



October 30, 2008

Consolidated Financial Results for the Six Months 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, Sapporo and Fukuoka Stock Exchanges
 URL: <http://www.jti.co.jp/>
 Representative: Hiroshi Kimura, President,
 Chief Executive Officer and Representative Director
 Contact: Masakazu Shimizu, Chief Communications Officer
 Telephone: +81-3-3582-3111
 Scheduled date to file Quarterly Report: November 14, 2008
 Starting date of the dividend payments: December 1, 2008

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

1. Consolidated financial results for the six months of the fiscal year ending March 31, 2009 (from April 1, 2008 to September 30, 2008)

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

	Net sales		Operating income		Ordinary income		Net income	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2008	3,497,087	-	204,584	-	151,385	-	69,479	-
September 30, 2007	2,914,042	22.6	219,170	23.2	201,024	13.4	132,353	7.9

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2008	7,252.53	7,252.21
September 30, 2007	13,815.49	-

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2008	4,624,827	1,853,671	38.5	185,730.18
March 31, 2008	5,087,214	2,154,629	40.8	216,707.27

Reference: Equity:

As of September 30, 2008: 1,779,309 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	-	2,600.00	\	\	\
Year ending March 31, 2009 (Forecast)	\	\	-	2,600.00	5,200.00

Note: Revision of the forecasts in the current quarter: 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
Year ending March 31, 2009	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	6,870,000	7.2	348,000	(19.2)	290,000	(20.0)	160,000	(33.0)	16,701.32

Notes: Revision of the forecasts in the current quarter: Applicable

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Application of simplified accounting and special 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 (changes described in the section of “Changes in significant matters forming the basis of preparing the quarterly consolidated financial statements”)
 - a. Changes due to revisions to accounting standards and other regulations: Applicable
 - b. Changes due to other reasons: 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 September 30, 2008	10,000,000 shares
As of March 31, 2008	10,000,000 shares
 - b. Number of treasury shares at the end of the period

As of September 30, 2008	419,920 shares
As of March 31, 2008	419,920 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2008	9,580,080 shares
Six months ended September 30, 2007	9,580,080 shares

* Proper use of earnings forecasts, and other special matters

1. The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors.
2. Commencing with the current fiscal year, quarterly consolidated financial statements conform to the “Accounting Standard for Quarterly Financial Reporting” (ASBJ [Accounting Standards Board of Japan] Statement No. 12) and the “Guidance on Accounting Standard for Quarterly Financial Reporting” (ASBJ Guidance No. 14). They are also prepared in accordance with the “Regulation for Quarterly Consolidated Financial Statements.”

Consolidated financial statements
(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	167,871	213,885
Notes and accounts receivable-trade	364,929	325,075
Short-term investment securities	11,230	4,952
Merchandise	37,795	36,539
Finished goods	105,523	102,330
Semi-finished goods	101,088	120,527
Raw materials	186,577	206,725
Work in process	7,952	7,938
Other	263,916	221,223
Allowance for doubtful accounts	(3,732)	(4,504)
Total current assets	1,243,151	1,234,695
Noncurrent assets		
Property, plant and equipment	740,832	763,332
Intangible assets		
Goodwill	1,740,839	2,106,887
Right of trademark	549,308	613,496
Other	35,036	39,023
Total intangible assets	2,325,183	2,759,407
Investments and other assets		
Investment securities	120,863	132,173
Other	225,513	227,861
Allowance for doubtful accounts	(30,637)	(30,075)
Allowance for investment valuation	(80)	(180)
Total investments and other assets	315,659	329,778
Total noncurrent assets	3,381,676	3,852,518
Total assets	4,624,827	5,087,214

(Millions of yen)

	As of September 30, 2008	As of March 31, 2008 (Summary)
Liabilities		
Current liabilities		
Notes and accounts payable-trade	176,795	175,369
Short-term loans payable	176,626	269,034
Current portion of bonds	287,015	73,054
Current portion of long-term loans payable	18,337	6,668
National tobacco excise tax payable	262,321	200,875
National tobacco special excise tax payable	10,832	10,898
Local tobacco excise tax payable	88,810	88,839
Income taxes payable	38,008	71,693
Provision	34,522	41,481
Other	283,997	346,480
Total current liabilities	1,377,268	1,284,396
Noncurrent liabilities		
Bonds payable	423,363	643,631
Long-term loans payable	359,221	396,907
Provision for retirement benefits	275,942	283,387
Other provision	685	1,000
Other	334,675	323,261
Total noncurrent liabilities	1,393,888	1,648,188
Total liabilities	2,771,156	2,932,584
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,400	736,400
Retained earnings	1,195,940	1,344,490
Treasury stock	(74,578)	(74,578)
Total shareholders' equity	1,957,761	2,106,311
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	17,715	21,338
Deferred gains or losses on hedges	256	219
Pension liability adjustment of foreign consolidated subsidiaries	(8,378)	(10,711)
Foreign currency translation adjustment	(188,046)	(41,085)
Total valuation and translation adjustments	(178,451)	(30,238)
Subscription rights to shares	247	185
Minority interests	74,113	78,370
Total net assets	1,853,671	2,154,629
Total liabilities and net assets	4,624,827	5,087,214

(2) Consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2008
Net sales	3,497,087
Cost of sales	2,846,037
Gross profit	651,049
Selling, general and administrative expenses	446,464
Operating income	204,584
Non-operating income	
Interest income	4,391
Dividends income	1,620
Other	5,438
Total non-operating income	11,450
Non-operating expenses	
Interest expenses	25,278
Foreign exchange losses	33,584
Financial support for domestic leaf tobacco growers	719
Other	5,067
Total non-operating expenses	64,649
Ordinary income	151,385
Extraordinary income	
Gain on sales of noncurrent assets	21,624
Other	1,321
Total extraordinary income	22,946
Extraordinary loss	
Loss on sales of noncurrent assets	424
Loss on retirement of noncurrent assets	6,666
Impairment loss	11,537
Introduction costs for vending machines with adult identification functions	11,060
Other	5,885
Total extraordinary losses	35,574
Income before income taxes and minority interests	138,757
Income taxes	66,596
Minority interests in income	2,681
Net income	69,479

(3) Consolidated statement of cash flows

(Millions of yen)

Six months ended
September 30, 2008

Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	138,757
Depreciation and amortization	87,449
Impairment loss	11,537
Loss (gain) on sales and retirement of noncurrent assets	(19,901)
Amortization of goodwill	53,260
Increase (decrease) in provision for retirement benefits	(1,111)
Interest and dividends income	(6,011)
Interest expenses	25,278
Decrease (increase) in notes and accounts receivable-trade	(44,438)
Decrease (increase) in inventories	(20,869)
Increase (decrease) in notes and accounts payable-trade	2,836
Increase (decrease) in accounts payable-other	(13,842)
Increase (decrease) in tobacco excise taxes payable	63,486
Other, net	(36,750)
Subtotal	239,680
Interest and dividends income received	8,021
Interest expenses paid	(33,846)
Income taxes paid	(73,212)
Net cash provided by (used in) operating activities	140,643
Net cash provided by (used in) investment activities	
Purchase of short-term investment securities	(1,022)
Proceeds from sales and redemption of securities	1,806
Purchase of property, plant and equipment	(44,618)
Proceeds from sales of property, plant and equipment	24,593
Purchase of intangible assets	(3,456)
Proceeds from sales and redemption of investment securities	2,348
Purchase of investments in subsidiaries	(7,645)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,060)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(14)
Other, net	2,469
Net cash provided by (used in) investment activities	(28,598)

(Millions of yen)

Six months ended
September 30, 2008

Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(87,436)
Proceeds from long-term loans payable	405
Repayment of long-term loans payable	(20,428)
Redemption of bonds	(192)
Cash dividends paid	(24,832)
Cash dividends paid to minority shareholders	(2,473)
Other, net	(465)
Net cash provided by (used in) financing activities	(135,423)
Effect of exchange rate change on cash and cash equivalents	(16,572)
Net increase (decrease) in cash and cash equivalents	(39,950)
Cash and cash equivalents at beginning of period	215,008
Cash and cash equivalents at end of period	175,057

Commencing with the current fiscal year, quarterly consolidated financial statements conform to 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). They are also 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]

Six months ended September 30, 2008 (From April 1, 2008 to September 30, 2008)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	1,662,396	1,564,149	26,808	233,473	10,259	3,497,087	-	3,497,087
(2) Intersegment sales or transfers	24,114	20,355	-	77	6,626	51,174	(51,174)	-
Total	1,686,510	1,584,504	26,808	233,551	16,885	3,548,261	(51,174)	3,497,087
Operating income (loss)	105,600	100,115	(1,589)	(5,617)	5,097	203,607	977	204,584

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 tables show depreciation and amortization and goodwill amortization amounts by industry segment which are included in operating expenses for the six months ended September 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
Six months ended September 30, 2008	39,429	37,295	1,804	3,908	5,329	87,766	(316)	87,449

Goodwill amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Six months ended September 30, 2008	544	47,541	-	5,197	-	53,282

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 six months ended September 30, 2008 were 591,981 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, 2008 to June 30, 2008 have been included in the six months ended September 30, 2008.

6. Changes in accounting methods

(Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)

From the first quarter of this fiscal year, 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 for the six months ended September 30, 2008 decreased by 47,541 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 six months ended September 30, 2007 (From April 1, 2007 to September 30, 2007)

(1) Consolidated statement of income

(Millions of yen)

	Six months ended September 30, 2007
Net sales	2,914,042
Costs of sales	2,368,170
Gross profit	545,871
Selling, general and administrative expenses	326,701
Operating income	219,170
Non-operating income	12,861
Interest income	6,867
Dividends income	1,560
Other	4,433
Non-operating expenses	31,007
Interest expenses	19,755
Foreign exchange losses	2,996
Financial support for domestic leaf tobacco growers	2,295
Periodic mutual assistance association cost	1,166
Other	4,792
Ordinary income	201,024
Extraordinary income	12,436
Gain on sales of noncurrent assets	11,671
Other	764
Extraordinary loss	8,827
Loss on sales of noncurrent assets	717
Loss on retirement of noncurrent assets	2,966
Impairment loss	2,139
Introduction costs for vending machines with adult identification functions	2,576
Other	427
Income before income taxes and minority interests	204,633
Income taxes-current	68,577
Income taxes-deferred	-
Minority interests in income	3,702
Net income	132,353

(2) Consolidated statement of cash flows

(Millions of yen)

	Six months ended September 30, 2007
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	204,633
Depreciation and amortization	74,838
Impairment loss	2,139
Loss (gain) on sales and retirement of noncurrent assets	(9,979)
Amortization of goodwill	807
Increase (decrease) in provision for retirement benefits	(5,755)
Interest and dividends income	(8,428)
Interest expenses	19,755
Decrease (increase) in notes and accounts receivable-trade	(25,438)
Decrease (increase) in inventories	34,127
Increase (decrease) in notes and accounts payable-trade	3,890
Increase (decrease) in accounts payable-other	(42,576)
Increase (decrease) in tobacco excise taxes payable	17,060
Other, net	(10,701)
Subtotal	254,374
Interest and dividends income received	11,763
Interest expenses paid	(25,321)
Income taxes paid	(64,986)
Net cash provided by (used in) operating activities	175,830

(Millions of yen)

Six months ended
September 30, 2007

Net cash provided by (used in) investment activities	
Purchases of short-term investment securities	(8,021)
Proceeds from sales and redemption of securities	3,721
Purchase of property, plant and equipment	(57,203)
Proceeds from sales of property, plant and equipment	14,765
Purchase of intangible assets	(3,154)
Purchase of investment securities	(3,707)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,523,836)
Other, net	3,310
Net cash provided by (used in) investment activities	(1,574,126)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	467,435
Proceeds from long-term loans payable	80,000
Repayment of long-term loans payable	(89,122)
Proceeds from issuance of bonds	149,723
Cash dividends paid	(21,076)
Cash dividends paid to minority shareholders	(1,483)
Other, net	(742)
Net cash provided by (used in) financing activities	584,734
Effect of exchange rate changes on cash and cash equivalents	35,981
Net increase (decrease) in cash and cash equivalents	(777,580)
Cash and cash equivalents at beginning of period	1,179,522
Cash and cash equivalents at end of period	401,941

(3) Segment information

[Operations by industry segment]

Six months ended September 30, 2007 (From April 1, 2007 to September 30, 2007)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	1,723,372	1,005,495	22,147	152,070	10,956	2,914,042	-	2,914,042
(2) Intersegment sales or transfers	24,896	18,217	-	68	12,240	55,422	(55,422)	-
Total	1,748,268	1,023,712	22,147	152,139	23,196	2,969,465	(55,422)	2,914,042
Operating income (loss)	124,579	92,715	(7,435)	3,712	5,942	219,515	(345)	219,170

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 tables show depreciation and amortization and goodwill amortization amounts by industry segment which are included in operating expenses.

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
Six months ended September 30, 2007	40,362	25,598	1,591	1,952	5,835	75,340	(501)	74,838

Goodwill amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Six months ended September 30, 2007	544	-	-	263	-	807

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 six months ended September 30, 2007 were 614,523 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 June 30, 2007 have been included in the six months ended September 30, 2007.