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FOR IMMEDIATE RELEASE

**JT Reports Consolidated Financial Results for the
Full Fiscal Year That Ended March 31, 2006**

TOKYO, April 28, 2006 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its consolidated financial results for the full fiscal year that ended March 31, 2006.

1. Highlights

- **Consolidated Financial Results for the Fiscal Year That Ended March 31, 2006**
- JT achieved new record highs in net income and has also now marked record highs for four consecutive years in EBITDA, operating income and recurring profit.
 - JT exceeded all three of the company's financial targets, EBITDA, ROE and three-year cumulative free cash flow (FCF), outlined in the company's medium term management plan, "JT PLAN-V."
 - Thanks to business structure reforms in the previous fiscal year, the company's domestic tobacco business achieved an operating income increase of 2.0 percent in the fiscal year that ended March 31, 2006, positively exceeding the impact of the sales declines in the domestic tobacco business.
 - JT's international tobacco business¹, the company's profit growth engine, achieved double-digit EBITDA growth for the fifth consecutive year, led by continued strong sales volume growth of Global Flagship Brands² (GFB) and the broadening of our earnings base in both emerging and mature markets.
 - The pharmaceutical business successfully attained its target outlined in "JT PLAN-V." However in this fiscal year operating income/loss from this business decreased by ¥6.9 billion compared to the last fiscal year, mainly due to the absence of a one-time sales gain associated with the licensing of "JTT-705," a dyslipidemia compound, in the previous fiscal year.
 - The foods business achieved substantial growth in operating income by 224.9 percent, due to the business' expansion and simultaneous reduction of business expenditures.
- **Outlook for the Fiscal Year Ending March 31, 2007**
- JT management forecasts an increase in net sales and decrease in EBITDA, operating income, recurring profit and net income for the fiscal year ending March 2007, compared to the previous fiscal year.

¹ The results of the international tobacco business from January 1 to December 31, 2005 were incorporated into JT's consolidated financial results that ended March 31, 2006.

² Global Flagship Brands: Camel, Winston, Mild Seven and Salem



“It is my great pleasure to announce that we have concluded the final year of “JT PLAN-V,” our medium term management plan, with strong results, and we well exceeded all targets outlined in the plan.” said Katsuhiko Honda, President and CEO of JT. “During the past six years of my assignment as President and CEO, I have been fully devoted to evolving JT into a real “Global Growth Company.” We have successfully established solid business platforms to counter the challenges and changes in the future and I remain very confident that JT will overcome any issues it may face achieving “Sustainable Growth” under Mr. Kimura’s new leadership.”

2. Consolidated Financial Results for the Full Fiscal Year that Ended March 31, 2006

Units: Billions of Yen

	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Net change
Net sales	4,664.5	4,637.6	-0.6%
EBITDA	400.1	433.3	8.3%
Operating income	273.3	306.9	12.3%
Recurring profit	270.2	297.8	10.2%
Net income	62.5	201.5	222.0%

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

The positive effect of the business structure reforms implemented in the previous fiscal year, and steady profit growth in the international tobacco business contributed to the operating income growth.

As a result, JT achieved significant net income growth of 222.0 percent to ¥201.5 billion, due to a decrease in extraordinary expenses related to the business structure reforms.

3. “JT PLAN-V” Financial Targets Achievements

(Consolidated, Unit: Billions of Yen)

	“JT PLAN-V” Financial Targets for Fiscal Year That Ended March 31, 2006	Actual Results for Fiscal Year That Ended March 31, 2006
EBITDA	360	433.3
ROE	exceed 7%	12.4%
3-Year ³ Cumulative FCF	450	684.0

³ From April 1, 2003 to March 31, 2006



JT made its medium-term management plan “JT PLAN-V” to address significant changes in its operating environment, including a July 2003 tax hike and termination of the Marlboro licensing agreement. The company implemented necessary measures that established a solid business foundation to ensure sustainable growth for the entire JT group. As a result, the company far exceeded all of its three financial targets, EBITDA, ROE, and three-year cumulative FCF.

4. Results by Business Segment

➤ Domestic Tobacco Business

Units: Billions of Yen, Billions of Cigarettes

	Fiscal Year Ended March 31, 2005 ⁴	Fiscal Year Ended March 31, 2006 ⁵	Net change
Net sales	3,491.4	3,405.2	-2.5%
EBITDA	296.0	305.7	3.3%
Operating income	215.8	220.0	2.0%
Sales volume ⁶	213.2	189.4	-11.2%
Market share	72.9%	66.4%	-6.5% points

As part of JT’s top line growth strategy, the company has launched new products aggressively in growing segments (1mg tar, menthol and ¥300 or above) and has been creating a new and innovative category of cigarettes called “D-spec,” which are reduced odor products. As a result JT gained market share in all growing segments as well as the “D-spec” category as compared with the previous fiscal year.

While integrated JTI products⁷ for the Japan market, such as Camel, Winston and Salem, helped increase domestic sales volume for the reported fiscal year, the impact of the termination of the Marlboro licensing agreement at the end of April 2005 exceeded the positive effects of the integration.

Along with the top line growth strategy, JT has been making tireless efforts to strengthen its cost competitiveness by ensuring that operations remain efficient, through concentration on production sites, and the integration of our sales offices.

Operating income grew 2.0 percent, mainly due to the positive effects of the business structure reforms that were implemented during the previous fiscal year.

⁴ Fiscal year that ended March 31, 2005 = JT original brands + Marlboro family. JTI products not incorporated.

⁵ Fiscal year that ended March 31, 2006 = JT original brands + Marlboro family (until April) + JTI products incorporated (May 2005 – March 2006)

⁶ Sales volume from both the domestic duty free and the “China division” were not incorporated in the figures above. Sales volume from both the domestic duty free and the “China division” for the fiscal year that ended March 31, 2006 were totaled 3.2 billion cigarettes.

⁷ JTI products (Camel, Winston, Salem etc.) for the Japan market have been incorporated into the domestic tobacco business since May 2005.



➤ **International Tobacco Business**

Units: Billions of Yen, Billions of Cigarettes

	Jan - Dec, 2004	Jan - Dec, 2005	Net change
Net sales	792.7	881.1	11.2%
EBITDA	65.4	94.0	43.7%
Operating income	44.4	71.0	59.8%
Total sales volume	212.4	220.3	3.7%
GFB sales volume	131.4	133.8	1.8%

JT's international tobacco business for the full year that ended December 31, 2005⁸, achieved double-digit EBITDA growth for the fifth consecutive year. This performance was driven by the continued growth of GFB in core markets, and a broadening of the international tobacco business' earnings base resulting from performance improvements in both emerging and mature markets. Solid GFB sales volume growth and double digit EBITDA growth exceeded "JT PLAN-V" expectations.

Overall sales volume in the period increased by 3.7 percent, and GFB sales volume increased by 1.8 percent compared to the previous year. Total sales volume excluding the Japan market, where sales of JT International's products were transferred to JT in May 2005, grew 6.3 percent. GFB sales volume, excluding the Japan market, increased by 5.6 percent, led by the growth of Winston in Russia, Ukraine, Iran and Italy; Camel in France, Italy and Spain; and Mild Seven in Taiwan.

➤ **Pharmaceutical Business**

Units: Billions of Yen

	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Net change
Net sales	57.6	49.2	-14.6%
EBITDA	5.4	-1.8	-
Operating income	1.8	-5.0	-

Despite a one-time sales gain from the licensing of "JTK-303," an anti-HIV compound, to Gilead Sciences, the absence of a one-time sales gain related to "JTT-705," a dyslipidemia compound, in the last fiscal year had a negative impact on the net sales of the pharmaceutical business. In addition, declines in royalty income from "Viracept," an anti-HIV drug, and a sales decrease at Torii Pharmaceutical Co., Ltd., JT's pharmaceutical subsidiary, also had a negative effect on the business' net sales.

As a result, net sales for the company's pharmaceutical business decreased 14.6 percent compared to the last fiscal year, and its operating income posted a ¥5.0 billion loss.

⁸ The results of the international tobacco business from January 1 to December 31, 2005 were incorporated into JT's consolidated financial results for the full year that ended March 31, 2006.



Foods Business

Units: Billions of Yen

	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Net change
Net sales	265.3	278.3	4.9%
EBITDA	7.9	11.8	49.7%
Operating income	1.9	6.3	224.9%

The steady expansion of the 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 contributed to the net sales growth of the foods business.

Operating income increased by 224.9 percent due mainly to the business' expansion and decreases in fixed costs.

➤ Other Businesses

Units: Billions of Yen

	Fiscal Year Ended March 31, 2005	Fiscal Year Ended March 31, 2006	Net change
Net sales	57.2	23.5	-58.9%
EBITDA	26.8	22.1	-17.4%
Operating income	10.4	8.6	-16.8%

Net sales and operating income for other businesses decreased mainly due to declines in the number of consolidated subsidiaries because of the transfer of their shares to third parties.

5. Outlook for the Fiscal Year Ending March 31, 2007 (Consolidated)

JT management forecasts for net sales and earnings for the fiscal year ending March 31, 2007 as follows:

Units: Billions of Yen

	Fiscal Year Ended March 31, 2006 Actual	Fiscal Year Ending March 31, 2007 Estimate	Difference
Net 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
FCF	145.5	325.0	179.4
ROE	12.4%	9.7%	-2.7% points

Please refer to the attached data sheet for the details of the assumptions for the forecasts.



6. Dividends for the Fiscal Year that Ended March 31, 2006

The company's board of directors has revised the forecast for its year-end dividend to ¥9,000, an increase of ¥2,000 over the earlier forecast of ¥7,000, in consideration of the company's overall performance in the previous fiscal year. As a result, JT's expected dividend per share for the full fiscal year that ended March 31, 2006, totals ¥16,000, including the interim dividend of ¥7,000.

In addition, the company's annual dividend per share* for the full fiscal year ending March 31, 2007, is expected to be ¥3,600, including ¥1,800 for the interim and ¥1,800 for the year-end dividend.

*Note: Shares of common stock were split five for one on April 1, 2006.

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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 ¥4.637 trillion in the fiscal year ended March 31, 2006.

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)

	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&A expenses

(unit: JPY billion)

	FY ended Mar. 2005	FY ended Mar. 2006	Change
SG&A	677.4	596.6	-80.7
Personnel ^{*1}	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 ^{*2}	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^{*1}

(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 ^{*2}	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 ^{*2}	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 ^{*2}	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 ^{*2}	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 ^{*2}	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 ^{*2}	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^{*2}

*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 Mar. 2006 (Actual)	FY ending Mar. 2007 (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 Mar. 2006	FY ending 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 Mar. 2006	FY ending 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 Mar. 2006	FY ending 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 Dec. 2005	FY ending 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

<Reference>

Financial outlook of parent company

(JPY billion)

	FY ended Mar. 2006	FY ending 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 Mar. 2006	FY ending 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) + 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	42.2	189.4

* 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	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 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	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 (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	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	
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)	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	
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	
JTT-551 (oral)	Phase1(JPN)	Type 2 diabetes mellitus	PTP1B inhibitor	Decreases blood glucose by enhancing insulin signal via inhibition of PTP1B. -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.

Supplementary Material

JT's New Executive Appointments

Members of the Board

Subject to approval at the Annual General Meeting of Shareholders, to be held on June 23, 2006.

Chairman of the Board	Yoji Wakui
Representative Director	Hiroshi Kimura
Representative Director	Takao Hotta
Representative Director	Kazuei Obata
Representative Director	Ichiro Kumakura
Representative Director	Ryoichi Yamada
Member of the Board, Corporate Counselor	Katsuhiko Honda
Member of the Board	Noriaki Okubo
Member of the Board	Mutsuo Iwai
Member of the Board	Yasushi Shingai

Auditors

Subject to approval at the Annual General Meeting of Shareholders, to be held on June 23, 2006.

Standing Auditor	Hisashi Tanaka
Standing Auditor	Masaaki Sumikawa
Auditor	Hiroyoshi Murayama
Auditor	Takanobu Fujita

Executive Officers

Subject to approval at the meeting of the Board of Directors, to be held on June 23, 2006.

President	Chief Executive Officer	Hiroshi Kimura
Executive Deputy President	Chief Financial Officer and Assistant to CEO in Compliance and Food Business	Takao Hotta
Executive Deputy President	Assistant to CEO in Planning, CSR, HR and Operational Review and Business Assurance	Kazuei Obata
Executive Deputy President	President, Tobacco Business and Assistant to CEO in Vending Machinery	Ichiro Kumakura
Executive Deputy President	Assistant to CEO in Communications, General Administration and Legal	Ryoichi Yamada
Executive Vice President	Head of Sales General Division, Tobacco Business	Zenjiro Watanabe
Executive Vice President	Head of Manufacturing General Division, Tobacco Business	Kenji Iijima
Executive Vice President	Head of Tobacco Business Planning Division, Tobacco Business	Mitsuomi Koizumi
Executive Vice President	Head of Corporate, Scientific & Regulatory Affairs, Tobacco Business	Seiki Sato
Executive Vice President	President, Pharmaceutical Business	Noriaki Okubo
Executive Vice President	Head of Central Pharmaceutical Research Institute, Pharmaceutical Business	Shigeo Ishiguro
Executive Vice President	President, Food Business	Mutsuo Iwai
Executive Vice President	Chief Legal Officer	Ryuichi Shimomura

Senior Vice President	Head of Research & Development General Division, Tobacco Business	Hirotooshi Maejima
Senior Vice President	Head of Product Group, Tobacco Business	Yoshihisa Fujisaki
Senior Vice President	Head of Blending & Product Development General Division, Tobacco Business	Tadashi Iwanami
Senior Vice President	Head of Domestic Leaf Tobacco General Division, Tobacco Business	Tatsuya Hisano
Senior Vice President	Head of Soft Drink Business Division, Food Business	Gisuke Shiozawa
Senior Vice President	Head of Food Business Division, Food Business	Miyoharu Hino
Senior Vice President	Chief Strategy Officer	Sadao Furuya
Senior Vice President	Chief Human Resources Officer	Yoshiyuki Murai
Senior Vice President	Chief Communications Officer	Masakazu Shimizu
Senior Vice President	Chief General Affairs Officer	Kazuhiro Nishino

Remarks:

- * Koji Nishihara, who is presently Executive Vice President, is expected to retire on April 30, 2006.
- * Yasushi Shingai is expected to leave his present post as CFO at JT to become Executive Vice President of JT International S. A. on June 1, 2006, and will remain on the JT Board.
- * Takao Hotta is expected to assume an additional post as CFO on June 1, 2006.
- * Zenjiro Watanabe is expected to be Executive Vice President on May 1, 2006.