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FOR IMMEDIATE RELEASE

**JT Reports Tobacco Business Results for
October - December 2004 Quarter**

*Aggressive marketing in the domestic tobacco business implemented for future growth
Four consecutive years of double digit EBITDA growth in international tobacco business*

Tokyo, February 17, 2005 -- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its domestic and international tobacco business results for the quarter that ended December 31, 2004.

1. Domestic Tobacco Business Results for the Quarter that Ended December 31, 2004

JT's domestic sales volume for the third fiscal quarter that ended December 31, 2004, decreased by 0.7 billion cigarettes or 1.3 percent compared with the same quarter in the previous year, to 55.6 billion cigarettes. However, net sales per thousand cigarettes excluding tax increased by ¥3 from the same quarter in the previous year to ¥3,937.

As a result of the company's aggressive marketing strategies, market share in growing segments, such as 1 mg tar, menthol and ¥300 or above, as well as "D-spec" products increased steadily from the same period last year.

Sales volume from April to December 2004, declined by 3.5 billion cigarettes or 2.1 percent compared to the same period in the previous year, to 165.5 billion cigarettes, within our estimates.

➤ **Quarterly results for the year that ended December 31, 2004**

	Apr-Jun	Jul-Sep	Oct-Dec
Sales volume (bil. of cigarettes)	54.2	55.6	55.6
Retail price sales ¹ (bil. of JPY)	748.0	767.0	767.5
Net sales per thousand cigarettes ² (JPY)	11,754	11,755	11,752
Net sales, excluding taxes, per thousand cigarettes ³ (JPY)	3,940	3,942	3,937
Market share (%)	73.0	73.0	72.7

- ♦ The domestic tobacco business includes domestic duty-free sales and sales from the "China Division," which includes the China, Hong Kong and Macau markets. However, they are not incorporated into the table shown above.
- ♦ Sales volume from both domestic duty-free and the "China Division" totaled 1.3 billion cigarettes for the October-December quarter, down 0.2 billion cigarettes from the same quarter last year. Sales volume in the April to December period totaled 4.3 billion cigarettes, the same amount as the previous fiscal year.

¹ Retail price sales = sales volume * fixed retail price.

² Net sales per thousand cigarettes = (retail price sales - retailer margins - consumption tax) / sales volume * 1,000.

³ Net sales, excluding taxes, per thousand cigarettes = (retail price sales - retailer margins - consumption tax - excise taxes) / sales volume * 1,000.



(Reference)

➤ **Quarterly and annual results for the fiscal year that ended March 31, 2004**

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Full fiscal year
Sales volume (billions of cigarettes)	65.6	47.0	56.4	49.2	218.3
Retail price sales ⁴ (billions of JPY)	836.1	648.2	777.5	678.9	2,940.9
Net sales per thousand cigarettes ⁵ (JPY)	10,856	11,732	11,746	11,759	11,478
Net sales per thousand cigarettes excluding tax ⁶ (JPY)	3,850	3,923	3,934	3,943	3,908
Market share (%)	73.0	72.9	72.7	73.1	72.9

♦ The domestic tobacco business includes domestic duty-free sales and sales from the “China Division.” However, they are not incorporated in the table shown above.

♦ Sales volume from both the domestic duty-free and the “China Division” totaled 5.4 billion cigarettes for the fiscal year that ended March 31, 2004.

➤ **Market share in growing segments** (%)

	Apr-Jun, 2003	Jul-Sep, 2003	Oct-Dec, 2003	Jan-Mar, 2004	Apr-Jun, 2004	Jul-Sep, 2004	Oct-Dec, 2004
1 mg tar	6.6	7.3	7.3	7.9	8.3	8.2	8.6
Menthol	7.0	7.5	7.6	8.4	8.6	8.6	9.0
¥300 or above	10.5	11.1	11.2	11.8	11.7	11.8	11.5

➤ **Market share in “D-spec” segments** (%)

	Apr-Jun, 2003	Jul-Sep, 2003	Oct-Dec, 2003	Jan-Mar, 2004	Apr-Jun, 2004	Jul-Sep, 2004	Oct-Dec, 2004
D-spec	0.04	0.13	0.54	0.91	0.91	0.95	0.90

2. International Tobacco Business Results for the Full Fiscal Year that Ended December 31, 2004

JT’s international tobacco operation continued to show strong growth momentum in Global Flagship Brands (GFBs - Camel, Winston, Mild Seven and Salem) growth, and confirms its role as the earnings growth engine of the JT Group.

Overall sales volume for the full 2004 fiscal year increased by 13.6 billion cigarettes, or 6.8 percent from last year, to 212.4 billion cigarettes, supported by the strong performance of GFBs. GFB sales volume increased by 13.9 billion cigarettes, or 11.8 percent, to 131.4 billion cigarettes, driven by the sale of Winston in the CIS, particularly in Russia and Ukraine, and in Western Europe, particularly in Italy and Germany; Camel grew in Italy, Spain and Mexico; and Mild Seven in Taiwan.

⁴ Retail price sales = sales volume * fixed retail price.

⁵ Net sales per thousand cigarettes = (retail price sales - retailer margins - consumption tax) / sales volume * 1,000.

⁶ Net sales, excluding taxes, per thousand cigarettes = (retail price sales - retailer margins - consumption tax - excise taxes) / sales volume * 1,000.



Net sales including tax increased 14.6 percent to US\$7,287 million, and net sales excluding tax were up 13.8 percent to US\$3,943 million, helped by the positive effects from the weaker US dollar. In addition, net sales per thousand cigarettes, excluding tax, increased by US\$1.1 from the previous year to US\$18.6.

In addition to the GFB growth, also helped by the positive effects from the weak dollar, JT's international tobacco business achieved strong growth in EBITDA of 31.7 percent to US\$745 million in the full 2004 fiscal year, and thus the international tobacco business has now attained a double-digit growth rate for four consecutive years.

➤ **International preliminary sales results after consolidation adjustment for the full fiscal year that ended December 31, 2004**

	2003 Results	2004 Preliminary Results	Difference
Total sales volume (billions of cigarettes)	198.8	212.4	13.6
GFB sales volume (billions of cigarettes)	117.5	131.4	13.9
Net sales, including tax (millions of US\$)	6,358	7,287	929
Net sales, excluding tax (millions of US\$)	3,465	3,943	479
Net sales per thousand cigarettes, excluding tax (US\$)	17.4	18.6	1.1
EBITDA (millions of US\$)	566	745	180

- ♦ Sales-related figures in the above table were created for internal use purposes.
- ♦ Figures from the "China Division" are not incorporated in the table shown above.
- ♦ EBITDA = operating income + depreciation of tangible fixed assets + amortization of intangible fixed assets

➤ **International quarterly and full fiscal year sales results after consolidation adjustment**

	2003 Results					2004 Preliminary Results				
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Total	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Total
Total sales volume (bil. of cigarettes)	46.6	50.3	52.2	49.8	198.8	48.1	53.4	55.9	54.9	212.4
GFB sales volume (bil. of cigarettes)	27.6	28.9	31.6	29.4	117.5	30.0	32.7	34.3	34.3	131.4
Net sales, including tax (millions of US\$)	1,369	1,577	1,788	1,625	6,358	1,708	1,807	1,914	1,858	7,287
Net sales, excluding tax (millions of US\$)	758	844	974	888	3,465	914	990	1,022	1,017	3,943
Net sales per thousand cigarettes, excluding tax (US\$)	16.3	16.8	18.7	17.8	17.4	19.0	18.5	18.3	18.5	18.6

- ♦ Sales-related figures in the above table were created for internal use purposes.
- ♦ Figures from the "China Division" are not incorporated in the table shown above.



➤ **GFB sales results** (Units: billions of cigarettes)

	2003 Results	2004 Preliminary Results	Change
Camel	34.8	35.1	1.0%
Winston	55.9	70.1	25.5%
Mild Seven	17.2	17.2	0.2%
Salem	9.7	8.9	-7.5%

- ♦ Sales of the "Mild Seven" in Japanese market and Japanese duty free are not incorporated in the table shown above.
- ♦ Figures from the "China Division" are not incorporated in the table shown above.

➤ **Regional sales results** (Units: billions of cigarettes)

	2003 Results	2004 Preliminary Results	Change
Europe	36.9	38.1	3.4%
Americas	9.9	9.9	-0.2%
Asia	40.4	40.6	0.6%
CIS, Middle East, Africa, etc.	111.6	123.8	10.9%

- ♦ Figures from the "China Division" are not incorporated in the table shown above.

➤ **International Tobacco Business – sales outlook for the fiscal year ending December, 2005**

The outlook for the international tobacco business for the year ending December 2005, excluding the "China Division" is shown below. EBITDA growth is expected to be in line with our historical guidance in the range of 18 - 20 percent.

➤ **Targets after consolidation adjustment for 2005, excluding the "China Division"**

	2004 Preliminary Results	2005 Targets	Difference
Total sales volume ⁷ (billions of cigarettes)	212.4	222.0	9.6
GFB sales volume ⁷ (billions of cigarettes)	131.4	137.0	5.6
Net sales, including tax ⁸ (millions of US\$)	7,287	8,100	813

- ♦ Sales-related figures in the above table were created for internal use purposes.

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⁷ Sales volume of JTI products (Camel, Winston, Salem etc.) in Japan market and Japanese duty free from the beginning of May 2005 and on are excluded from the table, because their sales will be integrated into the domestic tobacco business beginning May 2005.

⁸ Sales of JTI products in Japan are incorporated in the sales of the domestic tobacco business, and are not incorporated from the table above.



Japan Tobacco Inc. is the world's third largest international manufacturer of tobacco products. The company manufactures internationally recognized cigarette brands including Camel, Winston, Mild Seven and Salem. Since its privatization in 1985, JT has actively diversified its operations into pharmaceuticals and foods. The company's net sales were ¥4.625 trillion in the fiscal year ended March 31, 2004.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This presentation 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.

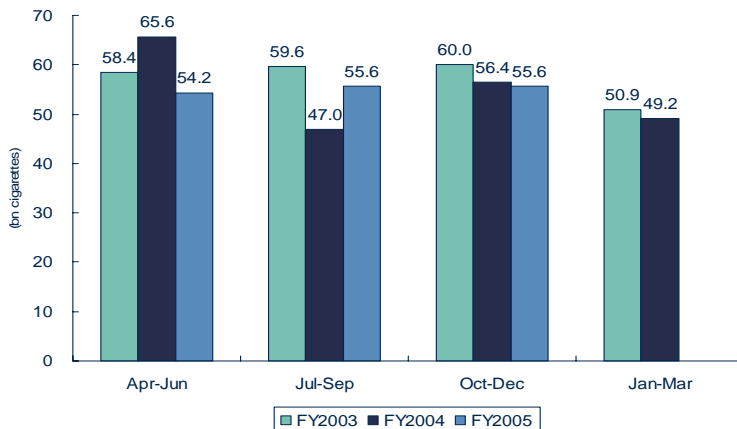
Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

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 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.

Domestic Tobacco Business



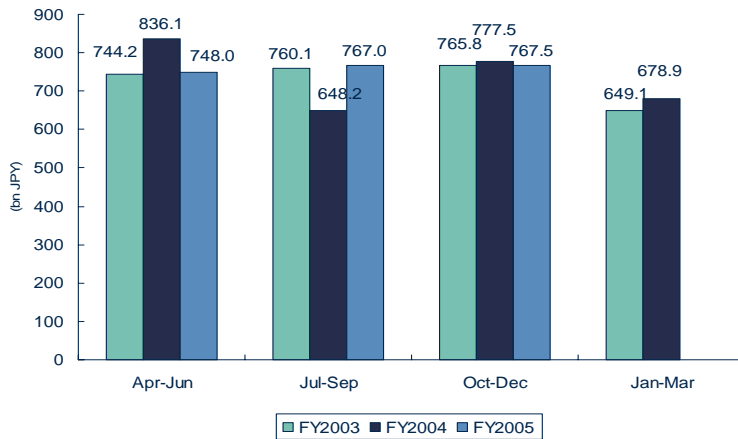
Domestic Tobacco - Quarterly Sales Volume



* Sales volume figures retroactively exclude domestic duty-free sales. This adjustment has been made since the announcement of Tobacco Business Results for Jan-Mar 2003.

* Other than the sales volume figures shown in the above chart, sales from the China, Hong Kong, and Macau markets and domestic duty-free sales, which totaled 1.3 billion cigarettes for Oct.-Dec. 2004, belong to domestic tobacco business.

Domestic Tobacco - Quarterly Retail Price Sales

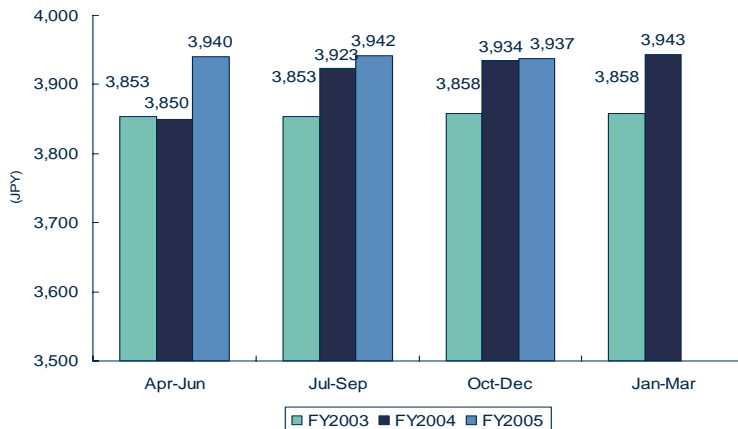


* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

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Domestic Tobacco - Quarterly Net Sales Excluding Excise Tax Per Thousand Cigarettes



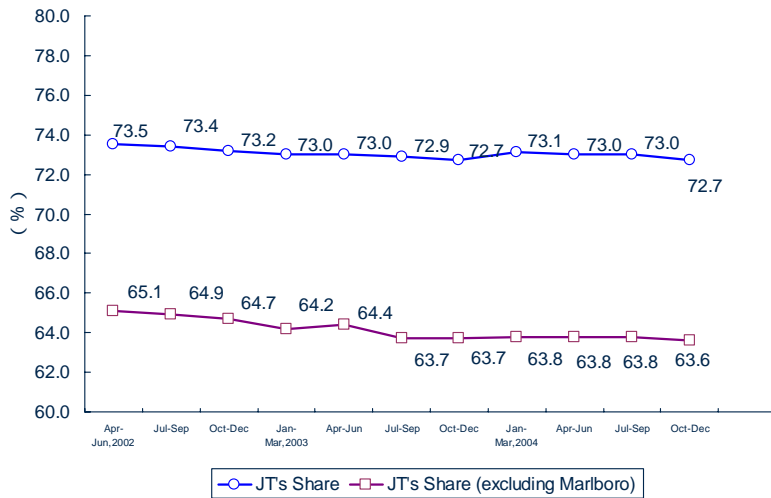
* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

* Net sales excluding excise tax per thousand cigarettes = (retail price sales - retailer margins - consumption tax - national tobacco excise tax - local tobacco excise taxes - national tobacco special excise tax) / sales volume times 1,000.

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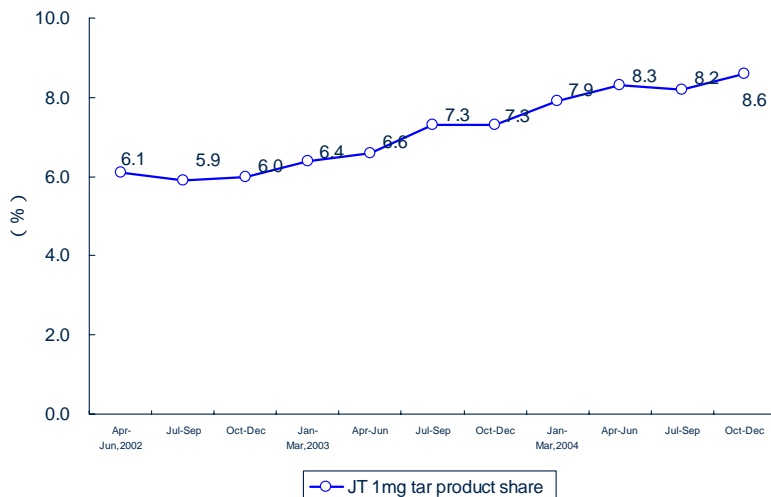
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Domestic Tobacco - Quarterly JT's Share of Market in Japan



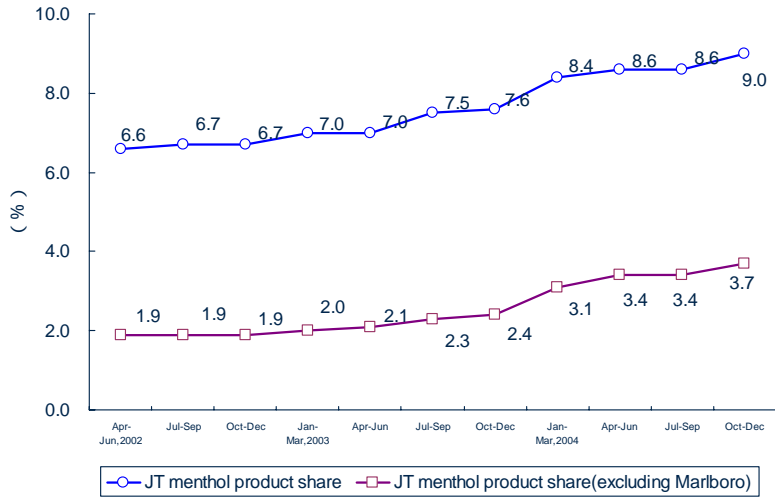
* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

Domestic Tobacco - Quarterly JT's 1mg Tar Product Share of Market in Japan



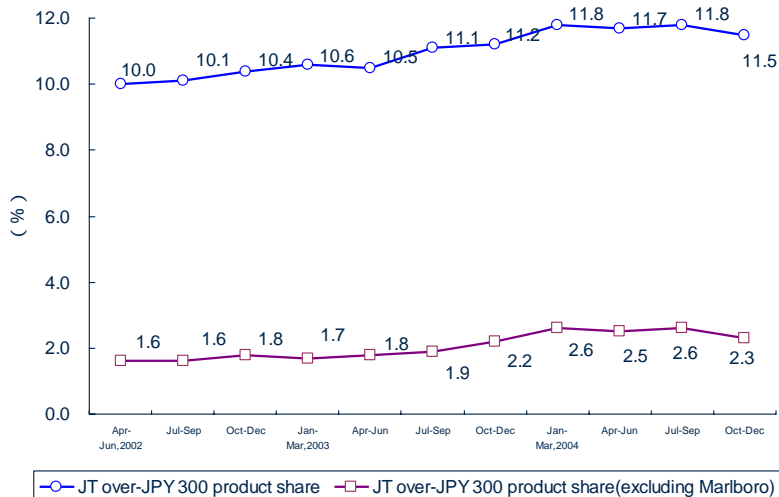
* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

Domestic Tobacco - Quarterly JT's Menthol Product Share of Market in Japan



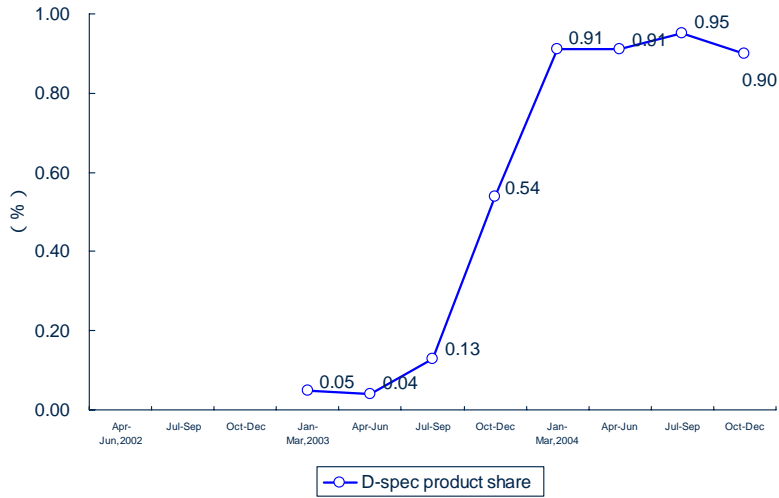
* Excludes sales from the China, Hong Kong, and Macau markets and domestic duty-free sales.

Domestic Tobacco - Quarterly JT's over-JPY 300 Product Share of Market in Japan



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

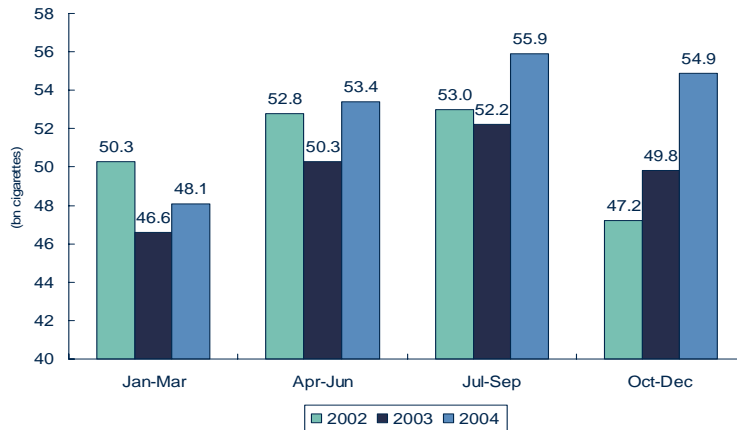
Domestic Tobacco - Quarterly JT's D-spec Product Share of Market in Japan



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

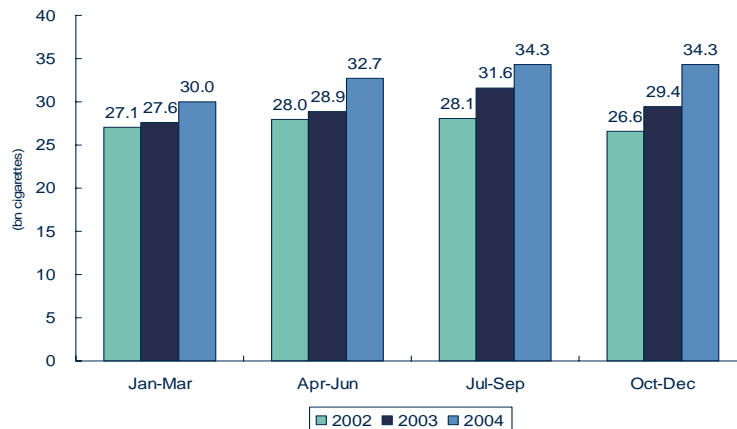
International Tobacco Business

International Tobacco - Quarterly Sales Volume



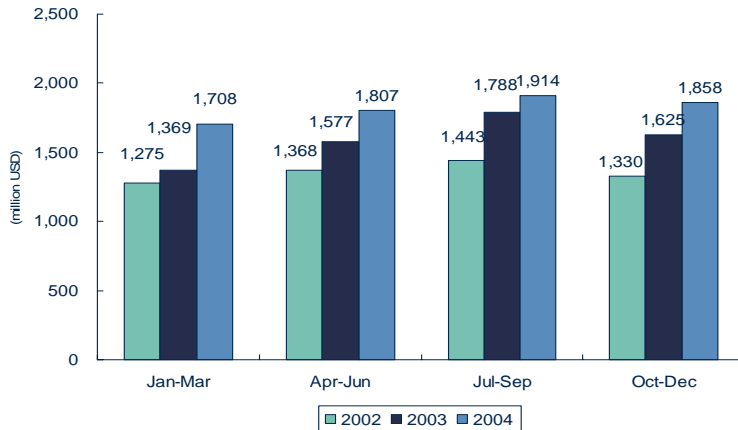
* All numbers in the chart were revised due to the transfer of the "China Division" (which includes operations of the China, Hong Kong, and Macau markets) from JT International S.A. to JT on January 1, 2003.

International Tobacco - Quarterly GFB Sales Volume



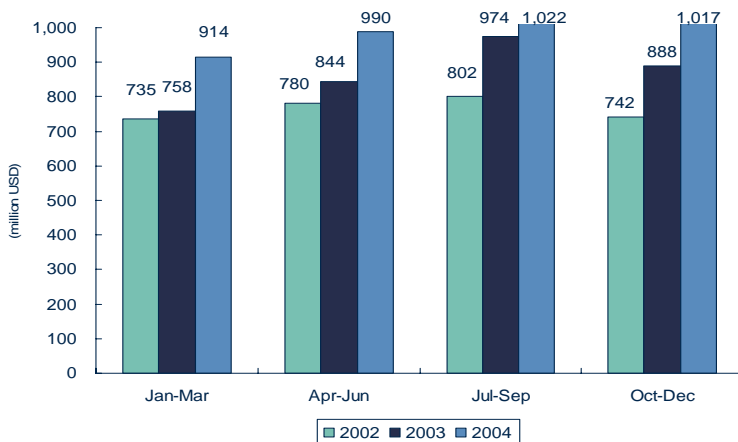
* All numbers in the chart were revised due to the transfer of the "China Division" (which includes operations of the China, Hong Kong, and Macau markets) from JT International S.A. to JT on January 1, 2003.

International Tobacco - Quarterly Sales Including Excise Tax



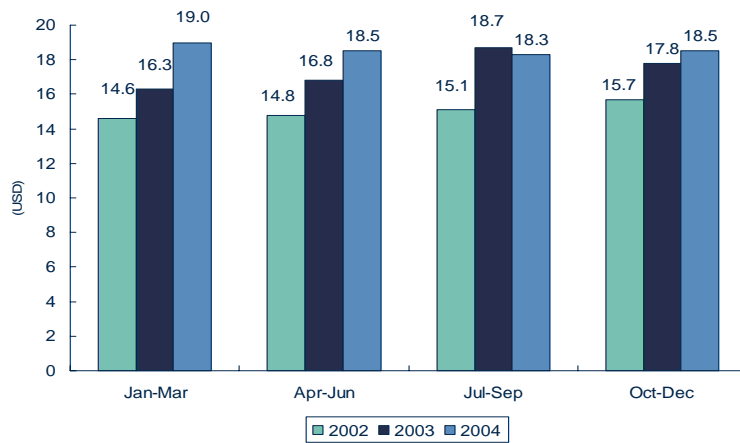
* All numbers in the chart were revised due to the transfer of the "China Division" (which includes operations of the China, Hong Kong, and Macau markets) from JT International S.A. to JT on January 1, 2003.

International Tobacco - Quarterly Sales Excluding Excise Tax



* All numbers in the chart were revised due to the transfer of the "China Division" (which includes operations of the China, Hong Kong, and Macau markets) from JT International S.A. to JT on January 1, 2003.

International Tobacco - Quarterly Sales Excluding Excise Tax Per Thousand Cigarettes



* All numbers in the chart were revised due to the transfer of the "China Division" (which includes operations of the China, Hong Kong, and Macau markets) from JT International S.A. to JT on January 1, 2003.