[This is an English translation prepared for the convenience of non-resident shareholders. Should there be any inconsistency between the translation and the official Japanese text, the latter shall prevail.]

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Company name (Japanese):	日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
Company name (English):	JAPAN TOBACCO INC.
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Places where the document to be filed is available for public inspection:	Japan Tobacco Inc. Saitama Sales Office (55-1, Shimocho 1-chome, Omiya-ku, Saitama-shi, Saitama)
	Japan Tobacco Inc. Yokohama Sales Office (143, Hanasakicho 6-chome, Nishi-ku, Yokohama-shi, Kanagawa)
	Japan Tobacco Inc. Nagoya Sales Office (12-1, Iseyama 2-chome, Naka-ku, Nagoya-shi, Aichi)
	Japan Tobacco Inc. Osaka Sales Office (5-10, Oyodo-minami 1-chome, Kita-ku, Osaka-shi, Osaka)
	Japan Tobacco Inc. Kobe Sales Office (7-23, Nakayamate-dori 3-chome, Chuo-ku, Kobe-shi, Hyogo)
	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)
	Osaka Securities Exchange Co., Ltd. (8-16, Kitahama 1-chome, Chuo-ku, Osaka-shi, Osaka)
	Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi)
	Fukuoka Stock Exchange, Inc. (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-shi, Fukuoka)
	Sapporo Securities Exchange, Inc. (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-shi, Hokkaido)

A. COMPANY INFORMATION

I. Overview of the JT Group

1. Trends in principal management benchmarks (consolidated)

Term	Nine months ended December 31, 2008	Third quarter of the 24th term	23rd term
Accounting period	From April 1, 2008 to December 31, 2008	From October 1, 2008 to December 31, 2008	From April 1, 2007 to March 31, 2008
Net sales (Millions of yen)	5,346,145	1,849,058	6,409,726
Ordinary income (Millions of yen)	269,024	117,636	362,681
Net income (Millions of yen)	131,454	61,974	238,702
Net assets (Millions of yen)	–	1,854,269	2,154,629
Total assets (Millions of yen)	–	4,530,167	5,087,214
Net assets per share (Yen)	–	185,810.09	216,707.27
Net income per share (Yen)	13,721.65	6,469.12	24,916.51
Diluted net income per share (Yen)	13,720.79	6,468.48	24,916.26
Equity ratio (%)	–	39.29	40.81
Net cash provided by (used in) operating activities (Millions of yen)	358,722	–	145,030
Net cash provided by (used in) investment activities (Millions of yen)	(31,636)	–	(1,668,634)
Net cash provided by (used in) financing activities (Millions of yen)	(260,538)	–	519,000
Cash and cash equivalents at end of period (Millions of yen)	–	257,091	215,008
Number of employees (Person)	–	47,954	47,459

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as JT prepares consolidated quarterly financial statements.
Please note that the data for the third quarter covering three months is prepared by subtracting previous six months' amount from the total amount of nine months.
2. Net sales do not include consumption taxes, etc.

2. Business Description

During the third quarter, there were neither material changes in the business of the JT Group (JT, 275 consolidated subsidiaries and 22 affiliates accounted for by the equity method) nor changes in principal subsidiaries and affiliates.

3. Status of subsidiaries and affiliates

There were no changes in significant subsidiaries and affiliates during the third quarter.

4. Status of employees

(1) Consolidated companies

As of December 31, 2008

Number of employees (Person)	47,954 [11,019]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during the third quarter is given in parentheses separately.

2. The number of employees in overseas subsidiaries in which the third quarter closing dates fall on September 30 is calculated using the number of employees as of September 30, 2008.

(2) Filing company (JT)

As of December 31, 2008

Number of employees (Person)	9,039 [1,167]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during the third quarter is given in parentheses separately.

2. The number of employees includes contract employees (95), employees on leave (90) and employees transferred to JT (78), but excludes employees transferred from JT (1,127).

II. Review of operations

1. Status of production, orders received and sales

The JT Group conducts production and sales of various products in the domestic tobacco business, international tobacco business, pharmaceutical business, foods business and other business. Moreover, the types, formats, content volumes, packages of their products, etc. are broad, and major products are not based on made-to-order basis. For this reason, size of production and orders received are not presented in the amount of money and in volume by business segment.

Therefore, details of “Production, Orders Received and Sales” in connection with the operating results by business segment are presented in “3. Analysis of financial position and operating results.”

2. Material operational contracts etc.

No material operational contracts were decided or entered into for the third quarter.

3. Analysis of financial position and operating results

Matters concerning the future in this document are our Group’s judgment as of the filing date of this Quarterly Securities Report.

For the third quarter, comparison and analysis against the same period of the previous fiscal year were not conducted because this fiscal year is the year in which the accounting standards regarding quarterly financial statements were first applied.

The figures for the nine months presented in “(3) Consolidated quarterly statement of cash flows, 1. Consolidated quarterly financial statements, V. Accounting” were reviewed by Independent Accountant. However, the figures for the third quarter (October to December 2008) presented in “c. Cash flow position, (4) Analysis of capital resources and liquidity of funds, 3. Analysis of financial position and operating results, II. Review of operations” were not reviewed by Independent Accountant.

(1) Operating results

The global economy during the third quarter, ended December 2008, was marked by economic deterioration in not only the U.S. and Europe, but also Asia. The global financial crisis continued to deepen and there were massive fluctuations of stock prices and exchange rates although crude oil prices are now lowering. The Japanese economy was also impacted by the global economic deterioration and it entered a trend of recession characterized by drastic drops in corporate earnings and rapid deterioration of the employment situation.

Under “JT2008,” the medium-term management plan formulated in May 2006, the JT Group acquired Gallaher Group Plc (now Gallaher Group Ltd.) in April 2007, and the Katokichi Group in January 2008, and expanded the business foundation. The respective business integrations are advancing with speed and steadiness and the JT Group is now proceeding to implement various measures linked to further future growth.

Note that with regard to the international tobacco business, their operating results for the third quarter represent the operating results for the period from July to September 2008.

Net sales for the third quarter ended December 2008 was ¥1.8490 trillion. Cost of sales was ¥1.4869 trillion, and selling, general and administrative expenses was ¥237.0 billion. Operating income amounted to ¥125.0 billion due to the impact of the top-line growth and amortization of goodwill in the international tobacco business and other factors. Ordinary income was ¥117.6 billion due to the interest expenses accompanying the consolidation of Gallaher and other factors. Income before income taxes and minority interests was ¥101.6 billion. Major factors were business restructuring costs in the domestic and international tobacco businesses, and a loss on business liquidation recorded in advance of a withdrawal from the chilled processed foods business and other factors. Net income after income taxes and other adjustments amounted to ¥61.9 billion. A major factor was the effect of amortization of goodwill that was outside the scope of tax liability computations.

Operating results by business segment are as follows.

Domestic tobacco business

The domestic tobacco business is positioned as the core source of profits for the JT Group. The domestic tobacco business faces an increasingly tough business environment as total tobacco demand in Japan continues to decline and competition with other tobacco manufacturers intensifies. In an effort to achieve top-line (revenue) growth, we have been striving to refresh and enhance existing brands as necessary and introduce new products in an effective manner. Moreover, we are making unceasing efforts to improve our productivity.

During the third quarter, we endeavored to enhance the value of our brands mainly in the Mild Seven family, which is our core brand, by introducing new products as well as by strengthening existing brands. These endeavors included active sales promotion activities such as continuation of the Mild Seven campaign that has been in operation since the previous fiscal year. Also "Pianissimo Fram Menthol One," a "D-spec" product developed using our odor reduction technology, which suppresses the odor from the tip of the cigarette, and "Salem Alaska Menthol" were released nationwide in October and December 2008, respectively. In addition, in November, we changed the design and name of some products in the Seven Stars family and added the name "Aqua Menthol" to two menthol products in the Mild Seven family and changed their design.

In early February 2009, "Seven Stars Black Impact" was released nationwide. Also, February marks the 40th anniversary since the first release of Seven Stars, and efforts will focus on further boosting this brand's value by implementing campaigns and other measures.

The volume of our domestic tobacco business's cigarette sales in the third quarter amounted to 40.7 billion cigarettes*. Our market share was 65.2%, and net sales (excluding excise tax) per 1,000 cigarettes was ¥4,060.

Consequently, net sales for our domestic tobacco business was ¥815.7 billion and operating income was ¥46.6 billion.

The volume of cigarettes manufactured in Japan during the third quarter amounted to 46.5 billion cigarettes.

*Note: In addition to the figure stated above, during the third quarter, the domestic tobacco business also sold 1.1 billion cigarettes at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau, markets that are under the control of our China Division.

International tobacco business

The international tobacco business is further expanding its role as the profit growth engine for the JT Group through top-line growth. Through our business integration with Gallaher, we seek to gain both top-line synergy and cost saving synergy.

We have identified eight brands which serve as flagships of the brand portfolio, Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour, which we collectively call the Global Flagship Brands (GFB). We are actively exploring opportunities for top-line growth based on the strength of the GFB.

The volume of our international tobacco business's cigarette sales in the third quarter amounted to 121.8 billion cigarettes. The sales volume of GFB was 66.3 billion cigarettes.

Consequently, net sales for our international tobacco business was ¥892.7 billion, and operating income was ¥70.4 billion, depressed by the reporting of amortization of goodwill.

The volume of cigarettes manufactured overseas during the third quarter amounted to 101.0 billion cigarettes.

Pharmaceutical business

The pharmaceutical business, working towards the early expansion of its business value and aiming to become a future business pillar of the JT Group, is steadily advancing the development of compounds currently in the research and development pipeline while expanding and enhancing pipeline itself. Also, we continue to explore strategic opportunities for license-in and licence-out.

With regard to pharmaceutical development, we abandoned the development of JTT-552, a compound for lowering serum urate levels, bringing the number of compounds developed in-house that are under clinical development to 9.

Our subsidiary Torii Pharmaceutical Co. is engaged in manufacturing and sales and promotion of pharmaceuticals (including JT products). The company sells pharmaceuticals such as Futhan for injection use, a protease inhibitor, the topical adrenocortical hormone Antebate and Truvada, an anti-HIV drug. Torii Pharmaceutical's net sales and operating income for the third quarter were ¥10.2 billion and ¥2.0 billion, respectively.

Consequently, net sales and operating income for our pharmaceutical business were ¥21.3 billion and ¥7.3 billion, respectively, resulting from the operating results of Torii Pharmaceuticals and the lump-sum revenue from licensing out JTT-305, an oral calcium sensing receptor (CaSR) antagonist.

Foods business

We have positioned the foods business as a business pillar of the JT Group, devoting efforts to three areas: beverages, processed foods and seasonings. We have been striving to establish a safety control system of the highest standard. We have also been endeavoring to establish a strong business foundation as an integrated foods manufacturer.

In the beverage sector, we have steadily expanded our vending machine sales channels, mainly through our subsidiary, Japan Beverage Inc., and actively launched new products developed for the purpose of achieving differentiation from competitors, focusing mainly on the flagship Roots brand.

In the processed foods sector, sales of frozen food products slumped due the impact of the pesticide contamination cases and other factors. The JT Group is pressing forward with group-wide efforts to ensure thoroughness and enhancement of safety control systems, and striving to regain the trust of our customers through efforts such as: implementing pesticide screening of imported frozen foods at inspection centers located in Japan and China; taking a proactive stance towards providing detailed ingredient information on labeling; engaging outside specialists as advisors to the JT Group; and actively working to establish greater food safety.

In the seasonings sector we have been further strengthening the business foundation. In addition to efforts to develop, and expand the sales channels of, natural seasonings such as high-value yeast extract products, based on our in-house technology, we are also utilizing the synergistic benefits of sharing business resources with Fuji Foods Corporation, which we turned into a subsidiary in April 2008, in the areas of raw material procurement, manufacturing and sales.

Consequently, net sales for our foods business was ¥114.2 billion. Concerning profits, however, the foods business had an operating loss of ¥2.1 billion as a result of the impact of sluggish consumption accompanying the sudden economic recession that we are in, the soaring prices of raw materials and the impact of amortization of goodwill that accompanied the consolidation of the Katokichi Group.

Other business

Net sales and operating income for our other business operations were ¥4.9 billion and ¥2.2 billion, respectively, attributable to rental income of real estate.

Operating results by geographic segment are as follows.

Japan

Net sales and operating income in Japan for the third quarter were ¥946.4 billion and ¥53.8 billion, respectively.

Western Europe

Net sales and operating income in Western Europe for the third quarter were ¥575.9 billion and ¥4.9 billion, respectively.

Others

Net sales and operating income for other region for the third quarter were ¥326.7 billion and ¥65.7 billion, respectively.

(2) Operational and financial issues to be addressed

There were no material changes during the third quarter in issues to be addressed by the JT Group.

(3) Research and Development activities

Research and development expenses for the entire JT Group for the third quarter was ¥10.1 billion.

There were no material changes during the third quarter in the status of the JT Group’s research and development activities.

(4) Analysis of capital resources and liquidity of funds

a. Funding requirements

Funds were allocated to capital investments, working funds, the acquiring of external resources, repayments of borrowings, interest payments and dividend and income taxes payments.

b. Resources of funds

Necessary funds were provided mainly by cash flow from operating activities, borrowings from financial institutions and the issuance of long-term bonds.

c. Cash flow position

As of December 31, 2008, cash and cash equivalents totaled ¥257.0 billion.

Cash flows from operating activities

Net cash provided by operating activities during the third quarter was ¥218.0 billion. The main factors were the following. In addition to the tobacco businesses providing a stable flow of cash, there was an impact of tobacco excise tax payable for the domestic tobacco business due to the fact that the end of the third quarter was a holiday of the financial institutions.

Cash flows from investment activities

Net cash used in investment activities during the third quarter was ¥3.0 billion. The main factor was the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities during the third quarter was ¥125.1 billion. The main factors were the redemption of bonds, the payment of cash dividends and the repayment of loans payable.

d. Bonds, long-term loans and short-term loans

Interest-bearing debts as of December 31, 2008 was ¥1.0833 trillion. In this amount, bonds (including current portion of bonds) accounted for ¥608.8 billion, long-term loans from financial institutions (including current portion of long-term loans) totaled ¥369.3 billion, and short-term loans from financial institutions was ¥105.1 billion.

III. Investment in facilities

(1) Status of major facilities

There are no material changes during the third quarter in major facilities.

(2) Plans for new installation and disposal of facilities

There are no material changes during the third quarter in the new installation and expansion of facilities that were in the planning stage as of the end of the second quarter. The projected amount for the entire JT Group is ¥140.0 billion.

IV. Filing company

1. Information on the Company's shares

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

Class	Total number of shares authorized by company
Common stock	40,000,000
Total	40,000,000

b. Number of shares issued

Class	Number of shares issued (as of December 31, 2008)	Number of shares issued (as of the date of filing: February 13, 2009)	Name of financial instruments exchange where the stock of the Company is traded or the name of authorized financial instruments firms association where the Company is registered	Details
Common stock	10,000,000	10,000,000	Tokyo Stock Exchange (First Section) Osaka Securities Exchange (First Section) Nagoya Stock Exchange (First Section) Fukuoka Stock Exchange Sapporo Securities Exchange	(Note 2)
Total	10,000,000	10,000,000	–	–

Notes: 1. JT was established under the Japan Tobacco Inc. Act ("the JT Act"). The provisions of Article 2 of the JT Act prescribes that the Japanese government must continue to hold at least one-half of all of the shares that the government acquired by voluntary conveyance upon JT's establishment, as adjusted for any subsequent stock split or consolidation of shares, and that even if JT issues new shares in the future, the government must continue to hold more than one-third of all of the issued shares.

2. These shares are JT's standard shares without any restriction of shareholders' rights. JT does not employ a share unit system.

(2) Status of stock acquisition rights

Stock acquisition rights issued pursuant to Companies Act are as follows.

a. Resolutions of the Annual General Meeting of Shareholders on June 22, 2007 and a meeting of the Board of Directors on December 21, 2007

	As of December 31, 2008
Number of stock acquisition rights	426 units
Of which, the number of treasury stock acquisition rights	–
Class of shares to which stock acquisition rights apply	Common stock (JT's standard shares without any restriction of shareholders' rights. JT does not employ a share unit system.)
Number of shares to which stock acquisition rights apply	426 shares (Note 1)
Paying due upon exercise of stock acquisition rights per share	¥1 per share
Exercise period of stock acquisition rights	From January 9, 2008 to January 8, 2038
Issue price if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	¥581,269 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of stock acquisition rights	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 40, paragraph (1) of the Corporate Accounting Rules. If the obtained figure has a fraction less than one yen, the figure is rounded to the nearest yen above. b. Capital reserves that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights should be the amount obtained by decreasing the capital amount to be increased as specified in a. above from the maximum capital increase amount described in a. above.
Conditions for exercising stock acquisition rights	a. The person who is a holder of stock acquisition rights and is recorded in the registry of stock acquisition rights (hereinafter, "Stock Acquisition Rights Holder") may exercise his/her stock acquisition rights only if he/she forfeit his/her all position as director (including executive officers at companies with committees), auditor and operating officer. b. In cases where Stock Acquisition Rights Holders waive their stock acquisition rights, they cannot exercise those stock acquisition rights.
Assignment of stock acquisition rights	The approval of the Board of Directors is required for the assignment of stock acquisition rights.
Matters regarding surrogate payments	–
Provisions for acquiring stock acquisition rights	(Note 2)
Matters regarding deliver of stock acquisition rights accompanied by reorganization	(Note 3)

Notes: 1. The class of shares to which stock acquisition rights apply shall be common stock. The number of shares to which each stock acquisition right applies (hereinafter, "Number of Shares Granted") shall be one.

However, in cases where JT conducts share split (including stock allotment without contribution; hereinafter, the same shall apply to description of share split) or share consolidation after the date on which JT allots stock acquisition rights (hereinafter, "Allotment Date"), the Number of Shares Granted shall be adjusted according to the following formula.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of share split or share consolidation}$$

Any fraction of less than one share that occurs as a result of the above adjustment shall be rounded off to two decimal places.

In the case of a share split, the Number of Shares Granted after adjustment shall be applied on and after the date following the base date (if the base date is not specified, on or after the effective date), while in the case of share consolidation, it shall be applied on and after the effective date. However, in cases where stock split is conducted subject to approval of the proposal to reduce surplus and increase capital or reserve fund at the General Meeting of Shareholders of JT and where the base date for share split is set on or before the date of conclusion of that General Meeting of Shareholders, the Number of Shares Granted after adjustment shall be applied retroactively to the date following that base date, on and after the date following the date of conclusion of that General Meeting of Shareholders.

In addition, in cases where the adjustment of the Number of Shares Granted is proper, JT shall conduct adjustments deemed necessary after the Allotment Date.

When adjusting the Number of Shares Granted, JT shall notify or publicly notify Stock Acquisition Rights Holder of necessary information by the date before the date on which the Number of Shares Granted after adjustment is applied. However, in cases where the notice or public notice by the date before the date of the application is impossible, JT shall later do so as soon as possible.

2. In cases where proposal a, b or c below is approved at the General Meeting of Shareholders of JT (if a resolution by the General Meeting of Shareholders is not necessary, it is read as "in cases where the resolution of a meeting of the Board of Directors or the decision by the representative executive officer is made"), JT may acquire stock acquisition rights on the date separately provided for by the Board of Directors.

   In this case, JT shall, in exchange for acquiring each stock acquisition right, grant money of the amount per share obtained by multiplying the value per share calculated according to the following formula by the Number of Shares Granted (if adjusted pursuant to the Note 1 above, the Number of Shares Granted after adjustment) to the Stock Acquisition Right Holders of each of such stock acquisition rights.

   Value per share = Closing price for regular transactions of common stock of JT on the Tokyo Stock Exchange (if there is no closing price, the base price thereof on the following business day) on the date on which such proposal is approved at the General Meeting of Shareholders of JT (if a resolution by the General Meeting of Shareholders is not necessary, the resolution by a meeting of the Board of Directors or the decision by the representative executive officer") – ¥1

   a. Proposal to ask approval of a contract of merger where JT is not be the surviving company
   b. Proposal to ask approval of a contract or plan of company split where JT would be the split company
   c. Proposal to ask approval of a share exchange contract or share transfer plan where JT becomes a wholly-owned subsidiary

3. In cases where JT has merged (limited to cases where JT is to be extinguished as a result of the merger), split and absorb or split and incorporate (limited to cases where JT becomes the split company in either case) or exchange or transfer shares (limited to cases where JT becomes the wholly-owned subsidiary in either case) (collectively, hereinafter, "Reorganization"), JT shall, in each case, grant stock acquisition rights of the companies as listed in Article 236, paragraph (1), item (viii), sub-items (a) to (e) inclusive of Companies Act (hereinafter, the "Company Subject to Reorganization") to the Stock Acquisition Rights Holders that have stock acquisition rights existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of share exchange when it is a share exchange, or the incorporation date of a wholly-owning parent company as a result of the share transfer when it is a share transfer (hereinafter, "Remaining Stock Acquisition Rights"). However, it is subject to a condition that the provision that the stock acquisition rights of the company to be reorganized shall be delivered pursuant to the provisions of the items below, is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, share exchange contract or share transfer plan.
   a. Number of stock acquisition rights to be delivered of the company to be reorganized
      Stock acquisition rights whose number is identical to the number of the Remaining Stock Acquisition Rights held by Stock Acquisition Rights Holder
   b. Class of shares of the company to be reorganized to which stock acquisition rights apply
      Common stock of the company to be reorganized
   c. Number of shares of the company to be reorganized to which stock acquisition rights apply
      To be determined in the same manner as Note 1 above, taking terms and other conditions of the Reorganization.
   d. Value of property to be contributed when stock acquisition rights are exercised
      The value of the property to be contributed when each stock acquisition right to be delivered is exercised shall be the amount obtained by multiplying the paid-in amount after reorganization as specified below by the number of shares of the company to be reorganized to which each stock acquisition right applies, which is decided pursuant to c above. The paid-in amount after reorganization shall be ¥1 per share of the company to be reorganized that would be delivered by excercising the delivered each stock acquisition righs.
   e. Period during which stock acquisition rights can be exercised
      From the effective date of the Reorganization to the expiration date of the period during which such stock acquisition rights can be exercised as specified in the "Exercise period of stock acquisition rights" mentioned above
   f. Matters regarding capital and capital reserves that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights
      To be determined in the same manner as the "Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of stock acquisition rights" mentioned above.
   g. Restrictions on acquisition of stock acquisition rights by assignment
      The approval of the Board of Directors of the company to be reorganized is required for the assignment of stock acquisition rights.
   h. Provision for acquisition of stock acquisition rights
      To be determined in the same manner as Note 2 above.
   i. Other conditions for exercising stock acquisition rights
      To be determined in the same manner as "Conditions for exercising stock acquisition rights" mentioned above.

b. Resolutions of a meeting of the Board of Directors on September 19, 2008

	As of December 31, 2008
Number of stock acquisition rights	547 units
Of which, the number of treasury stock acquisition rights	–
Class of shares to which stock acquisition rights apply	Common stock (Standard shares of JT that has no restriction of the content of rights. JT does not adopt the share unit system.)
Number of shares to which stock acquisition rights apply	547 shares (Note 1)
Paying due upon exercise of stock acquisition rights per share	¥1 per share
Exercise period of stock acquisition rights	From October 7, 2008 to October 6, 2038
Issue price if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	¥285,904 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of stock acquisition rights	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 40, paragraph (1) of the Corporate Accounting Rules. If the obtained figure has a fraction less than one yen, the figure is rounded to the nearest yen above. b. Capital reserves that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights should be the amount obtained by decreasing the capital amount to be increased as specified in a. above from the maximum capital increase amount described in a. above.
Conditions for exercising stock acquisition rights	a. The person who is a holder of stock acquisition rights and is recorded in the registry of stock acquisition rights (hereinafter, “Stock Acquisition Rights Holder”) may exercise his/her stock acquisition rights only if he/she forfeit his/her all position as director (including executive officers at companies with committees), auditor and operating officer. b. In cases where Stock Acquisition Rights Holders waive their stock acquisition rights, they cannot exercise those stock acquisition rights.
Assignment of stock acquisition rights	The approval of the Board of Directors is required for the assignment of stock acquisition rights.
Matters regarding surrogate payments	–
Provisions for acquiring stock acquisition rights	(Note 2)
Matters regarding deliver of stock acquisition rights accompanied by reorganization	(Note 3)

Notes: 1. The class of shares to which stock acquisition rights apply shall be common stock. The number of shares to which each stock acquisition right applies (hereinafter, “Number of Shares Granted”) shall be one.

However, in cases where JT conducts share split (including stock allotment without contribution; hereinafter, the same shall apply to description of share split) or share consolidation after the date on which JT allots stock acquisition rights (hereinafter, “Allotment Date”), the Number of Shares Granted shall be adjusted according to the following formula.

$$\text{Number of Shares Granted after adjustment} = \text{Number of Shares Granted before adjustment} \times \text{Ratio of share split or share consolidation}$$

Any fraction of less than one share that occur as a result of the above adjustment shall be rounded off to two decimal places.

In the case of a share split, the Number of Shares Granted after adjustment shall be applied on and after the date following the base date (if the base date is not specified, on or after the effective date), while in the case of share consolidation, it shall be applied on and after the effective date. However, in cases where stock split is conducted subject to approval of the proposal to reduce surplus and increase capital or reserve fund at the General Meeting of Shareholders of JT and where the base date for share split is set on or before the date of conclusion of that General Meeting of Shareholders, the Number of Shares Granted after adjustment shall be applied retroactively to the date following that base date, on and after the date following the date of conclusion of that General Meeting of Shareholders.

In addition, in cases where the adjustment of the Number of Shares Granted is proper, JT shall conduct adjustments deemed necessary after the Allotment Date.

When adjusting the Number of Shares Granted, JT shall notify or publicly notify Stock Acquisition Rights Holder of necessary information by the date before the date on which the Number of Shares Granted after adjustment is applied. However, in cases where the notice or public notice by the date before the date of the application is impossible, JT shall later do so as soon as possible.

2. In cases where proposal a, b or c below is approved at the General Meeting of Shareholders of JT (if a resolution by the General Meeting of Shareholders is not necessary, it is read as "in cases where the resolution of a meeting of the Board of Directors or the decision by the representative executive officer is made"), JT may acquire stock acquisition rights on the date separately provided for by the Board of Directors.

In this case, JT shall, in exchange for acquiring each stock acquisition right, grant money of the amount per share obtained by multiplying the value per share calculated according to the following formula by the Number of Shares Granted (if adjusted pursuant to the Note 1 above, the Number of Shares Granted after adjustment) to the Stock Acquisition Right Holders of each of such stock acquisition rights.

Value per share = Closing price for regular transactions of common stock of JT on the Tokyo Stock Exchange (if there is no closing price, the base price thereof on the following business day) on the date on which such proposal is approved at the General Meeting of Shareholders of JT (if a resolution by the General Meeting of Shareholders is not necessary, the resolution by a meeting of the Board of Directors or the decision by the representative executive officer") – ¥1

a. Proposal to ask approval of a contract of merger where JT is not be the surviving company
b. Proposal to ask approval of a contract or plan of company split where JT would be the split company
c. Proposal to ask approval of a share exchange contract or share transfer plan where JT becomes a wholly-owned subsidiary

3. In cases where JT has merged (limited to cases where JT is to be extinguished as a result of the merger), split and absorb or split and incorporate (limited to cases where JT becomes the split company in either case) or exchange or transfer shares (limited to cases where JT becomes the wholly-owned subsidiary in either case) (collectively, hereinafter, "Reorganization"), JT shall, in each case, grant stock acquisition rights of the companies as listed in Article 236, paragraph (1), item (viii), sub-items (a) to (e) inclusive of Companies Act (hereinafter, the "Company Subject to Reorganization") to the Stock Acquisition Rights Holders that have stock acquisition rights existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of share exchange when it is a share exchange, or the incorporation date of a wholly-owning parent company as a result of the share transfer when it is a share transfer (hereinafter, "Remaining Stock Acquisition Rights"). However, it is subject to a condition that the provision that the stock acquisition rights of the company to be reorganized shall be delivered pursuant to the provisions of the items below, is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, share exchange contract or share transfer plan.

a. Number of stock acquisition rights to be delivered of the company to be reorganized
   Stock acquisition rights whose number is identical to the number of the Remaining Stock Acquisition Rights held by Stock Acquisition Rights Holder
b. Class of shares of the company to be reorganized to which stock acquisition rights apply
   Common stock of the company to be reorganized
c. Number of shares of the company to be reorganized to which stock acquisition rights apply
   To be determined in the same manner as Note 1 above, taking terms and other conditions of the Reorganization.
d. Value of property to be contributed when stock acquisition rights are exercised
   The value of the property to be contributed when each stock acquisition right to be delivered is exercised shall be the amount obtained by multiplying the paid-in amount after reorganization as specified below by the number of shares of the company to be reorganized to which each stock acquisition right applies, which is decided pursuant to c above. The paid-in amount after reorganization shall be ¥1 per share of the company to be reorganized that would be delivered by excercising the delivered each stock acquisition righs.
e. Period during which stock acquisition rights can be exercised
   From the effective date of the Reorganization to the expiration date of the period during which such stock acquisition rights can be exercised as specified in the "Exercise period of stock acquisition rights" mentioned above
f. Matters regarding capital and capital reserves that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights
   To be determined in the same manner as the "Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of stock acquisition rights" mentioned above.
g. Restrictions on acquisition of stock acquisition rights by assignment
   The approval of the Board of Directors of the company to be reorganized is required for the assignment of stock acquisition rights.
h. Provision for acquisition of stock acquisition rights
   To be determined in the same manner as Note 2 above.
i. Other conditions for exercising stock acquisition rights
   To be determined in the same manner as "Conditions for exercising stock acquisition rights" mentioned above.

(3) Details of rights plan

No items to report

(4) Trends in total number of issued shares, capital stock, etc.

Period	Fluctuation in the number of issued shares (Thousands of shares)	Balance of issued shares (Thousands of shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in capital reserves (Millions of yen)	Balance of capital reserves (Millions of yen)
October 1, 2008 to December 31, 2008	–	10,000	–	100,000	–	736,400

(5) Status of major shareholders

JT does not understand there to be change in major shareholders during the third quarter because no copy of Report of Possession of Large Volume or any other information disclosing such a change was sent to JT.

(6) Status of voting rights

JT shall report the status of voting rights based on the shareholder registry as of the last record date, September 30, 2008, instead of the shareholder registry as of the end of the third quarter, December 31, 2008, which is not available at the present time.

a. Issued shares

As of December 31, 2008

Classification	Number of shares (Share)	Number of voting rights	Content
Shares without voting rights	–	–	–
Shares with restricted voting rights (Treasury stock, etc.)	–	–	–
Shares with restricted voting rights (Other)	–	–	–
Shares with full voting rights (Treasury stock, etc.)	Common stock 419,920	–	(Note 2)
Shares with full voting rights (Other)	Common stock 9,580,080	9,580,080	(Note 2)
Odd shares	–	–	–
Total number of issued shares	10,000,000	–	–
Total number of voting rights	–	9,580,080	–

Notes: 1. The number of shares with full voting rights (Other) includes 217 shares in the name of Japan Securities Depository Center, Inc. Number of voting rights includes 217 units of voting rights related to shares with full voting rights in its name.

2. These shares are JT’s standard shares without any restriction of shareholders’ rights. JT does not employ a share unit system.

b. Treasury stock, etc.

As of December 31, 2008

Name of shareholders	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of total number of shares held in the total number of issued shares (%)
Japan Tobacco Inc.	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan	419,920	–	419,920	4.20
Total	–	419,920	–	419,920	4.20

2. Trends in stock price

Monthly highest and lowest share prices during the nine months ended December 31, 2008

Month	April 2008	May	June	July	August	September	October	November	December
Highest (Yen)	550,000	555,000	529,000	506,000	523,000	514,000	415,000	366,000	350,000
Lowest (Yen)	467,000	473,000	412,000	411,000	474,000	388,000	250,100	295,000	279,200

Note: The monthly highest and lowest share prices were those recorded on the first section of the Tokyo Stock Exchange.

3. Status of officers

There were no personnel changes of officers between the filing date of the Securities Report for the previous fiscal year and that of this Quarterly Securities Report.

V. Accounting

1. Preparation policy of the consolidated quarterly financial statements

JT prepares consolidated quarterly financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Quarterly Financial Statements (Cabinet Office Ordinance No. 64 of 2007, hereinafter, the “Regulation for Consolidated Quarterly Financial Statements”).

2. Audit attestation

The consolidated quarterly financial statements for the third quarter (from October 1, 2008 to December 31, 2008) and the consolidated quarterly financial statements for the nine months (from April 1, 2008 to December 31, 2008) were reviewed by Deloitte Touche Tohmatsu pursuant to Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

1. Consolidated quarterly financial statements

(1) Consolidated quarterly 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	*1 705,708	*1 763,332
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)
Liabilities		
Current liabilities		
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
Total current liabilities	1,350,844	1,284,396
Noncurrent liabilities		
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
Total noncurrent liabilities	1,325,054	1,648,188
Total liabilities	2,675,898	2,932,584
Net assets		
Shareholders' equity		
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)
Total shareholders' equity	1,994,876	2,106,311
Valuation and translation adjustments		
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)
Total valuation and translation adjustments	(214,800)	(30,238)
Subscription rights to shares	325	185
Minority interests	73,867	78,370
Total net assets	1,854,269	2,154,629
Total liabilities and net assets	4,530,167	5,087,214

(2) Consolidated quarterly statement of income (cumulative)

(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	*1	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	*2	11,705
Business restructuring costs	*3	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

Consolidated quarterly statement of income

(Millions of yen)

		Third quarter ended December 31, 2008
Net sales		1,849,058
Costs of sales		1,486,907
Gross profit		362,150
Selling, general and administrative expenses	*1	237,081
Operating income		125,069
Non-operating income		
Interest income		987
Dividends income		373
Foreign exchange gains		1,707
Other		3,958
Total non-operating income		7,025
Non-operating expenses		
Interest expenses		12,662
Other		1,796
Total non-operating expenses		14,458
Ordinary income		117,636
Extraordinary income		
Gain on sales of noncurrent assets		18,533
Other		307
Total extraordinary income		18,841
Extraordinary loss		
Loss on sales of noncurrent assets		1,607
Loss on retirement of noncurrent assets		1,182
Impairment loss		168
Business restructuring costs	*2	18,147
Other		13,711
Total extraordinary loss		34,817
Income before income taxes and minority interests		101,659
Income taxes		37,915
Minority interests in income		1,769
Net income		61,974

(3) Consolidated quarterly statement of cash flows

(Millions of yen)

	Nine months ended December 31, 2008
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	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	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	(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

Changes in significant preparation policy of consolidated quarterly financial statements

	Nine months ended December 31, 2008
1. Changes in scope of consolidation	(1) Changes in scope of consolidation A total of 13 companies, including JT BEVERAGE INC. and Fuji Foods Corporation, were included in the scope of consolidation from this nine months period. A total of 34 companies, including JT Dining Service Inc., were excluded from the scope of consolidation due to the mergers with other consolidated subsidiaries or other reasons. A total of 3 companies, including Hans Continental Smallgoods Pty. Ltd., were excluded from the scope of consolidation as JT lost its controlling interests in those companies with commencements of procedures for business liquidation, etc. on the premise of dissolutions. (2) Number of consolidated subsidiaries after changes 275 companies
2. Changes in scope of equity method	(1) Changes in application of the equity method Former subsidiary Advance Support Co., Ltd. was accounted for by the equity method from this nine months period due to the decrease of JT's voting rights as a result of sales of investments in the company. A total of 4 companies, including Shinwa Ox Inc. and R. J. Reynolds–Gallaher International Sàrl, were excluded from the scope of the equity method as JT's equity interests in those companies have been reduced or other reasons. (2) Number of affiliates accounted for by the equity method after changes 22 companies
3. Changes in accounting policies	Application of the "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), and adjusted necessary items in the consolidation process. As a result of this change, operating income, ordinary income and income before income taxes and minority interests for this nine months period decreased by ¥71,980 million respectively, and as of April 1, 2008, retained earnings decreased by ¥193,658 million as JT amortized goodwill posted at consolidated foreign subsidiaries. Also, income before income taxes and minority interests for this nine months period decreased by ¥932 million respectively, as JT posted the retrospective adjustment in the consolidated quarterly financial statement of income. The adjustment was caused by an accounting policy change in foreign subsidiaries as a result of a change of U.S. GAAP. The effects on segment information are described at relevant portion.

Specific accounting policy adopted in preparing consolidated quarterly financial statements

	Nine months ended December 31, 2008
Calculation of tax expenses	Tax expenses are calculated by multiplying the quarterly income before income taxes and minority interests by estimated effective tax rate which is calculated based on estimated annual income before income tax including this consolidated quarterly statement of income and annual effective tax rate after tax effect accounting adoption. Note that deferred income taxes are included in "Income taxes."

Additional information

Nine months ended December 31, 2008
(Changes in useful lives of property, plant and equipment) The useful life of property, plant and equipment with respect to JT and its domestic consolidated subsidiaries was changed as a result of the use review of these assets in conjunction with the revision of the corporate tax act. As an example, the useful life of tobacco manufacturing facilities, JT's main machinery and equipment, was changed from 8 years to 10 years. The effect of these changes has no material impact on the financial results for this nine months period.

Notes to consolidated quarterly financial statements
(Notes to consolidated quarterly balance sheets)

<table>
<tr><th>As of December 31, 2008</th><th>As of March 31, 2008</th></tr>
<tr><td>
*1. Accumulated depreciation of property, plant and equipment amounted to ¥1,030,543 million.

—

*3. Contingent liabilities
JT guarantees bank loans of business partners, and affiliates.

Kotobuki Business Company Corp., Ltd. ¥697 million
Mitoyo Cable Television Co., Ltd. ¥369 million
Cook Foods, Co., Ltd. ¥125 million
Shandong Kaijia Foods Co., Ltd. ¥54 million (US$600 thousand)
Total ¥1,246 million

Note: The translation of the guaranteed amounts that are denominated in foreign currency was made at the rate of exchange at December 31, 2008.
</td><td>
*1. Accumulated depreciation of property, plant and equipment amounted to ¥1,031,664 million.

*2. Amount of trade discounted notes receivable was ¥1,008 million.

*3. Contingent liabilities
JT guarantees bank loans of business partners, and affiliates.

Kotobuki Business Company Corp., Ltd. ¥733 million
Zhouzan Koumei Foods Co., Ltd. ¥569 million (RMB37 million) (US$332 thousand)
Mitoyo Cable Television Co., Ltd. ¥406 million
Zhouzan Katoka Foods Co., Ltd. ¥380 million (RMB24 million) (US$349 thousand)
Cook Foods, Co., Ltd. ¥240 million
Other two companies ¥126 million
Total ¥2,455 million

Note: The translation of the guaranteed amounts that are denominated in foreign currency was made at the rate of exchange at March 31, 2008.
</td></tr>
</table>

(Notes to consolidated quarterly statement of income)

Nine months ended December 31, 2008

*1. Major items and their amounts of selling, general and administrative expenses are as follows.

Advertising expenses	¥19,748 million
Promotion expenses	¥126,662 million
Compensations, salaries and allowances	¥108,481 million
Retirement benefit expenses	¥10,588 million
Legal welfare expenses	¥21,121 million
Employees' bonuses	¥13,415 million
Provision for bonuses	¥23,950 million
Depreciation	¥66,000 million
Amortization of goodwill	¥80,468 million
Research and development expenses	¥35,337 million

*2. An impairment loss was posted for the following asset group.

Location	Usage	Assets category	Impairment loss (Millions of yen)
Tokyo and other prefectures (43 prefectures)	Company housings planned to be demolished, etc.	Buildings and structures	11,705

Asset grouping is based on the smallest identifiable unit that generates cash flows that are largely independent of the cash flows from other assets.

During the nine months ended December 31, 2008, it was decided to demolish certain buildings and structures of company housing. Most of the impairment losses recognized was on such buildings and structures. The book value of such assets was written down to the recoverable value. The impairment loss therefore was ¥10,577 million.

The recoverable value of such assets was calculated mainly by its value in use, which is set at zero.

*3. Business restructuring costs were incurred in line with the business restructuring measures mainly for a change to a business structure of certain license businesses in the international tobacco business and for rationalization of domestic and international tobacco businesses.

Third quarter ended December 31, 2008

*1. Major items and their amounts of selling, general and administrative expenses are as follows.

Advertising expenses	¥7,263 million
Promotion expenses	¥45,948 million
Compensations, salaries and allowances	¥36,722 million
Retirement benefit expenses	¥3,956 million
Legal welfare expenses	¥7,029 million
Employees' bonuses	¥658 million
Provision for bonuses	¥11,935 million
Depreciation	¥22,042 million
Amortization of goodwill	¥27,186 million
Research and development expenses	¥10,113 million

*2. Business restructuring costs were incurred in line with the business restructuring measures mainly for a change to a business structure of certain license businesses in the international tobacco business and for rationalization of domestic and international tobacco businesses.

(Notes to consolidated quarterly statement of cash flows)

Nine months ended December 31, 2008	
* Adjustments from items in consolidated quarterly balance sheet to cash and cash equivalents as of December 31, 2008:	
	(As of December 31, 2008)
	(Millions of yen)
Cash and deposits	161,745
Time deposits with longer than three months period	(1,294)
Short-term investments with shorter than three months period and which are readily convertible to cash and have an immaterial risk of fair market value fluctuation	
Short-term investment securities	26,681
Other current assets	69,959
Cash and cash equivalents	257,091

(Notes to Shareholders' equity)

As of December 31, 2008 and nine months ended December 31, 2008

1. Type and total number of issued shares
   Common stock 10,000 thousand shares

2. Type and total number of treasury shares
   Common stock 419 thousand shares

3. Balance of stock acquisition rights as of December 31, 2008
   Stock acquisition rights as stock options Parent company ¥325 million

4. Dividends
   Dividend payments

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 24, 2008	Common stock	24,908	2,600	March 31, 2008	June 25, 2008	Retained earnings
Meeting of the Board of Directors held on October 30, 2008	Common stock	24,908	2,600	September 30, 2008	December 1, 2008	Retained earnings

(Segment information)

Operations by industry segment

Third quarter ended 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	815,762	892,753	21,320	114,291	4,930	1,849,058	-	1,849,058
(2) Intersegment sales or transfers	10,874	10,392	-	28	3,210	24,506	(24,506)	-
Total	826,636	903,146	21,320	114,320	8,141	1,873,565	(24,506)	1,849,058
Operating income (loss)	46,653	70,411	7,395	(2,196)	2,223	124,487	581	125,069

Nine months ended 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 elsewhere
   - 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 third quarter ended December 31, 2008 and 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
Third quarter ended December 31, 2008	20,725	17,541	962	2,023	2,668	43,921	(144)	43,777
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
Third quarter ended December 31, 2008	272	24,439	-	2,475	-	27,186
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. were as follows:

   Third quarter ended December 31, 2008 ¥287,380 million

   Nine months ended December 31, 2008 ¥879,362 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 July 1, 2008 to September 30, 2008 have been included in the third quarter ended December 31, 2008, and 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 policies

   (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 described in paragraph 3. of "Changes in significant preparation policy of consolidated quarterly financial statements." 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 as compared to the case where the previous method was adopted.

Operations by geographical segment

Third quarter ended December 31, 2008

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated
Net sales						
(1) Sales to customers	946,425	575,930	326,702	1,849,058	-	1,849,058
(2) Intersegment sales or transfers	12,397	58,769	9,436	80,603	(80,603)	-
Total	958,823	634,700	336,138	1,929,661	(80,603)	1,849,058
Operating income	53,837	4,961	65,710	124,509	559	125,069

Nine months ended December 31, 2008

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated
Net sales						
(1) Sales to customers	2,851,427	1,611,272	883,445	5,346,145	-	5,346,145
(2) Intersegment sales or transfers	39,213	167,098	28,666	234,978	(234,978)	-
Total	2,890,641	1,778,370	912,112	5,581,124	(234,978)	5,346,145
Operating income	158,180	9,806	160,890	328,877	777	329,654

Notes: 1. Geographical segments are categorized based on geographical proximity.

2. Countries or regions belonging to the segments other than Japan
   a. Western Europe: Switzerland, United Kingdom, Germany
   b. Others: Canada, Russia, Malaysia

3. Changes in accounting policies
   (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 described in paragraph 3. of "Changes in significant preparation policy of consolidated quarterly financial statements." As a result of this change, the operating income for the Western Europe segment for the nine months ended December 31, 2008 decreased by ¥71,980 million as compared to the case where the previous method was adopted.

Overseas sales

Third quarter ended December 31, 2008

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	564,499	349,201	913,701
II. Consolidated sales	(Millions of yen)			1,849,058
III. Percentage of overseas sales	(%)	30.5	18.9	49.4

Nine months ended December 31, 2008

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	1,584,288	929,673	2,513,962
II. Consolidated sales	(Millions of yen)			5,346,145
III. Percentage of overseas sales	(%)	29.6	17.4	47.0

Notes: 1. Overseas sales figures consist of sales of JT and its consolidated subsidiaries in countries or regions outside Japan.
2. Geographical segments are categorized based on geographical proximity.
3. Countries or regions belonging to each segment
a. Western Europe: Switzerland, United Kingdom, Germany
b. Others: Canada, Russia, Malaysia

(Derivative transactions)

As of December 31, 2008

Derivative transactions whose type of underlying products are currency and interest rate are increasing their importance in JT's operations, and substantial changes have been recognized compared with the previous fiscal year-end.

(Millions of yen)

Hedged items	Hedging instrument	Contract/ notional amount	Fair value	Gain (loss)
Foreign Currency	Foreign currency forward contracts	512,477	489,353	2,406
	Currency swaps	64,489	(724)	(724)
Interest rate	Interest rate swaps	103,476	(908)	(908)
	Interest rate cap options	412,847	973	(850)

Note: Derivative transactions qualifying for hedge accounting are excluded.

(Stock options)

Third quarter ended December 31, 2008

1. Amount accounted for as stock option expense and its account title for the third quarter
   Selling, general and administrative expenses ¥78 million

2. Details of stock options granted during the third quarter

	Japan Tobacco Inc. 2008 stock option
Category and number of persons granted	Directors 11 persons Executive Officers (excluding persons serving as Director) 14 persons
Number of stock options granted by type of shares	Common stock 547 shares
Date of grant	October 6, 2008
Condition of vesting	None
Subject service period	From June 24, 2008 to the date of Annual General Meeting of Shareholders to be held in 2009
Exercise period	From October 7, 2008 to October 6, 2038
Exercise price	¥1
Fair value price at the date of grant	¥285,904

(Per share information)

1. Net assets per share

As of December 31, 2008		As of March 31, 2008	
Net assets per share	¥185,810.09	Net assets per share	¥216,707.27

2. Net income per share, etc.

Nine months ended December 31, 2008		Third quarter ended December 31, 2008	
Net income per share	¥13,721.65	Net income per share	¥6,469.12
Diluted net income per share	¥13,720.79	Diluted net income per share	¥6,468.48

Note: Reconciliation of the differences between basic and diluted net income per share is as follows:

	Nine months ended December 31, 2008	Third quarter ended December 31, 2008
Net income per share		
Net income (Millions of yen)	131,454	61,974
Amounts not available to common shareholders (Millions of yen)	–	–
Net income available to common shareholders (Millions of yen)	131,454	61,974
Average number of common shares during the period (Thousands of shares)	9,580	9,580
Diluted net income per share		
Dilutive effects (Millions of yen)	–	–
Number of increased common shares (Thousands of shares)	0	0
Dilutive shares which are not included in the calculation of diluted net income per share as they have no dilutive effects and in which there were significant changes from the end of the previous year	–	–

(Additional information)

Third quarter ended December 31, 2008
1. On August 11, 2004, JTI-Macdonald Corp.(“JTI-MC”), JT’s Canadian subsidiary, received a Notice of Assessment from the Quebec Ministry of Revenue (“QMR”) requiring an immediate payment of approximately C$1.36 billion (approximately ¥102.1 billion), based on allegations that the company had contributed to tobacco smuggling from 1990 to 1998, prior to JT’s acquisition of RJR Nabisco Inc.’s international (non-US) tobacco operations. JTI-MC filed an application for protection with the Ontario Superior Court of Justice on August 24, 2004 under the Companies’ Creditors Arrangement Act (“CCAA”), because the company’s failure to pay the tax bill immediately could have prompted the QMR to confiscate its business assets, making it difficult for it to continue its normal business operations. As of December 31, 2008 (the end of the third quarter), the company was continuing business operations with its assets protected under the CCAA. In order to enable JTI-MC to repay part of its debts to other subsidiaries of JT, JT International Holding B.V., JT’s Dutch subsidiary, provided a court-appointed monitor in April 2006 with a letter of credit issued by a financial institution for the amount corresponding to the repayment. JT believes that if JTI-MC incurs financial damage or bears costs associated with this case, it will be entitled to seek indemnification from RJR Nabisco Inc. or its successors, based on the contract entered into among JT, RJR Nabisco Inc. and RJR at the time of JT’s acquisition of JTI-MC in 1999.

Third quarter ended December 31, 2008
2. On July 11, 2008, the Office of Fair Trading (OFT), the UK competition authority, announced that Gallaher Group Ltd. (former Gallaher Group Plc) and Gallaher Ltd. (together, hereinafter, "Gallaher"), JT's tobacco subsidiaries in the United Kingdom, have concluded an early resolution agreement with the OFT. Gallaher has agreed to pay a fine for anti-competitive business practices relating to the retail pricing of tobacco products in the UK market during the period prior to JT's acquisition of Gallaher. In August 2003, the OFT notified Gallaher of an inquiry into vertical agreements between manufacturers and retailers in the UK cigarette, tobacco and tobacco-related markets. Since that time Gallaher has been fully cooperating with the OFT regarding the investigation. Regarding this matter, the OFT issued a statement of objections on April 25, 2008. Following a careful and comprehensive review of the document, the JT Group decided to conclude an early resolution agreement with the OFT, which JT believes best serves the interests of all parties involved. A certain amount, based on the company's assumptions about the fine, has been booked as noncurrent liabilities in the purchase price allocation related to JT's acquisition of Gallaher Group Plc (now Gallaher Group Ltd.). In the Balance Sheet for the third quarter under review, the amount is included in noncurrent liabilities. This agreement requires us the cooperation with the OFT regarding the investigation. The fine of approximately £93 million (approximately ¥12.2 billion) to Gallaher is scheduled to be finally decided after such investigation has been completed. In cases where the payment amount is decided as the fine amount specified in this agreement, the difference between such fine and the liability already posted, approximately £71 million (approximately ¥9.4 billion), will be recorded as extraordinary income. While the agreement reached with the OFT relates only to Gallaher's past business activities prior to JT's acquisition of the Gallaher group of companies, JT considers that compliance with all applicable laws in each market in which it operates is of the utmost importance. JT will continue to enhance efforts to ensure compliance of the whole group of companies.

2. Other

At the meeting of the Board of Directors held on October 30, 2008, the Board of Directors resolved that interim dividends shall be paid to shareholders registered or recorded on the shareholder registry as of September 30, 2008, as follows:

(a) Total amount of interim dividends ¥24,908 million
(b) Amount per share ¥2,600.00
(c) Effective date of requests for payment, and commencement date of payments December 1, 2008

B. INFORMATION ON GUARANTOR FOR THE FILING COMPANY

No items to report

[The following represents a translation, for convenience only, of the original report issued in the Japanese language.]

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

February 6, 2009

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu

Designated Partner,
Engagement Partner,
Certified Public Accountant: Tatsuo Igarashi (Seal)

Designated Partner,
Engagement Partner,
Certified Public Accountant: Shuichi Momoki (Seal)

Designated Partner,
Engagement Partner,
Certified Public Accountant: Satoshi Iizuka (Seal)

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the consolidated quarterly financial statements included in the Financial Section, namely, the consolidated quarterly balance sheet of Japan Tobacco Inc., and subsidiaries as of December 31, 2008 and the related consolidated quarterly statements of income for the three-month and nine- month periods then ended, and the consolidated quarterly statement of cash flows for the nine-month period then ended. These consolidated quarterly financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review.

We conducted our review in accordance with quarterly review standards generally accepted in Japan. A review consists principally of making inquiries, primarily of management and persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.

Based on our review, nothing has come to our attention that causes us to believe that the consolidated quarterly financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Japan Tobacco Inc. and subsidiaries as of December 31, 2008, and the results of their operations for the three-month and nine-month periods then ended and their cash flows for the nine-month period then ended in conformity with accounting principles for consolidated quarterly financial statements generally accepted in Japan.

Our firm and the engagement partners do not have any interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

Notes: 1. The document presented above is a digitized copy of the original version of the “INDEPENDENT ACCOUNTANTS' REVIEW REPORT.” The original report is kept separately by JT (the filing company of the Quarterly Securities Report).

2. The section of consolidated quarterly financial statements of this report does not contain their XBRL data.