

**CONSOLIDATED FINANCIAL RESULTS
FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2006**

February 8, 2007

*The cash flow statement on page 12 is partially revised as of April 27, 2007.

Name of the Listed Company: **Japan Tobacco Inc.** (Stock Code: 2914)
Listed Stock Exchanges: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo Stock Exchanges
Head Office: Tokyo
URL: <http://www.jti.co.jp/>
Representative: Hiroshi Kimura, President, Chief Executive Officer and Representative Director
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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: None

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

Number of Consolidated Subsidiaries: 154 (New Consolidated Companies: 3, Exclusion from Consolidation: 6)

Number of Companies applied for the equity method: 12

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

2. RESULTS FOR THE NINE-MONTH PERIOD ENDED DECEMBER 31, 2006

1). FINANCIAL RESULTS

Amounts are rounded down to the nearest 1 million yen.

	Net Sales		Operating Income		Recurring Profit		Net Income	
	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%	<i>Millions of yen</i>	%
Nine-month periods ended								
December 31, 2006	3,637,470	2.5	273,459	8.6	276,026	13.3	193,485	18.0
December 31, 2005	3,550,368	△ 1.3	251,849	9.3	243,558	7.1	164,025	24.8
Year ended March 31, 2006	4,637,657		306,946		297,842		201,542	

	Net Income per Share	Diluted Net Income per Share
Nine-month periods ended	<i>yen</i>	<i>yen</i>
December 31, 2006	20,196.69	-
December 31, 2005	85,607.45	-
Year ended March 31, 2006	105,084.78	-

(Note)

- Percentages under "Net Sales," "Operating Income," "Recurring Profit," "Net Income" indicate changes from the corresponding figures for the previous nine-months period ended December 31, 2005
- Each share of common stock was split into five shares on April 1, 2006.

2). FINANCIAL POSITION

	Total Assets	Net Assets	Ratio of Equity Capital	Net Assets per Share
Nine-month periods ended	<i>Millions of yen</i>	<i>Millions of yen</i>	%	<i>yen</i>
December 31, 2006	3,405,521	1,994,823	56.7	201,565.80
December 31, 2005	3,100,893	1,698,151	54.8	886,293.18
Year ended March 31, 2006	3,037,378	1,762,511	58.0	919,780.33

(Note)

- The figures for the nine-month period ended December 31, 2005 and for the year ended March 2006 are those of "Shareholders' Equity," "Ratio of Shareholders' Equity" and "Shareholders' Equity per Share," as previously reported.
- Each share of common stock was split into five shares on April 1, 2006.

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
Nine-month periods ended	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>
December 31, 2006	349,869	20,378	△ 29,400	1,264,022
December 31, 2005	124,224	△ 91,753	△ 41,447	828,688
Year ended March 31, 2006	150,342	△ 26,357	△ 48,134	920,141

3. FORECAST FOR THE BUSINESS RESULTS FOR THE FISCAL YEAR ENDING MARCH 31, 2007

	Net Sales	Recurring Profit	Net Income
Year ending	<i>Millions of yen</i>	<i>Millions of yen</i>	<i>Millions of yen</i>
March 31, 2007	4,740,000	298,000	202,000

Forecasted Annual Net Income per Share (yen) : 21,085.42

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 6 and 7 regarding the forecast above.

1. Business Results and Financial Position

(1) Qualitative Information Regarding Progress of Consolidated Business Results

1) Overview of Financial Results

Business Results for the nine-month period that ended December 31, 2006

The JT Group has been putting forth strong efforts to overcome the current challenges in the market and achieve sustainable growth for the future through the consistent implementation of measures in accordance with the medium term management plan “JT2008” formulated in May 2006.

Net Sales

Net sales reached 3,637.4 billion yen for the nine-month period that ended December 31, 2006, an increase of 87.1 billion yen (up 2.5%) compared with the corresponding figure for the same period in the previous year, primarily due to an increase in sales volume in the international tobacco business which more than offset the decreased sales volume in the domestic tobacco business.

(Billions of yen unless specifically stated otherwise)

	Nine-month period that ended:		Increase / Decrease(△)	
	December 31, 2005	December 31, 2006		
Consolidated	3,550.3	3,637.4	87.1	2.5%
Domestic Tobacco	2,631.9	2,624.9	△7.0	△0.3%
International Tobacco	649.4	742.4	93.0	14.3%
Pharmaceutical	38.8	36.0	△2.8	△7.2%
Foods	212.7	218.5	5.7	2.7%
Others	17.3	15.5	△1.8	△10.5%

*Figures above represent external sales.

Operating Income

Operating income reached 273.4 billion yen for the nine-month period that ended December 31, 2006, an increase of 21.6 billion yen (up 8.6%) compared with the corresponding figure for the same period in the previous year, primarily due to an increase in unit prices following the amendment of retail price and cost reduction in the domestic tobacco business and profit growth in the international tobacco business.

(Billions of yen unless specifically stated otherwise)

	Nine-month period that ended:		Increase / Decrease(△)	
	December 31, 2005	December 31, 2006		
Consolidated	251.8	273.4	21.6	8.6%
Domestic Tobacco	176.7	196.7	20.0	11.4%
International Tobacco	59.6	70.9	11.2	18.9%
Pharmaceutical	△2.6	△7.3	△4.7	-
Foods	5.4	6.6	1.1	21.7%
Others	5.9	6.7	0.8	13.5%
Elimination/Corporate	6.7	△0.2		

Recurring Profit

Recurring profit reached 276.0 billion yen for the nine-month period that ended December 31, 2006, an increase of 32.4 billion yen (up 13.3%) compared with the corresponding figure for the same period in the previous year, primarily due to the improvement of foreign exchange gains or losses.

Net Income

Net income was 193.4 billion yen for the nine-month period that ended December 31, 2006, an increase of 29.4 billion yen (up 18.0%) compared with the corresponding figure for the same period in the previous year, primarily due to a decrease in losses achieved from sales of company assets including equipment, manufacturing plants, properties, etc.

2) Financial Results by Business Segment

Domestic Tobacco Business

The domestic tobacco business is positioned as a core source of profits for the entire JT Group. As the business environment grows increasingly fierce, with the enactment of the increased tobacco excise taxes in July 2006, and rising competition with rival companies led by a decline in aggregate tobacco demand, JT will continue its efforts to ensure product share in the market, and increase productivity through innovation and the strengthening of existing brands as well as the successful launch of new products in growing segments.

The “Blue Wind” symbol was adopted as the design for five box-type products in the Mild Seven in May 2006. In addition, designs for nine products, which utilized soft packaging or belonged to the 1-mg tar segment were changed in December 2006 in an effort to unify the brand imaging among JT products. JT launched six products from six brands, including four D-spec products (*1), as part of a successful launch in the growing market segment, and carried out efficient and effective sales promotion activities, including the sales area expansion for two products from two brands which had previously been sold in limited areas, to nationwide coverage, in response to increased consumer demand.

(*1) Products adopting JT’s proprietary reduced odor technology that suppress odors caused by cigarettes.

(Table 1)

Products launched in October 2006

Products	Price/Quantity	Tar/Nicotine	Initial Sales Area	Remarks
Cabin One Tasty 100’s Box	300 yen/ 20 cigarettes	1mg/0.1mg	42 prefectures excluding Miyagi, Kanagawa, Aichi, Kyoto and Fukuoka	
Camel Menthol Box	320 yen/ 20 cigarettes	8mg/0.7mg	Miyagi	Menthol product D-spec product
Sakura	350 yen/ 20 cigarettes	7mg/0.6mg	Kanagawa	D-spec product
Peace Infinity	350 yen/ 20 cigarettes	8mg/0.7mg	Kyoto	D-spec product
Salem Ice Blue	320 yen/ 20 cigarettes	8mg/0.6mg	Fukuoka	Menthol product D-spec product

Products launched in December 2006

Products	Price/Quantity	Tar/Nicotine	Initial Sales Area	Remarks
Mild Seven Super Lights 100’s Box	300 yen/ 20 cigarettes	6mg/0.5mg	Hokkaido(*)	

*Sales area was expanded to nationwide on February 1, 2007.

(Table 2)

Products expanded to nationwide coverage in April 2006

Products	Price/Quantity	Tar/Nicotine	Remarks
Seven Stars Revo Ultra Lights Menthol Box	320 yen/ 20 cigarettes	3mg/0.2mg	Menthol product D-spec product

Products expanded to nationwide coverage in December 2006

Products	Price/Quantity	Tar/Nicotine	Remarks
Cabin One Tasty 100’s Box	300 yen/ 20 cigarettes	1mg/0.1mg	

Domestic tobacco sales volume for the nine-month period that ended December 31, 2006, was 135.5 billion cigarettes (*2), a decrease of 11.6 billion cigarettes (down 7.9%) compared with the corresponding figure for the same period in the previous year, due to the termination of the licensing agreement with Philip Morris International for Marlboro products in Japan, at the end of April 2005, and the amendment of retail prices, accompanied by the increased tobacco excise taxes in July 2006. JT’s domestic market share represented 64.9 percent in the nine-month period that ended December 31, 2006, a decrease of 1.9 percent compared with the corresponding figure for the same period in the previous year, while net sales excluding tax (per thousand cigarettes) reached 3,971 yen, an increase of 105 yen compared with the corresponding figure for the same period in the previous year.

Net sales reached 2,624.9 billion yen for the nine-month period that ended December 31, 2006, a decrease of 7.0 billion yen (down 0.3%) compared with the corresponding figure for the same period in the previous year, due to a decline in sales volume. Operating reached 196.7 billion yen for the nine-month period that ended December 31, 2006, an increase of 20.0 billion yen (up 11.4%) compared with the corresponding figure for the same period in the previous year, as increased unit prices and reduced costs contributed to overcoming of the decline in sales volume.

(*2) In addition to the above figure, the domestic tobacco business sold 2.5 billion cigarettes during the nine-month period that ended December 31, 2006, taking into account sales from duty-free shops in Japan and in additional sales in the China, Hong Kong, and Macao markets, which are covered by JT's China Division.

International Tobacco Business

The international tobacco business represents the driving force for profit growth for the entire JT Group, at the center of which is JT International S.A., a subsidiary of JT, aimed at increasing sales volume, while focusing on the Global Flagship Brand (GFB), which include "Camel," "Winston," "Mild Seven" and "Salem."

Sales volume was 178.2 billion cigarettes for the nine-month period that ended December 31, 2006, an increase of 14.7 billion cigarettes (up 9.0%) compared with the corresponding figure for the same period in the previous year, primarily due to favorable upturn in GFB sales, a major area of focus for the JT Group for profit growth. Total sales volume for GFBs was 110.3 billion cigarettes for the nine-month period that ended December 31, 2006, an increase of 11.1 billion cigarettes (up 11.2%) compared with the corresponding figure for the same period in the previous year. This was primarily due to an increase in sales of "Camel" in Italy and France, "Winston" in Spain, Russia, Iran, Turkey, Ukraine and Italy and "Mild Seven" in Taiwan and Russia.

Net sales reached 742.4 billion yen and operating income accounted for 70.9 billion yen, increases of 93.0 billion yen (up 14.3%) and 11.2 billion yen (up 18.9%) respectively, compared with corresponding figure in the same period in the previous year. This was primarily due to by an increase in sales volume, mainly in the GFBs, despite the transfer of a portion of the Japanese market previously covered by the international tobacco business to the domestic tobacco business in May 2005, and the impact of an increase in tobacco excise taxes in Spain.

- (Note)
1. For the purpose of this document, US\$ 1.00 was converted to 107.90 yen and 115.90 yen for the nine-month periods that ended December 31, 2005, and December 31, 2006, respectively.
 2. With respect to the international tobacco business results, the nine-month results for the period between January 2006 and September 2006 are reflected in this report.

JT has been taking the necessary steps to avoid an unreasonable Notice of Assessment to its subsidiaries located in Canada and in Russia, which continue to operate. The JT Group will continue to operate its businesses in compliance with the laws and business practices in their respective countries, and continue to take all possible measures, including legal options, to prevent any infractions of the law and/or such Notice of Assessments.

(Additional information regarding Gallaher)

As announced on December 15, 2006, JT has reached an agreement with the U.K.-based tobacco company, Gallaher Group Plc (Gallaher), regarding a cash offer for the entire issued and to be issued share capital of Gallaher, which is in line with JT's goal to make the company a wholly-owned subsidiary.

The offer is to be implemented by means of a scheme of arrangement under the English law. The scheme is an acquisition process in the United Kingdom to be done on a friendly basis, which becomes effective upon agreement by the board of directors of Gallaher, and the approval of competition law authorities, the extraordinary general meeting of Gallaher shareholders, and the Court.

The board of directors of Gallaher has been unanimous in recommending the offer. The company posted the scheme document to its shareholders on January 19, 2007 (U.K. time).

Pharmaceutical Business

With respect to the pharmaceutical business, JT has been increasing efforts to maximize business value in a timely and efficient manner, to position the business division as a driving force for future growth. JT's pharmaceutical business has been firmly focused on advancing its clinical compounds to the higher stages of clinical study, and further enhancing its R&D pipeline, while seeking out strategic opportunities for the licensing in and out of its products.

Following the introduction of its anti-hyperuricemia drug (JTT-552) into the clinical trial stage, JT currently has seven drugs in the clinical development pipeline. JT entered into license-out agreements with GlaxoSmithKline Inc. for a new chemical compound in its pre-clinical trial stage in April 2006, and with MedImmune, Inc. for an antibody drug candidate in its pre-clinical trial stage in December 2006.

Royalty revenue from "Viracept," an HIV treatment drug jointly developed with Agouron Pharmaceuticals, Inc. (a subsidiary of Pfizer Inc.), and sold primarily in the United States, Europe and Japan, declined as a result of intensifying competition in the pharmaceutical industry.

Torii Pharmaceutical Co., Ltd. (Torii), a subsidiary of JT, showed a decrease in net sales despite increased sales of "Antebate," a protease inhibitor, and "Truvada," an HIV treatment drug. The decline is primarily due to a sales decrease of the company's main products including "Futhan," an injectable proteolytic enzyme inhibitor, and "Stronger Neo-Minophagen C," an agent for liver disease/antiallergic agent, due to several factors, including drug price revisions implemented in April 2006.

Net sales reached 36.0 billion yen for the nine-month period that ended December 31, 2006, a decrease of 2.8 billion yen (down 7.2%) compared with the corresponding figure for the same period in the previous year. This was primarily due to the decline in net sales for Torii, and the negative impact caused by the absence of a one-time sales income related to the licensing of "JTK-303" to Gilead Sciences recorded in the same period in the previous year, despite several positive factors in this reporting cycle, including two additional one-time sales incomes through licensing agreements with GlaxoSmithKline and MedImmune, Inc. Accordingly, operating loss reached 7.3 billion yen from 2.6 billion yen, as recorded for the same period in the previous year.

In November 2006, Toray Industries, Inc. (Toray) filed for a new drug application for its antipruritus drug developed by Toray which it had agreed with JT and Torii to co-develop and market in the domestic market in March 2005. In September 2006, the three companies agreed to co-develop and market the drug for the treatment of hepatic disease in the domestic market.

Foods Business

Positioning the foods business as one of the key components to the company's success, JT is focusing on the three main areas including its beverage business, processed foods business (which includes frozen processed foods, bakery, chilled processed foods and processed preserved foods), and seasonings business with the aim of establishing a competitive advantage in the market and a solid business foundation as a general foods manufacturer.

JT has been steadily expanding its beverage business primarily through the vending machine operation provided by Japan Beverage Inc., a subsidiary of JT, and the active development and introduction of new and unique products, while focusing mainly on its core brand "Roots."

Regarding JT's processed foods business, the company aims to continue to expand and enrich its product line of commercial frozen foods, including its "Obento Dai-Ninki!" and "Imadoki-Wazen" lines, in order to expand its scale of operation and strengthen earning capacity.

JT's seasonings business, JT is striving to enhance its business base through the development and introduction of High IG yeast extract, which was developed through JT's exclusive technology.

Net sales were 218.5 billion yen for the nine-month period that ended December 31, 2006, an increase of 5.7 billion yen (up 2.7%) compared with the corresponding figure for the same period in the previous year, primarily due to the expansion of vending machine sales channels and the steady rise in sales of "Roots" in the beverage business, and the expansion of operating scale in the processed foods business, primarily in the frozen processed foods and chilled processed foods' divisions. Operating income was 6.6 billion yen for the nine-month period that ended December 31, 2006, an increase of 1.1 billion yen (up 21.7%) compared with the corresponding figure for the same period in the previous year.

Other Businesses

Net sales for JT's other businesses were 15.5 billion yen for the nine-month period that ended December 31, 2006, a decrease of 1.8 billion yen (down 10.5%) compared with the corresponding figure for the same period in the previous year, primarily due to the decline in the number of consolidated subsidiaries following the transfer of their shares. Operating income was 6.7 billion yen for the nine-month period that ended December 31, 2006, an increase of 0.8 billion yen (up 13.5%) compared with the corresponding figure for the same period in the previous year, resulting from an increase in the real estate rental revenue.

(2) Qualitative Information Regarding Changes of Consolidated Financial Position

Cash and cash equivalents as at the end of the nine-month period that ended December 31, 2006 accounted for 1,264.0 billion yen, an increase of 343.8 billion yen compared with the corresponding figure for the same period in the previous year. (The figure was 828.6 billion yen at the end of the same period in the previous year.)

Cash Flow from Operating Activities

Net cash provided by operating activities for the nine-month period that ended December 31, 2006, accounted for 349.8 billion yen, compared to 124.2 billion yen, as reported for the same period in the previous year. This was primarily due to an increase in excise taxes payable on tobacco, a decrease in the cash-out associated with the voluntary retirement program as well as the stable cash flow generated by the tobacco business.

Cash Flow from Investing Activities

Net cash provided by investing activities accounted for 20.3 billion yen for the nine-month period that ended December 31, 2006, while 91.7 billion yen of net cash used was reported for the same period in the previous year. This was primarily due to the increase in proceeds from sale and redemption of securities.

Cash Flow from Financing Activities

Net cash used in financing activities for the nine-month period that ended December 31, 2006, accounted for 29.4 billion yen, while 41.4 billion yen was reported for the same period in the previous year. The decline resulted from the impact from increased dividend payments exceeding the effect of increased revenue following a rise in short-term borrowings by subsidiaries.

2. Forecast of consolidated business results for the fiscal year ending March 31, 2007

Forecast for the fiscal year ending March 31, 2007 is as follows:

(Billions of yen)		
	Current Forecast (as of February 8, 2007)	Previous Forecast (as of October 31, 2006)
Net Sales	4,740.0	4,770.0
Operating Income	318.0	308.0
Recurring Profit	298.0	310.0
Net Income	202.0	206.0

The previous forecast for net sales was revised downward by 30.0 billion yen primarily due to a decrease in aggregate tobacco demand in the domestic tobacco business, despite an increase in sales volume primarily contributed by the sales of GFBs by the international tobacco business.

Regarding operating income, the forecasted figure was revised upward by 10.0 billion yen, as a result of the positive impacts of the decreased costs for vending machines, the reversal of devaluation losses on leaf tobacco in the domestic tobacco business, and profit growth in the international tobacco business exceeding the negative effects of the downward revision of forecasted net sales.

Recurring profit for the forecasted figure was revised downward by 12.0 billion yen, primarily due to the allocation of financial costs associated with the cash offer made to Gallaher. Accordingly, the forecasted figure for net income was also revised downward by 4.0 billion yen.

* Additional projections for the year ending March 31, 2007

The domestic tobacco business	Current Forecast	Previous Forecast
Sales volume	174.0 billion cigarettes	176.0 billion cigarettes

The international tobacco business	Current Forecast (Actual results from January 2006 to December 2006)	Previous Forecast
Sales volume	240.1 billion cigarettes	239.0 billion cigarettes
GFB sales volume	149.1 billion cigarettes	147.0 billion cigarettes
Exchange rate (US 1.00 dollar)	116.38 yen	116.00 yen

(Note) The above figures are based on judgments, evaluations, factual understandings, policies and other factors made in accordance with information available to the management. They are also based upon certain assumptions required to formulate forward-looking statements as well as information already confirmed to be factual. Actual figures may differ from those forecasted, depending on uncertainties inherent in such forecasts, as well as possible changes in the Company's operations and economic environment, including domestic and foreign stock markets. Please refer to the Notes Regarding Forward-Looking Statements below, before using the information provided in our forward-looking statements.

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 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.

CONSOLIDATED BALANCE SHEETS

Japan Tobacco Inc. and Consolidated Subsidiaries
as of March 31, 2006 and as of December 31, 2006

*The sign "△" indicates a credit balance.

This also means decrease for a debit balance (increase for a credit balance) where used in "Increase/Decrease" Column.

	<i>as of March 31,</i> 2006	<i>as of December 31,</i> 2006	<i>Millions of yen</i> <i>Increase /</i> <i>Decrease</i>
ASSETS			
CURRENT ASSETS:	1,608,154	2,014,920	406,766
Cash and deposits	322,715	1,027,500	704,785
Trade notes and accounts receivable	134,182	178,197	44,014
Marketable securities	576,967	199,608	△ 377,358
Inventories	406,832	436,029	29,197
Other current assets	169,231	175,507	6,275
Allowance for doubtful accounts	△ 1,776	△ 1,924	△ 147
FIXED ASSETS:	1,429,180	1,390,577	△ 38,603
Property, plant and equipment:	596,544	596,157	△ 386
Buildings and structures	238,049	228,947	△ 9,102
Machinery, equipment and vehicles	144,604	138,688	△ 5,916
Land	138,671	132,359	△ 6,312
Other	75,217	96,162	20,944
Intangible assets:	579,519	549,448	△ 30,070
Goodwill	355,183	357,485	2,302
Trademarks	190,587	163,057	△ 27,529
Other	33,748	28,905	△ 4,842
Investments and other assets:	253,117	244,971	△ 8,145
Investment securities and other assets	254,941	246,354	△ 8,586
Allowance for doubtful accounts	△ 1,292	△ 974	318
Allowance for loss on investments	△ 531	△ 408	122
DEFERRED ASSETS	44	23	△ 20
TOTAL ASSETS	3,037,378	3,405,521	368,142

CONSOLIDATED BALANCE SHEETS

Japan Tobacco Inc. and Consolidated Subsidiaries
as of March 31, 2006 and as of December 31, 2006

*The sign "△" indicates a debit balance.

This also means decrease for a credit balance (increase for a debit balance) where used in "Increase/Decrease" Column.

	<i>as of March 31,</i> 2006	<i>as of December 31,</i> 2006	<i>Millions of yen</i> <i>Increase /</i> <i>Decrease</i>
LIABILITIES			
CURRENT LIABILITIES:	626,355	880,010	253,655
Trade notes and accounts payable	137,454	145,484	8,030
Short-term bank loans	33,292	46,037	12,745
Current portion of long-term borrowings	18,203	19,122	918
National tobacco excise taxes payable	68,184	141,067	72,882
National tobacco special excise taxes payable	12,793	24,410	11,617
Local tobacco excise taxes payable	95,181	202,346	107,165
Accrued bonuses	27,610	16,666	△ 10,943
Other allowances	1,869	1,978	108
Other current liabilities	231,764	282,896	51,131
NON-CURRENT LIABILITIES:	590,950	530,687	△ 60,263
Bonds	150,000	150,000	-
Long-term borrowings	15,111	6,084	△ 9,027
Liabilities for retirement benefits	293,425	287,365	△ 6,059
Liabilities for retirement benefits for directors and corporate auditors	899	926	27
Other non-current liabilities	131,513	86,309	△ 45,203
TOTAL LIABILITIES	1,217,305	1,410,697	193,392
MINORITY INTERESTS:			
MINORITY INTERESTS	57,561	-	△ 57,561
SHAREHOLDERS' EQUITY:			
COMMON STOCK	100,000	-	△ 100,000
CAPITAL SURPLUS	736,400	-	△ 736,400
RETAINED EARNINGS	972,511	-	△ 972,511
NET UNREALIZED GAINS ON INVESTMENT SECURITIES	35,531	-	△ 35,531
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS	△ 7,353	-	7,353
TREASURY STOCK	△ 74,578	-	74,578
TOTAL SHAREHOLDERS' EQUITY	1,762,511	-	△ 1,762,511
TOTAL LIABILITIES, MINORITY INTERESTS AND SHAREHOLDERS' EQUITY	3,037,378	-	△ 3,037,378

CONSOLIDATED BALANCE SHEETS

Japan Tobacco Inc. and Consolidated Subsidiaries
as of March 31, 2006 and as of December 31, 2006

*The sign "△" indicates a debit balance.

This also means decrease for a credit balance (increase for a debit balance) where used in "Increase/Decrease" Column.

	<i>as of March 31,</i> <i>2006</i>	<i>as of December 31,</i> <i>2006</i>	<i>Millions of yen</i> <i>Increase /</i> <i>Decrease</i>
NET ASSETS			
SHAREHOLDERS' EQUITY:	-	1,893,134	1,893,134
Common stock	-	100,000	100,000
Capital surplus	-	736,400	736,400
Retained earnings	-	1,131,312	1,131,312
Treasury stock	-	△ 74,578	△ 74,578
VALUATION AND TRANSLATION ADJUSTMENTS:	-	37,882	37,882
Net unrealized gains on investment securities	-	33,843	33,843
Net deferred gains on hedging instruments	-	8,790	8,790
Foreign currency translation adjustments	-	△ 4,751	△ 4,751
MINORITY INTERESTS	-	63,806	63,806
TOTAL NET ASSETS	-	1,994,823	1,994,823
TOTAL LIABILITIES AND NET ASSETS	-	3,405,521	3,405,521

CONSOLIDATED STATEMENTS OF INCOME

Japan Tobacco Inc. and Consolidated Subsidiaries

for the nine-month periods ended December 31, 2005 and 2006 and for the year ended March 31, 2006

*The sign "△" indicates decrease.

	For the nine-month period ended		Increase / Decrease	Millions of yen For the year ended March 31, 2006
	December 31, 2005	December 31, 2006		
NET SALES	3,550,368	3,637,470	87,101	4,637,657
COST OF SALES	2,853,342	2,930,596	77,254	3,734,073
GROSS PROFIT	697,026	706,873	9,846	903,583
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	445,176	433,413	△ 11,762	596,636
OPERATING INCOME	251,849	273,459	21,609	306,946
NON-OPERATING INCOME:	7,219	17,425	10,205	12,655
Interest income	2,679	6,808	4,128	4,300
Dividend income	1,429	1,497	68	1,608
Foreign exchange gain	-	5,730	5,730	-
Other	3,110	3,388	278	6,745
NON-OPERATING EXPENSES:	15,511	14,858	△ 653	21,759
Interest expense	4,494	4,793	299	5,775
Foreign exchange loss	1,585	-	△ 1,585	2,892
Financial support for domestic leaf tobacco growers	891	3,530	2,639	863
Periodic mutual assistance association cost	2,305	2,034	△ 270	3,074
Other	6,235	4,499	△ 1,735	9,153
RECURRING PROFIT	243,558	276,026	32,468	297,842
EXTRAORDINARY PROFIT:	46,527	41,048	△ 5,478	65,453
Gain on sales of property, plant and equipment	41,312	38,827	△ 2,484	60,036
Other	5,214	2,221	△ 2,993	5,416
EXTRAORDINARY LOSS:	35,910	13,241	△ 22,668	62,302
Loss on sale of property, plant and equipment	24,258	2,923	△ 21,334	24,875
Loss on disposal of property, plant and equipment	3,516	4,310	793	12,279
Business restructuring costs	6,187	-	△ 6,187	8,009
Introduction costs for vending machines with adult identification functions	-	1,693	1,693	-
Other	1,947	4,314	2,366	17,137
INCOME BEFORE INCOME TAXES AND MINORITY INTERESTS	254,174	303,833	49,659	300,993
INCOME TAXES-CURRENT	86,210	106,533	20,323	49,686
INCOME TAXES-DEFERRED	-	-	-	45,209
MINORITY INTERESTS	3,938	3,813	△ 124	4,555
NET INCOME	164,025	193,485	29,460	201,542

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Tobacco Inc. and Consolidated Subsidiaries

for the nine-month periods ended December 31, 2005 and 2006 and for the year ended March 31, 2006

* The sign " Δ " indicates decrease, unless specifically stated otherwise.

	For the nine-month period ended		Increase/ Decrease	For the year ended
	December 31, 2005	December 31, 2006		March 31, 2006
<i>Millions of yen</i>				
OPERATING ACTIVITIES: (The underlined figures are revised as of April 27, 2007 from the original which was released on February 8, 2007.)				
Income before income taxes and minority interests	254,174	303,833	49,659	300,993
Depreciation and amortization	92,628	95,595	2,966	124,854
Net gain on disposition				
of property, plant and equipment	Δ 16,464	Δ 33,036	Δ 16,571	Δ 30,018
Amortization of goodwill	1,233	2,053	820	1,590
Decrease in liabilities for retirement benefits	Δ 3,060	Δ 9,489	Δ 6,429	Δ 6,591
Interest income and dividend income	Δ 4,109	Δ 8,305	Δ 4,196	Δ 5,909
Interest expense	4,494	4,793	299	5,775
(Increase) decrease in trade notes				
and accounts receivable (Δ :increase)	Δ 28,478	Δ 40,247	Δ 11,768	765
(Increase) decrease in inventories (Δ :increase)	11,675	Δ 26,635	Δ 38,311	44,091
Increase (decrease) in trade notes				
and accounts payable	29,942	4,119	Δ 25,823	20,260
Decrease in other payable	Δ 133,968	Δ 30,712	103,255	Δ 125,688
Increase (decrease)				
in tobacco excise taxes payable	71,730	191,392	119,661	Δ 13,972
Decrease in non-current other payable	Δ 75,611	Δ 41,205	34,406	Δ 87,376
Other, net	Δ 24,972	<u>Δ 12,419</u>	<u>12,553</u>	Δ 19,613
Sub-total	179,214	<u>399,736</u>	<u>220,521</u>	209,158
Interest and dividend received	4,222	8,445	4,223	5,910
Interest paid	Δ 4,776	Δ 4,921	Δ 144	Δ 5,712
Income taxes paid	Δ 54,436	<u>Δ 53,392</u>	<u>1,044</u>	Δ 59,014
Net cash provided by operating activities	124,224	349,869	225,644	150,342
INVESTING ACTIVITIES:				
Purchases of marketable securities	Δ 122,928	Δ 330,492	Δ 207,563	Δ 145,933
Proceeds from sale and redemption				
of marketable securities	42,703	381,269	338,565	121,700
Purchase of property, plant and equipment	Δ 64,308	Δ 69,084	Δ 4,775	Δ 82,850
Proceeds from sale				
of property, plant and equipment	52,914	46,778	Δ 6,135	82,146
Purchase of intangible assets	Δ 7,461	Δ 6,276	1,184	Δ 8,966
Purchase of investment securities	Δ 1,486	Δ 1,601	Δ 115	Δ 2,733
Proceeds from sale and redemption				
of investment securities	3,108	4,990	1,882	4,341
Purchase of shares of newly consolidated				
subsidiaries, net of cash acquired	Δ 145	Δ 4,049	Δ 3,904	Δ 1,400
Disbursements from sale of shares of former				
consolidated subsidiaries, net of cash held	Δ 143	Δ 387	Δ 243	Δ 143
Other, net	5,994	Δ 767	Δ 6,762	7,480
Net cash provided by (used in)				
 investing activities	Δ 91,753	20,378	112,132	Δ 26,357

CONSOLIDATED STATEMENTS OF CASH FLOWS

Japan Tobacco Inc. and Consolidated Subsidiaries

for the nine-month periods ended December 31, 2005 and 2006 and for the year ended March 31, 2006

* The sign " Δ " indicates decrease, unless specifically stated otherwise.

	For the nine-month period ended		Increase/ Decrease	Millions of yen For the year ended
	December 31, 2005	December 31, 2006		March 31, 2006
FINANCING ACTIVITIES:				
Net increase (decrease) in short-term bank loans	Δ 1,546	11,663	13,210	1,552
Proceeds from long-term borrowings	243	-	Δ 243	-
Repayments of long-term borrowings	Δ 10,443	Δ 10,271	171	Δ 19,473
Proceeds from minority shareholders	-	4,927	4,927	-
Dividends paid	Δ 28,740	Δ 34,488	Δ 5,748	Δ 28,740
Dividends paid to minority shareholders	Δ 940	Δ 1,004	Δ 64	Δ 1,467
Other, net	Δ 20	Δ 227	Δ 206	Δ 5
Net cash used in financing activities	Δ 41,447	Δ 29,400	12,046	Δ 48,134
FOREIGN CURRENCY TRANSLATION ADJUSTMENTS ON CASH AND CASH EQUIVALENTS				
	8,576	3,033	Δ 5,543	15,204
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	Δ 398	343,880	344,279	91,054
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	829,087	920,141	91,054	829,087
CASH AND CASH EQUIVALENTS, END OF PERIOD	828,688	1,264,022	435,333	920,141

SEGMENT INFORMATION

* The sign " Δ " indicates loss.

OPERATIONS BY INDUSTRY SEGMENT

(For the nine-month period ended December 31, 2005)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceutical	Foods	Others	Total	Elimination/Corporate	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	Δ 2,669	5,467	5,966	245,099	6,750	251,849

(For the nine-month period ended December 31, 2006)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceutical	Foods	Others	Total	Elimination/Corporate	Consolidated
Sales								
(1) Sales to customers	2,624,929	742,445	36,061	218,501	15,532	3,637,470	-	3,637,470
(2) Intersegment sales	31,852	17,863	-	91	17,120	66,927	(66,927)	-
Total	2,656,781	760,308	36,061	218,592	32,653	3,704,397	(66,927)	3,637,470
Operating expenses	2,459,992	689,404	43,448	211,936	25,882	3,430,665	(66,654)	3,364,010
Operating income (loss)	196,788	70,904	Δ 7,387	6,656	6,770	273,732	Δ 272	273,459

(For the year ended March 31, 2006)

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceutical	Foods	Others	Total	Elimination/Corporate	Consolidated
Sales								
(1) Sales to customers	3,405,281	881,187	49,256	278,378	23,552	4,637,657	-	4,637,657
(2) Intersegment sales	41,553	36,913	-	122	25,212	103,803	(103,803)	-
Total	3,446,835	918,101	49,256	278,501	48,765	4,741,460	(103,803)	4,637,657
Operating expenses	3,226,740	847,071	54,313	272,175	40,091	4,440,392	(109,682)	4,330,710
Operating income (loss)	220,095	71,030	Δ 5,057	6,325	8,673	301,067	5,879	306,946

NOTE:

- Operations by industry segment are categorized primarily based on types of products, characteristics and markets.
- Main products or services under each category are as follows:
 - 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.
 - International Tobacco: Tobacco products
 - Pharmaceuticals: Prescription drugs
 - Foods: Beverages and processed foods
 - Others: Rent of real estate, leasing, engineering and others
- The following tables show Depreciation and amortization and Goodwill amortization amounts by industry segment which are included in operating expenses for the nine-month periods ended December 31, 2005 and 2006 and for the year ended March 31, 2006.

Depreciation and amortization

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

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceutical	Foods	Others	Total	Elimination/Corporate	Consolidated
For the nine-month period ended December 31, 2005	63,971	16,564	2,442	3,781	10,182	96,943	(4,314)	92,628
For the nine-month period ended December 31, 2006	58,955	22,861	2,214	2,866	9,130	96,028	(433)	95,595
For the year ended March 31, 2006	84,570	23,061	3,253	5,041	13,466	129,394	(4,539)	124,854

Amortization of goodwill

Millions of yen

	Domestic Tobacco	International Tobacco	Pharmaceutical	Foods	Others	Consolidated
For the nine-month period ended December 31, 2005	816	-	-	417	-	1,233
For the nine-month period ended December 31, 2006	845	-	-	1,207	-	2,053
For the year ended March 31, 2006	1,088	-	-	501	-	1,590

4. The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT's subsidiary. TS Network Co., Ltd. distributes domestic tobacco products and sells imported tobacco products by wholesale.

The following table shows net sales of imported tobacco products via TS Network Co., Ltd. for the nine-month periods ended December 31, 2005 and 2006 and for the year ended March 31, 2006.

Millions of yen

For the nine-month period ended December 31, 2005	887,641
For the nine-month period ended December 31, 2006	933,332
For the year ended March 31, 2006	1,160,744

5. With respect to the international tobacco business, the result for the period from January 1, 2006 to September 30, 2006 is reported as the result for the nine-month period ended December 31, 2006. International consolidated subsidiaries, with the core operation by JT International S.A., set the closing date at September 30 for the nine-month period.