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**FOR IMMEDIATE RELEASE**

**JT Reports Tobacco Business Results for  
 January - March 2005 Quarter**

*Success in target segments contributes to better than expected domestic tobacco sales volume  
 Steady Winston growth leads to a good start for this year's international tobacco business*

Tokyo, April 27, 2005 -- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its domestic and international tobacco business results for the quarter that ended March 31, 2005.

**1. Domestic Tobacco Business Results**

JT's domestic tobacco sales volume for the fiscal year that ended March 31, 2005, totaled 213.2 billion cigarettes, up 3.2 billion cigarettes and 0.2 billion cigarettes, compared with the company's initial forecast and updated forecast respectively, though compared with the previous year's result, the sales volume decreased by 5 billion cigarettes or 2.3 percent.

This better than expected domestic sales volume came mainly from JT's market share growth in its three growth segments, menthol, 1 mg tar and JPY 300 or above, while JT aggressively launched new products and continued its marketing efforts. "D-spec" products also had an increasing presence in the Japan market.

Due to successful launches of JPY 300 or higher priced products, including "D-spec," net sales per thousand cigarettes excluding tax increased by JPY 33 from the previous year to JPY 3,941.

JT's total market share was the same as the previous year's as the company's newly launched products effectively countered the competitors' strong product launches.

**Domestic quarterly and annual results for the year that ended March 31, 2005**

	Apr - Jun	Jul - Sep	Oct - Dec	Jan - Mar	Full Fiscal Year
Sales volume (billions of cigarettes)	54.2	55.6	55.6	47.7	213.2
Retail price sales <sup>1</sup> (billions of JPY)	748.0	767.0	767.5	658.9	2,941.6
Net sales per thousand cigarettes <sup>2</sup> (JPY)	11,754	11,755	11,752	11,765	11,756
Net sales, excluding taxes, per thousand cigarettes <sup>3</sup> (JPY)	3,940	3,942	3,937	3,946	3,941
Market share (%)	73.0	73.0	72.7	72.7	72.9

- ♦ 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 0.8 billion cigarettes for the January-March quarter, down 0.1 billion cigarettes from the same quarter last year. Sales volume in the April to March period totaled 5.1 billion cigarettes, down 0.2 billion cigarettes from the previous fiscal

<sup>1</sup> Retail price sales = sales volume \* fixed retail price.

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

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

year.

(Reference)

**Domestic 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 <sup>4</sup> (billions of JPY)	836.1	648.2	777.5	678.9	2,940.9
Net sales per thousand cigarettes <sup>5</sup> (JPY)	10,856	11,732	11,746	11,759	11,478
Net sales per thousand cigarettes excluding tax <sup>6</sup> (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	Jan-Mar, 2005
1 mg tar	6.6	7.3	7.3	7.9	8.3	8.2	8.6	8.9
Menthol	7.0	7.5	7.6	8.4	8.6	8.6	9.0	9.3
JPY 300 or above	10.5	11.1	11.2	11.8	11.7	11.8	11.5	12.1

➤ **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	Jan-Mar, 2005
D-spec	0.04	0.13	0.54	0.91	0.91	0.95	0.90	0.94

**2. International Tobacco Business Results**

JT's international tobacco business again made a good start to the year, as its Global Flagship Brands (GFBs - Camel, Winston, Mild Seven and Salem) continued to grow steadily its volume, in line with the company's strategy aiming to increase sales volume accompanied by the unit price enhancement.

Overall sales volume for the quarter that ended March 31, 2005, increased 2.0 percent from the same quarter last year, to 49.0 billion cigarettes, as strong performance in Russia, Iran and Italy offset the decrease in the licensed-based Philippines, tax hike induced decreases in Turkey and Korea, and the effect of inventory phasing in Spain. GFB sales volume increased 1.0 percent to 30.3 billion cigarettes, driven by the sales growth of Winston in Russia, Ukraine and Iran.

If results of the license-based Philippines, which is a low margin market and has a minor impact on the international business' bottom line, were excluded, total sales volume for the

<sup>4</sup> Retail price sales = sales volume \* fixed retail price.

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

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

international tobacco business would have showed an increase of approximately 6 percent along with the 7 percent increase of GFB sales volume, compared to the same quarter last year.

Net sales including tax increased 10.1 percent to US\$1.88 billion, and net sales excluding tax were up 11.5 percent to US\$1.019 billion. In addition, net sales per thousand cigarettes, excluding tax, increased by US\$1.8 from the previous year to US\$20.8.

### **International preliminary results for the quarter that ended March 31, 2005**

(after consolidation adjustment)

	Jan-Mar
Total sales volume (billions of cigarettes)	49.0
GFB sales volume (billions of cigarettes)	30.3
Net sales, including tax (millions of US\$)	1,880
Net sales, excluding tax (millions of US\$)	1,019
Net sales per thousand cigarettes, excluding tax (US\$)	20.8

- ♦ Figures from the “China Division” are not incorporated in the table shown above.
- ♦ In the previous fiscal year, JT disclosed the relevant quarter’s preliminary international EBITDA, which was developed for an internal purposes, in the above table. However, the company decided that, from the current fiscal year and onward, that it would report Japanese GAAP-based financial results for both the domestic and international tobacco businesses independently in its quarterly financial statements. As a result, JT’s international tobacco business’ operating income and EBITDA for the quarter that ended March 31, 2005 will be disclosed in the quarterly financial results announcement for the quarter ending June 30, 2005, not in this press release.

(Reference)

### **International quarterly and full fiscal year results for the year ended December 31, 2004**

(after consolidation adjustment)

	2004 Results				
	Jan - Mar	Apr - Jun	Jul - Sep	Oct - Dec	Total
Total sales volume (billions of cigarettes)	48.1	53.4	55.9	54.9	212.4
GFB sales volume (billions of cigarettes)	30.0	32.7	34.3	34.3	131.4
Net sales, including tax (millions of US\$)	1,708	1,807	1,914	1,858	7,287
Net sales, excluding tax (millions of US\$)	914	990	1,022	1,017	3,943
Net sales per thousand cigarettes, excluding tax (US\$)	19.0	18.5	18.3	18.5	18.6

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

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*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 JPY 4.664 trillion in the fiscal year ended March 31, 2005.*