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## **FOR IMMEDIATE RELEASE**

### **JT Reports Consolidated Financial Results For the Nine-Month Period that Ended December 31, 2006**

**TOKYO, February 8, 2007** --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its consolidated financial results for the nine-month period that ended December 31, 2006.

#### **1. Overview of the Consolidated Nine-Month Financial Results**

- JT's net sales increased 2.5 percent compared to the same period in the previous year. Operating income increased 8.6 percent, and net income grew 18.0 percent.
- Net sales for JT's domestic tobacco business decreased 0.3 percent. This is attributed to a decline in sales volume due in part to the tobacco retail price hike following the July 2006 tax hikes. However, operating income for the business increased 11.4 percent due mainly to an increase in the unit price and reduced costs in the business.
- JT's international tobacco business maintained its momentum led by the growth of its Global Flagship Brand<sup>1</sup> (GFB) sales and achieved a net sales growth of 14.3 percent. Operating income increased 18.9 percent compared to the same period in the previous year.
- JT management has updated its sales and earnings forecasts for the fiscal year ending March 31, 2007. The company has revised its forecasted operating income upward from the previous announcement to ¥318.0 billion, while its net sales and net income were forecasted lower than the previous announcement to ¥4.74 trillion and ¥202.0 billion respectively.

“JT has been consistent in implementing measures to achieve its goals set out in the ‘JT2008’ mid-term management plan, and we continue to anticipate record highs in operating income and net income for the fiscal year ending March 31, 2007,” said Hiroshi Kimura, President and CEO of JT. “While we are facing a challenging operating environment in the domestic market, we will keep focus on strengthening brand equity, the ‘Mild Seven’ brand in particular, which has maintained solid sales during the period. Together with the successful contribution of the international tobacco business as the company’s profit growth engine, we aim to consolidate the profit base of the JT Group.”

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<sup>1</sup> Global Flagship Brands include Camel, Winston, Mild Seven and Salem.



## 2. Consolidated Nine-Month Financial Results for the Period that Ended December 31, 2006

Units: Billions of Yen

	Apr – Dec 2005	Apr – Dec 2006	Net change (%)
Net sales	3,550.3	3,637.4	2.5
Operating income	251.8	273.4	8.6
Net income	164.0	193.4	18.0

## 3. Results by Business Segment

### ➤ Domestic Tobacco Business

Units: Billions of Yen

	Apr – Dec 2005 <sup>2</sup>	Apr – Dec 2006 <sup>3</sup>	Net change (%)
Net sales (billions of yen)	2,631.9	2,624.9	-0.3
Operating income (billions of yen)	176.7	196.7	11.4
Sales volume <sup>4</sup> (billions of cigarettes)	147.2	135.5	-7.9

The domestic tobacco sales volume decreased by 7.9<sup>5</sup> percent compared to the same period in the previous year due to a decline in total cigarette consumption, which was due in part to the tobacco retail price hike in July 2006 that followed increased tobacco excise taxes. However, operating income for the domestic tobacco business increased 11.4 percent primarily due to an increase in unit price and reduced costs in the business.

### ➤ International Tobacco Business

Units: Billions of Yen

	Jan – Sept 2005	Jan – Sept 2006	Net change (%)
Net sales (billions of yen)	649.4	742.4	14.3
Operating income (billions of yen)	59.6	70.9	18.9
Total sales volume (billions of cigarettes)	163.5	178.2	9.0
GFB sales volume (billions of cigarettes)	99.2	110.3	11.2

<sup>2</sup> JTI products for the Japan market have been incorporated into the domestic tobacco business since May 2005. April - December 2005= JT original brands + Marlboro brand (April) + JTI products (May - December)

<sup>3</sup> April - December 2006= JT original brands + JTI products (April - December)

<sup>4</sup> Sales volume from both domestic duty free and the “China division” were not incorporated in the above figures– these totaled 2.5 billion cigarettes for the April – December, 2006.

<sup>5</sup> The figure amounts to 6.3 percent when excluding the one-month sales of the Marlboro brand by JT in April 2005 and incorporating the one-month sales of JTI products sold in April 2005.



JT's international tobacco business maintained its growth momentum during the nine-month period that ended September 30, 2006,<sup>6</sup> with a total sales volume growth of 9.0 percent to 178.2 billion cigarettes over the same period in the previous year.

GFB sales volume grew 11.2 percent compared to the same period in the previous year, mainly led by the sales growth of Camel in Italy and France; Winston in Spain, Russia, Iran, Turkey, Ukraine and Italy; and Mild Seven in Taiwan and Russia.

Due to the growth in the volume of cigarette sales, net sales including tax grew 14.3 percent and operating income increased by 18.9 percent compared to the same period last year.

➤ **Pharmaceutical Business**

Units: Billions of Yen

	Apr – Dec 2005	Apr – Dec 2006	Net change (%)
Net sales	38.8	36.0	-7.2
Operating income	-2.6	-7.3	-

JT's net sales for the pharmaceutical business in the nine-month period that ended December 31, 2006, decreased 7.2 percent compared to the same period last year. This was mainly attributed to the negative impact caused by the absence of a one-time sales income related to the licensing of "JTK-303" to Gilead Sciences in the same period in the previous year, despite a one-time sales income through the licensing of a new drug candidate and a new drug antibody candidate in preclinical study to GlaxoSmithKline and MedImmune, Inc. respectively. In addition, a decline in sales at Torii Pharmaceuticals Co., Ltd. also had a negative impact on the net sales.

Operating income for the business during this nine-month period posted a ¥7.3 billion loss due mainly to an increase in R&D expenses.

➤ **Foods Business**

Units: Billions of Yen

	Apr - Dec 2005	Apr - Dec 2006	Net change (%)
Net sales	212.7	218.5	2.7
Operating income	5.4	6.6	21.7

Net sales and operating income for JT's foods business in the nine-month period that ended December 31, 2006, increased by 2.7 percent and 21.7 percent respectively, compared to the same period last year. This was mainly due to the steady expansion of vending machine sales channels and the sound performance of the company's flagship coffee brand, "Roots," in the beverage business, as well as the growth in sales of frozen processed foods and chilled processed foods in the processed foods division.

<sup>6</sup> The results of the international tobacco business from January to September 2006 were incorporated into JT's consolidated financial results for the nine-month period that ended December 31, 2006.



### **Updated Forecasts for the Fiscal Year Ending March 31, 2007 (Consolidated)**

JT management updated its annual net sales and earnings forecasts, which were announced on October 31, 2006, for the fiscal year ending March 31, 2007.

Forecasted net sales were lowered to ¥4.74 trillion compared to the previous forecast of ¥4.77 trillion, mainly due to a decline in the forecasted sales volume by 2.0 billion cigarettes in the domestic tobacco business, while sales volume for the international tobacco business is estimated to increase by 1.1 billion cigarettes.

However, forecasted operating income was raised to ¥318.0 billion, an increase of ¥10 billion compared to the previous forecast of ¥308.0 billion, mainly due to profit growth in the international tobacco business and anticipation of reduced costs in the domestic tobacco business.

Due in part to financial costs related to the cash offer for Gallaher, the company's forecasted net income for the fiscal year ending March 31, 2007 has been lowered to ¥202.0 billion.

The company maintains its anticipation of record highs in operating income and net income for the fiscal year ending March 31, 2007.

Units: Billions of Yen

	Fiscal Year Ended March 31, 2006 Actual (A)	FY03/2007 Previous Forecast (B)	FY03/2007 Updated Forecast (C)	Change from FY03/2006 Actual (C-A)
Net sales	4,637.6	4,770.0	4,740.0	102.3
Operating income	306.9	308.0	318.0	11.0
Net income	201.5	206.0	202.0	0.4

Please refer to the attached data sheet for additional details regarding the forecasts.

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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)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
Net sales including excise tax	3,550.3	3,637.4	87.1
Domestic tobacco	2,631.9	2,624.9	-7.0
Excluding imported tobacco	1,744.3	1,691.5	-52.7
International tobacco *	649.4	742.4	93.0
Net sales excluding excise tax (Excluding imported tobacco)	1,216.1	1,241.1	25.0
Domestic tobacco	591.3	562.5	-28.8
International tobacco *	355.8	408.5	52.6
Pharmaceutical	38.8	36.0	-2.8
Foods	212.7	218.5	5.7
Beverages	142.4	146.2	3.8
Processed foods	70.2	72.2	1.9
Others	17.3	15.5	-1.8

\* International tobacco business: 9 months ended Sep. 2006

## 2. Leaf tobacco reappraisal profit / loss \*

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
Leaf tobacco reappraisal profit / loss	4.2	-7.0	-11.2

\* Profit when denoted negative

## 3. Breakdown of SG&amp;A expenses

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
SG&A	445.1	433.4	-11.7
Personnel *	113.6	114.5	0.8
Advertising and general publicity	17.2	16.7	-0.4
Sales promotion	106.8	93.7	-13.1
R&D	28.2	31.1	2.9
Depreciation and amortization	40.0	42.8	2.7
Others	139.1	134.4	-4.7

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

4. EBITDA by business segment <sup>1</sup>

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
Consolidated EBITDA	345.7	371.1	25.3
Operating income	251.8	273.4	21.6
Depreciation and amortization <sup>2</sup>	93.8	97.6	3.7
Domestic tobacco EBITDA	241.4	256.5	15.0
Operating income	176.7	196.7	20.0
Depreciation and amortization <sup>2</sup>	64.7	59.8	-4.9
International tobacco EBITDA <sup>3</sup>	76.1	93.7	17.5
Operating income	59.6	70.9	11.2
Depreciation and amortization <sup>2</sup>	16.5	22.8	6.2
Pharmaceutical EBITDA	-0.2	-5.1	-4.9
Operating income	-2.6	-7.3	-4.7
Depreciation and amortization <sup>2</sup>	2.4	2.2	-0.2
Foods EBITDA	9.6	10.7	1.0
Operating income	5.4	6.6	1.1
Depreciation and amortization <sup>2</sup>	4.1	4.0	-0.1
Others EBITDA	16.1	15.9	-0.2
Operating income	5.9	6.7	0.8
Depreciation and amortization <sup>2</sup>	10.1	9.1	-1.0

(Reference)

(unit: USD million)

International tobacco EBITDA (Before royalty payment)	806	902	97
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<sup>1</sup> EBITDA=operating income + depreciation and amortization<sup>2</sup><sup>2</sup> Depreciation and amortization = depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill<sup>3</sup> International tobacco business: 9 months ended Sep. 2006

## 5. Amortization relating to major acquisitions

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Years to amortize	Termination
JT International	25.8	25.8	-	-
Trademark rights (owned by JT)	22.0	21.9	10	Apr-09
Patents (owned by JT)	3.0	3.0	8	Apr-07
Goodwill*	0.8	0.8	20	Mar-25
Japan Beverage				
Goodwill	0.2	0.3	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.

## 6. Capital expenditure

(unit: JPY billion)

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
Capital expenditures	71.2	71.0	-0.1
Domestic tobacco	64.5	39.3	-25.1
International tobacco *	14.9	20.9	6.0
Pharmaceutical	1.3	2.2	0.9
Foods	3.1	3.1	0.0
Others	11.7	6.1	-5.6

\* International tobacco business: 9 months ended Sep. 2006

## 7. Cash and cash equivalents \*

(unit: JPY billion)

	As of end of Mar. 2006	As of end of Dec. 2006	Change
Cash and cash equivalents	979.6	1,275.0	295.3

\* Cash and cash equivalents = cash and deposits + marketable securities + securities purchased under repurchase agreements

## 8. Interest-bearing debt \*

(unit: JPY billion)

	As of end of Mar. 2006	As of end of Dec. 2006	Change
Interest-bearing debt	216.6	221.2	4.6

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

## 9. Business data

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	147.2	135.5	-11.6
Total demand (billion cigarettes)	220.4	208.9	-11.5
JT market share	66.8%	64.9%	- 1.9%pt
JT net sales before tax per 1,000 cigarettes (JPY)	11,675	12,276	601
JT net sales after tax per 1,000 cigarettes (JPY)	3,866	3,971	105

\* Sales volume of domestic duty-free and China division is excluded, which was 2.5billion for 9 months ended Dec. 2006 and 2.4 billion for 9 months ended Dec. 2005, respectively.

	9 months ended Sep. 2005	9 months ended Sep. 2006	Change
<International tobacco business>			
Total sales volume (billion cigarettes)	163.5	178.2	14.7
GFB sales volume (billion cigarettes)	99.2	110.3	11.1
JPY/USD rate for consolidation (JPY)	107.90	115.90	8.00

	9 months ended Dec. 2005	9 months ended Dec. 2006	Change
<Pharmaceutical business>			
Royalty revenue of Viracept (USD million)	38	32	-5
R&D expenses (parent company) (JPY billion)	14.6	16.4	1.8

	As of end of Mar. 2006	As of end of Dec. 2006	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	237,000	247,500	10,500
JT-owned	40,500	38,500	-2,000
Combined	61,500	65,500	4,000

\* 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 a

## 1. Consolidated financial outlook for fiscal year ending March 31, 2007 compared to the forecast as of October 2006

(JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax	4,770.0	4,740.0	-30.0
Excluding imported tobacco	3,551.0	3,530.0	-21.0
EBITDA	444.0	452.0	8.0
Operating income	308.0	318.0	10.0
Recurring profit	310.0	298.0	-12.0
Net income	206.0	202.0	-4.0
Return on Equity	11.2%	10.9%	-0.3%pt
Free Cash Flow*	354.0	364.0	10.0

\*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 (a)

## 2. Consolidated financial outlook for fiscal year ending March 31, 2007 compared to the results of previous fiscal year

(JPY billion)

	FY 03/2006	Revised forecast	Change
Net sales including excise tax	4,637.6	4,740.0	102.3
Excluding imported tobacco	3,476.9	3,530.0	53.0
EBITDA	433.3	452.0	18.6
Operating income	306.9	318.0	11.0
Recurring profit	297.8	298.0	0.1
Net income	201.5	202.0	0.4
Return on Equity	12.4%	10.9%	-1.5%pt
Free Cash Flow*	145.5	364.0	218.4

\*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 (a)

	Previous forecast	Revised forecast	Change
Capital expenditures	124.0	112.0	-12.0
Domestic tobacco	71.0	62.0	-9.0
International tobacco	32.0	32.0	0.0
Pharmaceutical	3.0	3.0	0.0
Foods	5.0	5.0	0.0
Other businesses	13.0	10.0	-3.0

	FY 03/2006	Revised forecast	Change
Capital expenditures	98.9	112.0	13.0
Domestic tobacco	75.0	62.0	-13.0
International tobacco	24.9	32.0	7.0
Pharmaceutical	2.1	3.0	0.8
Foods	4.5	5.0	0.4
Other businesses	19.3	10.0	-9.3

## Consolidated financial outlook by business segment (JPY billion)

	Previous forecast	Revised forecast	Change
Net sales including excise tax	4,770.0	4,740.0	-30.0
Domestic tobacco	3,430.0	3,397.0	-33.0
Excluding imported tobacco	2,211.0	2,187.0	-24.0
International tobacco	990.0	999.0	9.0
Pharmaceutical	44.5	45.0	0.5
Foods	286.0	286.0	0.0
EBITDA	444.0	452.0	8.0
Domestic tobacco	313.0	316.0	3.0
International tobacco	109.0	112.0	3.0
Pharmaceutical	-9.5	-9.0	0.5
Foods	12.0	12.0	0.0
Operating income	308.0	318.0	10.0
Domestic tobacco	229.0	234.0	5.0
International tobacco	78.0	81.0	3.0
Pharmaceutical	-12.5	-12.0	0.5
Foods	7.0	6.5	-0.5

## Consolidated financial outlook by business segment (JPY billion)

	FY 03/2006	Revised forecast	Change
Net sales including excise tax	4,637.6	4,740.0	102.3
Domestic tobacco	3,405.2	3,397.0	-8.2
Excluding imported tobacco	2,244.5	2,187.0	-57.5
International tobacco	881.1	999.0	117.8
Pharmaceutical	49.2	45.0	-4.2
Foods	278.3	286.0	7.6
EBITDA	433.3	452.0	18.6
Domestic tobacco	305.7	316.0	10.2
International tobacco	94.0	112.0	17.9
Pharmaceutical	-1.8	-9.0	-7.1
Foods	11.8	12.0	0.1
Operating income	306.9	318.0	11.0
Domestic tobacco	220.0	234.0	13.9
International tobacco	71.0	81.0	9.9
Pharmaceutical	-5.0	-12.0	-6.9
Foods	6.3	6.5	0.1

## Major assumptions

## (1) Domestic tobacco business (billions of cigarettes)

	Previous forecast	Revised forecast	Change
Sales volume	176.0	174.0	-2.0

Excludes sales of domestic duty-free and China division

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

	Previous forecast	Preliminary results	Change
Total sales volume	239.0	240.1	1.1
GFB sales volume	147.0	149.1	2.1
JPY/USD rate	116.00	116.38	0.38

## Major assumptions

## (1) Domestic tobacco business (billions of cigarettes)

	FY 03/2006	Revised forecast	Change
Sales volume	189.4	174.0	-15.4

Excludes sales of domestic duty-free and China division

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

	2005	Preliminary results	Change
Total sales volume	220.3	240.1	19.8
GFB sales volume	133.8	149.1	15.3
JPY/USD rate	110.26	116.38	6.12

\* 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
FY 03/2005	54.2	55.6	55.6	47.7	213.2
FY 03/2006	50.5	48.5	48.1	42.2	189.4
FY 03/2007	54.0	36.8	44.6		

\* 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
FY 03/2005	748.0	767.0	767.5	658.9	2,941.6
FY 03/2006	694.7	664.2	658.2	578.0	2,595.2
FY 03/2007	740.3	547.5	664.6		

\* 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
FY 03/2005	11,754	11,755	11,752	11,765	11,756
FY 03/2006	11,715	11,653	11,657	11,667	11,674
FY 03/2007	11,663	12,677	12,688		

\* Net sales per thousand cigarettes

= (retail price sales - retailer margins - consumption tax) / sales volume \* 1,000

\* 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.

### 4. Quarterly Net Sales Excluding Excise Tax Per Thousand Cigarettes (JPY)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	3,940	3,942	3,937	3,946	3,941
FY 03/2006	3,901	3,845	3,849	3,857	3,864
FY 03/2007	3,852	4,050	4,050		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	3,844	3,844	3,840	3,845	3,843
FY 03/2006	3,845	3,846	3,849	3,857	3,849
FY 03/2007	3,852	4,050	4,050		

\* 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
FY 03/2005	73.0	73.0	72.7	72.7	72.9
FY 03/2006	69.6	65.4	65.3	65.2	66.4
FY 03/2007	65.5	64.2	64.7		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	66.7	66.6	66.4	66.1	66.5
FY 03/2006	66.1	65.5	65.3	65.2	65.5
FY 03/2007	65.5	64.2	64.7		

## 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
FY 03/2005	8.3	8.2	8.6	8.9	8.5
FY 03/2006	10.6	11.7	12.2	12.5	11.7
FY 03/2007	12.4	12.5	13.3		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	10.4	10.3	10.7	11.1	10.6
FY 03/2006	11.3	11.7	12.2	12.5	11.9
FY 03/2007	12.4	12.5	13.3		

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	47.5	46.9	47.3	47.5
FY 03/2006	55.7	60.4	60.8	61.6
FY 03/2007	61.3	60.9	62.4	
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	59.6	58.6	59.0	59.4
FY 03/2006	59.7	60.4	60.8	61.6
FY 03/2007	61.3	60.9	62.4	

### 2. Menthol

#### (1) JT Menthol Product Share (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	8.6	8.6	9.0	9.3	8.9
FY 03/2006	8.1	6.5	6.6	6.7	7.0
FY 03/2007	6.7	6.9	6.7		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	5.6	5.5	5.8	6.1	5.7
FY 03/2006	6.3	6.5	6.6	6.7	6.5
FY 03/2007	6.7	6.9	6.7		

#### (2) JT Share in Menthol Segment (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	51.7	51.1	52.0	52.5
FY 03/2006	45.1	34.4	34.9	35.1
FY 03/2007	35.0	34.1	33.8	
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	33.2	32.4	33.8	34.4
FY 03/2006	34.7	34.4	34.9	35.1
FY 03/2007	35.0	34.1	33.8	

### 3. JPY 320 or above\*

#### (1) JT JPY 320 or above Product Share (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	11.7	11.8	11.5	12.1	11.8
FY 03/2006	8.8	5.1	5.4	5.9	6.3
FY 03/2007	5.7	5.4	5.2		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	5.0	5.1	4.8	5.1	5.0
FY 03/2006	5.1	5.2	5.4	5.9	5.4
FY 03/2007	5.7	5.4	5.2		

#### (2) JT Share in JPY 320 or above Segment (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	53.9	53.8	52.8	53.6
FY 03/2006	39.1	22.2	23.1	24.5
FY 03/2007	24.3	22.5	22.6	
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2005	23.2	23.0	22.2	22.8
FY 03/2006	22.6	22.3	23.2	24.5
FY 03/2007	24.3	22.5	22.6	

\* JPY 300 or above until Apr-Jun. 2006

### 4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2005	0.91	0.95	0.90	0.94	0.93
FY 03/2006	0.91	1.24	1.78	3.12	1.72
FY 03/2007	4.12	3.84	3.85		

\* Pianissimo and Premier have been sold as D-spec products since March 2006.  
Bevel Flair have been sold as D-spec products since December 2006.

Japan Tobacco Inc. Clinical development (as of February 8, 2007)

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	Roche (Switzerland) obtains the rights to develop and commercialize this compound worldwide, with the exception of Japan.
JTT-130 (oral)	Phase2(JPN) Phase2(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)	HIV	Integrase inhibitor	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV (HIV:Human Immunodeficiency Virus)	Gilead Sciences (U.S.) obtains the rights to develop and commercialize this compound worldwide, with the exception of Japan.
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)	Phase2(JPN) Phase1(Overseas)	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) Phase1(Overseas)	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.	
JTT-552 (oral)	Phase1(JPN)	Hyperuricemia	URAT1 (Urate Transporter 1) inhibitor	Decreases serum urate concentration by increasing urinary urate excretion via inhibition of URAT1. -URAT 1: Urate Transporter 1	

Changes from the previous announcement on October 31, 2006:

Roche (Switzerland) obtained the rights to develop and commercialize JTT-705 in Korea.

JTT-305 advanced from phase1 to phase2 in Japan.