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FOR IMMEDIATE RELEASE

**JT Reports Consolidated Financial Results
for the First Fiscal Half that Ended September 30, 2007**

TOKYO, October 31, 2007 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its consolidated financial results for the first fiscal half that ended September 30, 2007.

1. Overview of the Consolidated Six-Month Financial Results

- JT achieved record highs in consolidated net sales and earnings with an increase of 22.6 percent in net sales, 23.2 percent in operating income and 7.9¹ percent in net income compared to the same period in the previous year, primarily due to the incorporation of the Gallaher business.
- JT's market share has shown a steady growth momentum over the previous six-month period in the domestic tobacco business. However, due in part to the tobacco retail price hike following tax increases in July 2006, net sales decreased 0.5 percent, and operating income decreased 7.6 percent.
- JT's international tobacco business², a driving force of profit growth for the JT Group, reported increases in net sales and operating income of 114.7 percent and 133.4 percent respectively, compared to the same period in the previous year. This was driven mainly by the incorporation of the Gallaher business as well as organic top-line growth centered around Winston and Camel.
- JT management has updated its net sales and earnings forecasts for the fiscal year ending March 31, 2008. While forecasted net income remained unchanged, forecasts for net sales and operating income for the year were revised downward, from ¥6.41 trillion to ¥6.36 trillion and from ¥419.0 billion to ¥405.0 billion respectively. However, forecasted net sales and earnings for the fiscal year are estimated to reach record highs.

“JT has been determined in its investment in the equity of the Mild Seven brand with the aim to expand the company’s overall market share in Japan. I am proud to announce that this goal has been accomplished through the strong performance of Mild Seven over the previous six-month period,” said Hiroshi Kimura, President and CEO of JT. “At the same time, we have been aggressively pursuing opportunities for top-line growth in the international tobacco business, leveraging our strengthened and well-balanced brand portfolio. In this fiscal half, we achieved an all-time high in consolidated net sales, with a growth of 22.6 percent, in addition to record high net income.”

¹ JT found that the net income figure for the six-month period that ended September 30, 2007, as reported in the previous financial results, was inaccurate due to an accounting error relating to the dividend income of a JT subsidiary, and was corrected as of May 1, 2008.

² The results of the international tobacco business for the period between January and June 2007 were incorporated into JT’s consolidated financial results for the first fiscal half that ended September 30, 2007.



2. Consolidated Six-Month Financial Results for the Period that Ended September 30, 2007

Units: Billions of Yen

	1H FY03/2007	1H FY03/2008	Net change (%)
Net sales	2,377.6	2,914.0	22.6
Operating income	177.8	219.1	23.2
Net income	122.6	<u>132.3</u>	<u>7.9</u> ³

3. Results by Business Segment

➤ Domestic Tobacco Business

	1H FY03/2007	1H FY03/2008	Net change (%)
Net sales (billions of yen)	1,731.1	1,723.3	-0.5
Operating income (billions of yen)	134.8	124.5	-7.6
Sales volume ⁴ (billions of cigarettes)	90.9	85.8	-5.6

Due to a decline in sales volume as a result of the tobacco retail price hike following the tax increases in July 2006, as well as societal factors including the aging population, domestic tobacco sales volume decreased 5.6 percent compared to the same period in the previous year. As a result, net sales and operating income decreased by 0.5 percent and 7.6 percent respectively.

JT has maintained its strong commitment toward enhancing the brand equity of its core brand, “Mild Seven,” through intensified sales promotions and the national launch of “Mild Seven Aqua Menthol Super Lights Box.” As a result, the market share for the brand has shown a growth of 0.4 percent, and JT’s market share increased to 64.7 percent over the previous six-month period.

➤ International Tobacco Business

	January - June 2006	January - June 2007	Net change (%)
Net sales (billions of yen)	468.3	1,005.4	114.7
Operating income (billions of yen)	39.7	92.7	133.4
Total sales volume (billions of cigarettes)	113.7	159.3	40.2
GFB sales volume ⁵ (billions of cigarettes)	68.3	88.3	29.3

³ JT found that the net income figure for the six-month period that ended September 30, 2007, as reported in the previous financial results, was inaccurate due to an accounting error relating to the dividend income of a JT subsidiary, and was corrected as of May 1, 2008.

⁴ Sales volume from both domestic duty free and the “China Division” were not incorporated in the above figures, which totaled 1.7 billion cigarettes in the first fiscal half that ended September 30, 2007.

⁵ Global Flagship Brands (GFB) have been revised following the acquisition of Gallaher to include eight brands including Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour. GFB sales volume figures are based on the current GFB definition. Accordingly, GFB sales volume figures during the pre-acquisition of Gallaher account for Winston, Camel and Mild Seven only.



In the first half of the fiscal year that ended September 30, 2007⁶, total sales volume for the international tobacco business showed a strong growth of 40.2 percent to 159.3 billion cigarettes, and GFB sales volume increased by 29.3 percent to 88.3 billion cigarettes, compared to the same period last year. These results included the Gallaher business which JT acquired on April 18, 2007.

GFB brands continued its strong organic growth momentum, driven by Winston in Russia, Spain, Turkey and Ukraine; Camel in Spain, France, Ukraine, Russia and Italy. GFB performance also reflects the additional contribution of Benson & Hedges, Silk Cut, LD, Sobranie and Glamour following the acquisition of Gallaher.

Due to a growth in cigarette sales volume, net sales including tax grew 114.7 percent and operating income increased by 133.4 percent compared to the same period previous year.

➤ **Pharmaceutical Business**

Units: Billions of Yen

	1H FY03/2007	1H FY03/2008	Net change (%)
Net sales	23.0	22.1	-4.1
Operating income	-5.3	-7.4	-

During the period, increased sales by Torii Pharmaceutical Co., Ltd., a JT subsidiary, had a positive impact on the business' net sales. However, a decline in royalty income from "Viracept[®]," and the absence of a one-time sales increase from the licensing of a new drug candidate in preclinical study in Japan to GlaxoSmithKline in the same period last year, had a negative impact on the business' net sales.

As a result, net sales decreased by 4.1 percent compared to the same period in the previous year, while operating income posted a ¥7.4 billion loss. This is due in part to an increase in R&D expenditure including an upfront payment for a licensing agreement with Keryx Biopharmaceuticals, Inc.

JT's pharmaceutical business has steadily advanced its compounds under development and enhanced its R&D pipeline. Currently, JT has a total of nine compounds under clinical study, and three of the company's new compounds, "JTT-553," "JTT-651" and "JTK-652" entered their clinical trial stage, while the development of "JTT-551" was ceased in this fiscal year.

➤ **Foods Business**

Units: Billions of Yen

	1H FY03/2007	1H FY03/2008	Net change (%)
Net sales	144.6	152.0	5.1
Operating income	4.3	3.7	-14.4

In the beverage business, JT has been steadily expanding vending machine sales channels, and has aggressively developed and marketed new products centered around the company's flagship coffee brand, "Roots." In the processed foods business, the company has been making an effort to expand its overall business scale, such as with the enhancement of its frozen processed foods product line.

⁶ The results of the international tobacco business for the period between January and June 2007 were incorporated into JT's consolidated financial results for the first fiscal half that ended September 30, 2007. Please note that the financial results from the Gallaher business after April 18, 2007 were incorporated into JT's consolidated financial results.



As a result, net sales for the company's foods business grew 5.1 percent in this fiscal half year, due mainly to the steady expansion of vending machine sales channels. Operating income for the period decreased 14.4 percent due mainly to an increase in expenses compared to the same period previous year.

4. Revised Outlook for the Fiscal Year Ending March 31, 2008 (Consolidated)

JT management updated its forecasts for net sales and earnings for the fiscal year ending March 31, 2008, taking into account the commencement of the amortization of trademark⁷ following the integration of Gallaher and the projected exchange rate for the yen, which was revised downward two yen to the dollar from the original estimate, while forecasted sales for the international tobacco business was revised upward by 5.0 billion cigarettes.

Units: Billions of Yen

	FY03/2007 Actual	FY03/2008 Previous Forecast	FY03/2008 Updated Forecast	Change from FY03/2007 Actual	Change from FY03/2008 Previous Forecast
	(A)	(B)	(C)	(C-A)	(C-B)
Net sales	4,769.3	6,410.0	6,360.0	1,590.6	-50.0
Operating income	331.9	419.0	405.0	73.0	-14.0
Net income	210.7	256.0	256.0	45.2	0.0

Please refer to the attached date 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 Winston, Camel, Mild Seven and Benson & Hedges. Since its privatization in 1985, JT has actively diversified its operations into pharmaceuticals and foods. The company's net sales were ¥4.769 trillion in the fiscal year ended March 31, 2007.

⁷ The amortization of trademark, which amounts to approximately US\$4.4 billion (¥523.2 billion), shall commence from the fiscal year ending March 31, 2008; and the amortization of Gallaher's goodwill, which amounts to approximately US\$14.7 billion (¥1,751.5 billion), shall commence from the fiscal year ending March 31, 2009. Please note that both amounts have been calculated based on the exchange rate as of April 18, 2007.



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)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
Net sales including excise tax	2,377.6	2,914.0	536.4
Domestic tobacco	1,731.1	1,723.3	-7.8
Excluding imported tobacco	1,116.1	1,108.8	-7.3
International tobacco ^{*1}	468.3	1,005.4	537.1
Excluding distribution business	468.3	925.7	457.3
Net sales excluding excise tax ^{*1,2}	808.1	953.3	145.1
Domestic tobacco ^{*2}	373.8	365.1	-8.7
International tobacco ^{*1,2}	256.2	403.0	146.7
Pharmaceutical	23.0	22.1	-0.9
Foods	144.6	152.0	7.4
Beverages	98.6	101.8	3.2
Processed foods	46.0	50.2	4.1
Others	10.3	10.9	0.6

*1 International tobacco: 6 months ended Jun. 2007

*2 Net sales excluding excise tax: Excluding imported tobacco in domestic tobacco and distribution business in international tobacco, respectively.

5. Amortization relating to major acquisitions

(unit: JPY billion)

JT	6 months ended Sep. 2006	6 months ended Sep. 2007	Years to amortize	Termination
Former RJRI				
Trademark rights	14.6	14.6	10	Apr-09
Patents	2.0	0.4	8	Apr-07

JT International (unit: USD million)

	6 months ended Jun. 2006	6 months ended Jun. 2007	Years to amortize
Former RJRI and Gallaher			
Trademark rights *	30.0	75.0	mainly 20
Goodwill	-	-	20 est.

* Termination of trademark rights amortization: Former RJRI Apr-19, Former Gallaher Apr-27

6. Capital expenditure

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
Capital expenditures	44.6	57.0	12.3
Domestic tobacco	23.4	29.5	6.0
International tobacco *	13.2	20.2	6.9
Pharmaceutical	1.4	1.5	0.1
Foods	2.1	2.4	0.2
Others	4.7	4.3	-0.3

* International tobacco: 6 months ended Jun. 2007

7. Cash and cash equivalents *

(unit: JPY billion)

	As of end of Mar. 2007	As of end of Sep. 2007	Change
Cash and cash equivalents	1,185.6	411.9	-773.7

* 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. 2007	As of end of Sep. 2007	Change
Interest-bearing debt	219.2	1,397.7	1,178.5

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

9. Business data

<Domestic tobacco business>	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
JT sales volume* (billion cigarettes)	90.9	85.8	-5.1
Total demand (billion cigarettes)	139.9	132.6	-7.3
JT market share	64.9%	64.7%	-0.2%pt
JT net sales before tax per 1,000 cigarettes(JPY)	12,074	12,696	622
JT net sales after tax per 1,000 cigarettes(JPY)	3,932	4,054	122

* Sales volume of domestic duty-free and China division is excluded, which was 1.7 billion for 6 months ended Sep. 2006 and 1.7 billion for 6 months ended Sep. 2007, respectively.

<International tobacco business>	6 months ended Jun. 2006	6 months ended Jun. 2007	Change
Total sales volume (billion cigarettes)	113.7	159.3	45.7
JPY/USD rate for consolidation (JPY)	115.73	120.15	4.42

<Pharmaceutical business>	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
R&D expenses (parent company) (JPY billion)	10.5	11.4	0.8

<Foods business - Beverage business>	As of end of Mar. 2007	As of end of Sep. 2007	Change
Number of beverage vending machines *	250,500	255,000	4,500
JT-owned	38,000	37,000	-1,000
Combined	66,000	69,000	3,000

* 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.

10. Number of employees*

	As of end of Mar. 2007	As of end of Sep. 2007	Change
Number of employees (consolidated basis)	33,428	45,143	11,715
Domestic tobacco	11,534	11,667	133
International tobacco	12,401	23,776	11,375
Pharmaceutical	1,554	1,628	74
Foods	7,084	7,200	116
Other businesses	461	463	2
Corporate	394	409	15
Number of employees (parent company)	8,930	9,095	165
Number of employees based on enrollment (parent company)	9,984	10,144	160

* Number of employees is counted at working base, unless otherwise indicated.

2. Leaf tobacco reappraisal profit / loss *

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
Leaf tobacco reappraisal profit / loss	-3.5	-2.0	1.4

* Profit when denoted negative

3. Breakdown of SG&A expenses

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
SG&A	281.3	326.7	45.3
Personnel *	75.1	90.3	15.2
Advertising and general publicity	10.0	10.0	0.0
Sales promotion	58.1	69.8	11.6
R&D	20.4	21.8	1.3
Depreciation and amortization	28.3	35.4	7.0
Others	89.2	99.1	9.9

* 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^{*1}

(unit: JPY billion)

	6 months ended Sep. 2006	6 months ended Sep. 2007	Change
Consolidated EBITDA	242.3	294.8	52.5
Operating income	177.8	219.1	41.3
Depreciation and amortization ^{*2}	64.4	75.6	11.1
Domestic tobacco EBITDA	174.2	165.4	-8.7
Operating income	134.8	124.5	-10.2
Depreciation and amortization ^{*2}	39.3	40.9	1.5
International tobacco EBITDA ^{*3}	54.7	118.3	63.5
Operating income	39.7	92.7	52.9
Depreciation and amortization ^{*2}	15.0	25.5	10.5
Pharmaceutical EBITDA	-3.9	-5.8	-1.9
Operating income	-5.3	-7.4	-2.0
Depreciation and amortization ^{*2}	1.4	1.5	0.1
Foods EBITDA	7.1	5.9	-1.2
Operating income	4.3	3.7	-0.6
Depreciation and amortization ^{*2}	2.8	2.2	-0.6
Others EBITDA	10.2	11.7	1.5
Operating income	4.1	5.9	1.7
Depreciation and amortization ^{*2}	6.0	5.8	-0.2

(Reference)

(unit: USD million)

International tobacco EBITDA (Before royalty payment)	532	1,058	526
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*1 EBITDA=operating income + depreciation and amortization²

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

*3 International tobacco: 6 months ended Jun. 2007

1. Consolidated financial outlook for fiscal year ending March 31, 2008 compared to the forecast as of August 2007

(JPY billion)

	August forecast	Revised forecast	Change
Net sales including excise tax	6,410.0	6,360.0	-50.0
EBITDA	574.0	572.0	-2.0
Operating income	419.0	405.0	-14.0
Recurring profit	382.0	370.0	-12.0
Net income	256.0	256.0	0.0
Return on equity	12.2%	12.5%	0.3%pt
Free cash flow*	-	-1,440.0	-

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

<Cash flow from operating activities>

- Interest received, dividend received and tax implication by deducting the items
- Interest paid and the tax implication by deducting the item

<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)

	August forecast	Revised forecast	Change
Capital expenditures	146.0	142.0	-4.0
Domestic tobacco	64.0	67.0	3.0
International tobacco	55.0	50.0	-5.0
Pharmaceutical	3.0	4.5	1.5
Foods	6.5	6.0	-0.5
Other businesses	17.0	15.5	-1.5

Consolidated financial outlook by business segment

(JPY billion)

	August forecast	Revised forecast	Change
Net sales including excise tax	6,410.0	6,360.0	-50.0
Domestic tobacco	3,398.0	3,368.0	-30.0
Excluding imported tobacco	2,169.0	2,171.0	2.0
International tobacco	2,650.0	2,630.0	-20.0
Excluding distribution business	-	2,370.0	-
Pharmaceutical	44.0	43.5	-0.5
Foods	298.0	297.0	-1.0
EBITDA	574.0	572.0	-2.0
Domestic tobacco	300.0	300.0	0.0
International tobacco	252.0	254.0	2.0
Pharmaceutical	-11.5	-13.0	-1.5
Foods	12.5	11.5	-1.0
Operating income	419.0	405.0	-14.0
Domestic tobacco	213.0	213.0	0.0
International tobacco	203.0	193.0	-10.0
Pharmaceutical	-15.0	-16.5	-1.5
Foods	8.0	7.0	-1.0

Major assumptions
(1) Domestic tobacco business (billions of cigarettes)

	August forecast	Revised forecast	Change
Sales volume	168.0	168.0	0.0

Excluding sales of domestic duty-free and China division

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

	August forecast	Revised forecast	Change
Total sales volume	380.0	385.0	5.0
GFB sales volume*	202.0	203.0	1.0
JPY/USD rate	120.00	118.00	-2.00

*GFB of FY 3/2008: Winston, Camel, Mild Seven, B&H, Silk Cut, LD, Sobranie, Glamour

2. Consolidated financial outlook for fiscal year ending March 31, 2008 compared to the results of previous fiscal year

(JPY billion)

	FY 03/2007	Revised forecast	Change
Net sales including excise tax	4,769.3	6,360.0	1,590.6
EBITDA	464.6	572.0	107.3
Operating income	331.9	405.0	73.0
Recurring profit	312.0	370.0	57.9
Net income	210.7	256.0	45.2
Return on equity	11.3%	12.5%	1.2%pt
Free cash flow*	223.0	-1,440.0	-1,663.0

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

<Cash flow from operating activities>

- Interest received, dividend received and tax implication by deducting the items
- Interest paid and the tax implication by deducting the item

<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 03/2007	Revised forecast	Change
Capital expenditures	102.1	142.0	39.8
Domestic tobacco	55.2	67.0	11.7
International tobacco	32.0	50.0	17.9
Pharmaceutical	3.0	4.5	1.4
Foods	4.8	6.0	1.1
Other businesses	8.0	15.5	7.4

Consolidated financial outlook by business segment

(JPY billion)

	FY 03/2007	Revised forecast	Change
Net sales including excise tax	4,769.3	6,360.0	1,590.6
Domestic tobacco	3,416.2	3,368.0	-48.2
Excluding imported tobacco	2,200.0	2,171.0	-29.0
International tobacco	999.6	2,630.0	1,630.3
Excluding distribution business	999.6	2,370.0	1,370.3
Pharmaceutical	45.4	43.5	-1.9
Foods	286.5	297.0	10.4
EBITDA	464.6	572.0	107.3
Domestic tobacco	326.4	300.0	-26.4
International tobacco	112.6	254.0	141.3
Pharmaceutical	-8.1	-13.0	-4.8
Foods	12.0	11.5	-0.5
Operating income	331.9	405.0	73.0
Domestic tobacco	245.3	213.0	-32.3
International tobacco	81.0	193.0	111.9
Pharmaceutical	-11.2	-16.5	-5.2
Foods	6.7	7.0	0.2

Major assumptions
(1) Domestic tobacco business (billions of cigarettes)

	FY 03/2007	Revised forecast	Change
Sales volume	174.9	168.0	-6.9

Excluding sales of domestic duty-free and China division

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

	2006	Revised forecast	Change
Total sales volume	240.1	385.0	144.9
GFB sales volume*	146.8	203.0	56.2
JPY/USD rate	116.38	118.00	1.62

*GFB of FY 3/2007: Winston, Camel, Mild Seven

GFB of FY 3/2008: Winston, Camel, Mild Seven, B&H, Silk Cut, LD, Sobranie, Glamour

* 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 03/2006	50.5	48.5	48.1	42.2	189.4
FY 03/2007	54.0	36.8	44.6	39.3	174.9
FY 03/2008	42.7	43.0			

* 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 03/2006	694.7	664.2	658.2	578.0	2,595.2
FY 03/2007	740.3	547.5	664.6	587.0	2,539.5
FY 03/2008	636.7	641.4			

* 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 03/2006	11,715	11,653	11,657	11,667	11,674
FY 03/2007	11,663	12,677	12,688	12,699	12,371
FY 03/2008	12,698	12,694			

* 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 03/2006	3,901	3,845	3,849	3,857	3,864
FY 03/2007	3,852	4,050	4,050	4,056	3,990
FY 03/2008	4,056	4,053			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	3,845	3,846	3,849	3,857	3,849
FY 03/2007	3,852	4,050	4,050	4,056	3,990
FY 03/2008	4,056	4,053			

* 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 03/2006	69.6	65.4	65.3	65.2	66.4
FY 03/2007	65.5	64.2	64.7	64.5	64.8
FY 03/2008	64.9	64.5			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	66.1	65.5	65.3	65.2	65.5
FY 03/2007	65.5	64.2	64.7	64.5	64.8
FY 03/2008	64.9	64.5			

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
FY 03/2006	10.6	11.7	12.2	12.5	11.7
FY 03/2007	12.4	12.5	13.3	13.6	12.9
FY 03/2008	13.9	13.7			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	11.3	11.7	12.2	12.5	11.9
FY 03/2007	12.4	12.5	13.3	13.6	12.9
FY 03/2008	13.9	13.7			

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	55.7	60.4	60.8	61.6
FY 03/2007	61.3	60.9	62.4	62.2
FY 03/2008	62.0	61.6		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	59.7	60.4	60.8	61.6
FY 03/2007	61.3	60.9	62.4	62.2
FY 03/2008	62.0	61.6		

2. Menthol

(1) JT Menthol Product Share (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	8.1	6.5	6.6	6.7	7.0
FY 03/2007	6.7	6.9	6.7	7.1	6.8
FY 03/2008	7.2	7.5			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	6.3	6.5	6.6	6.7	6.5
FY 03/2007	6.7	6.9	6.7	7.1	6.8
FY 03/2008	7.2	7.5			

(2) JT Share in Menthol Segment (%)

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	45.1	34.4	34.9	35.1
FY 03/2007	35.0	34.1	33.8	34.8
FY 03/2008	34.9	35.2		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	34.7	34.4	34.9	35.1
FY 03/2007	35.0	34.1	33.8	34.8
FY 03/2008	34.9	35.2		

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 03/2006	8.8	5.1	5.4	5.9	6.3
FY 03/2007	5.7	5.4	5.2	5.5	5.5
FY 03/2008	5.6	5.2			
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	5.1	5.2	5.4	5.9	5.4
FY 03/2007	5.7	5.4	5.2	5.5	5.5
FY 03/2008	5.6	5.2			

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

Original Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	39.1	22.2	23.1	24.5
FY 03/2007	24.3	22.5	22.6	23.2
FY 03/2008	23.5	22.0		
New Basis	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2006	22.6	22.3	23.2	24.5
FY 03/2007	24.3	22.5	22.6	23.2
FY 03/2008	23.5	22.0		

* JPY 300 or above until Apr-Jun. 2006

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2006	0.91	1.24	1.78	3.12	1.72
FY 03/2007	4.12	3.84	3.85	4.34	4.04
FY 03/2008	4.41	4.10			

* 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 October 31, 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 infection	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)	Phase2(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-552 (oral)	Phase1(JPN)	Hyperuricemia	URAT1 inhibitor	Decreases serum urate concentration by increasing urinary urate excretion via inhibition of URAT1. -URAT 1: Urate Transporter 1	
JTT-553 (oral)	Phase1(Overseas)	Obesity	DGAT1 inhibitor	Reduces fat absorption from the small intestine and inhibits fat synthesis in adipose tissue via inhibition of DGAT1 -DGAT1: Acyl CoA: diacylglycerol acyltransferase 1	
JTT-651 (oral)	Phase1(JPN)	Type 2 diabetes mellitus	GP inhibitor	Decreases blood glucose by suppression of glucose output from liver via inhibition of GP -GP:Glycogen Phosphorylase	
JTK-652 (oral)	Phase1(Overseas)	Hepatitis C	Entry inhibitor	Treatment of hepatitis C by inhibiting the infection process of HCV into hepatocytes -HCV:Hepatitis C Virus	

Changes from the previous announcement on August 9, 2007:

JTK-652 entered into clinical trial stage overseas.