



July 31, 2008

Consolidated Financial Results for the First Quarter of the Fiscal Year Ending March 31, 2009

Name of the Listed Company: **Japan Tobacco Inc.** (Stock Code: 2914)
 Listed Stock Exchanges: Tokyo, Osaka, Nagoya, Fukuoka, and Sapporo Stock Exchanges
 URL: <http://www.jti.co.jp/>
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 Scheduled date to file Quarterly Report: August 13, 2008

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the first quarter of the fiscal year ending March 31, 2009 (from April 1, 2008 to June 30, 2008)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
1Q ended June 30, 2008	1,719,819	-	110,447	-	72,551	-	16,910	-
1Q ended June 30, 2007	1,219,784	(5.4)	93,337	(8.6)	90,950	(12.1)	63,099	(17.2)

	Net income per share	Diluted net income per share
	Yen	Yen
1Q ended June 30, 2008	1,765.17	1,765.09
1Q ended June 30, 2007	6,586.49	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of June 30, 2008	4,571,831	1,700,582	35.6	169,740.85
As of March 31, 2008	5,087,214	2,154,629	40.8	216,707.27

Reference: Equity:

As of June 30, 2008: 1,626,130 million yen; As of March 31, 2008: 2,076,072 million yen

2. Cash dividends

Record date	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2008	-	2,200.00	-	2,600.00	4,800.00
Year ending March 31, 2009	-				5,200.00
Year ending March 31, 2009 (Forecast)		2,600.00	-	2,600.00	

Note: Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2009: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2009 (from April 1, 2008 to March 31, 2009)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
2Q ending September 30, 2008 (cumulative)	-	-	-	-	-	-	-	-	-
Year ending March 31, 2009	6,610,000	3.1	311,000	(27.8)	278,000	(23.3)	148,000	(38.0)	15,448.72

Notes: 1. Forecasts for the first two quarters ending September 30, 2008 are not issued.

2. Revision of the forecasts in the first quarter of the fiscal year ending March 31, 2009: None

4. Others

- (1) Significant changes in subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Application of simple accounting as well as specific accounting for preparing the quarterly consolidated financial statements: Applicable
- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements: Applicable
- (4) Number of issued shares (common stock)
 - a. Total number of issued shares at the end of the period (including treasury stock)

As of June 30, 2008	10,000,000 shares
As of March 31, 2008	10,000,000 shares
 - b. Number of treasury stock at the end of the period

As of June 30, 2008	419,920 shares
As of March 31, 2008	419,920 shares
 - c. Average number of shares during the period

For the first quarter of the fiscal year ending March 31, 2009	9,580,080 shares
For the first quarter of the fiscal year ended March 31, 2008	9,580,080 shares

* Appropriate use of earnings forecasts, and other special directions

1. The forward-looking statements, including earnings forecasts, contained in this document are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business results may differ substantially due to various factors.
2. Commencing with the first quarter under review, the "Accounting Standard for Quarterly Financial Reporting" (ASBJ Statement No. 12) and the "Guidance on Accounting Standard for Quarterly Financial Reporting" (ASBJ Guidance No. 14) are applied. Also, quarterly consolidated financial statements are prepared in accordance with the "Regulation for Quarterly Consolidated Financial Statements" (Cabinet Office Ordinance No. 64 of 2007).

Consolidated financial statements
(1) Consolidated balance sheets

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	210,853	213,885
Notes and accounts receivable–trade	327,141	325,075
Short-term investment securities	7,683	4,952
Merchandise	42,893	36,539
Finished goods	101,215	102,330
Semi-finished goods	105,587	120,527
Raw materials	179,226	206,725
Work in process	7,715	7,938
Other	308,917	221,223
Allowance for doubtful accounts	(3,981)	(4,504)
Total current assets	1,287,251	1,234,695
Noncurrent assets		
Property, plant and equipment	727,554	763,332
Intangible assets		
Goodwill	1,668,251	2,106,887
Right of trademark	532,918	613,496
Other	35,429	39,023
Total intangible assets	2,236,599	2,759,407
Investments and other assets		
Investment securities	134,322	132,173
Other	216,552	227,861
Allowance for doubtful accounts	(30,319)	(30,075)
Allowance for investment valuation	(130)	(180)
Total investments and other assets	320,424	329,778
Total noncurrent assets	3,284,579	3,852,518
Total assets	4,571,831	5,087,214
Liabilities		
Current liabilities		
Notes and accounts payable–trade	169,193	175,369
Short-term loans payable	244,342	269,034
Current portion of bonds	219,961	73,054
Current portion of long-term loans payable	9,973	6,668
National tobacco excise tax payable	254,289	200,875
National tobacco special excise tax payable	10,841	10,898
Local tobacco excise tax payable	88,972	88,839
Income taxes payable	57,457	71,693
Provision	17,813	41,481
Other	324,410	346,480
Total current liabilities	1,397,256	1,284,396

(Millions of yen)

	As of June 30, 2008	As of March 31, 2008 (Summary)
Noncurrent liabilities		
Bonds payable	467,655	643,631
Long-term loans payable	435,591	396,907
Provision for retirement benefits	280,243	283,387
Other provision	724	1,000
Other	289,778	323,261
Total noncurrent liabilities	1,473,992	1,648,188
Total liabilities	2,871,248	2,932,584
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,400	736,400
Retained earnings	1,143,370	1,344,490
Treasury stock	(74,578)	(74,578)
Total shareholders' equity	1,905,192	2,106,311
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	24,591	21,338
Deferred gains or losses on hedges	341	219
Pension liability adjustment of foreign consolidated subsidiaries	(9,201)	(10,711)
Foreign currency translation adjustment	(294,792)	(41,085)
Total valuation and translation adjustments	(279,061)	(30,238)
Subscription rights to shares	247	185
Minority interests	74,203	78,370
Total net assets	1,700,582	2,154,629
Total liabilities and net assets	4,571,831	5,087,214

(2) Consolidated statement of income

(Millions of yen)

	First quarter ended June 30, 2008 (From April 1, 2008 to June 30, 2008)
Net sales	1,719,819
Cost of sales	1,394,538
Gross profit	325,280
Selling, general and administrative expenses	214,833
Operating income	110,447
Non-operating income	
Interest income	2,008
Dividends income	1,386
Other	3,037
Total non-operating income	6,433
Non-operating expenses	
Interest expenses	11,384
Foreign exchange losses	29,771
Financial support for domestic leaf tobacco growers	39
Other	3,133
Total non-operating expenses	44,329
Ordinary income	72,551
Extraordinary income	
Gain on sales of noncurrent assets	678
Lump sum income from phasing out trade agreement	600
Other	77
Total extraordinary income	1,355
Extraordinary loss	
Loss on sales of noncurrent assets	121
Loss on retirement of noncurrent assets	4,998
Impairment loss	10,480
Introduction costs for vending machines with adult identification functions	7,786
Other	1,353
Total extraordinary losses	24,740
Income before income taxes and minority interests	49,166
Income taxes-current	30,509
Minority interests in income	1,745
Net income	16,910

(3) Consolidated statement of cash flows

(Millions of yen)

	First quarter ended June 30, 2008 (From April 1, 2008 to June 30, 2008)
<hr/>	
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	49,166
Depreciation and amortization	43,379
Impairment loss	10,480
Loss (gain) on sales and retirement of noncurrent assets	(214)
Amortization of goodwill	26,783
Increase (decrease) in provision for retirement benefits	2,953
Interest and dividends income	(3,395)
Interest expenses	11,384
Decrease (increase) in notes and accounts receivable-trade	(19,075)
Decrease (increase) in inventories	(63,416)
Increase (decrease) in notes and accounts payable-trade	(2,326)
Increase (decrease) in accounts payable-other	(28,774)
Increase (decrease) in tobacco excise taxes payable	68,572
Other, net	(57,518)
Subtotal	<hr/> 37,997 <hr/>
Interest and dividends income received	3,086
Interest expenses paid	(10,774)
Income taxes paid	(62,117)
Net cash provided by (used in) operating activities	<hr/> (31,808) <hr/>
Net cash provided by (used in) investment activities	
Proceeds from sales and redemption of securities	1,794
Purchase of property, plant and equipment	(17,889)
Proceeds from sales of property, plant and equipment	1,193
Purchase of intangible assets	(1,834)
Purchase of investments in subsidiaries	(7,644)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,061)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(14)
Other, net	1,843
Net cash provided by (used in) investment activities	<hr/> 1,843 <hr/> (25,612) <hr/>

(Millions of yen)

First quarter ended June 30, 2008
(From April 1, 2008
to June 30, 2008)

Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	63,606
Proceeds from long-term loans payable	334,621
Repayment of long-term loans payable	(270,625)
Cash dividends paid	(24,546)
Cash dividends paid to minority shareholders	(786)
Other, net	166
Net cash provided by (used in) financing activities	102,436
Effect of exchange rate change on cash and cash equivalents	(43,742)
Net increase (decrease) in cash and cash equivalents	1,273
Cash and cash equivalents at beginning of period	215,008
Cash and cash equivalents at end of period	216,281

Commencing with the current fiscal year, the “Accounting Standard for Quarterly Financial Reporting” (ASBJ Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14) are applied. Also, quarterly consolidated financial statements are prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

(4) Notes on premise of going concern

No items to report.

(5) Segment information

[Operations by industry segment]

First quarter ended June 30, 2008 (From April 1, 2008 to June 30, 2008)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	842,661	743,349	16,137	112,654	5,016	1,719,819	-	1,719,819
(2) Intersegment sales or transfers	12,507	8,269	-	41	3,383	24,202	(24,202)	-
Total	855,168	751,619	16,137	112,695	8,399	1,744,021	(24,202)	1,719,819
Operating income (loss)	55,829	52,246	2,190	(2,752)	2,501	110,015	431	110,447

Notes: 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:

- 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

3. The following table shows depreciation and amortization and goodwill amortization amounts by industry segment for the three months that ended June 30, 2008.

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 and corporate	Consolidated total
1Q ended June 30, 2008 (cumulative)	19,474	18,604	877	1,941	2,654	43,553	(174)	43,379

Goodwill amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
1Q ended June 30, 2008 (cumulative)	272	23,854	-	2,657	-	26,783

- The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT’s consolidated subsidiary. TS Network Co., Ltd. distributes domestic tobacco products and sells imported tobacco products by wholesale. Net sales of imported tobacco products via TS Network Co., Ltd. for the first quarter were 300,068 million yen.
- With respect to the international tobacco segment, as the closing date of the accounting period of international consolidated subsidiaries is set on December 31, operating results from January 1, 2008 to March 31, 2008 have been included in the first quarter.
- Changes in accounting methods
(Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
From the first quarter under review, the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (PITF Practical Solution No. 18) is applied. As a result of this change, the operating income for the international tobacco segment decreased by 23,854 million yen as compared to the case where the previous method was adopted.

(6) Notes on significant changes in the amount of shareholders’ equity

No items to report.

(Reference)

Consolidated financial statements for the first quarter ended June 30, 2007 (From April 1, 2007 to June 30, 2007)

(1) (Summary) Consolidated statement of income

(Millions of yen)

	First quarter ended June 30, 2007 (From April 1, 2007 to June 30, 2007)
Net sales	1,219,784
Cost of sales	981,004
Gross profit	238,779
Selling, general and administrative expenses	145,441
Operating income	93,337
Non-operating income	6,699
Interest income	3,763
Dividends income	1,328
Other	1,608
Non-operating expenses	9,086
Interest expenses	2,583
Foreign exchange losses	3,187
Periodic mutual assistance association cost	583
Other	2,733
Ordinary income	90,950
Extraordinary income	10,366
Gain on sales of property, plant and equipment	9,999
Other	367
Extraordinary loss	1,661
Loss on sales of noncurrent assets	528
Loss on retirement of noncurrent assets	694
Introduction costs for vending machines with adult identification functions	292
Other	145
Income before income taxes and minority interests	99,656
Income taxes-current	34,836
Income taxes-deferred	-
Minority interests in income	1,720
Net income	63,099

(2) (Summary) Consolidated statement of cash flows

(Millions of yen)

	First quarter ended June 30, 2007 (From April 1, 2007 to June 30, 2007)
<hr/>	
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	99,656
Depreciation and amortization	32,874
Impairment loss	-
Loss (gain) on sales and retirement of noncurrent assets	(8,983)
Amortization of goodwill	388
Increase (decrease) in provision for retirement benefits	(912)
Interest and dividends income	(5,091)
Interest expenses	2,583
Decrease (increase) in notes and accounts receivable-trade	(17,077)
Decrease (increase) in inventories	12,931
Increase (decrease) in notes and accounts payable-trade	512
Increase (decrease) in accounts payable-other	(29,973)
Increase (decrease) in tobacco excise taxes payable	22,747
Other, net	(46,103)
Subtotal	<hr/> 63,550 <hr/>
Interest and dividends income received	5,147
Interest expenses paid	(2,902)
Income taxes paid	(54,228)
Net cash provided by (used in) operating activities	<hr/> 11,566 <hr/>
Net cash provided by (used in) investment activities	
Purchase of short-term investment securities	(275)
Proceeds from sales and redemption of securities	3,696
Purchase of property, plant and equipment	(25,441)
Proceeds from sales of property, plant and equipment	12,186
Purchase of intangible assets	(2,101)
Purchase of investment securities	(3,203)
Purchase of shares of unconsolidated subsidiaries and underwriting of capital increase	(1,682,930)
Decrease (increase) in short-term loans receivable	(11,436)
Other, net	2,337
Net cash provided by (used in) investment activities	<hr/> (1,707,167) <hr/>

(Millions of yen)

First quarter ended June 30, 2007
(From April 1, 2007
to June 30, 2007)

Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	583,135
Proceeds from long-term loans payable	165,799
Cash dividends paid	(21,076)
Cash dividends paid to minority shareholders	(322)
Other, net	(187)
Net cash provided by (used in) financing activities	727,349
Effect of exchange rate change on cash and cash equivalents	35,318
Net increase (decrease) in cash and cash equivalents	(932,932)
Cash and cash equivalents at beginning of period	1,179,522
Cash and cash equivalents at end of period	246,589

(3) Segment information
[Operations by industry segment]

First quarter ended June 30, 2007 (From April 1, 2007 to June 30, 2007)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	856,781	272,536	11,229	73,930	5,306	1,219,784	-	1,219,784
(2) Intersegment sales or transfers	12,412	7,295	-	35	6,407	26,149	(26,149)	-
Total	869,193	279,831	11,229	73,965	11,713	1,245,933	(26,149)	1,219,784
Operating income (loss)	62,415	29,467	(2,921)	1,398	3,173	93,533	(196)	93,337

Notes: 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:

a. 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.)

b. International tobacco: Tobacco products

c. Pharmaceuticals: Prescription drugs

d. Foods: Beverages and processed foods

e. Others: Rent of real estate, leasing, engineering and others

3. The following table shows depreciation and amortization and goodwill amortization amounts by industry segment which are included in operating expenses for the three months that ended June 30, 2007.

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 and corporate	Consolidated total
1Q ended June 30, 2007 (cumulative)	19,944	8,444	767	999	2,948	33,104	(230)	32,874

Goodwill amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
1Q ended June 30, 2007 (cumulative)	272	-	-	116	-	388

4. The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT's consolidated subsidiary. TS Network Co., Ltd. distributes domestic tobacco products and sells imported tobacco products by wholesale. Net sales of imported tobacco products via TS Network Co., Ltd. for the first quarter were 303,785 million yen.

5. With respect to the international tobacco segment, as the closing date of the accounting period of international consolidated subsidiaries is set on December 31, operating results from January 1, 2007 to March 31, 2007 have been included in the first quarter.