

**CONSOLIDATED FINANCIAL RESULTS
FOR THE THIRD QUARTER PERIOD OF THE YEAR ENDING MARCH 2006**

*The cash flow statement on page 12 is partially revised as of April 28, 2006.



February 9, 2006

Name of the Listed Company	Japan Tobacco Inc.
Listed Stock Exchanges	Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo Stock Exchanges
Stock Code	2914
Head Office	Tokyo
URL	http://www.jti.co.jp/
Representative	Katsuhiko Honda, President, Chief Executive Officer and Representative Director
Contact	Masakazu Shimizu, Chief Communications Officer
Telephone	(81)3- 3582 - 3111

1. MATTERS RELATING TO THE PREPARATION OF QUARTERLY FINANCIAL INFORMATION

1). APPLICATION OF SIMPLIFIED ACCOUNTING PROCEDURES

JT applies simplified accounting procedures on income taxes and other accounts, based on accounting procedures for semi-annual financial statements. These quarterly financial statements are unaudited.

2). CHANGES IN ACCOUNTING POLICY

In segment information by business categories, the segment is changed partially.

For details, please refer to pp.13-15 ("SEGMENT INFORMATION").

3). CHANGES IN THE SCOPE OF CONSOLIDATION AND APPLICATION OF THE EQUITY METHOD

Number of Consolidated Subsidiaries: 155 (New Consolidated Companies: 2, Exclusion from Consolidation: 7)

Number of Companies applied for the equity method: 11

(New application of the Equity Method: 1, Exclusion from the Application of the Equity Method: 0)

2. RESULTS FOR THE THIRD QUARTER PERIOD (April 1, 2005 to December 31, 2005)

1). FINANCIAL RESULTS

Amounts are rounded down to the nearest JPY 1 million.

	Net Sales		Operating Income		Recurring Profit		Net Income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2005	3,550,368	△1.3	251,849	9.3	243,558	7.1	164,025	24.8
December 31, 2004	3,596,400	1.2	230,385	14.5	227,430	21.5	131,418	-
Year ended March 2005	4,664,513		273,371		270,251		62,583	

	Net Income per Share	Diluted Net Income per Share
	yen	yen
Nine months ended		
December 31, 2005	85,607.45	-
December 31, 2004	67,384.28	-
Year ended March 2005	32,089.84	-

(Note) Percentages under "Net Sales," "Operating Income," "Recurring Profit," "Net Income" indicate changes from the corresponding figures for the previous third quarter period.

2). FINANCIAL POSITION

	Total Assets	Shareholders' Equity	Ratio of Shareholders' Equity	Shareholders' Equity per Share
	Millions of yen	Millions of yen	%	yen
Nine months ended				
December 31, 2005	3,100,893	1,698,151	54.8	886,293.18
December 31, 2004	3,028,535	1,620,307	53.5	838,451.73
Year ended March 2005	2,982,056	1,498,203	50.2	781,813.72

3). CASH FLOW RESULTS

	Cash Flow from Operating Activities	Cash Flow from Investing Activities	Cash Flow from Financing Activities	Cash and Cash Equivalents, End of the Periods
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Nine months ended				
December 31, 2005	124,224	△91,753	△41,447	828,688
December 31, 2004	158,536	164,064	△ 175,571	751,762
Year ended March 2005	250,839	176,914	△ 202,195	829,087

3. FORECAST FOR THE BUSINESS RESULTS FOR THE FISCAL YEAR (April 1, 2005 to March 31, 2006)

	Net Sales	Recurring Profit	Net Income
	Millions of yen	Millions of yen	Millions of yen
Year ending March 31, 2006	4,620,000	289,000	195,000

Forecasted Annual Net Income per Share (yen) : 101,773.68

Note: The forecast described above is based on the assumptions judged to be reasonable as of the date of issuing this statement and the actual results may substantially differ from the forecast above.

Please see "NOTE REGARDING FORWARD-LOOKING STATEMENTS" on page 8 regarding the forecast above.

1. RESULTS OF OPERATIONS AND FINANCIAL POSITION

(1) Qualitative Information Regarding Progress of Consolidated Business Results

1) Overall condition

Business results for the Third Quarter (from April 1, 2005 to December 31, 2005)

Our Group has been putting continuous efforts toward completing the execution of the “JT PLAN-V”, the mid-term management plan ending in March 2006, as well as the strategy for sustainable growth to strengthen organizational and personnel competitive force and enhance the business structure.

Business segment is partially changed in this fiscal year. Accordingly, this third quarter period’s figures are compared with those corresponding figures for the previous third quarter period, which are restated in accordance with the newly adopted segment.

Net Sales

Although sales volume in the international tobacco business showed an increase and foods business achieved a sales growth, sales volume in domestic tobacco business declined and sales decreased in other businesses. As a result, net sales were 3,550.3 billion yen, decreased by 46.0 billion yen (down 1.3%), compared with the corresponding figure for the previous third quarter period.

(Billions of yen unless otherwise indicated)

	Nine months ended		Increase/Decrease	
	Dec. 31, 2004	Dec. 31, 2005		
Consolidated	3,596.4	3,550.3	△46.0	△1.3%
Domestic Tobacco	2,707.4	2,631.9	△75.5	△2.8%
International Tobacco	595.4	649.4	53.9	9.1%
Pharmaceuticals	47.4	38.8	△8.5	△18.1%
Foods	202.5	212.7	10.1	5.0%
Others	43.4	17.3	△26.0	△60.0%

*Figures above indicate external sales.

Operating Income

Due to a decrease in personnel expenses resulting from the business restructuring in the previous year, as well as profit growth in the international tobacco business, operating income reached 251.8 billion yen, increased by 21.4 billion yen (up 9.3%), compared with the corresponding figure for the previous third quarter period.

(Billions of yen unless otherwise indicated)

	Nine months ended		Increase/Decrease	
	Dec. 31, 2004	Dec. 31, 2005		
Consolidated	230.3	251.8	21.4	9.3%
Domestic Tobacco	172.6	176.7	4.0	2.4%
International Tobacco	43.0	59.6	16.6	38.7%
Pharmaceuticals	4.5	△2.6	△7.2	-
Foods	2.2	5.4	3.2	142.4%
Others	8.3	5.9	△2.3	△28.2%
Elimination	△0.3	6.7		

Recurring Profit

Although there was an adverse effect caused by unfavorable foreign exchange rate, recurring profit reached 243.5 billion yen, increased by 16.1 billion yen (up 7.1%), compared with the corresponding figure for the previous third quarter period.

Net Income

Net income reached 164.0 billion yen, increased by 32.6 billion yen (up 24.8%), compared with the corresponding figure for the previous third quarter period, due to the decrease in the expense of the business restructuring.

2) Financial Result by Business Segment

Domestic Tobacco

In the domestic tobacco business, the total demand for cigarettes has continued to decrease, due to the domestic social factors, including increasing lifespans, consumers' increasing concerns about the impact of smoking on health and reinforcement of smoking regulations. Furthermore, the share competition is growing more intense and the domestic tobacco business environment has been getting more severe from the termination of the license agreement in Japan for Marlboro of Philip Morris International at the end of April 2005. In this environment, JT has been making significant efforts to increase the business value through both the sales-growth strategy and cost structure reforms.

As a part of the sales-growth strategy, along with the integration of Japan Tobacco International (hereinafter, "JTI") products for the Japan market, such as "Camel", "Salem" and "Winston", into the domestic tobacco business since May 2005, JT has been striving to promote its products actively and efficiently following the market characteristics by introducing new products proactively, focusing on the growing segments of the 1-mg tar, menthol, and premium (high price range) markets. In this third quarter period, JT launched 13 products in 10 brands (see Table 1). In addition, JT expanded the sales areas of seven products (see Table 2), which had been sold only in limited areas, to nationwide coverage, as strong customer support justified such expansions. Since January 2006, "Seven Stars Revo Ultra Lights Menthol Box" has been sold in a limited area of Shizuoka prefecture and the sales area of "Seven Stars Revo Super Lights Box" has been expanded to nationwide coverage.

(Table 1)

Products launched in July 2005

Brands	Price/Quantity	Tar/Nicotine	Initial Sales Area	Remarks
Mild Seven One Menthol 100's Box	270 yen/ 20 cigarettes	1mg/0.1mg	Nationwide	Menthol product
Pianissimo Pêche Menthol One	300 yen/ 20 cigarettes	1mg/0.1mg	Miyagi, Yamagata	Menthol product *D-spec product
Bevel Fina Shine Berry	300 yen/ 20 cigarettes	5mg/0.4mg	Niigata	*D-spec product
Seven Stars Revo Super Lights Box	300 yen/ 20 cigarettes	5mg/0.5mg	Shizuoka	*D-spec product
Mild Seven Prime Slim Three	300 yen/ 20 cigarettes	3mg/0.2mg	Aichi	*D-spec product
Cabin One 100's Box	270 yen/ 20 cigarettes	1mg/0.1mg	Aomori, Akita, Iwate	

Brands	Price/Quantity	Tar/Nicotine	Initial Sales Area	Remarks
isit ? Box	300 yen/ 20 cigarettes	6mg/0.5mg	Fukushima, Ibaraki,	
isit? Menthol Box	300 yen/ 20 cigarettes	8mg/0.6mg	Tochigi	Menthol product
Siesta	300 yen/ 20 cigarettes	5mg/0.4mg	Hyogo	
Winston Menthol Box	280 yen/ 20 cigarettes	7mg/0.5mg	Osaka, Nara, Wakayama	Menthol product
Peace Smooth Aroma Box	300 yen/ 20 cigarettes	6mg/0.5mg	Okayama, Tottori	
Camel Full Flavor Box	300 yen/ 20 cigarettes	12mg/0.9mg	Kumamoto, Oita	
Camel Mild Flavor Box	300 yen/ 20 cigarettes	6mg/0.5mg		

(Table 2)

Products expanded to nationwide coverage in April 2005

Brands	Price/Quantity	Tar/Nicotine	Remarks
Hope Super Lights	140 yen/ 10 cigarettes	6mg/0.5mg	
Seven Stars Lights Box	280 yen/ 20 cigarettes	7mg/0.7mg	
Caster Cool Vanilla Menthol Box	270 yen/ 20 cigarettes	3mg/0.3mg	Menthol product
Peace Aroma Menthol Box	300 yen/ 20 cigarettes	7mg/0.6mg	Menthol product

Products expanded to nationwide coverage in September 2005

Brands	Price/Quantity	Tar/Nicotine	Remarks
Seven Stars Revo Lights Menthol Box	300 yen/ 20 cigarettes	7mg/0.6mg	Menthol product *D-spec product
Lucia Citrus Fresh Menthol One	300 yen/ 20 cigarettes	1mg/0.1mg	Menthol product *D-spec product

Products expanded to nationwide coverage in November 2005

Brands	Price/Quantity	Tar/Nicotine	Remarks
Pianissimo Pêche Menthol One	300 yen/ 20 cigarettes	1mg/0.1mg	Menthol product *D-spec product

(*) Products which adopt JT's proprietary reduced odor technology that "controls the odor that rises from the tip of the cigarette" are called D-spec (reduced odor) products.

As a part of its cost structure reforms for further profit growth, JT makes tireless efforts to strengthen its cost competitiveness. JT closed seven cigarette manufacturing plants at the end of March 2005 for an effective operation of only 10 cigarette manufacturing plants across Japan since April 2005. JT has been striving to develop the most appropriate cost structure and reduce both fixed and variable expenses by taking such measures as the reorganization of sales offices at the end of June 2005 in the sales phase, and step-by-step reorganization since July 2004 and the close-down of the Miyakonojo plant, one of the tobacco raw material processing plants, at the end of March 2005 in the domestic raw material division.

Total sales volume for this third quarter period was 147.2 billion cigarettes (See Note), decreased by 18.2 billion cigarettes (down 11.0%), compared with the corresponding figure for the previous third quarter period. The domestic share represented 66.8% of the market (down 6.1 of percentage point) and net sales per 1,000 cigarettes, excluding cigarette tax, showed a decrease of 74 yen to 3,866 yen, compared with the corresponding figure for the previous third

quarter period. The termination of the license agreement for Marlboro products in Japan at the end of April 2005 contributed to the decreases, offset by the positive effect of increased sales volume by the integration of JTI products such as “Camel”, “Salem”, and “Winston” since May 2005.

As a result, net sales were 2,631.9 billion yen, decreased by 75.5 billion yen (down 2.8%), compared with the corresponding figure for the previous third quarter period. However, operating income reached 176.7 billion yen, increased by 4.0 billion yen (up 2.4%), compared with the corresponding figure for the previous third quarter period, thanks to the cost structure reforms for profit growth implemented last year.

(Note) Apart from the above, the domestic tobacco business sold 2.4 billion cigarettes during this third quarter period at duty-free shops in Japan, as well as the markets in China, Hong Kong, and Macao, which are covered by JT’s China Division.

International Tobacco

In the international tobacco business, in order to contribute to the achievement of the JT’s management goal, JT’s international tobacco business, as the company’s profit growth engine, continues its strategy of growing sales volume such as increasing further profit growth of Global Flagship Brands, (“Camel”, “Winston”, “Mild Seven” and “Salem”, hereinafter “GFB”) and makes tireless effort to strengthen the business structure by focusing on core markets, which have future profit and potential growth.

As an additional step to increase the value of the GFB portfolio, JT globally introduced a new “Blue Wind” new package design in July 2005 for the Mild Seven product family.

Total sales volume reached 163.5 billion cigarettes, increased by 6.1 billion cigarettes (up 3.9%), compared with the corresponding figure for the previous third quarter period, driven by strong sales volume growth in Russia, Iran, the Ukraine, and Taiwan. This offset the tax-hike induced sales volume decreases in the Philippines, Turkey and Korea. GFB sales volume reached 99.2 billion cigarettes, increased by 2.2 billion cigarettes (up 2.2%), compared with the corresponding figure for the previous third quarter period, mainly driven by the sales growth of “Winston” in Russia, Iran, the Ukraine and Italy, “Camel” in Italy and Russia, and “Mild Seven” in Taiwan.

Thanks to cigarette sales volume growth along with unit price increases, net sales were 649.4 billion yen, increased by 53.9 billion yen (up 9.1%), compared with the corresponding figure for the previous third quarter period. Operating income was 59.6 billion yen, an increase of 16.6 billion yen (up 38.7 %), compared with the corresponding figure for the previous third quarter period.

- (Note) 1. US\$1.00 is translated into 107.90 yen and 109.00 yen in the third quarter that ended December 31, 2005 and 2004, respectively.
2. With respect to the international tobacco business, the results for the period from January 2005 to September 2005 are accounted for as the results for this third quarter period.

JT has been taking the necessary measures against unreasonable Notice of Tax Assessments on its local subsidiaries in Canada and Russia, and they are currently operating normally. The Group will continue to operate its businesses appropriately complying with rules in all countries of its business operations, and will intend to take all possible measures, including legal action, against matters including unreasonable Notice of Tax Assessments.

Pharmaceuticals

In the pharmaceuticals business, JT has been striving to further build up and strengthen its R&D capability.

At present, JT has five drugs in the clinical development pipeline, after the anti-osteoporosis drug (JTT-305) entered the clinical stage, while JT terminated the development of the anti-hepatitis C drug (JTK-003) and anti-SIRS drug (JTE-607).

Royalty revenue from “Viracept”, an anti-HIV drug, which JT co-developed with US-based Agouron Pharmaceuticals Inc., a subsidiary of Pfizer, and are sold in the U.S., Europe, Japan and elsewhere, declined due to increased competition in the market.

Torii Pharmaceutical Co., Ltd. (hereinafter “Torii”), JT’s subsidiary, showed a decrease in net sales, because there was a decrease in sales of uricosuric agent “Urinorm”, and agent for liver or antiallergic disease “Stronger Neo-Minophagen C”, and the transfer of marketing rights for a biological tissue conglutination dressing sheet “Tacho Comb” to ZLB Behring LLC in October 2004, although the sales of its main products such as protease inhibitor “Futhan”, topical adrenocortical hormone “Antebate”, and anti-HIV drug “Viread” increased and anti-HIV drugs such as “Truvada” were launched in April 2005.

Despite a one-time income from licensing of JTK-303, an anti-HIV drug, to US-based Gilead Sciences, net sales were 38.8 billion yen, decreased by 8.5 billion yen (down 18.1 %), compared with the corresponding figure for the previous third quarter period. Accordingly, operating loss was 2.6 billion yen, while in the previous third quarter period, operating income was 4.5 billion yen. These declines are attributable to decreases in the sales of Torii and in the royalty revenue from “Viracept,” and the temporary income from the licensing of JTT-705, Dyslipidemia Compound, in the previous third quarter period.

With the full implementation of the revised Pharmaceutical Affairs Law in April 2005, JT decided in April 2005 to close Hofu pharmaceuticals factory, its prescription pharmaceuticals production base, at the end of March 2006, and to integrate it into Torii’s Sakura Plant in order to improve the efficiency of the function of the production.

Foods

In the foods business, JT has been striving to further improve business value through the development and introduction of new products, reinforcement of existing sales channels and promotion of greater efficiency across its entire operations and establish the strong business structure to cope with the severe business environment.

As for the processed foods business, JT has continued to enhance and enrich the product lineup of commercial frozen foods, such as “Obento Dai-Ninki!” series and “Imadoki-Wazen” series. JT has been also striving to expand the scale of operation and strengthen earning capacity through active development and introduction of highly-valued distinctive products, including High IG yeast extract, which was developed by JT’s unique technology in seasonings and seasoned processed foods.

As for the beverage business, JT has been steadily expanding its business mainly through the vending machine operation of Japan Beverage Inc., JT’s subsidiary. Along with that, JT actively developed and launched new products that pursue thorough differentiation by the reinforcement of core brands, represented by “Roots.”

Driven by the expansion of scale in the commercial frozen foods of the processed foods business, steady expansion of vending machine sales channels and the sales of “Roots” in the beverage business, net sales reached 212.7 billion yen, increased by 10.1 billion yen (up 5.0%), compared with the corresponding figure for the previous third quarter period. Operating income reached 5.4 billion yen, increased by 3.2 billion yen (up 142.4%), compared with the corresponding figure for the previous third quarter period, due to the increase of marginal profit accompanied by business expansion and the reduction of fixed costs resulting from the effective operation.

Others

For several reasons, including a decline in the number of consolidated subsidiaries by the transfer of their shares, net sales were 17.3 billion yen, decreased by 26.0 billion yen (down 60.0%). Accordingly, operating income was 5.9 billion yen, decreased by 2.3 billion yen (down 28.2%), compared with the corresponding figure for the previous third quarter period.

(2) Qualitative Information Regarding Changes of Consolidated Financial Position

Cash and cash equivalents (hereinafter “cash”) as at the end of this third quarter period ended December 31, 2005 was 828.6 billion yen, decreased by 0.3 billion yen, compared with the corresponding figure for the previous year-end. (Cash as of December 31, 2004 was 751.7 billion yen.)

Cash Flow from Operating Activities

Net cash of 124.2 billion yen was provided by operating activities during this third quarter period, and the corresponding figure for the previous third quarter period was 158.5 billion yen. This was mainly due to the cash out associated with voluntary retirement program implemented in the previous year, in spite of stable cash flow generated by the tobacco business.

Cash Flow from Investing Activities

Net cash of 91.7 billion yen was used in investing activities during this third quarter period, while 164.0 billion yen was provided in the previous third quarter period. This was primarily due to the fact there was an acquisition of current financial assets maturing over three months in the this third quarter period, while there was a redemption of current financial assets maturing over three months in the previous third quarter period.

Cash Flow from Financing Activities

Net cash of 41.4 billion yen was used in financing activities during this third quarter period, and the corresponding figure for the previous third quarter period was 175.5 billion yen. This was primarily due to the lack of redemption of bonds occurring in this third quarter period.

2. Outlook for the Year ending March 31, 2006 (from April 1, 2005 to March 31, 2006)

Please see below for the consolidated financial outlook for the year ending March 2006.

(Billions of yen)

	Current Forecast (as of February 9, 2006)	Previous Forecast (as of October 31, 2005)
Net Sales	4,620.0	4,620.0
Operating Income	298.0	298.0
Recurring Profit	289.0	291.0
Net Income	195.0	189.0

Compared with the previously forecasted figures as of October 31, 2005, there is no change in net sales and operating income, as the growth in the international tobacco business is expected to offset negative effects from the downward sales volume estimate in the domestic tobacco business, reflecting a decrease in the total demand for cigarettes and the results for this third quarter period.

The recurring profit figure is revised downward by 2.0 billion yen considering the results of this third quarter period.

As for the net income, however, the figure is revised upward by 6.0 billion yen in spite of the additional recognition of impairment loss on the fixed assets announced today (February 9, 2006), considering the gain on sales of properties and the impact of tax effect accounting in foreign subsidiaries.

*Major Assumptions for the forecast for the year ending March 31, 2006

Domestic tobacco business

	Current Forecast	Previous Forecast
Sales volume	189.0 billion cigarettes	191.0 billion cigarettes

International tobacco business

	Current Forecast (Results from January to December, 2005)	Previous Forecasts
Sales volume	220.3 billion cigarettes	219.0 billion cigarettes
Sales volume of GFB	133.8 billion cigarettes	134.0 billion cigarettes
Exchange rate (US 1.00 dollar)	110.26 yen	108.00 yen

NOTE REGARDING 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 governmental investigations and privately imposed smoking restrictions;
- (3) litigation in Japan and elsewhere;
- (4) our ability to further diversify our business beyond the domestic and international 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.

QUARTERLY CONSOLIDATED BALANCE SHEETS

Japan Tobacco Inc. and Consolidated Subsidiaries
as of March 31, 2005 and as of December 31, 2005

	<i>Millions of yen</i>		
	<i>as of March 31,</i> 2005	<i>as of December 31,</i> 2005	<i>Increase /</i> <i>Decrease</i>
ASSETS			
CURRENT ASSETS:	1,504,448	1,628,805	124,357
Cash and deposits	401,024	373,363	△ 27,661
Trade notes and accounts receivable	126,066	160,482	34,415
Marketable securities	442,694	478,024	35,330
Inventories	432,827	432,180	△ 646
Other current assets	103,827	186,284	82,457
Allowance for doubtful accounts	△ 1,992	△ 1,529	462
FIXED ASSETS:	1,477,579	1,472,044	△ 5,535
Property, plant and equipment:	639,655	614,015	△ 25,639
Buildings and structures	256,858	240,901	△ 15,957
Machinery, equipment and vehicles	140,610	139,375	△ 1,235
Land	170,946	145,472	△ 25,474
Other	71,238	88,266	17,027
Intangible Assets:	569,708	569,431	△ 277
Goodwill	321,414	341,228	19,814
Trademarks	211,523	194,564	△ 16,959
Other	36,770	33,638	△ 3,132
Investments and other assets:	268,215	288,598	20,382
Investment securities and other assets	273,858	290,632	16,774
Allowance for doubtful accounts	△ 5,003	△ 1,485	3,517
Allowance for loss on investments	△ 640	△ 549	90
DEFERRED ASSETS	27	42	14
TOTAL ASSETS	2,982,056	3,100,893	118,837

QUARTERLY CONSOLIDATED BALANCE SHEETS

Japan Tobacco Inc. and Consolidated Subsidiaries
as of March 31, 2005 and as of December 31, 2005

	<i>Millions of yen</i>		
	<i>as of March 31,</i> 2005	<i>as of December 31,</i> 2005	<i>Increase /</i> <i>Decrease</i>
LIABILITIES			
CURRENT LIABILITIES:	742,338	738,058	△ 4,279
Trade notes and accounts payable	111,298	144,524	33,225
Short-term bank loans	26,884	27,489	604
Current portion of long-term borrowings	18,811	17,996	△ 814
Other payable	236,524	103,213	△ 133,310
National tobacco excise taxes payable	78,594	129,393	50,799
National tobacco special excise taxes payable	14,996	26,662	11,665
Local tobacco excise taxes payable	95,364	105,516	10,151
Income taxes payable	41,893	67,565	25,671
Accrued employees' bonuses	30,309	16,071	△ 14,237
Other allowances	2,371	2,316	△ 55
Other current liabilities	85,290	97,309	12,018
NON-CURRENT LIABILITIES:	687,916	607,434	△ 80,481
Bonds	150,000	150,000	-
Long-term borrowings	35,018	25,744	△ 9,274
Liabilities for retirement benefits	289,015	286,197	△ 2,817
Liabilities for retirement benefits for directors and corporate auditors	957	841	△ 116
Other non-current liabilities	212,924	144,651	△ 68,273
TOTAL LIABILITIES	1,430,255	1,345,493	△ 84,761
MINORITY INTERESTS:			
MINORITY INTERESTS:	53,596	57,247	3,651
SHAREHOLDERS' EQUITY:			
COMMON STOCK	100,000	100,000	-
CAPITAL SURPLUS	736,400	736,400	-
RETAINED EARNINGS	805,927	940,975	135,048
NET UNREALIZED GAINS ON INVESTMENT SECURITIES	16,888	31,285	14,396
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	△ 86,433	△ 35,931	50,502
TREASURY STOCK	△ 74,578	△ 74,578	-
TOTAL SHAREHOLDERS' EQUITY	1,498,203	1,698,151	199,947
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	2,982,056	3,100,893	118,837

QUARTERLY CONSOLIDATED STATEMENTS OF OPERATIONS

Japan Tobacco Inc. and Consolidated Subsidiaries

For the nine months ended December 31, 2004 and 2005 and for the year ended March 31, 2005

	For the nine months		Increase / Decrease	Millions of yen
	ended			For the year
	December 31, 2004	December 31, 2005		ended March 31, 2005
NET SALES	3,596,400	3,550,368	△ 46,031	4,664,513
COST OF SALES	2,859,758	2,853,342	△ 6,415	3,713,725
GROSS PROFIT	736,642	697,026	△ 39,615	950,788
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	506,256	445,176	△ 61,079	677,416
OPERATING INCOME	230,385	251,849	21,463	273,371
NON-OPERATING INCOME:	11,530	7,219	△ 4,311	15,949
Interest income	1,402	2,679	1,276	2,015
Dividend income	1,214	1,429	214	1,300
Foreign exchange gain	525	-	△ 525	1,026
Gain on disposition of marketing rights	2,533	-	△ 2,533	2,533
Other	5,854	3,110	△ 2,744	9,074
NON-OPERATING EXPENSES:	14,485	15,511	1,025	19,069
Interest expense	4,033	4,494	460	5,147
Foreign exchange loss	-	1,585	1,585	-
Financial support for domestic leaf tobacco growers	1,128	891	△ 237	1,099
Periodic mutual assistance association cost	1,719	2,305	586	2,292
Other	7,604	6,235	△ 1,369	10,531
RECURRING PROFIT	227,430	243,558	16,127	270,251
EXTRAORDINARY PROFIT:	56,169	46,527	△ 9,642	79,288
Gain on sales of property, plant and equipment	54,288	41,312	△ 12,975	73,362
Other	1,881	5,214	3,332	5,926
EXTRAORDINARY LOSS:	81,870	35,910	△ 45,959	248,206
Loss on sale of property, plant and equipment	2,017	24,258	22,241	2,212
Loss on disposal of property, plant and equipment	7,004	3,516	△ 3,487	13,692
Business restructuring costs	71,181	6,187	△ 64,994	224,848
Other	1,667	1,947	280	7,452
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	201,729	254,174	52,444	101,333
INCOME TAXES-CURRENT	64,146	86,210	22,064	70,071
INCOME TAXES-DEFERRED	-	-	-	△ 38,506
MINORITY INTERESTS	6,164	3,938	△ 2,226	7,184
NET INCOME	131,418	164,025	32,606	62,583

QUARTERLY CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Tobacco Inc. and Consolidated Subsidiaries

For the nine months ended December 31, 2004 and 2005 and for the year ended March, 2005

*The underlined figures are revised as of April 28, 2006, from the original which was released on October 31, 2005.

	For the nine months ended		Increase/ Decrease	Millions of yen
	December 31, 2004	December 31, 2005		For the year ended March 31, 2005
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
OPERATING ACTIVITIES				
Income before income taxes and minority interest:	201,729	254,174	52,444	101,333
Depreciation and amortization of goodwill	93,719	92,628	△ 1,090	125,861
Net gain on sale and disposal of property, plant and equipment	△ 48,325	△ 16,464	31,861	△ 62,938
Amortization of goodwill	672	1,233	561	882
Increase (decrease) in liabilities for retirement benefits	△ 2,680	△ 3,060	△ 380	△ 95,977
Interest income and dividend income	△ 2,617	△ 4,109	△ 1,491	△ 3,315
Interest expense	4,033	4,494	460	5,147
(Increase) decrease in trade notes and accounts receivables	△ 39,814	△ 28,478	11,335	△ 4,422
Decrease in inventories	9,991	11,675	1,684	16,995
Increase in trade notes and accounts payable	16,213	29,942	13,729	4,596
Increase (decrease) in other payable	13,312	△ 133,968	△ 147,281	141,778
Increase (decrease) in tobacco excise taxes payable	21,189	71,730	50,541	△ 10,735
(Increase) decrease in long-term guarantee deposits received	△ 25,847	△ 396	25,451	△ 26,224
Increase (decrease) in non-current other payable	17,291	△ 75,611	△ 92,902	122,244
Other, net	△ 29,260	△ 24,576	4,683	11,030
Sub-total	229,607	179,214	△ 50,392	326,255
Interest and dividend received	2,563	4,222	1,658	3,403
Interest paid	△ 4,771	△ 4,776	△ 4	△ 5,781
Income taxes paid	△ 68,862	△ 54,436	14,426	△ 73,037
Net cash provided by operating activities	158,536	124,224	△ 34,312	250,839
INVESTING ACTIVITIES:				
Withdrawal of time deposits	22,711	325	△ 22,385	23,232
Purchases of marketable securities	△ 53,447	△ 122,928	△ 69,480	△ 56,679
Proceeds from sale and redemption of marketable securities	176,394	42,703	△ 133,691	199,180
Purchase of property, plant and equipment	△ 50,924	△ 64,308	△ 13,383	△ 71,996
Proceeds from sale of property, plant and equipment	18,931	<u>52,914</u>	<u>33,982</u>	39,448
Proceeds from sale of beneficial interest in real estate trust	65,108	-	△ 65,108	65,108
Purchase of intangible assets	△ 6,441	△ 7,461	△ 1,019	△ 7,963
Purchase of investment securities	△ 6,836	△ 1,486	5,350	△ 7,671
Proceeds from sale and redemption of investment securities	430	3,108	2,678	3,063
Purchase shares of newly consolidated subsidiaries	-	△ 145	△ 145	-
Sale of shares of former consolidated subsidiaries	△ 220	△ 143	76	-
Other, net	△ 1,640	5,669	7,309	△ 8,808
Net cash provided by (used in) investing activities	164,064	△ 91,753	△ 255,817	176,914
FINANCING ACTIVITIES:				
Net increase (decrease) in short-term bank loans:	2,367	△ 1,546	△ 3,913	4,935
Proceeds of long-term borrowings	330	243	△ 86	237
Repayment of long-term borrowings:	△ 13,613	△ 10,443	3,170	△ 25,135
Payment of bonds	△ 122,000	-	122,000	△ 122,000
Dividends paid	△ 19,542	△ 28,740	△ 9,198	△ 19,542
Dividends paid to minority shareholders	△ 1,482	△ 940	542	△ 1,826
Purchase of treasury stock	△ 21,470	-	21,470	△ 39,999
Other, net	△ 160	△ 20	140	1,134
Net cash used in financing activities	△ 175,571	△ 41,447	134,124	△ 202,195
EFFECT OF EXCHANGE RATE CHANGES ON CASH AND CASH EQUIVALENTS				
	3,071	8,576	5,505	1,867
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	150,101	△ 398	△ 150,500	227,426
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	601,661	829,087	227,426	601,661
CASH AND CASH EQUIVALENTS, END OF PERIOD	751,762	828,688	76,925	829,087

SEGMENT INFORMATION

OPERATIONS BY INDUSTRY SEGMENT

(For the nine months ended December 31, 2004)

Millions of yen

	Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Sales							
(1) Sales to customers	3,302,954	47,453	202,560	43,432	3,596,400	-	3,596,400
(2) Intersegment sales	3,735	-	172	21,786	25,694	(25,694)	-
Total	3,306,689	47,453	202,732	65,218	3,622,094	(25,694)	3,596,400
Operating expenses	3,091,240	42,896	200,477	56,907	3,391,521	(25,506)	3,366,014
Operating income	215,449	4,556	2,255	8,311	230,573	(187)	230,385

NOTE:

1. Operations by industry segment are categorized based on types of products and characteristics.

2. Main products or services under each category are as follows:

- 1) Tobacco Tobacco products
- 2) Pharmaceuticals Prescription drugs
- 3) Foods Beverages and processed foods
- 4) Others Rent of real estate, leasing, engineering and others

3. The following table shows depreciation and amortization, and goodwill amortization by industry segment

which are included in operating expenses for the nine months ended December 31, 2004.

Depreciation and amortization (Property, plant and equipment / Intangible assets other than goodwill / Long-term prepaid expenses)

Millions of yen

	Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Depreciation and amortization	75,207	2,714	3,782	12,321	94,025	(306)	93,719

Goodwill amortization

Millions of yen

	Tobacco	Pharmaceuticals	Foods	Others	Consolidated
Goodwill amortization	△ 21	-	623	70	672

(For the nine months ended December 31, 2005)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Sales								
(1) Sales to customers	2,631,986	649,414	38,862	212,743	17,360	3,550,368	-	3,550,368
(2) Intersegment sales	30,867	34,989	-	106	16,868	82,831	(82,831)	-
Total	2,662,854	684,404	38,862	212,850	34,229	3,633,199	(82,831)	3,550,368
Operating expenses	2,486,149	624,773	41,531	207,382	28,262	3,388,100	(89,581)	3,298,518
Operating income (loss)	176,704	59,630	△ 2,669	5,467	5,966	245,099	6,750	251,849

NOTE:

1. Operations by industry segment are categorized based on types of products, characteristics and markets.

2. Main products or services under each category are as follows:

- 1) Domestic Tobacco Tobacco products*
*These include tobacco products sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macao, which are covered by the China Division.
- 2) International Tobacco Tobacco products
- 3) Pharmaceuticals Prescription drugs
- 4) Foods Beverages and processed foods
- 5) Others Rent of real estate, leasing, engineering and others

3. The following table shows depreciation and amortization, and goodwill amortization by industry segment

which are included in operating expenses for the nine months ended December 31, 2005.

Depreciation and amortization (Property, plant and equipment / Intangible assets other than goodwill / Long-term prepaid expenses)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Depreciation and amortization	63,971	16,564	2,442	3,781	10,182	96,943	(4,314)	92,628

Goodwill amortization

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Consolidated
Goodwill amortization	816	-	-	417	-	1,233

4. The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT's subsidiary. TS Network Co., Ltd. distributes the tobacco products and conducts distribution-related operations, such as sales and distribution of foreign (imported) tobacco products. Net sales of imported tobacco products via TS Network Co., Ltd. were JPY 887,641 million.

5. Changes in business segment

From this third quarter accounting period, former "Tobacco" segment is divided into "Domestic Tobacco" and "International Tobacco" segments, considering the importance of tobacco business as a whole group, where JT International S.A. conducts the main operation role, and the need for more appropriate disclosure of JT and its consolidated subsidiaries' business operations. Consequently, JT's business segments consist of "Domestic Tobacco", "International Tobacco", "Pharmaceuticals", "Foods" and "Others". Restatements reflecting changes in business segments described above for the nine months ended December 31, 2004 and for the year ended March 31, 2005, are shown following the segment information for the year ended March 31, 2005 below.

With respect to international tobacco business, the results for the period from January 2005 to September 2005 are reported as the results for the nine months ended December 31, 2005. Overseas consolidated subsidiaries, with the core operation by JT International S.A., set the closing date of September 30 for the third quarter.

From this third quarter accounting period, Goodwill amortization of overseas consolidated subsidiaries, represented by JT International S.A., is included in operating expenses of Domestic Tobacco segment, not of Tobacco segment as previously reported.

Such change is to reflect the fact that JT, in this third quarter period, started the import, manufacturing and sales of overseas consolidated subsidiaries' products for the Japanese market.

(For the year ended March 31, 2005)

Millions of yen

	Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Sales							
(1) Sales to customers	4,284,192	57,675	265,379	57,265	4,664,513	-	4,664,513
(2) Intersegment sales	4,857	-	203	30,439	35,500	(35,500)	-
Total	4,289,050	57,675	265,583	87,704	4,700,014	(35,500)	4,664,513
Operating expenses	4,029,385	55,820	263,635	77,278	4,426,119	(34,977)	4,391,142
Operating income	259,664	1,855	1,947	10,426	273,894	(523)	273,371

NOTE:

- Operations by industry segment are categorized based on types of products and characteristics.
- Main products or services under each category are as follows:
 - Tobacco Tobacco products
 - Pharmaceuticals Prescription drugs
 - Foods Beverages and processed foods
 - Others Rent of real estate, leasing, engineering and others
- The following table shows depreciation and amortization, and goodwill amortization by industry segment which are included in operating expenses for the year ended March 31, 2005.

Depreciation and amortization (Property, plant and equipment / Intangible assets other than goodwill / Long-term prepaid expenses)

Millions of yen

	Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Depreciation and amortization	101,223	3,618	5,149	16,312	126,304	(443)	125,861

Goodwill amortization

Millions of yen

	Tobacco	Pharmaceuticals	Foods	Others	Consolidated
Goodwill amortization	△ 21	-	833	70	882

Restatements reflecting changes in business segments

(For the nine months ended December 31, 2004)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Sales								
(1) Sales to customers	2,707,487	595,467	47,453	202,560	43,432	3,596,400	-	3,596,400
(2) Intersegment sales	37,220	39,202	-	172	21,786	98,382	(98,382)	-
Total	2,744,707	634,670	47,453	202,732	65,218	3,694,782	(98,382)	3,596,400
Operating expenses	2,572,088	591,669	42,896	200,477	56,907	3,464,039	(98,024)	3,366,014
Operating income	172,618	43,000	4,556	2,255	8,311	230,743	(357)	230,385

NOTE:

1. The following table shows depreciation and amortization, and goodwill amortization by industry segment which are included in operating expenses for the nine months ended December 31, 2004.

Depreciation and amortization (Property, plant and equipment / Intangible assets other than goodwill / Long-term prepaid expenses)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Depreciation and amortization	59,599	15,607	2,714	3,782	12,321	94,025	(306)	93,719

Goodwill amortization

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Consolidated
Goodwill amortization	△ 21	-	-	623	70	672

2. The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT's subsidiary. TS Network Co., Ltd. distributes the tobacco products and conducts distribution-related operations such as sales and distribution of foreign (imported) tobacco products. Net sales of imported tobacco products via TS Network Co., Ltd. were JPY 733,035 million.

(For the year ended March 31, 2005)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Sales								
(1) Sales to customers	3,491,487	792,705	57,675	265,379	57,265	4,664,513	-	4,664,513
(2) Intersegment sales	49,549	54,932	-	203	30,439	135,125	(135,125)	-
Total	3,541,037	847,638	57,675	265,583	87,704	4,799,639	(135,125)	4,664,513
Operating expenses	3,325,204	803,179	55,820	263,635	77,278	4,525,118	(133,976)	4,391,142
Operating income	215,832	44,458	1,855	1,947	10,426	274,521	(1,149)	273,371

NOTE:

1. The following table shows depreciation and amortization, and goodwill amortization by industry segment which are included in operating expenses for the year ended March 31, 2005.

Depreciation and amortization (Property, plant and equipment / Intangible assets other than goodwill / Long-term prepaid expenses)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination	Consolidated
Depreciation and amortization	80,219	21,004	3,618	5,149	16,312	126,304	(443)	125,861

Goodwill amortization

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Consolidated
Goodwill amortization	△ 21	-	-	833	70	882

2. The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT's subsidiary. TS Network Co., Ltd. distributes the tobacco products and conducts distribution-related operations such as sales and distribution of foreign (imported) tobacco products. Net sales of imported tobacco products via TS Network Co., Ltd. were JPY 947,522 million.