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FOR IMMEDIATE RELEASE

JT Reports Consolidated Financial Results for the Nine Month Period That Ended December 31, 2005

TOKYO, February 9, 2006 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its consolidated financial results for the nine month period that ended December 31, 2005.

1. Highlights

➤ **Consolidated Nine Month Financial Results**

- JT achieved increases in EBITDA, operating income, recurring profit and net income, compared with the same period last year.
- The domestic tobacco business saw a decline in sales volume, which resulted in a decrease in net sales of 2.8 percent. The impact of this decrease was offset by the business structure reform implemented during the previous fiscal year, allowing the company to achieve a 2.4 percent increase in operating income in this reporting period.
- The growth momentum of JT's international tobacco business¹ continued, confirming the company's role as JT's profit growth engine. The company's sales volume growth, combined with price increases, resulted in a 38.7 percent increase in operating income.
- Operating income/loss from the pharmaceutical business decreased by ¥7.2 billion compared to the same period last year, due to the absence of a one-time sales increase associated with the licensing of "JTT-705," a dyslipidemia compound, in the previous fiscal year.
- Operating income for the foods business saw a significant growth of 142.4 percent, due to profit margin improvements led by business scale expansion and improved efficiencies in business expenditure.

➤ **Outlook for the Fiscal Year Ending March 31, 2006**

- JT management has updated its earnings forecast for the fiscal year ending March 31, 2006. JT has revised its net income estimate upward from the previous announcement, while its net sales and operating income estimates were maintained.

"We have almost completed our cost-structure reforms for the company's future growth as stated in "JT PLAN-V,"" said Katsuhiko Honda, President and CEO of JT. "Helped by a strong profit increase in our international tobacco business, we expect to achieve

¹ The results of the international tobacco business from January to September 2005 were incorporated into JT's consolidated financial results for the nine month period that ended December 31, 2005.



yet another record high in net income. This tells us that our medium-term management plan is working very well and is leading our company towards a successful future. It brings us great pleasure to know that we are destined for a strong conclusion to this plan.”

2. Consolidated Financial Results for the Nine Month Period that Ended December 31, 2005

Units: billions of yen

	Apr - Dec, 2004	Apr - Dec, 2005	Net change
Net sales	3,596.4	3,550.3	-1.3%
EBITDA	324.7	345.7	6.4%
Operating income	230.3	251.8	9.3%
Recurring profit	227.4	243.5	7.1%
Net income	131.4	164.0	24.8%

JT's net sales showed a slight decrease, mainly due to a decline in domestic cigarette sales volume and sales decreases in other business, despite a sales volume increase in the international tobacco business and increased sales in the foods business.

The operating income growth was mainly due to the positive effect of the restructuring programs implemented in the previous fiscal year, and steady profit growth in the international tobacco business.

As a result, JT's net income grew 24.8 percent to ¥164.0 billion, due to a decrease in extraordinary expenses related to the restructuring programs.

3. Results by Business Segment

➤ Domestic Tobacco Business

Units: billions of yen, billions of cigarettes

	Apr - Dec, 2004 ²	Apr - Dec, 2005 ³	Net change
Net sales	2,707.4	2,631.9	-2.8%
EBITDA	232.1	241.4	4.0%
Operating income	172.6	176.7	2.4%
Sales volume ⁴	165.5	147.2	-11.0%
Market share	72.9%	66.8 %	-6.1%pt

² Apr - Dec, 2004 = JT original brands + Marlboro family. JTI products are not incorporated.

³ Apr - Dec, 2005 = JT original brands + Marlboro family (April) + JTI products (May - December)

⁴ Sales volume from both the domestic duty free and the "China division," totaled 2.4 billion cigarettes for this period and were not incorporated in the figures above.



As part of its top line growth strategy, JT continued to aggressively introduce new products in growing segments (1mg tar, menthol and ¥300 or above) into test markets, and to expand the sales areas for these products once successful in testing. As a result, the company gained market share in all growing segments compared with the same period of the last fiscal year.

As part of the same strategy, JT stated that it would create a new and innovative category of cigarettes with “D-spec,” reduced odor products. JT markets 11 “D-spec” products in local markets or nationwide as of December 31, 2005, with combined market share of 1.78 percent, almost double the share achieved in the same period of last year.

JTI products for the Japan market, including Camel, Winston and Salem, were integrated into JT’s domestic tobacco business from May 2005, and helped increase domestic sales volume for the period. However, these gains were offset by the termination of the Marlboro licensing agreement at the end of April 2005.

Operating income grew 2.4 percent, mainly due to the positive effects of the business structure reforms that were implemented during the previous fiscal year.

➤ **International Tobacco Business**

Units: billions of yen, billions of cigarettes

	Jan - Sep, 2004	Jan - Sep, 2005	Net change
Net sales	595.4	649.4	9.1%
EBITDA	58.6	76.1	30.0%
Operating income	43.0	59.6	38.7%
Total sales volume	157.4	163.5	3.9%
GFB ⁵ sales volume	97.1	99.2	2.2%

The international tobacco business registered a 3.9 percent increase in total sales volume during this period⁶, driven by strong growth in Russia, Iran, Ukraine and Taiwan.

Sales volume for the highly profitable Global Flagship Brands increased by 2.2 percent, driven by Winston in Russia, Iran, Ukraine and Italy; Camel in Italy and Russia; and Mild Seven in Taiwan.

Cigarette sales volume growth, combined with unit price increases, resulted in a 9.1 percent increase in net sales for the international tobacco business, while operating income registered a significant increase of 38.7 percent.

⁵ GFB: Global Flagship Brands include Camel, Winston, Mild Seven and Salem.

⁶ The results of the international tobacco business from January to September 2005 were incorporated into JT’s consolidated financial results for the nine month period that ended December 31, 2005.



➤ **Pharmaceutical Business**

Units: billions of yen

	Apr - Dec, 2004	Apr - Dec, 2005	Net change
Net sales	47.4	38.8	-18.1%
EBITDA	7.2	-0.2	-
Operating income	4.5	-2.6	-

Net sales for the company's pharmaceutical business decreased 18.1 percent compared with the same period last year, and its operating income posted ¥2.6 billion in loss.

This was mainly due to the negative impact from the absence of a one-time sales increase related to "JTT-705," a dyslipidemia compound, in the last fiscal year, as well as a decline in royalty income from "Viracept," an anti-HIV drug, and a sales decrease at Torii Pharmaceutical Co., Ltd., JT's pharmaceutical subsidiary, despite the one-time sales increase from the licensing of "JTK-303," an anti-HIV compound, this year.

➤ **Foods Business**

Units: billions of yen

	Apr - Dec, 2004	Apr - Dec, 2005	Net change
Net sales	202.5	212.7	5.0%
EBITDA	6.6	9.6	45.1%
Operating income	2.2	5.4	142.4%

Net sales from the company's foods business increased 5.0 percent in this reporting period, due primarily to the steady expansion of vending machine sales channel and the strong performance of the company's flagship coffee brand, "Roots," in the beverage business, as well as the sales growth of commercial frozen foods in the processed foods business.

In addition, due to the increase of profit margins led by the expansion of the business scale and decreases of fixed costs from the effective execution of expenditures, operating income increased by 142.4 percent.

➤ **Other Businesses**

Units: billions of yen

	Apr - Dec, 2004	Apr - Dec, 2005	Net change
Net sales	43.4	17.3	-60.0%
EBITDA	20.7	16.1	-22.0%
Operating income	8.3	5.9	-28.2%

The decline in both net sales and operating income for other businesses was mainly due to the decrease in the number of consolidated subsidiaries followed by the transfer of the business to third parties.



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

JT management today updated its annual earnings forecasts for the fiscal year ending March 31, 2006, which were previously announced on October 31, 2005.

Units: billions of yen

	FY 03/2005 Actual	FY 03/2006 Updated Estimate	Difference	FY 03/2006 Previous Estimate
Net sales	4,664.5	4,620.0	-44.5	4,620.0
EBITDA	400.1	424.0	23.8	424.0
Operating income	273.3	298.0	24.6	298.0
Recurring Profit	270.2	289.0	18.7	291.0
Net income	62.5	195.0	132.4	189.0
FCF	269.4	101.0	-168.4	106.0
ROE	4.2%	12.3%	8.1 %pt	11.9%

While the company lowered its domestic cigarette sales volume estimate for the full fiscal year from the prior announcement, this reduced estimate has since been offset by steady growth from the international tobacco business. As a result, the company has maintained both net sales and operating income forecasts.

However, the company's net income forecast has been revised upward to a new record high of ¥195.0 billion, from ¥189.0 billion in the previous estimate. This change is mainly due to the progress of property sales and the impact from tax effect accounting for the company's foreign subsidiaries, despite additional allocation of an impairment loss on fixed assets which was announced in a separate press release today.

The company expects that it will achieve another record high in EBITDA, operating income, recurring profit and net income.

Operating income and recurring profit is estimated to increase for the fifth consecutive year, ending March 31, 2006, in addition, the company expects to achieve new record highs for the fourth consecutive year. Net income is expected to increase for the second consecutive year, posting record highs since the fiscal year that ended March 31, 1997.

(Reference: Assumptions for updated forecasts)

Units: billions of cigarettes, yen

	FY 03/2005 Actual	FY 03/2006 Updated Estimate	Difference	FY 03/2006 Previous Estimate
Domestic Cigarette Sales volume	213.2	189.0	-24.2	191.0
International Cigarette Sales volume	212.4	220.3	7.9	219.0
GFB Sales volume	131.4	133.8	2.4	134.0
JPY/USD	108.23	110.26	2.03	108.00



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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)

	9 months ended Dec 2004	9 months ended Dec 2005	Change
Net sales including excise tax	3,596.4	3,550.3	-46.0
Domestic tobacco	2,707.4	2,631.9	-75.5
Excluding imported tobacco	1,974.4	1,744.3	-230.1
International tobacco	595.4	649.4	53.9
Net sales excluding excise tax (Excluding imported tobacco)	1,293.7	1,216.1	-77.5
Domestic tobacco	678.6	591.3	-87.3
International tobacco	321.5	355.8	34.2
Pharmaceuticals	47.4	38.8	-8.5
Foods	202.5	212.7	10.1
Beverages	135.9	142.4	6.4
Processed foods	66.5	70.2	3.7
Others	43.4	17.3	-26.0

* International tobacco business is consolidated for 9 months ended September.

2. Leaf tobacco reappraisal profit / loss*

(unit: JPY billion)

	9 months ended Dec 2004	9 months ended Dec 2005	Change
Leaf tobacco reappraisal profit / loss	6.8	4.2	-2.5

* Profit when denoted negative

3. Breakdown of SG&A expenses

(unit: JPY billion)

	9 months ended Dec 2004	9 months ended Dec 2005	Change
SG&A	506.2	445.1	-61.0
Personnel ¹	139.6	113.6	-26.0
Advertising and general publicity	20.2	17.2	-3.0
Sales promotion	102.6	106.8	4.2
R&D	30.5	28.2	-2.3
Depreciation and amortization	40.2	40.0	-0.2
Others ²	172.8	139.1	-33.7

¹ Personnel expense is the sum of compensation, salaries, allowances, provision for retirement benefit, legal welfare, employee bonuses and accrual of employee bonuses² Others include Marlboro license related expenses which accounted for JPY 5.6 billion for 9 months ended Dec 31, 2005 and JPY 35.7 billion for 9 months ended Dec 31, 2004, respectively.4. EBITDA by business segment¹

(unit: JPY billion)

	9 months ended Dec 2004	9 months ended Dec 2005	Change
Consolidated EBITDA	324.7	345.7	20.9
Operating income	230.3	251.8	21.4
Depreciation and amortization ²	94.3	93.8	-0.5
Portion of goodwill amortization	0.6	1.2	0.5
Domestic tobacco EBITDA	232.1	241.4	9.2
Operating income	172.6	176.7	4.0
Depreciation and amortization ²	59.5	64.7	5.2
Portion of goodwill amortization	-0.0	0.8	0.8
International tobacco EBITDA	58.6	76.1	17.5
Operating income	43.0	59.6	16.6
Depreciation and amortization ²	15.6	16.5	0.9
Pharmaceuticals EBITDA	7.2	-0.2	-7.4
Operating income	4.5	-2.6	-7.2
Depreciation and amortization ²	2.7	2.4	-0.2
Foods EBITDA	6.6	9.6	3.0
Operating income	2.2	5.4	3.2
Depreciation and amortization ²	4.4	4.1	-0.2
Portion of goodwill amortization	0.6	0.4	-0.2
Others EBITDA	20.7	16.1	-4.5
Operating income	8.3	5.9	-2.3
Depreciation and amortization ²	12.3	10.1	-2.2
Portion of goodwill amortization	0.0	-	-0.0

(Reference)

(unit: US\$ million)

	9 months ended Dec 2004	9 months ended Dec 2005	Change
International tobacco EBITDA (Before royalty payment)	638	806	167

¹ EBITDA=operating income + depreciation and amortization ²² 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 9 months ended September.

5. Amortization relating to major acquisitions

(unit: JPY billion)

	9 months ended Dec 2004	9 months ended Dec 2005	Years to amortize	Finish date
JT International	25.0	25.8	-	-
Trademark rights (owned by JT)	22.0	22.0	10	Apr-09
Patents (owned by JT)	2.9	3.0	8	Apr-07
Goodwill*	-	0.8	20	Mar-25
Japan Beverage	0.6	0.2	5	Mar-07
Goodwill	0.6	0.2	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. Since then, the goodwill is subject to being tested for impairment annually. From the fiscal year ending March 31, 2006, amortization of a part of this goodwill allocated to the domestic tobacco business started over 20 years.

6. Capital expenditure

(unit: JPY billion)

	9 months ended Dec 2004	9 months ended Dec 2005	Change
Capital expenditures	58.4	71.2	12.7
Domestic tobacco	31.9	64.5	32.5
International tobacco	12.0	14.9	2.9
Pharmaceuticals	1.1	1.3	0.1
Foods	5.7	3.1	-2.5
Others	8.4	11.7	3.3

7. Cash and cash equivalents*

(unit: JPY billion)

	As of end of March 2005	As of end of Dec 2005	Change
Cash and cash equivalents	863.6	943.5	79.9

* 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 Dec 2005	Change
Interest-bearing debt	230.7	221.2	-9.4

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

9. Business data

	9 months ended Dec 2004	9 months ended Dec 2005	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	165.5	147.2	-18.2
National demand (billion cigarettes)	226.9	220.4	-6.5
JT Market share	72.9%	66.8%	- 6.1%pt
JT net sales before tax per 1,000 cigarettes (JPY)	11,754	11,675	-79
JT net sales after tax per 1,000 cigarettes (JPY)	3,940	3,866	-74

* Sales volume of domestic duty-free and China division is excluded, which was 2.4 billion for 9 months ended Dec 31, 2005 and 4.3 billion for 9 months ended Dec 31, 2004, respectively.

	9 months ended Sep 2004	9 months ended Sep 2005	Change
<International tobacco business>			
Total sales volume (billion cigarettes)	157.4	163.5	6.1
GFB sales volume (billion cigarettes)	97.1	99.2	2.2
JPY/USD rate for consolidation (JPY)	109.00	107.90	-1.10

	9 months ended Dec 2004	9 months ended Dec 2005	Change
<Pharmaceuticals business>			
Royalty revenue of Viracept (USD million)	45	38	-7
R&D expenses (parent company) (JPY billion)	15.2	14.6	-0.6

	As of end of March 2005	As of end of Dec 2005	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	226,000	237,000	11,000
JT-owned	44,500	42,000	-2,500
Combined	54,000	61,000	7,000

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

1. Consolidated financial outlook for fiscal year ending March 31, 2006 compared to the forecast as of October 2005

(JPY billion)

	Previous forecast	Current forecast	Change
Net sales including excise tax	4,620.0	4,620.0	0.0
Excluding imported tobacco	3,476.0	3,457.0	-19.0
EBITDA	424.0	424.0	0.0
Operating income	298.0	298.0	0.0
Recurring profit	291.0	289.0	-2.0
Net income	189.0	195.0	6.0
Return on Equity	11.9%	12.3%	0.4%pt
Free Cash Flow*	106.0	101.0	-5.0

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

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

<From cash flow from investing activities>
 - Purchases of and proceeds from sale of marketable securities
 - Purchases of and proceeds from sale of investment securities and others

FCF calculated according to the above adjustment may not be equal to FCF shown on the above table. The difference comes from purchases of and proceeds from sale of business investment securities which are included in investment securities on the Cash flow statement but excluded from the adjustment above.

(JPY billion)

	Previous forecast	Current forecast	Change
Capital expenditures	107.0	104.0	-3.0
Domestic tobacco	81.0	80.0	-1.0
International tobacco	26.0	26.0	0.0
Pharmaceuticals	2.0	2.0	0.0
Foods	5.0	5.0	0.0
Other businesses	20.0	19.0	-1.0

Consolidated financial outlook by business segment (JPY billion)

	Previous forecast	Current forecast	Change
Net sales including excise tax	4,620.0	4,620.0	0.0
Domestic tobacco	3,408.0	3,403.0	-5.0
Excluding imported tobacco	2,264.0	2,240.0	-24.0
International tobacco	870.0	880.0	10.0
Pharmaceuticals	47.5	48.5	1.0
Foods	276.0	275.0	-1.0
EBITDA	424.0	424.0	0.0
Domestic tobacco	310.0	302.0	-8.0
International tobacco	88.0	94.0	6.0
Pharmaceuticals	-5.5	-4.0	1.5
Foods	10.5	10.5	0.0
Operating income	298.0	298.0	0.0
Domestic tobacco	224.0	216.0	-8.0
International tobacco	66.0	71.0	5.0
Pharmaceuticals	-8.5	-7.0	1.5
Foods	5.0	5.0	0.0

<Reference>

Financial outlook of parent company (JPY billion)

	Previous forecast	Current forecast	Change
Net sales including excise tax	2,380.0	2,360.0	-20.0
Recurring profit	202.0	192.0	-10.0
Net income	132.0	126.0	-6.0

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	Previous forecast	Current forecast	Change
Sales volume	191.0	189.0	-2.0

Excludes sales of domestic duty-free and China division

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

	Previous forecast	Actual result	Change
Total sales volume	219.0	220.3	1.3
GFB sales volume	134.0	133.8	-0.2
JPY/USD rate	108.00	110.26	2.26

2. Consolidated financial outlook for fiscal year ending March 31, 2006 compared to the results of previous fiscal year

(JPY billion)

	FY 2005/03	Current forecast	Change
Net sales including excise tax	4,664.5	4,620.0	-44.5
Excluding imported tobacco	3,716.9	3,457.0	-259.9
EBITDA	400.1	424.0	23.8
Operating income	273.3	298.0	24.6
Recurring profit	270.2	289.0	18.7
Net income	62.5	195.0	132.4
Return on Equity	4.2%	12.3%	8.1%pt
Free Cash Flow*	269.4	101.0	-168.4

*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 2005/03	Current forecast	Change
Capital expenditures	85.1	104.0	18.8
Domestic tobacco	Tobacco	80.0	n.a.
International tobacco	65.2	26.0	n.a.
Pharmaceuticals	3.1	2.0	-1.1
Foods	7.3	5.0	-2.3
Other businesses	10.6	19.0	8.3

Consolidated financial outlook by business segment (JPY billion)

	FY 2005/03	Current forecast	Change
Net sales including excise tax	4,664.5	4,620.0	-44.5
Domestic tobacco	3,491.4	3,403.0	-88.4
Excluding imported tobacco	2,543.9	2,240.0	-303.9
International tobacco	792.7	880.0	87.2
Pharmaceuticals	57.6	48.5	-9.1
Foods	265.3	275.0	9.6
EBITDA	400.1	424.0	23.8
Domestic tobacco	296.0	302.0	5.9
International tobacco	65.4	94.0	28.5
Pharmaceuticals	5.4	-4.0	-9.4
Foods	7.9	10.5	2.5
Operating income	273.3	298.0	24.6
Domestic tobacco	215.8	216.0	0.1
International tobacco	44.4	71.0	26.5
Pharmaceuticals	1.8	-7.0	-8.8
Foods	1.9	5.0	3.0

<Reference>

Financial outlook of parent company (JPY billion)

	FY 2005/03	Current forecast	Change
Net sales including excise tax	2,685.9	2,360.0	-325.9
Recurring profit	194.1	192.0	-2.1
Net income	27.0	126.0	98.9

Major assumptions

(1) Domestic tobacco business (billions of cigarettes)

	FY 2005/03	Current forecast	Change
Sales volume	213.2	189.0	-24.2

Excludes sales of domestic duty-free and China division

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

	2004	Actual result	Change
Total sales volume	212.4	220.3	7.9
GFB sales volume	131.4	133.8	2.4
JPY/USD rate	108.23	110.26	2.03

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

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

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

Domestic Tobacco Business Results

1. Quarterly Sales Volume (billions of cigarettes)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
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		

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

2. Quarterly Retail Price Sales (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
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		

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

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

3. Quarterly Net Sales Per Thousand Cigarettes (JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
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		

* 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		
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		

* 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		
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		

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		
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		

(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	
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	

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		
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		

(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	
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	

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		
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		

(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	
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	

4. Quarterly D-spec Product Share (%)

	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		

Japan Tobacco Inc. Clinical development (as of February 9, 2006)

Code	Stage	Indication	Mechanism	Characteristics	Development	Rights
JTT-705 (oral)	Phase1(JPN)	Dyslipidemia	CETP inhibitor	Decreases LDL and increases HDL by inhibition of CETP -CETP:Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL -HDL:High density lipoprotein, Good Cholesterol -LDL:Low density lipoprotein, Bad Cholesterol	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 October 31, 2005: none