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[Cover]

Shelf Registration Supplement Number: 21-Kanto54-1

Document to be filed: Shelf Registration Supplement

Filing to: Director-General of the Kanto Local Finance Bureau

Date of filing: May 28, 2009

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.

Title and name of representative: Hiroshi Kimura, President, Chief Executive Officer and Representative Director

Location of head office: 2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan

Telephone number: +81-3-3582-3111 (Main)

Contact person: Manabu Yamaguchi, Vice President, Group Treasurer

Place of contact: 2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan

Telephone number: +81-3-3582-3111 (Main)

Contact person: Manabu Yamaguchi, Vice President, Group Treasurer

Type of securities offered to which shelf registration is to be applied: Bonds

Total amount of this offering: ¥100,000 million

Details of the Shelf Registration Statement:

Date of filing:	April 20, 2009
Effective date:	April 28, 2009
Expiration date:	April 27, 2011
Shelf registration number:	21-Kanto54
Scheduled amount of issue:	¥300,000 million

Previous subscriptions:

Number	Date of filing	Amount of issue (yen)	Date of correction due to reduction	Reduction (yen)
-	-	-	-	-
Total subscription (yen)		None (None)	Total reduction (yen)	None

Note: The total subscription was calculated based on the total amount of the aggregate face value or that of transferred bonds (the figure in parentheses is the total amount of the aggregate issue price).

Balance (scheduled amount - total subscription - total reduction) ¥300,000 million (¥300,000 million)

Note: The balance was calculated based on the total amount of the aggregate face value or that of transferred bonds (the figure in parentheses is the total amount of the aggregate issue price).

Items regarding stabilizing transactions: No items to report

Places where the document to be filed is available for public inspection:

Japan Tobacco Inc. Saitama Sales Office
(55-1, Shimochō 1-chōme, Omiya-ku, Saitama-shi, Saitama)

Japan Tobacco Inc. Yokohama Sales Office
(143, Hanasakichō 6-chōme, Nishi-ku, Yokohama-shi, Kanagawa)

Japan Tobacco Inc. Nagoya Sales Office
(12-1, Iseyama 2-chōme, Naka-ku, Nagoya-shi, Aichi)

Japan Tobacco Inc. Osaka Sales Office
(5-10, Oyodo-minami 1-chōme, Kita-ku, Osaka-shi, Osaka)

Japan Tobacco Inc. Kobe Sales Office
(7-23, Nakayamate-dōri 3-chōme, 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-chōme, Chuo-ku, Osaka-shi, Osaka)

Nagoya Stock Exchange, Inc.
(8-20, Sakae 3-chōme, Naka-ku, Nagoya-shi, Aichi)

Fukuoka Stock Exchange, Inc.
(14-2, Tenjin 2-chōme, Chuo-ku, Fukuoka-shi, Fukuoka)

Sapporo Securities Exchange, Inc.
(14-1, Minamiichijō-nishi 5-chōme, Chuo-ku, Sapporo-shi, Hokkaido)

A. INFORMATION CONCERNING SECURITIES

I. Terms and Conditions of Offering for Subscription

1. Newly issued bonds (except short-term bonds)

Issue	The Fifth Series Straight Bonds with General Security (hereinafter, the “Bonds”)
Registered or bearer	-
Aggregate face value or that of transferred bonds	¥100,000 million
Denomination of each bond	¥100 million
Total amount of issue	¥100,000 million
Issue price	¥100 per face value of ¥100
Interest rate	1.128% per annum
Interest payment dates	June 3 and December 3 of each year
Interest payment method	<p>1. Method and expiration of interest payment</p> <p>(1) The interest shall be paid over the period from the day after the payment date to the redemption date, with the initial payment date being December 3, 2009, on which the interest portion up to that date shall be paid, and subsequent payments on June 3 and December 3 of each year covering six-month interest portions.</p> <p>(2) In the event the date on which interest is to be paid falls on a bank holiday, payment shall be effected on the previous bank business day.</p> <p>(3) Interest portions covering periods less than six months shall be calculated per diem.</p> <p>(4) Interest shall not be paid after the redemption date.</p> <p>2. Place of interest payment</p> <p>As provided separately in “Note 10. Payment of principal and interest”</p>
Final redemption date	June 3, 2014
Redemption method	<p>1. Redemption price</p> <p>¥100 per face value of ¥100</p> <p>2. Redemption method and redemption date</p> <p>(1) The aggregate principal amount of the Bonds shall be redeemed on June 3, 2014.</p> <p>(2) In the event the date on which redemption is to be effected falls on a bank holiday, payment shall be effected on the previous bank business day.</p> <p>(3) The retirement by purchase of the Bonds may be effected at any time after the day following the payment date unless otherwise provided in laws and regulations, business regulations of the</p>

	<p>book-entry transfer institution provided separately in the field “book-entry transfer institution” or other rules.</p> <p>3. Place of principal payment</p> <p>As provided separately in “Note 10. Payment of principal and interest”</p>
Method of offering	Public offering in Japan
Deposit for subscription	¥100 per face value of ¥100 appropriated to the payment amount on the payment date. No interest shall be paid on the deposit for subscription.
Application date	May 28, 2009
Place of application	Head and branch offices of underwriters in Japan provided separately
Payment date	June 3, 2009
Book-entry transfer institution	<p>Japan Securities Depository Center Inc.</p> <p>1-1, Nihonbashi-kayabacho 2-chome, Chuo-ku, Tokyo</p>
Security	General security in accordance with the Japan Tobacco Inc. Act
Financial covenants (security restrictions)	No items to report (the Bonds are backed by a general security with no financial covenants)
Financial covenants (other clauses)	No items to report
Ratings	<p>1. Rating</p> <p>AA</p> <p>2. Designated rating agency</p> <p>Rating and Investment Information, Inc.</p> <p>3. Rating date</p> <p>May 28, 2009</p>

Notes: 1. Application of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc.

- (1) The provisions of the Act on Book-Entry Transfer of Corporate Bonds, Shares, etc. (hereinafter, the “Transfer Act”) applies for the Bonds, and it shall be handled in accordance to the business regulations, etc. relating to the transfer business of the book-entry transfer institution provided separately in the field “book-entry transfer institution.”
- (2) No bond certificates shall be issued except where bondholders are permitted to request for the issuance thereof as per the Transfer Act.
- (3) In the event of a request as per (2) above, bond certificates shall only be issued in bearer form with coupon, the bondholder may not request for signature bonds (registration), and bond certificates may not be divided or consolidated. In addition, any expenses incurred for the issuance of bond certificates shall be borne by Japan Tobacco Inc. (hereinafter, the “Company”).

2. Bond administrator
- Mizuho Bank, Ltd.

3. Acceleration covenants

The Company shall lose its benefit of term with respect to the Bonds in the event of any of the following.

- (1) The Company infringes upon the provisions of Item 2 in the separate “redemption method” field or Item 1 in the separate “interest payment method” field.
- (2) The Company violates the provisions and requirements of Notes 4, 5, 6 and 9 herein and fails to comply with such provisions and requirements or remedies such violation within the period designated by the bond administrator, which shall be no less than one month.
- (3) The Company loses its benefit of term with respect to bonds other than the Bonds or is unable to redeem such bonds that are due.
- (4) The Company loses its benefit of term with respect to debt payable other than bonds or is unable to perform guarantee obligations effected by the Company with respect to bonds and other debt payable owed by another entity even though the performance of such guarantee obligation is required; provided, however, that the total amount of obligations exceeds ¥5.0 billion (after converted into yen) shall be exempted.
- (5) The Company files for bankruptcy, civil rehabilitation or corporate reorganization proceedings, or a resolution is

passed by the Board of Directors for a proposal of the dissolution of the Company (excluding in the event of a merger) to be placed on the agenda of the General Meeting of Shareholders.

- (6) A decision is made to commence bankruptcy, civil rehabilitation or corporate reorganization proceedings, or an order is filed to commence special liquidation proceedings with respect to the Company.
- (7) An order is filed for the attachment or auction (including public auction) of assets essential to the business of the Company, a disposition for delinquency is received by the Company or some other factor resulting in facts that damage the credibility of the Company, which leads to the recognition by the bond administrator that the continuation of the Bonds is inappropriate.

4. Notices to the bond administrator

- (1) In the event that an event happens that requires an additional entry in the bond registry or a change thereof subsequent to the issuance of the Bonds, the Company shall without delay make such entry and notify the bond administrator in writing with the name and seal of its representative.
- (2) The Company shall notify in advance the bond administrator in writing prior to any of the following.
 - a. Transfer or lease of assets essential to the business of the Company
 - b. Pledge of important assets of the Company as collateral
 - c. Suspension or abolition of all businesses or some important businesses
 - d. Reduction of capitalization or reserves
 - e. Entity conversion, merger or company split, or stock exchange or stock transfer

5. Investigatory powers of the bond administrator

- (1) In the event the bond administrator determines as necessary for the exercise of its authority or performance of duties, it may request the submission of materials or reports on the business, accounting or ledgers, etc. of the Company, its consolidated subsidiaries and equity method companies or may investigate by itself in the event of the possibility of any of the matters prescribed in Note 3 herein.
- (2) The Company shall cooperate in the event of (1) above whereby an investigation is conducted by the bond administrator with respect to the Company, its consolidated subsidiaries and equity method companies.

6. Reports on outline of business, etc. to bond administrator

- (1) The Company shall report on its business conditions to the bond administrator and, concerning annual accounts settlements and dividends of surplus (including interim dividends provided for in Article 454, paragraph (5) of the Companies Act), shall notify the bond administrator immediately subsequent to any approval or resolution thereof by the Board of Directors. The Company shall effectuate the above also in the event of the preparing of temporary financial statements on a certain date as prescribed in Article 441, paragraph (1) of the Companies Act.
- (2) The Company shall notify the bond administrator without delay if having submitted an annual securities report, quarterly securities report, extraordinary report or amendment report as well as any appendices in accordance with the Financial Instruments and Exchange Act, a written confirmation provided for in Article 24-4-2 of said Act and an internal control report provided for in Article 24-4-4 of same to the Director-General of the Kanto Local Finance Bureau; provided, however, that, in the event the bond administrator requests for the submission of duplicate copies of the above, the Company shall submit same to the bond administrator.

7. Authority of the bond administrator in objection procedures for creditors

The bond administrator shall, irrespective of the provisions of the main text of Article 740, paragraph (2) of the Companies Act, refrain from raising objections on behalf of bondholders with respect to filings of objections as per paragraph (1) of said Article without a resolution of the bondholders' meeting.

8. Bondholders' meeting

- (1) The bondholders' meeting shall be composed of holders of the same class of bonds (as prescribed in Article 681, item (i) of the Companies Act) as the Bonds (hereinafter, the "Bonds of This Class"). The Company or the bond administrator shall convene said meeting by giving a public notice up to three weeks prior to the date thereof on the details on the convocation as well as the items prescribed in Article 719 of the Companies Act.
- (2) The bondholders' meeting of holders of the Bonds of This Class shall take place in Tokyo.
- (3) A bondholder who own one-tenth or more of the total amount of the Bonds of This Class (excluding the amount already redeemed; the total amount of the bonds held by the Company is not factored into the calculation) may request for the convocation of the bondholders' meeting by presenting to the bond administrator the documentation concerning the Bonds of This Class as prescribed in Article 86, paragraphs (1) and (3) of the Transfer Act and submitting to the Company or the bond administrator a document describing the purpose(s) for the bondholders' meeting and the reason(s) for its convocation.

9. Method of public notice

Any notices to bondholders concerning the Bonds shall be effected by the electronic publication method prescribed in the Articles of Incorporation of the Company, unless otherwise stipulated in laws and regulations. However, should an accident or some other unavoidable event render electronic publication impossible, public notice shall be effected through the newspaper prescribed in the Articles of Incorporation and in one or more newspapers published in Tokyo and Osaka, respectively (this may be omitted in case of duplicate publications). Also, any notices by the bond administrator shall be effected either by a method prescribed in laws and regulations or the electronic publication method prescribed in the articles of incorporation of the bond administrator. However, should an accident or some other unavoidable event render electronic publication impossible, public notice shall be effected through the newspaper prescribed in the articles of incorporation and in one or more newspapers published in Tokyo and Osaka, respectively (this may be omitted in case of duplicate publications).

10. Payment of principal and interest

The principal and interest of the Bonds shall be paid in accordance with the Transfer Act and the business regulations of the book-entry transfer institution provided separately in the "book-entry transfer institution" field as well as other rules.

11. Issuing and paying agents

The tasks of the issuing and paying agents for the Bonds as per the business regulations established by the book-entry transfer institution provided separately in the "book-entry transfer institution" field shall be effected by Mizuho Bank, Ltd.

2. Underwriting of the Bonds and retention of management of the Bonds:

(1) Underwriting of the Bonds

Underwriter	Address	Amount (Millions of yen)	Conditions
Nomura Securities Co., Ltd.	9-1, Nihonbashi 1-chome, Chuo-ku, Tokyo	30,000	1. The underwriters shall jointly and severally underwrite the full amount of the Bonds as well as handle the public offering. Should the amount of the offering not cover the full amount thereof, same shall underwrite the balance. 2. The total underwriting fee for the Bonds shall be ¥185 million.
Daiwa Securities SMBC Co. Ltd.	9-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	30,000	
Mizuho Securities Co., Ltd.	5-1, Otemachi 1-chome, Chiyoda-ku, Tokyo	30,000	
Nikko Citigroup Limited	5-1, Marunouchi 1-chome, Chiyoda-ku, Tokyo	10,000	
Total	-	100,000	-

(2) Retention for management of the Bonds

Bond administrator	Address	Conditions
Mizuho Bank, Ltd.	1-5, Uchisaiwaicho 1-chome, Chiyoda-ku, Tokyo	The fee for administering the Bonds paid to the bond administrator shall be ¥1.2 million per year during the term of the Bonds.

3. Use of net proceeds from the new issuance:

(1) The amount of net proceeds from the new issuance of the Bonds

(Millions of yen)

Total payment	Estimated issuance cost	Estimated net proceeds
100,000	206	99,794

(2) Use of net proceeds

The above estimated net proceeds of ¥99,794 million is to be used as funds for the redemption of bonds.

II. Terms and Conditions of Offering for Sale

No items to report

III. Other Matters to be Described

No items to report

B. INFORMATION ON TAKEOVER BIDS

No items to report

C. INFORMATION INCORPORATED BY REFERENCE

I. Documents Incorporated by Reference

As for matters such as the outline of the Company and outline of business, etc. provided for in Article 5, paragraph (1), item (ii) of the Financial Instruments and Exchange Act, please refer to the following documents. Please note that the following documents are filed through the Electronic Disclosure for Investors' NETwork (EDINET) stipulated in Article 27, paragraph (30)-2 of the said Act.

1. Annual Securities Report and Appendices

23rd term (from April 1, 2007 to March 31, 2008) filed to Kanto Local Finance Bureau Director-General on June 24, 2008

2. Quarterly or Semiannual Securities Report

First quarter of 24th term (from April 1, 2008 to June 30, 2008) filed to Kanto Local Finance Bureau Director-General on August 13, 2008

3. Quarterly or Semiannual Securities Report

Second quarter of 24th term (from July 1, 2008 to September 30, 2008) filed to Kanto Local Finance Bureau Director-General on November 14, 2008

4. Quarterly or semiannual Securities Report

Third quarter of 24th term (from October 1, 2008 to December 31, 2008) filed to Kanto Local Finance Bureau Director-General on February 13, 2009

5. Extraordinary Report

Since the filing date of the Annual Securities Report listed in "1" above and up to the date hereof (May 28, 2009), Extraordinary Report pursuant to Article 24-5, paragraph (4) of the Financial Instruments and Exchange Act and Article 19, paragraph (2), item (ii)-2 of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc. filed to Kanto Local Finance Bureau Director-General on September 19, 2008

6. Amendment Report

Amendment Report (amendment report of the Extraordinary Report listed in "5" above) filed to Kanto Local Finance Bureau Director-General on October 7, 2008

7. Amendment Report

Amendment Report (amendment report of the Annual Securities Report listed in "1" above) filed to Kanto Local Finance Bureau Director-General on February 6, 2009

8. Amendment Report

Amendment Report (amendment report of the Quarterly Report listed in "2" above) filed to Kanto Local Finance Bureau Director-General on February 6, 2009

9. Amendment Report

Amendment Report (amendment report of the Quarterly Report listed in "3" above) filed to Kanto Local Finance Bureau Director-General on February 6, 2009

10. Amendment Report

Amendment Report (amendment report of the Quarterly Report listed in "4" above) filed to Kanto Local Finance Bureau Director-General on March 6, 2009

II. Supplemental Information to the Documents Incorporated by Reference

With regard to the matters described in “Business and other risks” in the Annual Securities Report listed above as a reference document, the following amendments or other incidents have occurred subsequent to the filing date of said Report to the date hereof (May 28, 2009). The Annual Securities Report and Quarterly Securities Report listed above as reference documents include forward looking statements, and pertaining to these items, amendments or other incidents occurring during the period up to the date hereof are as follows. Amendments are underlined.

Please note that the forward looking statements provided below were determined as of the date hereof and, excluding the items provided below, no changes have been made to the forward looking statements provided in the Annual Securities Report and Quarterly Securities Report as of the date hereof.

3. Issues to be addressed

(Before amendments)

Aiming to become a “global growth company that develops diversified, value-creating businesses,” its long-term vision, JT formulated in May 2006 its medium-term management plan “JT2008,” which continues and expands upon the strategies we have promoted in the past and covers the three-year period until March 2009.

Under “JT2008,” JT puts great importance on forward-looking investments for the fulfillment and enhancement of organizational strengths, competitive human resources and business foundations in order to achieve long-term sustainable growth while overcoming various changes foreseen in the operating environment.

The domestic tobacco business is positioned as the core source of profits for the JT Group. JT expects total tobacco demand in Japan to continue to decline and competition with other tobacco manufacturers to intensify and, in an effort to achieve top-line (revenue) growth, it will continue to strive to maintain and promote its brand equity by striving to refresh and enhance existing brands and introduce new products in an effective manner. Also, JT will work constantly to enhance activities geared toward growing sales channels, implement efficient and effective sales promotion activities and improve productivity. The JT Group has been making greater efforts than ever in order to realize a society in which smokers and non-smokers can coexist harmoniously as well as promote activities for the smooth introduction and operation of vending machines with adult identification functions nationwide, scheduled for implementation in 2008.

The international tobacco business is further expanding its role as the profit growth engine for the JT Group through the fusion of Gallaher with JT International. Aiming for its realization, JT will proactively seek opportunities for top-line growth while expanding our business foundation with a growth focus with fundamental strategies, including building and fostering prominent brands centered on GFBs, enhancing productivity, training personnel able to support our success and taking part in responsible corporate activities while constantly improving upon them.

The JT Group will also continue to take appropriate response to the WHO Framework Convention on Tobacco Control and the tobacco-related regulations of the EU and other countries.

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 the pipeline itself. Also, JT will continue to strategically explore opportunities to acquire, or give others, rights to drugs.

JT has positioned the foods business as a business pillar of the JT Group, devoting efforts to three areas: beverages, processed foods (frozen food products, bakery products, chilled processed foods and room temperature processed foods) and seasonings. JT has been striving to build a safety management system under the highest standards particularly by enhancing of its self-imposed inspection system and utilizing the knowledge of outside experts and has established a strong business foundation as an integrated foods manufacturer. Also, JT is striving to further expand its business volume and strengthen profitability

through the steadfast advancement of its business integration with the Katokichi Group.

The JT Group aggressively seeks opportunities for future growth through acquisitions of external resources mainly in the international tobacco business and foods business.

In the area of environmental protection efforts and social contribution activities, the JT Group is actively engaged in reducing impacts on the environment, contributing to local communities, promoting afforestation and forest conservation projects, youth education and other activities in order to bring about a “harmony” between its corporate activities and the environment and a feeling of mutual coexistence with society as a “good corporate citizen” in all countries and regions where the Group operates.

Regarding dividends, the medium-term management plan “JT2008” currently calls for achieving a 20% consolidated dividend payout ratio and JT is working to attain that level deducting the effects of goodwill amortization from net income, the basis for calculating the dividend payout ratio. Also, taking into consideration the status of mid- to long-term growth strategies and the consolidated earnings forecasts, JT is striving to further increase its dividend levels designating as basic policy a return of profits to shareholders that is competitive on the capital markets. Internal reserves will be replenished not only for present and future business investments and to acquire external resources but also to pay down interest-bearing debt and for the acquisition of treasury stock effected to increase managerial options.

(After amendments)

JT formulated the new medium term management plan “JT-11” for the three-year period ending March 2012, which will continue the strategies JT has promoted in the past and will take them to a higher level, in an effort to realize its long-term corporate image of becoming “A company committed to global growth that provides consumers diversified value uniquely available from JT.”

The theme of “JT-11” is to “secure strong business momentum through investment for the future and continuous improvement in business operations in anticipation of possible changes in the business environment that may occur in the future so that we can maintain sustainable growth in the long term.”

The domestic tobacco business is positioned as the core source of profits for the JT Group. We expect total tobacco demand in Japan to continue to decline and competition with other tobacco manufacturers to intensify and, with an eye on environmental changes, we will strive to maintain and promote our brand equity primarily in our core brands and build a strong portfolio. Meanwhile, we will fortify our product exposure at key sales channels, enhance our sales and organizational strengths and secure our competitive advantages over competitors. In addition, the JT Group will implement efforts aimed at the enhancement of our added-value and quality for the maximization of customer satisfaction. We will also build a highly cost efficient business framework capable of adapting to highly uncertain business environments and continue to make greater efforts than ever in order to realize a society in which smokers and non-smokers can coexist harmoniously.

The international tobacco business is continuing its role as the profit growth engine for the JT Group. Therefore, we aim to sustain quality top-line growth by maintaining our primary focus on GFB and realizing the sales volume growth and unit price improvements accompanying building and nurturing outstanding brands. Concurrently, we will expand our earnings base and make proactive business base fortification investments including in markets with growth potential.

The JT Group will also continue to take appropriate response to the WHO Framework Convention on Tobacco Control and the tobacco-related regulations of the EU and other countries.

In the pharmaceutical business, we will continue to build a globally successful, R&D-driven business with unique features and strive to secure a market presence with original new drugs by increasing and advancing compounds in a late phase of clinical trial and enhancing the research and development pipeline. To achieve this, while striving to strengthen the capability for clinical trial, including late-phase development and further improve the drug discovery research capability, we will continue to explore strategic opportunities for out-licensing and strengthen alliances with business partners so that we can realize the value of the pharmaceutical business at an early date.

Concerning the foods business, we will focus on three areas: beverages, processed foods and seasonings,

promote efforts to achieve the highest level of safety control, and further strengthen the business foundation for significant future growth. In the beverages sector, we will further strengthen the flagship Roots brand and establish a solid profit base by pursuing efficiency. For processed foods and seasonings, in the Katokichi Group we will pursue integrated synergies and labor to concentrate our forces on key areas and foster a higher sense of oneness all in an effort to buttress our business base.

In the area of environmental protection efforts and social contribution activities, the JT Group is actively engaged in reducing impacts on the environment, contributing to local communities, promoting afforestation and forest conservation projects, youth education and other activities from the aspect of bringing about a “harmony” between its corporate activities and the environment and a feeling of mutual coexistence with society as a “good corporate citizen” in all countries and regions where the Group operates.

Regarding dividends, the JT Group aims to achieve a consolidated dividend payout ratio of 30% (after deducting the goodwill amortization effect) as our medium term objective. We will continue to strive towards further improving dividend levels by having as our basic policy with the aim to provide a competitive level of returns to shareholders in the capital market while considering the status of the medium to long term growth strategies and our consolidated financial results outlook. Internal reserves will be replenished not only for present and future business investments and to acquire external resources but also for the purchase of own shares effected to increase managerial options, to pay down interest-bearing debts and other objectives.

4. Business and other risks

(2) Risks relating to the JT Group’s domestic and international tobacco businesses

g. Litigation

ii Others

(Before amendments)

Various kinds of smuggling and counterfeiting of tobacco products have posed a major challenge to the tobacco industry as a whole. The Canadian government filed a civil action against JT and its subsidiaries claiming damages incurred as a result of the smuggling of tobacco products into Canada. In addition, a JT subsidiary received a Notice of Assessment from the Quebec Ministry of Revenue for tobacco taxes plus penalties regarding tobacco product smuggling. It responded by filing an action against the Notice requesting for the taxation to be invalidated. The JT Group believes that, for any damages or costs associated with these cases, it will be entitled to seek indemnification from RJR Nabisco Inc. (now Reynolds American Inc.), the seller in the purchase agreement entered in 1999.

The JT Group is not involved in any smuggling or other improper dealings and will continue to challenge these claims in the future.

Concerning the smuggling and counterfeiting of tobacco products, in December 2007, JT subsidiaries signed an agreement with the European Commission (EC), the executive branch of the European Union (EU) and twenty-six Member States of the EU on cooperation in combating cigarette smuggling and counterfeiting in Europe. We believe that this agreement, which builds upon initiatives implemented by the JT Group over the past years, will help to jointly establish an efficient and constructive framework for combating cigarette smuggling and counterfeiting with the EC and its Member States and protect the brand value of our products against the threat of such illegal activities.

The agreement calls for a contribution of capital in the amount of US\$50 million (¥5,629 million) annually for the first five years subsequent to signing and US\$15 million (¥1,688 million) annually for the following ten years to support anti-smuggling and anti-counterfeiting initiatives for the EC and its Member States. In addition, the parties agree not to file any civil actions against each other concerning the matters until the date of the agreement. The JT Group will do its utmost to continue the fight to eradicate contraband and counterfeit tobacco.

Moreover, although not related to smuggling, a JT subsidiary has filed a suit seeking to invalidate an assessment it received from tax authorities in Russia.

In the U.K., that country's Office of Fair Trading (OFT) issued a Statement of Objections to JT subsidiaries there indicating that that company is suspected of violating the Competition Act prior to its acquisition by JT. Upon a careful examination of the information indicated in the Statement, JT and its subsidiary will be responding appropriately in accordance with the Competition Act.

As mentioned above, in addition to the smoking health-related litigation the JT Group is party, and may be party in the future, to cases which may negatively affect the performance or manufacture, sale, import and export, etc. of tobacco products by the JT Group should their outcomes prove unfavorable.

(After amendments)

Various kinds of smuggling and counterfeiting of tobacco products have posed a major challenge to the tobacco industry as a whole. The Canadian government filed a civil action against JT and its subsidiaries claiming damages incurred as a result of the smuggling of tobacco products into Canada. In addition, a JT subsidiary received a Notice of Assessment from the Quebec Ministry of Revenue for tobacco taxes plus penalties regarding tobacco product smuggling. It responded by filing an action against the Notice requesting for the taxation to be invalidated. The JT Group believes that, for any damages or costs associated with these cases, it will be entitled to seek indemnification from RJR Nabisco Inc. (now Reynolds American Inc.), the seller in the contract entered into with JT for the acquisition of said subsidiary in 1999.

The JT Group is not involved in any smuggling or other improper dealings and will continue to challenge these claims in the future.

Moreover, although not related to smuggling, a JT subsidiary has filed a suit seeking to invalidate an assessment it received from tax authorities in Russia. Concerning the assessment for approximately 2.4 billion rubles (approximately ¥6.9 billion) received in July 2004 by ZAO JTI Marketing and Sales ("M&S Corp."), a Russian consolidated subsidiary, the case was closed in favor of M&S Corp. after Russian Federation Higher Arbitration Court's decision in October 2008.

In April 2008, the Office of Fair Trading (OFT), the UK competition authority, issued a Statement of Objections for suspected violations to the Competition Act relating to the retail pricing of tobacco products in the UK market by Gallaher Group Ltd. (former Gallaher Group Plc) and Gallaher Ltd. (together, hereinafter, "Gallaher"), JT's tobacco subsidiaries in the United Kingdom, during the period prior to JT's acquisition. However, in July of that year, JT and Gallaher, generally taking into consideration related laws and facts, concluded an early resolution agreement with the OFT under which Gallaher agreed to pay a fine of approximately £93 million (approximately ¥13.0 billion).

The JT Group charged the amount to liabilities in the accounting treatment related to JT's acquisition of Gallaher Group Plc (now Gallaher Group Ltd.). This agreement requires us to cooperate with the OFT regarding the investigation. The fine to Gallaher is scheduled to be finally decided after the investigation has been completed.

While the agreement reached with the OFT relates only to Gallaher's past business activities prior to JT's acquisition, JT will strengthen its compliance system as it receives indications from the OFT.

As mentioned above, in addition to the smoking health-related litigation the JT Group is party, and may be party in the future, to cases which may negatively affect the performance or manufacture, sale, import and export, etc. of tobacco products by the JT Group should their outcomes prove unfavorable.

III. Places Where Copies of the Documents for Reference are Made Available for Public Inspection

Japan Tobacco Inc. Headquarters
(2-1, Toranomom 2-chome, Minato-ku, Tokyo, Japan)

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)

D. INFORMATION ON GUARANTY COMPANY, ETC.

No items to report