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FOR IMMEDIATE RELEASE

JT Reports Consolidated Financial Results for the First Quarter that Ended June 30, 2005

TOKYO, August 1, 2005 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its consolidated financial results for the first quarter that ended June 30, 2005.

1. Highlights of This Quarter

- JT achieved operating income increases in all core business segments, which include the domestic tobacco, international tobacco, pharmaceutical and foods businesses.
- As a result, the company's operating income for the fiscal first quarter achieved ¥85.5 billion, up 26.7 percent and net income also achieved ¥47.5 billion, up 9.7 percent, compared to the previous year's first quarter.
- In the domestic tobacco business, JT successfully took all necessary measures to counter changes and challenges resulting from the termination of the Marlboro license agreement and integration of JTI products for the Japan market into the domestic tobacco business. The company is now ready to concentrate on its growth strategy.
- JT's international tobacco business, the company's profit growth engine, continued its momentum, driven by the growth of its Global Flagship Brand¹ (GFB) sales. Operating income for the international tobacco business grew 41.2 percent to ¥19.5 billion mainly due to the increase in GFB sales volume, and the one time positive impact from the efficient expenditure execution in the Japanese market ahead of the transfer of this business to the domestic tobacco operation.
- In the pharmaceutical business, the company's new compound "JTT-305," entered into the clinical development stage and the business successfully attained its target outlined in JT's medium term management plan, "JT PLAN-V."
- In order to further strengthen profit position and to increase business value, the foods business continued to direct its efforts into the development and launching of distinctive and value-added new products while strengthening sales channels.

"In this fiscal quarter, there were several business environment changes and challenges such as the termination of the Marlboro license agreement and integration of JTI products into the domestic tobacco business," said Katsuhiko Honda, President and CEO of JT. "However, we overcame the issues we faced and we successfully

¹ Global Flagship Brands include Camel, Winston, Mild Seven and Salem.



established a new fighting force for achieving further profit growth down the road. With our core businesses - domestic tobacco, international tobacco, pharmaceuticals and foods - achieving strong operating income increases, we can clearly say that we began the first quarter on good footing.”

2. Consolidated Financial Results for the First Quarter that Ended June 30, 2005

Units: Billions of Yen

	1Q FY03/2005	1Q FY03/2006	Difference	Net change (%)
Net sales	1,161.0	1,151.0	-10.0	-0.9
EBITDA	98.6	115.8	17.2	17.5
Operating income	67.4	85.5	18.0	26.7
Recurring profit	65.5	84.3	18.8	28.8
Net income	43.3	47.5	4.2	9.7

JT's net sales showed a slight decrease of 0.9 percent to ¥1.151 trillion, compared to the previous year's first quarter. This was mainly due to a decrease in sales in the domestic tobacco business, despite a sales volume increase in the international tobacco business, a one-time sales income increase related to licensing in the pharmaceutical business and increased sales through vending machine channels in the beverage business.

However, operating income grew to ¥85.5 billion, up 26.7 percent, mainly due to the effects from restructuring, which were implemented in the previous fiscal year and steady profit growth with a GFB sales volume increase in the international tobacco business.

The company's EBITDA² for the period was ¥115.8 billion.

As a result, JT posted ¥47.5 billion in net income with an increase of 9.7 percent compared to the previous first quarter while extraordinary losses related to sales and disposal of fixed assets increased.

In addition, beginning with this first quarter, the company began applying an asset-impairment accounting policy in accordance with the change in Japan's accounting standards for the impairment of fixed assets. Accordingly, JT posted an impairment loss of unused fixed assets, and the effects of this accounting procedure were minimal.

² EBITDA=operating income + depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill



3. Results by Business Segment

➤ Domestic Tobacco Business

Units: Billions of Yen

	1Q FY03/2005	1Q FY03/2006	Difference	Net change (%)
Net sales	883.2	865.6	-17.5	-2.0
EBITDA	70.5	80.3	9.7	13.8
Operating income	50.8	59.6	8.7	17.3

In August 2003, JT and Philip Morris International mutually agreed not to renew the Marlboro license agreement after it expired at the end of April 2005. In addition, the marketing and sales of JTI products, such as Camel, Winston and Salem, for the Japan market were integrated into JT's domestic tobacco operations as of May 1, 2005. As of this fiscal quarter, the company successfully implemented all necessary measures to counter these changes.

Under these circumstances, JT remains committed to increasing its business value through both "top line growth" and "cost structure reform."

As part of its top line growth strategy, JT continued to aggressively introduce new products, including "D-spec" products, in growing segments (1mg tar, menthol and ¥300 or above) into test markets. In this fiscal quarter, four brands expanded their sales areas to nationwide coverage following successful results in test markets. In addition, the company launched 13 new products into test markets beginning in July.

As part of its cost structure reforms for further profit growth, JT continued to strengthen its cost competitiveness through tireless cost reduction efforts. The company closed seven cigarette manufacturing factories and one tobacco leaf processing factory at the end of March and integrated its sales offices at the end of June.

With respect to domestic sales volume for this first quarter, while integration of JTI products worked to push up sales volume, this gain was offset by a decline due mainly to the expiration of the company's Marlboro license agreement at the end of April. As a result, JT's domestic tobacco sales volume decreased by 3.6 billion cigarettes or 6.8 percent, compared with the same period last year, to 50.5 billion cigarettes³. At the same time, JT's market share decreased by 3.4 percentage points to 69.6 percent⁴. However, recalculation using a new measurement basis⁵ showed JT's market share for this quarter would be 66.1 percent which is equivalent to the last quarter and almost on par with the last two years. Net sales per thousand cigarettes, excluding tax, decreased by ¥39 to ¥3,901, compared with the same quarter last year.

Net sales for the domestic tobacco business decreased by 2.0 percent to ¥865.6 billion compared to the previous year.

³ Sales volume from both domestic duty-free and the "China Division" which are not incorporated into the figures shown above, totaled 0.8 billion cigarettes for the April - June quarter.

⁴ JT market share with original measurement basis = JT original products + Marlboro (April) + JTI products for the Japan market (May and June)

⁵ New market share measurement basis = JT original products + JTI products for the Japan market



However, operating income grew 17.3 percent to ¥59.6 billion, mainly due to business structure reforms implemented in the last fiscal year. EBITDA also increased to ¥80.3 billion, up ¥9.7 billion.

➤ **International Tobacco Business**

Units: Billions of Yen

	1Q FY03/2005	1Q FY03/2006	Difference	Net change (%)
Net sales	184.3	196.8	12.5	6.8
EBITDA	18.7	24.8	6.0	32.4
Operating income	13.8	19.5	5.7	41.2

JT's international tobacco business continued its strategy of growing sales volume, along with related unit price increases, emphasizing the shift to higher value products represented by GFB brands, and focusing on core markets which have future profit growth potential.

In this fiscal quarter, the company's international tobacco business once again had a strong start to the year. The cigarette sales volume in the January to March 2005⁶ period was 49.0 billion cigarettes, an increase of 1.0 billion cigarettes or up 2.0 percent, as strong performance in Russia, Iran, Italy, Ukraine and Taiwan offset the decrease in the licensed-based Philippines, the 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, Iran, Italy and Ukraine.

Excluding the impact of the low margin license business in the Philippines, underlying growth momentum was 6 percent in total volume, and 7 percent in GFB volume.

The underlying volume growth drove positive net sales growth for the international tobacco business which increased by 6.8 percent to ¥196.8 billion versus the previous year.

Top line growth, and the one time positive impact from the effective expenditure execution in the Japanese market ahead of its transfer to the domestic business, drove operating income for the international tobacco business up 41.2 percent to ¥19.5 billion. EBITDA increased to ¥24.8 billion, up ¥6.0 billion.

➤ **Pharmaceutical Business**

Units: Billions of Yen

	1Q FY03/2005	1Q FY03/2006	Difference	Net change (%)
Net sales	13.2	13.6	0.3	3.0
EBITDA	-0.3	0.8	1.1	-
Operating income	-1.2	0.03	1.2	-

⁶ The results of the international tobacco business from January 1 to March 31, 2005, were incorporated into JT's consolidated financial results for the first quarter which ended June 30, 2005.



The company's new compound "JTT-305" entered into the clinical development stage in this fiscal quarter and the pharmaceutical business achieved its target which was "to place three compounds with the potential to become world-class drugs in clinical development during the period," set forth under "JT PLAN-V."

JT's net sales for the pharmaceutical business increased 3.0 percent to ¥13.6 billion compared to the same period last year. This was mainly due to a one-time sales income increase through the licensing of "JTK-303," despite a sales decrease at Torii Pharmaceutical Co., Ltd. (Torii), JT's pharmaceutical business subsidiary and a decline in royalty income from "Viracept®."

In addition to the reasons above, due to the decline of R&D expenses, operating income for the business improved by ¥1.2 billion to ¥30 million. EBITDA for the business also improved by ¥1.1 billion to ¥0.8 billion in profit.

- In July 2003, JT signed a licensing agreement with Gilead Sciences, Inc. for the commercialization of three anti-HIV drugs in Japan. JT and its subsidiary, Torii, launched Viread® in April 2004, and on April 19, 2005 another two drugs, Emtriva® and Truvada® were also launched.
- On April 22, 2005, JT and Torii announced that the companies would merge JT's pharmaceutical production factory in Hofu, Yamaguchi prefecture, and Torii's factory in Sakura, Chiba prefecture. The Hofu factory would then be closed at the end of March 2006. Upon the full implementation of the amended Pharmaceutical Affairs Law in April 2005, the JT group decided to merge the two entities, further boosting efficiency.

➤ Foods Business

Units: Billions of Yen

	1Q FY03/2005	1Q FY03/2006	Difference	Net change (%)
Net sales	65.3	69.1	3.7	5.8
EBITDA	2.4	2.4	0.04	1.8
Operating income	0.9	1.0	0.06	6.3

In the last fiscal year, JT's foods business was in the black with respect to operating income, one year ahead of its target outlined in "JT PLAN-V." In order to further boost this profit position while increasing business value, the foods business continued to make efforts in the development and launching of distinctive and value-added new products along with the strengthening of sales channels focusing on vending machine.

Net sales from the foods business increased 5.8 percent to ¥69.1 billion. This was mainly due to net sales increases in the processed foods business, as well as the expansion of beverage sales through vending machine channels.

Operating income for this business increased by ¥60 million to ¥1.0 billion and EBITDA was ¥2.4 billion.



➤ **Other Businesses**

Units: Billions of Yen

	1Q FY03/2005	1Q FY03/2006	Difference	Net change (%)
Net sales	14.9	5.7	-9.1	-61.3
EBITDA	7.3	5.3	-1.9	-27.2
Operating income	3.0	1.8	-1.2	-39.9

Net sales for other businesses decreased by 61.3 percent to ¥5.7 billion compared to the same period last year, mainly due to the decrease of consolidated subsidiaries.

Operating income and EBITDA for other businesses were ¥1.8 billion and ¥5.3 billion, respectively.

4. Outlook for the Fiscal Year Ending March 31, 2006 (Consolidated)

JT management forecasts for annual net sales and earnings for the fiscal year ending March 31, 2006, remain unchanged from the announcement issued on April 27, 2005.

(Reference: April 27, 2005 Announcement)

Units: Billions of Yen

	Fiscal Year Ended March 31, 2005	Fiscal Year Ending March 31, 2006	Difference
Net sales	4,664.5	4,640.0	-24.5
EBITDA	400.1	423.0	22.8
Operating income	273.3	297.0	23.6
Recurring profit	270.2	293.0	22.7
Net income	62.5	180.0	117.4
FCF	269.4	108.0	-161.4
ROE	4.2%	11.4%	7.2%

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



FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This document 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.

1. Breakdown of net sales

(unit: JPY billion)

	3 months ended June 2004	3 months ended June 2005	Change
Net sales including excise tax	1,161.0	1,151.0	(10.0)
Domestic tobacco	883.2	865.6	(17.5)
Excluding excise tax	644.0	600.4	(43.6)
International tobacco	184.3	196.8	12.5
Net sales excluding excise tax	411.5	399.5	(11.9)
Domestic tobacco	219.4	204.5	(14.8)
International tobacco	98.6	106.5	7.8
Pharmaceuticals	13.2	13.6	0.3
Foods	65.3	69.1	3.7
Beverages	43.6	46.5	2.8
Processed foods	21.6	22.5	0.8
Others	14.9	5.7	(9.1)

2. Leaf tobacco reappraisal profit / loss*

(unit: JPY billion)

	3 months ended June 2004	3 months ended June 2005	Change
Leaf tobacco reappraisal profit / loss	3.1	0.0	(3.1)

* Profit when denoted negative

3. Breakdown of SG&A expenses

(unit: JPY billion)

	3 months ended June 2004	3 months ended June 2005	Change
SG&A	169.2	150.6	(18.6)
Personnel ¹	47.3	39.4	(7.9)
Advertising and general publicity	6.5	6.1	(0.4)
Sales promotion	32.1	33.4	1.2
R&D	10.6	9.4	(1.1)
Depreciation	13.7	13.2	(0.4)
Others ²	58.8	48.8	(9.9)

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

*2 Others include Marlboro license related expenses which accounted for approximately JPY 5.7 billion for 3 months ended June 30, 2005 and approximately JPY 11.6 billion for 3 months ended June 30, 2004, respectively.

4. EBITDA by business segment¹

(unit: JPY billion)

	3 months ended June 2004	3 months ended June 2005	Change
Consolidated EBITDA	98.6	115.8	17.2
Operating income	67.4	85.5	18.0
Depreciation and amortization ²	31.1	30.3	(0.7)
Portion of Goodwill amortization	0.1	0.1	(0.03)
Domestic tobacco EBITDA	70.5	80.3	9.7
Operating income	50.8	59.6	8.7
Depreciation and amortization ²	19.7	20.7	0.9
Portion of Goodwill amortization	(0.02)	-	(0.02)
International tobacco EBITDA	18.7	24.8	6.0
Operating income	13.8	19.5	5.7
Depreciation and amortization ²	4.9	5.3	0.3
Pharmaceuticals EBITDA	(0.3)	0.8	1.1
Operating income	(1.2)	0.03	1.2
Depreciation and amortization ²	0.8	0.8	(0.08)
Foods EBITDA	2.4	2.4	0.04
Operating income	0.9	1.0	0.06
Depreciation and amortization ²	1.4	1.4	(0.01)
Portion of Goodwill amortization	0.2	0.1	(0.05)
Others EBITDA	7.3	5.3	(1.9)
Operating income	3.0	1.8	(1.2)
Depreciation and amortization ²	4.2	3.5	(0.7)
Portion of Goodwill amortization	0.004	-	(0.004)

(Reference) (unit: US\$ million)

International Tobacco EBITDA (Before royalty payment)	206	274	68
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*1 EBITDA=operating income + depreciation and amortization²

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

5. Amortization relating to major acquisitions

(unit: JPY billion)

	3 months ended June 2004	3 months ended June 2005	Years to amortize	Finish date
JT International	8.3	8.3	-	-
Trademark rights (owned by JT)	7.3	7.3	10	Apr-09
Patents (owned by JT)	0.9	0.9	8	Apr-07
Goodwill*	-	-	-	-
former Asahi Chemical Food Group	0.02	0.02	-	-
Trademark rights	0.01	0.01	10	Jun-09
Patents	0.01	0.01	8	Jun-07
Japan Beverage	0.2	0.07	5	Mar-07
Goodwill	0.2	0.07	5	Mar-07

* Effective from the fiscal year ended March 31, 2002, amortization of goodwill of JT International ceased due to the adoption of a new accounting pronouncement by JT International. However, the goodwill is subject to being tested for impairment annually.

6. Capital expenditure

(unit: JPY billion)

	3 months ended June 2004	3 months ended June 2005	Change
Capital expenditures	20.8	23.7	2.9
Domestic tobacco	11.4	43.0	31.6
International tobacco	3.5	2.9	(0.6)
Pharmaceuticals	0.6	0.5	(0.1)
Foods	1.9	1.1	(0.8)
Others	3.4	2.3	(1.1)

7. Cash and cash equivalents*

(unit: JPY billion)

	As of end of March 2005	As of end of June 2005	Change
Cash and cash equivalents	863.6	807.3	(56.2)

* 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 March 2005	As of end of June 2005	Change
Interest-bearing debt	230.7	233.0	2.3

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

9. Business data

	3 months ended June 2004	3 months ended June 2005	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	54.2	50.5	(3.6)
Industry volume (billion cigarettes)	74.2	72.5	(1.7)
JT Market share	73.0%	69.6%	-3.4%pt
JT net sales before tax per 1,000 cigarettes (JPY)	11,754	11,715	(39)
JT net sales after tax per 1,000 cigarettes (JPY)	3,940	3,901	(39)

* Sales volume of domestic duty-free and China division is excluded, which was 0.8 billion for 3 months ended June 30, 2005 and 1.5 billion for 3 months ended June 30, 2004, respectively.

	3 months ended March 2004	3 months ended March 2005	Change
<International tobacco business>			
Total sales volume (billion cigarettes)	48.1	49.0	1.0
[GFB sales volume (billion cigarettes)]	30.0	30.3	0.3
JPY/USD rate for consolidation	107.36	104.55	(2.81)

	3 months ended June 2004	3 months ended June 2005	Change
<Pharmaceuticals business>			
Royalty revenue of Viracept (USD million)	15	12	(3)
R&D expenses (parent company) (JPY billion)	5.2	4.7	(0.4)

	As of end of March 2005	As of end of June 2005	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	226,000	232,000	6,000
JT-owned	44,500	43,500	(1,000)
Combined	54,000	57,500	3,500

* "Beverage vending machines" include vending machines (for cans, packs, etc) and cup units 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 JT brand beverages but also sell non-JT brand beverages.

Data in Domestic Tobacco Business

(Data Sheets)

* 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 (May and June, 2005)

* **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
FY2004	65.6	47.0	56.4	49.2	218.3
FY2005	54.2	55.6	55.6	47.7	213.2
FY2006	50.5				

* The above mentioned figures include sales of Marlboro cigarettes in 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
FY2004	836.1	648.2	777.5	678.9	2,940.9
FY2005	748.0	767.0	767.5	658.9	2,941.6
FY2006	694.7				

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

* The above mentioned figures include sales of Marlboro cigarettes in 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
FY2004	10,856	11,732	11,746	11,759	11,478
FY2005	11,754	11,755	11,752	11,765	11,756
FY2006	11,715				

* 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 Cig (JPY)

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

* 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	73.0	72.9	72.7	73.1	72.9
FY2005	73.0	73.0	72.7	72.7	72.9
FY2006	69.6				
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2004	67.3	66.6	66.6	66.7	66.8
FY2005	66.7	66.6	66.4	66.1	66.5
FY2006	66.1				

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

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

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

2. Menthol

(1) JT Menthol Product Share (%)

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

(2) JT Share in Menthol Segment (%)

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

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	10.5	11.1	11.2	11.8	11.1
FY2005	11.7	11.8	11.5	12.1	11.8
FY2006	8.8				
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2004	4.3	4.4	4.6	5.1	4.5
FY2005	5.0	5.1	4.8	5.1	5.0
FY2006	5.1				

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY2004	51.1	52.5	52.8	54.2
FY2005	53.9	53.8	52.8	53.6
FY2006	39.2			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY2004	21.2	20.8	21.5	23.2
FY2005	23.2	23.0	22.2	22.8
FY2006	22.7			

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY2004	0.04	0.13	0.54	0.91	0.38
FY2005	0.91	0.95	0.90	0.94	0.93
FY2006	0.91				

Japan Tobacco Inc. Clinical development (as of August 1, 2005)

Code	Stage	Indication	Mechanism	Characteristics	Development	Rights
JTE-607 (inj)	Phase2(JPN) Phase1(Overseas)	SIRS (systemic inflammatory response syndrome)	Inflammatory Cytokines inhibitor	Inhibits the production of inflammatory cytokines	Developed by JT Developed by JT	
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	Developed by JT	A license agreement was signed with Roche (Switzerland) for development and commercialization of this compound worldwide except Japan and Korea. (October 2004)
JTT-130 (oral)	Phase2(JPN) Phase1(Overseas)	Hyperlipidemia	MTP inhibitor	Treatment of hyperlipidemia by reducing absorption of cholesterol and triglyceride via inhibition of MTP MTP:Microsomal Triglyceride Transfer Protein	Developed by JT Developed by JT	
JTK-303 (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)	Developed by JT	A license agreement was signed with Gilead (US) for development and commercialization of this compound worldwide except Japan. (March 2005)
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	Developed by JT	
JTT-305 (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 -BMD: Bone Mineral Density -PTH: Parathyroid Hormone -CaSR: Calcium-Sensing Receptor	Developed by JT	

Changes from the previous announcement on April 27, 2005:

Development of JTK-003 was terminated.

JTT-305 entered into clinical stage.