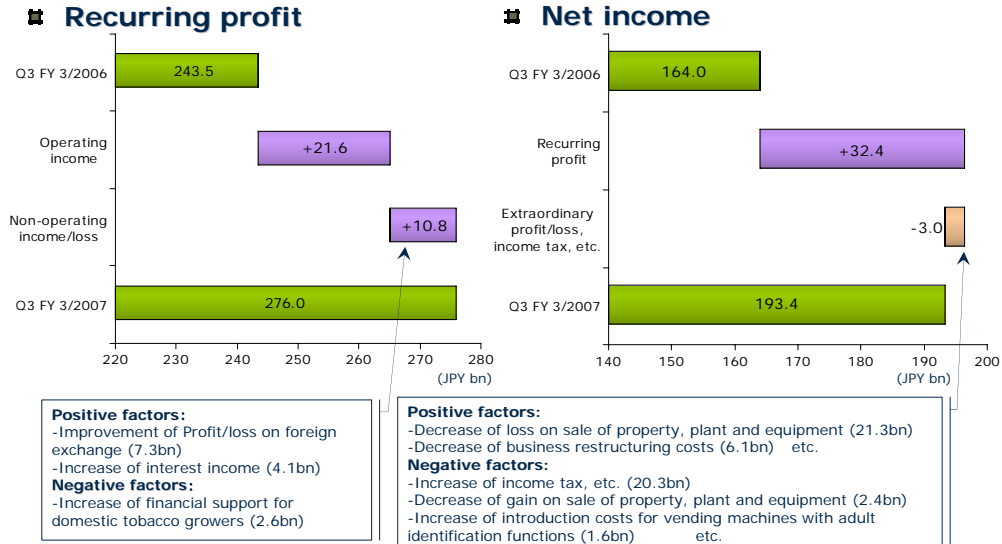
Foods Business – Operating income



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Results for Q3 FY 3/2007

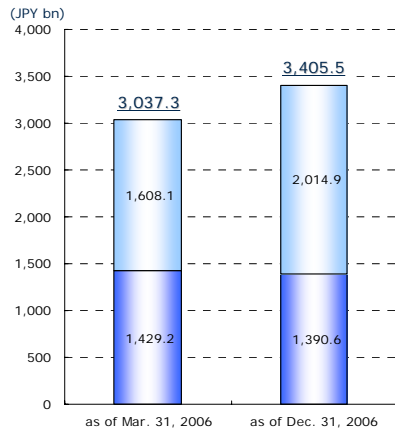


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Summary of Consolidated B/S as of Dec. 31, 2006

ASSETS



□ Current Assets

□ Fixed Assets Note) Fixed Assets include Deferred Assets.

Compared to B/S as of Mar. 31, 2006 (Main factor)

Current Assets – up JPY 406.7 bn

- ◆ Cash and cash equivalents* (business operation): up JPY 295.3 bn
*Cash and cash equivalents = cash and deposits + marketable securities + securities purchased under repurchase agreements
- ◆ Operating receivables* (business operation): up JPY 44.0 bn
*Operating receivables = Trade notes and accounts receivable

Fixed Assets – down JPY 38.6 bn

- ◆ Increased by capital expenditure: JPY 71.0 bn
- ◆ Decreased by depreciation and amortization*: JPY 97.6 bn
*Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets, long-term prepaid expenses and goodwill

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Summary of Consolidated B/S as of Dec. 31, 2006

LIABILITIES



□ Total Liabilities

□ Total Net Assets Note) Total Net Assets include Minority Interests.

Compared to B/S as of Mar. 31, 2006 (Main factor)

Total Liabilities – up JPY 193.3 bn

- ◆ Interest-bearing debt* (increase of short-term bank loans): up JPY 4.6 bn
*Interest-bearing debt= short-term bank loans + bonds + long-term bank loans
- ◆ Tobacco excise taxes payable* (payment deferral for calendar date): up JPY 191.6 bn
*Tobacco excise taxes payable= national tobacco excise taxes payable + national special tobacco excise taxes payable + local tobacco excise taxes payable

Total Net Assets – up JPY 174.7 bn

- ◆ Retained earnings: up JPY 158.8 bn
- ◆ Minority interests: up JPY 6.2 bn

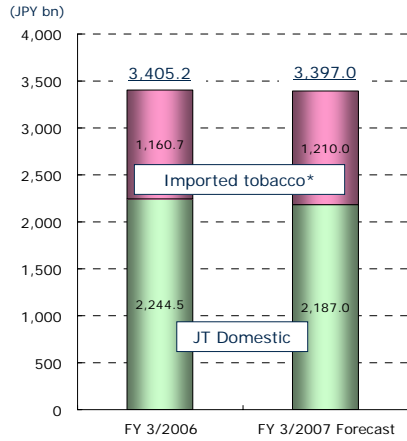
➤ Ratio of equity capital: 58.0% -> 56.7%

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Forecast for FY 3/2007 compared to results of the previous fiscal year

■ Domestic Tobacco Business – Net sales incl. tobacco excise tax



[Positive factors]

- Increase in imported tobacco from JPY 1,160.7 bn to JPY 1,210.0 bn (up JPY 49.2bn)
- Increase in unit price of JT products by tax hike

[Negative factors]

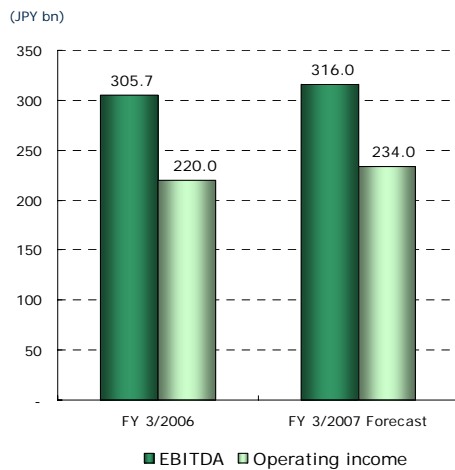
- Decrease in Marlboro sales volume (3.3 bn cigarettes)
- Decrease in JT sales volume (12.1 bn cigarettes)
- (Total: 189.4 bn cigarettes -> 174.0 bn cigarettes, down 15.4 bn cigarettes)

*On the consolidated basis, net sales of domestic tobacco business includes imported tobacco sales, which are handled by TS Network, JT's subsidiary.



Forecast for FY 3/2007 compared to results of the previous fiscal year

■ Domestic tobacco business - EBITDA / Operating income



[Positive factors]

- Increase in unit price (JPY 24.5 bn)
- Improvement of leaf tobacco reappraisal profit/loss (JPY 18.9 bn)
- Cost reduction (JPY 4.5 bn)
- Others (JPY 5.0 bn)

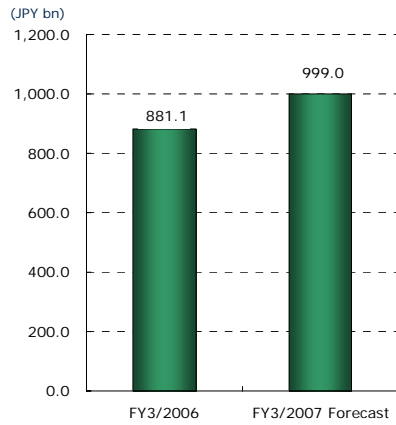
[Negative factors]

- Decrease in Marlboro sales volume (3.3 bn cigarettes, approx. JPY 6.7 bn)
- Decrease in JT sales volume (12.1 bn cigarettes, approx. JPY 36.0 bn)



Forecast for FY 3/2007 compared to results of the previous fiscal year

International Tobacco Business – Net sales incl. tobacco excise tax



[Positive factors]

-Balanced top-line growth in mature and emerging markets

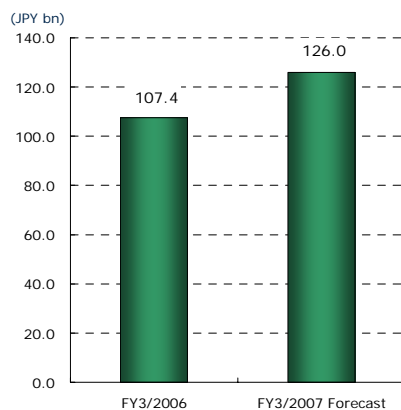
(Reference)

◆ JPY/US\$ foreign exchange rate: from US\$1=JPY 110.26 to US\$1=JPY 116.38 (down JPY 6.12)



Forecast for FY 3/2007 compared to results of the previous fiscal year

International Tobacco Business - EBITDA before royalty payment to JT



[Positive factors]

-Top-line growth in core markets sustained by GFB and brand portfolio enhancement

(Reference) Industry segment information base

International Tobacco Business – EBITDA: from JPY 94.0 bn to JPY 112.0 bn (up JPY 17.9 bn)

International Tobacco Business – Operating income: from JPY 71.0 bn to JPY 81.0 bn (up JPY 9.9 bn)

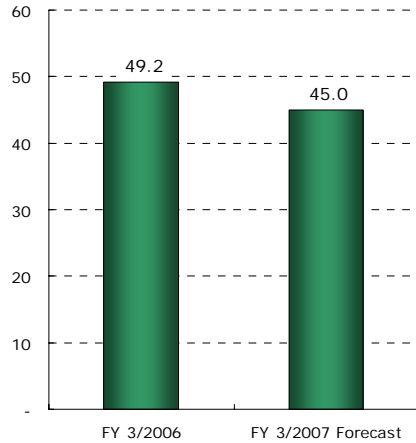
◆ JPY/US\$ foreign exchange rate: from US\$1=JPY 110.26 to US\$1=JPY 116.38 (down JPY 6.12)



Forecast for FY 3/2007 compared to results of the previous fiscal year

■ Pharmaceutical Business – Net sales

(JPY bn)



[Positive factors]

-One-time revenue from licensing-out of a new compound to GlaxoSmithKline Inc. and a new drug antibody candidate to MedImmune Inc.

[Negative factors]

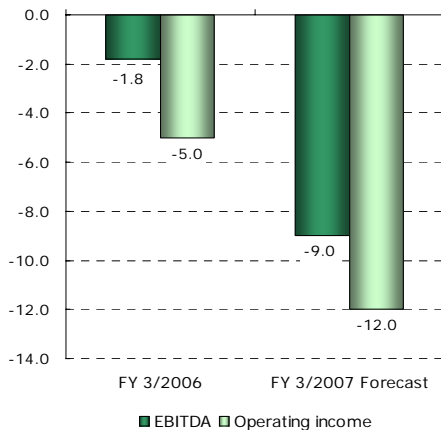
-FY 3/2006: One-time revenue from licensing-out of JTK-303 to Gilead Sciences Inc (US\$ 15 mil)
 -Decrease in Viracept royalty
 -Decrease in net sales of Trii Pharmaceutical Co. Ltd. (JPY 1.0 bn)



Forecast for FY 3/2007 compared to results of the previous fiscal year

■ Pharmaceutical Business - EBITDA / Operating income

(JPY bn)



[Positive factors]

-One-time revenue from licensing-out of a new compound to GlaxoSmithKline Inc. and a new drug antibody candidate to MedImmune Inc.

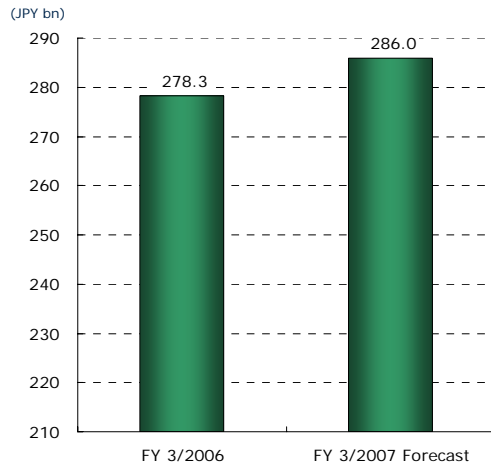
[Negative factors]

-FY 3/2006: One-time revenue from licensing-out of JTK-303 to Gilead Sciences Inc (US\$ 15 mil)
 -Increase in R&D expenses (non-consolidated)
 -Decrease in Viracept royalty
 -Decrease in operating income of Trii Pharmaceutical Co. Ltd. (from JPY 7.6 bn to JPY 5.0 bn, down JPY 2.6 bn)



Forecast for FY 3/2007 compared to results of the previous fiscal year

Foods Business – Net sales



[Positive factors]

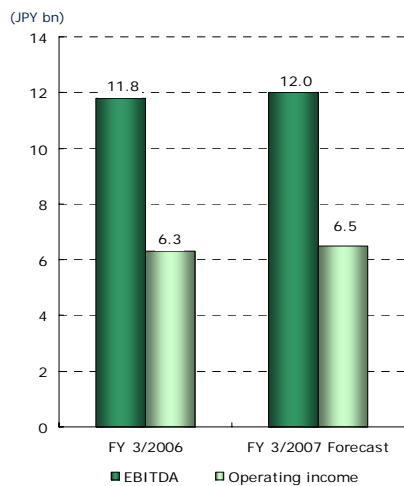
- Steady expansion of vending machine sales channels in Beverage business
- Developing and launching new products by thoroughly pursuing differentiation in frozen processed foods business
- Expansion in chilled processed foods business

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Forecast for FY 3/2007 compared to results of the previous fiscal year

Foods Business - EBITDA / Operating income



[Positive factors]

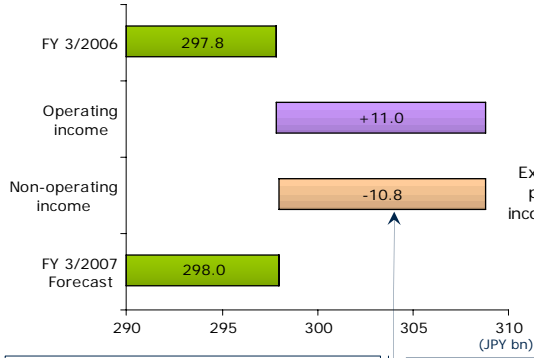
- Increase in marginal profits by top-line growth

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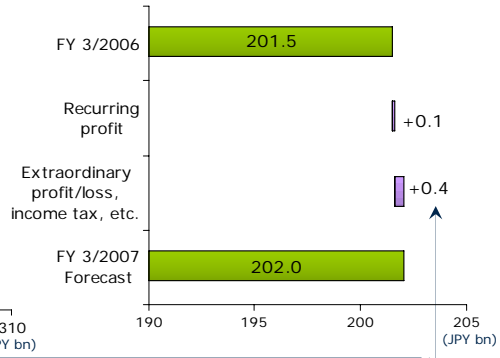
Forecast for FY 3/2007 compared to results of the previous fiscal year

Recurring Profit



- Positive factors:**
- Improvement of profit/loss on foreign exchange
 - Increase of interest income
- Negative factors:**
- Financial costs associated with acquisition
 - Increase of financial support for domestic tobacco growers

Net income



- Positive factors:**
- Decrease of loss on sale of property, plant and equipment
 - Decrease of impairment loss
 - Decrease of business restructuring costs etc.
- Negative factors:**
- Increase of introduction costs for vending machines with adult identification functions (approx. JPY 7.0 bn)
 - Decrease of gain on sale of property, plant and equipment etc.
 - Increase of income tax, etc.



1. Breakdown of net sales

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
Net sales including excise tax	3,550.3	3,637.4	87.1
Domestic tobacco	2,631.9	2,624.9	-7.0
Excluding imported tobacco	1,744.3	1,691.5	-52.7
International tobacco *	649.4	742.4	93.0
Net sales excluding excise tax (Excluding imported tobacco)	1,216.1	1,241.1	25.0
Domestic tobacco	591.3	562.5	-28.8
International tobacco *	355.8	408.5	52.6
Pharmaceutical	38.8	36.0	-2.8
Foods	212.7	218.5	5.7
Beverages	142.4	146.2	3.8
Processed foods	70.2	72.2	1.9
Others	17.3	15.5	-1.8

* International tobacco business: 9 months ended Sep. 2006

2. Leaf tobacco reappraisal profit / loss *

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
Leaf tobacco reappraisal profit / loss	4.2	-7.0	-11.2

* Profit when denoted negative

3. Breakdown of SG&A expenses

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
SG&A	445.1	433.4	-11.7
Personnel *	113.6	114.5	0.8
Advertising and general publicity	17.2	16.7	-0.4
Sales promotion	106.8	93.7	-13.1
R&D	28.2	31.1	2.9
Depreciation and amortization	40.0	42.8	2.7
Others	139.1	134.4	-4.7

* Personnel expense is the sum of compensation, salaries, allowances, provision for retirement benefit, legal welfare, employee bonuses and accrual of employee bonuses.

4. EBITDA by business segment ¹

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
Consolidated EBITDA	345.7	371.1	25.3
Operating income	251.8	273.4	21.6
Depreciation and amortization ²	93.8	97.6	3.7
Domestic tobacco EBITDA	241.4	256.5	15.0
Operating income	176.7	196.7	20.0
Depreciation and amortization ²	64.7	59.8	-4.9
International tobacco EBITDA ³	76.1	93.7	17.5
Operating income	59.6	70.9	11.2
Depreciation and amortization ²	16.5	22.8	6.2
Pharmaceutical EBITDA	-0.2	-5.1	-4.9
Operating income	-2.6	-7.3	-4.7
Depreciation and amortization ²	2.4	2.2	-0.2
Foods EBITDA	9.6	10.7	1.0
Operating income	5.4	6.6	1.1
Depreciation and amortization ²	4.1	4.0	-0.1
Others EBITDA	16.1	15.9	-0.2
Operating income	5.9	6.7	0.8
Depreciation and amortization ²	10.1	9.1	-1.0

(Reference)	(unit: USD million)		
International tobacco EBITDA (Before royalty payment)	806	902	97

¹ EBITDA=operating income + depreciation and amortization²² Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill³ International tobacco business: 9 months ended Sep. 2006

5. Amortization relating to major acquisitions

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Years to amortize	Termination
JT International	25.8	25.8	-	-
Trademark rights (owned by JT)	22.0	21.9	10	Apr-09
Patents (owned by JT)	3.0	3.0	8	Apr-07
Goodwill*	0.8	0.8	20	Mar-25
Japan Beverage				
Goodwill	0.2	0.3	5	Mar-07

* Effective from the fiscal year ended Mar. 31, 2002, amortization of goodwill of JT International ceased due to the adoption of a new accounting pronouncement by JT International. Since then, the goodwill is subject to being tested for impairment annually. From the fiscal year ended Mar. 31, 2006, amortization of a part of this goodwill allocated to the domestic tobacco business started over 20 years.

6. Capital expenditure

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
Capital expenditures	71.2	71.0	-0.1
Domestic tobacco	64.5	39.3	-25.1
International tobacco *	14.9	20.9	6.0
Pharmaceutical	1.3	2.2	0.9
Foods	3.1	3.1	0.0
Others	11.7	6.1	-5.6

* International tobacco business: 9 months ended Sep. 2006

7. Cash and cash equivalents *

(unit: JPY billion)

	As of end of Mar. 2006	As of end of Dec. 2006	Change
Cash and cash equivalents	979.6	1,275.0	295.3

* Cash and cash equivalents = cash and deposits + marketable securities + securities purchased under repurchase agreements

8. Interest-bearing debt *

(unit: JPY billion)

	As of end of Mar. 2006	As of end of Dec. 2006	Change
Interest-bearing debt	216.6	221.2	4.6

* Interest-bearing debt = short-term bank loans + bonds + long-term borrowings

9. Business data

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	147.2	135.5	-11.6
Total demand (billion cigarettes)	220.4	208.9	-11.5
JT market share	66.8%	64.9%	- 1.9%pt
JT net sales before tax per 1,000 cigarettes (JPY)	11,675	12,276	601
JT net sales after tax per 1,000 cigarettes (JPY)	3,866	3,971	105

* Sales volume of domestic duty-free and China division is excluded, which was 2.5billion for 9 months ended Dec. 2006 and 2.4 billion for 9 months ended Dec. 2005, respectively.

	9 months ended Sep. 2005	9 months ended Sep. 2006	Change
<International tobacco business>			
Total sales volume (billion cigarettes)	163.5	178.2	14.7
GFB sales volume (billion cigarettes)	99.2	110.3	11.1
JPY/USD rate for consolidation (JPY)	107.90	115.90	8.00

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
<Pharmaceutical business>			
Royalty revenue of Viracept (USD million)	38	32	-5
R&D expenses (parent company) (JPY billion)	14.6	16.4	1.8

	As of end of Mar. 2006	As of end of Dec. 2006	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	237,000	247,500	10,500
JT-owned	40,500	38,500	-2,000
Combined	61,500	65,500	4,000

* Beverage vending machines include vending machines for cans and packs, etc. and for cups owned by other companies and operated by our subsidiary. "JT-owned" vending machines are owned by JT. "Combined" vending machines are owned by our subsidiaries or affiliates, and focus on selling JT brand beverages but also sell non-JT brand beverages.

1. Consolidated financial outlook for fiscal year ending March 31, 2007 compared to the forecast as of October 2006

(JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax	4,770.0	4,740.0	-30.0
Excluding imported tobacco	3,551.0	3,530.0	-21.0
EBITDA	444.0	452.0	8.0
Operating income	308.0	318.0	10.0
Recurring profit	310.0	298.0	-12.0
Net income	206.0	202.0	-4.0
Return on Equity	11.2%	10.9%	-0.3%pt
Free Cash Flow*	354.0	364.0	10.0

*Free Cash Flow is cash flow from operating activities plus cash flow from investing activities less the items below:

<From cash flow from operating activities>
 - Interest received, dividend received and tax implication by deducting the items (assumption of corporate tax rate: 42%)
 - Interest paid and the tax implication by deducting the item (assumption of corporate tax rate: 42%)

<From cash flow from investing activities>
 - Purchases of and proceeds from sale of marketable securities
 - Purchases of and proceeds from sale of investment securities and others
 FCF calculated according to the above adjustment may not be equal to FCF shown on the above table. The difference comes from purchases of and proceeds from sale of business investment securities which are included in investment securities on the cash flow statement but excluded from the adjustment above.

(JPY billion)

	Previous forecast	Revised forecast	Change
Capital expenditures	124.0	112.0	-12.0
Domestic tobacco	71.0	62.0	-9.0
International tobacco	32.0	32.0	0.0
Pharmaceutical	3.0	3.0	0.0
Foods	5.0	5.0	0.0
Other businesses	13.0	10.0	-3.0

Consolidated financial outlook by business segment (JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax	4,770.0	4,740.0	-30.0
Domestic tobacco	3,430.0	3,397.0	-33.0
Excluding imported tobacco	2,211.0	2,187.0	-24.0
International tobacco	990.0	999.0	9.0
Pharmaceutical	44.5	45.0	0.5
Foods	286.0	286.0	0.0
EBITDA	444.0	452.0	8.0
Domestic tobacco	313.0	316.0	3.0
International tobacco	109.0	112.0	3.0
Pharmaceutical	-9.5	-9.0	0.5
Foods	12.0	12.0	0.0
Operating income	308.0	318.0	10.0
Domestic tobacco	229.0	234.0	5.0
International tobacco	78.0	81.0	3.0
Pharmaceutical	-12.5	-12.0	0.5
Foods	7.0	6.5	-0.5

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	Previous forecast	Revised forecast	Change
Sales volume	176.0	174.0	-2.0

Excludes sales of domestic duty-free and China division

(2) International tobacco business (billions of cigarettes, JPY)

	Previous forecast	Preliminary results	Change
Total sales volume	239.0	240.1	1.1
GFB sales volume	147.0	149.1	2.1
JPY/USD rate	116.00	116.38	0.38

2. Consolidated financial outlook for fiscal year ending March 31, 2007 compared to the results of previous fiscal year

(JPY billion)

	FY 03/2006	Revised forecast	Change
Net sales including excise tax	4,637.6	4,740.0	102.3
Excluding imported tobacco	3,476.9	3,530.0	53.0
EBITDA	433.3	452.0	18.6
Operating income	306.9	318.0	11.0
Recurring profit	297.8	298.0	0.1
Net income	201.5	202.0	0.4
Return on Equity	12.4%	10.9%	-1.5%pt
Free Cash Flow*	145.5	364.0	218.4

*Free Cash Flow is cash flow from operating activities plus cash flow from investing activities less the items below:

<From cash flow from operating activities>
 - Interest received, dividend received and tax implication by deducting the items (assumption of corporate tax rate: 42%)
 - Interest paid and the tax implication by deducting the item (assumption of corporate tax rate: 42%)

<From cash flow from investing activities>
 - Purchases of and proceeds from sale of marketable securities
 - Purchases of and proceeds from sale of investment securities and others
 FCF calculated according to the above adjustment may not be equal to FCF shown on the above table. The difference comes from purchases of and proceeds from sale of business investment securities which are included in investment securities on the cash flow statement but excluded from the adjustment above.

(JPY billion)

	FY 03/2006	Revised forecast	Change
Capital expenditures	98.9	112.0	13.0
Domestic tobacco	75.0	62.0	-13.0
International tobacco	24.9	32.0	7.0
Pharmaceutical	2.1	3.0	0.8
Foods	4.5	5.0	0.4
Other businesses	19.3	10.0	-9.3

Consolidated financial outlook by business segment (JPY billion)

	FY 03/2006	Revised forecast	Change
Net sales including excise tax	4,637.6	4,740.0	102.3
Domestic tobacco	3,405.2	3,397.0	-8.2
Excluding imported tobacco	2,244.5	2,187.0	-57.5
International tobacco	881.1	999.0	117.8
Pharmaceutical	49.2	45.0	-4.2
Foods	278.3	286.0	7.6
EBITDA	433.3	452.0	18.6
Domestic tobacco	305.7	316.0	10.2
International tobacco	94.0	112.0	17.9
Pharmaceutical	-1.8	-9.0	-7.1
Foods	11.8	12.0	0.1
Operating income	306.9	318.0	11.0
Domestic tobacco	220.0	234.0	13.9
International tobacco	71.0	81.0	9.9
Pharmaceutical	-5.0	-12.0	-6.9
Foods	6.3	6.5	0.1

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	FY 03/2006	Revised forecast	Change
Sales volume	189.4	174.0	-15.4

Excludes sales of domestic duty-free and China division

(2) International tobacco business (billions of cigarettes, JPY)

	2005	Preliminary results	Change
Total sales volume	220.3	240.1	19.8
GFB sales volume	133.8	149.1	15.3
JPY/USD rate	110.26	116.38	6.12

* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

* **Original measurement Basis** = JT original products + Marlboro cigarettes (until April 2005) + JTI products for the Japan market from May 2005 onward

* **New measurement Basis** = JT original products + JTI products for the Japan market

Domestic Tobacco Business Results

1. Quarterly Sales Volume (billions of cigarettes)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	54.2	55.6	55.6	47.7	213.2
FY 03/2006	50.5	48.5	48.1	42.2	189.4
FY 03/2007	54.0	36.8	44.6		

* The above mentioned figures include sales of Marlboro cigarettes until April 2005 and JTI products (Camel, Winston, Salem etc.) for the domestic market from May 2005 onward.

2. Quarterly Retail Price Sales (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	748.0	767.0	767.5	658.9	2,941.6
FY 03/2006	694.7	664.2	658.2	578.0	2,595.2
FY 03/2007	740.3	547.5	664.6		

* Retail price sales = sales volume * fixed retail price.

* The above mentioned figures include sales of Marlboro cigarettes until April 2005 and JTI products (Camel, Winston, Salem etc.) for the domestic market from May 2005 onward.

3. Quarterly Net Sales Per Thousand Cigarettes (JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	11,754	11,755	11,752	11,765	11,756
FY 03/2006	11,715	11,653	11,657	11,667	11,674
FY 03/2007	11,663	12,677	12,688		

* Net sales per thousand cigarettes

= (retail price sales - retailer margins - consumption tax) / sales volume * 1,000

* The above mentioned figures include sales of Marlboro cigarettes until April 2005 and JTI products (Camel, Winston, Salem etc.) for the domestic market from May 2005 onward.

4. Quarterly Net Sales Excluding Excise Tax Per Thousand Cigarettes (JPY)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	3,940	3,942	3,937	3,946	3,941
FY 03/2006	3,901	3,845	3,849	3,857	3,864
FY 03/2007	3,852	4,050	4,050		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	3,844	3,844	3,840	3,845	3,843
FY 03/2006	3,845	3,846	3,849	3,857	3,849
FY 03/2007	3,852	4,050	4,050		

* Net sales excluding excise tax per thousand cigarettes

= (retail price sales - retailer margins - consumption tax - excise taxes) / sales volume * 1,000

5. Quarterly JT Market Share (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	73.0	73.0	72.7	72.7	72.9
FY 03/2006	69.6	65.4	65.3	65.2	66.4
FY 03/2007	65.5	64.2	64.7		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	66.7	66.6	66.4	66.1	66.5
FY 03/2006	66.1	65.5	65.3	65.2	65.5
FY 03/2007	65.5	64.2	64.7		

Market Share in Growing Segments

1. 1mg Tar

(1) JT 1mg Tar Product Share (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	8.3	8.2	8.6	8.9	8.5
FY 03/2006	10.6	11.7	12.2	12.5	11.7
FY 03/2007	12.4	12.5	13.3		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	10.4	10.3	10.7	11.1	10.6
FY 03/2006	11.3	11.7	12.2	12.5	11.9
FY 03/2007	12.4	12.5	13.3		

(2) JT Share in 1mg Tar Segment (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	47.5	46.9	47.3	47.5
FY 03/2006	55.7	60.4	60.8	61.6
FY 03/2007	61.3	60.9	62.4	
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	59.6	58.6	59.0	59.4
FY 03/2006	59.7	60.4	60.8	61.6
FY 03/2007	61.3	60.9	62.4	

2. Menthol

(1) JT Menthol Product Share (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	8.6	8.6	9.0	9.3	8.9
FY 03/2006	8.1	6.5	6.6	6.7	7.0
FY 03/2007	6.7	6.9	6.7		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	5.6	5.5	5.8	6.1	5.7
FY 03/2006	6.3	6.5	6.6	6.7	6.5
FY 03/2007	6.7	6.9	6.7		

(2) JT Share in Menthol Segment (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	51.7	51.1	52.0	52.5
FY 03/2006	45.1	34.4	34.9	35.1
FY 03/2007	35.0	34.1	33.8	
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	33.2	32.4	33.8	34.4
FY 03/2006	34.7	34.4	34.9	35.1
FY 03/2007	35.0	34.1	33.8	

3. JPY 320 or above*

(1) JT JPY 320 or above Product Share (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	11.7	11.8	11.5	12.1	11.8
FY 03/2006	8.8	5.1	5.4	5.9	6.3
FY 03/2007	5.7	5.4	5.2		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	5.0	5.1	4.8	5.1	5.0
FY 03/2006	5.1	5.2	5.4	5.9	5.4
FY 03/2007	5.7	5.4	5.2		

(2) JT Share in JPY 320 or above Segment (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	53.9	53.8	52.8	53.6
FY 03/2006	39.1	22.2	23.1	24.5
FY 03/2007	24.3	22.5	22.6	
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	23.2	23.0	22.2	22.8
FY 03/2006	22.6	22.3	23.2	24.5
FY 03/2007	24.3	22.5	22.6	

* JPY 300 or above until Apr-Jun. 2006

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	0.91	0.95	0.90	0.94	0.93
FY 03/2006	0.91	1.24	1.78	3.12	1.72
FY 03/2007	4.12	3.84	3.85		

* Pianissimo and Premier have been sold as D-spec products since March 2006.
Bevel Flair have been sold as D-spec products since December 2006.

Japan Tobacco Inc. Clinical development (as of February 8, 2007)

Code	Stage	Indication	Mechanism	Characteristics	Rights
JTT-705 (oral)	Phase1(JPN)	Dyslipidemia	CETP inhibitor	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	Roche (Switzerland) obtains the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTT-130 (oral)	Phase2(JPN) Phase2(Overseas)	Hyperlipidemia	MTP inhibitor	Treatment of hyperlipidemia by reducing absorption of cholesterol and triglyceride via inhibition of MTP MTP:Microsomal Triglyceride Transfer Protein	
JTK-303 (oral)	Phase1(JPN)	HIV	Integrase inhibitor	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.) obtains the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTT-302 (oral)	Phase1(Overseas)	Dyslipidemia	CETP inhibitor	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	
JTT-305 (oral)	Phase2(JPN) Phase1(Overseas)	Osteoporosis	CaSR antagonist	Increases BMD and decreases new vertebral fractures by accelerating endogenous PTH secretion via antagonism of circulating Ca on CaSR in parathyroid cells -BMD: Bone Mineral Density -PTH: Parathyroid Hormone -CaSR: Calcium-Sensing Receptor	
JTT-551 (oral)	Phase1(JPN) Phase1(Overseas)	Type 2 diabetes mellitus	PTP1B inhibitor	Decreases blood glucose by enhancing insulin signal via inhibition of PTP1B. -PTP1B:Protein Tyrosine Phosphatase 1B This enzyme negatively regulates insulin signaling pathway.	
JTT-552 (oral)	Phase1(JPN)	Hyperuricemia	URAT1 (Urate Transporter 1) inhibitor	Decreases serum urate concentration by increasing urinary urate excretion via inhibition of URAT1. -URAT 1: Urate Transporter 1	

Changes from the previous announcement on October 31, 2006:

Roche (Switzerland) obtained the rights to develop and commercialize JTT-705 in Korea.

JTT-305 advanced from phase1 to phase2 in Japan.