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FOR IMMEDIATE RELEASE

JT Reports Consolidated Financial Results for the Fiscal Year That Ended March 31, 2005

TOKYO, April 27, 2005 --- Japan Tobacco Inc. (JT) (TSE: 2914) announced today its consolidated financial results for the fiscal year that ended March 31, 2005.

1. Consolidated Financial Results for the Fiscal Year Ended March 31, 2005

- In the fiscal year ended March 31, 2005, JT steadily implemented all necessary measures in meeting the goals outlined in "JT PLAN-V," and established strong business foundations which would enable the company to concentrate on growth strategy in the current fiscal year and onward.
- JT achieved a record high in net sales for two consecutive years, and both operating income and recurring profit also achieved record highs for three consecutive years.
- In the domestic tobacco business, JT introduced 18 new products mostly in growing segments (1 mg tar, menthol and 300 yen or above), as well as "D-spec" products into test markets. This was the largest number of tobacco products introduced in one year in JT's history. As a result, the company achieved market share increases in all growing segments and also in the "D-spec" category.
- JT's international tobacco business, the company's profit growth engine continued its growth momentum, driven by Global Flagship Brand[1] (GFB) sales. The company's GFB sales volume for the January to December period[2] increased by 11.8 percent.
- In the pharmaceutical business, JT licensed-out two compounds, JTT-705 and JTK-303 to F. Hoffmann-La Roche Ltd. and Gilead Sciences, Inc. respectively.
- JT's food business is now in the black, achieving ¥1.9 billion in operating profit, one year ahead of its targets outlined in "JT PLAN-V."

"Now, I am very confident that we are set to tackle post-Marlboro challenges down the road," said Katsuhiko Honda, President and CEO of JT. "In the previous fiscal year, we successfully established a strong business platform that enabled us to push towards further growth in the coming years. The previous year was also a fruitful one and I am proud to announce that we have achieved significant results in all of our businesses."

[1] Global Flagship Brands includes Camel, Winston, Mild Seven and Salem.
[2] The results of the international tobacco business from January 1 to December 31, 2004, were incorporated into JT's consolidated financial results which ended March 31, 2005.

JT's net sales showed an increase of 0.9 percent to a record high of ¥4.664 trillion, compared to the previous fiscal year. This was mainly due to a highly profitable GFB sales volume increase in the international tobacco business, a one-time sales increase related to licensing in the pharmaceutical business and increased net sales in the processed foods business, despite a sales decrease in the domestic tobacco business.

In addition to the reasons above and due to the company's tireless cost reduction efforts in all businesses, operating income achieved a record high of ¥273.3 billion, up 16.8 percent.

The improved foreign exchange loss also helped to increase recurring profits, which achieved a record high of ¥270.2 billion, up 26.5 percent.

The company's EBITDA[3] for the period was ¥400.1 billion, an increase of ¥26.6 billion.

In the fiscal year that ended March 31, 2004, JT posted a net loss of ¥7.6 billion as a result of a ¥185 billion one-time non-operating charge which was related to the company's old pension obligation from an accounting policy change. However, in this period under review, despite the increase of the business restructuring expenses including extraordinary expenses related to the early retirement program, due to the extraordinary profit related to the property sales, as well as the absence of the above mentioned one-time charge, the company's net income achieved an improvement of ¥70.1 billion to ¥62.5 billion in profit.

- **Summary of Financial Results Ended March 31, 2005 (consolidated)**

Units: Billions of Yen

	Fiscal Year Ended March 31, 2004 [A]	Fiscal Year Ended March 31, 2005 [B]	[B] - [A]	Net change (%)
Net sales	4,625.1	4,664.5	39.3	0.9
EBITDA	373.4	400.1	26.6	7.1
Operating income	234.0	273.3	39.3	16.8
Recurring profit	213.5	270.2	56.6	26.5
Net income	-7.6	62.5	70.1	-

2. Results by Business Segment

- **Tobacco Business**

In the domestic tobacco business, JT faces a continuing downturn of cigarette demand and severe competition. The company also agreed with Philip Morris International

[3] EBITDA=operating income + depreciation of tangible fixed assets + amortization of intangible fixed assets + amortization of long-term prepaid expenses + amortization of goodwill

Inc., not to renew a 30 year-old Marlboro license agreement as of the end of April 2005. To counter these challenges, JT continues to be committed to increasing its business value through both "top line growth" and "cost structure reform."

As part of its top line growth strategy, JT has aggressively introduced new products into growing segments (1 mg tar, menthol and ¥300 or above) as well as the "D-spec" category. In the fiscal year that ended March 31 2005, JT launched 18 new products into test markets including five "D-spec" products. This was the largest number of tobacco products introduced in one year in JT's history.

As part of its cost structure reform, the company has implemented several measures, such as consolidation of factories and domestic leaf tobacco offices and optimization of the group's tobacco leaf procurement system.

Domestic cigarette sales volume for the fiscal year that ended March 31, 2005, excluding domestic duty-free sales and sales from the "China division[4]," decreased by 5.0 billion cigarettes to 213.2 billion cigarettes. This was due to declining demand in total cigarette consumption, which was due in part to the tobacco retail price hike in July 2003 as a result of a tobacco excise tax increase. However, because of the successful launch of new products and continued marketing efforts, the company maintained its market share of 72.9 percent and achieved a market share increase in all growing segments, as well as the "D-spec" category. Net sales per thousand cigarettes excluding cigarette taxes were ¥3,941, up ¥33, due mainly to the company's aggressive product launches.

JT's international tobacco business aims to have further growth in sales volume, along with related unit price increases, emphasizing the shift to higher priced products represented by GFB brands.

The cigarette sales volume in the international tobacco business in the January to December 2004 period[5] achieved 212.4 billion cigarettes, an increase of 13.6 billion cigarettes, driven by strong growth of GFBs which surpassed the market size reduction in some markets due to the tax hike which drove the price increases. GFB sales volume in the period increased by 13.9 billion cigarettes to 131.4 billion cigarettes, mainly driven by the sale of Winston in the CIS, particularly in Russia and Ukraine, and in Western Europe, particularly in Italy and Germany. Camel also grew in Italy, Spain and Mexico, and Mild Seven saw growth in Taiwan as well. GFB sales volume has now increased for five consecutive years.

Net sales for the tobacco business increased by 1.1 percent to ¥4.284 trillion compared to the previous year.

Operating income for the tobacco business grew 8.9 percent to ¥259.6 billion, as a result of JT's continuing efforts to improve profitability, and retail price increases in the domestic tobacco business, as well as profit growth driven by GFBs in the international tobacco business.

EBITDA for the tobacco business also increased to ¥360.8 billion, up ¥17.7 billion.

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[4] Sales volume from both the domestic duty-free and the "China Division," totaled 5.1 billion cigarettes for the fiscal year that ended March 31, 2005.

[5] The results of the international tobacco business from January 1 to December 31, 2004, were incorporated into JT's consolidated financial results which ended March 31, 2005.

➢ **Pharmaceutical Business**

JT's net sales for the pharmaceutical business increased 12.6 percent to ¥57.6 billion compared to the same period last year, mainly due to a one-time sales increase through licensing of JTT-705, despite a sales decrease at Torii Pharmaceutical Co., Ltd. (Torii), JT's pharmaceutical business subsidiary and a decline in royalty income from "Viracept®."

In addition to the reason above, due to the decline of R&D expenses and completion of the amortization related to the acquisition of Torii, operating income for this business achieved ¥1.8 billion, with a ¥14.6 billion improvement.

EBITDA for the business also improved by ¥9.8 billion to ¥5.4 billion in profit.

➢ **Foods Business**

Net sales from the foods business increased 6.1 percent to ¥265.3 billion. This was mainly due to net sales increases in the processed foods business, as well as the expansion of beverage sales through vending machine channels, despite the sales decrease through consolidation of less-profitable channels in the beverage business.

As a result, operating income was ¥1.9 billion with an improvement of ¥6.7 billion and the foods business achieved a profit in operating income one year ahead of its mid-term management plan targets.

EBITDA in the foods business increased by ¥4.6 billion to ¥7.9 billion.

➢ **Other Businesses**

Net sales for other businesses decreased by 34.1 percent to ¥57.2 billion compared to the same period last year, mainly due to the transfer of printing business subsidiaries and the absence of one-time income in the real estate business.

As a result, operating income and EBITDA for other businesses were ¥10.4 billion and ¥26.8 billion, respectively.

3. Other Issues

On June 11, 2004, The Minister of Finance of Japan sold a portion of the government-held shares of Japan Tobacco Inc., which amounted to 289,334 shares through Japanese and international offering. As a result, the Japanese government reduced its holding in JT shares to the minimum level required by law. The Japanese government presently holds fifty percent of JT shares.

Upon meeting with the Board of Directors on October 29, 2004, the company decided to repurchase up to 45,000 shares or ¥40 billion in company stock during the November 1, 2004 to March 24, 2005 period, for greater flexibility in management decision making. As a result, the company repurchased 38,184 shares at approximately ¥40 billion from the market.

4. Topics during the Period

- On August 4, 2004, the Leaf Tobacco Deliberative Council expressed its general agreement with the proposal submitted by JT, in which the company planned to ask some domestic tobacco leaf growers who met certain age or crop field size criteria, to volunteer to terminate their tobacco cultivation based on their tobacco purchase contracts with JT. Since then, the company has confirmed the decisions of the growers and signed contracts for 2005 cultivation in February.

- In August 2004, a Canadian subsidiary of JT received a Notice of Assessment from the tax authority of Quebec. This notice demanded payments in relation to business activities from 1990 to 1998, which was prior to JT's acquisition of R.J. Reynolds Tobacco Co.'s international business operations in 1999, without a reasonable base for the move. The subsidiary took appropriate action and it continues to operate its business as usual. The subsidiary will continue to take all possible measures, including legal options, to protect its business. Pursuant to the 1999 Purchase Agreement between JT and R.J. Reynolds Tobacco Co. and RJR Nabisco Inc. (collectively, RJR), JT's view is that it will be entitled to seek indemnification from RJR and any successors thereof for any and all damages and expenses incurred or suffered by JT and/or its affiliates, including the Canadian subsidiary, arising out of this matter. JT will be exercising this right.

- On October 1, 2004, JT reached an agreement with Mitsubishi Corporation and Kokuba-Gumi Co., Ltd. on the importation and distribution of JT International S.A. (JTI) products such as Camel, Winston and Salem in the Japan market. JTI's current contracts with Kokuba and Mitsubishi, which import and sell these products in Okinawa (Kokuba) and the remaining parts of Japan (Mitsubishi), will be terminated on April 30, 2005. From May 1, 2005 onward, JT will import, manufacture, sell and promote JTI products in the Japan market on its own, through the company's domestic tobacco operations.

- In line with its mid-term management plan, "JT PLAN-V," the company is streamlining its business structure to achieve enhanced cost competitiveness, which led to the offering of the voluntary retirement program, during the fiscal year that ended March 31, 2005. As a result, a total of 5,796 employees applied for the voluntary retirement program.

5. Important Subsequent Events after March 31, 2005 to Date

- On April 22, 2005, JT and Torii Pharmaceutical Co., Ltd., JT's pharmaceutical business subsidiary, announced that the companies would merge JT's pharmaceutical production factory in Hofu, Yamaguchi prefecture, and Torii's factory in Sakura, Chiba prefecture. The Hofu factory would then be closed at the end of March 2006. Upon the full implementation of the amended Pharmaceutical Affairs Law in April 2005, the JT group decided to merge the two entities, further boosting efficiency.

- On April 27, 2005, JT announced that its board of directors decided to transfer its real estate properties in Funabashi, which were utilized as a physical distribution base, to KOKUBU & CO., LTD. JT ceased its freight transport operations there on March 31, 2005, and thus the company has decided to transfer the now unused space.

Expected transferee:	KOKUBU & CO., LTD.
Expected date of the transfer:	October 1, 2005
Book value:	¥22.5 billion
Expected transfer price:	¥2.4 billion

6. Outlook for the Fiscal Year Ending March 31, 2006 (Consolidated)

In this fiscal year, to attain sustainable profit growth while working to accomplish the goals in the mid-term management plan, "JT PLAN-V," the company will actively invest into the future, including enhancement of its organizational capacity and personnel competitiveness, and improving and strengthening its business foundations.

JT management forecasts for net sales and earnings for the fiscal year ending March 31, 2006 as follows.

The company expected that it will achieve record highs in operating income, recurring profit and net income in the fiscal year ending March 31, 2006.

Forecasted net sales for the full fiscal year ending March 31, 2006 is expected to be ¥4.64 trillion, a decrease of ¥24.5 billion compared to the previous fiscal year.

Forecasted operating income and recurring profit are expected to be ¥297.0 billion and ¥293.0 billion, an increase of ¥23.6 billion and ¥22.7 billion, respectively.

Net income is expected to be ¥180.0 billion, an increase of ¥117.4 billion.

Today JT also announced the transfer of the company's properties in a separate release. The company is expecting to take a one-time extraordinary loss as a result of this sale of properties, which is now estimated at approximately ¥20 billion. The loss would be posted in the financial results for the fiscal year ending March 31, 2006 and is expected to have a negative impact of ¥12 billion on its net income, after adjustment for deferred taxes. The impact of the sale has been incorporated into this outlook.

These forecasts are based mainly on the assumptions listed below.

Domestic cigarette sales volume[6]:	195.0 billion cigarettes (-18.2 billion)
International cigarette sales volume:	222.0 billion cigarettes (up 9.6 billion)
GFB sales volume:	137.0 billion cigarettes (up 5.6 billion)
Foreign exchange rate:	¥105.00 / US$ (FY3/2004:¥108.23/US$)

[6] Sales volume from both the domestic duty-free and the "China Division," are not incorporated.

➢ **Forecast for the Fiscal Year Ending March 31, 2006 (consolidated)**

Units: Billions of Yen

	Fiscal Year Ended March 31, 2005 [A]	Fiscal Year Ending March 31, 2006 [B]	[B] - [A]
Net sales	4,664.5	4,640.0	-24.5
EBITDA	400.1	423.0	22.8
Operating income	273.3	297.0	23.6
Recurring profit	270.2	293.0	22.7
Net income	62.5	180.0	117.4
FCF	269.4	108.0	-161.4
ROE	4.2%	11.4%	7.2%

7. Dividends for the Fiscal Year that Ended March 31, 2005

JT believes that corporate value growth in the medium to long-term period is core to increasing shareholder returns through sustained profit growth driven by active business investment.

The company's basic dividend policy is to aim to provide competitive level of returns to shareholders in the capital market through optimal allocation of the cash flow in accordance with our consolidated financial results in each period. Taking this into account, JT intends to increase the dividend level on a continual basis, in consideration of the accomplishment of its midterm growth strategies and the outlook of the company's consolidated financial results.

The company's board of directors has revised the forecast for its year-end dividend to ¥7,000, an increase of ¥2,000 over the earlier forecast of ¥5,000, in consideration of the company's overall performance in the previous fiscal year. In addition, it has proposed a payment of an additional dividend of ¥1,000 to commemorate JT's 20th anniversary as a joint stock company. As a result, JT's expected dividend per share for the full fiscal year that ended March 31, 2005, totals ¥13,000, including the interim dividend of ¥5,000.

Also, the company's annual dividend per share for the full fiscal year ending March 31, 2006, is expected to be ¥14,000, including ¥7,000 for the interim and ¥7,000 for the year-end dividend.

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Japan Tobacco Inc. is the world's third largest international manufacturer of tobacco products. The company manufactures internationally recognized cigarette brands including Camel, Winston, Mild Seven and Salem. Since its privatization in 1985, JT has actively diversified its operations into pharmaceuticals and foods. The company's net sales were ¥4.664 trillion in the fiscal year ended March 31, 2005.

FORWARD-LOOKING AND CAUTIONARY STATEMENTS

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

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

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

1. Breakdown of net sales

(unit: JPY billion)

	FY ended March 2004	FY ended March 2005	Change
Net sales including excise tax	4,625.1	4,664.5	39.3
Tobacco*	4,236.9	4,284.1	47.2
Domestic	3,498.2	3,494.2	-4.0
International	738.7	789.9	51.2
Net sales excluding excise tax	2,019.8	2,013.9	-5.8
Tobacco*	1,631.5	1,633.6	2.0
Domestic	1,228.6	1,205.5	-23.0
International	402.9	428.0	25.0
Pharmaceuticals	51.2	57.6	6.4
Foods	250.1	265.3	15.2
Beverages	176.5	177.4	0.9
Processed foods	73.6	87.8	14.2
Other	86.8	57.2	-29.5

2. Leaf tobacco reappraisal profit / loss*

(unit: JPY billion)

	FY ended March 2004	FY ended March 2005	Change
Leaf tobacco reappraisal profit / loss	-6.6	9.8	16.4

* Pforit when denoted negative

3. Breakdown of SG&A expenses

(unit: JPY billion)

	FY ended March 2004	FY ended March 2005	Change
SG&A	707.1	677.4	-29.6
Personnel *1	205.3	183.9	-21.4
Advertising and general publicity	35.4	27.4	-7.9
Sales promotion	141.7	140.1	-1.5
R&D	42.1	40.4	-1.6
Depreciation	56.7	54.2	-2.5
Others *2	225.6	231.0	5.3

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

*2 Others include Marlboro license related expenses which accounted for approximately JPY 46.5 billion for FY ended March 2005 and approximately JPY 46.0 billion for FY ended March 2004, respectively.

4. EBITDA by business segment*1

(unit: JPY billion)

	FY ended March 2004	FY ended March 2005	Change
Consolidated EBITDA	373.4	400.1	26.6
Operating income	234.0	273.3	39.3
Depreciation and amortization *2	139.4	126.7	-12.6
Portion of Goodwill amortization	6.1	0.8	-5.2
Tobacco EBITDA	343.1	360.8	17.7
Operating income	238.4	259.6	21.2
Depreciation and amortization *2	104.7	101.2	-3.5
Portion of Goodwill amortization	0.0	0.0	0.0
Pharmaceuticals EBITDA	-4.4	5.4	9.8
Operating income	-12.8	1.8	14.6
Depreciation and amortization *2	8.4	3.6	-4.7
Portion of Goodwill amortization	4.5	-	-4.5
Foods EBITDA	3.3	7.9	4.6
Operating income	-4.8	1.9	6.7
Depreciation and amortization *2	8.1	5.9	-2.1
Portion of Goodwill amortization	1.8	0.8	-1.0
Others EBITDA	30.6	26.8	-3.8
Operating income	11.9	10.4	-1.5
Depreciation and amortization *2	18.6	16.3	-2.3
Portion of Goodwill amortization	-0.3	0.0	0.3

*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

5. Amortization relating to major acquisitions

(unit: JPY billion)

	FY ended March 2004	FY ended March 2005	Years to amortize	Finish date
JT International	33.2	33.3	-	-
Trademark rights (owned by JT)	29.3	29.3	10	Apr-09
Patents (owned by JT)	3.9	3.9	8	Apr-07
Goodwill*	-	-	-	-
Torii Pharmaceuticals	4.5	-	5	finished
Goodwill	4.5	-	5	finished
former Asahi Chemical Food Group	1.5	0.0	-	-
Trademark rights	0.05	0.05	10	Jun-09
Patents	0.04	0.04	8	Jun-07
Goodwill	1.4	-	5	finished
Japan Beverage	1.8	0.8	-	-
Goodwill	1.8	0.8	5	Mar-07

* Effective from the fiscal year ended March 31, 2002, amortization of goodwill of JT International ceased due to the adoption of a new accounting pronnouncement by JT International. However, the goodwill is subject to being tested for impairment annually.

6.Capital expenditure

	FY ended March 2004	FY ended March 2005	Change
Capital expenditures	90.8	85.1	-5.7
Tobacco	60.5	65.2	4.7
Pharmaceuticals	2.6	3.1	0.4
Foods	9.1	7.3	-1.7
Other businesses	18.0	10.6	-7.4

7. Free cash flow*

(unit: JPY billion)

	FY ended March 2004	FY ended March 2005	Change
Free cash flow	269.1	269.4	0.2

* FCF 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 deducing 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 adjutment above.

8. Ratio of shareholders' equity

	As of end of March 2004	As of end of March 2005	Change
Ratio of shareholders' equity	49.8%	50.2%	0.5%pt

9. Ratio of shareholders' equity (based on market value)*

	As of end of March 2004	As of end of March 2005	Change
Ratio of shareholders' equity (based on market value)	50.2%	79.8%	29.6%pt

* Shareholders' equity based on market value is price per share (as of March 31) times number of shares outstanding (two million shares).

10. Cash and cash equivalents*

(unit: JPY billion)

	As of end of March 2004	As of end of March 2005	Change
Cash and cash equivalents	798.4	863.6	65.1

* Cash and cash equivalents = cash and deposits + marketable securities + commercial paper received under repurchase agreements

11. Interest-bearing debt*

(unit: JPY billion)

	As of end of March 2004	As of end of March 2005	Change
Interest-bearing debt	381.2	230.7	-150.4

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

12. Interest-bearing debt/cash flow from operating activities

	FY ended March 2004	FY ended March 2005	Change	
Interest-bearing debt/cash flow from operating activities	1.1	0.9	-0.2	year

13. Interest coverage ratio*

	FY ended March 2004	FY ended March 2005	Change
Interest coverage ratio	41.1	48.7	7.7

* Interest coverage ratio = net cash provided by operating activities divided by financial expenses**

** Financial expenses = interest expense for loans and debt + interest expense for bonds + loss from redemption of marketable securities

14. Business data

<Domestic tobacco business>

	FY ended March 2004	FY ended March 2005	Change
JT sales volume* (billion cigarettes)	218.3	213.2	-5.0
Industry volume (billion cigarettes)	299.4	292.6	-6.7
JT Market share	72.9%	72.9%	0.0%pt
JT net sales including tax per thousand cigarettes(JPY)	11,478	11,756	278
JT net sales excluding tax per thousand cigarettes(JPY)	3,908	3,941	33
Number of leaf tobacco growers (hundreds)	200	188	-9
Area under cultivation for leaf tobacco (hundreds)	226	216	-11

* Sales volume of domestic duty-free and China division is excluded, which was 5.1 billion for FY ended March 2005, and 5.4 billion for FY ended March 2004, respectively.

<International tobacco business>

	Year ended Dec 2003	Year ended Dec 2004	Change
Total sales volume (billion cigarettes)	198.8	212.4	13.6
GFB sales volume (billion cigarettes)	117.5	131.4	13.9
Net sales including tax (USD million)	6,358	7,287	929
Net sales excluding tax (USD million)	3,465	3,943	479
JPY/USD rate for consolidation	116.00	108.23	-7.77

<Pharmaceuticals business>

	FY ended March 2004	FY ended March 2005	Change
Royalty revenue of Viracept (USD million)	68	58	-10
R&D expenses (parent company) (JPY billion)	23.1	20.1	-2.9

<Foods business - Beverage business>

	FY ended March 2004	FY ended March 2005	Change
Number of beverage vending machines *	211,000	226,000	15,000
JT-owned	45,000	44,500	-500
Combined	50,500	55,500	5,000

* "Beverage vending machines" include vending machines (for cans, packs, etc) and cup units 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 JT brand beverages but also sell non-JT brand beverages.

15. Number of employees*

	As of end of March 2004	As of end of March 2005	Change
Number of employees (consolidated basis)	39,243	32,640	-6,603
Tobacco	28,504	24,350	-4,154
Pharmaceuticals	1,551	1,566	15
Foods	5,409	5,357	-52
Other businesses	2,608	706	-1,902
Corporate	1,171	661	-510
Number of employees (parent company)	13,769	10,124	-3,645
Number of employees based on enrollment (parent company)	16,690	11,300	-5,390

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

	As of end of Dec 2003	As of end of Dec 2004	Change
JTI Number of employees	approx.11,900	approx.12,000	approx.100

1.Consolidated financial outlook for fiscal year ending March 31, 2006

(unit: JPY billion)

	FY ended March 2005 (Actual)	FY ending March 2006 (Forecast)	Change
Net sales including tax	4,664.5	4,640.0	-24.5
EBITDA	400.1	423.0	22.8
Operating income	273.3	297.0	23.6
Recurring profit	270.2	293.0	22.7
Net income	62.5	180.0	117.4
Return on equity	4.2%	11.4%	7.2%
Free cash flow*	269.4	108.0	-161.4

*Free Cash Flow is cash flow from operating activities plus cash flow from investing activities less the items below:
<From cash flow from operating activities>
- Interest received, dividend received and tax implication by deducting the items (assumption of corporate tax rate: 42%)
- Interest paid and the tax implication by deducing 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 adjutment above.

(unit: JPY billion)

	FY ended March 2005 (Actual)	FY ending March 2006 (Forecast)	Change
Capital expenditures	85.1	109.0	23.8
Tobacco	65.2	82.0	16.7
Pharmaceuticals	3.1	2.0	-1.1
Foods	7.3	5.0	-2.3
Other businesses	10.6	20.0	9.3

<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 inc
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
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

2.Consolidated financial outlook by business segment for FY ending March 31, 2006

(unit: JPY billion)

	FY ended March 2005 (Actual)	FY ending March 2006 (Forecast)	Change
Net sales including excise tax	4,664.5	4,640.0	-24.5
Tobacco	4,284.1	4,297.0	12.8
Pharmaceuticals	57.6	47.5	-10.1
Foods	265.3	276.0	10.6
EBITDA	400.1	423.0	22.8
Tobacco	360.8	398.0	37.1
Pharmaceuticals	5.4	-5.5	-10.9
Foods	7.9	10.5	2.5
Operating income	273.3	297.0	23.6
Tobacco	259.6	295.0	35.3
Pharmaceuticals	1.8	-8.5	-10.3
Foods	1.9	5.0	3.0

3.New business segments disclosed from FY ending March 2006

JT will disclose Japanese GAAP-based financial results for both the domestic and international businesses independently in its current quarterly financial statements.
Financial outlook of domestic and international businesses for FY ending March 2006 are as follows respectively

(1)Domestic Tobacco*2 (unit: JPY billion)

	FY ending March 2006 (Forecast)
Sales to customers*1	3,447.0
EBITDA	318.0
Operating income	232.0

*1 Sales to customers of domestic tobacco includes import tobacco sales JPY 1,134.0 billion, which will be handled by TS Network, JT's subsidiary

(2)International Tobacco*2 (unit: JPY billion)

	FY ending March 2006 (Forecast)
Sales to customers	850.0
EBITDA	79.0
Operating income	57.0

*2 Total of the sales of 'domestic tobacco' and 'international tobacco' does not corresponds to that of tobacco segment due to intra-business transaction and elimination.

<Reference>Before royalty payment to parent company*3

(unit: JPY billion)

	FY ending March 2006 (Forecast)
EBITDA	92.0

*3 Before royalty payment to parent company corresponds to EBITDA(USD) disclosed as management basis in the past.

4.Financial outlook of parent company for FY ending March 31, 2006

(unit: JPY billion)

	FY ended March 2005 (Actual)	FY ending March 2006 (Forecast)	Change
Net sales including excise tax	2,685.9	2,430.0	-255.9
Recurring profit	194.1	201.0	6.8
Net income	27.0	119.0	91.9

(unit: JPY)

	FY ended March 2005	FY ending March 2006 (Plan)
Annual dividend per share	13,000	14,000

Includes an additional dividend of ¥1,000 to commemorate JT's 20th anniversary as a joint stock company in FY ended March 2005.

5.Major assumptions

(1) Domestic tobacco business (unit: billions of cigarettes)

	FY ended March 2005 (Actual)	FY ending March 2006 (Forecast)	Change
Sales volume	213.2	195.0	-18.2
JT Original Brands	186.0	183.4	-2.6
JTI Brands (CAMEL etc.)	-	8.6	8.6
Marlboro	27.1	3.0	-24.1

Excludes sales of domestic duty-free and China division

(2) International tobacco business

(unit: billions of cigarettes, USD million)

	FY ended March 2005 (Actual)	FY ending March 2006 (Forecast)	Change
Tobal sales volume	212.4	222.0	9.6
GFB sales volume	131.4	137.0	5.6
Net sales including tax	7,287	8,100	813

Includes JTI Products in Japan until 30 April 2005
No change from guidance in Feb,2005

(3) JPY/USD rate for consolidation

	FY ended March 2005 (Actual)	FY ending March 2006 (Forecast)
1 USD	JPY 108.23	JPY 105

Japan Tobacco Inc. Clinical development (as of April 27, 2005)

Code	Stage	Indication	Mechanism	Characteristics	Development	Rights
JTE-607 (inj)	Phase2(JPN) Phase1(Overseas)	SIRS (systemic inflammatory response syndrome)	Inflammatory Cytokines inhibitor	Inhibits the production of inflammatory cytokines	Developed by JT Developed by JT	
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	Developed by JT	A license agreement was signed with Roche (Switzerland) for development and commercialization of this compound worldwide except Japan and Korea. (October 2004)
JTK-003 (oral)	Phase2(JPN) Phase2(Overseas)	Hepatitis C	HCV RNA-polymerase inhibitor	Treatment of Hepatitis C by inhibiting HCV RNA- polymerase which relates to viral proliferation	Developed by JT Developed by JT	
JTT-130 (oral)	Phase2(JPN) Phase1(Overseas)	Hyperlipidemia	MTP inhibitor	Treatment of hyperlipidemia by reducing absorpiton of cholesterol and triglyceride via inhibitioin of MTP MTP:Microsomal Triglyceride Transfer Protein	Developed by JT Developed by JT	
JTK-303 (oral)	Phase1(JPN)	Anti-HIV	Integrase inhibitor	Integrase inhibitor which works by blocking integrase, an enzyme that is involved in the replication of HIV (HIV:Human Immunodeficiency Virus)	Developed by JT	A license agreement was signed with Gilead (US) for development and commercialization of this compound worldwide except Japan . (March 2005)
JTT-302 (oral)	Phase1(Overseas)	Dyslipidemia	CETP inhibitor	Decreases LDL and Increases HDL by inhibition of CETP -CETP:Cholesteryl Ester Transfer Protein, facilitates transfer of cholesteryl ester from HDL to LDL -HDL:High density lipoprotein, Good Cholesterol -LDL:Low density lipoprotein, Bad Cholesterol	Developed by JT	

Changes from the previous announcement on April 8, 2005: none

Supplementary Material

JT's New Executive Appointments

Members of the Board

Representative Director and Chairman of the Board	Yoji Wakui
Representative Director	Katsuhiko Honda
Representative Director	Takao Hotta
Representative Director	Kazuei Obata
Representative Director	Seigo Nishizawa
Member of the Board	Tetsuji Kanamori
Member of the Board	Noriaki Okubo
*Member of the Board	Yasushi Shingai
*Member of the Board	Hiroshi Kimura

*Subject to approval at the ordinary general meeting of shareholders, to be held on June 24, 2005.

Auditors

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

*Subject to approval at the ordinary general meeting of shareholders, to be held on June 24, 2005.

Executive Officers

President	Chief Executive Officer	Katsuhiko Honda
Executive Deputy President	Assistant to CEO in Compliance, Finance, Communications, General Administration, Legal, and Operational Review and Business Assurance	Takao Hotta
Executive Deputy President	Chief Strategy Officer and Assistant to CEO in Human Resources	Kazuei Obata
Executive Deputy President	President, Tobacco Business and Assistant to CEO in Vending Machinery	Seigo Nishizawa
Senior Executive Vice President	Product Group, Tobacco Business	Yasumasa Matsunaga
Senior Executive Vice President	President, Food Business	Tetsuji Kanamori
Executive Vice President	Research & Development General Division, Tobacco Business	Ichiro Kumakura
Executive Vice President	Sales Headquarters, Tobacco Business	Koji Nishihara
Executive Vice President	Head of Central Pharmaceutical Research Institute, Chief Scientific Officer, Pharmaceutical Business	Shigeo Ishiguro
Executive Vice President	Chief General Affairs Officer	Ryoichi Yamada
Executive Vice President	Chief Legal Officer	Ryuichi Shimomura
Senior Vice President	Blending & Product Development General Division, Tobacco Business	Tadashi Iwanami

Senior Vice President	Manufacturing General Division, Tobacco Business	Kenji Iijima
Senior Vice President	Domestic Leaf Tobacco General Division, Tobacco Business	Tatsuya Hisano
Senior Vice President	Tobacco Business Planning Division, Tobacco Business	Mitsuomi Koizumi
Senior Vice President	Corporate, Scientific & Regulatory Affairs, Tobacco Business	Seiki Sato
Senior Vice President	President, Pharmaceutical Business	Noriaki Okubo
Senior Vice President	Soft Drink Business Division, Food Business	Gisuke Shiozawa
Senior Vice President	Food Business Division, Food Business	Kazuo Kobayashi
Senior Vice President	Chief Human Resources Officer	Yoshiyuki Murai
Senior Vice President	Chief Financial Officer	Yasushi Shingai
Senior Vice President	Chief Communications Officer	Masakazu Shimizu

Remarks:

Subject to approval at the meeting of the Board of Directors, to be held on June 24, 2005

Mutsumi Makinoda, Senior Executive Vice President has resigned as of March 31, 2005.