



Contacts: Yukiko Seto, General Manager
Kazunori Hayashi, Associate General Manager
Media and Investor Relations Division
Japan Tobacco Inc.
Tokyo: +81-3-5572-4292
E-mail: jt.media.relations@ims.jti.co.jp

FOR IMMEDIATE RELEASE

JT Reports Consolidated Financial Results for the First Quarter that Ended June 30, 2008

TOKYO, July 31, 2008 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its consolidated financial results for the first quarter that ended June 30, 2008.

1. Overview of the Consolidated Three-Month Financial Results

- During the quarter that ended June 30, 2008, JT maintained its domestic market share of 64.9 percent, compared to the previous fiscal year, due to continued marketing efforts focusing on Mild Seven. However, net sales in the domestic tobacco business decreased 1.6 percent, due mainly to the decline of overall tobacco consumption, and operating income decreased 10.6 percent due in part to increased costs related to sales promotion.
- JT's international tobacco business¹, a driving force of profit growth for the JT Group, has achieved significant growth in net sales and operating income, an increase of 172.8 percent and 77.3 percent respectively, compared to the same period in the previous year. This was mainly led by strong top-line growth as well as the integration of the Gallaher business.
- JT's consolidated net sales increased 41.0 percent compared to the same period last year, primarily due to the performance of the international tobacco business. Operating income increased 18.3 percent, attributed to growth in the international tobacco business, while goodwill amortization in the business began in the fiscal year. However net income decreased 73.2 percent due in part to foreign exchange appraisal losses at the end of the period, related to euro-denominated bonds, losses on disposition and impairment, related to the company's unused dormitories, and decline of gains received from the sale of fixed assets.

"I'm pleased that Mild Seven has continuously shown solid performance in Japan, contributing to maintaining our domestic market share during the period. At the same time, we are fully committed to the expansion of the "taspo" card system, in the prevention of underage smoking, as a responsible market leader," said Hiroshi Kimura, President and CEO of JT. "Our international tobacco business, strengthened by the integration of Gallaher, is achieving quality top-line growth and enhancing its position as a driving force for the Group's profitable growth."

¹ The results of the international tobacco business from January to March 2008 were incorporated into JT's consolidated financial results for the quarter that ended June 30, 2008.



2. Consolidated Financial Results for the First Quarter that Ended June 30, 2008

Units: Billions of Yen

	1Q FY03/2008	1Q FY03/2009	Net change (%)
Net sales	1,219.7	1,719.8	41.0
EBITDA ²	126.6	180.6	42.7
Operating income	93.3	110.4	18.3
Net income	63.0	16.9	-73.2

3. Results by Business Segment

➤ Domestic Tobacco Business

	1Q FY03/2008	1Q FY03/2009	Net change (%)
Net sales (billions of yen)	856.7	842.6	-1.6
Operating income (billions of yen)	62.4	55.8	-10.6
Sales volume ³ (billions of cigarettes)	42.7	42.0	-1.5

Sales volume for the domestic tobacco business during the first quarter that ended June 30, 2008, decreased only 1.5 percent compared to the same period in the previous year, due to transient market factors. While total cigarette consumption has continued to decline due to demographic factors, increased inventory in over-the-counter sales channels, including at convenience stores just prior to the phased launches of the “taspo” card age verification vending machine system in the respective areas, alleviated the downward trend.

Net sales decreased by 1.6 percent, and operating income decreased 10.6 percent, due in part to increased costs related to sales promotions.

During the quarter, JT maintained its market share of 64.9 percent, compared to the previous fiscal year. This reflects the company’s continued marketing efforts focusing on brands, especially Mild Seven.

² EBITDA was calculated as: operating income + depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill.

³ Sales volume from both domestic duty free and the “China Division” were not incorporated in the above figures, which totaled 1.0 billion cigarettes in the first quarter that ended June 30, 2008.



➤ **International Tobacco Business**

	January - March 2007 ⁴	January - March 2008	Net change (%)
Net sales (billions of yen)	272.5	743.3	172.8
Operating income (billions of yen)	29.4	52.2	77.3
Total sales volume (billions of cigarettes)	57.7	103.9	79.9
GFB sales volume ⁵ (billions of cigarettes)	35.5	55.6	56.6

In the first quarter that ended March 31, 2008⁶, JT's international tobacco business continued its strong growth momentum. In addition to the integration of the Gallaher business, a strong performance of Winston, Camel and Mild Seven contributed to a steady top-line growth in the period.

GFB sales volume grew 56.6 percent to 55.6 billion cigarettes compared to the same period last year, led by the increased sales of Winston with strong performances in Russia, Ukraine, the Philippines, Spain, Turkey and Italy; Camel with major gains in Italy, Spain and Russia; and Mild Seven with solid results in Korea, Taiwan and Russia. GFB performance also reflected the additional contribution of B&H and Silk Cut in the United Kingdom and Ireland; and LD, Sobranie and Glamour in Russia, Ukraine and Kazakhstan.

As a result, total sales volume continued a strong growth of 79.9 percent to 103.9 billion cigarettes compared to the same period in the previous year. Net sales including tax grew 172.8 percent, and operating income increased by 77.3 percent.

➤ **Pharmaceutical Business**

Units: Billions of Yen

	1Q FY03/2008	1Q FY03/2009	Net change (%)
Net sales	11.2	16.1	43.7
Operating income	-2.9	2.1	-

⁴ Gallaher's business was not incorporated into JT's international tobacco business during the first quarter that ended March 31, 2007, as JT's acquisition of Gallaher was completed on April 18, 2007.

⁵ Global Flagship Brands (GFB) were revised following the acquisition of Gallaher to include eight brands: Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour. GFB sales volume figures in this press release are based on the current GFB definition. Please note that GFB sales volume figures prior to the acquisition of Gallaher include Winston, Camel and Mild Seven only.

⁶ The results of the international tobacco business from January to March 2008 were incorporated into JT's consolidated financial results for the quarter that ended June 30, 2008.



Net sales for JT's pharmaceutical business during the quarter that ended June 30, 2008, increased 43.7 percent compared to the same period in the previous year, due mainly to revenue received from a milestone payment related to the development of "JTT-705," a compound for the treatment of dyslipidemia licensed to Roche for the overseas market. Operating income amounted to ¥2.1 billion, an improvement of ¥5.1 billion from ¥2.9 billion in operating losses in the same period last year. This was due mainly to milestone revenue, while the company increased R&D expenditure, and profit at Torii Pharmaceutical Co., Ltd., a JT subsidiary, decreased.

The company terminated the development of "JTT-553" and "JTK-652," and currently has nine compounds under clinical trial.

➤ **Foods Business**

Units: Billions of Yen

	1Q FY03/2008	1Q FY03/2009 ⁷	Net change (%)
Net sales	73.9	112.6	52.4
Operating income	1.3	-2.7	-

Net sales for the processed foods business decreased following a voluntary product recall related to the company's frozen foods products, and in addition, sales in the beverage business declined for the period due to the factors including weather conditions and increased competition. However net sales for JT's foods business increased 52.4 percent during the quarter that ended June 30, 2008, reflecting the consolidation of the business including Katokichi Co., Ltd. Operating income posted a loss of ¥2.7 billion, due mainly to increased expenses, the rising prices of raw materials, and goodwill amortization relating to the acquisition of Katokichi.

###

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 ¥6.409 trillion in the fiscal year ended March 31, 2008.

⁷ Katokichi Co., Ltd. became a subsidiary of JT on January 8, 2008, following a successful tender offer for the shares of the company. Please note that Katokichi's business was incorporated into JT's consolidated financial results from January 1, 2008 onward.



FORWARD-LOOKING AND CAUTIONARY STATEMENTS

This document contains forward-looking statements about our industry, business, plans and objectives, financial condition and results of operations that are based on our current expectations, assumptions, estimates and projections. These statements discuss future expectations, identify strategies, discuss market trends, contain projections of results of operations or of our financial condition or state other forward-looking information. These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ materially from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based.

Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward-looking statement include, without limitation:

1. health concerns relating to the use of tobacco products;
2. legal or regulatory developments and changes, including, without limitation, tax increases and restrictions on the sale, marketing and usage of tobacco products, and governmental investigations and privately imposed smoking restrictions;
3. litigation in Japan and elsewhere;
4. our ability to further diversify our business beyond the tobacco industry;
5. our ability to successfully expand internationally and make investments outside of Japan;
6. competition and changing consumer preferences;
7. the impact of any acquisitions or similar transactions;
8. local and global economic conditions; and
9. fluctuations in foreign exchange rates and the costs of raw materials.

1. Breakdown of net sales

(unit: JPY billion)

	3 months ended Jun. 2007	3 months ended Jun. 2008	Change
Net sales including excise tax ^{*1}	1,219.7	1,719.8	500.0
Domestic tobacco	856.7	842.6	-14.1
Excluding imported tobacco	552.9	542.5	-10.4
International tobacco ^{*1}	272.5	743.3	470.8
Excluding distribution business	272.5	667.3	394.8
Net sales excluding excise tax ^{*1,2}	423.3	571.7	148.4
Domestic tobacco ^{*2}	182.5	177.9	-4.6
International tobacco ^{*1,2}	150.2	260.0	109.7
Pharmaceutical	11.2	16.1	4.9
Foods	73.9	112.6	38.7
Beverages	48.3	46.6	-1.7
Processed foods	25.5	65.9	40.4
Others	5.3	5.0	-0.2

*1 International tobacco business: 3 months ended Mar. 2008

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

2. Leaf tobacco reappraisal profit / loss *

(unit: JPY billion)

	3 months ended Jun. 2007	3 months ended Jun. 2008	Change
Leaf tobacco reappraisal profit / loss	-1.0	-1.0	0.0

* Profit when denoted negative

3. Breakdown of SG&A expenses

(unit: JPY billion)

	3 months ended Jun. 2007	3 months ended Jun. 2008	Change
SG&A	145.4	214.8	69.3
Personnel *	41.4	57.9	16.4
Advertising and general publicity	4.3	5.3	0.9
Sales promotion	30.3	36.0	5.6
R&D	10.2	11.2	0.9
Depreciation and amortization	14.1	22.4	8.3
Others	44.9	81.8	36.9

* 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)

	3 months ended Jun. 2007	3 months ended Jun. 2008	Change
Consolidated EBITDA	126.6	180.6	54.0
Operating income	93.3	110.4	17.1
Depreciation and amortization ^{*2}	33.2	70.1	36.9
Domestic tobacco EBITDA	82.6	75.5	-7.0
Operating income	62.4	55.8	-6.5
Depreciation and amortization ^{*2}	20.2	19.7	-0.4
International tobacco EBITDA ^{*3}	37.9	94.7	56.7
Operating income	29.4	52.2	22.7
Depreciation and amortization ^{*2}	8.4	42.4	34.0
Pharmaceutical EBITDA	-2.1	3.0	5.2
Operating income	-2.9	2.1	5.1
Depreciation and amortization ^{*2}	0.7	0.8	0.1
Foods EBITDA	2.5	1.8	-0.6
Operating income	1.3	-2.7	-4.1
Depreciation and amortization ^{*2}	1.1	4.5	3.4
Others EBITDA	6.1	5.1	-0.9
Operating income	3.1	2.5	-0.6
Depreciation and amortization ^{*2}	2.9	2.6	-0.2

(Reference)

(unit: USD million)

International tobacco EBITDA (Before royalty payment)	351	948	597
---	-----	-----	-----

*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

*3 International tobacco business: 3 months ended Mar. 2008

5. Amortization relating to major acquisitions

(unit: JPY billion)

	3 months ended Jun. 2007	3 months ended Jun. 2008	Years to amortize	Termination
JT				
Former RJRI				
Trademark rights	7.3	7.3	10	Apr-09
Patents	0.4	-	8	Apr-07
Katokichi				
Goodwill	-	2.2	5	Dec-12

(unit: USD million)

	3 months ended Mar. 2007	3 months ended Mar. 2008	Years to amortize
JT International			
Former RJRI and Gallaher			
Trademark rights *	15	71	mainly 20
Goodwill	-	226	20

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

6. Capital expenditure

(unit: JPY billion)

	3 months ended Jun. 2007	3 months ended Jun. 2008	Change
Capital expenditures	26.4	20.3	-6.0
Domestic tobacco	15.5	8.2	-7.2
International tobacco *	6.8	6.4	-0.4
Pharmaceutical	0.3	0.8	0.4
Foods	1.2	2.8	1.6
Others	2.9	1.7	-1.1

* International tobacco business: 3 months ended Mar. 2008

7. Cash and cash equivalents *

(unit: JPY billion)

	As of end of Mar. 2008	As of end of Jun. 2008	Change
Cash and cash equivalents	218.8	218.5	-0.3

* 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. 2008	As of end of Jun. 2008	Change
Interest-bearing debt	1,389.2	1,377.5	-11.7

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

9. Business data

	3 months ended Jun. 2007	3 months ended Jun. 2008	Change
<Domestic tobacco business>			
JT sales volume* (billion cigarettes)	42.7	42.0	-0.6
Total demand (billion cigarettes)	65.8	64.8	-1.0
JT market share	64.9%	64.9%	0.0%pt
JT net sales before tax per 1,000 cigarettes (JPY)	12,698	12,699	1
JT net sales after tax per 1,000 cigarettes (JPY)	4,056	4,056	0

* Sales volume of domestic duty-free and China division is excluded, which was 0.8 billion for FY ended Jun. 2007 and 1.0 billion for FY ended Jun. 2008, respectively.

	3 months ended Mar. 2007	3 months ended Mar. 2008	Change
<International tobacco business>			
Total sales volume (billion cigarettes)	57.7	103.9	46.1
GFB sales volume (billion cigarettes)	35.5	55.6	20.1
JPY/USD rate for consolidation (JPY)	119.45	105.25	-14.20

	3 months ended Jun. 2007	3 months ended Jun. 2008	Change
<Pharmaceutical business>			
R&D expenses (parent company) (JPY billion)	5.5	5.8	0.3

	As of end of Mar. 2008	As of end of Jun. 2008	Change
<Foods business - Beverage business>			
Number of beverage vending machines *	257,000	258,000	1,000
JT-owned	35,500	35,000	-500
Combined	71,500	73,500	2,000

* 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.

Consolidated financial outlook for the fiscal year ending Mar. 31, 2009 compared to the results of previous fiscal year

(JPY billion)

	FY ended Mar. 2008 (Actual)	FY ending Mar. 2009 (Forecast)	Change
Net sales including excise tax	6,409.7	6,610.0	200.2
EBITDA	602.0	593.0	-9.0
Operating income	430.5	311.0	-119.5
Recurring profit	362.6	278.0	-84.6
Net income	238.7	148.0	-90.7
Return on Equity	11.8%	7.7%	-4.1%pt
Free Cash Flow*	-1493.7	265.0	1,758.7

*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. 2008	FY ending Mar. 2009	Change
Capital expenditures	129.5	149.0	19.4
Domestic tobacco	57.2	63.0	5.7
International tobacco	48.4	56.0	7.5
Pharmaceutical	4.2	3.0	-1.2
Foods	6.0	23.0	16.9
Other	14.7	4.0	-10.7

Consolidated financial outlook by business segment

(JPY billion)

	FY ended Mar. 2008	FY ending Mar. 2009	Change
Net sales including excise tax	6,409.7	6,610.0	200.2
Domestic tobacco	3,362.3	3,165.0	-197.3
Excluding imported tobacco	2,169.2	2,049.0	-120.2
International tobacco	2,639.9	2,896.0	256.0
Excluding distribution business	2,381.0	2,618.0	236.9
Pharmaceutical	49.0	44.5	-4.5
Foods	336.4	486.0	149.5
EBITDA	602.0	593.0	-9.0
Domestic tobacco	306.7	261.0	-45.7
International tobacco	270.7	301.0	30.2
Pharmaceutical	-6.2	-8.0	-1.7
Foods	8.3	26.0	17.6
Operating income	430.5	311.0	-119.5
Domestic tobacco	222.3	173.0	-49.3
International tobacco	205.3	144.0	-61.3
Pharmaceutical	-9.6	-12.0	-2.3
Foods	0.6	-4.0	-4.6

(JPY)

	FY ended Mar. 2008	FY ending Mar. 2009	Change
Dividend per share	4,800	5,200	400
Pay-out Ratio	19.3%	33.7%	14.4%pt
(goodwill amortization adjusted)	19.0%	19.9%	0.9%pt

Major assumptions

Domestic tobacco business (billions of cigarettes)

	FY ended Mar. 2008	FY ending Mar. 2009	Change
Sales volume	167.7	159.0	-8.7

*Excludes sales of domestic duty-free and China division

International tobacco business (billions of cigarettes, JPY)

	FY ended Mar. 2008	FY ending Mar. 2009	Change
Total sales volume	385.6	450.0	64.4
GFB sales volume	203.2	243.0	39.8
JPY/USD rate	117.85	100.00	-17.85

Goodwill amortization relating to major acquisitions

International tobacco business (unit: USD million)

	Goodwill amount as the basis for the amortization	FY ending Mar.2009	Years to amortize	Termination
Former RJRI and Gallaher	18,159	908	20	Mar-27

* Termination of goodwill amortization: Former RJRI Apr-19, Former Gallaher Mar-27

Foods Business (unit: JPY billion)

	Goodwill amount as the basis for the amortization	FY ending Mar.2009	Years to amortize	Termination
Katokichi	45.0	9.0	5	Dec-12

Trademark rights amortization relating to major acquisitions

JT (unit: JPY billion)

	FY ended Mar. 2008	FY ending Mar. 2009	Years to amortize	Termination
Former RJRI	29.3	29.3	10	Apr-09

JT International

(unit: USD million)

	Year ended Dec. 2007	Year ending Dec. 2008	Years to amortize	Termination
Former RJRI and Gallaher	220	284	mainly 20	Mar-27

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

<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

Data of JT products in Japanese market

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

Domestic Tobacco Business Results

1. Quarterly Sales Volume (billions of cigarettes)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	54.0	36.8	44.6	39.3	174.9
FY 03/2008	42.7	43.0	43.7	38.2	167.7
FY 03/2009	42.0				

2. Quarterly Retail Price Sales (billions of JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	740.3	547.5	664.6	587.0	2,539.5
FY 03/2008	636.7	641.4	651.6	570.0	2,499.8
FY 03/2009	626.9				

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

3. Quarterly Net Sales Per Thousand Cigarettes (JPY)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	11,663	12,677	12,688	12,699	12,371
FY 03/2008	12,698	12,694	12,704	12,702	12,699
FY 03/2009	12,699				

* 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)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	3,852	4,050	4,050	4,056	3,990
FY 03/2008	4,056	4,053	4,063	4,057	4,057
FY 03/2009	4,056				

* 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 (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	65.5	64.2	64.7	64.5	64.8
FY 03/2008	64.9	64.5	65.3	65.0	64.9
FY 03/2009	64.9				

Market Share in Growing Segments

1. 1mg Tar

(1) JT 1mg Tar Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	12.4	12.5	13.3	13.6	12.9
FY 03/2008	13.9	13.7	14.0	14.3	14.0
FY 03/2009	14.5				

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	61.3	60.9	62.4	62.2
FY 03/2008	62.0	61.6	62.1	62.0
FY 03/2009	62.4			

2. Menthol

(1) JT Menthol Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	6.7	6.9	6.7	7.1	6.8
FY 03/2008	7.2	7.5	7.2	7.5	7.4
FY 03/2009	7.5				

(2) JT Share in Menthol Segment (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	35.0	34.1	33.8	34.8
FY 03/2008	34.9	35.2	34.0	34.4
FY 03/2009	34.3			

3. JPY 320 or above*

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	5.7	5.4	5.2	5.5	5.5
FY 03/2008	5.6	5.2	5.4	5.3	5.4
FY 03/2009	5.2				

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

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar
FY 03/2007	24.3	22.5	22.6	23.2
FY 03/2008	23.5	22.0	22.5	21.9
FY 03/2009	21.7			

* JPY 300 or above until Apr-Jun. 2006

4. Quarterly D-spec Product Share (%)

	Apr-Jun	Jul-Sep	Oct-Dec	Jan-Mar	Total
FY 03/2007	4.12	3.84	3.85	4.34	4.04
FY 03/2008	4.41	4.10	4.77	5.13	4.59
FY 03/2009	5.10				

* 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 July 31, 2008)

Code	Stage	Indication	Mechanism	Characteristics	Rights
JTT-705 (oral)	Phase2(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. *Development stage by Roche:Phase3
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. *Development stage by Gilead Sciences:Phase3
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)	Phase2(JPN)	Hyperuricemia	URAT1 inhibitor	Decreases serum urate concentration by increasing urinary urate excretion via inhibition of URAT1. -URAT 1: Urate Transporter 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	
JTS-653 (oral)	Phase1(JPN)	Pain Overactive Bladder	TRPV1 antagonist	Improves pain and overactive bladder via antagonism of TRPV1 on sensory neurons - TRPV1:Transient Receptor Potential Vanilloid subtype 1	
JTT-654 (oral)	Phase1(Overseas)	Type 2 diabetes mellitus	HSD-1 inhibitor	Improves type 2 diabetes through reducing excessive glucocorticoid action by inhibiting HSD-1 - HSD1:11beta-hydroxysteroid dehydrogenase type1	

Changes from the previous announcement on May 1, 2008:

Development of JTT-553 was terminated.

Development of JTK-652 was terminated.

"Rights" column of JTK-303: Gilead Sciences, licensee of JTK-303, started phase 3 clinical trial, therefore this information has been added.