

Supplemental Materials  
for Brief Statements

Overview of  
Consolidated Financial Results  
for FY Ended March 31, 2006

April 28, 2006

Japan Tobacco Inc.

# Consolidated Financial and Business Results for FY 3/2006



**Japan Tobacco Inc.**

## 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.

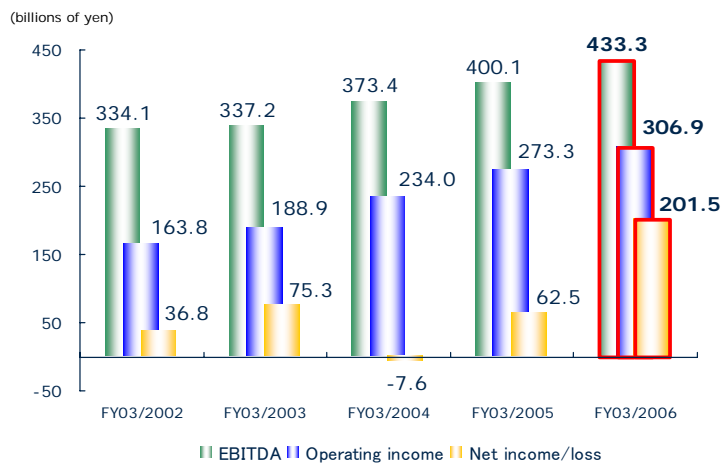
## Business results for FY 3/2006



## Business results for FY 3/2006

### ■ Highlighted business results

- ◆ EBITDA and operating income recorded historical highs for four consecutive fiscal years, and net income also drastically exceeded the previous historical high.

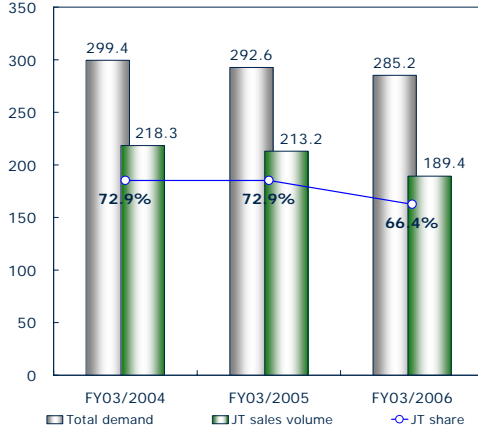


## Business results for FY 3/2006 (by business segment)

### Domestic tobacco business

- This segment increased income by reinforcing the profit base, after overcoming decreased profits following the termination of the Marlboro license agreement.

(billions of cigarettes)



(billions of yen)

|                   | FY 3/2005 Actual | FY 3/2006 Actual | Change |
|-------------------|------------------|------------------|--------|
| Sales (excl. tax) | 1,203.8          | 1,173.2          | -30.5  |
| EBITDA            | 296.0            | 305.7            | 9.7    |
| Operating income  | 215.8            | 220.0            | 4.2    |

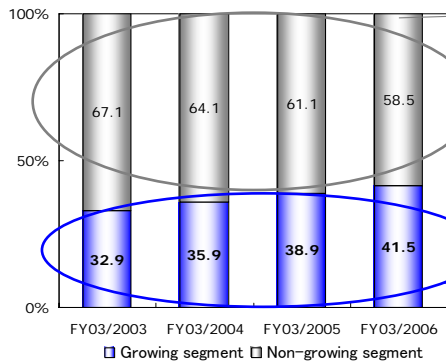
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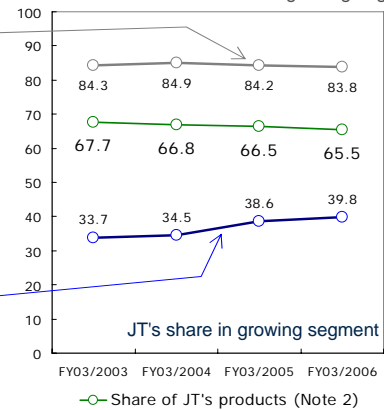
## Business results for FY 3/2006 (by business segment)

### Domestic tobacco business

- Composition of the growing segment (Note 1) and non-growing segment in total demand
- Share of JT's products in the growing segment and non-growing segment



JT's share in non-growing segment



(Note 1): Growing segment: 1-mg tar products, menthol products, and premium products (priced 300 yen or above)

(Note 2): JT original brands + JTI products for the domestic market (CAMEL, Winston, Salem, etc.)

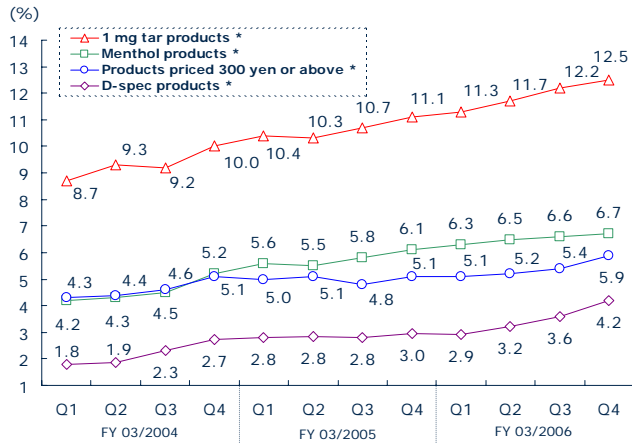
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## Business results for FY 3/2006 (by business segment)

### Domestic tobacco business

- ◆ Despite a decrease of 2.5% YoY in total demand, the share of JT products is steadily growing.



\* JT original brands + JTI products for the domestic market (CAMEL, Winston, Salem, etc.)

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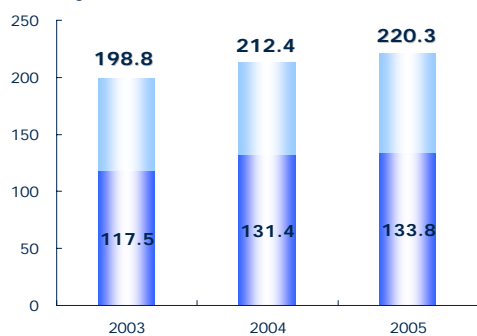
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## Business results for FY 3/2006 (by business segment)

### International tobacco business

- ◆ Increased in both sales and income, maintaining favorable conditions through a rise in the sales volume of the brand portfolio as a whole centering on GFB, and improvement of the unit-prices and product mix.
  - Business results of the international tobacco business for the period from January to December 2005 are consolidated.

(billions of cigarettes)



■ Sales volume of GFB ■ Sales volume of other brands

(billions of yen)

|                   | FY 3/2005 Actual | FY 3/2006 Actual | Change |
|-------------------|------------------|------------------|--------|
| Sales (excl. tax) | 429.7            | 484.3            | 54.5   |
| EBITDA            | 65.4             | 94.0             | 28.6   |
| Operating income  | 44.4             | 71.0             | 26.5   |

(Reference)

|        | (millions of US\$) |                  |        |
|--------|--------------------|------------------|--------|
|        | FY 3/2005 Actual   | FY 3/2006 Actual | Change |
| EBITDA | 741                | 975              | 234    |

|   | (yen)            |                  |        |
|---|------------------|------------------|--------|
|   | FY 3/2005 Actual | FY 3/2006 Actual | Change |
| Exchange rate for consolidation (USD 1 =) | 108.23           | 110.26           | 2.03   |

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## Business results for FY 3/2006 (by business segment)

### ■ Pharmaceutical business

- ◆ Despite a one-time revenue from licensing of JTK-303, the absence of a lump-sum revenue from licensing of JTT-705 for FY 3/2005 had a negative impact, and showed a decrease in income.

(billions of yen)

|                     | FY 3/2005<br>Actual | FY 3/2006<br>Actual | Change |
|---------------------|---------------------|---------------------|--------|
| Sales               | 57.6                | 49.2                | -8.4   |
| EBITDA              | 5.4                 | -1.8                | -7.2   |
| Operating<br>income | 1.8                 | -5.0                | -6.9   |

### ■ Foods business

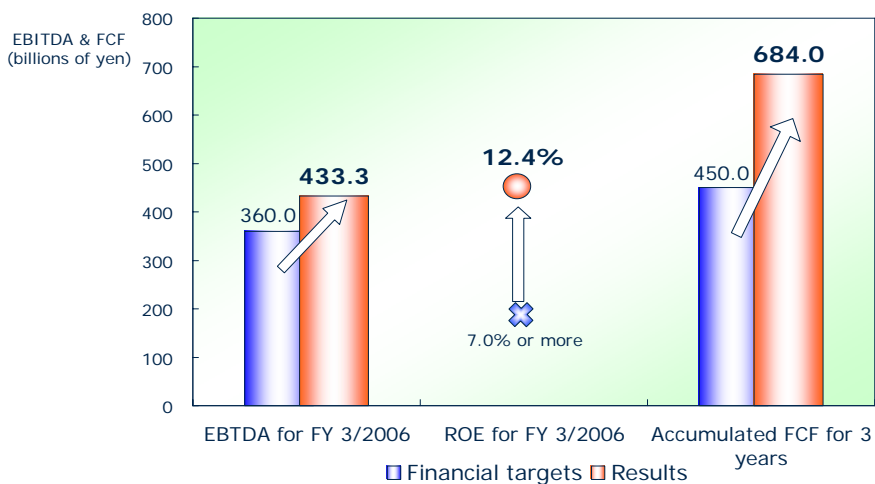
- ◆ Steadily increasing operating income.

(billions of yen)

|                     | FY 3/2005<br>Actual | FY 3/2006<br>Actual | Change |
|---------------------|---------------------|---------------------|--------|
| Sales               | 265.3               | 278.3               | 12.9   |
| EBITDA              | 7.9                 | 11.8                | 3.9    |
| Operating<br>income | 1.9                 | 6.3                 | 4.3    |

## Summary of the mid-term management plan "JT Plan-V" (FY 3/2004 – FY 3/2006)

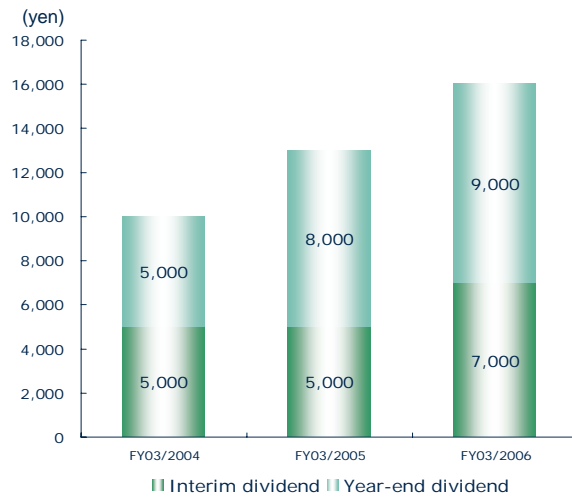
### ■ Achieved all financial targets



## Dividends

### ■ Year-end dividend for FY 3/2006: 9,000 yen per share

- ◆ Total annual dividend including interim dividend: 16,000 yen per share



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## Forecast for FY 3/2007

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## Forecast for FY 3/2007

### Domestic tobacco business

- ◆ Enhancement of the brand portfolio
  - Nationwide sales expansion of Seven Stars REVO Ultra Light Menthol Box from April
  - Package renewal of five box products of the "MILD SEVEN" family



### International tobacco business

- ◆ Results for the quarter from January to March 2006 were stable as planned.
  - Excluding temporary factors of an increase, total sales volume grew by approximately 9% YoY (at the same level as the annual plan).

### Pharmaceutical business

- ◆ Advancement of research and development activities
  - JTT-551 (a diabetic medicine) placed into the clinical test stage.
  - JTK-303 (an anti-HIV drug) placed into phase 2 at Giread Sciences.
  - Licensing-out of a chemical compound currently at the pre-clinical test stage to GlaxoSmithKline.

### Foods business

- ◆ Developing and launching new frozen foods products by thoroughly pursuing differentiation
- ◆ Sales expansion of natural seasonings
- ◆ Steady expansion of vending machine sales channels and nurturing "Roots" brand



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## Forecast for FY 3/2007 (by business segment)

### Domestic tobacco business

(billions of yen)

|                  | FY 3/2006 Actual | FY 3/2007 Forecast | Change |
|------------------|------------------|--------------------|--------|
| Sales            | 3,405.2          | 3,390.0            | -15.2  |
| EBITDA           | 305.7            | 279.0              | -26.7  |
| Operating Income | 220.0            | 191.0              | -29.0  |

[Assumption] (billions of cigarettes)

|                 |       |       |       |
|-----------------|-------|-------|-------|
| JT sales volume | 189.4 | 178.0 | -11.4 |
|-----------------|-------|-------|-------|

\* Assuming a price increase of 1 yen per cigarette for all products relating to the tobacco tax increase in July.

### International tobacco business

(billions of yen)

|                  | FY 3/2006 Actual | FY 3/2007 Forecast | Change |
|------------------|------------------|--------------------|--------|
| Sales            | 881.1            | 1,030.0            | 148.8  |
| EBITDA           | 94.0             | 107.0              | 12.9   |
| Operating income | 71.0             | 76.0               | 4.9    |

[Assumption] (billions of cigarettes)

|              |       |       |      |
|--------------|-------|-------|------|
| Total Volume | 220.3 | 238.0 | 17.7 |
| GFB Volume   | 133.8 | 147.0 | 13.2 |

\* Exchange rate for consolidation for FY 3/2007: USD 1 = 115.00

### Pharmaceutical business

(billions of yen)

|                  | FY 3/2006 Actual | FY 3/2007 Forecast | Change |
|------------------|------------------|--------------------|--------|
| Sales            | 49.2             | 45.5               | -3.7   |
| EBITDA           | -1.8             | -8.0               | -6.1   |
| Operating income | -5.0             | -11.0              | -5.9   |

### Foods business

(billions of yen)

|                  | FY 3/2006 Actual | FY 3/2007 Forecast | Change |
|------------------|------------------|--------------------|--------|
| Sales            | 278.3            | 286.0              | 7.6    |
| EBITDA           | 11.8             | 12.0               | 0.1    |
| Operating income | 6.3              | 7.0                | 0.6    |

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## Forecast for FY 3/2007

### ■ Sales

- ◆ An increase in sales is expected thanks to the growth of international tobacco business and foods business expansion.

### ■ EBITDA and operating income

- ◆ Despite an increase in income of international tobacco business, a decline in income is expected due to lower profits of domestic tobacco and pharmaceutical business.

(billions of yen)

|                  | FY 3/2006<br>Actual | FY 3/2007<br>Forecast | Change |
|------------------|---------------------|-----------------------|--------|
| Sales            | 4,637.6             | 4,770.0               | 132.3  |
| EBITDA           | 433.3               | 409.0                 | -24.3  |
| Operating income | 306.9               | 270.0                 | -36.9  |
| Recurring profit | 297.8               | 267.0                 | -30.8  |
| Net income       | 201.5               | 179.0                 | -22.5  |

|        |       |       |       |
|--------|-------|-------|-------|
| ROE(%) | 12.4  | 9.7   | -2.7  |
| FCF    | 145.5 | 325.0 | 179.4 |

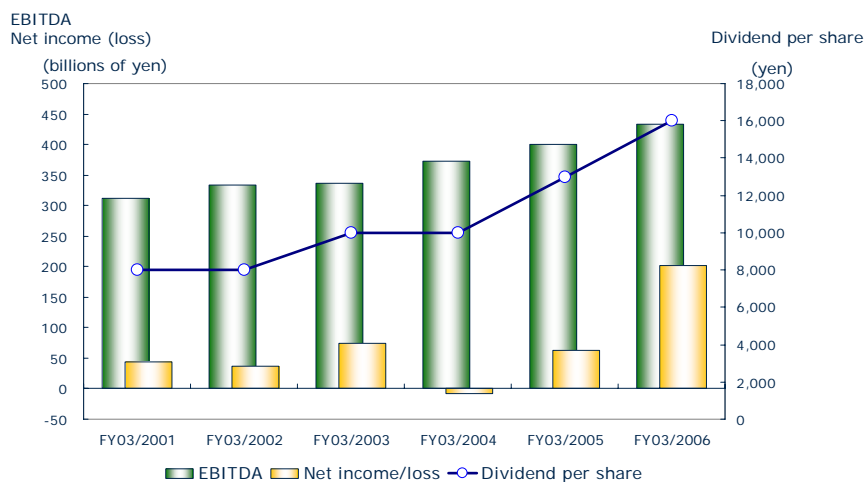
(yen)

|                    |        |       |   |
|--------------------|--------|-------|---|
| Dividend per share | 16,000 | 3,600 | - |
|--------------------|--------|-------|---|

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## FY 3/2001 – FY 3/2006



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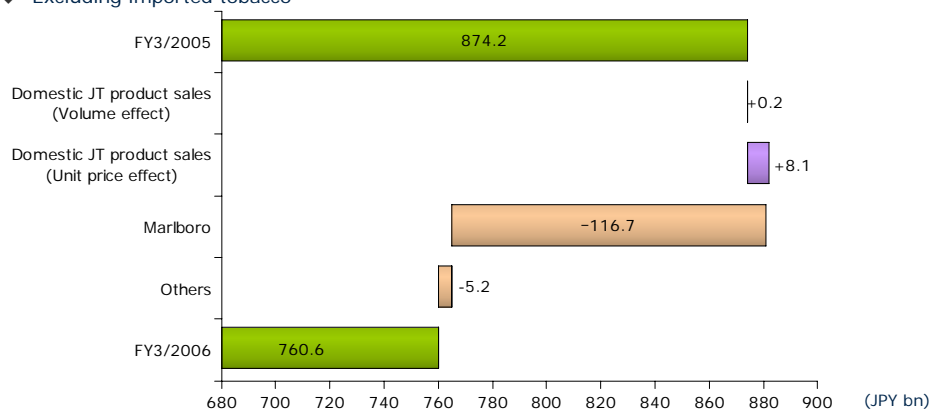
**【Reference Material】**  
**Analysis of Consolidated Financial Results for FY3/2006 and Forecast for FY3/2007**



**Results for FY 3/2006**

■ Domestic Tobacco Business – Net sales excluding tobacco excise tax\*  
 from JPY 874.2 bn to JPY 760.6 bn (down JPY 113.6 bn)

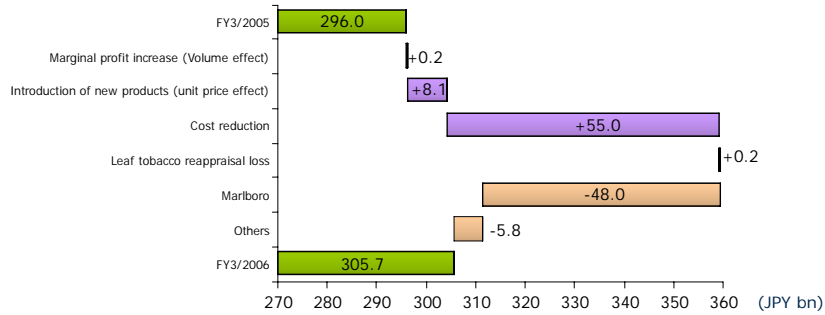
◆ Excluding imported tobacco



■ Domestic Tobacco Business – Net sales excluding tobacco excise tax  
 from JPY 1,203.8 bn to JPY 1,173.2 bn (down JPY 30.5 bn)

### Results for FY 3/2006

#### Domestic Tobacco Business – EBITDA from JPY 296.0 bn to JPY 305.7 bn (up JPY 9.7 bn)



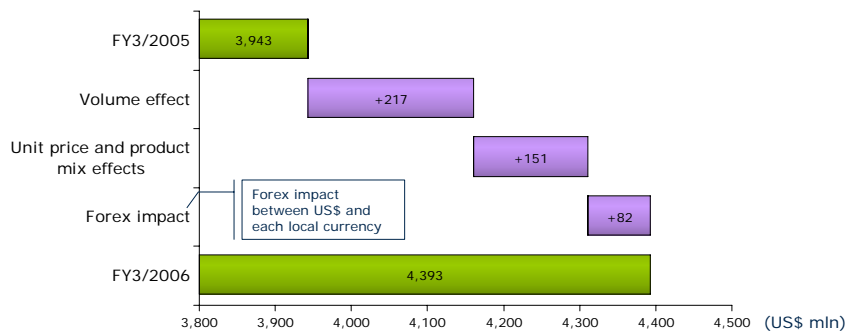
#### Domestic Tobacco Business – Operating income from JPY 215.8 bn to JPY 220.0 bn (up JPY 4.2 bn)

- ◆ Depreciation and amortization\*: from JPY 80.1 bn to JPY 85.6 bn (up JPY 5.4 bn)

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

### Results for FY 3/2006

#### International Tobacco Business – Net sales excluding tobacco excise tax from US\$ 3,943 mln to US\$ 4,393 mln (up US\$ 450 mln)



(Reference) International Tobacco Business – Net sales excluding tobacco excise tax  
from JPY 429.7 bn to JPY 484.3 bn (up JPY 54.5 bn)

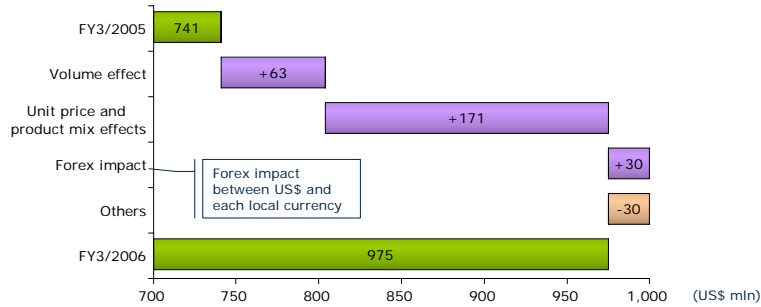
- ◆ JPY/US\$ foreign exchange rate: from US\$1=JPY 108.23 to US\$1=JPY 110.26 (down JPY 2.03)

## Results for FY 3/2006

### International Tobacco Business – EBITDA\*1

from US\$ 741 mln to US\$ 975 mln (up US\$ 234 mln)

\*1 Before royalty payment



(Reference) Segment information base

International Tobacco Business – EBITDA: from JPY 65.4 bn to JPY 94.0 bn (up JPY 28.6 bn)

International Tobacco Business – Operating income: from JPY 44.4 bn to JPY 71.0 bn (up JPY 26.5 bn)

◆ Depreciation and amortization\*2: from JPY 21.0 bn to JPY 23.0 bn (up JPY 2.0 bn)

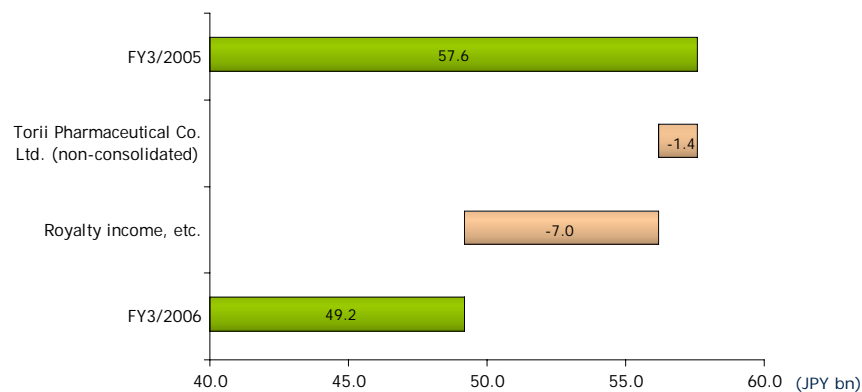
◆ JPY/US\$ foreign exchange rate: from US\$1=JPY 108.23 to US\$1=JPY 110.26 (down JPY 2.03)

\*2 Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

## Results for FY 3/2006

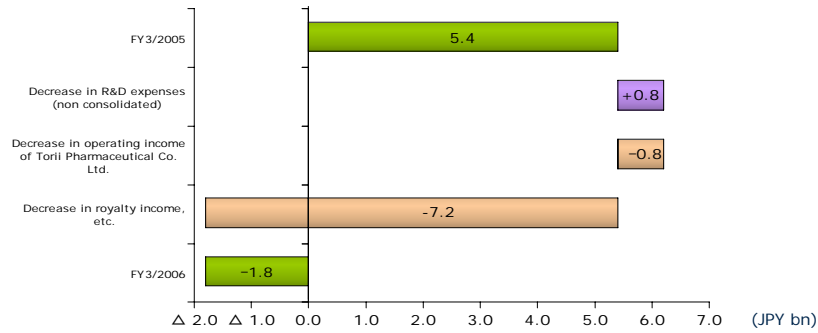
### Pharmaceuticals Business – Net Sales

from JPY 57.6 bn to JPY 49.2 bn (down JPY 8.4bn)



**Results for FY 3/2006**

**Pharmaceuticals Business - EBITDA**  
from JPY 5.4 bn to JPY -1.8 bn (down JPY 7.2)



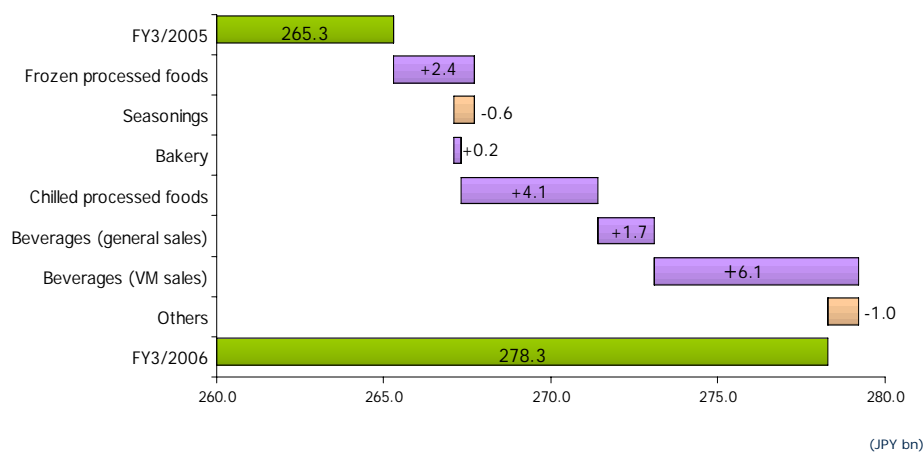
**Pharmaceuticals Business - Operating income**  
from JPY 1.8 bn to JPY -5.0 bn (down JPY 6.9 bn)

◆ Depreciation and amortization\*: from JPY 3.6 bn to JPY 3.2 bn (down JPY 0.3 bn)

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

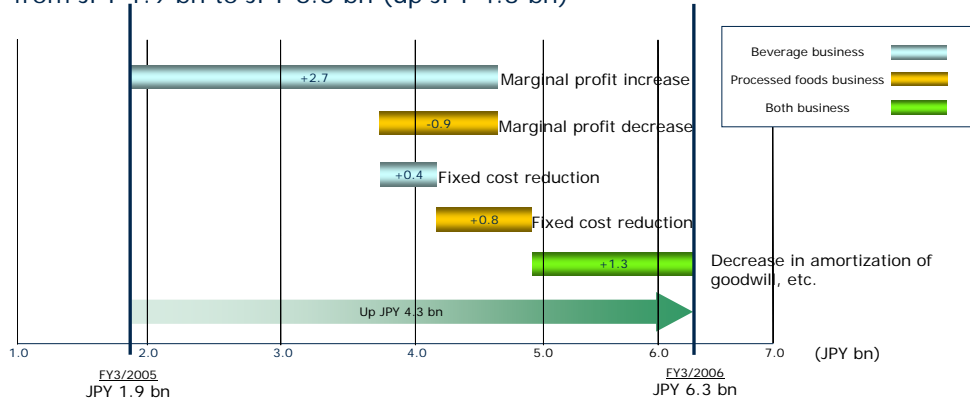
**Results for FY 3/2006**

**Foods Business – Net sales**  
from JPY 265.3 bn to JPY 278.3 bn (up JPY 12.9 bn)



**Results for FY 3/2006**

**Foods Business – Operating Income**  
from JPY 1.9 bn to JPY 6.3 bn (up JPY 4.3 bn)



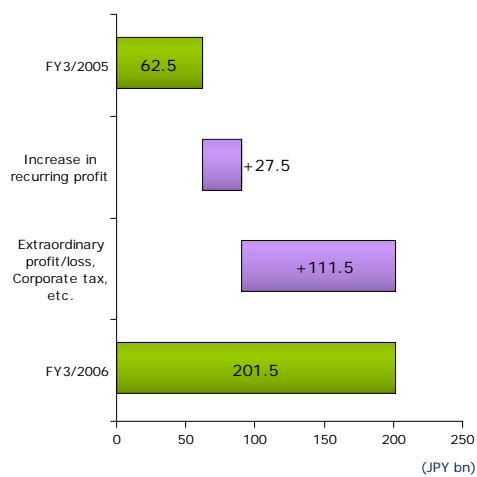
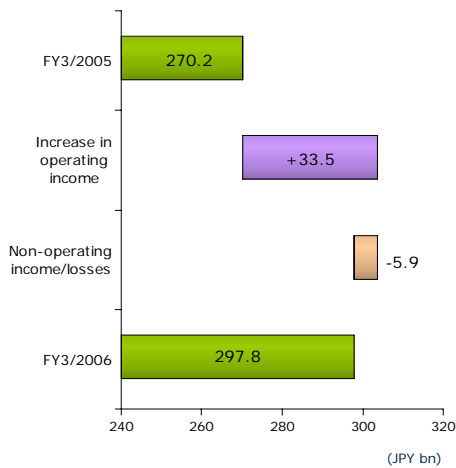
**Foods Business – EBITDA**  
from JPY 7.9 bn to JPY 11.8 bn (up JPY 3.9 bn)

◆ Increase in operating income (JPY 4.3 bn) included the effect of decrease in depreciation and amortization \* (down JPY 0.4 bn)  
\*Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

**Results for FY 3/2006**

**Recurring profit from 270.2 bn to JPY 297.8 bn (up JPY 27.5 bn)**

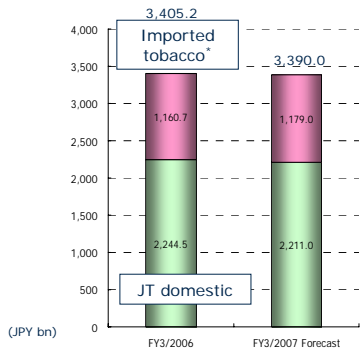
**Net income from JPY 62.5 bn to JPY 201.5 bn (up JPY 138.9 bn)**



**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

- Domestic Tobacco Business – Net sales before tobacco excise tax\* from JPY 2,244.5 bn to 2,211.0 bn (down JPY 33.5 bn)  
\*excluding imported tobacco
- Domestic Tobacco Business – Net sales before tobacco excise tax from JPY 3,405.2 bn to JPY 3,390.0 bn (down JPY 15.2 bn)

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



**【Main factors for increase】**

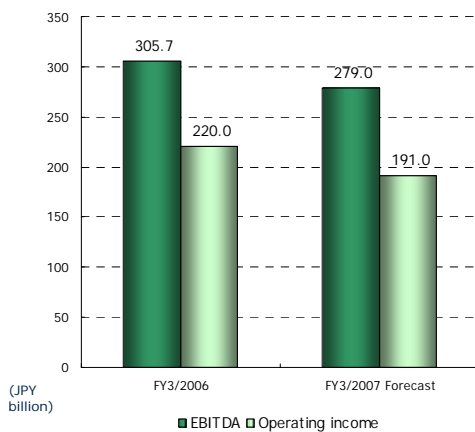
- Increase in imported tobacco from JPY 1,160.7bn to JPY 1,179.0 bn (up JPY 18.2 bn)
- Increase in unit price of JT products by tax hike

**【Main factors for decline】**

- Decrease in Marlboro sales volume (down 3.3 bn cigarettes)
- Decrease in JT sales volume (down 8.1 bn cigarettes)  
(189.4 bn cigarettes -> 178.0 bn cigarettes, down 11.4 bn cigarettes)

**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

- Domestic Tobacco Business – EBITDA from JPY 305.7 bn to JPY 279.0 bn (down JPY 26.7 bn)



**【Main factors for increase】**

- Reduced personal cost (approx. +JPY 9.0 bn), etc

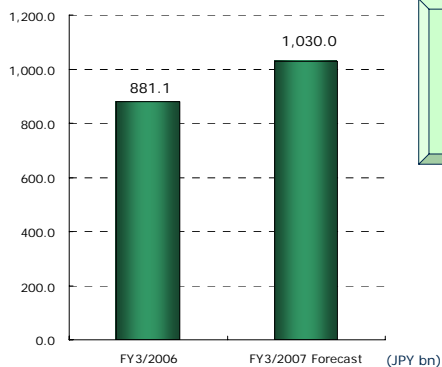
**【Main factors for decline】**

- Decrease in Marlboro sales volume (down 3.3 bn cigarettes, approx. -JPY 6.5 bn)
- Decrease in JT sales volume (down 8.1 bn cigarettes, approx. -JPY 24.0 bn), etc.

- Domestic Tobacco Business – Operating income from JPY 220.0 bn to JPY 191.0 bn (down 29.0 bn)

**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

- International Tobacco Business – Net sales before tobacco excise tax from JPY 881.1 bn to JPY 1,030.0 bn (up JPY 148.8 bn)



【Main factors for increase】  
-Balanced top-line growth in mature and emerging markets

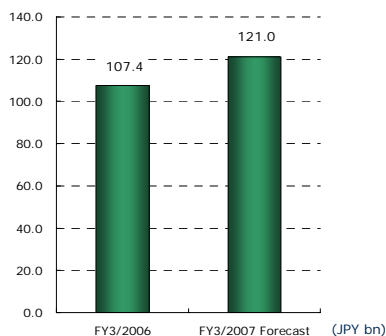
(Reference)

- ◆ JPY/US\$ foreign exchange rate: from US\$1=JPY 110.26 to US\$1=JPY 115 (down JPY 4.74)

**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

- International Tobacco Business – EBITDA\* from JPY 107.4 bn to JPY 121.0 bn (up JPY 13.5 bn)

\* Before royalty payment



【 Main factors for increase】  
- Top-line growth thanks to GFB and brand portfolio enhancement  
- Cost cutting

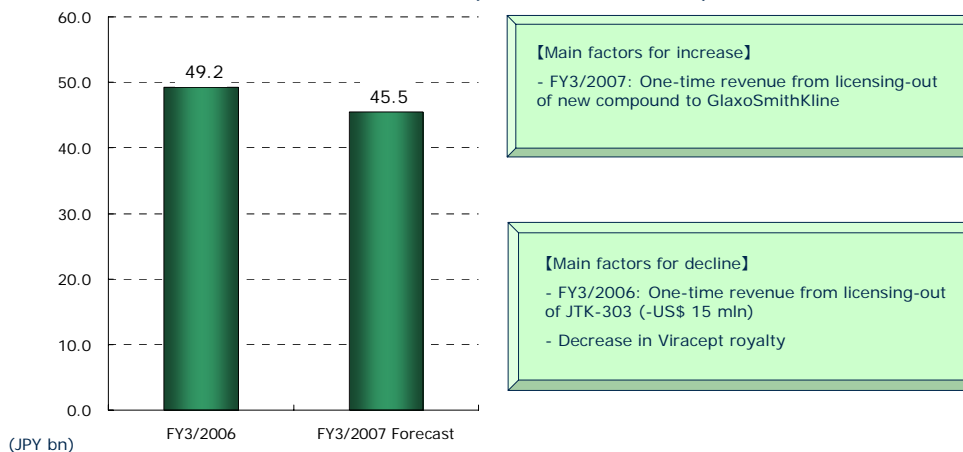
(Reference) Segment information base

- International Tobacco Business – EBITDA: from JPY 94.0 bn to JPY 107.0 bn (up JPY 12.9 bn)
- International Tobacco Business – Operating income: from JPY 71.0 bn to JPY 76.0 bn (up JPY 4.9 bn)
- ◆ JPY/US\$ foreign exchange rate: from US\$1=JPY 110.26 to US\$1=JPY 115 (down JPY 4.74)

**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

**■ Pharmaceuticals Business – Net sales**

from JPY 49.2 bn to JPY 45.5 bn (down JPY 3.7 bn)



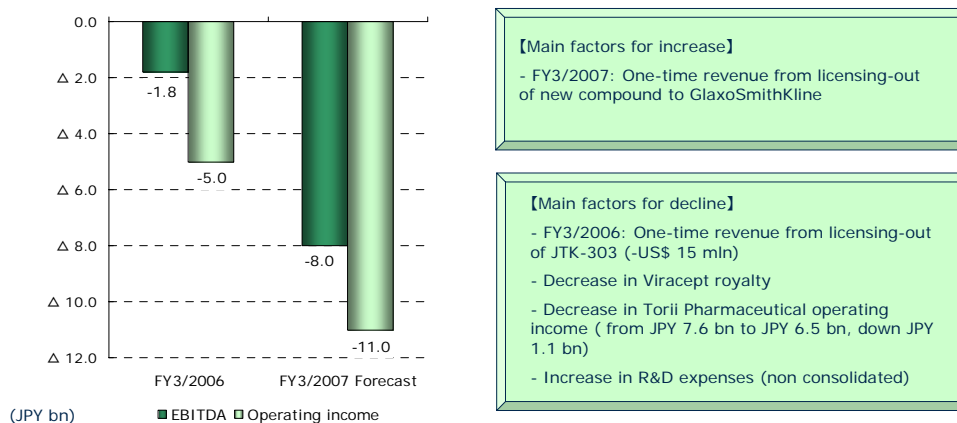
**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

**■ Pharmaceuticals Business – EBITDA**

from JPY -1.8 bn to JPY -8.0 bn (down JPY 6.1 bn)

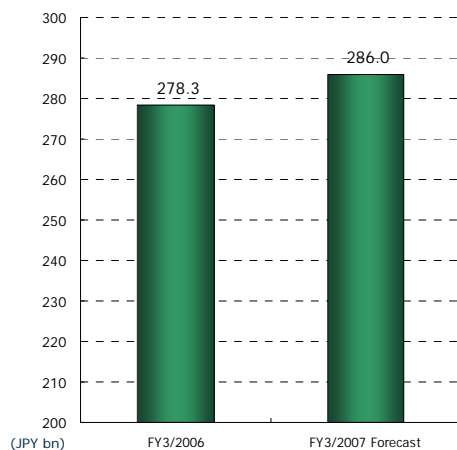
**■ Pharmaceuticals Business – Operating income**

from JPY -5.0 bn to JPY -11.0 bn (down JPY 5.9 bn)



**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

- Food Business – Net sales  
from JPY 278.3 bn to JPY 286.0 bn (up JPY 7.6 bn)

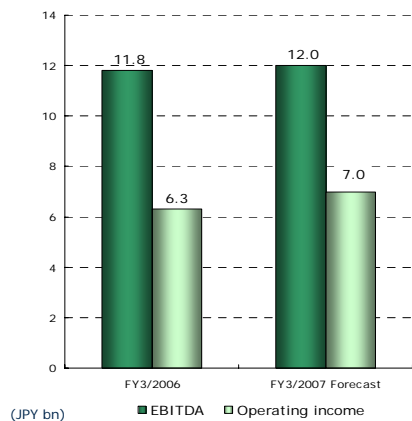


**【Main factors for increase】**

- Processed foods business: Developing and launching new frozen foods products by thoroughly pursuing differentiation, sales expansion of natural seasonings
- Beverage business: Steady expansion of vending machine sales channels

**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

- Foods Business – EBITDA  
from JPY 11.8 bn to JPY 12.0 bn (up JPY 0.1 bn)
- Foods Business – Operating income  
from JPY 6.3 bn to JPY 7.0 bn (up JPY 0.6 bn)

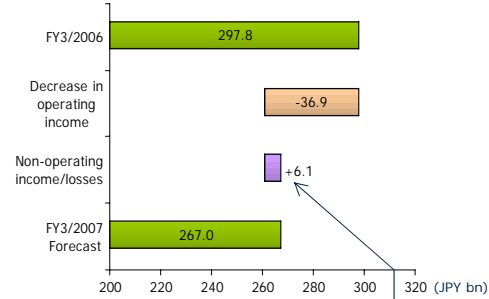


**【Main factors for increase】**

- Increase in frozen processed foods and chilled processed foods business
- Increase in beverage sales through vending machine channels
- Cost savings and efficiency enhancement across business

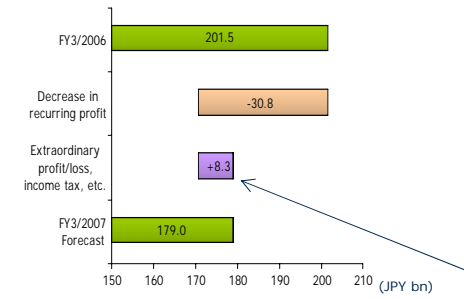
**Full-term forecasts for FY 3/2007 compared to results of the previous fiscal year**

■ Recurring profit from JPY 297.8 bn to JPY 267.0 bn (down JPY 30.8 bn)



Improvement of financial income(net), profit/loss on foreign exchange

■ Net income from JPY 201.5 bn to JPY 179.0 bn (down JPY 22.5 bn)



Main factors for increase:  
 FY3/2006 Loss on sale of distribution center in Funabashi (up approx. 20.0 bn)  
 FY3/2006 Impairment loss (up 11.4 bn)  
 Decrease in business restructuring costs  
 FY3/2006 Termination loss of retirement benefit plan (up 3.0 bn)  
 FY3/2006 Disposal cost of PCB refuse (up 1.3 bn)

Main factors for decrease: Decrease in gain on sale of property, plant and equipment

## 1. Breakdown of net sales

(unit: JPY billion)

|   | FY ended Mar. 2005 | FY ended Mar. 2006 | Change |
|---|--------------------|--------------------|--------|
| Net sales including excise tax                              | 4,664.5            | 4,637.6            | -26.8  |
| Domestic tobacco  | 3,491.4            | 3,405.2            | -86.2  |
| Excluding imported tobacco                                  | 2,543.9            | 2,244.5            | -299.4 |
| International tobacco                                       | 792.7              | 881.1              | 88.4   |
| Net sales excluding excise tax (Excluding imported tobacco) | 1,684.4            | 1,596.1            | -88.2  |
| Domestic tobacco  | 874.2              | 760.6              | -113.6 |
| International tobacco                                       | 429.7              | 484.3              | 54.5   |
| Pharmaceuticals   | 57.6               | 49.2               | -8.4   |
| Foods   | 265.3              | 278.3              | 12.9   |
| Beverages   | 177.4              | 185.3              | 7.8    |
| Processed foods   | 87.8               | 93.0               | 5.1    |
| Others  | 57.2               | 23.5               | -33.7  |

\* International tobacco business is consolidated for 12 months ended Dec. 31.

## 2. Leaf tobacco reappraisal profit / loss\*

(unit: JPY billion)

|  | FY ended Mar. 2005 | FY ended Mar. 2006 | Change |
|--|--------------------|--------------------|--------|
| Leaf tobacco reappraisal profit / loss | 9.8                | 9.5                | -0.2   |

\* Profit when denoted negative

## 3. Breakdown of SG&amp;A expenses

(unit: JPY billion)

|                                   | FY ended Mar. 2005 | FY ended Mar. 2006 | Change |
|-----------------------------------|--------------------|--------------------|--------|
| SG&A                              | 677.4              | 596.6              | -80.7  |
| Personnel <sup>*1</sup>           | 183.9              | 150.8              | -33.1  |
| Advertising and general publicity | 27.4               | 23.9               | -3.4   |
| Sales promotion                   | 140.1              | 142.1              | 1.9    |
| R&D                               | 40.4               | 37.5               | -2.9   |
| Depreciation and amortization     | 54.2               | 53.4               | -0.8   |
| Others <sup>*2</sup>              | 231.0              | 188.7              | -42.3  |

\*1 Personnel expense is the sum of compensation, salaries, allowances, provision for retirement benefit, legal welfare, employee bonuses and accrual of employee bonuses

Remuneration for directors and corporate auditors of the parent company was 259 million yen, 62 million yen respectively for the fiscal year ended Mar. 31, 2006.

\*2 Others include Marlboro license related expenses which accounted for JPY 5.6 billion for fiscal year ended Mar. 31, 2006 and JPY 46.5 billion for fiscal year ended Mar. 31, 2005, respectively.

4. EBITDA by business segment<sup>\*1</sup>

(unit: JPY billion)

|   | FY ended Mar. 2005 | FY ended Mar. 2006 | Change |
|---|--------------------|--------------------|--------|
| Consolidated EBITDA                         | 400.1              | 433.3              | 33.2   |
| Operating income                            | 273.3              | 306.9              | 33.5   |
| Depreciation and amortization <sup>*2</sup> | 126.7              | 126.4              | -0.2   |
| Portion of goodwill amortization            | 0.8                | 1.5                | 0.7    |
| Domestic tobacco EBITDA                     | 296.0              | 305.7              | 9.7    |
| Operating income                            | 215.8              | 220.0              | 4.2    |
| Depreciation and amortization <sup>*2</sup> | 80.1               | 85.6               | 5.4    |
| Portion of goodwill amortization            | -0.0               | 1.0                | 1.1    |
| International tobacco EBITDA                | 65.4               | 94.0               | 28.6   |
| Operating income                            | 44.4               | 71.0               | 26.5   |
| Depreciation and amortization <sup>*2</sup> | 21.0               | 23.0               | 2.0    |
| Pharmaceuticals EBITDA                      | 5.4                | -1.8               | -7.2   |
| Operating income                            | 1.8                | -5.0               | -6.9   |
| Depreciation and amortization <sup>*2</sup> | 3.6                | 3.2                | -0.3   |
| Foods EBITDA                                | 7.9                | 11.8               | 3.9    |
| Operating income                            | 1.9                | 6.3                | 4.3    |
| Depreciation and amortization <sup>*2</sup> | 5.9                | 5.5                | -0.4   |
| Portion of goodwill amortization            | 0.8                | 0.5                | -0.3   |
| Others EBITDA                               | 26.8               | 22.1               | -4.6   |
| Operating income                            | 10.4               | 8.6                | -1.7   |
| Depreciation and amortization <sup>*2</sup> | 16.3               | 13.4               | -2.9   |
| Portion of goodwill amortization            | 0.0                | -                  | -0.0   |

(Reference)

(unit: USD million)

|   | FY ended Mar. 2005 | FY ended Mar. 2006 | Change |
|---|--------------------|--------------------|--------|
| International tobacco EBITDA (Before royalty payment) | 741                | 975                | 234    |

\*1 EBITDA=operating income + depreciation and amortization<sup>\*2</sup>

\*2 Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

\* International tobacco business is consolidated for 12 months ended Dec. 31.

## 5. Amortization relating to major acquisitions

(unit: JPY billion)

|                                | FY ended Mar. 2005 | FY ended Mar. 2006 | Years to amortize | Finish date |
|--------------------------------|--------------------|--------------------|-------------------|-------------|
| JT International               | 33.3               | 34.4               | -                 | -           |
| Trademark rights (owned by JT) | 29.3               | 29.3               | 10                | Apr-09      |
| Patents (owned by JT)          | 3.9                | 4.0                | 8                 | Apr-07      |
| Goodwill*                      | -                  | 1.0                | 20                | Mar-25      |
| Japan Beverage                 | 0.8                | 0.2                | 5                 | Mar-07      |
| Goodwill                       | 0.8                | 0.2                | 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)

|                       | FY ended Mar. 2005 | FY ended Mar. 2006 | Change |
|-----------------------|--------------------|--------------------|--------|
| Capital expenditures  | 85.1               | 98.9               | 13.8   |
| Domestic tobacco      | 46.4               | 75.0               | 28.5   |
| International tobacco | 18.7               | 24.9               | 6.2    |
| Pharmaceuticals       | 3.1                | 2.1                | -1.0   |
| Foods                 | 7.3                | 4.5                | -2.7   |
| Others                | 10.6               | 19.3               | 8.6    |

## 7. Cash and cash equivalents\*

(unit: JPY billion)

|                           | As of end of Mar. 2005 | As of end of Mar. 2006 | Change |
|---------------------------|------------------------|------------------------|--------|
| Cash and cash equivalents | 863.6                  | 979.6                  | 116.0  |

\* Cash and cash equivalents = cash and deposits + marketable securities + commercial paper received under repurchase agreements

## 8. Interest-bearing debt\*

(unit: JPY billion)

|                       | As of end of Mar. 2005 | As of end of Mar. 2006 | Change |
|-----------------------|------------------------|------------------------|--------|
| Interest-bearing debt | 230.7                  | 216.6                  | -14.1  |

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

## 9. Business data

|  | FY ended Mar. 2005 | FY ended Mar. 2006 | Change  |
|--|--------------------|--------------------|---------|
| <Domestic tobacco business>                        |                    |                    |         |
| JT sales volume* (billion cigarettes)              | 213.2              | 189.4              | -23.7   |
| National demand (billion cigarettes)               | 292.6              | 285.2              | -7.4    |
| JT Market share                                    | 72.9%              | 66.4%              | -6.5%pt |
| JT net sales before tax per 1,000 cigarettes (JPY) | 11,756             | 11,674             | -82     |
| JT net sales after tax per 1,000 cigarettes (JPY)  | 3,941              | 3,864              | -77     |

\* Sales volume of domestic duty-free and China division is excluded, which was 3.2 billion for fiscal year ended Mar. 31, 2006 and 5.1 billion for fiscal year ended Mar. 31, 2005, respectively.

|   | Year ended Dec. 2004 | Year ended Dec. 2005 | Change |
|---|----------------------|----------------------|--------|
| <International tobacco business>        |                      |                      |        |
| Total sales volume (billion cigarettes) | 212.4                | 220.3                | 7.9    |
| GFB sales volume (billion cigarettes)   | 131.4                | 133.8                | 2.4    |
| JPY/USD rate for consolidation (JPY)    | 108.23               | 110.26               | 2.03   |

|   | FY ended Mar. 2005 | FY ended Mar. 2006 | Change |
|---|--------------------|--------------------|--------|
| <Pharmaceuticals business>                  |                    |                    |        |
| Royalty revenue of Viracept (USD million)   | 58                 | 50                 | -8     |
| R&D expenses (parent company) (JPY billion) | 20.1               | 19.3               | -0.8   |

|                                       | As of end of Mar. 2005 | As of end of Mar. 2006 | Change |
|---------------------------------------|------------------------|------------------------|--------|
| <Foods business - Beverage business>  |                        |                        |        |
| Number of beverage vending machines * | 226,000                | 237,000                | 11,000 |
| JT-owned                              | 44,500                 | 40,500                 | -4,000 |
| Combined                              | 54,000                 | 61,500                 | 7,500  |

\* 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.

## 10. Number of employees\*

|  | As of end of Mar. 2005 | As of end of Mar. 2006 | Change |
|--|------------------------|------------------------|--------|
| Number of employees (consolidated basis)                 | 32,640                 | 31,476                 | -1,164 |
| Domestic tobacco   | Tobacco                | 11,795                 | n.a.   |
| International tobacco                                    | 24,350                 | 11,943                 | n.a.   |
| Pharmaceuticals  | 1,566                  | 1,532                  | -34    |
| Foods  | 5,357                  | 5,232                  | -125   |
| Other businesses   | 706                    | 604                    | -102   |
| Corporate  | 661                    | 370                    | -291   |
| Number of employees (parent company)                     | 10,124                 | 8,855                  | -1,269 |
| Number of employees based on enrollment (parent company) | 11,300                 | 9,931                  | -1,369 |

\* Number of employees is counted at working base, unless otherwise indicated.

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

(JPY billion)

|                                | FY ended<br>Mar. 2006<br>(Actual) | FY ending<br>Mar. 2007<br>(Forecast) | Change  |
|--------------------------------|-----------------------------------|--------------------------------------|---------|
| Net sales including excise tax | 4,637.6                           | 4,770.0                              | 132.3   |
| Excluding imported tobacco     | 3,476.9                           | 3,591.0                              | 114.0   |
| EBITDA                         | 433.3                             | 409.0                                | -24.3   |
| Operating income               | 306.9                             | 270.0                                | -36.9   |
| Recurring profit               | 297.8                             | 267.0                                | -30.8   |
| Net income                     | 201.5                             | 179.0                                | -22.5   |
| Return on Equity               | 12.4%                             | 9.7%                                 | -2.7%pt |
| Free Cash Flow*                | 145.5                             | 325.0                                | 179.4   |

\*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 ended<br>Mar. 2006 | FY ending<br>Mar. 2007 | Change |
|-----------------------|-----------------------|------------------------|--------|
| Capital expenditures  | 98.9                  | 124.0                  | 25.0   |
| Domestic tobacco      | 75.0                  | 73.0                   | -2.0   |
| International tobacco | 24.9                  | 32.0                   | 7.0    |
| Pharmaceuticals       | 2.1                   | 2.5                    | 0.3    |
| Foods                 | 4.5                   | 5.0                    | 0.4    |
| Other businesses      | 19.3                  | 13.5                   | -5.8   |

**Consolidated financial outlook by business segment**

(JPY billion)

|                                | FY ended<br>Mar. 2006 | FY ending<br>Mar. 2007 | Change |
|--------------------------------|-----------------------|------------------------|--------|
| Net sales including excise tax | 4,637.6               | 4,770.0                | 132.3  |
| Domestic tobacco               | 3,405.2               | 3,390.0                | -15.2  |
| Excluding imported tobacco     | 2,244.5               | 2,211.0                | -33.5  |
| International tobacco          | 881.1                 | 1,030.0                | 148.8  |
| Pharmaceuticals                | 49.2                  | 45.5                   | -3.7   |
| Foods                          | 278.3                 | 286.0                  | 7.6    |
| EBITDA                         | 433.3                 | 409.0                  | -24.3  |
| Domestic tobacco               | 305.7                 | 279.0                  | -26.7  |
| International tobacco          | 94.0                  | 107.0                  | 12.9   |
| Pharmaceuticals                | -1.8                  | -8.0                   | -6.1   |
| Foods                          | 11.8                  | 12.0                   | 0.1    |
| Operating income               | 306.9                 | 270.0                  | -36.9  |
| Domestic tobacco               | 220.0                 | 191.0                  | -29.0  |
| International tobacco          | 71.0                  | 76.0                   | 4.9    |
| Pharmaceuticals                | -5.0                  | -11.0                  | -5.9   |
| Foods                          | 6.3                   | 7.0                    | 0.6    |

**Major assumptions**
**Domestic tobacco business**

(billions of cigarettes)

|              | FY ended<br>Mar. 2006 | FY ending<br>Mar. 2007 | Change |
|--------------|-----------------------|------------------------|--------|
| Sales volume | 189.4                 | 178.0                  | -11.4  |

\*Excludes sales of domestic duty-free and China division

**International tobacco business**

(billions of cigarettes, JPY)

|                    | FY ended<br>Dec. 2005 | FY ending<br>Dec. 2006 | Change |
|--------------------|-----------------------|------------------------|--------|
| Total sales volume | 220.3                 | 238.0                  | 17.7   |
| GFB sales volume   | 133.8                 | 147.0                  | 13.2   |
| JPY/USD rate       | 110.26                | 115.00                 | 4.74   |

&lt;Reference&gt;

**Financial outlook of parent company**

(JPY billion)

|                                | FY ended<br>Mar. 2006 | FY ending<br>Mar. 2007 | Change |
|--------------------------------|-----------------------|------------------------|--------|
| Net sales including excise tax | 2,370.6               | 2,340.0                | -30.6  |
| Recurring profit               | 192.8                 | 156.0                  | -36.8  |
| Net income                     | 126.2                 | 103.0                  | -23.2  |

(JPY)

|                    | FY ended<br>Mar. 2006 | FY ending<br>Mar. 2007 |
|--------------------|-----------------------|------------------------|
| Dividend per share | 16,000                | 3,600                  |

\*Five-for-One stock split, which is effective on Apr.1,2006

**<FORWARD LOOKING 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. 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 private restrictions relating to the use of tobacco products and the impact of government studies;
3. litigation in Japan and elsewhere;
4. our ability to successfully 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

\* 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) + JT1 products for the Japan market from May 2005 onward

\* **New measurement Basis** = JT original products + JT1 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 |
|-----------|---------|---------|---------|---------|-------|
| FY2004/03 | 65.6    | 47.0    | 56.4    | 49.2    | 218.3 |
| FY2005/03 | 54.2    | 55.6    | 55.6    | 47.7    | 213.2 |
| FY2006/03 | 50.5    | 48.5    | 48.1    | 42.2    | 189.4 |

\* The above mentioned figures include sales of Marlboro cigarettes until April 2005 and JT1 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   |
|-----------|---------|---------|---------|---------|---------|
| FY2004/03 | 836.1   | 648.2   | 777.5   | 678.9   | 2,940.9 |
| FY2005/03 | 748.0   | 767.0   | 767.5   | 658.9   | 2,941.6 |
| FY2006/03 | 694.7   | 664.2   | 658.2   | 578.0   | 2,595.2 |

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

\* The above mentioned figures include sales of Marlboro cigarettes until April 2005 and JT1 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  |
|-----------|---------|---------|---------|---------|--------|
| FY2004/03 | 10,856  | 11,732  | 11,746  | 11,759  | 11,478 |
| FY2005/03 | 11,754  | 11,755  | 11,752  | 11,765  | 11,756 |
| FY2006/03 | 11,715  | 11,653  | 11,657  | 11,667  | 11,674 |

\* Net sales per thousand cigarettes

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

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

| Original Basis | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
|----------------|---------|---------|---------|---------|-------|
| FY2004/03      | 3,850   | 3,923   | 3,934   | 3,943   | 3,908 |
| FY2005/03      | 3,940   | 3,942   | 3,937   | 3,946   | 3,941 |
| FY2006/03      | 3,901   | 3,845   | 3,849   | 3,857   | 3,864 |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
| FY2004/03      | 3,758   | 3,825   | 3,840   | 3,845   | 3,813 |
| FY2005/03      | 3,844   | 3,844   | 3,840   | 3,845   | 3,843 |
| FY2006/03      | 3,845   | 3,846   | 3,849   | 3,857   | 3,849 |

\* 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 |
|----------------|---------|---------|---------|---------|-------|
| FY2004/03      | 73.0    | 72.9    | 72.7    | 73.1    | 72.9  |
| FY2005/03      | 73.0    | 73.0    | 72.7    | 72.7    | 72.9  |
| FY2006/03      | 69.6    | 65.4    | 65.3    | 65.2    | 66.4  |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
| FY2004/03      | 67.3    | 66.6    | 66.6    | 66.7    | 66.8  |
| FY2005/03      | 66.7    | 66.6    | 66.4    | 66.1    | 66.5  |
| FY2006/03      | 66.1    | 65.5    | 65.3    | 65.2    | 65.5  |

## 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 |
|----------------|---------|---------|---------|---------|-------|
| FY2004/03      | 6.6     | 7.3     | 7.3     | 7.9     | 7.2   |
| FY2005/03      | 8.3     | 8.2     | 8.6     | 8.9     | 8.5   |
| FY2006/03      | 10.6    | 11.7    | 12.2    | 12.5    | 11.7  |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
| FY2004/03      | 8.7     | 9.3     | 9.2     | 10.0    | 9.1   |
| FY2005/03      | 10.4    | 10.3    | 10.7    | 11.1    | 10.6  |
| FY2006/03      | 11.3    | 11.7    | 12.2    | 12.5    | 11.9  |

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

| Original Basis | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
|----------------|---------|---------|---------|---------|
| FY2004/03      | 43.0    | 45.8    | 45.6    | 47.6    |
| FY2005/03      | 47.5    | 46.9    | 47.3    | 47.5    |
| FY2006/03      | 55.7    | 60.4    | 60.8    | 61.6    |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
| FY2004/03      | 56.5    | 58.6    | 57.6    | 60.2    |
| FY2005/03      | 59.6    | 58.6    | 59.0    | 59.4    |
| FY2006/03      | 59.7    | 60.4    | 60.8    | 61.6    |

### 2. Menthol

#### (1) JT Menthol Product Share (%)

| Original Basis | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
|----------------|---------|---------|---------|---------|-------|
| FY2004/03      | 7.0     | 7.5     | 7.6     | 8.4     | 7.6   |
| FY2005/03      | 8.6     | 8.6     | 9.0     | 9.3     | 8.9   |
| FY2006/03      | 8.1     | 6.5     | 6.6     | 6.7     | 7.0   |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
| FY2004/03      | 4.2     | 4.3     | 4.5     | 5.2     | 4.5   |
| FY2005/03      | 5.6     | 5.5     | 5.8     | 6.1     | 5.7   |
| FY2006/03      | 6.3     | 6.5     | 6.6     | 6.7     | 6.5   |

#### (2) JT Share in Menthol Segment (%)

| Original Basis | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
|----------------|---------|---------|---------|---------|
| FY2004/03      | 49.5    | 49.9    | 49.4    | 52.4    |
| FY2005/03      | 51.7    | 51.1    | 52.0    | 52.5    |
| FY2006/03      | 45.1    | 34.4    | 34.9    | 35.1    |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
| FY2004/03      | 29.4    | 28.9    | 29.5    | 32.3    |
| FY2005/03      | 33.2    | 32.4    | 33.8    | 34.4    |
| FY2006/03      | 34.7    | 34.4    | 34.9    | 35.1    |

### 3. JPY 300 or above

#### (1) JT JPY 300 or above Product Share (%)

| Original Basis | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
|----------------|---------|---------|---------|---------|-------|
| FY2004/03      | 10.5    | 11.1    | 11.2    | 11.8    | 11.1  |
| FY2005/03      | 11.7    | 11.8    | 11.5    | 12.1    | 11.8  |
| FY2006/03      | 8.8     | 5.1     | 5.4     | 5.9     | 6.3   |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
| FY2004/03      | 4.3     | 4.4     | 4.6     | 5.1     | 4.5   |
| FY2005/03      | 5.0     | 5.1     | 4.8     | 5.1     | 5.0   |
| FY2006/03      | 5.1     | 5.2     | 5.4     | 5.9     | 5.4   |

#### (2) JT Share in JPY 300 or above Segment (%)

| Original Basis | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
|----------------|---------|---------|---------|---------|
| FY2004/03      | 51.1    | 52.5    | 52.8    | 54.2    |
| FY2005/03      | 53.9    | 53.8    | 52.8    | 53.6    |
| FY2006/03      | 39.1    | 22.2    | 23.1    | 24.5    |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar |
| FY2004/03      | 21.2    | 20.8    | 21.5    | 23.2    |
| FY2005/03      | 23.2    | 23.0    | 22.2    | 22.8    |
| FY2006/03      | 22.6    | 22.3    | 23.2    | 24.5    |

### 4. Quarterly D-spec Product Share (%)

| Original Basis | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
|----------------|---------|---------|---------|---------|-------|
| FY2004/03      | 0.04    | 0.13    | 0.54    | 0.91    | 0.38  |
| FY2005/03      | 0.91    | 0.95    | 0.90    | 0.94    | 0.93  |
| FY2006/03      | 0.91    | 1.24    | 1.78    | 3.12    | 1.72  |
| New Basis      | Apr-Jun | Jul-Sep | Oct-Dec | Jan-Mar | Total |
| FY2004/03      | 1.79    | 1.86    | 2.33    | 2.72    | 2.15  |
| FY2005/03      | 2.81    | 2.83    | 2.82    | 2.96    | 2.85  |
| FY2006/03      | 2.93    | 3.20    | 3.59    | 4.19    | 3.46  |

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

New Basis is including those brands and calculated to historical earnings.

Japan Tobacco Inc. Clinical development (as of April 28, 2006)

| Code              | Stage                           | Indication               | Mechanism           | Characteristics  | Rights  |
|-------------------|---------------------------------|--------------------------|---------------------|--|---|
| JTT-705<br>(oral) | Phase1(JPN)                     | Dyslipidemia             | CETP inhibitor      | Decreases LDL and increases HDL by inhibition of CETP<br>-CETP:Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL<br>-HDL:High density lipoprotein, Good Cholesterol<br>-LDL:Low density lipoprotein, Bad Cholesterol | A license agreement was signed with Roche (Switzerland) for development and commercialization of this compound worldwide except Japan and Korea. (October 2004) |
| JTT-130<br>(oral) | Phase2(JPN)<br>Phase1(Overseas) | Hyperlipidemia           | MTP inhibitor       | Treatment of hyperlipidemia by reducing absorption of cholesterol and triglyceride via inhibition of MTP<br>MTP:Microsomal Triglyceride Transfer Protein   |   |
| JTK-303<br>(oral) | Phase1(JPN)                     | Anti-HIV                 | Integrase inhibitor | Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV (HIV:Human Immunodeficiency Virus)   | A license agreement was signed with Gilead (US) for development and commercialization of this compound worldwide except Japan . (March 2005)                    |
| JTT-302<br>(oral) | Phase1(Overseas)                | Dyslipidemia             | CETP inhibitor      | Decreases LDL and increases HDL by inhibition of CETP<br>-CETP:Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL<br>-HDL:High density lipoprotein, Good Cholesterol<br>-LDL:Low density lipoprotein, Bad Cholesterol |   |
| JTT-305<br>(oral) | Phase1(JPN)                     | 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<br>-BMD: Bone Mineral Density<br>-PTH: Parathyroid Hormone<br>-CaSR: Calcium-Sensing Receptor         |   |
| JTT-551<br>(oral) | Phase1(JPN)                     | Type 2 diabetes mellitus | PTP1B inhibitor     | Decreases blood glucose by enhancing insulin signal via inhibition of PTP1B.<br>-PTP1B:Protein Tyrosine Phosphatase 1B This enzyme negatively regulates insulin signaling pathway.   |   |

Changes from the previous announcement on February 9, 2006:

JTT-551 entered into clinical stage.