



October 29, 2009

Consolidated Financial Results for the Six Months Ended September 30, 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/>
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 Chief Executive Officer and Representative Director
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 Scheduled date to file Quarterly Securities Report: November 13, 2009
 Scheduled starting date of the dividend payments: December 1, 2009

(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, 2010 (from April 1, 2009 to September 30, 2009)

(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	%
Six months ended								
September 30, 2009	3,054,254	(12.7)	163,727	(20.0)	135,133	(10.7)	66,068	(4.9)
September 30, 2008	3,497,087	-	204,584	-	151,385	-	69,479	-

	Net income per share	Diluted net income per share
	Yen	Yen
Six months ended		
September 30, 2009	6,896.39	6,895.72
September 30, 2008	7,252.53	7,252.21

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
September 30, 2009	4,048,662	1,744,664	41.3	174,537.60
March 31, 2009	3,879,803	1,624,288	40.0	162,087.74

Reference: Equity:

As of September 30, 2009: ¥1,672,087 million; As of March 31, 2009: ¥1,552,813 million

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Annual
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2009	-	2,600.00	-	2,800.00	5,400.00
Year ending March 31, 2010	-	2,800.00	/	/	/
Year ending March 31, 2010 (Forecast)	/	/	-	2,800.00	5,600.00

Note: Revision of the forecasts in the current quarter: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Year ending March 31, 2010	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	6,090,000	(10.9)	272,000	(25.2)	235,000	(23.6)	108,000	(12.5)	11,273.39

Note: Revision of the forecasts in the current quarter: Yes

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 consolidated quarterly financial statements: Applicable
- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated quarterly financial statements
 - a. Changes due to revisions to accounting standards and other regulations: None
 - b. Changes due to other reasons: None
- (4) Number of issued shares (common stock)
 - a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2009	10,000,000 shares
As of March 31, 2009	10,000,000 shares
 - b. Number of treasury shares at the end of the period

As of September 30, 2009	419,903 shares
As of March 31, 2009	419,920 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2009	9,580,084 shares
Six months ended September 30, 2008	9,580,080 shares

* Proper use of earnings forecasts, and other special matters

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 due to various factors. Please refer to "Caution concerning forward-looking statements" on page 3 for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

(Caution concerning forward-looking statements)

This material contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements reflect future expectations, identify strategies, discuss market trends, contain projections of operational results and financial conditions, and 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 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 related to the use of tobacco products;
- (2) legal or regulatory developments and changes; including, without limitation on sales, marketing and use of tobacco products, 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 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 financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	146,408	164,957
Notes and accounts receivable-trade	331,022	290,068
Short-term investment securities	12,707	4,910
Merchandise and finished goods	145,777	122,970
Semi-finished goods	99,445	119,290
Work in process	7,571	6,561
Raw materials and supplies	276,508	215,334
Other	208,566	174,751
Allowance for doubtful accounts	(3,248)	(3,162)
Total current assets	1,224,760	1,095,682
Noncurrent assets		
Property, plant and equipment	668,665	668,742
Intangible assets		
Goodwill	1,480,329	1,453,961
Right of trademark	383,721	347,372
Other	30,121	30,509
Total intangible assets	1,894,173	1,831,843
Investments and other assets		
Investment securities	92,485	90,230
Other	210,408	234,999
Allowance for doubtful accounts	(41,829)	(41,695)
Total investments and other assets	261,063	283,534
Total noncurrent assets	2,823,901	2,784,121
Total assets	4,048,662	3,879,803
Liabilities		
Current liabilities		
Notes and accounts payable-trade	161,700	158,544
Short-term loans payable	136,558	113,231
Commercial papers	114,000	-
Current portion of bonds	50,837	190,363
Current portion of long-term loans payable	25,326	26,380
National tobacco excise tax payable	214,787	172,986
National tobacco special excise tax payable	10,432	10,470
Local tobacco excise tax payable	86,158	85,541
Income taxes payable	60,390	51,777
Provision	38,029	39,172
Other	233,765	244,936
Total current liabilities	1,131,984	1,093,403

(Millions of yen)

	As of September 30, 2009	As of March 31, 2009 (Summary)
Noncurrent liabilities		
Bonds payable	415,741	349,794
Long-term loans payable	246,769	299,563
Provision for retirement benefits	260,041	259,145
Other provision	614	1,318
Other	248,846	252,289
Total noncurrent liabilities	1,172,012	1,162,111
Total liabilities	2,303,997	2,255,514
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,406	736,400
Retained earnings	1,264,232	1,224,989
Treasury stock	(74,575)	(74,578)
Total shareholders' equity	2,026,064	1,986,810
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,581	8,437
Deferred gains or losses on hedges	12	92
Pension liability adjustment of foreign consolidated subsidiaries	(19,451)	(18,965)
Foreign currency translation adjustment	(345,119)	(423,561)
Total valuation and translation adjustments	(353,977)	(433,997)
Subscription rights to shares	394	364
Minority interests	72,183	71,109
Total net assets	1,744,664	1,624,288
Total liabilities and net assets	4,048,662	3,879,803

(2) Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net sales	3,497,087	3,054,254
Cost of sales	2,846,037	2,494,239
Gross profit	651,049	560,015
Selling, general and administrative expenses	446,464	396,287
Operating income	204,584	163,727
Non-operating income		
Interest income	4,391	2,543
Dividends income	1,620	1,368
Other	5,438	3,811
Total non-operating income	11,450	7,722
Non-operating expenses		
Interest expenses	25,278	15,437
Foreign exchange losses	33,584	14,107
Financial support for domestic leaf tobacco growers	719	802
Other	5,067	5,970
Total non-operating expenses	64,649	36,317
Ordinary income	151,385	135,133
Extraordinary income		
Gain on sales of noncurrent assets	21,624	10,727
Reversal of allowance for doubtful accounts	-	2,952
Other	1,321	777
Total extraordinary income	22,946	14,457
Extraordinary loss		
Loss on sales of noncurrent assets	424	2,682
Loss on retirement of noncurrent assets	6,666	2,159
Impairment loss	11,537	1,418
Introduction costs for vending machines with adult identification functions	11,060	-
Other	5,885	5,898
Total extraordinary losses	35,574	12,158
Income before income taxes and minority interests	138,757	137,432
Income taxes	66,596	68,147
Minority interests in income	2,681	3,216
Net income	69,479	66,068

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	138,757	137,432
Depreciation and amortization	87,449	65,992
Impairment loss	11,537	1,418
Loss (gain) on sales and retirement of noncurrent assets	(19,901)	(6,792)
Amortization of goodwill	53,260	49,590
Increase (decrease) in provision for retirement benefits	(1,111)	(1,370)
Interest and dividends income	(6,011)	(3,911)
Interest expenses	25,278	15,437
Decrease (increase) in notes and accounts receivable-trade	(44,438)	(25,454)
Decrease (increase) in inventories	(20,869)	(61,797)
Increase (decrease) in notes and accounts payable-trade	2,836	(553)
Increase (decrease) in accounts payable-other	(13,842)	(12,236)
Increase (decrease) in tobacco excise taxes payable	63,486	26,128
Other, net	(36,750)	(245)
Subtotal	239,680	183,635
Interest and dividends income received	8,021	5,174
Interest expenses paid	(33,846)	(22,596)
Income taxes paid	(73,212)	(61,034)
Net cash provided by (used in) operating activities	140,643	105,179
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(1,022)	-
Proceeds from sales and redemption of securities	1,806	1,903
Purchase of property, plant and equipment	(44,618)	(50,753)
Proceeds from sales of property, plant and equipment	24,593	17,158
Purchase of intangible assets	(3,456)	(3,130)
Proceeds from sales and redemption of investment securities	2,348	1,503
Purchase of investments in subsidiaries	(7,645)	(980)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,060)	(354)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(14)	-
Other, net	2,469	(4,924)
Net cash provided by (used in) investing activities	(28,598)	(39,578)

(Millions of yen)

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial papers	(87,436)	134,990
Proceeds from long-term loans payable	405	1,615
Repayment of long-term loans payable	(20,428)	(105,630)
Proceeds from issuance of bonds	-	99,804
Redemption of bonds	(192)	(192,151)
Cash dividends paid	(24,832)	(26,818)
Cash dividends paid to minority shareholders	(2,473)	(2,664)
Repayments of finance lease obligations	-	(3,058)
Other, net	(465)	0
Net cash provided by (used in) financing activities	(135,423)	(93,914)
Effect of exchange rate change on cash and cash equivalents	(16,572)	10,015
Net increase (decrease) in cash and cash equivalents	(39,950)	(18,298)
Cash and cash equivalents at beginning of period	215,008	167,257
Cash and cash equivalents at end of period	175,057	148,959

(4) Notes on premise of going concern

No items to report.

(5) Segment information

[Business segment information]

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

Six months ended September 30, 2009 (From April 1, 2009 to September 30, 2009)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	1,575,709	1,245,728	22,120	200,845	9,851	3,054,254	-	3,054,254
(2) Intersegment sales or transfers	29,495	18,415	-	98	5,315	53,325	(53,325)	-
Total	1,605,205	1,264,143	22,120	200,943	15,167	3,107,579	(53,325)	3,054,254
Operating income (loss)	110,840	59,857	(6,813)	(5,660)	5,501	163,725	1	163,727

Notes: 1. Operations by industry segment are categorized based on, among others, 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 Macau, markets that are under the control of JT's China Division.)
- b. International tobacco: Tobacco products elsewhere
- c. Pharmaceuticals: Prescription drugs
- d. Foods: Beverages and processed foods
- e. Others: Rent of real estate, leasing 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
Six months ended September 30, 2008	39,429	37,295	1,804	3,908	5,329	87,766	(316)	87,449
Six months ended September 30, 2009	27,500	27,128	1,892	8,258	1,164	65,944	47	65,992

Amortization of goodwill

(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
Six months ended September 30, 2009	544	43,254	-	5,807	-	49,606

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 as follows.

(Six months ended September 30, 2008) ¥591,981 million

(Six months ended September 30, 2009) ¥560,938 million

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 and those from January 1, 2009 to June 30, 2009 have been included in the six months ended September 30, 2009.

6. Changes in accounting policies

(Six months ended September 30, 2008)

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

Effective from April 1, 2008, JT applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006). 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 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.