



February 9, 2009

## Consolidated Financial Results for the Nine 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  
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 Scheduled date to file Quarterly Report: February 13, 2009

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

### 1. Consolidated financial results for the nine months of the fiscal year ending March 31, 2009 (from April 1, 2008 to December 31, 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	%
Nine months ended								
December 31, 2008	5,346,145	-	329,654	-	269,024	-	131,454	-
December 31, 2007	4,704,275	29.3	366,769	34.1	327,100	18.5	220,319	13.9

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
December 31, 2008	13,721.65	13,720.79
December 31, 2007	22,997.70	-

#### (2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2008	4,530,167	1,854,269	39.3	185,810.09
March 31, 2008	5,087,214	2,154,629	40.8	216,707.27

Reference: Equity:

As of December 31, 2008: 1,780,075 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
	6,830,000	6.6	355,000	(17.5)	302,000	(16.7)	138,000	(42.2)	14,404.89

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 December 31, 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 December 31, 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)
 

Nine months ended December 31, 2008	9,580,080 shares
Nine months ended December 31, 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 December 31, 2008	As of March 31, 2008 (Summary)
Assets		
Current assets		
Cash and deposits	161,745	213,885
Notes and accounts receivable-trade	365,851	325,075
Short-term investment securities	29,191	4,952
Merchandise	43,925	36,539
Finished goods	94,803	102,330
Semi-finished goods	108,623	120,527
Raw materials	215,149	206,725
Work in process	6,698	7,938
Other	337,656	221,223
Allowance for doubtful accounts	(3,441)	(4,504)
Total current assets	1,360,204	1,234,695
Noncurrent assets		
Property, plant and equipment	705,708	763,332
Intangible assets		
Goodwill	1,668,892	2,106,887
Right of trademark	479,836	613,496
Other	32,927	39,023
Total intangible assets	2,181,657	2,759,407
Investments and other assets		
Investment securities	103,950	132,173
Other	215,889	227,861
Allowance for doubtful accounts	(37,243)	(30,075)
Allowance for investment valuation	-	(180)
Total investments and other assets	282,596	329,778
Total noncurrent assets	3,169,963	3,852,518
Total assets	4,530,167	5,087,214

(Millions of yen)

	As of December 31, 2008	As of March 31, 2008 (Summary)
<b>Liabilities</b>		
<b>Current liabilities</b>		
Notes and accounts payable-trade	181,090	175,369
Short-term loans payable	105,106	269,034
Current portion of bonds	216,677	73,054
Current portion of long-term loans payable	15,466	6,668
National tobacco excise tax payable	289,860	200,875
National tobacco special excise tax payable	21,778	10,898
Local tobacco excise tax payable	178,502	88,839
Income taxes payable	38,602	71,693
Provision	28,023	41,481
Other	275,734	346,480
<b>Total current liabilities</b>	<b>1,350,844</b>	<b>1,284,396</b>
<b>Noncurrent liabilities</b>		
Bonds payable	392,202	643,631
Long-term loans payable	353,916	396,907
Provision for retirement benefits	267,687	283,387
Other provision	730	1,000
Other	310,515	323,261
<b>Total noncurrent liabilities</b>	<b>1,325,054</b>	<b>1,648,188</b>
<b>Total liabilities</b>	<b>2,675,898</b>	<b>2,932,584</b>
<b>Net assets</b>		
<b>Shareholders' equity</b>		
Capital stock	100,000	100,000
Capital surplus	736,400	736,400
Retained earnings	1,233,054	1,344,490
Treasury stock	(74,578)	(74,578)
<b>Total shareholders' equity</b>	<b>1,994,876</b>	<b>2,106,311</b>
<b>Valuation and translation adjustments</b>		
Valuation difference on available-for-sale securities	11,954	21,338
Deferred gains or losses on hedges	172	219
Pension liability adjustment of foreign consolidated subsidiaries	(7,991)	(10,711)
Foreign currency translation adjustment	(218,937)	(41,085)
<b>Total valuation and translation adjustments</b>	<b>(214,800)</b>	<b>(30,238)</b>
Subscription rights to shares	325	185
Minority interests	73,867	78,370
<b>Total net assets</b>	<b>1,854,269</b>	<b>2,154,629</b>
<b>Total liabilities and net assets</b>	<b>4,530,167</b>	<b>5,087,214</b>

**(2) Consolidated statement of income**

(Millions of yen)

	Nine months ended December 31, 2008
Net sales	5,346,145
Cost of sales	4,332,945
Gross profit	1,013,200
Selling, general and administrative expenses	683,545
Operating income	329,654
Non-operating income	
Interest income	5,379
Dividends income	1,993
Other	9,397
Total non-operating income	16,769
Non-operating expenses	
Interest expenses	37,940
Foreign exchange losses	31,877
Financial support for domestic leaf tobacco growers	764
Other	6,816
Total non-operating expenses	77,398
Ordinary income	269,024
Extraordinary income	
Gain on sales of noncurrent assets	40,158
Other	1,627
Total extraordinary income	41,785
Extraordinary loss	
Loss on sales of noncurrent assets	2,031
Loss on retirement of noncurrent assets	7,849
Impairment loss	11,705
Business restructuring costs	19,456
Other	29,349
Total extraordinary losses	70,392
Income before income taxes and minority interests	240,417
Income taxes	104,511
Minority interests in income	4,451
Net income	131,454

### (3) Consolidated statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2008
<hr/>	
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	240,417
Depreciation and amortization	131,227
Impairment loss	11,705
Loss (gain) on sales and retirement of noncurrent assets	(36,597)
Amortization of goodwill	80,436
Increase (decrease) in provision for retirement benefits	(7,741)
Interest and dividends income	(7,372)
Interest expenses	37,940
Decrease (increase) in notes and accounts receivable-trade	(72,859)
Decrease (increase) in inventories	(70,022)
Increase (decrease) in notes and accounts payable-trade	15,275
Increase (decrease) in accounts payable-other	(7,686)
Increase (decrease) in tobacco excise taxes payable	214,605
Other, net	(24,215)
Subtotal	<hr/> 505,114
Interest and dividends income received	10,557
Interest expenses paid	(47,499)
Income taxes paid	(109,449)
Net cash provided by (used in) operating activities	<hr/> 358,722
Net cash provided by (used in) investment activities	
Purchase of short-term investment securities	(1,391)
Proceeds from sales and redemption of securities	1,911
Purchase of property, plant and equipment	(74,680)
Proceeds from sales of property, plant and equipment	46,939
Purchase of intangible assets	(3,707)
Proceeds from sales and redemption of investment securities	2,873
Purchase of investments in subsidiaries	(7,645)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,060)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	460
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(107)
Other, net	6,772
Net cash provided by (used in) investment activities	<hr/> (31,636)

(Millions of yen)

	Nine months ended December 31, 2008
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	(150,826)
Proceeds from long-term loans payable	24,532
Repayment of long-term loans payable	(17,925)
Redemption of bonds	(62,019)
Cash dividends paid	(49,717)
Cash dividends paid to minority shareholders	(3,207)
Other, net	(1,376)
Net cash provided by (used in) financing activities	(260,538)
Effect of exchange rate change on cash and cash equivalents	(23,511)
Net increase (decrease) in cash and cash equivalents	43,036
Cash and cash equivalents at beginning of period	215,008
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(953)
Cash and cash equivalents at end of period	257,091

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]

Nine months ended December 31, 2008 (From April 1, 2008 to December 31, 2008)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	2,478,158	2,456,903	48,128	347,765	15,190	5,346,145	-	5,346,145
(2) Intersegment sales or transfers	34,989	30,748	-	105	9,837	75,681	(75,681)	-
Total	2,513,147	2,487,651	48,128	347,871	25,027	5,421,827	(75,681)	5,346,145
Operating income (loss)	152,254	170,527	5,806	(7,814)	7,321	328,095	1,559	329,654

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 amortization of goodwill amounts by industry segment which are included in operating expenses for the nine months ended December 31, 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
Nine months ended December 31, 2008	60,155	54,837	2,767	5,931	7,997	131,688	(461)	131,227

**Amortization of goodwill**

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Nine months ended December 31, 2008	816	71,980	-	7,672	-	80,468

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 nine months ended December 31, 2008 were 879,362 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 September 30, 2008 have been included in the nine months ended December 31, 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, May 17, 2006) is applied. As a result of this change, the operating income for the international tobacco segment for the nine months ended December 31, 2008 decreased by 71,980 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 nine months ended December 31, 2007 (From April 1, 2007 to December 31, 2007)**

**(1) (Summary) Consolidated statement of income**

(Millions of yen)

	Nine months ended December 31, 2007
Net sales	4,704,275
Costs of sales	3,821,389
Gross profit	882,886
Selling, general and administrative expenses	516,116
Operating income	366,769
Non-operating income	19,040
Interest income	10,314
Dividends income	1,878
Other	6,847
Non-operating expenses	58,709
Interest expenses	29,976
Foreign exchange losses	16,306
Financial support for domestic leaf tobacco growers	2,008
Periodic mutual assistance association cost	1,749
Other	8,667
Ordinary income	327,100
Extraordinary income	39,346
Gain on sales of noncurrent assets	38,497
Other	849
Extraordinary loss	23,841
Loss on sales of noncurrent assets	2,345
Loss on retirement of noncurrent assets	4,271
Impairment loss	2,204
Loss on valuation of investment securities	6,935
Introduction costs for vending machines with adult identification functions	6,734
Other	1,349
Income before income taxes and minority interests	342,605
Income taxes-current	116,832
Income taxes-deferred	-
Minority interests in income	5,452
Net income	220,319

**(2) (Summary) Consolidated statement of cash flows**

(Millions of yen)

	Nine months ended December 31, 2007
<hr/>	
Net cash provided by (used in) operating activities	
Income before income taxes and minority interests	342,605
Depreciation and amortization	118,165
Impairment loss	2,204
Loss (gain) on sales and retirement of noncurrent assets	(34,690)
Amortization of goodwill	1,296
Loss on valuation of investment securities	6,935
Increase (decrease) in provision for retirement benefits	(8,385)
Interest and dividends income	(12,193)
Interest expenses	29,976
Decrease (increase) in notes and accounts receivable-trade	(26,669)
Decrease (increase) in inventories	17,306
Increase (decrease) in notes and accounts payable-trade	(1,979)
Increase (decrease) in accounts payable-other	(42,850)
Increase (decrease) in tobacco excise taxes payable	(7,722)
Other, net	(49,076)
Subtotal	<hr/> 334,921
Interest and dividends income received	16,560
Interest expenses paid	(31,808)
Income taxes paid	(111,977)
Net cash provided by (used in) operating activities	<hr/> 207,696 <hr/>

(Millions of yen)

Nine months ended  
December 31, 2007

Net cash provided by (used in) investment activities	
Purchases of short-term investment securities	(20,516)
Proceeds from sales and redemption of securities	3,721
Purchase of property, plant and equipment	(82,727)
Proceeds from sales of property, plant and equipment	44,492
Purchase of intangible assets	(4,773)
Purchase of investment securities	(3,711)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,520,967)
Other, net	3,290
Net cash provided by (used in) investment activities	(1,581,192)
Net cash provided by (used in) financing activities	
Net increase (decrease) in short-term loans payable	327,419
Proceeds from long-term loans payable	80,000
Repayment of long-term loans payable	(91,212)
Proceeds from issuance of bonds	149,723
Cash dividends paid	(42,152)
Cash dividends paid to minority shareholders	(2,626)
Other, net	(893)
Net cash provided by (used in) financing activities	420,257
Effect of exchange rate changes on cash and cash equivalents	33,659
Net increase (decrease) in cash and cash equivalents	(919,578)
Cash and cash equivalents at beginning of period	1,179,522
Cash and cash equivalents at end of period	259,943

### (3) Segment information

[Operations by industry segment]

Nine months ended December 31, 2007 (From April 1, 2007 to December 31, 2007)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	2,594,819	1,825,350	39,773	227,741	16,591	4,704,275	-	4,704,275
(2) Intersegment sales or transfers	36,400	27,484	-	96	18,542	82,523	(82,523)	-
Total	2,631,220	1,852,834	39,773	227,837	35,133	4,786,799	(82,523)	4,704,275
Operating income (loss)	182,172	174,066	(4,383)	5,664	8,852	366,371	397	366,769

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 amortization of goodwill 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
Nine months ended December 31, 2007	61,684	43,096	2,433	2,955	8,715	118,884	(719)	118,165

**Amortization of goodwill**

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Nine months ended December 31, 2007	816	-	-	480	-	1,296

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. were 921,296 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 September 30, 2007 have been included in the nine months ended December 31, 2007.