[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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Provisions to base upon:	Article 24, paragraph (1) of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	June 23, 2009
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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 (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-shi, Fukuoka)
	Sapporo Securities Exchange (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

(1) Management benchmarks (consolidated)

Term	20th term	21st term	22nd term	23rd term	24th term
Accounting period	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009
Net sales (Millions of yen)	4,664,513	4,637,657	4,769,387	6,409,726	6,832,307
Ordinary income (Millions of yen)	270,251	297,842	312,044	362,681	307,586
Net income (Millions of yen)	62,583	201,542	210,772	238,702	123,400
Net assets (Millions of yen)	1,498,203	1,762,511	2,024,615	2,154,629	1,624,288
Total assets (Millions of yen)	2,982,056	3,037,378	3,364,663	5,087,214	3,879,803
Net assets per share (Yen)	781,813.72	919,780.33	204,617.68	216,707.27	162,087.74
Net income per share (Yen)	32,089.84	105,084.78	22,001.10	24,916.51	12,880.90
Diluted net income per share (Yen)	–	–	–	24,916.26	12,879.77
Equity ratio (%)	50.24	58.03	58.26	40.81	40.02
Return on equity (ROE) (%)	4.16	12.36	11.32	11.83	6.80
Price earnings ratio (PER) (Times)	37.08	19.70	26.32	20.03	20.33
Net cash provided by (used in) operating activities (Millions of yen)	250,839	150,342	435,958	145,030	275,271
Net cash provided by (used in) investment activities (Millions of yen)	176,914	(26,357)	(149,692)	(1,668,634)	(65,008)
Net cash provided by (used in) financing activities (Millions of yen)	(202,195)	(48,134)	(32,634)	519,000	(217,470)
Cash and cash equivalents at end of period (Millions of yen)	829,087	920,141	1,179,522	215,008	167,257
Number of employees [Separately, average number of temporary employees] (Person)	32,640 [11,387]	31,476 [12,187]	33,428 [10,353]	47,459 [14,986]	47,977 [11,736]

Notes: 1. Net sales do not include consumption taxes, etc.

2. In the calculation of net assets, the “Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Statement No. 5) and the “Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet” (ASBJ Guidance No. 8) have been applied since the 22nd term.

3. Diluted net income per share for the 20th, 21st and 22nd terms is not presented because there were no potential shares.

4. As the stock split of 5-for-1 was conducted as of April 1, 2006, the share price as of March 31, 2006 was that of ex rights. Accordingly, price earnings ratio for the 21st term was calculated using the share price obtained by multiplying the ex rights share price by the stock split ratio in order to be compatible with net assets per share or the like.

(2) Filing company's management benchmarks (non-consolidated)

Term	20th term	21st term	22nd term	23rd term	24th term
Accounting period	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009
Net sales (Millions of yen)	2,685,948	2,370,645	2,330,453	2,302,704	2,173,552
Ordinary income (Millions of yen)	194,120	192,830	189,730	177,757	160,200
Net income (Millions of yen)	27,030	126,268	132,456	131,145	89,637
Capital stock (Millions of yen)	100,000	100,000	100,000	100,000	100,000
Total number of issued shares (Thousands of shares)	2,000	2,000	10,000	10,000	10,000
Net assets (Millions of yen)	1,527,787	1,643,098	1,753,067	1,816,727	1,845,443
Total assets (Millions of yen)	2,548,924	2,410,096	2,561,865	2,902,509	2,857,330
Net assets per share (Yen)	797,300.01	857,497.63	182,990.92	189,616.56	192,595.36
Cash dividends per share (Yen) [Interim dividends per share] (Yen)	13,000 [5,000]	16,000 [7,000]	4,000 [1,800]	4,800 [2,200]	5,400 [2,600]
Net income per share (Yen)	13,836.11	65,839.28	13,826.19	13,689.35	9,356.60
Diluted net income per share (Yen)	–	–	–	13,689.21	9,355.78
Equity ratio (%)	59.9	68.2	68.4	62.6	64.6
Return on equity (ROE) (%)	1.75	7.96	7.80	7.35	4.90
Price earnings ratio (PER) (Times)	86.01	31.44	41.88	36.45	27.99
Dividend payout ratio (%)	94.0	24.3	28.9	35.1	57.7
Number of employees [Separately, average number of temporary employees] (Person)	10,124 [1,257]	8,855 [1,285]	8,930 [1,195]	8,999 [1,209]	8,908 [1,164]

Notes: 1. Net sales do not include consumption taxes, etc.

2. In the calculation of net assets, the "Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Statement No. 5) and the "Guidance on Accounting Standard for Presentation of Net Assets in the Balance Sheet" (ASBJ Guidance No. 8) have been applied since the 22nd term.

3. Diluted net income per share for the 20th, 21st and 22nd terms is not presented because there were no potential shares.

4. Cash dividend per share for the 20th term of ¥13,000 includes the 20th anniversary commemorative dividend of ¥1,000.

5. As the stock split of 5-for-1 was conducted as of April 1, 2006, the share price as of March 31, 2006 was that of ex rights. Accordingly, price earnings ratio for the 21st term was calculated using the share price obtained by multiplying the ex rights share price by the stock split ratio in order to be compatible with net assets per share or the like.

2. History

(1) Background of JT's transition to stock company

Before it became a stock company, JT was formerly Japan Tobacco and Salt Public Corporation, or JTS. JTS was established in June 1, 1949 with the "Aim to bring soundness and efficinency to the operation of the national government monopolies." JTS, serving as the main body for conducting operations of the tobacco monopoly system and other government monopolies, contributed to establishing stable supply of tobacco and securing tobacco-derived financial revenues.

However, the growth in demand for cigarettes in Japan began to slow in the mid-1970s as the result of demographic trends and growing concern about health risks associated with smoking. This trend continued, such that growth in industry sales essentially stopped. In addition to the structural change, the domestic tobacco market was virtually opened to foreign tobacco suppliers, triggering competition between domestic and foreign tobacco products in Japan, and foreign countries stepped up pressure on Japan to take further market-opening measures that were difficult to implement within the framework of the monopoly tobacco sales system. Amid such pressure as well as moves toward the reform of government-run public corporations, Ad Hoc Commission on Administrative Reform was established in March 1981 to conduct research on the public corporation system. In its third report (July 30, 1982), the commission proposed drastic reform of the monopoly system and the public corporation system.
In response to this proposal, the government conducted a comprehensive review of these systems and drafted bills to:

- Abolish the tobacco monopoly law in order to liberalize tobacco imports and establish a tobacco business law in order to make necessary adjustments related to the tobacco business.
- Abolish the JTS law, reorganize JTS as stock company so as to enable it to pursue rational corporate management as much as possible and establish the Japan Tobacco Inc. Law, which provides for a necessary minimum level of regulation in light of the corporation's need to compete with foreign tobacco companies on an equal footing in the domestic market following the liberalization of tobacco imports.

These bills were enacted on August 3, 1984 in the 101st session of the Diet and promulgated on August 10 of the same year.

The major events and incidents prior to the incorporation of JT are as follows:

Date	Major events and incidents
June 1949	Japan Tobacco and Salt Public Corporation established.
July 1957	First filter cigarettes manufactured in Japan, "Hope (10)," launched.
February 1963	Tokyo Tobacco Haiso Co., Ltd. established to distribute cigarettes to retailers.
	In the period thereafter to March 1972, Kansai Tobacco Haiso Co., Ltd, Chubu Tobacco Haiso Co., Ltd., Kyushu Tobacco Haiso Co., Ltd., and Hokkaido Tobacco Haiso Co., Ltd. established to create a nationwide distribution system.
January 1973	Research and development section relocated from Tokyo to newly-established Chuo Research Institute in Yokohama to enhance and strengthen research and development structures.
March 1977	Utsunomiya and Motegi Factories closed and Kita-Kanto Factory built to modernize and rationalize tobacco production.
September 1979	Iwata Factory closed and Tokai Factory built to modernize and rationalize tobacco production.
July 1982	Ad Hoc Commission on Administrative Reform released third report, advising reforms to the monopoly system.
September 1982	Kyoto, Ibaraki and Takatsuki Factories closed and Kansai Factory built to modernize and rationalize tobacco production.
April 1984	Japan Tobacco International S.A. established to export Japanese cigarettes abroad.
August 1984	Diet passed Government Monopoly Reform Act (promulgated on August 10).

(2) Status of JT after its incorporation

JT was incorporated on April 1, 1985, pursuant to the Japan Tobacco Inc. Act (Act No. 69 of August 10, 1984), and all of the start-up capital was provided by the Japan Tobacco and Salt Public Corporation, or JTS. When incorporated, JT succeeded all the rights and obligations of JTS.

The main changes since the incorporation of JT are as follows:

Date	Details of change
April 1985	Japan Tobacco Inc. was incorporated.
April 1985	The Business Development Division was established to promote active development of new businesses.Subsequently until July 1990, in order to reinforce the promotion system for each business, this division was reformed and business departments were established dealing with medicine, food, etc.
March 1986	In the interests of modernization and improved tobacco production efficiency, the Fukuoka Factory and Tosu Factory were closed down and the new Kitakyushu Factory was established. Subsequently until June 1996, nine more tobacco factories were closed down in further moves towards rationalization of the tobacco production system.
October 1988	The communication name “JT” was introduced.
July 1991	The Head Office was relocated from Minato-ku to Shinagawa-ku to make way for the construction of the new Head Office building.
September 1993	The Central Pharmaceutical Research Institute was established to reinforce JT’s internal pharmaceutical research and development capabilities.
October 1994	The initial public offering of JT shares held by the Japanese government took place. (394,276 shares) JT shares were listed on the First Section of the Tokyo, Osaka and Nagoya Stock Exchanges.
November 1994	JT shares were listed on the Kyoto, Hiroshima, Fukuoka, Niigata and Sapporo Stock Exchanges.
May 1995	The Head Office was relocated from Shinagawa-ku to Minato-ku.
June 1996	The second public offering of JT shares held by the Japanese government took place. (272,390 shares)
April 1997	In accordance with the abolition of the salt monopoly, JT ended its salt monopoly business. The Tobacco Mutual Aid Pension scheme was united with the Employees’ Pension scheme.
April 1998	JT signed an agreement with Unimat Corporation to form a business alliance in the soft drinks business and acquired a majority stake in the company.
December 1998	JT acquired a majority stake in Torii Pharmaceutical Co., Ltd. through a tender offer.
May 1999	JT acquired the non-US tobacco business of RJR Nabisco Inc.
July 1999	JT acquired the foods business of Asahi Kasei Corporation, including eight subsidiaries such as Asahi Foods Corporation.
October 1999	Through the business alliance with Torii Pharmaceutical Co., Ltd., research and development in the medical pharmaceutical business was concentrated in JT while promotion functions were united within Torii Pharmaceutical.
March 2003	In order to establish a basis for future profit growth in the domestic tobacco business, the Sendai, Nagoya and Hashimoto Factories were closed down.
October 2003	JT acquired 45,800 of its own shares in order to expand its management options.
March 2004	In order to establish a basis for future profit growth in the domestic tobacco business, the Hiroshima, Fuchu, Matsuyama and Naha Factories were closed down.
June 2004	The third public offering of JT shares held by the Japanese government took place. (289,334 shares), completing the sale of shares above the minimum threshold that the government is legally required to maintain.
November 2004 to March 2005	JT acquired 38,184 of its own shares in order to expand its management options.
March 2005	In order to establish a basis for future profit growth in the domestic tobacco business, the Ueda, Hakodate, Takasaki, Takamatsu, Tokushima, Usuki, Kagoshima and Miyakonojo Factories were closed down.
April 2005	JT ceased to produce, sell and use Marlboro brand cigarette exclusively in Japan upon the expiration of the license term.
April 2007	JT acquired issued shares of the Gallaher Group Plc of the United Kingdom through an acquisition method under English act known as a scheme of arrangement.
January 2008	JT acquired the shares of Katokichi Co., Ltd. through a tender offer.
March 2009	In order to restructure the domestic tobacco business in ways to make it more competitive, Kanazawa Factory was closed down.

3. Business contents

The main business activities operated by Japan Tobacco Inc. (hereinafter "JT"), its 274 consolidated subsidiaries and 22 companies subjected to the equity method, and the relationship of each company to the Group's business activities are stated below.

The following five segments are the same as the segmentation in "Operations by industry segment" of "Notes to consolidated financial statements" in (1) Consolidated financial statements, 1. Consolidated financial statements, etc., V. Accounting.

Domestic tobacco business

The domestic tobacco business consists of the manufacture and sale of tobacco products.

JT manufactures and sells tobacco products, and TS Network Co., Ltd., conducts distribution-related operations such as distribution of JT's tobacco products and wholesale of foreign tobacco products (imported tobacco products). Japan Filter Technology Co., Ltd., and other subsidiaries manufacture materials.

Major subsidiaries and affiliates

TS Network Co., Ltd., JT Logistics Co., Ltd., Japan Filter Technology Co., Ltd., Fuji Flavor Co., Ltd., JT Engineering Inc.

Besides the companies named above, there are 14 consolidated subsidiaries and 2 companies subjected to the equity method.

International tobacco business

The international tobacco business consists of the manufacture and sale of tobacco products with JT International S.A. controlling the manufacture and sale as the core company.

Major subsidiaries and affiliates

JT International S.A., JTI-Macdonald Corp., LLC Petro, JT International Germany GmbH, JTI Tütün Urunleri Sanayi A.S., Gallaher Ltd., Austria Tabak GmbH, Liggett-Ducat CJSC

Besides the companies named above, there are 186 consolidated subsidiaries and 6 companies subjected to the equity method.

Pharmaceutical business

The pharmaceutical business consists of research and development, manufacture and sale of prescription drugs.

JT concentrates on research and development, Torii Pharmaceutical Co., Ltd. manufactures and promotes sales of drugs (including JT's products).

Major subsidiaries and affiliates

Torii Pharmaceutical Co., Ltd., JT Pharma Alliance Co., Ltd., Akros Pharma Inc.

Besides the companies named above, there is 1 consolidated subsidiary.

Foods business

The foods business consists of the manufacture and sale of beverages, processed foods and seasonings.

In the beverages business, JT develops products while JT Beverage Inc., Japan Beverage Inc. and certain other subsidiaries sells them. In the processed foods business and seasonings business, Katokichi Co., Ltd. is engaged in manufacturing, selling and other activities.

Major subsidiaries and affiliates

JT Beverage Inc., Japan Beverage Inc., Katokichi Co., Ltd.

Besides the companies named above, there are 43 consolidated subsidiaries and 11 companies subjected to the equity method.

Note: A realignment of the foods business was implemented in July 2008. Specifically, JT put under the control of Katokichi Co., Ltd. all the processed foods business and the seasonings business of which JT was in charge. Also, JT subsidiaries and affiliates such as JT Foods Co., Ltd. were transferred to Katokichi Co., Ltd. by share transfer or other means. With regard to the beverages business, JT remains in charge of the manufacturing function such as products development, while the sales function relating to the beverages business of JT Foods Co., Ltd. was transferred to newly incorporated JT Beverage Inc.

Other business

The business in the real estate category consists of rental and management of real estate properties. In addition, there are subsidiaries that manufacture and sell a variety of products and provide services to the Group.

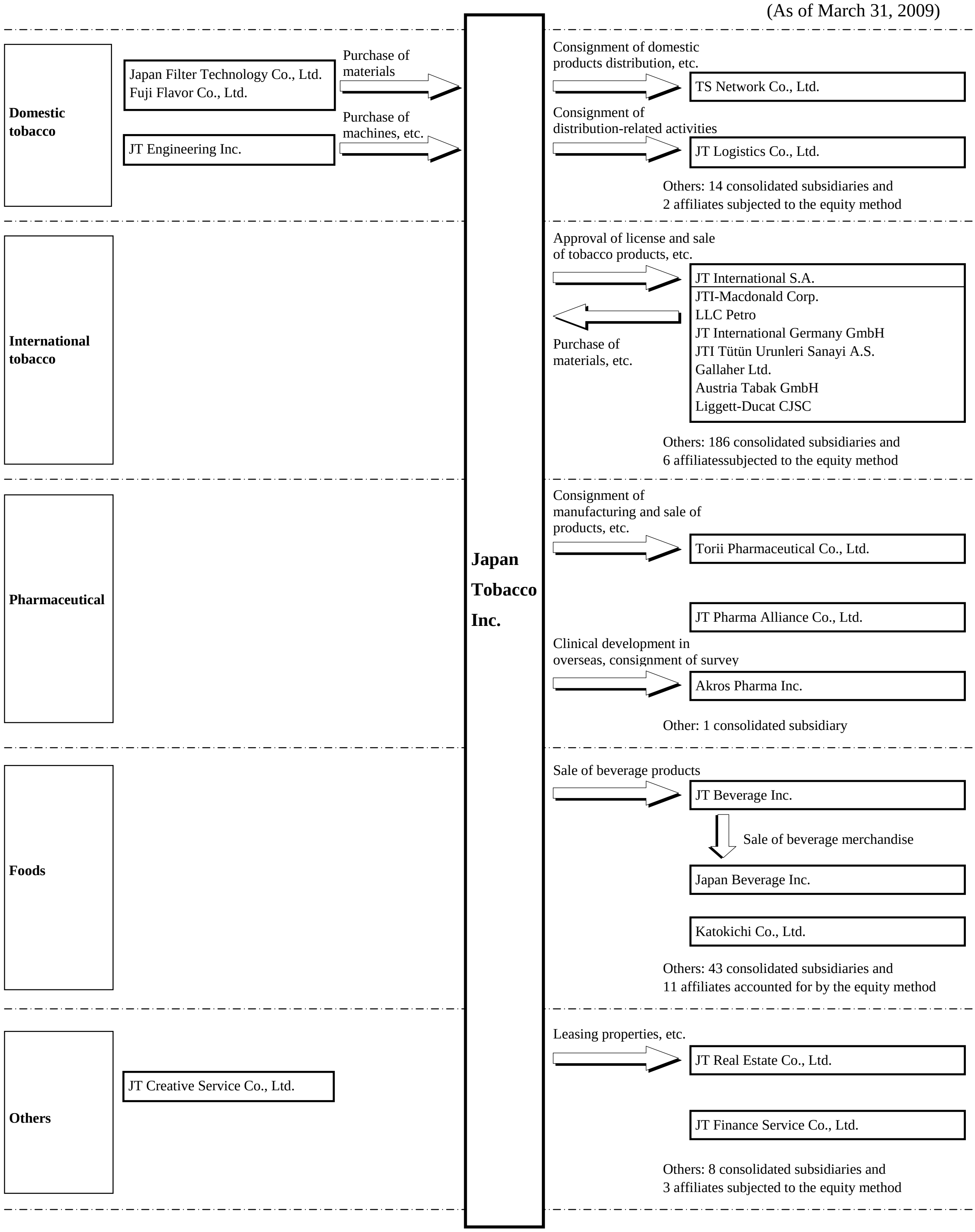
Major subsidiaries and affiliates

JT Real Estate Co., Ltd., JT Finance Service Co., Ltd., JT Creative Service Co., Ltd.

Besides the companies named above, there are 8 consolidated subsidiaries and 3 companies subjected to the equity method.

The following business activities diagram show the matters described above.

(As of March 31, 2009)



Note: Consolidated subsidiaries

4. Status of subsidiaries and affiliates

Name	Location	Capital (Millions of yen)	Principal business	Holding rate of voting rights (%)	Relationship				
					Interlocking etc. of officers		Financial assistance	Business relationship	Facility leasing
					Officer of JT	Employee of JT			
(Consolidated subsidiaries) 274 companies									
TS Network Co., Ltd. *1	Taito-ku, Tokyo	460	Domestic tobacco	74.5	No	Yes	No	Consignment of tobacco products distribution, etc.	Yes
JT Logistics Co., Ltd.	Shibuya-ku, Tokyo	207	Domestic tobacco	100.0	No	Yes	No	Consignment of tobacco products and raw materials distribution	Yes
Japan Filter Technology Co., Ltd. *2	Shibuya-ku, Tokyo	461	Domestic tobacco	86.8	No	Yes	No	Purchase of filter for tobacco products	Yes
Fuji Flavor Co., Ltd.	Hamura-shi, Tokyo	196	Domestic tobacco	100.0	No	Yes	No	Purchase of flavors for tobacco products	Yes
JT Engineering Inc.	Sumida-ku, Tokyo	200	Domestic tobacco	100.0	No	Yes	No	Purchase of machines, etc.	Yes
JT International S.A. *2	Swiss	Thousands of CHF 1,215,425	International tobacco	100.0 (100.0)	Yes	No	No	Approval of license and sale of tobacco products, etc.	No
JTI-Macdonald Corp. *2	Canada	Thousands of CAD 124,996	International tobacco	100.0 (100.0)	No	No	No	No	No
LLC Petro	Russia	Thousands of RUB 328,439	International tobacco	100.0 (100.0)	No	No	No	No	No
JT International Germany GmbH	Germany	Thousands of EUR 54,706	International tobacco	100.0 (100.0)	No	No	No	No	No
JTI Tütün Urunleri Sanayi A.S. *2	Turkey	Thousands of TRY 148,824	International tobacco	100.0 (100.0)	No	No	No	No	No
JT International Holding B.V. *2	Netherlands	Thousands of EUR 1,380,018	International tobacco	100.0 (100.0)	Yes	Yes	No	No	No
JTI(UK)MANAGEMENT LTD *2	U.K.	Thousands of GBP 5,345,917	International tobacco	100.0 (100.0)	No	No	No	No	No
Gallaher Group Ltd. *2	U.K.	Thousands of GBP 65,858	International tobacco	100.0 (100.0)	No	No	No	No	No
Gallaher Ltd. *1, *2	U.K.	Thousands of GBP 170,696	International tobacco	100.0 (100.0)	No	No	No	No	No
Austria Tabak GmbH *2	Austria	Thousands of EUR 175,934	International tobacco	100.0 (100.0)	No	No	No	No	No
Liggett-Ducat CJSC	Russia	Thousands of RUB 260,365	International tobacco	100.0 (100.0)	No	No	No	No	No
Torii Pharmaceutical Co., Ltd. *3	Chuo-ku, Tokyo	5,190	Pharmaceutical	54.5	No	Yes	No	Consignment of manufacturing and sale of products, etc.	Yes
JT Pharma Alliance Co., Ltd.	Minato-ku, Tokyo	360	Pharmaceutical	100.0	Yes	Yes	No	No	Yes
Akros Pharma Inc.	U.S.A.	Thousand of USD 1	Pharmaceutical	100.0 (100.0)	No	Yes	No	Clinical development in overseas, consignment of survey	No
JT Beverage Inc.	Shinagawa-ku, Tokyo	90	Foods	100.0	No	Yes	No	Consignment of selling beverages	Yes
Japan Beverage Inc. *2	Shinjuku-ku, Tokyo	10,471	Foods	66.7	No	No	No	Sale of beverages through JT Beverage Inc.	Yes
Katokichi Co., Ltd. *2	Kanonji-shi, Kagawa	47,502	Foods	100.0	Yes	Yes	Yes	No	Yes

Name	Location	Capital (Millions of yen)	Principal business	Holding rate of voting rights (%)	Relationship					
					Interlocking etc. of officers		Financial assistance	Business relationship	Facility leasing
					Officer of JT	Employee of JT			
JT Real Estate Co., Ltd.	Shibuya-ku, Tokyo	450	Others	100.0	No	Yes	No	Leasing properties, etc.	Yes
JT Finance Service Co., Ltd.	Ota-ku, Tokyo	160	Others	100.0	No	Yes	No	Lease of various equipments	Yes
JT Creative Service Co., Ltd.	Ota-ku, Tokyo	200	Others	100.0	No	Yes	No	Purchase of supplies, etc.	Yes
JT Europe Holding B.V. *2	Netherlands	Thousands of EUR 1,380,018	Others	100.0	No	Yes	No	No	No
Other 248 companies *2, *3									
(Affiliates subjected to the equity method) 22 companies *3									

Notes: 1. Descriptions in the “Principal business” column are names of business segments.

2. Figures in parentheses in the “Holding rate of voting rights” column are indirect holding rates included in the figures outside the parentheses.

3. “Interlocking etc. of officers” includes interlocking of officers of associated companies and secondment of officers of JT.

4. With regard to foreign subsidiaries at which the closing dates of the accounting period fall on December 31, the above shows the situation as of December 31, 2008.

5. *1: Net sales of TS Network Co., Ltd. and Gallaher Ltd. (excluding net sales among the consolidated companies) exceed 10% of consolidated net sales.

Name	Major profit/loss information (Millions of yen)				
	Net sales	Ordinary income	Net income	Net assets	Total assets
TS Network Co., Ltd.	1,158,254	7,504	4,228	36,411	148,592

Name	Major profit/loss information (Thousands of GBP)				
	Net sales	Income before income taxes	Net income	Net assets	Total assets
Gallaher Ltd.	4,015,582	632,219	434,225	1,530,412	6,041,820

6. *2: These companies are classified as specified subsidiaries. Companies that fall under the category of specified subsidiaries included in “Other 248 companies” are as follows.

Consolidated subsidiaries

JT Canada LLC Inc., JT Canada LLC II Inc., Gallaher Capital Ltd., Gallaher Europe Finance, Harrigan Ltd., Gallaher AF Luxembourg S.á r.l., Gallaher Luxembourg Overseas Finance S.á r.l., Gallaher Benelux Limited, Gallaher Investments Luxembourg S.á r.l., Gallaher Investment Finance S.á r.l., Gallaher Finance

7. *3: These companies file Annual Securities Reports. Companies filing Annual Securities Reports among “Other 248 companies” are as follows.

Consolidated subsidiaries

KS FROZEN FOODS CO., LTD., GREEN FOODS CO., LTD.

Affiliates subjected to the equity method

HUB CO., LTD.

5. Status of employees

(1) Consolidated companies

(As of March 31, 2009)

Operations by industry segment	Number of employees (Person)
Domestic tobacco business	11,281 [4,005]
International tobacco business	23,227 [674]
Pharmaceutical business	1,616 [93]
Foods business	10,975 [6,817]
Other business	429 [147]
Common company-wide services within the filing company	449 [0]
Total	47,977 [11,736]

Notes: 1. The number of employees is the number of working employees, and the average number of temporary employees during this fiscal year is given in parentheses separately.

2. The number of employees in foreign subsidiaries in which the closing dates of the accounting period fall on December 31 is calculated using the number of employees as of December 31, 2008.

3. The number of employees in the “Common company-wide services within the filing company” row is the number of those working for departments unclassifiable to specific segments, such as the administrative department.

(2) Filing company (JT)

(As of March 31, 2009)

Number of employees (Person)	Average age (Year old)	Average years of service (Year)	Average annual salary (Yen)
8,908 [1,164]	42.6	21.6	8,742,219

Notes: 1. The number of employees is the number of working employees, and the average number of temporary employees during this fiscal year is given in parentheses separately.

2. The number of employees includes contract employees (89), employees on leave (82) and employees transferred to JT (71), but excludes employees transferred from JT and employees on long-term leave prior to retirement (Total 1,151).

3. Average years of service includes years of service at former Japan Tobacco and Salt Public Corporation.

4. Average annual salary (including taxes) includes bonuses and surplus wages.

(3) Status of labor union

In the JT Group, All Japan Tobacco Labor Union is formed as a principle labor union. The Union belongs to the Federation of Japan Foods and Tobacco Workers Union (Food-Rengo), which is a member of the Japanese Trade Union Confederation (JTUC-RENGO) and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers’ Associations (IUF).

The labor-management relations are amiable and there are no matters that should be reported.

II. Review of operations

1. Overview of operating results

(1) Operating results

The global economy in the later part of the fiscal year ended March 31, 2009, was marked by economic deterioration not only the in U.S. and Europe, but also in Asia, as the worldwide financial crisis moved into the real economy. The Japanese economy, affected by the global recession, was in the harsh condition characterized by drastic drops in corporate earnings and rapid deterioration of the employment situation.

Under these circumstances, the JT Group steadfastly executed measures as contained in our medium-term management plan “JT2008,” whose final year falls on this fiscal year, working towards the realization of sustainable growth for the future. Specifically, the JT Group acquired Gallaher for its international tobacco business in April 2007 and, for its foods business, the Katokichi Group in January 2008, in an effort to expand the business foundation by proactively obtaining external resources.

Concerning results of this fiscal year, net sales increased by ¥422.5 billion, or 6.6%, from the previous fiscal year to ¥6,832.3 billion. Operating income fell by ¥66.7 billion, or 15.5%, from the previous fiscal year to ¥363.8 billion. Ordinary income fell by ¥55.0 billion, or 15.2%, from the previous fiscal year to ¥307.5 billion. Net income fell by ¥115.3 billion, or 48.3%, from the previous fiscal year to ¥123.4 billion.

Please note that the closing date of the consolidated subsidiaries allocated to the international tobacco business is December 31, and their financial results used for the consolidated fiscal year ended March 31, 2009, are for the twelve months from January 1 to December 31, 2008. Accordingly, the previous consolidated fiscal year results of Gallaher, whose acquisition was completed in April 18, 2007, included the results for only 8.4 months.

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 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. The introduction of age verifying cigarette vending machines, which the JT Group promoted together with various bodies in the industry, was commenced with a gradual region-by-region phase-in that started in March 2008. Since July 2008, the machines have been operating nationwide.

During this fiscal year, we endeavored to enhance the value of our brands by introducing new products as well as by strengthening existing brands, mainly in the Mild Seven family, which is our core brand. These endeavors included active sales promotion activities such as the continuation of the Mild Seven family campaign that has been in operation since the previous fiscal year and the campaign for Seven Stars, which marked its 40th anniversary in February 2009. In the area of new products, Pianissimo Fram Menthol One, a “D-spec” product, Salem Alaska Menthol, Seven Stars Black Impact and others were released. Mild Seven Impact One 100’s Box, which was being gradually released region by region, was launched nationwide and Seven Stars Lights Menthol, which had been released in limited regions, was also released nationwide. In addition, 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.

Furthermore, the “Cabin Roast Blend 100’s Box,” which was sold only in a limited area, was launched nationwide in early April 2009 and “Mild Seven 100’s Box” and “Mild Seven Light 100’s Box” was released cross-country in early June. JT plans to launch across Japan the “Seven Star Black Charcoal Menthol Box” in early August.

The sales volume of cigarettes for the domestic tobacco business during this fiscal year decreased by 7.8 billion cigarettes, or 4.7%, from the previous fiscal year to 159.9 billion cigarettes* due to an overall decline in demand. However, our market share rose for the second consecutive fiscal year to 65.1%, or 0.2 point, thanks to aggressive sales promotion activities and new product releases. In addition, net sales per 1,000 cigarettes (tax excluded) were ¥4,057.

Consequently, net sales for our domestic tobacco business during this fiscal year declined by ¥161.9 billion, or 4.8%, from the previous fiscal year to ¥3.2004 trillion and operating income fell by ¥34.0 billion, or 15.3%, to ¥188.2 billion, depressed by an increase in sales promotion expenses in addition to the decrease in sales volume.

The volume of cigarettes manufactured in Japan during this fiscal year amounted to 182.6 billion cigarettes (a decrease of 2.6% from the previous fiscal year).

Note: In addition to the figure stated above, during the fiscal year ended March 2009, the domestic tobacco business also sold 3.6 billion cigarettes at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macao, markets that are under the control of the 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 this fiscal year increased by 66.7 billion cigarettes, or 17.3%, from the previous fiscal year to 452.3 billion cigarettes. This was mainly due to the steady sales growth of Winston in Russia, Turkey, Ukraine and Spain; Camel in Italy, Russia and Spain; and Mild Seven in Korea, Taiwan, Russia and Malaysia. The sales volume of the GFB was 245.5 billion cigarettes.

Consequently, net sales for our international tobacco business during this fiscal year increased by ¥478.3 billion, or 18.1%, from the previous fiscal year to ¥3.1183 trillion due to the increase in sales volume and the inclusion in full-year results of the operating results of Gallaher. Operating income fell by ¥30.5 billion, or 14.9%, to ¥174.7 billion, depressed by the reporting of amortization of goodwill.

The volume of cigarettes manufactured overseas during this fiscal year amounted to 405.2 billion cigarettes (up 15.9% from the previous fiscal year).

Note: The foreign exchange rate in this fiscal year was ¥103.48 per U.S. dollar, compared with ¥117.85 per U.S. dollar in the previous fiscal year.

Pharmaceutical business

The pharmaceutical business, working towards the early enhancement 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.

Although we abandoned the development of anti-obesity compound JTT-553, anti-Hepatitis C compound JTK-652, serum urate level lowering compound JTT-552 and anti-diabetes compound JTT-651, thanks to anti-HIV compound JTK-656 and serum phosphate level lowering compound JTT-751 advancing to the clinical trial stage, the number of compounds developed in-house that are under clinical development is now 9.

Also, we continue to explore strategic opportunities for license-in and license-out. In September 2008, we concluded a license agreement concerning JTT-305, an oral calcium sensing receptor (CaSR) antagonist, which we have been developing, to give Merck (U.S.) the rights to exclusively develop and commercialize this compound worldwide, with the exception of Japan.

Regarding the business performance by our subsidiary Torii Pharmaceutical Co. ("Torii"), JT enjoyed growth in sales for Truvada Tablets, an anti-HIV drug, Dovonex Ointment, used for the treatment of psoriasis vulgaris, ZEFNART, an antifungal agent for external use, and the topical adrenocortical hormone ANTEBATE. However, JT suffered a decline in sales due to the termination in March 2008 of sales of the STRONGER NEO-MINOPHAGEN C agent for treatment of liver and allergic diseases, and the decline in sales of FUTHAN for injection use, a protease inhibitor, due to the effects of the drug price revision and promotion measures for use of generic-brand drugs that came into effect in April 2008. In March 2009, Torii began selling REMITCH CAPSULES, an oral antiprutitus drug for hemodialysis patients which was jointly developed by Toray Industries, Inc. ("Toray"), JT and Torii and for which manufacturing and marketing approval was obtained in Japan by Toray in January 2009.

Consequently, despite the decline in sales from Torii Pharmaceutical, net sales for our pharmaceuticals business increased by ¥7.6 billion, or 15.7%, from the previous fiscal year to ¥56.7 billion and operating income was ¥1.0 billion, compared with an operating loss of ¥9.6 billion in the previous fiscal year, attributable to the lump-sum revenue of licensing out JTT-305, an oral calcium sensing receptor (CaSR) antagonist, and the milestone revenue related to the progress made in the development of anti-dyslipidemia compound JTT-705, licensed to Roche in October 2004.

Foods business

We position the foods business as a business pillar of the JT Group, focusing on three areas: beverages, processed foods and seasonings. We promote efforts to achieve the highest level of safety control and to further strengthen the business foundation for future growth.

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 to the impact of the frozen foods products contamination 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; and actively working to establish greater food safety with outside specialists, food safety advisors of the JT Group, help.

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.

Also, we reorganized the processed foods sector and the seasonings sector, to assign operational control to subsidiary Katokichi Ltd. We successfully integrated the resources and the various functions of processed foods and seasonings including quality control, research and development, procurement and sales. In addition, we are implementing the measures as necessary to commit to core fields, and through such measures, we are striving to establish a stronger business foundation as a foods manufacturer.

Consequently, net sales for our foods business increased by ¥99.5 billion, or 29.6%, from the previous fiscal year to ¥435.9 billion due to the consolidation of the Katokichi Group and other factors despite declines in sales from the processed food sector, as a result of the impact of the frozen foods products contamination, and others, and from the beverages sector, on account of seasonal weather factors and intensified of competition, as well as the impact of sluggish consumption accompanying the sudden economic recession that we are in. Concerning profits, however, the foods business had an operating loss of ¥11.4 billion, compared with an operating income of ¥0.6 billion in the previous fiscal year, because of the increase in expenses, the soaring prices of raw materials and the impact of amortization of goodwill following the consolidation of the Katokichi Group.

Other business

Net sales for our other business operations declined by ¥1.1 billion, or 5.1%, from the previous fiscal year to ¥20.7 billion and operating income fell by ¥0.7 billion, or 7.2%, to ¥9.6 billion..

Operating results by geographic segment are as follows.

Japan

Net sales in Japan for this fiscal year declined by ¥39.7 billion, or 1.1%, from the previous fiscal year to ¥3.6720 trillion due to a decrease in the sales volume in the domestic tobacco business despite effects from the inclusion in full-year results of the operating results of the Katokichi Group in the foods business. Operating income fell by ¥35.9 billion, or 16.1%, from the previous fiscal year to ¥186.4 billion as a result of a decrease in the sales volume of the domestic tobacco business and the effects from the inclusion in full-year results of the amortization of goodwill of the Katokichi Group.

Western Europe

Net sales in Western Europe for this fiscal year increased by ¥359.2 billion, or 21.4%, from the previous fiscal year to ¥2.038 trillion due to the inclusion in full-year results of the operating results of Gallaher, which holds a large market share in the U.K. and Ireland with high unit prices. However, we had an operating loss of ¥24.1 billion, compared to the operating income of ¥55.9 billion recorded in the previous fiscal year as a result of the amortization of goodwill and others.

Others

Net sales in other regions for this fiscal year increased by ¥103.0 billion, or 10.1%, from the previous fiscal year to ¥1.1222 trillion thanks to favorable sales conditions in Russia, Turkey and other countries in the international tobacco business. Operating income increased by ¥48.2 billion, or 31.9%, from the previous fiscal year to ¥199.6 billion.

(2) Cash flows

Cash and cash equivalents on a consolidated basis at the end of this fiscal year stood at ¥167.2 billion, representing a ¥47.7 billion decrease from the ¥215.0 billion balance recorded at the previous fiscal year-end.

Cash provided by operating activities

Net cash provided by operating activities during this fiscal year was ¥275.2 billion, compared with ¥145.0 billion provided in the previous fiscal year due to the generation of a stable flow of cash from the tobacco business including the contribution to the full-year results of Gallaher despite an increase in working capital as a result of an expanded business volume. Due to the result of bank holidays, the amount of tobacco excise tax paid for the domestic tobacco business represented 13 months for the previous fiscal year and 12 months for this fiscal year.

Cash used in investing activities

Net cash used in investing activities during this fiscal year was ¥65.0 billion, compared with ¥1.6686 trillion used in the previous fiscal year. The main factors were the additional acquisition of shares of Katokichi Ltd. and the acquisition of shares of Fuji Foods Corporation.

Cash used in financing activities

Net cash used in financing activities during this fiscal year was ¥217.4 billion, compared with ¥519.0 billion provided in the previous fiscal year. The main factors were the payment of cash dividends and the cash used at overseas subsidiaries for redemption of bonds and repayment of loans payable.

2. Status of production, orders received and sales

The JT Group conducts production and sales of broad and various products in the domestic tobacco business, international tobacco business, pharmaceutical business, foods business and other business. Moreover, their items, formats, content volumes, packages, 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” are presented in connection with the operating results by business segment in “1. Overview of operating results.”

3. Issues to be addressed

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 mid-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 to invest in present and future business, acquire external resources, acquire treasury stock in order to increase managerial options and pay down interest-bearing debt.

4. Business and other risks

Listed below are items that, among those relating to the review of operations and accounting, etc. revealed in the Annual Securities Report, may significantly influence investor decisions. The following includes forward-looking statements determined, unless otherwise indicated, as of the end of this fiscal year.

(1) Items relating to the business, profit structure and management policy of the JT Group

a. Dependence on the domestic tobacco business

Presently, the main business segment of the JT Group is the domestic tobacco business, which greatly contributes to our net sales and operating income. Net sales of the domestic tobacco business during this fiscal year by JT (representing the total of the amount manufactured and sold in Japan by JT (including that which was based on licenses), the amount sold wholesale in Japan by JT Group companies (including low margin products from competitors) and the amount sold by JT in the China, Hong Kong and Macao markets) covered 46.8% of the net sales and 51.7% of operating income of the JT Group. Any adverse influence on the domestic tobacco business of the JT Group may negatively impact the result of the JT Group as a whole (for details, see (2) below).

b. Business expansion

The JT Group believes that the pharmaceutical business and foods business will contribute to its future earnings and the Group plans to invest in these businesses, however, there are no guarantees as to the returns expected from these investments.

The JT Group worked proactively to obtain external managerial resources geared towards business expansion through such maneuvers as, for its international tobacco business, the acquisition of Gallaher as well as all the non-US tobacco business of the American firm RJR Nabisco, Inc. and, for its foods business, the acquisition of the Katokichi Group. In an effort to further strengthen the business foundation, the JT Group will consider acquisitions, capital contributions, business tie-ups and cooperative systems with respect to other companies and may execute same if it is determined as a result that such activities would contribute to the future earnings of the JT Group. However, should such activities not generate the expected results, same may have a detrimental effect on the earnings of the JT Group.

Also, as a result of the recording in the consolidated balance sheets of a substantial amount of goodwill generated following acquisitions, the amount of goodwill for the international tobacco business accounts for 36.1% of the consolidated total assets as of the end of the fiscal year. The JT Group believes that the abovementioned goodwill appropriately reflects the future profitability that will result from the unleashing of synergy effects of each business value and integration, however, in the event this expected outcome does not materialize as a result of factors such as changes in the business environment or competitive forces, the JT Group may incur an impairment loss that negatively impacts our performance.

In addition, when doing business overseas, the JT Group faces the possibility of risks associated with foreign exchange fluctuations, changes in laws and regulations, political unrest, uncertainties over economic developments, local labor-management relations, tax and tariff revisions, differences in business practices, etc.

c. Effects of foreign exchange fluctuations

JT drafts its consolidated financial statements indicating all figures in yen, however, overseas Group companies draft their financial statements in currencies other than yen. Accordingly, the results, assets and liabilities of overseas Group companies are converted into yen as of the date on which the consolidated financial statements of JT are drafted and indicated in yen therein. As a result, those figures are affected by fluctuations in the exchange rate of the foreign currency used by overseas Group companies in their accounts settlement with respect to the yen. Especially, foreign exchange fluctuation may greatly impact consolidated financial statements with respect to the amount contributed by the expansion of the international tobacco business. Although JT

International Holding B.V. (JT's consolidated subsidiary in the Netherlands, "JTIH") uses the U.S. dollar for its consolidated results, this company is managed through its consolidated subsidiaries and affiliates located all over the world, some of which using currencies other than the U.S. dollar. As a result, this foreign exchange risk includes not only fluctuations between the yen and the U.S. dollar used by JTIH in its consolidated results but also between the U.S. dollar and the other currencies used in the results of its consolidated subsidiaries and affiliates.

In addition, any liquidation, sale or significant drop in the value of an foreign Group company whose foreign currency denominated stock, etc. was acquired by JT will result in the recording of an investment loss with respect to said company in the consolidated financial statements of JT and this loss will be affected by the exchange rate fluctuation between the yen and the foreign currency that was used to acquire said stock, etc.

Most international transactions by JT Group companies are effected in currencies other than the yen and there exists a foreign exchange risk unless such transactions are effected in the local currencies of the countries where JT and JT Group companies are located. Although the JT Group hedges a portion of the foreign exchange risk generated by its transactions, it is impossible to completely avoid this risk for the entire group by such hedges and there is always the possibility that foreign exchange fluctuations will negatively affect the Group's earnings.

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

a. Decreasing tobacco demand

In the domestic tobacco market, with the aging of the Japanese population, growing awareness about the health risks associated with smoking and the tightening of smoking-related regulations, total demand for cigarettes has continued to decline and JT expects this downward trend to continue unabated into the future. Demand overseas could also decrease depending on the economic conditions and other circumstances of the regions concerned, although the trends in demand will vary from region to region.

Should demand decrease domestically or internationally, net sales of the JT Group's domestic tobacco business and international tobacco business may drop negatively affecting our business performance.

b. Competition with rival companies

The JT Group is competing fiercely in both the domestic and international tobacco businesses with rivals such as Phillip Morris International and British American Tobacco.

In the domestic tobacco market, competition has intensified partly due to the diversification of smoker preferences and aggressive marketing activities by rival companies ever since the easing of regulations relating to imported tobacco products in 1985 and the abolishment of tariffs on imported cigarettes in 1987.

In the overseas tobacco market, the JT Group expanded its business mainly by acquiring Gallaher and the non-US tobacco business of RJR Nabisco, as a result, its competitive relationships with global players in the international tobacco business such as Phillip Morris International and British American Tobacco as well as strong firms operating in localized markets.

Our domestic and overseas tobacco market share fluctuates under multiple factors including competition, pricing strategies, changing smoker preferences, brand strengths and economic conditions occurring in different markets not to mention short-term fluctuations caused by temporary factors such as the introduction of new products by the JT Group and other companies and the special promotional activities effected for them. A lower market share due to these factors or measures undertaken to counter a decreasing market share (including an increase in expenses) may negatively affect the JT Group's business performance.

c. Foreign leaf tobacco price fluctuations

Of all the raw materials JT uses for its tobacco products manufactured in Japan, some 60% consist of foreign-grown leaf tobacco and all of the raw materials the JT Group uses for manufacturing tobacco products overseas presently consists of foreign leaf tobacco. Fluctuations in foreign leaf tobacco prices directly affect the operating income of both the JT Group and rival companies (for details, see (4) b. below for details of domestically-grown leaf tobacco purchasing).

d. Taxes levied on tobacco

Tobacco products manufactured or sold in Japan are subject to a national tobacco excise tax, a local tobacco excise tax and a national tobacco special excise tax based on cigarette count as well as a price-based consumption tax. Also, the government revises its taxation policies annually when deliberating its budget (for details, see (4) c. (iii) below). Even overseas, tobacco products are subject to taxes whose object, basis and standards, etc. vary by region.

JT can predict neither increases nor changes in taxes or tax rates imposed on tobacco products in Japan or overseas.

Increases in tobacco taxes in Japan or overseas may, if accompanied by a hike in retail prices, push down demand or move consumers toward lower priced items. If no retail price hike occurs, such tax increases may deteriorate the earnings structure of the domestic or international tobacco business negatively affecting the JT Group's business performance.

e. Regulations on tobacco products in Japan and overseas

The Tobacco Business Act, related acts and statutes and voluntary standards set forth the regulations for the sale and promotion activities of tobacco products in Japan that include the indication of warning labels on tobacco product advertisements and packages that urge caution over the relationship between the consumption of tobacco products and health. In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised including the wording of the cautions over the relationship between the consumption of tobacco products and health indicated on tobacco product packages and, starting July 2005, all tobacco products sold in Japan have been in conformity to the revised regulations. In addition, the Japanese Minister of Finance has indicated a "Guideline for Advertising of Tobacco Products" based on the Tobacco Business Act which, in March 2004, was revised with tougher language (for details, see (4) c. (i), Note 2 below). The Tobacco Institute of Japan has established voluntary standards regarding the advertising and sales promotion activities for tobacco products. All member companies, including JT, comply with these standards. Recently, cases where smoking in public areas including restaurants and office buildings has been restricted are on the rise in Japan. This trend is accelerating due to the Health Promotion Act, which prescribes the obligation to make efforts to prevent passive smoking, and the revision of the "Guidelines for Measures on Smoking in the Workplace," etc. JT expects such regulations to increase in the future.

Even in overseas markets where JT Group's tobacco products are sold, there is a rising trend in regulations regarding sales promoting activities and the marketing of tobacco products and smoking. For example, in the EU, a directive regarding tobacco products came into effect in July 2001 by which all laws, regulations and ordinances of EU member countries regarding the amount of tar, nicotine and carbon monoxide, warning labels on individual packages and outer wrappers, ingredients appearing on individual packages and descriptive expressions such as "mild," "light," etc. would be harmonized over the entire EU region. In addition, the World Health Organization (WHO) adopted the Framework Convention on Tobacco Control ("FCTC") at its 56th World Health Assembly held in May 2003. The FCTC, whose purpose is to continuously and substantively control the proliferation of smoking, came into force in February 2005 Japanese government accepted it in June 2004. Its provisions include price and tax measures to reduce tobacco demand, non-price measures to reduce the demand for tobacco (such as regulations on packaging and labeling of tobacco products and regulations on tobacco advertising, promotion and sponsorship, etc), measures relating to the reduction of the supply of tobacco (such as regulations banning the sale of tobacco to minors), among others. Signatory nations are generally required to develop, implement, periodically update and review tobacco regulatory strategies, plans and programs. However, the content, scope and method of specific controls undertaken in these nations are ultimately legislated by each respective nation and not necessarily unambiguous. Besides the above, many official and non-official controls on smoking have also appeared on a general basis in many overseas markets.

Although it is impossible to predict the content of future laws, regulations and industry guidelines relating to sales activities, marketing and smoking, we expect regulations like the above and new regulations (including those of local governments) to diffuse across Japan and other countries where the JT Group sells its products.

JT Group’s position is to support any regulation relating to tobacco that is appropriate and reasonable, however, the strengthening of regulations like the aforementioned may negatively affect the Group’s earnings by reducing tobacco demand and engendering costs incurred for the compliance to new regulations, etc.

f. Prohibition of “mild,” “light” and other descriptive labeling

The aforementioned EU directive on tobacco products, which came into effect in July 2001, requires all member countries to implement regulations prohibiting the use of descriptive expressions such as “mild” and “light.” Following subsequent enforcement in member countries resulted in the JT Group discontinued sales of “Mild Seven” brand products in EU and removed descriptive expressions such as “mild” and “light” from the labels of other tobacco products.

In addition, the aforementioned FCTC also includes provisions regulating descriptive labeling such as “mild” and “light.” They stipulate that signatory countries must, within three years after entry into force of FCTC, adopt and implement effective measures to prevent promotion of tobacco products by any means that could create an erroneous impression about the characteristics, etc. of tobacco products including the use of terms, etc. that creates false impression that a particular tobacco product is less harmful than other tobacco products (these may include terms such as “mild” and “light”).

Depending on the provisions of the legislation enacted by each respective country, there is the possibility that the same circumstances as those found in the aforementioned EU directive on tobacco products could materialize in markets outside EU. If such a case arises, the JT Group may have to spend enormous amounts of money and time on building a new brand that is comparable or commeasurable to “Mild Seven” with no guarantee that this new creation will have the same value and appeal, thus bearing the risk of negatively affecting the Group’s business performance.

With respect to Japan, in accordance with the Ordinance for Enforcement of the Tobacco Business Act revised in November 2003, all tobacco products bound for the domestic market labeled with “mild,” “light,” etc. after July 2005 are subject to certain necessary measures. The JT Group plans to continue using words like “mild” and “light” in Japan in accordance with the above Ordinance (for details, see (4) c. (i), Note 2 below).

g. Litigation

(i) Litigation in Japan and overseas related to health problems associated with smoking

The JT Group is the defendant in smoking and health related litigation both in Japan and overseas. As of the end of this fiscal year, JT is the defendant of two pending lawsuits in Japan (at the Tokyo District Court and Yokohama District Court, respectively).

Such litigation overseas includes health care costs recovery suits filed by governments and damage suits filed by individuals or classes of individuals. As of the end of this fiscal year, there were a total of 20 such lawsuits pending in which the JT Group is named as a defendant or for which JT may owe certain indemnity obligations pursuant to the relevant contracts, including the agreement for JT’s acquisition of RJR Nabisco’s non-US tobacco operations.

These lawsuits include a health care cost recovery action by the Canadian province of British Columbia and two class actions in Quebec brought against tobacco manufacturers including the JT

Group. The British Columbia action has been brought under a provincial statute entitled the “Tobacco Damages and Health Care Costs Recovery Act,” which was determined as constitutional by the Supreme Court of Canada. In March 2008, the province of New Brunswick filed a similar action, however, these remain in pre-trial proceedings with no decision made yet as to the liability of the JT Group. In Quebec, a first-instance court authorized the two class actions, however, they also remain in pre-trial proceedings with no decision made yet as to the liability of the JT Group. The JT Group will also give them its timely and appropriate response.

JT believes that it is possible that other similar smoking and health-related lawsuits can be filed in the future.

JT is unable to predict the outcome of currently pending or future lawsuits. However, if these actions result in a decision unfavorable to the JT Group, its business could be materially affected by, for example, the payment of monetary compensation. Moreover, regardless of the results of these lawsuits, critical media coverage may reduce social tolerance of smoking, increase interest in the relationship between smoking and health, strengthen public regulations concerning smoking and prompt the filing of a number of similar lawsuits against the JT Group, forcing it to bear litigation costs and materially affecting its business performance.

(ii) Others

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 allegedly 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 allegedly regarding tobacco product smuggling. It responded by filing an action against the Notice seeking to invalidate the assessment. 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., etc.), the seller in the contract entered into with JT for the acquisition in 1999.

The JT Group has not been 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.

(3) Risks relating to non-tobacco businesses

a. Risks relating to pharmaceutical business

The following are various risks relating to the pharmaceutical business of the JT Group.

-The JT Group may fail to develop and launch commercially valuable pharmaceutical products. To this date, JT has never brought a pharmaceutical product to market that it has developed on its own.

-The JT Group may have to invest an enormous amount of time and funds in research and development before it successfully develops pharmaceutical products.

-The JT Group may be forced to abandon the clinical development of a pharmaceutical product that involves another company as a co-developer or a licensee on the basis of its or its partner company's judgment or due to some internal or external factors.

-Even if the JT Group succeeds in developing and launching a commercially valuable pharmaceutical product, research and development cost may exceed the revenue generated from it.

-The JT Group may become dependent on a certain pharmaceutical product.

-The JT Group may fail to achieve efficient mass-production of pharmaceutical products.

-Even if a pharmaceutical product developed by the JT Group proves to be commercially successful, the success may be offset by competition with rival products developed by other companies in Japan or overseas, a government-mandated price reduction and other factors.

-The JT Group may become dependent on the license of pharmaceutical products developed by other companies and on revenues from such products.

-The JT Group may become dependent on a certain outside source for the supply of part of critical raw materials.

-If any problem arises regarding the quality of a pharmaceutical product of the JT Group or regarding information provided by the group about such product, the group may become the target of claims seeking product liability, etc., or may be forced to suspend sales of such product.

-JT's business performance may be affected by lawsuits concerning patents and other intellectual property rights.

-Regulation may be applied broadly, covering a full range of activities from the research and development stage to the post-launch stage of a new drug.

-The JT Group may become dependent on a certain business partner in research and development or sales of a pharmaceutical product.

-In relation to the JT Group's use and management of radioactive or other hazardous substances, social or legal problems may arise, such as damage to the environment caused by such substances.

b. Risks relating to foods business

The following are various risks relating to the foods business of the JT Group.

-Food products developed by the JT Group may fail to meet consumer preferences and their product lives may prove to be short.

-The JT Group's profit and loss may fluctuate due to fluctuations in the prices of raw materials for food products (including those due to changes in the exchange rate).

-The sales of JT's food products may be affected by weather conditions.

-The regulation of the procurement, manufacture and sale of food products in Japan or overseas may be strengthened, including the possibility that additional costs may arise due to compliance with such regulation.

- The JT Group may be usable to compete with major companies with larger distribution networks, stronger development capabilities and more experience.
- The JT Group may be unable to engage in efficient marketing activities.
- The JT Group may be unable to produce, or outsource the production of, food products in an efficient, stable and effective manner.
- The JT Group may outsource the production of most beverage products to other domestic manufacturers, thus becoming dependant on outside sources.
- If any problem arises regarding the quality of the JT Group's food products, the group may become the target of claims seeking product liability, etc., or the reputation of the group and its products may be undermined.

(4) Other factors which may materially affect investment decisions

a. Relations with the Japanese government and the Minister of Finance

The Japan Tobacco Inc. Act (the "JT Act") obligates the government to hold at least one-half of all JT shares that it acquired by voluntary conveyance upon JT's incorporation, and the government must continue to hold more than one-third of all JT issued shares. As of the end of the fiscal year ended in March 2009, the government held 50.01% of all JT issued shares.

In addition, the Minister of Finance has the authority to supervise JT under the JT Act and Tobacco Business Act. Under the JT Act, the scope of JT's businesses includes the "manufacture, sale and importation of tobacco products and ancillary businesses, as well as businesses required for attaining the objective of JT," and "business required for attaining the objective of JT" are subject to the Minister of Finance's approval. Consequently, the Minister of Finance's approval is required in order for JT to engage in new businesses outside the scope of currently-approved businesses (for details, see c. (ii) below).

b. Purchasing of leaf tobacco

The Tobacco Business Act requires JT to annually enter into purchase contracts with tobacco growers regarding the aggregate cultivation area for specific varieties of leaf tobacco and the prices for leaf tobacco by variety and grade. JT must purchase all leaf tobacco produced pursuant to such contracts, except for any not suited for the manufacture of tobacco products. When JT decides the aggregate cultivation area and the prices of leaf tobacco for its contracts with tobacco growers, it is required to respect the opinion of the Leaf Tobacco Deliberative Council (hatabako shingi kai), which consists of members appointed by JT with the approval of the Ministry of Finance from among the representatives of domestic leaf tobacco growers and academic appointees (for details see c. (i) below). Much like many other agricultural products in Japan, production costs for domestically-grown leaf tobacco is higher than those of foreign-grown leaf tobacco to the extent that the purchasing price for the former (before redrying) is approx. four times that of the latter (after redrying).

c. Legal matters relating to the business of filing company

(i) Tobacco Business Act (August 10, 1984; Act No. 68)

	Description
1. Purpose	The object of this Law is, in consideration of the tax relating to tobacco products as a portion of the Treasury revenue incidental to the abolishment of the tobacco monopoly system, to promote a sound development of the tobacco industry in our country by making necessary adjustments in the production and purchase of domestically produced leaf tobacco as raw material for tobacco products and in business activities etc. of manufacture and sale of the tobacco products, whereby it will contribute to ensuring treasury revenue and a sound development of the national economy. (Article 1)
2. Cultivation and purchase of domestically grown leaf tobacco for use as raw material	(1) When intending to purchase the domestically produced leaf tobacco, Japan Tobacco, Inc. ("JT") shall enter into agreements in advance with those who intend to cultivate leaf tobacco for the purpose of selling it to JT regarding the cultivation area for each item of leaf tobacco and the prices for each item and each grade of the leaf tobacco. (Article 3) (2) JT shall purchase all leaf tobacco produced pursuant to such agreements, except those which are not suitable as raw materials for manufacturered tobacco. (3) In the case where JT intends to enter into an agreement, JT shall consult with the Leaf Tobacco Deliberative Council that JT establishes, and respect its opinion concerning the total cultivation area and the prices of leaf tobacco. (Articles 4 and 7) (4) The Leaf Tobacco Deliberative Council shall deliberate on the price of the leaf tobacco so that subsequent production of leaf tobacco is ensured, by taking into account the production costs, commodity prices and other economic conditions. (5) JT shall determine the regional breakdown of the aggregate cultivation area for the respective items of leaf tobacco seeking the opinion of the Japan Tobacco Growers Association ("JTGA") and, within the scope of such regional breakdown, enter into agreements with growers. (Article 5) (6) If a member grower of a tobacco growers association entrusts JTGA with entering into an agreement regarding a fundamental matters of the agreements such as the price of leaf tobacco, JT shall establish said fundamental matters with JTGA and such agreement shall be deemed as a part of the agreements executed between JT and said grower. (Article 6)
3. Manufacture of tobacco products	(1) No tobacco products shall be manufacturered by any party other than JT. (Article 8) (2) JT shall obtain the approval of the Minister of Finance on the maximum wholesale price for each item of tobacco products. (Article 9) (3) JT shall make efforts to ensure a smooth supply of tobacco products taking into account regional demand conditions for tobacco products. (Article 10)
4. Sale of tobacco products	(1) A party wanting to engage in the sale of tobacco products imported by themselves shall register with the Minister of Finance, who establishes necessary regulations relating to said registration and registered party ("Specified Distributor"). (Articles 11 to 19) (2) A party wanting to engage in the wholesaling of tobacco products shall, for the time being, register with the Minister of Finance, who establishes necessary regulations relating to said registration and registered party. (Articles 20 and 21) (3) A party wanting to engage in the retailing of tobacco products shall, for the time being, obtain the approval of the Minister of Finance, who establishes necessary regulations relating to said registration and registered party ("Retailer"). (Articles 22 to 32) (4) If JT and a Specified Distributor want to sell manufactured or imported tobacco products, the list price of each item, and any subsequent change thereof, shall be approved by the Minister of Finance for the time being. Necessary regulations are in place with respect to the approval: for example, the Minister of Finance shall grant approval unless it deems such price is unfair to consumers, etc.. (Articles 33 to 35) (5) A Retailer is only permitted to sell tobacco products at list prices that have been approved by the Minister of Finance. (Article 36)

	Description
5. Other	(1) JT or a Specified Distributor shall indicate the wording as prescribed by Ordinance of the Ministry of Finance for warning consumers of the relationship between the consumption of tobacco products and health prior to the commencement of sale of the tobacco products that it manufactured or imported. (Article 39) (2) Advertisers of tobacco products shall give due consideration to the prevention of smoking by minors, etc. and make efforts lest such advertisement should be made to an excessive extent. The Minister of Finance may implement necessary measures with respect to advertisers. (Article 40)

Notes:

1. The so-called list price system is maintained for the time being as a means to prevent confusion in the distribution order, a well-established constant that materialized after the list price system was adopted in 1904. Tobacco is a luxury item different from the so-called commodities and services and, in a distribution market completely liberalized after the opening of import markets and other factors, JT and Specified Distributors stipulate prices on application (POA) to the Minister of Finance based on their respective, independent management decisions.

   Concerning the approval of list prices, the Ministry of Finance has the following view: "Pertaining to tobacco product list prices, under the Tobacco Business Act, in the event an application is made for the approval of list prices, the Minister of Finance may exceptionally deny approval if it deems such list price unfair to consumers or unfairly low in comparison with wholesale prices of domestic products or import prices of imported products. In all other cases, the Minister approves list prices in line with the spirit of Tobacco Business Act."

2. In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised and the wording of warnings concerning tobacco consumption and health indicated on tobacco product packages was changed to specify risks related to eight items, four of which are diseases associated with direct smoking (lung cancer, heart attack, stroke and emphysema), while the other four are smoking by pregnant women, passive smoking, addiction to smoking and youth smoking. Each tobacco product package must indicate, on its main surfaces, a warning regarding at least one of the four items associated with direct smoking and at least one of the other four items. The Ordinance stipulates, among others, (1) that these warnings must be rotated throughout the year in ways to ensure that they receive equal exposure on each product item and each type of package and (2) that the display area must occupy 30% or more of the main surfaces of the package.

   In addition, the Ordinance stipulates that when wording like "mild" and "light" are used on the package, they must be accompanied by a warning that clarifies that such words do not mean that the risk to their health is lower than other tobacco products so as to prevent consumers from misunderstanding the relationship between the consumption of tobacco products and health. JT has been adhering to this rule since July 1, 2005.

   In addition, in March 2004, the Ministry of Finance revised the "Guideline for Advertising of Tobacco Products," which stipulates that the outdoor advertising of tobacco products (posters, billboards, etc.) shall generally be prohibited and specifies matters concerning the indication and content of the health warnings that accompany tobacco advertising.

(ii) Japan Tobacco Inc. Act (Act No. 69 of August 10 of 1984)

	Description
1. Purpose	Japan Tobacco Inc. ("JT") is a stock company whose purpose is to engage in business related to the manufacture, sale, and importation of tobacco products in order to attain the objectives set forth in Article 1 of the Tobacco Business Act. (Article 1)
2. Stock	The Japanese government shall continue to hold at least one-half of the total number of JT shares that it acquired by voluntary conveyance upon JT's incorporation. (Article 2, paragraph (1)) In the event of a stock split or consolidation of shares occurring with respect to the shares stipulated in the preceding paragraph, the number of shares is calculated by multiplying by the ratio of said stock split or consolidation (in the event of a stock split or consolidation of two tiers or more, the ratio equivalent to the product of all tiers). (Article 2, paragraph (2)) As per the stipulations in preceding two paragraphs, the government shall continue to hold more than one-third of the total number of the issued shares of JT. (Article 2, paragraph (3)) Whenever JT intends to solicit subscribers for an issuance of shares or subscription rights to shares of JT, or deliver shares (excluding own shares), subscription rights to shares (excluding subscription rights to treasury shares), or issuance of bonds with subscription rights to shares (excluding bonds with subscription rights to treasury shares) at the time of share exchange, the approval of the Minister of Finance is required. (Article 2, paragraph (4)) The disposal of JT shares held by the government shall be effectuated within the maximum range stipulated by resolution of the Diet based on the budget of the corresponding year. (Article 3)
3. Scope of business	JT shall engage in the following businesses in order to attain the objectives stated in 1 above. (1) businesss of manufacture, sale and importation of tobacco products (2) business incidental or relating to the business in the preceding item (3) other business required for attaining the object of JT JT shall obtain authorization from the Minister of Finance before engaging in any business corresponding to (3) above. (Article 5)
4. Monitoring	(1) The appointment or dismissal of directors, executive officers, and auditors require authorization from the Minister of Finance. (Article 7) (2) Amendments to JT's articles of incorporation, appropriations of surplus (except disposal of losses), and any merger, corporate split, or dissolution of JT require authorization from the Minister of Finance. (Article 8) (3) JT shall formulate a business plan prior to each business year and obtain authorization from the Minister of Finance. Any change thereof also requires authorization from same. (Article 9) (4) Within three months after the closing of each business year, JT shall issue its balance sheet, statement of income, and business report to the Minister of Finance. (Article 10) (5) Transfers of manufacturing facilities or similar material assets require authorization from the Minister of Finance. (Article 11) (6) The Minister of Finance shall monitor JT in accordance with this Act as well as the Tobacco Business Act and may implement necessary measures in the execution of same. (Articles 12 and 13)

(iii) Acts relating to tobacco excise taxes (including tobacco special excise taxes)

	Description			
	National Tobacco Excise Tax	National Tobacco Special Excise Tax	Local Tobacco Excise Tax	
1. Tax item (Note 1)	Tobacco Excise Tax	Tobacco Special Excise Tax	Prefectural Tobacco Excise Tax (also applies to Tokyo)	Municipal Tobacco Excise Tax (also applies to special wards)
2. Taxpayers (Note 2)	Manufacturers of tobacco products or those who removes tobacco products from bonded areas		Manufacturers of tobacco products, specified distributors or wholesalers selling to retailers	
3. Tax base (Note 3)	Number of cigarettes removed from the manufacturing site or bonded area (for tobacco products other than cigarettes, prescribed cigarette count conversion)		Number of cigarettes relating to sales to retailers (for tobacco products other than cigarettes, prescribed cigarette count conversion)	
4. Tax rate (Note 4)	¥3,552 per 1000 cigarettes	¥820 per 1000 cigarettes	¥1,074 per 1000 cigarettes	¥3,298 per 1000 cigarettes
Former third-class products (Note 5)	¥1,686 per 1000 cigarettes	¥389 per 1000 cigarettes	¥511 per 1000 cigarettes	¥1,564 per 1000 cigarettes
5. Declaration and payment (Note 6)	Tobacco product manufacturers are to declare and pay taxes for each month's shipment by the end of the following month. Parties removing tobacco products from bonded areas are to declare and pay taxes by the time of extraction		For sales of tobacco products relating to sales locations of retailers located within a given prefecture, a declaration and payment of taxes is to be made to that prefecture for each month's transfer by the end of the following month	For sales of tobacco products relating to sales locations of retailers located within a given municipality, a declaration and payment of taxes is to be made to that municipality for each month's transfer by the end of the following month

Notes:
1. Article 3 of the Tobacco Excise Tax Act, Article 4 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Article 1, paragraph (2) and Articles 4 and 5 of the Local Tax Act
2. Article 4 of the Tobacco Excise Tax Act, Article 5 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Article 74-2, paragraph (1) and Article 465, paragraph (1) of the Local Tax Act
3. Article 10 of the Tobacco Excise Tax Act, Article 7 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-4 and 467 of the Local Tax Act
4. Article 11, paragraph (1) of the Tobacco Excise Tax Act, Article 8, paragraph (1) of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-5 and 468 of the Local Tax Act
5. Article 2 of the Supplemental Provisions of the Tobacco Excise Tax Act, Article 8, paragraph (2) of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 12-2 and 30-2 of the Supplemental Provisions of the Local Tax Act
6. Articles 17 to 20 of the Tobacco Excise Tax Act, Article 12 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-10 and 473 of the Local Tax Act
7. Concerning "4. Tax rate"
   The term "third-class products" refers to tobacco products stipulated as third-class cigarettes in the Tobacco Product Price Act, repealed on April 1, 1985. These are same products as those at the time of abolishment, and, for the time being, the aforementioned tax rates are applied.
8. (i) In the event the tax system relating to tobacco subject to high excise taxes is examined, on a general basis, as part of a revision of the tax system made in the course of reorganizing government budgets each year and the tax system is revised, a decision is made upon the deliberation and resolution of the legislature subsequent to the determination of government policy through deliberation by the Tax System Council and other bodies. When determining government policy, with respect to the National Tobacco Excise Tax, a bill is presented upon cabinet approval of a summary of the tax reform initially reported to the cabinet as a broad outline. For the Local Tobacco Excise Tax, a bill is presented upon determination of policy in the course of establishing local financing measures during budget reorganization.
   (ii) See the following page for revisions to the tax system relating to tobacco after the April 1985 transfer from the monopoly profit system to the tobacco consumption tax system.

[Main movements relating to the tobacco tax system and JT’s responses]

Month/Year	Item	Description	JT’s response
May 1986	1986 Tax Reform	Tax increase equivalent to ¥900 per 1000 cigarettes	Fixed price revised by amount equivalent to tax increase
April 1989	1989 Tax Reform	Following the introduction of the consumption tax, “tobacco consumption tax” changed to “tobacco excise tax” and taxation formula unified to a unit tax	Basically, fixed price revision unnecessary
April 1997	1997 Tax Reform	[Revision of Local Tax Act] Local Tobacco Excise Tax revenue transferred from the Prefectural Tobacco Excise Tax to the Municipal Tobacco Excise Tax	Fixed price revision unnecessary
		[Revision of Consumption Tax Act] Consumption tax rate revised from 3% to 5%	Prices raised by ¥10 per pack for some brands in an effort to revise fixed prices overall by the amount equivalent to the consumption tax rate revision
December 1998	1998 Tax Reform	Act Concerning Special Measures for Financing Debt Transferred to the General Accounts established and Tobacco Special Excise Tax introduced	Basically, price per cigarette raised by ¥1
May 1999	1999 Tax Reform	[Revision of Special Taxation Measures Act and Local Tax Act] Tax revenue transferred from Tobacco Excise Tax to Prefectural Tobacco Excise Tax and Municipal Tobacco Excise Tax	Fixed price revision unnecessary
July 2003	2003 Tax Reform	Acts revising a portion of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥820 per 1000 cigarettes	Price per cigarette raised by approx. ¥1
July 2006	2006 Tax Reform	Acts revising a portion of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥852 per 1000 cigarettes	Amount equivalent to tax increase shifted to fixed price of all brands with some prices increased higher than said amount

5. Important operational contracts, etc.

No items to report

6. Research and development activities

Research and development activities are mainly undertaken at JT's Tobacco Science Research Center and Central Pharmaceutical Research Institute, which have approx. 730 staffers.

Research and development cost for the entire JT Group over the fiscal year amounts to ¥47.2 billion and the research objectives and research and development cost by business segment are as follows.

Please note that the aforementioned research and development cost includes ¥0.6 billion relating to basic research not affiliated to any segment (plant biotechnology related research, etc.) and conducted by JT corporate division.

(1) Domestic and international tobacco business

From the prospective of optimizing the JT Group's research and development functions, JT mainly undertakes JT Group's widely ranging technological developments, from leaf tobacco cultivation to raw material processing, fragrance, other materials and manufacturing processes, as well as product value enhancements and cost reductions along with active new product development in step with the needs of customers. Activities are centered at JT's Tobacco Science Research Center and Leaf Tobacco Research Laboratory.

Research and development cost relating to the domestic tobacco business amounts to ¥17.7 billion with that of the international tobacco business amounting to ¥3.8 billion.

(2) Pharmaceutical business

Aiming to build a distinctive, global business centered on research and development, JT engages in the research and development of pharmaceuticals mainly for carbohydrate and fat metabolism, viruses, immunity and inflammation and bones, with activities centered at its Central Pharmaceutical Research Institute.

Currently under development by JT are 9 drugs now in the clinical trial stage.

Research and development cost for this business is ¥23.8 billion.

(3) Foods business

With activities centered at its Food R&D Center, development is undertaken for beverages, processed foods and seasonings in step with customer needs and their various eating and drinking situation.

Research and development cost for this business is ¥1.1 billion.

7. Analysis of financial position and operating results

(1) Important accounting policies and estimates

The financial statements of the JT Group are prepared in accordance with Japanese Generally Accepted Accounting Principles ("Japanese GAAP"). For details, please refer to "Significant preparation policy of consolidated financial statements" in (1) Consolidated financial statements, 1. Consolidated financial statements, etc., V. Accounting.

In the preparation of consolidated financial statements, estimates and judgments are made concerning items that affect assets and liabilities at the end of the fiscal year and earnings and expense figures of the fiscal year based on various factors considered reasonable in light of historical results and conditions and evaluations are made on a continuous basis. Actual results may vary due to uncertainties in the estimates.

(2) Analysis of business results for the fiscal year

a. Net sales

Net sales increased by ¥422.5 billion, or up 6.6% from the previous fiscal year to ¥6,832.3 billion. Although the sales volume declined as a result of a fall in overall demand on the domestic tobacco business and there was a negative impact on sales from yen-related currency exchange rates when consolidating overseas subsidiaries, the sales volume in the international tobacco business increased and the full-year operating results of Gallaher and the Katokichi Group in the foods business contributed to this figure.

b. Cost of sales

Cost of sales was ¥5,554.3 billion, up 6.2% from the previous fiscal year, mainly due to full-year effects from Gallaher and Katokichi Group despite a decrease in sales volume in the domestic tobacco business.

c. Selling, general and administrative expenses

Selling, general and administrative expenses was ¥914.1 billion, up 21.8% year and year, due in part to the recording of goodwill amortization in the international tobacco business following the changes in accounting standards and the inclusion of the amortization of goodwill of the Katokichi Group to the full-year results.

d. Operating income

Operating income fell by ¥66.7 billion, or 15.5%, from the previous fiscal year to ¥363.8 billion. Major factors were the decrease in the sales volume of the domestic tobacco business, the amortization of goodwill for the international tobacco business following the changes in accounting standards and the inclusion of the amortization of goodwill of the Katokichi Group to the full-year results.

e. Ordinary income

Ordinary income fell by ¥55.0 billion, or 15.2%, from the previous fiscal year to ¥307.5 billion due to the fall in operating income and effects from the inclusion in full-year results of interest expenses relating to the increase in loans following the acquisition of Gallaher. This is despite the ¥11.6 billion improvement in non-operating income attributable to a decrease of foreign exchange losses.

f. Net income

Income before income taxes and minority interests fell by ¥110.4 billion, or 29.6%, from the previous fiscal year to ¥262.1 billion. Major factors were a decrease in gain on sales of noncurrent assets and losses resulting from the cost of demolishing abandoned company residential building as well as, in the international tobacco business, costs accompanying restructuring in the license business in the Philippines and for reorganizing the business structure of the Katokichi Group.

Net income fell by ¥115.3 billion, or 48.3%, from the previous fiscal year to ¥123.4 billion. A major factor was the effect of amortization of goodwill that was outside the scope of tax liability computations.

(3) Analysis of capital resources and liquidity of funds

a. Funding requirements

Funds were allocated to capital expenditure, working capital and acquiring external capital resources as well as the repayment of loans and the payment of interest, dividends and income taxes.

b. Resources of funds

The necessary funds were provided mainly by cash flow from operating activities, loans from financial institutions and the issuance of long-term bond.

c. Cash flows

Net cash provided by operating activities in the fiscal year ended March 31, 2009 came to ¥275.2 billion, while net cash used in investing activities and financing activities was ¥65.0 billion and ¥217.4 billion, respectively. Cash and cash equivalents on a consolidated basis at March 31, 2009 after adjusting for translation differences and changes resulting from changes in the scope of consolidation decreased ¥47.7 billion from the previous fiscal year to ¥167.2 billion (end of previous fiscal year balance of ¥215.0 billion).

d. Liquidity

To ensure liquidity, not only does the JT Group keep cash on hand, it also has alternate sources of funds such as commitment lines, etc.

III. Facilities

1. Outline of capital expenditures

In this fiscal year, we made capital expenditures totaling ¥134.2 billion.

In the domestic tobacco business, we spent ¥46.5 billion, mainly on measures to streamline manufacturing processes, strengthen our ability to respond flexibly to supply and demand fluctuations with regard to an increasingly diverse range of products and develop new products. In the international tobacco business, we invested ¥59.7 billion mainly for the purpose of expanding our production capacity. In the pharmaceutical business, we spent ¥3.4 billion mainly for construction and research facilities. In the foods business, we invested ¥23.2 billion, mainly for enhancing production and sales facilities. In our other businesses, we made capital expenditures of ¥1.1 billion.

Please note that our own capital was allocated for capital expenditures.

2. Main facilities

Main facilities of the JT Group (JT and its consolidated subsidiaries) are as follows.

(1) Filing company (JT)

(As of March 31, 2009)

Office and factory name (Location)	Operations by industry segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m^2)	Amount					
Kita-kanto Factory (Utsunomiya-shi, Tochigi) *2	Domestic tobacco	Tobacco manufacturing facilities	149	2,062	4,111	15,142	216	21,532	348
Tokai Factory (Iwata-shi, Shizuoka) *2	Domestic tobacco	Tobacco manufacturing facilities	223	2,308	3,491	6,362	186	12,349	295
Kansai Factory (Fushimi-ku, Kyoto-shi)	Domestic tobacco	Tobacco manufacturing facilities	116	5,827	6,196	12,442	231	24,698	454
Kyushu Factory (Chikushino-shi, Fukuoka)	Domestic tobacco	Tobacco manufacturing facilities	165	4,041	2,684	4,490	182	11,399	234
Other factories (10) (Municipality) *2	Domestic tobacco	Mainly tobacco manufacturing facilities	1,010	5,276	14,359	14,203	607	34,447	1,167
Tobacco Science Research Center (Aoba-ku, Yokohama-shi) *2	Domestic tobacco	Research and development facilities	34	641	2,654	33	1,111	4,441	124
Central Pharmaceutical Research Institute (Takatsuki-shi, Osaka)	Pharmaceutical	Research and development facilities	94	2,722	12,218	40	1,240	16,222	540
Head Office (Minato-ku, Tokyo)	General administration	Other	7	21,486	20,940	104	2,101	44,633	1,405
Domestic Sales Offices (25) (Municipality)	Domestic tobacco (includes administration)	Other, etc.	76	4,677	4,899	1,303	14,825	25,706	988

(2) Domestic subsidiaries

(As of March 31, 2009)

Office and factory name (Location)	Operations by industry segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m^2)	Amount					
TS Network Co., Ltd. Head Office and other 32 distribution bases, etc. (Head Office: Taito-ku, Tokyo) *2	Domestic tobacco	Distribution facilities	19	624	3,655	1,507	588	6,374	1,348
Japan Filter Technology Co., Ltd. Head Office and other 5 factories (Head Office: Shibuya-ku, Tokyo) *1	Domestic tobacco	Material manufacturing facilities	167	2,236	4,431	7,354	334	14,356	486
Torii Pharmaceutical Co., Ltd. Head Office and other 14 branch offices (Head Office: Chuo-ku, Tokyo) *1	Pharmaceutical	Other	5	366	1,609	14	256	2,246	785
Torii Pharmaceutical Co., Ltd. Sakura Plant (Sakura-shi, Chiba)	Pharmaceutical	Pharmaceuticals manufacturing facility	53	336	1,919	1,584	179	4,020	93
Japan Beverage Inc. Head Office and other 72 branch offices (Head Office: Shinjuku-ku, Tokyo) *1, *2	Foods	Sales and distribution facilities	56	3,385	1,841	3,637	14,851	23,716	4,016
Katokichi Co., Ltd. Head Office and other 7 factories (Head Office: Kanonji-shi, Kagawa) *1, *2	Foods	Frozen food production facilities	198	5,784	7,628	5,006	236	18,655	1,093
JT Real Estate Co., Ltd. Head Office and other 3 branch offices (Head Office: Shibuya-ku, Tokyo)	Others	Real estate business facilities	10	419	4,419	16	242	5,099	61

(3) Foreign subsidiaries

(As of December 31, 2008)

Office and factory name (Location)	Operations by industry segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m^2)	Amount					
JT International Germany GmbH (Germany)	International tobacco	Tobacco manufacturing facilities	345	300	8,762	13,612	1,848	24,524	1,533
LLC Petro (Russia) *1	International tobacco	Tobacco manufacturing facilities	185	17	8,589	15,343	1,413	25,363	1,905
JTI Tütün Urunleri Sanayi A.S. (Turkey)	International tobacco	Tobacco manufacturing facilities	148	205	1,677	5,327	52	7,262	457
JTI-Macdonald Corp. (Canada)	International tobacco	Tobacco manufacturing facilities	520	16	1,036	2,080	196	3,330	469
Gallaher Ltd. (U.K.)	International tobacco	Tobacco manufacturing facilities	597	3,655	10,156	6,000	700	20,513	1,577
Austria Tabak GmbH (Austria)	International tobacco	Tobacco manufacturing facilities	211	3,086	5,831	4,932	474	14,326	731
Liggett-Ducat CJSC (Russia) *1	International tobacco	Tobacco manufacturing facilities	35	–	83	5,088	246	5,418	1,199

Notes: 1. Companies marked with *1 have land leased from entities other than the Group companies.
2. Companies marked with *2 have land leased to entities other than the Group companies.
3. Book values include lease assets.
4. Among the other 10 factories shown in (1) Filing company (JT), the Kanazawa Factory closed at the end of March 2009.
5. Among the 5 factories of Japan Filter Technology Co., Ltd. shown in (2) Domestic subsidiaries, the Sakai Factory closed at the end of March 2009.

3. Plan for installation and disposal of facilities

Our capital expenditure plan (new installations, expansions) for a period of one year after this fiscal year involves ¥166.0 billion, a breakdown of which per business segment is as follows.

Please note that because the plan for installing or disposing of each facility depends on the method of disclosing numerical figures for each business segment because of the broad range of individual projects undertaken by JT and its consolidated subsidiaries.

Business segment	Projected amount at the end of March 2009 (Billions of yen)	Main contents and objectives of facilities, etc.	Capital resources
Domestic tobacco	65.0	Improve productivity and reduce costs	Own capital
International tobacco	64.0	Expand production capacity	Same as above
Pharmaceutical	3.0	Build and strengthen the research and development structure	Same as above
Foods	32.0	Build and strengthen production and sales facilities	Same as above
Others	1.0	Maintenance and renewals relating to auxiliary equipment to leased real estate	Same as above

Notes: 1. Consumption taxes, etc. are not included.
2. There were no sales or disposals of important facilities except for the regular renewal of facilities.

IV. Filing company

1. Information on the Company (JT)'s shares

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

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

b. Number of shares issued

Class	Number of shares issued (as of March 31, 2009)	Number of shares issued (as of the date of filing: June 23, 2009)	Name of financial instruments exchange where the stock of JT is traded or the name of authorized financial instruments firms association where JT 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. The provisions of Article 2 of the Japan Tobacco Inc. Act prescribes that the Japanese government must continue to hold at least one-half of all JT 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 JT 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 subscription rights to shares

Subscription rights to shares 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 March 31, 2009	As of May 31, 2009
Number of subscription rights to shares	426 units	426 units
Of which, the number of treasury subscription rights to shares	–	–
Class of shares to which subscription rights to shares apply	Common stock (JT's standard shares without any restriction of shareholders' rights. JT does not employ a share unit system.)	Same as left
Number of shares to which subscription rights to shares apply	426 shares (Note 1)	426 shares (Note 1)
Paying due upon exercise of subscription rights to shares per share	¥1 per share	Same as left
Exercise period of subscription rights to shares	From January 9, 2008 to January 8, 2038	Same as left
Issue price if shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥581,269 per unit	Same as left
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares 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 subscription rights to shares 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.	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17, 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 subscription rights to shares 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 subscription rights to shares	a. The person who is a holder of subscription rights to shares and is recorded in the registry of subscription rights to shares (hereinafter, "Subscription rights to shares Holder") may exercise his/her subscription rights to shares 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 Subscription rights to shares Holders waive their subscription rights to shares, they cannot exercise those subscription rights to shares.	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left
Matters regarding surrogate payments	–	–
Provisions for acquiring subscription rights to shares	(Note 2)	Same as left
Matters regarding deliver of subscription rights to shares accompanied by reorganization	(Note 3)	Same as left

Notes: 1. The class of shares to which subscription rights to shares 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 stock split (including stock allotment without contribution; hereinafter, the same shall apply to description of stock split) or share consolidation after the date on which JT allots subscription rights to shares (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 stock 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 stock 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 Subscription rights to shares 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 subscription rights to shares on the date separately provided for by the Board of Directors.

In this case, JT shall, in exchange for acquiring each stock acquisition right, deliver money at the amount 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 respective such subscription rights to shares.

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 to 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 merge (limited to cases where JT is to be extinguished as a result of the merger), split and absorbed or split and incorporated (limited to cases where JT becomes the split company in either case) or exchanged or transferred shares (limited to cases where JT becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, "Reorganization"), JT shall, in each case, deliver subscription rights to shares of the companies as listed in Article 236, paragraph (1), item (viii), sub-items (a) to (e) inclusive of the Companies Act (hereinafter, the "Company Subject to Reorganization") to the Subscription rights to shares Holders that have subscription rights to shares 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 Subscription rights to shares"). However, it is subject to a condition that the provision that the subscription rights to shares 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 subscription rights to shares to be delivered of the company to be reorganized
Subscription rights to shares whose number is identical to the number of the Remaining Subscription rights to shares held by Subscription rights to shares Holder
b. Class of shares of the company to be reorganized to which subscription rights to shares apply
Common stock of the company to be reorganized
c. Number of shares of the company to be reorganized to which subscription rights to shares 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 subscription rights to shares 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 shares of the company to be reorganized that would be delivered by exercising the delivered subscription rights to shares.

e. Period during which subscription rights to shares can be exercised
From the effective date of the Reorganization to the expiration date of the period during which such subscription rights to shares can be exercised as specified in the "Exercise period of subscription rights to shares" 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 subscription rights to shares
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 subscription rights to shares" mentioned above.

g. Restrictions on acquisition of subscription rights to shares by assignment
The approval of the Board of Directors of the company to be reorganized is required for the assignment of subscription rights to shares.

h. Provision for acquisition of subscription rights to shares
To be determined in the same manner as Note 2 above.

i. Other conditions for exercising subscription rights to shares
To be determined in the same manner as "Conditions for exercising subscription rights to shares" mentioned above.

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

	As of March 31, 2009	As of May 31, 2009
Number of subscription rights to shares	547 units	547 units
Of which, the number of treasury subscription rights to shares	–	–
Class of shares to which subscription rights to shares apply	Common stock (JT's standard shares without any restriction of shareholders' rights. JT does not employ a share unit system.)	Same as left
Number of shares to which subscription rights to shares apply	547 shares (Note 1)	547 shares (Note 1)
Paying due upon exercise of subscription rights to shares per share	¥1 per share	Same as left
Exercise period of subscription rights to shares	From October 7, 2008 to October 6, 2038	Same as left
Issue price if shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥285,904 per unit	Same as left
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares 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 subscription rights to shares 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.	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17, 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 subscription rights to shares 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 subscription rights to shares	a. The person who is a holder of subscription rights to shares and is recorded in the registry of subscription rights to shares (hereinafter, "Subscription rights to shares Holder") may exercise his/her subscription rights to shares 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 Subscription rights to shares Holders waive their subscription rights to shares, they cannot exercise those subscription rights to shares.	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left
Matters regarding surrogate payments	–	–
Provisions for acquiring subscription rights to shares	(Note 2)	Same as left
Matters regarding deliver of subscription rights to shares accompanied by reorganization	(Note 3)	Same as left

Notes: 1. The class of shares to which subscription rights to shares 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 stock split (including stock allotment without contribution; hereinafter, the same shall apply to description of stock split) or share consolidation after the date on which JT allots subscription rights to shares (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 stock 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 stock 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 Subscription rights to shares 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 subscription rights to shares on the date separately provided for by the Board of Directors.

   In this case, JT shall, in exchange for acquiring each stock acquisition right, deliver money at the amount 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 respective such subscription rights to shares.

   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 to 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 merge (limited to cases where JT is to be extinguished as a result of the merger), split and absorbed or split and incorporated (limited to cases where JT becomes the split company in either case) or exchanged or transferred shares (limited to cases where JT becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, “Reorganization”), JT shall, in each case, deliver subscription rights to shares of the companies as listed in Article 236, paragraph (1), item (viii), sub-items (a) to (e) inclusive of the Companies Act (hereinafter, the “Company Subject to Reorganization”) to the Subscription rights to shares Holders that have subscription rights to shares 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 Subscription rights to shares”). However, it is subject to a condition that the provision that the subscription rights to shares 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 subscription rights to shares to be delivered of the company to be reorganized
      Subscription rights to shares whose number is identical to the number of the Remaining Subscription rights to shares held by Subscription rights to shares Holder
   b. Class of shares of the company to be reorganized to which subscription rights to shares apply
      Common stock of the company to be reorganized
   c. Number of shares of the company to be reorganized to which subscription rights to shares 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 subscription rights to shares 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 shares of the company to be reorganized that would be delivered by exercising the delivered subscription rights to shares.
   e. Period during which subscription rights to shares can be exercised
      From the effective date of the Reorganization to the expiration date of the period during which such subscription

rights to shares can be exercised as specified in the "Exercise period of subscription rights to shares" 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 subscription rights to shares
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 subscription rights to shares" mentioned above.

g. Restrictions on acquisition of subscription rights to shares by assignment
The approval of the Board of Directors of the company to be reorganized is required for the assignment of subscription rights to shares.

h. Provision for acquisition of subscription rights to shares
To be determined in the same manner as Note 2 above.

i. Other conditions for exercising subscription rights to shares
To be determined in the same manner as "Conditions for exercising subscription rights to shares" mentioned above.

(3) Details of rights plan

No items to report

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

Date	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)
April 1, 2006	8,000	10,000	–	100,000	–	736,400

Note: The stock split of 5-for-1 was conducted as of April 1, 2006. Consequently, the balance of issued shares increased by 8,000 thousand shares to 10,000 thousand shares.

(5) Shareholder composition

(As of March 31, 2009)

Category	Shareholder composition								Shares less than one unit (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	1	140	66	440	725	13	61,546	62,931	–
Number of shares held (Share)	5,001,390	1,524,107	47,749	79,648	2,610,278	48	736,780	10,000,000	–
Holding rate of shares (%)	50.01	15.24	0.48	0.80	26.10	0.00	7.37	100.00	–

Notes: 1. 419,920 treasury shares are included in “Individuals, etc.”

2. In the “Other corporations” column, 177 shares in the name of Japan Securities Depository Center, Inc. are included.

(6) Status of major shareholders

(As of March 31, 2009)

Name of shareholders	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of issued shares (%)
The Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	5,001,390	50.01
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, Japan	266,683	2.67
Japan Trustee Services Bank, Ltd. (Trust Account 4G)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, Japan	258,891	2.59
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	212,913	2.13
State Street Bank and Trust Company 505223 (Standing Agent: Mizuho Corporate Bank, Ltd., Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (6-7, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)	171,774	1.72
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	169,000	1.69
State Street Bank and Trust Company (Standing Agent: Mizuho Corporate Bank, Ltd., Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (6-7, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)	130,567	1.31
Deutsche Bank AG London PB Non-treaty Clients 613 (Standing Agent: Deutsche Securities Limited)	TAUNUSANLAGE 12, D-60325 FRANKFURT AM MAIN, FEDERAL REPUBLIC OF GERMANY (Sanno Park Tower, 11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo, Japan)	124,737	1.25
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing Agent: Mizuho Corporate Bank, Ltd., Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	WOOLGATE HOUSE, COLEMAN STREET, LONDON EC2P 2HD, U.K. (6-7, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)	123,711	1.24
The Chase Manhattan Bank 385036 (Standing Agent: Mizuho Corporate Bank, Ltd., Kabutocho Custody & Proxy Department within the Settlement & Clearing Services Division)	360 N.CRESCENT DRIVE, BEVERLY HILLS, CA 90210 U.S.A. (6-7, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)	72,215	0.72
Total	–	6,531,881	65.32

Note: In addition to the above, JT held 419,920 shares of common stock as treasury stock.

(7) Status of voting rights

a. Issued shares

(As of March 31, 2009)

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 177 shares in the name of Japan Securities Depository Center, Inc., of which one is registered as a lost share by a party other than the registered holder. “Number of voting rights” includes 177 units of voting rights related to shares with full voting rights in its name, of which one is registered as a lost share by a party other than the registered holder.

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 March 31, 2009)

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

(8) Stock options

JT has adopted a system of stock options that involves the issuance of subscription rights to shares in accordance with the Companies Act.

Details are as follows.

(By resolutions of the Annual General Meeting of Shareholders held on June 22, 2007, and the Board of Directors at a meeting held on December 21, 2007)

The 22nd Annual General Meeting of Shareholders held on June 22, 2007, and the Board of Directors at a meeting held on December 21, 2007, resolved to issue subscription rights to shares as share remuneration type stock options to JT Directors and Executive Officers in accordance with the Companies Act.

Resolution date	June 22, 2007, December 21, 2007
Category and number of persons granted	Directors 11 persons Executive Officers (excluding persons serving as Director) 16 persons
Class of shares to which subscription rights to shares apply	See "(2) Status of subscription rights to shares"
Number of shares	233 shares to Directors, 193 shares to Executive Officers, total 426 shares (1 share per stock acquisition right) (Note)
Paying due upon exercise of subscription rights to shares per share	See "(2) Status of subscription rights to shares"
Exercise period of subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Assignment of subscription rights to shares	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of subscription rights to shares accompanied by reorganization	See "(2) Status of subscription rights to shares"

Note: In cases where JT conducts stock split (including stock allotment without contribution; hereinafter, the same shall apply to description of stock split) or share consolidation after the date on which JT allots subscription rights to shares (hereinafter, "Allotment Date"), the number of shares to which each stock acquisition right applies (hereinafter, "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 stock 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 stock 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 holders of subscription rights to shares being recorded in the registry of subscription rights to shares 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.

(By resolutions of the Board of Directors at a meeting held on September 19, 2008)

The Board of Directors at a meeting held on September 19, 2008, resolved to issue subscription rights to shares as share remuneration type stock options to JT Directors and Executive Officers in accordance with the Companies Act.

Resolution date	September 19, 2008
Category and number of persons granted	Directors 11 persons Executive Officers (excluding persons serving as Director) 14 persons
Class of shares to which subscription rights to shares apply	See "(2) Status of subscription rights to shares"
Number of shares	315 shares to Directors, 232 shares to Executive Officers, total 547 shares (1 share per stock acquisition right) (Note)
Paying due upon exercise of subscription rights to shares per share	See "(2) Status of subscription rights to shares"
Exercise period of subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Assignment of subscription rights to shares	Same as above
Matters regarding surrogate payments	–
Matters regarding deliver of subscription rights to shares accompanied by reorganization	See "(2) Status of subscription rights to shares"

Note: In cases where JT conducts stock split (including stock allotment without contribution; hereinafter, the same shall apply to description of stock split) or share consolidation after the date on which JT allots subscription rights to shares (hereinafter, "Allotment Date"), the number of shares to which each stock acquisition right applies (hereinafter, "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 stock 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 stock 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 holders of subscription rights to shares being recorded in the registry of subscription rights to shares 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. Acquisition of treasury stock

[Class of shares]   No items to report

(1) Acquisition by resolution of the General Meeting of Shareholders

No items to report

(2) Acquisition by resolution of the Board of Directors

No items to report

(3) Items not based on resolution of the General Meeting of Shareholders or Board of Directors

No items to report

(4) Status of disposal and ownership of acquired treasury stock

Category	Fiscal year ended March 31, 2009		From April 1, 2009 until the filing date of this Annual Securities Report	
	Number of shares (Share)	Total disposal value (Yen)	Number of shares (Share)	Total disposal value (Yen)
Acquired treasury stock offered for subscription	–	–	–	–
Acquired treasury stock that were disposed	–	–	–	–
Acquired treasury stock transferred for merger, share exchange and company split	–	–	–	–
Other (–)	–	–	–	–
Treasury stock held	419,920	–	419,920	–

3. Dividend policy

JT believes the growth of our corporate value in the medium to long term by realizing sustainable profit growth fueled by proactive business investment is the key to increasing shareholder benefits.

Regarding dividends, JT 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.

It is also a basic policy of JT to pay an interim dividend and year-end dividend annually, with the former determined by the Board of Directors and the latter by the General Meeting of Shareholders.

The year-end dividend for the fiscal year was ¥2,800, therefore, the total annual dividend, including the interim dividend of ¥2,600, is ¥5,400 per share.

Also, 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. JT’s articles of incorporation stipulate that JT may pay interim dividends to shareholders with the record date of September 30 each year, upon a resolution by the Board of Directors.

The dividend for the 24th term is as follows.

Resolution date	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)
Meeting of the Board of Directors held on October 30, 2008	24,908	2,600.00
Annual General Meeting of Shareholders held on June 23, 2009	26,824	2,800.00

4. Trends in share price

(1) Highest and lowest share prices for the most recent 5 years by term

Term	20th term	21st term	22nd term	23rd term	24th term
Accounting period	From April 1, 2004 to March 31, 2005	From April 1, 2005 to March 31, 2006	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009
Highest (Yen)	1,330,000	2,150,000 *435,000	604,000	708,000	555,000
Lowest (Yen)	764,000	1,190,000 *406,000	362,000	492,000	216,000

Notes: 1. The yearly highest and lowest share prices were those recorded on the first section of the Tokyo Stock Exchange.
2. The figures with * marks show the highest and lowest ex right share prices after the stock splits.

(2) Monthly highest and lowest share prices for the most recent 6 months

Month	October 2008	November 2008	December 2008	January 2009	February 2009	March 2009
Highest (Yen)	415,000	366,000	350,000	311,000	260,700	277,800
Lowest (Yen)	250,100	295,000	279,200	235,800	224,800	216,000

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

5. Status of members of the Board and Auditors

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Share)
Chairman of the Board		Yoji Wakui	February 5, 1942	April 1964 May 1995 July 1997 July 1999 June 2004 June 2006	Joined Ministry of Finance Deputy Vice-Minister Director-General of the Budget Bureau Vice Chairman of the General Insurance Association of Japan Chairman of the Board, Representative Director, Japan Tobacco Inc. Chairman of the Board (current position)	2 years since June 2008	56
* President, Representative Director		Hiroshi Kimura	April 23, 1953	April 1976 January 1999 May 1999 June 1999 June 2001 June 2005 June 2006	Joined Japan Tobacco and Salt Public Corporation Head of Corporate Strategy Division, Japan Tobacco Inc. Assistant to General Manager in Tobacco Business Planning Division, Tobacco Business Headquarters; Executive Vice President, JT International S.A. Member of the Board Retired from Member of the Board Member of the Board President, Representative Director (current position)	2 years since June 2008	75
* Executive Deputy President, Representative Director		Munetaka Takeda	August 22, 1949	April 1972 July 1999 January 2001 July 2001 July 2003 September 2005 February 2007 April 2007 June 2007	Joined Ministry of Finance Director-General, Kanto Local Finance Bureau Deputy Assistant Vice-Minister, Cabinet Office Director-General of Okinawa Promotion Bureau, Cabinet Office Director-General for Policy Planning, Cabinet Office Assistant Vice-Minister, Cabinet Office Corporate Counselor, Japan Tobacco Inc. Senior Executive Vice President, Chief Financial Officer Executive Deputy President, Representative Director (current position)	2 years since June 2008	16

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Share)
* Executive Deputy President, Representative Director		Masaaki Sumikawa	October 11, 1950	April 1974	Joined Japan Tobacco and Salt Public Corporation	2 years since June 2008	75
				July 1997	Head of Foods Business Division, Japan Tobacco Inc.		
				June 1998	Head of General Administration Division		
				July 2000	Head of Human Resources Division		
				June 2003	Senior Vice President, Assistant to CEO in Real Estate Management, Agriculture, Printing and Vending Machinery Businesses		
				January 2004	Senior Vice President, Assistant to CEO in Real Estate Management, Printing and Vending Machinery Businesses		
				June 2004	Standing Auditor		
				June 2008	Executive Deputy President, Representative Director (current position)		
* Executive Deputy President, Representative Director		Mitsuomi Koizumi	April 15, 1957	April 1981	Joined Japan Tobacco and Salt Public Corporation	2 years since June 2008	71
				June 2001	Head of Corporate Strategy Division, Japan Tobacco Inc.		
				June 2003	Senior Vice President, Leader of Personnel and Labor Group		
				June 2004	Senior Vice President, Head of Tobacco Business Planning Division, Tobacco Business Headquarters		
				June 2006	Executive Vice President, Head of Tobacco Business Planning Division, Tobacco Business Headquarters		
				June 2007	Member of the Board, Executive Vice President and Head of Marketing and Sales General Division, Tobacco Business Headquarters		
				July 2007	Member of the Board, Executive Vice President and Chief Marketing and Sales Officer, Tobacco Business Headquarters		
				June 2009	Executive Deputy President, Representative Director (current position)		

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Share)
* Executive Deputy President, Representative Director		Masakazu Shimizu	April 22, 1953	April 1977	Joined Japan Tobacco and Salt Public Corporation	1 year since June 2009	51
				April 1998	Head of Domestic Leaf Tobacco Division, Tobacco Business Headquarters		
				September 1999	Head of Treasury Division		
				July 2001	Head of Temporary Systems Task Force		
				July 2004	Head of General Administration Division		
				June 2005	Senior Vice President, Chief Communications Officer		
				June 2007	Executive Vice President, Chief Communications Officer		
				June 2009	Executive Deputy President, Representative Director (current position)		
* Member of the Board	Senior Executive Vice President; President of Pharmaceutical Business Division	Noriaki Okubo	May 22, 1959	April 1983	Joined Japan Tobacco and Salt Public Corporation	2 years since June 2008	32
				April 2000	Head of International Planning Division, Pharmaceutical Business Division, Japan Tobacco Inc.		
				June 2002	Head of Pharmaceutical Business Planning Division, Pharmaceutical Business Division		
				June 2004	Member of the Board, Senior Vice President and President of Pharmaceutical Business Division		
				June 2006	Member of the Board, Executive Vice President and President of Pharmaceutical Business Division		
				June 2009	Member of the Board, Senior Executive Vice President and President of Pharmaceutical Business Division (current position)		
* Member of the Board	Executive Vice President; President of Foods Business Headquarters	Sadao Furuya	September 1, 1955	April 1979	Joined Japan Tobacco and Salt Public Corporation	2 years since June 2008	48
				March 2002	Head of Planning Group, Japan Tobacco Inc.		
				July 2004	Head of Affiliated Businesses Office		
				July 2005	Assistant to General Manager in Manufacturing Division, Tobacco Business Headquarters		
				June 2006	Senior Vice President, Chief Strategy Officer		
				June 2008	Member of the Board, Executive Vice President and President of Foods Business Headquarters (current position)		

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Member of the Board		Yasushi Shingai	January 11, 1956	April 1980 Joined Japan Tobacco and Salt Public Corporation July 2001 Head of Financial Planning Division, Japan Tobacco Inc. June 2004 Senior Vice President, Leader of Finance Group, Head of Financial Planning Division July 2004 Senior Vice President, Chief Financial Officer June 2005 Member of the Board, Senior Vice President, Chief Financial Officer June 2006 Member of the Board (current position), Executive Vice President, JT International S. A. (current position)	2 years since June 2008	52
Standing Auditor		Hisao Tateishi	December 23, 1946	April 1971 Joined Ministry of Finance July 1997 Director-General, Kanto-Shinetsu Regional Taxation Bureau, National Tax Agency July 1999 Deputy Director-General, Personnel Bureau, Management and Coordination Agency January 2001 Deputy Director-General, Personnel and Pension Bureau, Ministry of Internal Affairs and Communications July 2001 Standing Director, Japan Foundation for Regional Vitalization July 2003 Standing Director, Federation of National Public Service, Personnel Mutual Aid Associations September 2005 Executive Director, Federation of National Public Service, Personnel Mutual Aid Associations June 2007 Standing Auditor, Japan Tobacco Inc. (current position)	4 years since June 2007	8
Standing Auditor		Gisuke Shiozawa	April 18, 1952	April 1976 Joined Japan Tobacco and Salt Public Corporation August 1995 Head of Finance Processing Division, Japan Tobacco Inc. September 1999 Assistant to General Manager in Business Planning Division, Foods Business Headquarters April 2002 Assistant to General Manager in Beverages Business Division, Foods Business Headquarters June 2003 Senior Vice President, Head of Business Planning Division, Foods Business Headquarters June 2005 Senior Vice President, Head of Beverages Business Division, Foods Business Headquarters June 2008 Standing Auditor (current position)	3 years since June 2008	55

Title	Post	Name	Date of birth	Summary of career		Term of office	Number of shares held (Share)
Auditor		Takanobu Fujita	January 17, 1938	April 1963	Joined NHK (Japan Broadcasting Corporation)	4 years since June 2007	27
				June 1990	News Commentator		
				January 1995	Retired from NHK		
				April 1999	Professor, School of Policy Studies, Kwansei Gakuin University		
				April 2005	Visiting Professor, School of Policy Studies, Kwansei Gakuin University (current position)		
				June 2005	Auditor, Japan Tobacco Inc. (current position)		
Auditor		Koichi Ueda	December 17, 1943	April 1967	Judicial Apprentice	2 years since June 2009	0
				April 1969	Appointed as Public Prosecutor		
				June 2006	Superintending Public Prosecutor, the Tokyo High Public Prosecutors Office		
				December 2006	Took mandatory retirement		
				January 2007	Registered as an attorney at law		
				April 2007	Specially Appointed Professor of Meiji University Law School (current position)		
				January 2009	Representative Director, The Resolution and Collection Corporation		
				March 2009	President and Representative Director, The Resolution and Collection Corporation (current position)		
				June 2009	Auditor, Japan Tobacco Inc. (current position)		
Total							566

Notes: 1. Auditors Hisao Tateishi, Takanobu Fujita and Koichi Ueda are Outside Auditors provided for by Article 2, item (xvi) of the Companies Act.

2. JT has introduced the Executive Officer System since June 2001 in order to realize swift and high-quality decision making and operating execution.

Persons with the title marked with * concurrently serve as Executive Officer.

Except for them, there are 14 Executive Officers: Ryuichi Shimomura (Chief Legal Officer), Yoshihisa Fujisaki (Chief Marketing & Sales Officer, Tobacco Business Headquarters), Tadashi Iwanami (Chief R&D Officer, Tobacco Business Headquarters), Kenji Iijima (Head of Manufacturing General Division, Tobacco Business Headquarters), Mutsuo Iwai (Chief Strategy Officer), Hirotoshi Maejima (Deputy R&D Officer, Tobacco Business Headquarters), Shinichi Murakami (Head of Domestic Leaf Tobacco General Division, Tobacco Business Headquarters), Atsuhiro Kawamata (Head of China Division, Tobacco Business Headquarters), Akira Saeki (Head of Tobacco Business Planning Division and Chief Corporate, Scientific & Regulatory Affairs Officer, Tobacco Business Headquarters), Junichi Haruta (Head of Central Pharmaceutical Research Institute, Pharmaceutical Business Division), Ryoko Nagata (Head of Beverages Business Division, Foods Business Headquarters), Satoshi Matsumoto (Chief Human Resources Officer), Hideki Miyazaki (Chief Financial Officer and Head of Tax Affairs Department) and Ryoji Chijiiwa (Chief General Affairs Officer).

The duties of Executive Officers are indicated based on the reorganization planned for July 1, 2009.

6. Status of corporate governance, etc

(1) Status of corporate governance

a. Basic concept on the corporate governance

JT recognizes that prompt and proper decision-making and business execution are vital to increasing our corporate value and responding appropriately to new challenges to come in the future, as the business and social environment change. Based on this recognition, JT has been striving hard to enhance corporate governance as a top management priority.

b. Implementation status of measures concerning corporate governance (as of the date of filing)

i. Corporate governance system

(a) Organization of JT

The Board of Directors meets once a month in principle and on more occasions if necessary, in order to make decisions with regard to the matters specified by laws and regulations and other important matters, to supervise business execution and to receive reports from the Directors on the status of business execution.

In order to maintain a high quality of business execution, JT has adopted the Executive Officer System, under which Executive Officers appointed by the Board of Directors execute business in their respective areas of responsibility, in accordance with a companywide business strategy decided by the Board, by exercising the authority delegated to them. In addition, the Chairman of the Board has been positioned as a non-executive director in order to concentrate on the function of supervising management.

Moreover, as part of its efforts to enhance corporate governance, JT has established the Advisory Committee, which comprises five outside experts and advises the management team from a broad perspective with regard to how JT should operate in the mid- to long-term, and other issues of similar importance.

Meanwhile, the Executive Committee, comprising JT's President and other members appointed by the President, discusses important management issues — particularly management policy and basic plans regarding overall business operations — in addition to matters to be referred to the Board of Directors.

JT has adopted the Audit Board System, under which Auditors, in their capacity as independent agents with a mandate from shareholders, examine the performance of duties by Directors and Executive Officers in order to ensure sound business management and maintain and enhance public trust in the company.

(b) Internal control system and risk management system

JT has been endeavoring to ensure appropriate business operations through efforts to enhance compliance, internal audits and risk management, and implementing measures to ensure the effectiveness of audits, such as improving arrangements and procedures for reporting the necessary matters to Auditors, as is required of a company adopting the Audit Board System.

We will continue these efforts while reviewing and revising the current system as necessary, and ensure appropriate business execution by taking the following steps:

<System to ensure that Directors and employees perform their duties in accordance with laws, regulations and JT's articles of incorporation>

With regard to the compliance system, JT has established the Guidelines for Conduct based on internal rules concerning compliance in order to ensure that directors, executive officers and employees comply with laws, regulations, JT's articles of incorporation, the social norms, etc., and set up the Compliance Committee as an organization responsible for ensuring thorough compliance. This committee, headed by JT's Chairman, includes outside experts among its members and reports directly to the Board of Directors. Meanwhile, the Compliance Office is charged with overseeing efforts to improve the company-wide compliance system, identify compliance problems and enhance the effectiveness of the compliance system by enlightening Directors, Executive Officers and employees about compliance through various compliance education programs.

Regarding the internal reporting system (whistle-blower system), JT has a counter through which employees may report any misconduct they have detected. The Compliance Office is charged with investigating reported cases and implementing company-wide measures to prevent the recurrence of misconduct after holding consultations with the departments and divisions concerned. Matters of particular importance shall be referred to the Compliance Committee for deliberation.

In order to ensure the reliability of its financial reporting, JT is operating a relevant internal control system that it has established in accordance with the Financial Instruments and Exchange Act. By allocating a sufficient level of staff to the task of evaluating financial results and reporting them, JT is striving to maintain and improve the reliability of its financial reporting.

The internal audit system is overseen by the Operational Review and Business Assurance Division (staffed with 25 members as of the end of fiscal year ended March 31, 2009), which examines and evaluates systems for supervising and managing the overall operations of JT and the status of business execution from the viewpoints of legality and rationality, in order to protect JT's assets and improve management efficiency.

<System for storage and management of information on the performance of duties by the Directors>

JT makes sure to properly store and manage the minutes of Annual General Meetings of Shareholders, meetings of the Board of Directors, and meetings of the Executive Committee, in line with laws, regulations and internal rules.

Information on other important matters relating to business execution and decision-making are stored and managed by the relevant departments and divisions as specified by internal rules on the allocation of responsibilities and authorities (hereinafter referred to as the "Responsibilities/Authorities Allocation Rules"), in accordance with rules on the supervision of the processes of decision-making, procurement and accounting.

<Rules on management of risk of loss and procedures/arrangements for other matters>

JT has established internal rules on the management of risk of loss relating to monetary and financial affairs, and ensures that relevant reports are made to the Executive Committee on a quarterly basis.

With regard to risk of loss relating to other affairs, the relevant departments and divisions specified by the Responsibilities/Authorities Allocation Rules conduct proper management, identifying risk and reporting it to the Executive Committee or referring it to the Committee for deliberation, depending on the importance of the identified risk.

JT has assigned sufficient staff to the Operational Review and Business Assurance Division, which functions as JT's internal audit organization. This division examines and evaluates the internal control systems of JT and JT Group companies – in light of the importance of internal control procedures and arrangements and the risks involved – from an objective viewpoint, in its capacity as an entity independent of the organizations responsible for business execution, and reports its findings and present proposals to the President, as well as reporting to the Board of Directors.

To prepare for possible emergencies, JT has produced a manual for crisis management and disaster response. In the event of an emergency or a disaster, JT is ready to establish an emergency project system under the supervision of the Corporate Strategy Division, and make prompt and proper responses under the leadership of senior management and through close cooperation between the relevant departments and divisions.

<System to ensure that directors perform their duties efficiently>

The Board of Directors meets once a month in principle and on more occasions as necessary, in order to make a decision with regard to the matters specified by laws and regulations and other important matters and to supervise business execution. Meanwhile, the Executive Committee, comprising JT’s President and other members appointed by the President, discusses important management issues, particularly management policy and basic plans regarding overall business operations of JT, in addition to matters to be referred to the Board of Directors.

JT has adopted the Executive Officer System, under which Executive Officers appointed by the Board of Directors execute business in their respective areas of responsibility, in accordance with a company-wide business strategy decided by the board, by exercising the authority delegated to them.

Moreover, in order to ensure that business operations are managed in ways that contribute to the business efficiency and flexibility of JT as a whole, basic matters concerning JT’s organization, allocation of duties to officers and staff and the roles of individual divisions are specified by the relevant internal rules. Meanwhile, in order to enable prompt decision-making, the departments and divisions responsible for business execution are specified by the “Responsibilities /Authorities Allocation Rules.”

<System to ensure the appropriateness of business operations within the JT Group>

The JT Group promises to deliver “irreplaceable delight” to ask all stakeholders, and it has adopted the JT Group Mission “the JT Branding Declaration” as a shared aim within the group. We have specified the functions and rules necessary for group management based on a group management policy, in order to optimize the operations of the JT Group as a whole.

Moreover, JT has been enhancing its systems for compliance (including the internal reporting system), internal audits, financial affairs management, etc. in cooperation with JT Group companies.

<System for assisting auditors and reporting to auditors, and other systems to ensure effective auditing>

JT has allocated sufficient staff to the Auditor’s Office as an organization supporting the auditors in performing their duties. In addition, JT makes sure to review and reform the staffing structure as necessary based on consultations with the Audit Board. The Audit Board is involved in the selection of personnel of the Auditor’s Office in order to ensure the office’s independence from Directors.

When Directors and Executive Officers detect any matter that may cause substantial damage to the company, they are due to report it to the Audit Board. Moreover, when Directors, Executive Officers and employees detect any evidence of malfeasance in financial documents or serious breaches of laws or JT’s articles of incorporation, they are due to report them to the Audit Board, along with other relevant matters that could affect JT’s management.

As Auditors are allowed to attend not only meetings of the Board of Directors but also other important meetings, they usually attend meetings of the Executive Committee. When Directors, Executive Officers and employees are asked by Auditors to compile important documents available for their perusal, to accept field audits and to submit reports, they are due to respond to the request in a prompt and appropriate manner.

Furthermore, Directors are due to cooperate with audits and ensure the provision of funds necessary for covering audit-related expenses so as to secure their effectiveness. The Operational Review and Business Assurance Division and the Compliance Office maintain cooperation with Auditors by exchanging information.

(c) Implementation status of audits by Auditors and Independent Accountant

<Audits by Auditors and Independent Accountant>

- JT has an internal audit system under which Auditors, in their capacity as independent agents with a mandate from shareholders, examine the performance of duties by Directors and Executive Officers in order to ensure sound business management and maintain and enhance public trust in JT.
- JT has employed Deloitte Touche Tohmatsu as its Independent Accountant and Deloitte Touche Tohmatsu has conducted audits based on the Companies Act and the Financial Instruments and Exchange Act. The certified public accountants who audited JT's financial statements for fiscal year ended March 31, 2009 and the persons who assisted the auditing work are as follows.

(Certified public accountants)
Tatsuo Igarashi (4 years), Shuichi Momoki (4 years), Satoshi Iizuka (2 years)

Note: Figures in parentheses represent the number of years in which the certified public accountants have engaged in the accounting audit of JT.

(Assistants for the audit work)
Certified public accountants: 7 persons, Junior accountants: 14 persons, Others: 7 persons

While Auditors, internal audit organizations including the Operational Review and Business Assurance Division, and the Independent Accountant conduct audits individually, they endeavor to enhance their cooperation in order to ensure appropriate audits, for example by sharing information on the results of their respective audits.

(d) Remuneration for Directors and Auditors

Remuneration for Directors and Auditors for fiscal year ended March 31, 2009 are as follows.

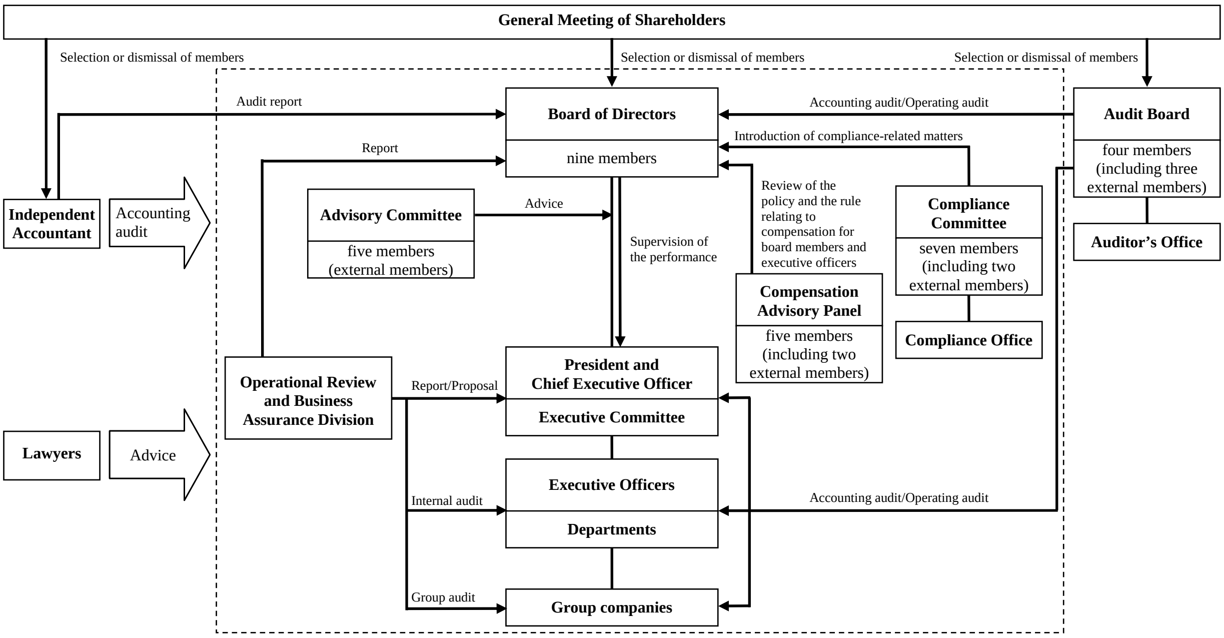
<Remuneration for Directors and Auditors>

Remuneration for Directors and Auditors

13 Directors:	¥602 million
5 Auditors:	¥88 million

Note: The amounts above are the remuneration for Directors and Auditors in office for the fiscal year ended March 31, 2009.
Also, the remuneration for Directors includes bonuses and compensation based on stock option.

The status of the development of JT's corporate governance system is represented as the following schematic depiction.



ii. Overview of Outside Auditors' interests in JT

JT employs three Outside Auditors. One of them, Mr. Koichi Ueda, is an outside Director of PIONEER CORPORATION and President and Representative Director of The Resolution and Collection Corporation, which have no dealings with JT, therefore, the outside auditor himself has no direct interests in these dealings.

The other two Outside Auditors have no interests in JT.

iii. Number of Directors

JT's articles of incorporation stipulate that the number of Directors must be 15 or less.

iv. Appointment of Directors

JT's articles of incorporation stipulate that Directors must be appointed by a majority of the shareholder votes cast on an occasion where shareholders representing at least one-third of the total voting rights are present.

v. Matters to be decided by the Board of Directors without referral to General Meeting of Shareholders

Acquisition of treasury stock

In order to enable flexible management, JT's articles of incorporation stipulate that JT may acquire its treasury stock through means such as market trading, upon a resolution by the Board of Directors under Article 165, paragraph (2) of the Companies Act.

Interim dividend

In order to enable profits to be returned to shareholders in a flexible manner, JT's articles of incorporation stipulate that JT may pay interim dividends to shareholders, upon a resolution by the Board of Directors under Article 454, paragraph (5) of the Companies Act.

vi. Requirements for special resolutions at General Meeting of Shareholders

In order to facilitate the smooth conduct of General Meeting of Shareholders with an easier validity requirement for special resolutions, JT's articles of incorporation stipulate that a resolution as specified by Article 309, paragraph (2) of the Companies Act is valid if it is supported by at least two-thirds of the votes cast at a General Meeting of Shareholders attended by shareholders representing at least one-third of JT's total voting rights (compared with the usual requirement of "at least half").

(2) Audit fees

a. Audit fees paid to certified public accountants, etc.

(Millions of yen)

Classification	Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009	
	Fees for audit attestation services	Fees for non-audit services	Fees for audit attestation	Fees for non-audit services
Filing company	–	–	262	16
Consolidated subsidiaries	–	–	89	1
Total	–	–	351	17

Note: Fees paid to Deloitte Touche Tohmatsu

b. Other important fees

The foreign subsidiaries of JT are audited mainly by member firms of Deloitte Touche Tohmatsu, and especially significant is the approximately ¥1.5 billion in fees for audit and non-audit services related to the attestation of the financial documents of JT International Holding B.V. and its subsidiaries.

c. Non-audit services to filing company

Non-audit services for which fees are paid by JT to certified public accountants, etc. include advisory services pertaining to internal control, etc. over financial reporting as well as the review of English versions of financial statements, etc.

d. Policy for determining audit fees

Audit fees paid by JT to certified public accountants, etc. are determined upon considerable consultation therewith where necessary based on the audit plan and fee estimates presented thereby.

Specifically, audit fees are determined after confirming whether the scope of the audit and review procedures of important audit items indicated in the audit plan and the status of the corporate group, including and movements of target consolidated subsidiaries, etc. is properly reflected in the amount of time required for the audit. A comparison of the amount of time required for the previous audit with the corresponding plan is also generally taken into consideration along with the above.

The approval of the Board of Auditors is obtained when determining audit fees in order to preserve the independence of certified public accountants, etc..

V. Accounting

1. Preparation policy of the consolidated and non-consolidated financial statements

(1) JT prepares consolidated financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976; hereinafter referred to as the “Regulation for Consolidated Financial Statements”).

The consolidated financial statements for the fiscal year ended March 31, 2008 were prepared in accordance with the pre-revised Regulation for Consolidated Financial Statements while those for the fiscal year ended March 31, 2009 were prepared in accordance with the revised Regulation for Consolidated Financial Statements.

(2) JT prepares non-consolidated financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Financial Statements (Ministry of Finance Ordinance No. 59 of 1963; hereinafter referred to as the “Regulation for Financial Statements”).

The non-consolidated financial statements for the fiscal year ended March 31, 2008 were prepared in accordance with the pre-revised Regulation for Financial Statements while those for the fiscal year ended March 31, 2009 were prepared in accordance with the revised Regulation for Financial Statements.

2. Audit attestation

The consolidated financial statements for the fiscal year ended March 31, 2008 and for the fiscal year ended March 31, 2009, and the non-consolidated financial statements for the fiscal year ended March 31, 2008 and for the fiscal year ended March 31, 2009 were audited by Deloitte Touche Tohmatsu, pursuant to the provisions of Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

a. Consolidated balance sheets

(Millions of yen)

		As of March 31, 2008		As of March 31, 2009
Assets				
Current assets				
Cash and deposits	*3	213,885		164,957
Notes and accounts receivable-trade		325,075		290,068
Short-term investment securities		4,952		4,910
Inventories		558,850		–
Merchandise and finished goods		–		122,970
Semi-finished goods		–		119,290
Work in process		–		6,561
Raw materials and supplies		–		215,334
Deferred tax assets		32,008		29,675
Other		104,427		145,076
Allowance for doubtful accounts		(4,504)		(3,162)
Total current assets		1,234,695		1,095,682
Noncurrent assets				
Property, plant and equipment				
Buildings and structures	*3	679,899	*3	621,469
Accumulated depreciation		(398,157)		(386,615)
Buildings and structures, net		281,742		234,853
Machinery, equipment and vehicles	*3	704,663	*3	642,148
Accumulated depreciation		(485,689)		(453,155)
Machinery, equipment and vehicles, net		218,973		188,993
Tools, furniture and fixtures	*3	220,932	*3	165,434
Accumulated depreciation		(147,817)		(103,012)
Tools, furniture and fixtures, net		73,114		62,422
Land	*3	157,380	*3	147,219
Construction in progress	*3	32,120		35,253
Total property, plant and equipment		763,332		668,742
Intangible assets				
Goodwill		2,106,887		1,453,961
Right of trademark		613,496		347,372
Other		39,023		30,509
Total intangible assets		2,759,407		1,831,843
Investments and other assets				
Investment securities	*1	132,173	*1	90,230
Long-term loans receivable		4,409		9,190
Deferred tax assets		110,708		128,786
Other	*1	112,743	*1, *3	97,022
Allowance for doubtful accounts		(30,075)		(41,695)
Allowance for loss on investments		(180)		–
Total investments and other assets		329,778		283,534
Total noncurrent assets		3,852,518		2,784,121
Total assets		5,087,214		3,879,803

(Millions of yen)

		As of March 31, 2008		As of March 31, 2009
Liabilities				
Current liabilities				
Notes and accounts payable-trade		175,369		158,544
Short-term loans payable	*3	269,034	*3	113,231
Current portion of bonds		73,054	*3	190,363
Current portion of long-term loans payable	*3	6,668	*3	26,380
Lease obligations		–		5,512
Accounts payable-other		79,014		62,824
National tobacco excise taxes payable		200,875		172,986
National tobacco special excise taxes payable		10,898		10,470
Local tobacco excise taxes payable		88,839		85,541
Income taxes payable		71,693		51,777
Accrued consumption taxes		62,654		43,847
Deferred tax liabilities		6,547		2,915
Provision	*2	41,481	*2	39,172
Other	*3	198,265		129,835
Total current liabilities		1,284,396		1,093,403
Noncurrent liabilities				
Bonds payable	*3	643,631	*3	349,794
Long-term loans payable	*3	396,907	*3	299,563
Lease obligations		–		11,234
Deferred tax liabilities		174,395		110,389
Provision for retirement benefits		283,387		259,145
Provision for directors' retirement benefits		743		623
Provision for loss on guarantees		257		695
Other	*3	148,866		130,665
Total noncurrent liabilities		1,648,188		1,162,111
Total liabilities		2,932,584		2,255,514
Net assets				
Shareholders' equity				
Capital stock		100,000		100,000
Capital surplus		736,400		736,400
Retained earnings		1,344,490		1,224,989
Treasury stock		(74,578)		(74,578)
Total shareholders' equity		2,106,311		1,986,810
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		21,338		8,437
Deferred gains or losses on hedges		219		92
Pension liability adjustment of foreign consolidated subsidiaries		(10,711)		(18,965)
Foreign currency translation adjustment		(41,085)		(423,561)
Total valuation and translation adjustments		(30,238)		(433,997)
Subscription rights to shares		185		364
Minority interests		78,370		71,109
Total net assets		2,154,629		1,624,288
Total liabilities and net assets		5,087,214		3,879,803

b. Consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009
Net sales		6,409,726		6,832,307
Cost of sales		5,228,925		5,554,398
Gross profit		1,180,801		1,277,908
Selling, general and administrative expenses	*1, *4	750,247	*1, *4	914,102
Operating income		430,553		363,806
Non-operating income				
Interest income		11,238		10,104
Dividends income		2,171		2,172
Other		8,122		18,059
Total non-operating income		21,533		30,335
Non-operating expenses				
Interest expenses		41,758		51,356
Foreign exchange losses		31,789		21,801
Financial support for domestic leaf tobacco growers		2,004		768
Periodic mutual assistance association cost		2,333		2,024
Other		11,519		10,604
Total non-operating expenses		89,405		86,555
Ordinary income		362,681		307,586
Extraordinary income				
Gain on sales of noncurrent assets	*2	66,747	*2	46,461
Other		2,217		1,915
Total extraordinary income		68,964		48,377
Extraordinary loss				
Loss on sales of noncurrent assets		3,261		2,169
Loss on retirement of noncurrent assets	*3	6,306	*3	11,505
Loss on valuation of investment securities		11,154		–
Impairment loss		3,825	*5	16,364
Business restructuring costs	*6	6,442	*6	24,363
Introduction costs for vending machines with adult identification functions	*7	12,878	*7	13,468
Costs related to recall of frozen foods products	*8	5,623		–
Other		9,539		25,947
Total extraordinary losses		59,032		93,819
Income before income taxes and minority interests		372,614		262,143
Income taxes-current		117,271		126,732
Income taxes-deferred		11,107		8,240
Total income taxes		128,379		134,972
Minority interests in income		5,532		3,771
Net income		238,702		123,400

c. Consolidated statements of changes in net assets

(Millions of yen)

		Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Shareholders' equity			
Capital stock			
Balance at the end of previous period		100,000	100,000
Balance at the end of current period		100,000	100,000
Capital surplus			
Balance at the end of previous period		736,400	736,400
Balance at the end of current period		736,400	736,400
Retained earnings			
Balance at the end of previous period		1,158,337	1,344,490
Effect of changes in accounting policies applied to foreign subsidiaries		–	(193,658)
Changes of items during the period			
Changes of retained earnings due to the new accounting standard adopted by foreign consolidated subsidiaries applying accounting principles generally accepted in the United States of America("U.S. GAAP")	(Note 2)	(10,548)	–
Dividends from surplus		(42,152)	(49,816)
Net income		238,702	123,400
Change of scope of consolidation		–	47
Change of scope of equity method		151	525
Total changes of items during the period		186,152	74,157
Balance at the end of current period		1,344,490	1,224,989
Treasury stock			
Balance at the end of previous period		(74,578)	(74,578)
Balance at the end of current period		(74,578)	(74,578)
Total shareholders' equity			
Balance at the end of previous period		1,920,159	2,106,311
Effect of changes in accounting policies applied to foreign subsidiaries		–	(193,658)
Changes of items during the period			
Changes of retained earnings due to the new accounting standard adopted by foreign consolidated subsidiaries applying U.S. GAAP	(Note 2)	(10,548)	–
Dividends from surplus		(42,152)	(49,816)
Net income		238,702	123,400
Change of scope of consolidation		–	47
Change of scope of equity method		151	525
Total changes of items during the period		186,152	74,157
Balance at the end of current period		2,106,311	1,986,810

(Millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	33,329	21,338
Changes of items during the period		
Net changes of items other than shareholders’ equity	(11,990)	(12,901)
Balance at the end of current period	21,338	8,437
Deferred gains or losses on hedges		
Balance at the end of previous period	14,580	219
Changes of items during the period		
Net changes of items other than shareholders’ equity	(14,360)	(127)
Balance at the end of current period	219	92
Pension liability adjustment of foreign consolidated subsidiaries		
Balance at the end of previous period	(15,560)	(10,711)
Changes of items during the period		
Net changes of items other than shareholders’ equity	4,848	(8,254)
Balance at the end of current period	(10,711)	(18,965)
Foreign currency translation adjustment		
Balance at the end of previous period	7,745	(41,085)
Changes of items during the period		
Net changes of items other than shareholders’ equity	(48,831)	(382,475)
Balance at the end of current period	(41,085)	(423,561)
Total valuation and translation adjustments		
Balance at the end of previous period	40,094	(30,238)
Changes of items during the period		
Net changes of items other than shareholders’ equity	(70,333)	(403,758)
Balance at the end of current period	(30,238)	(433,997)
Subscription rights to shares		
Balance at the end of previous period	–	185
Changes of items during the period		
Net changes of items other than shareholders’ equity	185	179
Balance at the end of current period	185	364
Minority interests		
Balance at the end of previous period	64,362	78,370
Changes of items during the period		
Net changes of items other than shareholders’ equity	14,008	(7,260)
Balance at the end of current period	78,370	71,109

(Millions of yen)

		Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Total net assets			
Balance at the end of previous period		2,024,615	2,154,629
Effect of changes in accounting policies applied to foreign subsidiaries		–	(193,658)
Changes of items during the period			
Changes of retained earnings due to the new accounting standard adopted by foreign consolidated subsidiaries applying U.S. GAAP	(Note 2)	(10,548)	–
Dividends from surplus		(42,152)	(49,816)
Net income		238,702	123,400
Change of scope of consolidation		–	47
Change of scope of equity method		151	525
Net changes of items other than shareholders' equity		(56,139)	(410,839)
Total changes of items during the period		130,013	(336,682)
Balance at the end of current period		2,154,629	1,624,288

Marginal notes for consolidated statements of changes in net assets

Notes: 1. "Pension liability adjustment of foreign consolidated subsidiaries" under valuation and translation adjustments was unfunded liability recorded at foreign consolidated subsidiaries adopting U.S. GAAP.

2. Effective from January 1, 2007, the Accounting for Uncertainty in Income Taxes (FASB Interpretation No. 48, Financial Accounting Standards Board) was applied to foreign consolidated subsidiaries that adopt U.S. GAAP. Accordingly, the impacts that arose due to the application in the previous fiscal year (the fiscal year in which the new standard was adopted for the first time) were recorded as changes of retained earnings.

d. Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	372,614	262,143
Depreciation and amortization	167,658	176,899
Impairment loss	3,825	16,364
Loss (gain) on sales and retirement of noncurrent assets	(60,768)	(41,499)
Amortization of goodwill	3,883	105,470
Loss (gain) on valuation of investment securities	11,154	7,062
Increase (decrease) in provision for retirement benefits	(4,932)	(13,159)
Interest and dividends income	(13,410)	(12,276)
Interest expenses	41,758	51,356
Decrease (increase) in notes and accounts receivable-trade	47,484	(43,141)
Decrease (increase) in inventories	27,114	(47,632)
Increase (decrease) in notes and accounts payable-trade	(16,650)	2,698
Increase (decrease) in accounts payable-other	(39,955)	(7,939)
Increase (decrease) in tobacco excise taxes payable	(213,133)	28,981
Other, net	(31,029)	(55,237)
Subtotal	295,612	430,091
Interest and dividends income received	18,226	15,551
Interest expenses paid	(36,083)	(55,957)
Income taxes paid	(132,724)	(114,414)
Net cash provided by (used in) operating activities	145,030	275,271
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(2,353)	(1,360)
Proceeds from sales and redemption of securities	4,224	1,861
Purchase of property, plant and equipment	(124,832)	(112,408)
Proceeds from sales of property, plant and equipment	83,335	55,255
Purchase of intangible assets	(6,830)	(6,948)
Purchase of investment securities	(22,562)	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(1,608,080)	(3,060)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	1,449	450
Other, net	7,015	1,202
Net cash provided by (used in) investing activities	(1,668,634)	(65,008)

(Millions of yen)

		Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009
Net cash provided by (used in) financing activities				
Net increase (decrease) in short-term loans payable		136,063		(125,182)
Proceeds from long-term loans payable		378,862		94,130
Repayment of long-term loans payable		(90,198)		(54,662)
Proceeds from issuance of bonds		149,723		–
Redemption of bonds		(10,000)		(70,810)
Cash dividends paid		(42,152)		(49,752)
Cash dividends paid to minority shareholders		(2,889)		(3,539)
Repayments of finance lease obligations		–		(6,606)
Other, net		(407)		(1,046)
Net cash provided by (used in) financing activities		519,000		(217,470)
Effect of exchange rate change on cash and cash equivalents		40,090		(39,590)
Net increase (decrease) in cash and cash equivalents		(964,513)		(46,797)
Cash and cash equivalents at beginning of period		1,179,522		215,008
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation		–		(953)
Cash and cash equivalents at end of period	*1	215,008	*1	167,257

Significant preparation policy of consolidated financial statements

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
1. Scope of consolidation	- Number of consolidated subsidiaries 299 Details of major consolidated subsidiaries are described in "4. Status of subsidiaries and affiliates of I. Overview of the JT Group." The consolidated financial statements newly included 21 domestic subsidiaries including Katokichi Co., Ltd.; and 130 foreign subsidiaries including Gallaher Group Ltd., Gallaher Ltd., Gallaher Capital Ltd., Gallaher Europe Finance, Harrigan Ltd., Austria Tabak GmbH, HABET Handels-Beteiligungsgesellschaft mbH & Co. KG Nahrungs- und Genußmittel from this fiscal year. A former consolidated subsidiary, Frontier REIT Management Inc., was excluded from the scope of consolidation because of the sale of all its shares. And 4 former consolidated subsidiaries, including Eagle Collection (M) Sdn. Bhd., were excluded from the scope of consolidation as liquidation procedures were completed. Non-consolidated subsidiaries are all small-scale and respective amounts in aggregate of total assets, net sales, net income (amount corresponding to JT's equity portion) and retained earnings (amount corresponding to JT's interest) of non-consolidated subsidiaries do not have a material impact on the consolidated financial statements. For this reason, these companies are excluded from the scope of consolidation.	- Number of consolidated subsidiaries 274 Details of major consolidated subsidiaries are described in "4. Status of subsidiaries and affiliates of I. Overview of the JT Group." A total of 17 companies, including JT Beverage Inc. and Fuji Foods Corporation, were included in the scope of consolidation from this fiscal year. A total of 38 companies, including JT Dining Service Inc., were excluded from the scope of consolidation due to 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. with a view to dissolutions. Former subsidiary Advance Support Co., Ltd. was subjected to the equity method due to the decrease of JT's voting rights as a result of sales of investments. Non-consolidated subsidiaries are all small-scale and respective amounts in aggregate of total assets, net sales, net income (amount corresponding to JT's equity portion) and retained earnings (amount corresponding to JT's interest) of non-consolidated subsidiaries would not have a material impact on the consolidated financial statements. For this reason, these companies are excluded from the scope of consolidation.

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
2. Scope of equity method	(1) Affiliates subjected to the equity method 25 companies, including SHINWA-OX CORPORATION and HUB CO., LTD. The number of affiliates subjected to the equity method increased by 14 as a result of the inclusion of Gallaher Group Ltd. and Katokichi Co., Ltd. into the scope of consolidation from this fiscal year.	(1) Affiliates subjected to the equity method 22 companies, including HUB CO., LTD. A total of 4 companies, including SHINWA-OX CORPORATION 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 for other reasons.
	(2) Non-consolidated subsidiaries and affiliates which are not subjected to the equity method are excluded from the scope of companies subjected to the equity method because their effects on the consolidated net income and consolidated retained earnings are immaterial, respectively, and they are insignificant overall.	(2) Same as left
	(3) Of the companies subjected to the equity method, some companies' closing date are different from the consolidated closing date of the accounting period. In that case, the financial statements relating to this fiscal year of each company are used for the consolidation.	(3) Same as left
3. Fiscal year of consolidated subsidiaries	Of the consolidated subsidiaries, most of the foreign consolidated subsidiaries have a closing date of December 31. The consolidated financial statements are prepared using their financial statements on the closing date, and any necessary adjustments for significant transactions occurring in the period between their closing date and the consolidated year-end are made for consolidation purposes.	Same as left
4. Accounting policies	(1) Valuation standard and method for significant assets 1) Short-term investment securities Held-to-maturity debt securities --- Stated at amortized costs (straight-line method)	(1) Valuation standard and method for significant assets 1) Short-term investment securities Held-to-maturity debt securities --- Same as left

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	Available-for-sale securities With a fair value --- Stated at fair value based on market prices, etc. on the closing date of the accounting period. (Valuation difference stated as a component of net assets, the cost of securities sold is mainly calculated by applying the moving-average method.) Without a fair value --- Mainly stated at cost determined by the moving-average method. 2) Derivatives --- Stated based on the fair value method. 3) Inventories --- Mainly stated at cost determined by the average method. (Balance sheet amounts are measured at the lower of cost or net selling value.) (Changes in accounting policies) The “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) became applicable to the consolidated financial statements for fiscal years beginning on or before March 31, 2008 and was applied from this fiscal year. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial. Write-downs on raw materials and semi-finished goods are discontinued from this fiscal year.	Available-for-sale securities With a fair value --- Same as left Without a fair value --- Same as left 2) Derivatives --- Same as left 3) Inventories --- Mainly stated at cost determined by the average method. (Balance sheet amounts are measured at the lower of cost or net selling value.)

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	(2) Depreciation methods for significant depreciable assets 1) Property, plant and equipment --- Mainly, the declining balance method (straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998) is applied, however, some domestic consolidated subsidiaries apply the straight-line method. The useful lives of major items are as follows: Buildings and structures 38 to 50 years Machinery, equipment and vehicles 8 years (Changes in accounting policies) In accordance with the revision of the Corporation Tax Act, JT and domestic consolidated subsidiaries applied the depreciation method based on the revised Corporation Tax Act to property, plant and equipment acquired on or after April 1, 2007 from this fiscal year. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.	(2) Depreciation methods for significant depreciable assets 1) Property, plant and equipment (excluding lease assets) --- Mainly, the declining balance method (straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998) is applied, however, some domestic consolidated subsidiaries apply the straight-line method. The useful lives of major items are as follows: Buildings and structures 38 to 50 years Machinery, equipment and vehicles 10 years (Additional information) The useful lives of property, plant and equipment with respect to JT and JT's domestic consolidated subsidiaries were changed as a result of the review of these assets' usage in conjunction with the revision of the Corporate Tax Act in 2008. As an example, the useful life of tobacco manufacturing facilities, which are JT's main machinery and equipment, was changed from 8 years to 10 years. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	(Additional information) In accordance with the revised Corporation Tax Act, for property, plant and equipment acquired by JT and JT's domestic consolidated subsidiaries on or before March 31, 2007, when their book values have been depreciated to 5% of the acquisition costs applying the depreciation method based on the pre-revision Corporation Tax Act, the difference between the equivalent of 5% of the acquisition cost and a memorandum value is depreciated over a period of five years from the year following the year when the book value becomes 5% of the acquisition cost, and included in depreciation. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.	
	2) Intangible assets --- The straight-line method is applied. The useful life of the major item is as follows: Right of trademark 10 years	2) Intangible assets (excluding lease assets) --- The straight-line method is applied. The useful life of the major item is as follows: Right of trademark 10 years
	――――――	3) Lease assets --- For finance leases that do not transfer ownership of the leased property to the lessee, depreciation expense is mostly computed on the straight-line method over the lease period as the useful life and assuming no residual value.
	(3) Policy for significant reserve allowances	(3) Policy for significant reserve allowances
	1) Allowance for doubtful accounts Provided for possible losses from bad debts at an amount determined based on the historical default rate for ordinary receivables and the individual recoverability of specific doubtful receivables from customers experiencing financial difficulties.	1) Allowance for doubtful accounts Same as left

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	2) Allowance for loss on investment Provided for possible losses on investments based on the respective financial condition of the investees.	―――――――
	3) Provision for bonuses Provided based on the estimated bonus amount payable to employees and directors.	3) Provision for bonuses Same as left
	4) Provision for retirement benefits Provided in preparation for the payment of retirement benefits to employees based on the estimated retirement benefits obligation and fair value of plan assets as of the end of this fiscal year. Prior service cost is amortized as incurred by the straight-line method over the average remaining years of service of the employees. (Mostly 10 years) Actuarial gains or losses are amortized from the year following the year in which the gains or losses are recognized by the straight-line method over the average remaining years of service of the employees. (Mostly 10 years) Also included in the provision for retirement benefits is the portion of public pension expenses for mutual assistance association during certain periods in or before June 1956 (prior to the enforcement of the Mutual Assistance Association of Public Corporation Employees Law, etc.).	4) Provision for retirement benefits Same as left
	5) Provision for directors' retirement benefits Provided for directors' retirement benefits to be paid at the end of the fiscal year in accordance with internal rules.	5) Provision for directors' retirement benefits Same as left
	6) Provision for loss on guarantees Provided for possible losses on guarantees taking into consideration the outlook of the financial position, among others, of guaranteed parties.	6) Provision for loss on guarantees Same as left

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	(4) Policy for translation of significant foreign currency-denominated assets and liabilities into Japanese yen Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates prevailing at the closing date of the accounting period with translation differences treated as gains or losses occurring in the corresponding fiscal year. All assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at each subsidiary's respective fiscal year end. All revenue and expense accounts are translated at average exchange rates during each subsidiary's respective fiscal year. Differences arising from such translation are shown as foreign currency translation adjustment and minority interests in net assets. (5) Accounting for significant lease transactions Finance leases other than those deemed to have transferred ownership of the leased property to the lessee are accounted for as ordinary operating lease transactions. (6) Significant hedge accounting method 1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated at foreign currencies are translated at foreign exchange rate stipulated in foreign currency forward contracts where requirements are met.	(4) Policy for translation of significant foreign currency-denominated assets and liabilities into Japanese yen Same as left ― (6) Significant hedge accounting method 1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated at foreign currencies are translated at foreign exchange rate stipulated in foreign currency forward contracts where requirements are met. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential to be paid or received under the swap agreements are accrued or recorded and included in interest expenses or income.

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	2) Hedging instruments and hedged items a. Hedging instruments --- Foreign currency forward contracts Hedged items --- Forecasted foreign currency transactions b. Hedging instruments --- Currency options Hedged items --- Forecasted foreign currency transactions c. Hedging instruments --- Currency swaps Hedged items --- Forecasted foreign currency transactions	2) Hedging instruments and hedged items a. Hedging instruments --- Foreign currency forward contracts Hedged items --- Forecasted foreign currency transactions b. Hedging instruments --- Interest rate swaps Hedged items --- Loans payable
	3) Hedging policy Derivative transactions are mainly used in line with the Risk Management Policy, the internal policy for derivative transactions, or rules based on it for the purpose of avoiding or reducing foreign currency exchange risks associated with future foreign currency transactions and for the purpose of avoiding interest rate risks associated with interest receipts on debt securities and interest payments on loans.	3) Hedging policy Same as left
	4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value but used for translation of foreign currency-denominated assets and liabilities.	4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value but used for translation of foreign currency-denominated assets and liabilities and for interest rate swaps that are not remeasured at fair value, but whose differential to be paid or received under the swap agreements are accrued or recorded and included in interest expenses or income.
	(7) Accounting treatment policies of foreign consolidated subsidiaries JT International S.A. and other foreign consolidated subsidiaries principally maintain their accounting records in conformity with U.S. GAAP. The significant accounting policies, which are different from JT's, are as follows:	(7) Accounting treatment policies of foreign consolidated subsidiaries Same as left

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	1) Valuation standard and method of inventories Inventories are generally stated at the lower price of cost or market, cost being determined by the first-in, first-out method or average cost.	1) Valuation standard and method of inventories Same as left
	2) Depreciation of significant depreciable assets	2) Depreciation of significant depreciable assets
	i. Property, plant and equipment --- Generally depreciated applying the straight-line method over the estimated useful lives of the respective assets.	i. Property, plant and equipment --- Same as left
	ii. Intangible assets --- Right of trademark is principally amortized over 20 years in equal amounts and other intangible assets are amortized using the straight-line method over the estimated useful lives of the respective assets.	ii. Intangible assets --- Same as left
	3) Retirement benefit pension plans The difference of retirement benefits obligation and fair value of pension plan assets is recognized on the consolidated balance sheets as assets or liabilities. Unrecognized net actuarial gains or losses and prior service cost, net of tax effect, are recorded as pension liability adjustment of foreign consolidated subsidiaries in valuation and translation adjustments of net assets.	3) Retirement benefit pension plans Same as left
	4) Derivatives treatment Derivatives related to foreign currency and interest rate are entered into for hedging. Fair values for all derivatives are recognized at fair value on the balance sheets as assets or liabilities and their fluctuations are recognized as income or loss.	4) Derivatives treatment Same as left

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	(8) Other significant accounting policies Consumption tax National consumption tax and local consumption tax are excluded from the consolidated statement of income.	(8) Other significant accounting policies Consumption tax Same as left
5. Valuation of assets and liabilities of consolidated subsidiaries	The assets and liabilities of consolidated subsidiaries are originally measured using the fair value at the time when JT acquired control of the respective subsidiaries.	Same as left
6. Amortization of goodwill	Goodwill is amortized over the years estimated individually between 5 and 20 years. However, immaterial amounts of goodwill are fully charged to income when incurred. Goodwill recognized for consolidated foreign subsidiaries is not amortized. Rather, the decision of whether to recognize impairment shall be made once each year, or each time an event occurs indicating that the fair value of goodwill may have fallen below its book value.	Goodwill is amortized over the years estimated individually between 5 and 20 years. However, immaterial amounts of goodwill are fully charged to income when incurred.
7. Cash and cash equivalents in consolidated statements of cash flows	Cash and cash equivalents presented in the consolidated statements of cash flows are cash on hand, deposits which are withdrawable at anytime without notice, and short-term investments with an investment period of within three months, which are readily convertible to cash and represent less value fluctuation risk.	Same as left

Changes in significant matters in preparing consolidated financial statements

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
――――――――	(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 fiscal year decreased by ¥94,235 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 fiscal year decreased by ¥911 million, as JT posted the retrospective adjustment in the consolidated statements 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 the relevant note. (Accounting Standard for Lease Transactions) The accounting treatment for finance lease transactions that do not i transfer ownership followed the same method as the one for operating lease transactions. However, effective from April 1, 2008, JT applied the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the “Guidance on Accounting Standard for Lease Transactions” (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]), and such transactions are accounted for in a similar manner with ordinary sale and purchase transactions. With respect to finance lease transactions that do not transfer ownership commenced prior to the first year of implementation of this accounting standard, the balance of future minimum lease payments as at the end of the previous fiscal year (after deduction of the interest element) is regarded as the acquisition cost, at which lease assets are recognized as if acquired at the beginning of the year. The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.

Changes in methods of presentation

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
(Consolidated balance sheets) In the previous fiscal year, “Provision for bonuses” (¥39,626 million recorded in this fiscal year) and “Other provision” (¥1,854 million recorded in this fiscal year) were presented separately in the consolidated balance sheets, however, in this fiscal year, they are presented as “Provision” in “Current Liabilities” due to their immateriality.	(Consolidated balance sheets) 1. As the Cabinet Office Ordinance Partially Revising Regulation for Financial Statements, etc. (Cabinet Office Ordinance No. 50 of August 7, 2008) was applied, JT reviewed the method of presentation, and “Inventories” for the fiscal year ended March 31, 2008 is now separately presented as “Merchandise and finished goods” (¥138,870 million recorded in the previous fiscal year), “Semi-finished good” (¥120,527 million recorded in the previous fiscal year), “Work in process” (¥7,938 million recorded in the previous fiscal year), “Raw materials and supplies” (¥226,735 million recorded in the previous fiscal year) and “Other” (¥64,777 million recorded in the previous fiscal year and ¥69,245 million in this fiscal year) for the fiscal year ended March 31, 2009. 2. In the previous fiscal year, “Lease obligations,” included in “Other” in “Current liabilities” (¥1,340 million recorded in the previous fiscal year), and “Lease obligations” included in “Other” in “Noncurrent liabilities” (¥1,111 million recorded in the previous fiscal year) are now presented separately due to their increase in materiality.
	(Consolidated statements of income) In the previous fiscal year, “Loss on valuation of investment securities” (¥7,062 million recorded in this fiscal year) was presented separately in “Extraordinary loss,” however, in this fiscal year, it is included in “Other” in “Extraordinary loss” due to its decrease in materiality.
(Consolidated statements of cash flows) 1. In the previous fiscal year, “Increase (decrease) in long-term accounts payable-other” (-¥5,778 million recorded in this fiscal year) was presented separately in “Net cash provided by (used in) operating activities,” however, in this fiscal year, it is included in “Other” due to its decrease in materiality. 2. In the previous fiscal year, “Proceeds from sales and redemption of short-term investment securities” (¥2,153 million recorded in this fiscal year) was presented separately in “Net cash provided by (used in) investment activities,” however, in this fiscal year, it is included in “Other” due to its decrease in materiality.	(Consolidated statements of cash flows) In the previous fiscal year, “Purchase of investment securities” (-¥404 million recorded in this fiscal year) was presented separately in “Net cash provided by (used in) investment activities,” however, in this fiscal year, it is included in “Other” due to its decrease in materiality.

Notes to consolidated financial statements

(Notes to consolidated balance sheets)

As of March 31, 2008	As of March 31, 2009
*1. The amount invested in non-consolidated subsidiaries and affiliates is as follows: (Millions of yen) Investment securities 34,640 Other (Investments in capital) 616	*1. The amount invested in non-consolidated subsidiaries and affiliates is as follows: (Millions of yen) Investment securities 23,735 Other (Investments in capital) 583
*2. "Provision" under current liabilities consists of provision for bonuses and provision for sales rebates.	*2. Same as left
*3. (1) Pursuant to Article 6 of the Japan Tobacco Inc. Act, JT's assets are pledged as general collateral for its corporate bonds.	*3. (1) Same as left
(2) Assets pledged as collateral related to some consolidated subsidiaries are as follows: (Millions of yen) Buildings and structures 7,409 Machinery, equipment and vehicles 7,384 Land 3,733 Other 1,506 Total 20,033 Liabilities corresponding to the above are as follows: (Millions of yen) Long-term loans payable 4,623 Short-term loans payable 2,605 Current portion of long-term loans payable 2,404 Other 1,109 Total 10,742	(2) Assets pledged as collateral with respect to some consolidated subsidiaries are as follows: (Millions of yen) Buildings and structures 5,331 Land 4,315 Other 1,820 Total 11,467 Liabilities corresponding to the above are as follows: (Millions of yen) Long-term loans payable 3,388 Short-term loans payable 2,590 Current portion of long-term loans payable 2,694 Other 680 Total 9,353
4. Notes receivable discounted Notes receivable discounted amounted to ¥1,008 million.	4. Notes receivable discounted Notes receivable discounted amounted to ¥106 million.

As of March 31, 2008	As of March 31, 2009
5. Contingent obligations Guarantees are provided for bank loans, etc. of business partners, subsidiaries and affiliates as follows: (Millions of yen) Kotobuki Business Company Corp., Ltd. 733 Zhouzan Koumei Foods Co., Ltd. 569 (RMB 37 million) (USD 332 thousand) Mitoyo Cable Television Co., Ltd. 406 Zhouzan Katoka Foods Co., Ltd. 380 (RMB 24 million) (USD 349 thousand) Cook Foods, Co., Ltd. 240 Other two companies 126 Total 2,455 Note: Guarantee obligations denominated in foreign currencies were translated to yen amounts using the exchange rate as at the end of fiscal year.	5. Contingent obligations Guarantees are provided for bank loans of business partners, subsidiaries and affiliates as follows: (Millions of yen) Mitoyo Cable Television Co., Ltd. 357 Other three companies 351 Total 709 Note: Guarantee obligations denominated in foreign currencies were translated to yen amounts using the exchange rate as at the end of fiscal year.

(Notes to consolidated statements of income)

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
*1. Of selling, general and administrative expenses, major items and their amounts are as follows: (Millions of yen) Advertising expenses 22,917 Promotion expenses 163,689 Compensation, salaries and allowances 126,966 Retirement benefit expenses 12,318 Legal welfare expenses 21,958 Employees' bonuses 11,992 Provision for bonuses 32,836 Depreciation and amortization 80,392 Research and development expenses 45,162	*1. Of selling, general and administrative expenses, major items and their amounts are as follows: (Millions of yen) Advertising expenses 25,692 Promotion expenses 162,330 Compensation, salaries and allowances 142,052 Retirement benefit expenses 14,731 Legal welfare expenses 26,398 Employees' bonuses 13,493 Provision for bonuses 34,848 Depreciation and amortization 113,065 Amortization of goodwill 105,511 Research and development expenses 47,296
*2. The main component of "Gain on sales of non-current assets" is "Land" valued at ¥63,197 million.	*2. The main component of "Gain on sales of non-current assets" is "Land" valued at ¥45,841 million.
*3. The main component of "Loss on retirement of non-current assets" is "Buildings" valued at ¥3,353 million.	*3. The main component of "Loss on retirement of non-current assets" is "Buildings" valued at ¥7,615 million.
*4. Total research and development expenses are ¥45,162 million, all of which recorded as general and administrative expenses.	*4. Total research and development expenses are ¥47,296 million, all of which recorded as general and administrative expenses.

<table>
<tr><th>Fiscal year ended March 31, 2008</th><th>Fiscal year ended March 31, 2009</th></tr>
<tr><td></td><td>*5. An impairment loss was posted for the following asset groups.
<table>
<tr><th>Location</th><th>Usage</th><th>Assets category</th><th>Impairment loss (Millions of yen)</th></tr>
<tr><td>Tokyo metropolitan area</td><td>Company housing planned to be demolished, etc.</td><td>Buildings and structures</td><td>3,832</td></tr>
<tr><td>Kinki region</td><td>Company housing planned to be demolished, etc.</td><td>Buildings and structures</td><td>3,855</td></tr>
<tr><td>Others</td><td>Company housing planned to be demolished, etc.</td><td>Buildings and structures</td><td>8,677</td></tr>
</table>
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 this fiscal year, it was resolved to demolish certain buildings and structures of company housing. Most of the impairment loss 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 ¥11,993 million.
The recoverable value of such assets was calculated mainly by its value in use, which is set at zero.</td></tr>
<tr><td>*6. Business restructuring costs are associated with measures for enhancement of the business structure and its main component consists of rationalizing costs incurred in the integration process of the international tobacco business.</td><td>*6. Business restructuring costs are costs associated with business restructuring measures and its main components consist of costs associated with changes made to the license business structure in the Philippine market for the international tobacco business as well as rationalizing costs for the domestic and international tobacco businesses.</td></tr>
<tr><td>*7. Introduction costs for vending machines with adult identification functions consist of costs incurred for the development of the “Taspo” IC card adult identification system to be introduced countrywide in 2008 and for the installation of adult identification functions into vending machines owned by consolidated subsidiaries, all in an effort to prevent youth smoking.</td><td>*7. Introduction costs for vending machines with adult identification functions consist of costs incurred in the development of the “Taspo” IC card adult identification system introduced countrywide in 2008 and in the installation of adult identification functions into vending machines owned by consolidated subsidiaries, all in an effort to prevent youth smoking.</td></tr>
<tr><td>*8. Costs related to recall of frozen food products consist of costs incurred for the voluntary recall of some frozen food products imported and sold by the JT Group.</td><td></td></tr>
</table>

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2008

1. Type and total number of issued shares and type and total number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2007	Increase in the fiscal year ended March 31, 2008	Decrease in the fiscal year ended March 31, 2008	Number of shares as of March 31, 2008
Issued shares				
Common stock	10,000	–	–	10,000
Total	10,000	–	–	10,000
Treasury shares				
Common stock	419	–	–	419
Total	419	–	–	419

2. Subscription rights to shares and subscription rights to treasury shares

Category	Details of subscription rights to shares	Type of shares to which subscription rights to shares apply	Number of shares to which subscription rights to shares apply (Share)				Balance as of March 31, 2008 (Millions of yen)
			As of March 31, 2007	Increase in the fiscal year ended March 31, 2008	Decrease in the fiscal year ended March 31, 2008	As of March 31, 2008	
Filing company (parent company)	Subscription rights to shares as stock options	–	–	–	–	–	185
Total		–	–	–	–	–	185

3. Cash dividends

(1) Dividend payments

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 22, 2007	Common stock	21,076	2,200	March 31, 2007	June 25, 2007
Meeting of the Board of Directors held on October 31, 2007	Common stock	21,076	2,200	September 30, 2007	November 30, 2007

(2) Dividends whose record dates are in the fiscal year ended March 31, 2008 but whose effective dates fall in the next fiscal year

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

Fiscal year ended March 31, 2009

1. Type and total number of issued shares and type and total number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2008	Increase in the fiscal year ended March 31, 2009	Decrease in the fiscal year ended March 31, 2009	Number of shares as of March 31, 2009
Issued shares				
Common stock	10,000	–	–	10,000
Total	10,000	–	–	10,000
Treasury shares				
Common stock	419	–	–	419
Total	419	–	–	419

2. Subscription rights to shares and subscription rights to treasury shares

Category	Details of subscription rights to shares	Type of shares to which subscription rights to shares apply	Number of shares to which subscription rights to shares apply (Share)				Balance as of March 31, 2009 (Millions of yen)
			As of March 31, 2008	Increase in the fiscal year ended March 31, 2009	Decrease in the fiscal year ended March 31, 2009	As of March 31, 2009	
Filing company (parent company)	Subscription rights to shares as stock options	–	–	–	–	–	364
Total		–	–	–	–	–	364

3. Cash dividends

(1) Dividend payments

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

(2) Dividends whose record dates are in ended March 31, 2009 but whose effective dates fall in the next fiscal year

(Resolution)	Type of shares	Total amount of dividends (Millions of yen)	Source of dividends	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2009	Common stock	26,824	Retained earnings	2,800	March 31, 2009	June 24, 2009

(Notes to consolidated statements of cash flows)

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
*1. Cash and cash equivalents at the end of the period are reconciled to items on the consolidated balance sheets as follows:	*1. Cash and cash equivalents at the end of the period are reconciled to items on the consolidated balance sheets as follows:

(As of March 31, 2008)

(Millions of yen)

Cash and deposits	213,885
Time deposits with a deposit period of over three months	(1,391)
Short-term investments with an investment period of within three months, which are readily convertible to cash and represent less value fluctuation risk	
(Short-term investment securities)	2,514
Cash and cash equivalents	215,008

(As of March 31, 2009)

(Millions of yen)

Cash and deposits	164,957
Time deposits with a deposit period of over three months	(713)
Short-term investments with an investment period of within three months, which are readily convertible to cash and represent less value fluctuation risk	
(Short-term investment securities)	3,013
Cash and cash equivalents	167,257

2. Details of assets and liabilities of companies newly consolidated as subsidiaries due to acquisition of shares

Details of assets and liabilities of Gallaher and Katokichi Co., Ltd. at the beginning of their consolidation due to acquisition of their shares and the reconciliation between price and net payment for share acquisition are as follows:

(Millions of yen)

Current assets	499,850
Noncurrent assets	835,045
Goodwill	1,833,074
Current liabilities	(490,524)
Noncurrent liabilities	(774,010)
Minority interests	(11,530)
Share acquisition price in the previous fiscal year or before	(166,312)
Foreign currency translation adjustment	(47,825)
Share acquisition price in the fiscal year	1,677,767
Cash and cash equivalents	69,679
Net: Payment for shares acquired in this fiscal year	1,608,088

3. Significant non-cash transactions

Assets and obligations related to finance lease transactions that were newly recorded in this fiscal year were both ¥6,175 million.

(Lease transactions)

<table>
<tr><th>Fiscal year ended March 31, 2008</th><th>Fiscal year ended March 31, 2009</th></tr>
<tr><td>

[As lessee]

1. Finance leases that do not transfer ownership of the leased property to the lessee

(1) Acquisition cost, accumulated depreciation, accumulated impairment loss and net leased property

(Millions of yen)

	Acquisition cost	Accumulated depreciation	Accumulated impairment loss	Net leased property
Machinery, equipment and vehicles	7,212	3,402	–	3,809
Tools, furniture and fixtures	20,903	10,338	9	10,555
Other	3,231	1,291	4	1,935
Total	31,347	15,032	14	16,300

Note: The acquisition cost includes related interest expenses pursuant to the provisions in Article 15-3 of the Regulation for Consolidated Financial Statements because of low rate of the obligations under finance leases to fiscal-year-end balance of property, plant and equipment.

(2) Future minimum lease payments and allowance for impairment loss on lease assets

(Millions of yen)

Due within one year	5,234
Due after one year	11,079
Total	16,314
Allowance for impairment loss on lease assets	8

Note: The future minimum lease payments includes related interest expenses pursuant to the provisions of Article 15-3 of the Regulation for Consolidated Financial Statements because it is immaterial to the balance of property, plant and equipment as of the end of the fiscal year.

(3) Lease payments, reversal of allowance for impairment loss on lease assets, and depreciation expense

(Millions of yen)

Lease payments	5,230
Reversal of allowance for impairment loss on lease assets	1
Depreciation expense	5,230

(4) Computing method of depreciation expense

Depreciation expense is computed on the straight-line method over the lease period as the useful life and assuming no residual value.

</td><td>

[As lessee]

</td></tr>
</table>

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
2. Operating leases Future minimum lease payments (Millions of yen) Due within one year 7,723 Due after one year 25,290 Total 33,014	2. Operating leases Future minimum lease payments under noncancelable operating leases (Millions of yen) Due within one year 7,497 Due after one year 24,019 Total 31,517
[As lessor] Finance leases that do not transfer ownership of the leased property to the lessee	**[As lessor]** ―――――

1. Acquisition cost, accumulated depreciation, and net leased property

(Millions of yen)

	Acquisition cost	Accumulated depreciation	Net leased property
Machinery, equipment and vehicles	128	104	24
Tools, furniture and fixtures	1,679	678	1,001
Total	1,808	782	1,025

2. Claims under finance leases

(Millions of yen)

Due within one year	367
Due after one year	768
Total	1,136

Note: The claims under finance leases includes related interest received pursuant to the provisions of Article 15-3 of the Regulation for Consolidated Financial Statements because of low rate of the figures thereof to fiscal-year-end balance of operating receivables.

3. Lease revenue and depreciation

(Millions of yen)

Lease revenue	362
Depreciation	347

(Impairment loss)

Items are not presented because there are no impairment losses allocated to lease assets.

(Short-term investment securities and investment securities)

1. Held-to-maturity debt securities with fair value

(Millions of yen)

	Type	As of March 31, 2008			As of March 31, 2009		
		Consolidated balance sheet amount	Fair value	Difference	Consolidated balance sheet amount	Fair value	Difference
Bonds whose fair values exceed their book values	Government bonds and municipal bonds	599	600	1	600	600	0
	Subtotal	599	600	1	600	600	0
Bonds whose fair values do not exceed their book values	(1) Government bonds and municipal bonds	300	299	(0)	–	–	–
	(2) Other	1,268	1,268	(0)	–	–	–
	Subtotal	1,568	1,567	(0)	–	–	–
Total		2,168	2,168	0	600	600	0

2. Available-for-sale securities with fair value

(Millions of yen)

	Type	As of March 31, 2008			As of March 31, 2009		
		Acquisition cost	Consolidated balance sheet amount	Difference	Acquisition cost	Consolidated balance sheet amount	Difference
Securities whose book values exceed their acquisition costs	(1) Equity securities	19,322	55,560	36,237	15,326	34,612	19,285
	(2) Bonds	2,067	2,158	91	3,785	3,893	107
	(3) Other	4,587	7,041	2,453	–	–	–
	Subtotal	25,978	64,761	38,782	19,111	38,505	19,393
Securities whose book values do not exceed their acquisition costs	(1) Equity securities	17,405	13,731	(3,674)	20,008	14,902	(5,105)
	(2) Bonds	1,469	1,469	(0)	338	335	(3)
	(3) Other	9,914	9,871	(43)	8,082	7,547	(535)
	Subtotal	28,790	25,072	(3,717)	28,429	22,785	(5,643)
Total		54,768	89,833	35,064	47,541	61,291	13,749

3. Held-to-maturity debt securities sold in the previous fiscal year and this fiscal year

(Millions of yen)

Fiscal year ended March 31, 2008				Fiscal year ended March 31, 2009			
Type	Amortized cost	Proceeds from sales	Gain (loss) on sales	Type	Amortized cost	Proceeds from sales	Gain (loss) on sales
Other	300	293	(6)	–	–	–	–
Reasons for sale Due to substantial deterioration of bond issuers' credit standing as stated in Section 83-1 of the "Practical Guidelines on Accounting Standards for Financial Instruments" (JICPA)							

4. Available-for-sale securities sold in the previous fiscal year and this fiscal year

(Millions of yen)

Fiscal year ended March 31, 2008			Fiscal year ended March 31, 2009		
Proceeds from sales	Total gain on sales	Total loss on sales	Proceeds from sales	Total gain on sales	Total loss on sales
1,902	566	43	2,718	220	48

5. Details of short-term investment securities that are not measured at fair value and the amount recorded in consolidated balance sheets

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
Available-for-sale securities		
(1) Unlisted stock	5,681	4,702
(2) Unlisted bonds	3,522	4,020
(3) Other	1,280	790

6. Redemption schedule of available-for-sale securities with maturities and held-to-maturity debt securities

(Millions of yen)

	As of March 31, 2008				As of March 31, 2009			
	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
(1) Bonds	4,952	4,364	1	0	4,712	2,907	1	0
Commercial paper	2,497	–	–	–	2,993	–	–	–
Other	2,455	4,364	1	0	1,719	2,907	1	0
(2) Certificates of deposits	–	–	–	–	197	–	–	–
(3) Other	–	17,632	463	–	0	4,759	408	–
Total	4,952	21,996	464	0	4,910	7,667	409	0

Note: Recognized impairment loss was as follows:

(Fiscal year ended March 31, 2008) ¥11,154 million (Fiscal year ended March 31, 2009) ¥7,062 million

For impairment of securities, their values are “significantly decreased” when their fair values declined by 50% or more compared to the carrying amounts or their fair values declined by 30% to less than 50% compared to the carrying amounts and such declines have significant influence on the consolidated financial statements.

Recoverability is assessed for securities “significantly decreased,” and securities other than those judged clearly recoverable are accounted for as impaired.

(Derivative transactions)

Fiscal year ended March 31, 2008

1. Details of derivative transactions

(1) Types of transactions

Foreign currency forward contracts, Currency swaps, Currency options, Interest rate swaps, Interest rate cap options, and Interest rate swaption

(2) Policy and purposes regarding transactions

JT and its domestic consolidated subsidiaries use derivative transactions for the following purposes: avoiding or reducing foreign currency exchange risks associated with payables denominated in foreign currencies and future foreign currency transactions, and avoiding interest rate risks associated with interest payments on loans. They do not use derivative transactions, however, for speculative or trading purposes.

Some derivative transactions are accounted for under hedge accounting.

a. Hedge accounting method

Deferral hedge accounting is applied. Foreign currency forward contracts are not remeasured at fair value, but used for translation of foreign currency-denominated assets and liabilities where requirements are met.

b. Hedging instruments and hedged items

Hedging instruments	Hedged items
Foreign currency forward contracts	Forecasted foreign currency transactions
Currency options	Forecasted foreign currency transactions
Currency swaps	Forecasted foreign currency transactions

c. Hedging policy

Derivative transactions are mainly used in line with the Risk Management Policy, the internal policy for derivative transactions, or rules based on it for the purpose of avoiding or reducing foreign currency exchange risks associated with future foreign currency transactions and for the purpose of avoiding interest rate risks associated with interest payments on loans.

d. Assessment of hedge effectiveness

As a general rule, the effectiveness of hedging instruments is decided by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items.

Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value, but used for translation of foreign currency denominated assets and liabilities.

(3) Risks

The primary risks associated with derivatives are market risks and credit risks. Market risk is the risk of decreasing fair values of derivatives by fluctuations in market prices, including interest or foreign exchange rates. Credit risk is the risk of incurring a loss when a counterparty to a contract defaults on obligations.

JT and its consolidated subsidiaries primarily enter into derivative transactions to reduce market risk and to fix foreign currency-denominated bonds and liabilities and forecasted foreign currency-denominated transactions, or future revenues or expenses. In addition, because transactions are made with financial institutions with high credit ratings, credit risk is not expected to be material.

(4) Risk management system

Before commencing a transaction, JT and its major consolidated subsidiaries obtain an approval from the director in charge regarding the purpose of use, range of use and selection of transaction counterparty, in accordance with the Risk Management Policy, the internal policy for derivative transactions, or rules based on it. In addition, transaction details and operation status are confirmed by the general manager in charge with monthly balance statements issued by the financial institutions.

2. Fair value of derivative transactions

Currency

(Millions of yen)

Category	Type	As of March 31, 2008			
		Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Gain (loss)
Non-market transactions	Foreign currency forward contracts:				
	Buying	317,416	8,066	311,944	(5,472)
	Selling	607,925	–	611,501	(3,576)
	Currency swaps:				
	Buying	7,784	7,784	(306)	(306)
	Selling	2,193	927	(151)	(151)
	Currency options:				
	Buying	1,934	–	0	0
Total		–	–	–	(9,505)

Notes: 1. Calculation of fair value is based on information provided by the financial institutions.
2. Items that qualify for hedge accounting are omitted.

Interest rate

(Millions of yen)

Category	Type	As of March 31, 2008			
		Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Gain (loss)
Non-market transactions	Interest rate swaps:				
	Receive fixed Pay floating	270,581	125,345	(1,218)	2,211
	Interest rate cap:				
	Buying	484,867	484,867	718	718
Total		–	–	–	2,929

Note: Calculation of fair value is based on information provided by the financial institutions.

Fiscal year ended March 31, 2009

1. Details of derivative transactions

(1) Types of transactions

Foreign currency forward contracts, Currency swaps, Currency options, Interest rate swaps, and Interest rate cap options

(2) Policy and purposes regarding transactions

JT and its domestic consolidated subsidiaries use derivative transactions for the following purposes: avoiding or reducing foreign currency exchange risks associated with payables denominated in foreign currencies and future foreign currency transactions, and avoiding interest rate risks associated with interest payments on loans. They do not use derivative transactions, however, for speculative or trading purposes.

Some derivative transactions are used and accounted for under hedge accounting.

a. Hedge accounting method

Deferral hedge accounting is applied. Foreign currency forward contracts are not remeasured at fair value, but used for translation of foreign currency-denominated assets and liabilities where requirements are met. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential to be paid or received under the swap agreements are accrued or recorded and included in interest expense or income.

b. Hedging instruments and hedged items

Hedging instruments	Hedged items
Foreign currency forward contracts	Forecasted foreign currency transactions
Interest rate swaps	Loans payable

c. Hedging policy

Derivative transactions are mainly used in line with the Risk Management Policy, the internal policy for derivative transactions, or rules based on it for the purpose of avoiding or reducing foreign currency exchange risks associated with future foreign currency transactions and for the purpose of avoiding interest rate risks associated with interest payments on loans.

d. Assessment of hedge effectiveness

As a general rule, the effectiveness of hedging instruments is decided by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items.

Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value, but used for translation of foreign currency-denominated assets and liabilities and for interest rate swaps that are not remeasured at fair value, but whose differential to be paid or received under the swap agreements are accrued or recorded and included in interest expense or income.

(3) Risks

The primary risks associated with derivatives are market risks and credit risks. Market risk is the risk of decreasing fair values of derivatives by fluctuations in market prices, including interest or foreign exchange rates. Credit risk is the risk of incurring a loss when a counterparty to a contract defaults on obligations.

JT and its consolidated subsidiaries primarily enter into derivative transactions to reduce market risk and to fix foreign currency-denominated bonds and liabilities and forecasted foreign currency-denominated transactions, or future revenues or expenses. In addition, because transactions are made with financial institutions with high credit ratings, credit risk is not expected to be material.

(4) Risk management system

Before commencing a transaction, JT and its major consolidated subsidiaries obtain an approval from the director in charge regarding the purpose of use, range of use and selection of transaction counterparty, in accordance with the Risk Management Policy, the internal policy for derivative transactions, or rules based on it. In addition, transaction details and operation status are confirmed by the general manager in charge with monthly balance statements issued by the financial institutions.

2. Matters regarding fair value of derivative transactions

Currency

(Millions of yen)

Category	Type	As of March 31, 2009			
		Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Gain (loss)
Non-market transactions	Foreign currency forward contracts:				
	Buying	154,552	5,480	151,600	(2,952)
	Selling	183,727	–	185,286	(1,558)
	Currency swaps:				
	Buying	59,712	59,712	(242)	(242)
	Selling	3,148	2,220	287	287
Total		–	–	–	(4,466)

Notes: 1. Calculation of fair value is based on information provided by the financial institutions.
2. Items that qualify for hedge accounting are omitted.
3. The amount recorded in "Contract/notional amount," for currency swaps (buying) is the notional amount relating to coupon swaps and it does not represent the level of risk for derivative transactions.

Interest rate

(Millions of yen)

Category	Type	As of March 31, 2009			
		Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Gain (loss)
Non-market transactions	Interest rate swaps:				
	Receive fixed Pay floating	72,283	32,856	2,811	2,811
	Receive floating Pay fixed	469	384	(5)	(5)
	Interest rate cap:				
	Buying	318,041	278,564	100	(1,503)
Total		–	–	–	1,302

Notes: 1. Calculation of fair value is based on information provided by the financial institutions.
2. Items that qualify for hedge accounting are omitted.

(Retirement Benefits)

1. Overview of the adopted retirement benefit pension plans

JT and its domestic consolidated subsidiaries have unfunded severance indemnity plans, and cash balance pension plans, which are both defined payment plans, as well as defined contribution plans. Foreign consolidated subsidiaries have defined payment plans, while certain foreign consolidated subsidiaries also provide health and life insurance benefits for retired employees.

When employees leave JT Group, they are entitled, in certain circumstances, to receive additional retirement benefits, which are not included in projected benefit obligations that are based on actuarial calculations as prescribed by retirement benefit accounting.

2. Projected benefit obligations

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
a. Projected benefit obligations	(567,044)	(424,412)
b. Fair value of plan assets	449,588	280,513
c. Funded status (a + b)	(117,455)	(143,899)
d. Unrecognized actuarial net loss	12,033	44,996
e. Unrecognized prior service cost	8,093	6,203
f. Net amount recognized (c + d + e)	(97,328)	(92,699)
g. Pension liability adjustment of foreign consolidated subsidiaries (Note 2)	(12,211)	(25,661)
h. Prepaid pension cost	49,387	27,642
i. Other current liabilities (Note 3)	(3,341)	(5,136)
j. Provision for retirement benefits (f + g – h – i) (Note 4)	(155,586)	(140,866)

Notes: 1. Certain consolidated subsidiaries apply a simplified method for computing projected benefit obligations.

2. As described in an item of accounting policies, "(7) Accounting treatment policies of foreign consolidated subsidiaries," this is the unfunded obligation recognized by foreign consolidated subsidiaries applying U.S. GAAP. In the consolidated balance sheets and the consolidated statement of changes in net assets, this amount is presented as "Pension liability adjustment of foreign consolidated subsidiaries" under "Valuation and translation adjustments."

3. The amount by which the actuarial present value of benefits included in the retirement benefit obligation payable in the next term exceeds the fair value of plan assets in foreign consolidated subsidiaries applying U.S. GAAP is included in "Other" under current liabilities.

4. As described in an item of accounting policies, "(3) Policy for significant reserve allowances," reserve for mutual assistance association benefit was separately computed from "j. Provision for retirement benefits" above and included in "Provision for retirement benefits." The amounts thereof were as follows:

(As of March 31, 2008) ¥127,800 million (As of March 31, 2009) ¥118,278 million

5. Certain domestic consolidated subsidiaries participate in multi-employer contributory pension plans. The required contributions to the pension plan are recognized as a net pension cost for the year. Of these pension plans, information related to Tokyo Pharmaceutical Industry Employees' Pension Fund (multi-enterprise integrated type) is as follows:

(a) Funded status of the entire plan:

(Millions of yen)

	(As of March 31, 2008)	(As of March 31, 2009)
Fair value of plan assets	461,860	415,832
Benefit obligations	469,729	497,473
Deficit	(7,869)	(81,640)

For the above amounts, the record date for the previous fiscal year is March 31, 2007 and that of this fiscal year is March 31, 2008.

(b) Proportion of the domestic consolidated subsidiaries' contributions to the entire plan:

(As of March 31, 2008) 1.2% (As of March 31, 2009) 1.2%

3. Net periodic retirement benefit cost

(Millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
a. Service cost (Note 1)	13,114	13,123
b. Interest cost	20,149	21,719
c. Expected return on plan assets	(19,782)	(20,132)
d. Recognized actuarial net gain (loss) (Note 2)	(430)	748
e. Amortization of prior service cost (Note 2)	1,530	1,255
f. Net periodic retirement benefit cost (a + b + c + d + e)	14,582	16,713

Notes: 1. Retirement benefit cost to which the simplified method is applied is included in "a. Service cost."

2. The following additional retirement benefits are included in extraordinary loss. Additional retirement benefits include a one-time charge for the unrecognized actuarial net loss and unrecognized prior service cost attributable to the employees who retired earlier than expected.

(Fiscal year ended March 31, 2008) ¥3,406 million (Fiscal year ended March 31, 2009) ¥2,722 million

3. In addition to the above, the necessary amounts of the JT Group's contributions to the defined contribution plans are charged to expenses as follows:

(Fiscal year ended March 31, 2008) ¥4,207 million (Fiscal year ended March 31, 2009) ¥3,947 million

4. Assumptions used for computation of projected benefit obligations

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
a. Periodic allocation standard for projected benefit obligation	Principally, standard of fixed-amount for period	Same as left
b. Discount rate	Principally, 2.5%	Same as left
c. Expected rate of return on plan assets	Principally, 2.5%	Same as left
d. Period over which prior service cost is amortized	Principally, 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)	Same as left
e. Period over which actuarial gains or losses are amortized	Principally, 10 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)	Same as left

5. Additional information

Fiscal year ended March 31, 2008

The "Partial Amendment to the Accounting Standard for Retirement Benefits (Part 2)" (ASBJ Statement No. 14, May 15, 2007) has been applied since this fiscal year.

(Mutual assistance association)

Obligations relating to mutual assistance association as described in an item of the accounting policies, "(3) Policy for significant reserve allowances," are computed as follows:

1. Obligations relating to mutual assistance association

(Millions of yen)

	As of March 31, 2008	As of March 31, 2009
a. Benefit obligations (Note 1)	(127,870)	(116,889)
b. Unrecognized actuarial gain or (loss) (Note 2)	69	(1,388)
c. Liabilities recognized (a + b) (Note 3)	(127,800)	(118,278)

Notes: 1. Present discounted value of the future obligation related to the service of public mutual assistance association provided before June 1, 1956, which consists of JT's cost of government-sponsored pension.

2. Unrecognized actuarial difference between numerical assumptions used to compute liabilities concerning benefit obligations under the Mutual Assistance Association of Public Corporation Employees Law and actual figure.

3. Included in provision for retirement benefits in the consolidated balance sheets.

2. Net periodic costs for obligations relating to mutual assistance association

(Millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
a. Interest cost	2,093	1,918
b. Recognized actuarial loss	239	106
c. Net periodic costs (a + b)	2,333	2,024

3. Assumptions used for obligations relating to mutual assistance association

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
a. Discount rate	1.5%	Same as left
b. Period over which actuarial gains or losses are amortized	10 years (the amount equally allocated by the straight-line method is charged to expenses from the year following the respective years in which it occurred)	Same as left

(Stock options)

Fiscal year ended March 31, 2008

1. Amount charged to expense for the fiscal year and its account title

Selling, general and administrative expenses ¥185 million

2. Details, size and activity of stock options

(1) Details of stock options

	Japan Tobacco Inc. 2007 subscription rights to shares
Positions and number of persons granted	Directors 11 persons Executive Officers (excluding persons serving as Director) 16 persons
Number of stock options by type of shares (Note 1)	Common stock 426 shares
Date of grant	January 8, 2008
Vesting conditions	None
Service period covered	From June 22, 2007 to June 24, 2008
Exercise period (Note 2)	From January 9, 2008 to January 8, 2038

Notes: 1. Presented as the number of underlying shares.

2. Terms and conditions of exercise of stock option rights are as follows:

a. The rights become exercisable when a holder no longer holds a position as a director, an auditor or an executive officer.

In the subscription rights to shares allocation contract with holders of such rights, it is provided for that the rights become exercisable from the day following the day on which one year has elapsed after leaving their positions (however, the rights are exercisable even within one year after leaving their positions only in the case where the Board of Directors find it to be unavoidable).

b. In the case where any holders of subscription rights to shares waive such rights, they cannot exercise said rights.

(2) Size and activity of stock options

The following details are on stock options that existed during the fiscal year ended March 31, 2008. The number of stock options is presented as the number of underlying shares.

a. Number of stock options

(Share)

	Japan Tobacco Inc. 2007 subscription rights to shares
Non-Vested	
As of March 31, 2007	–
Granted	426
Canceled	–
Vested	320
Non-vested	106
Vested	
As of March 31, 2007	–
Vested	320
Exercised	–
Canceled	–
Unexercised	320

b. Unit price

(Yen)

	Japan Tobacco Inc. 2007 subscription rights to shares
Exercise price	1
Average share price at exercise	–
Fair value at the date of grant	581,269

3. Estimations used to measure fair value of stock options

Estimations used to measure fair value of Japan Tobacco Inc. 2007 subscription rights to shares granted during this fiscal year are as follows:

a. Valuation model used Black-Scholes option pricing model

b. Basic assumptions and estimation method

	Japan Tobacco Inc. 2007 subscription rights to shares
Volatility of share price (Note 1)	32.22%
Estimated remaining outstanding period (Note 2)	15 years
Estimated dividend (Note 3)	¥4,400 per share
Interest rate with risk free (Note 4)	1.83%

Notes: 1. Calculated based on share prices for the period on and after listing date (from October 27, 1994 to January 8, 2008).

2. With difficulty in reasonable estimation due to insufficient data, remaining outstanding period is estimated based on the assumption that stock option rights would be exercised at a mid-point of exercise period.

3. Based on annual dividend for the fiscal year ended March 31, 2007 and interim dividend for the fiscal year ended March 31, 2008.

4. A yield of 15-year government bond, a period of which corresponds to expected remaining period.

4. Method to estimate vested number of stock options

As it is difficult, in principle, to reasonably estimate the number of future expirations, the number here reflects only that of actual expirations.

Fiscal year ended March 31, 2009

1. Amount charged to expense for the fiscal year and its account title

Selling, general and administrative expenses ¥179 million

2. Details, size and activity of stock options

(1) Details of stock options

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares
Position and number of persons granted	Directors 11 persons Executive Officers (excluding persons serving as Director) 16 persons	Directors 11 persons Executive Officers (excluding persons serving as Director) 14 persons
Number of stock options by type of shares (Note 1)	Common stock 426 shares	Common stock 547 shares
Date of grant	January 8, 2008	October 6, 2008
Vesting conditions	None	None
Service period covered	From June 22, 2007 to June 24, 2008	From June 24, 2008 to June 23, 2009
Exercise period (Note 2)	From January 9, 2008 to January 8, 2038	From October 7, 2008 to October 6, 2038

Notes: 1. Presented as the number of underlying shares.

2. Terms and conditions of exercise of stock option rights are as follows:

a. The rights become exercisable when a holder no longer holds a position as a director, an auditor or an executive officer.

In the subscription rights to shares allocation contract with holders of such rights, it is provided for that the rights become exercisable from the day following the day on which one year has elapsed after leaving their positions (however, the rights are exercisable even within one year after leaving their positions only in the case where the Board of Directors find it to be unavoidable).

b. In the case where any holders of subscription rights to shares waive such rights, they cannot exercise said rights.

(2) Size and activity of stock options

The following details are on stock options that existed during the fiscal year ended March 31, 2009. The number of stock options is presented as the number of underlying shares.

a. Number of stock options

(Share)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares
Non-Vested		
As of March 31, 2008	106	–
Granted	–	547
Canceled	–	–
Vested	106	410
Non-vested	–	137
Vested		
As of March 31, 2008	320	–
Vested	106	410
Exercised	–	–
Canceled	–	–
Unexercised	426	410

b. Unit price

(Yen)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares
Exercise price	1	1
Average share price at exercise	–	–
Fair value at the date of grant	581,269	285,904

3. Estimations used to measure fair value of stock options

Estimations used to measure fair value of Japan Tobacco Inc. 2008 subscription rights to shares granted during this fiscal year are as follows:

a. Valuation model used Black-Scholes option pricing model

b. Basic assumptions and estimation method

	Japan Tobacco Inc. 2008 subscription rights to shares
Volatility of share price (Note 1)	32.815%
Estimated remaining outstanding period (Note 2)	15 years
Estimated dividend (Note 3)	¥4,800 per share
Interest rate with risk free (Note 4)	1.841%

Notes: 1. Calculated based on share prices for the period on and after listing date (from October 27, 1994 to October 6, 2008).
2. With difficulty in reasonable estimation due to insufficient data, remaining outstanding period is estimated based on the assumption that stock option rights would be exercised at a mid-point of exercise period.
3. Based on interim dividend and annual dividend for the fiscal year ended March 31, 2008.
4. A yield of 15-year government bond, a period of which corresponds to expected remaining period.

4. Method to estimate vested number of stock options

As it is difficult, in principle, to reasonably estimate the number of future expirations, the number here reflects only that of actual expirations.

(Tax effect accounting)

<table>
<tr><th>As of March 31, 2008</th><th>As of March 31, 2009</th></tr>
<tr><td>

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets	
Provision for retirement benefits	57,341
Obligations pertaining to mutual assistance association	51,567
Net operating loss carryforwards	37,313
Other	96,187
Subtotal	242,410
Less valuation allowance	(44,963)
Total	197,446
Deferred tax liabilities	
Reserve for reduction entry	(31,772)
Basis differences in assets acquired and liabilities assumed upon acquisition	(122,961)
Unrealized gain on available-for-sale securities	(13,220)
Prepaid pension costs	(26,286)
Other	(41,431)
Total	(235,672)
Net deferred tax liabilities	38,225

Note: Net deferred tax assets were reflected in the consolidated balance sheets under the following captions:

(Millions of yen)

Current assets-Deferred tax assets	32,008
Noncurrent assets-Deferred tax assets	110,708
Current liabilities-Deferred tax liabilities	6,547
Noncurrent liabilities-Deferred tax liabilities	174,395

</td><td>

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets	
Provision for retirement benefits	55,717
Obligations pertaining to mutual assistance association	47,725
Net operating loss carryforwards	42,855
Foreign exchange losses	26,558
Allowance for doubtful accounts	16,329
Other	99,558
Subtotal	288,744
Less valuation allowance	(64,919)
Total	223,824
Deferred tax liabilities	
Reserve for reduction entry	(32,360)
Basis differences in assets acquired and liabilities assumed upon acquisition	(73,387)
Other	(72,920)
Total	(178,668)
Net deferred tax assets	45,156

Note: Net deferred tax assets were reflected in the consolidated balance sheets under the following captions:

(Millions of yen)

Current assets-Deferred tax assets	29,675
Noncurrent assets-Deferred tax assets	128,786
Current liabilities-Deferred tax liabilities	2,915
Noncurrent liabilities-Deferred tax liabilities	110,389

</td></tr>
</table>

As of March 31, 2008

2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income, if there is a significant difference.

	(%)
Normal effective statutory tax rate	40.35
(Adjustment)	
Tax rate difference applied for foreign consolidated subsidiaries	(9.67)
Foreign withholding tax	1.22
Non-deductible expenses	2.34
Other	0.21
Actual effective tax rate	34.45

As of March 31, 2009

2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income, if there is a significant difference.

	(%)
Normal effective statutory tax rate	40.35
(Adjustment)	
Tax rate difference applied for foreign consolidated subsidiaries	(12.60)
Non-deductible expenses	3.77
Amortization of goodwill	10.05
Valuation allowance	5.42
Uncertainty in income taxes of foreign consolidated subsidiaries	3.41
Other	1.09
Actual effective tax rate	51.49

(Business Combination)

Fiscal year ended March 31, 2008

No items to report

Fiscal year ended March 31, 2009

Transaction under common control

1. Transferred business and description of the business, legal form of the business combination, name of the company after business combination, and outline and purpose of the transactions

(1) Transferred business and description of the business

Transferred business: Processed food business (excluding chilled processed food business) and seasoning business of JT

Description of business: Mainly manufacturing and sales of processed frozen foods and seasoning product

(2) Legal form of the business combination

Business transfer of JT's processed food business and seasoning business, and stock transfer of affiliates including JT Foods, a consolidated subsidiary of JT

(3) Name of the company after business combination

Katokichi Co., Ltd. (hereinafter, "Katokichi")

(4) Outline and purpose of the transactions

The business combination enables the Group to integrate JT's food business head office function and affiliated companies which are engaged in JT's processed food business and seasoning business into Katokichi. After the combination, Katokichi holds the processed food business including the largest scale of frozen food business in Japan and seasoning business with leading manufacturing capability. Katokichi keeps implementing a business restructuring and setting up further business fundamentals as a food manufacturer.

2. Outline of accounting methods used

   This business combination was accounted for as a “transaction under common control” in accordance with the “Accounting Standards for Business Combinations” (Business Accounting Council, October 31, 2003) and the “Guidance on Accounting Standard for Business Combinations and Accounting Standard for Business Divestitures” (ASBJ Guidance No. 10, November 15, 2007).

(Segment information)

Operations by industry segment

Fiscal year ended March 31, 2008

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceutical	Foods	Others	Total	Elimination and corporate	Consolidated total
I. Net sales and operating income (loss)								
Net sales								
(1) Sales to customers	3,362,397	2,639,968	49,063	336,420	21,876	6,409,726	–	6,409,726
(2) Intersegment sales or transfers	48,980	35,341	–	115	22,331	106,768	(106,768)	–
Total	3,411,378	2,675,309	49,063	336,535	44,207	6,516,495	(106,768)	6,409,726
Operating expenses	3,189,030	2,469,949	58,707	335,868	33,759	6,087,316	(108,143)	5,979,173
Operating income (loss)	222,347	205,359	(9,643)	666	10,448	429,179	1,374	430,553
II. Assets, depreciation and amortization other than goodwill, impairment loss and capital expenditure								
Assets	847,123	3,804,413	111,422	353,283	90,000	5,206,242	(119,028)	5,087,214
Depreciation and amortization other than goodwill	83,290	65,397	3,374	4,891	11,606	168,559	(900)	167,658
Impairment loss	344	345	–	380	–	1,069	2,755	3,825
Capital expenditure	57,201	48,430	4,257	6,033	14,792	130,715	(1,160)	129,554

Notes: 1. Industry segment are categorized based on types of products, characteristics and markets.

2. Main products or services under each segment 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 that are under the control of the China Division.)
   - b. International tobacco: Tobacco products
   - c. Pharmaceutical: Prescription drugs
   - d. Foods: Beverages and processed foods
   - e. Others: Rent of real estate, leasing, engineering and others

3. The amounts of Corporate’s assets included in the “Elimination and corporate” column and the “Assets” row are as follows. Major components are the surplus funds (cash and deposits, and short-term investment securities), the long-term investment funds (part of investment securities), the assets pertaining to basic research and the land not used for businesses.
   (Fiscal year ended March 31, 2007) ¥584,863 million
   (Fiscal year ended March 31, 2008) ¥99,421 million

4. The following table shows the amounts of goodwill amortization by industry segment which are included in “operating expenses” for the fiscal year ended March 31, 2007 and fiscal year ended March 31, 2008.

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceutical	Foods	Others	Consolidated total
Fiscal year ended March 31, 2007	1,117	–	–	1,419	–	2,537
Fiscal year ended March 31, 2008	1,088	–	–	2,794	–	3,883

5. The domestic tobacco segment includes 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. was ¥1,193,178 million.

6. With respect to the international tobacco segment, as the closing date of the accounting period of international consolidated subsidiaries, in which JT International S.A. conducts the main operational role, is set on December 31, operating results from January 1, 2007 to December 31, 2007 have been included in the fiscal year ended March 31, 2008.

Fiscal year ended March 31, 2009

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceutical	Foods	Others	Total	Elimination and corporate	Consolidated total
I. Net sales and operating income (loss)								
Net sales								
(1) Sales to customers	3,200,493	3,118,318	56,757	435,966	20,770	6,832,307	–	6,832,307
(2) Intersegment sales or transfers	48,389	40,631	–	132	12,043	101,197	(101,197)	–
Total	3,248,883	3,158,949	56,757	436,099	32,814	6,933,505	(101,197)	6,832,307
Operating expenses	3,060,625	2,984,177	55,737	447,550	23,119	6,571,210	(102,709)	6,468,501
Operating income (loss)	188,258	174,772	1,020	(11,450)	9,694	362,294	1,511	363,806
II. Assets, depreciation and amortization other than goodwill, impairment loss and capital expenditure								
Assets	788,672	2,700,098	111,518	332,669	87,433	4,020,393	(140,590)	3,879,803
Depreciation and amortization other than goodwill	82,933	68,960	3,870	18,293	3,455	177,512	(612)	176,899
Impairment loss	–	–	–	3,829	–	3,829	12,534	16,364
Capital expenditure	46,506	59,776	3,425	23,201	1,128	134,037	234	134,272

Notes: 1. Industry segment are categorized based on types of products, characteristics and markets.

2. Main products or services under each segment 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 that are under the control of the China Division.)
   - b. International tobacco: Tobacco products
   - c. Pharmaceutical: Prescription drugs
   - d. Foods: Beverages and processed foods
   - e. Others: Rent of real estate, leasing, engineering and others

3. The amounts of Corporate's assets included in the "Elimination and corporate" column and the "Assets" row are as follows. Major components are the surplus funds (cash and deposits, and short-term investment securities), the long-term investment funds (part of investment securities), the assets pertaining to basic research and the land not used for businesses.
   (Fiscal year ended March 31, 2008) ¥99,421 million
   (Fiscal year ended March 31, 2009) ¥96,835 million

4. The following table shows the amounts of goodwill amortization by industry segment which are included in "operating expenses" for the fiscal year ended March 31, 2008 and fiscal year ended March 31, 2009.

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceutical	Foods	Others	Consolidated total
Fiscal year ended March 31, 2008	1,088	–	–	2,794	–	3,883
Fiscal year ended March 31, 2009	1,088	94,235	–	10,187	–	105,511

5. The domestic tobacco segment includes 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. was ¥1,135,319 million.

6. With respect to the international tobacco segment, as the closing date of the accounting period of international consolidated subsidiaries, in which JT International S.A. conducts the main operational role, is set on December 31, operating results from January 1, 2008 to December 31, 2008 have been included in the fiscal year ended March 31, 2009.

7. 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 has 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

“Changes in significant matters in preparing consolidated financial statements.” As a result of this change, the operating income for the international tobacco segment for this fiscal year decreased by ¥94,235 million as compared to the case where the previous method was adopted.

Operations by geographical segment

Fiscal year ended March 31, 2008

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income (loss)						
Net sales						
(1) Sales to customers	3,711,762	1,678,769	1,019,194	6,409,726	–	6,409,726
(2) Intersegment sales or transfers	52,308	181,062	29,211	262,582	(262,582)	–
Total	3,764,071	1,859,832	1,048,405	6,672,309	(262,582)	6,409,726
Operating expenses	3,541,731	1,803,896	897,007	6,242,635	(263,462)	5,979,173
Operating income	222,339	55,936	151,398	429,674	879	430,553
II. Assets	1,160,749	3,436,184	420,169	5,017,103	70,110	5,087,214

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. The amount and details of Corporate's assets included in the "Elimination and corporate" column and the "Assets" row is the same as ones in "Note 3." of "Operations by industry segment."

Fiscal year ended March 31, 2009

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income (loss)						
Net sales						
(1) Sales to customers	3,672,003	2,038,028	1,122,275	6,832,307	–	6,832,307
(2) Intersegment sales or transfers	53,334	223,871	39,185	316,391	(316,391)	–
Total	3,725,338	2,261,900	1,161,461	7,148,699	(316,391)	6,832,307
Operating expenses	3,538,898	2,286,087	961,828	6,786,815	(318,314)	6,468,501
Operating income (loss)	186,439	(24,187)	199,632	361,883	1,922	363,806
II. Assets	1,083,961	2,378,679	351,079	3,813,720	66,082	3,879,803

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. The amount and details of Corporate's assets included in the "Elimination and corporate" column and the "Assets" row is the same as ones in "Note 3." of "Operations by industry segment."
4. 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 has 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 "Changes in significant matters in preparing consolidated financial statements." As a result of this change, the operating income for the Western Europe segment for this fiscal year decreased by ¥94,235 million as compared to the case where the previous method was adopted.

Furthermore, the following table shows the amounts of goodwill amortization by geographical segment which are included in “operating expenses” for the fiscal year ended March 31, 2009.

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Fiscal year ended March 31, 2009	11,276	94,235	–	105,511

Overseas sales

Fiscal year ended March 31, 2008

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	1,634,920	1,070,540	2,705,461
II. Consolidated sales	(Millions of yen)			6,409,726
III. Percentage of overseas sales	(%)	25.5	16.7	42.2

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 the segments
a. Western Europe: Switzerland, United Kingdom, Germany
b. Others: Canada, Russia, Malaysia
4. Overseas sales on “Western Europe,” which was previously included in the total of overseas sales, are individually reported from this fiscal year because its sales have exceeded 10% of consolidated sales. The overseas sales of “Western Europe” and its percentage against consolidated sales (shown in parentheses) in the previous fiscal year are as follows:
Fiscal year ended March 31, 2007 ¥326,032 million (6.8%)

Fiscal year ended March 31, 2009

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	2,002,738	1,177,113	3,179,852
II. Consolidated sales	(Millions of yen)			6,832,307
III. Percentage of overseas sales	(%)	29.3	17.2	46.5

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 the segments
a. Western Europe: Switzerland, United Kingdom, Germany
b. Others: Canada, Russia, Malaysia

Related Party Transaction

Fiscal year ended March 31, 2008 (From April 1, 2007 to March 31, 2008)

Omitted because of immateriality.

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

Omitted because of immateriality.

(Per share information)

Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009	
Net assets per share	¥216,707.27	Net assets per share	¥162,087.74
Net income per share	¥24,916.51	Net income per share	¥12,880.90
Diluted net income per share	¥24,916.26	Diluted net income per share	¥12,879.77

Note: Basis for computing basic and diluted net income per share is as follows:

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Net income per share		
Net income (Millions of yen)	238,702	123,400
Amounts not available to common shareholders (Millions of yen)	–	–
Net income related to common shares (Millions of yen)	238,702	123,400
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
(of which, subscription rights to 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	–	–

(Additional information)

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
1. On August 11, 2004, JTI-Macdonald Corp. (“JTI-Macdonald”), a Canadian subsidiary of JT, received a Notice of Assessment from the Quebec Ministry of Revenue (“QMR”) requiring an immediate payment of approximately C$1.36 billion (approximately ¥114.6 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 overseas (non-US) tobacco operations. JTI-Macdonald 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 March 31, 2008 (the end of this fiscal year), the company was continuing business operations with its assets protected under the CCAA. In order to enable JTI-Macdonald to repay part of its debts to other subsidiaries of JT, JT International Holding B.V., the Dutch subsidiary of JT, 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-Macdonald 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-Macdonald in 1999.	1. On August 11, 2004, JTI-Macdonald Corp. (“JTI-Macdonald”), a Canadian subsidiary of JT, received a Notice of Assessment from the Quebec Ministry of Revenue (“QMR”) requiring an immediate payment of approximately C$1.36 billion (approximately ¥106.4 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 overseas (non-US) tobacco operations. JTI-Macdonald 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 March 31, 2009 (the end of this fiscal year), the company was continuing business operations with its assets protected under the CCAA. In order to enable JTI-Macdonald to repay part of its debts to other subsidiaries of JT, JT International Holding B.V., the Dutch subsidiary of JT, 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-Macdonald 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-Macdonald in 1999.

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
2. In July 2004, ZAO JTI Marketing & Sales ("M&S Corp."), a Russian subsidiary of JT that oversees distribution-related business in the Russian market, received an assessment from the Moscow tax authorities in which it was ordered to pay approximately 2.4 billion rubles (approximately ¥8.8 billion at the exchange rate effective at the time) as VAT, etc. for the period of January to December 2000. The taxed amount includes unpaid taxes (VAT, etc.), interest and additional taxes. Believing that the assessment by the Moscow tax authorities was based upon a misinterpretation of facts, M&S Corp. filed a lawsuit with the Moscow Arbitration Court seeking to invalidate the assessment. Although the Court of First Instance, the Court of Appeals and the Court of Cassation dismissed M&S Corp.'s argument, the Russian Federation Higher Arbitration Court reversed the lower courts' judgments and remanded the case to the Court of First Instance in April 2006. In October 2007, the Court of First Instance rendered judgment upholding M&S Corp.'s argument and invalidated the tax assessment, and both the Court of Appeals and the Court of Cassation dismissed the appeal by the tax authorities and upheld M&S Corp.'s argument in February and May 2008, respectively. The tax authorities may file a petition for appeal to the Russian Federation Higher Arbitration Court.	2. In July 2004, ZAO JTI Marketing & Sales ("M&S Corp."), a Russian subsidiary of JT that oversees distribution-related business in the Russian market, received an assessment from the Moscow tax authorities in which it was ordered to pay approximately 2.4 billion rubles (approximately ¥6.9 billion at the exchange rate effective at the time) as VAT, etc. for the period of January to December 2000. The taxed amount includes unpaid taxes (VAT, etc.), interest and additional taxes. Believing that the assessment by the Moscow tax authorities was based upon a misinterpretation of facts, M&S Corp. filed a lawsuit with the Moscow Arbitration Court seeking to invalidate the assessment. Although the Court of First Instance, the Court of Appeals and the Court of Cassation dismissed M&S Corp.'s argument, the Russian Federation Higher Arbitration Court reversed the lower courts' judgments and remanded the case to the Court of First Instance in April 2006. In October 2007, the Court of First Instance rendered judgment upholding M&S Corp.'s argument and invalidated the tax assessment, and both the Court of Appeals and the Court of Cassation dismissed the appeal by the tax authorities and upheld M&S Corp.'s argument in February and May 2008, respectively. Then the tax authorities filed a petition for appeal to the Russian Federation Higher Arbitration Court. In October 2008, the Court decided not to accept the appeal. As a result, the judgment in favor of M&S Corp. became final and binding.

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
―	3. 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 consolidated balance sheet for this fiscal year, the amount is included in current liabilities and noncurrent liabilities. This agreement requires us to cooperate with the OFT regarding the investigation. The fine of approximately £93 million (approximately ¥13.0 billion) payable by 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 ¥10.0 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.

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
4. Via consolidated subsidiary JTI (UK) MANAGEMENT LTD, on April 18, 2007, JT acquired the outstanding shares of the Gallaher Group Plc (now Gallaher Group Ltd.) of the United Kingdom through an acquisition method under English Law known as a scheme of arrangement, converting Gallaher Group Plc into a wholly owned subsidiary. As the direct acquirer of the outstanding shares in Gallaher Group Plc was JTI (UK) MANAGEMENT LTD, which adopts U.S. GAAP, said business combination was accounted for under the purchase method, based on FASB Statement No. 141, "Business Combinations". In August 2007, JT reorganized JTI (UK) MANAGEMENT LTD into a subsidiary of JT International Holding B.V., a consolidated subsidiary of JT. (1) The following are the name of the acquired company, business contents, main reasons for business combination, the date of business combination, the legal form of the business combination, and ratio of voting rights acquired. a. The name of acquired company Gallaher Group Plc b. Business contents Manufacturing and selling of tobacco products c. Main reasons for business combination Through the acquisition of the Gallaher Group Plc, JT could expand its business and enjoy the economy of scale, build well-balanced and competitive brand portfolio in each market and price segmentation, strengthen technology /distribution infrastructures, and synergize business growth expected by the business combination with effective business operations. d. Date of business combination April 18, 2007 e. Legal form of the business combination The issued shares were acquired for cash. f. Ratio of voting rights acquired 100% (2) Period of operating results included in the consolidated financial statements As the closing date of the accounting period of the acquired company is set on December 31, operating results from April 18, 2007 to December 31, 2007 for this company have been included statement of income.	―――――
(3) Acquisition costs The acquisition was conducted for £7.5 billion in cash.	

<table>
<tr><th>Fiscal year ended March 31, 2008</th><th>Fiscal year ended March 31, 2009</th></tr>
<tr><td>
(4) Amount of goodwill recognized, basis for recognition, and method and period for amortization of goodwill
a. Amount of goodwill recognized
¥1,721,368 million
b. Basis for recognition
Goodwill was recognized because the acquisition cost exceeded the net value allocated to the assets acquired and liabilities assumed.
c. Method and period for amortization of goodwill
In accordance with FASB Statement No. 142, “Goodwill and Other Intangible Assets,” the amount of goodwill recognized shall not be amortized. Rather, the decision of whether to recognize impairment shall be made once each year, or each time an event occurs indicating that the fair value of goodwill might fall below its book value.
(5) Principal details of assets acquired and liabilities assumed on the day of the business combination are as follows:
<table>
<tr><td></td><td>(Millions of yen)</td></tr>
<tr><td>Current assets:</td><td>410,572</td></tr>
<tr><td>Noncurrent assets:</td><td>2,531,125</td></tr>
<tr><td>Assets total:</td><td>2,941,697</td></tr>
<tr><td>Current liabilities:</td><td>405,712</td></tr>
<tr><td>Noncurrent liabilities:</td><td>749,478</td></tr>
<tr><td>Liabilities total:</td><td>1,155,191</td></tr>
</table>
Regarding allocation of acquisition costs, the major intangible asset that was acquired in addition to goodwill was ¥523,263 million in right of trademark. This asset has an amortization period of 20 years.
Note: Amount of yen mentioned above is translated at the exchange rate as of the business combination date. The amount of goodwill (¥1,791,188 million) included in “Noncurrent assets” above differs from the amount of goodwill described in (4) a. (consolidated balance sheet amount).
</td><td></td></tr>
</table>

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
5. On January 8, 2008, JT converted Katokichi Co., Ltd. into a subsidiary through tender offer for Katokichi shares. In addition, JT acquired all of Katokichi's voting rights on April 18, 2008. (1) The following are the name of the acquired company, business contents, main reasons for business combination, the date of business combination, the legal form of the business combination, and ratio of voting rights acquired. a. The name of acquired company Katokichi Co., Ltd. b. Business contents The main business contents are manufacturing and selling of frozen foods and frozen fishery products. The other business contents are distribution business incidental to the main business and service business such as hotel and restaurant management. c. Main reasons for business combination Through the business combination, JT could enjoy the effect of supplementing each other and a synergy of management resources of the two companies and realize further expansion of its business value. d. Date of business combination January 8, 2008 e. Legal form of the business combination The issued shares were acquired for cash. f. Ratio of voting rights acquired 93.89% (2) Period of operating results included in the consolidated financial statements From January 1, 2008 to March 31, 2008 (3) Acquisition costs The acquisition was conducted for ¥108.6 billion in cash. (4) Amount of goodwill recognized, basis for recognition, and method and period for amortization of goodwill a. Amount of goodwill recognized ¥41,885 million b. Basis for recognition Goodwill was recognized because the acquisition cost of the company exceeded the net value allocated to the assets acquired and liabilities assumed. c. Method and period for amortization of goodwill Method for amortization: straight-line method Period for amortization: five years	―――――――――

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
(5) Principal details of assets acquired and liabilities assumed on the day of the business combination are as follows: (Millions of yen) Current assets: 89,278 Noncurrent assets: 136,994 Total assets: 226,273 Current liabilities: 84,812 Noncurrent liabilities: 24,532 Total liabilities: 109,344	

(Important subsequent events)

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
1. JT's Board of Directors decided on April 18, 2008, that regarding JT's defunct condominiums and unused warehouses, JT would demolish the existing buildings on the individual properties, should it contribute to the sale of the land or increase its property value. JT estimates the loss resulting from the demolition to be at approximately ¥15.0 billion, which would be allocated as extraordinary loss in the fiscal year ending March 31, 2009. 2. On April 25, 2008, JT's consolidated subsidiary Gallaher Ltd. received a Statement of Objections from the Office of Fair Trading (OFT), the UK competition authority. The Statement of Objections addresses the possibility of anti-competitive behavior with respect to retail prices for tobacco products in the UK market prior to JT's acquisition of Gallaher Ltd. The statement purports to the August 2003 OFT notification of an inquiry into transactions of the former Gallaher Group with retailers in the UK tobacco market. Former Gallaher Group has been fully cooperating with the OFT regarding the investigation by supplying it with materials, etc. Following a careful and comprehensive review of said statement, JT and Gallaher Ltd. will effect an appropriate response in accordance with the UK Competition Law. While a final decision has yet to be handed down as to whether Gallaher Ltd. has violated the Competition Law, a certain amount was recorded in noncurrent liabilities in the consolidated balance sheet upon an evaluation of the risk to a penalty imposed in accordance with the Competition Act in our accounting treatment by the purchase method effected following the acquisition of Gallaher Group Plc (now Gallaher Group Ltd.).	1. JT's Board of Directors resolved on April 30, 2009 that JT would close three cigarette factories in Japan. The Morioka Factory and the Yonago Factory will cease to manufacture at the end of March 2010, and the Odawara Factory will cease to manufacture at the end of March 2011. The financial impact of this resolution on the consolidated financial statements has not yet been confirmed. 2. JT's Board of Directors resolved on April 30, 2009, that JT would roll over part of the redemption of JT's First Series Straight Bonds issued in Japan and maturing on June 25, 2009 (issue price: ¥150 billion), by issuing other domestic straight bonds. Based on this resolution, JT issued the following straight bonds. The Fifth Series Straight Bonds with General Mortgage (1) Type of bonds Straight bonds (2) Total amount of issue ¥100.0 billion (3) Interest rate 1.128% per annum (4) Issue price ¥100 per face value of ¥100 (5) Redemption price ¥100 per face value of ¥100 (6) Issue date June 3, 2009 (7) Redemption date June 3, 2014 (8) Method of redemption Redemption at maturity; provided, however, that JT may repurchase and redeem the bonds after the date of issuance. (9) Mortgage General mortgage under the JT Law (10) Purpose of funds Funds for bond retirement (11) Financial covenant Not applicable

e. Supplementary statements–consolidated

Schedule of bonds payable

Company name	Issues	Issue date	Balance as of March 31, 2008 (Millions of yen)	Balance as of March 31, 2009 (Millions of yen)	Interest rate (%)	Security	Maturity
Japan Tobacco Inc.	No. 1 domestic straight bonds	June 25, 1999	150,000	150,000 (150,000)	1.98	Yes	June 25, 2009
Japan Tobacco Inc.	No. 2 domestic straight bonds	July 24, 2007	49,996	49,997	1.34	Yes	July 23, 2010
Japan Tobacco Inc.	No. 3 domestic straight bonds	July 24, 2007	40,000	40,000	1.53	Yes	July 22, 2011
Japan Tobacco Inc.	No. 4 domestic straight bonds	July 24, 2007	59,994	59,996	1.68	Yes	July 24, 2012
JTI (UK) Finance Plc	Euro-denominated straight bonds	August 6, 1998	63,054 (63,054) [EUR 375 million]	–	5.88	No	August 6, 2008
JTI (UK) Finance Plc	Pound-denominated straight bonds	May 21, 1999	68,904 [GBP 300 million]	39,522 (39,522) [GBP 300 million]	6.63	No	May 21, 2009
JTI (UK) Finance Plc	Euro-denominated straight bonds	June 10, 2004	134,265 [EUR 800 million]	102,673 [EUR 800 million]	4.63	No	June 10, 2011
JTI (UK) Finance Plc	Pound-denominated straight bonds	February 6, 2003	56,580 [GBP 250 million]	32,733 [GBP 250 million]	5.75	No	February 6, 2013
JTI (UK) Finance Plc	Euro-denominated straight bonds	October 2, 2006	83,390 [EUR 500 million]	63,974 [EUR 500 million]	4.50	No	April 2, 2014
Katokichi Co., Ltd.	No. 4 domestic straight bonds	March 16, 2004	10,000 (10,000)	–	0.99	No	March 16, 2009
Other bonds	–	–	500	1,260 (840)	–	–	–
Total		–	716,686 (73,054)	540,157 (190,363)	–	–	–

Notes: 1. Figures in the parenthesis of “Balance” columns are current portions included in the figures above.
2. Figures in the square bracket of “Balance” columns are foreign currency-denominated bonds included in the figures above.
3. Bond redemption schedule within five years after the closing date of accounting period are as follows:

(Millions of yen)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
190,187	50,200	142,643	60,050	32,856

Detailed statement of loans payable

Category	Balance as of March 31, 2008 (Millions of yen)	Balance as of March 31, 2009 (Millions of yen)	Average interest rate (%)	Payment due
Short-term loans payable	269,034	113,231	7.9	–
Current portion of long-term loans payable	6,668	26,380	1.5	–
Current portion of lease obligation	–	5,512	8.2	–
Long-term loans payable (excluding current portion)	396,907	299,563	3.5	2010 to 2028
Lease obligation (excluding current portion)	–	11,234	13.0	2010 to 2019
Other interest-bearing debts	–	–	–	–
Total	672,609	455,921	–	–

Notes: 1. Average rates above are computed based on interest rate and outstanding balance as of the closing date of the accounting period.

2. Repayment of long-term loans payable and lease obligation (excluding current portion) above scheduled within 5 years after the closing date of accounting period are as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	22,910	21,530	944	253,643
Lease obligations	4,456	3,381	2,015	789

(2) Other

Quarterly data of the fiscal year ended March 31, 2009

(Millions of yen)

	First quarter From April 1, 2008 to June 30, 2008	Second quarter From July 1, 2008 to September 30, 2008	Third quarter From October 1, 2008 to December 31, 2008	Fourth quarter From January 1, 2009 to March 31, 2009
Net sales	1,719,819	1,777,267	1,849,058	1,486,161
Income before income taxes and minority interests	49,166	89,591	101,659	21,726
Net income (loss)	16,910	52,569	61,974	(8,054)
Net income (loss) per share (Yen)	1,765.17	5,487.36	6,469.12	(840.74)

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

a. Non-consolidated balance sheets

(Millions of yen)

		As of March 31, 2008		As of March 31, 2009
Assets				
Current assets				
Cash and deposits		4,759		7,090
Accounts receivable-trade	*2	50,447	*2	49,446
Merchandise		2,251		–
Finished goods		19,539		–
Merchandise and finished goods		–		21,266
Semi-finished goods		120,091		118,789
Work in process		4,091		3,706
Raw materials		29,860		–
Supplies		8,726		–
Raw materials and supplies		–		37,506
Advance payments-trade	*2	44	*2	195
Prepaid expenses	*2	4,173	*2	4,940
Deferred tax assets		18,036		15,317
Other	*2	13,552	*2	21,918
Allowance for doubtful accounts		(15)		(175)
Total current assets		275,559		280,004
Noncurrent assets				
Property, plant and equipment				
Buildings		452,370		422,323
Accumulated depreciation		(304,663)		(293,778)
Buildings, net		147,707		128,545
Structures		24,275		22,395
Accumulated depreciation		(19,819)		(18,555)
Structures, net		4,455		3,839
Machinery and equipment		334,071		334,208
Accumulated depreciation		(272,233)		(268,085)
Machinery and equipment, net		61,837		66,122
Vehicles		924		2,527
Accumulated depreciation		(840)		(1,077)
Vehicles, net		84		1,449
Tools, furniture and fixtures		58,482		97,368
Accumulated depreciation		(48,159)		(66,613)
Tools, furniture and fixtures, net		10,322		30,754
Land		105,784		101,025
Construction in progress		6,439		6,833
Total property, plant and equipment		336,631		338,571

(Millions of yen)

		As of March 31, 2008		As of March 31, 2009
Intangible assets				
Goodwill		10,313		5,156
Patent right		561		451
Leasehold right		126		126
Right of trademark		34,207		4,904
Design right		20		17
Software		11,886		10,639
Other		182		165
Total intangible assets		57,299		21,461
Investments and other assets				
Investment securities		64,466		39,893
Stocks of subsidiaries and affiliates		2,082,509		2,096,524
Investments in capital of subsidiaries and affiliates		2,877		782
Long-term loans receivable		–		7,294
Long-term loans receivable from subsidiaries and affiliates		20,640		1,212
Long-term prepaid expenses		5,309		6,514
Deferred tax assets		45,800		51,166
Other		22,718		21,619
Allowance for doubtful accounts		(11,302)		(7,715)
Total investments and other assets		2,233,018		2,217,293
Total noncurrent assets		2,626,949		2,577,325
Total assets		2,902,509		2,857,330
Liabilities				
Current liabilities				
Accounts payable-trade		15,060	*2	13,592
Short-term loans payable from cash management system	*3	235,118	*3	184,123
Current portion of bonds		–	*1	150,000
Current portion of long-term loans payable		202		20,200
Lease obligations		–	*2	14,041
Accounts payable-other		52,245	*2	41,805
Accrued expenses		3,142	*2	2,822
National tobacco excise taxes payable		47,207		45,357
National tobacco special excise taxes payable		10,898		10,470
Local tobacco excise taxes payable		57,773		55,847
Income taxes payable		44,031		29,623
Accrued consumption taxes		11,469		8,148
Advances received		144		84
Deposits received		641		679
Unearned revenue		199	*2	200
Provision for bonuses		13,056		12,990
Other		2,272	*2	1,171
Total current liabilities		493,466		591,159

(Millions of yen)

		As of March 31, 2008		As of March 31, 2009
Noncurrent liabilities				
Bonds payable	*1	299,991	*1	149,994
Long-term loans payable		80,760		60,560
Lease obligations		–	*2	8,404
Provision for retirement benefits		200,120		191,264
Lease and guarantee deposits received		7,969	*2	8,567
Long-term accounts payable-other		3,474		1,937
Total noncurrent liabilities		592,316		420,726
Total liabilities		1,085,782		1,011,886
Net assets				
Shareholders' equity				
Capital stock		100,000		100,000
Capital surplus				
Legal capital surplus		736,400		736,400
Total capital surpluses		736,400		736,400
Retained earnings				
Legal retained earnings		18,776		18,776
Other retained earnings				
Reserve for reduction entry		46,180		44,734
Special account for reduction entry		3,833		2,413
General reserve		836,300		916,300
Retained earnings brought forward		130,639		93,326
Total retained earnings		1,035,729		1,075,550
Treasury stock		(74,578)		(74,578)
Total shareholders' equity		1,797,551		1,837,372
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		18,578		7,627
Deferred gains or losses on hedges		411		79
Total valuation and translation adjustments		18,990		7,706
Subscription rights to shares		185		364
Total net assets		1,816,727		1,845,443
Total liabilities and net assets		2,902,509		2,857,330

b. Non-consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009
Net sales		2,302,704		2,173,552
Cost of sales				
Beginning merchandise and finished goods		22,751		21,791
Cost of products manufactured		316,673		300,988
Cost of purchased goods		31,246		5,312
National tobacco excise taxes		588,953		561,359
National tobacco special excise taxes		135,963		129,591
Local tobacco excise taxes		724,915		690,943
Transfer to other account	*1	743	*1	2,796
Ending merchandise and finished goods		21,791		21,266
Cost of sales on real estate business		4,686		4,323
Total cost of sales		1,802,655		1,690,247
Gross profit		500,048		483,305
Selling, general and administrative expenses				
Advertising expenses		12,222		13,226
Promotion expenses		66,354		52,224
License fee		1,263		1,812
Transportation and warehousing expenses		22,173		20,164
Compensations, salaries and allowances		30,914		32,219
Retirement benefit expenses		4,333		5,432
Legal welfare expenses		5,486		5,764
Employees’ bonuses		7,294		7,633
Provision for bonuses		7,678		7,429
Business consignment expenses		29,367		25,834
Depreciation		44,377		63,251
Research and development expenses	*5	40,442	*5	41,895
Other		39,531		38,729
Total selling, general and administrative expenses		311,439		315,617
Operating income		188,608		167,687
Non-operating income				
Interest income	*4	1,042	*4	348
Interest on securities		0		–
Dividends income	*4	7,733	*4	3,616
Rent income from subsidiaries and affiliates		1,077		989
Settlement revenue on acquisition expenses	*4	1,735		–
Other	*4	3,777	*4	3,507
Total non-operating income		15,367		8,460

(Millions of yen)

		Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009
Non-operating expenses				
Interest expenses		2,866	*4	3,418
Interest on bonds		3,984		4,700
Foreign exchange losses		7,340		2,337
Financial support for domestic leaf tobacco growers		2,004		768
Periodic mutual assistance association cost		2,333		2,024
Provision of allowance for doubtful accounts		4,606		49
Other		3,081		2,648
Total non-operating expenses		26,217		15,947
Ordinary income		177,757		160,200
Extraordinary income				
Gain on sales of land		63,092		45,576
Gain on sales of noncurrent assets		2,969		3
Other		1,998		182
Total extraordinary income		68,059		45,762
Extraordinary loss				
Loss on sales of noncurrent assets	*2	3,113	*2	1,806
Loss on retirement of noncurrent assets	*3	4,774	*3	10,119
Impairment loss		2,755	*6	12,534
Loss on transfer of business		–	*4	9,863
Introduction costs for vending machines with adult identification functions	*7	12,878	*7	13,468
Costs related to recall of frozen foods products	*8	5,523		–
Other		756		10,997
Total extraordinary losses		29,802		58,791
Income before income taxes		216,014		147,172
Income taxes-current		71,031		52,588
Income taxes-deferred		13,837		4,946
Total income taxes		84,869		57,535
Net income		131,145		89,637

Detailed statement of manufacturing cost

(Millions of yen)

		Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009	
Category	Note	Amount	%	Amount	%
Raw material cost		217,318	71.0	216,143	71.9
Labor cost		25,554	8.4	25,548	8.5
Other expenses		62,970	20.6	58,853	19.6
Total manufacturing cost of this fiscal year		305,843	100.0	300,545	100.0
Beginning semi-finished goods		131,671		120,091	
Beginning work in process		4,337		4,091	
Total		441,852		424,728	
Ending semi-finished goods		120,091		118,789	
Ending work in process		4,091		3,706	
Transfer to other account	*1	996		1,244	
Cost of products manufactured		316,673		300,988	

(Millions of yen)

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Major item of other expenses		
Depreciation and amortization	19,671	17,091

Note: *1. Mainly consisting of transfers to raw materials used for trials.

Method of cost accounting

Process cost accounting system is used for the cost accounting for our major products, tobacco, where processes are classified as the process of threshing and processing tobacco leaves (process to manufacture semi-finished goods) and the process of manufacturing finished goods from semi-finished goods of tobacco leaves threshed and processed.

c. Non-consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Shareholders' equity		
Capital stock		
Balance at the end of previous period	100,000	100,000
Balance at the end of current period	100,000	100,000
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	736,400	736,400
Balance at the end of current period	736,400	736,400
Total capital surplus		
Balance at the end of previous period	736,400	736,400
Balance at the end of current period	736,400	736,400
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	18,776	18,776
Balance at the end of current period	18,776	18,776
Other retained earnings		
Reserve for special depreciation		
Balance at the end of previous period	7	–
Changes of items during the period		
Reversal of reserve for special depreciation	(7)	–
Total changes of items during the period	(7)	–
Balance at the end of current period	–	–
Reserve for reduction entry		
Balance at the end of previous period	46,204	46,180
Changes of items during the period		
Provision of reserve for reduction entry	5,228	5,415
Reversal of reserve for reduction entry	(5,253)	(6,862)
Total changes of items during the period	(24)	(1,446)
Balance at the end of current period	46,180	44,734
Special account for reduction entry		
Balance at the end of previous period	3,181	3,833
Changes of items during the period		
Provision of reserve for special account for reduction entry	3,833	2,413
Reversal of reserve for special account for reduction entry	(3,181)	(3,833)
Total changes of items during the period	651	(1,419)
Balance at the end of current period	3,833	2,413
General reserve		
Balance at the end of previous period	743,300	836,300
Changes of items during the period		
Provision of general reserve	93,000	80,000
Total changes of items during the period	93,000	80,000
Balance at the end of current period	836,300	916,300

(Millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Retained earnings brought forward		
Balance at the end of previous period	135,266	130,639
Changes of items during the period		
Reversal of reserve for special depreciation	7	–
Provision of reserve for reduction entry	(5,228)	(5,415)
Reversal of reserve for reduction entry	5,253	6,862
Provision of reserve for special account for reduction entry	(3,833)	(2,413)
Reversal of reserve for special account for reduction entry	3,181	3,833
Provision of general reserve	(93,000)	(80,000)
Dividends from surplus	(42,152)	(49,816)
Net income	131,145	89,637
Total changes of items during the period	(4,626)	(37,313)
Balance at the end of current period	130,639	93,326
Total retained earnings		
Balance at the end of previous period	946,737	1,035,729
Changes of items during the period		
Reversal of reserve for special depreciation	–	–
Provision of reserve for reduction entry	–	–
Reversal of reserve for reduction entry	–	–
Provision of reserve for special account for reduction entry	–	–
Reversal of reserve for special account for reduction entry	–	–
Provision of general reserve	–	–
Dividends from surplus	(42,152)	(49,816)
Net income	131,145	89,637
Total changes of items during the period	88,992	39,820
Balance at the end of current period	1,035,729	1,075,550
Treasury stock		
Balance at the end of previous period	(74,578)	(74,578)
Balance at the end of current period	(74,578)	(74,578)
Total shareholders' equity		
Balance at the end of previous period	1,708,558	1,797,551
Changes of items during the period		
Dividends from surplus	(42,152)	(49,816)
Net income	131,145	89,637
Total changes of items during the period	88,992	39,820
Balance at the end of current period	1,797,551	1,837,372

(Millions of yen)

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	29,928	18,578
Changes of items during the period		
Net changes of items other than shareholders' equity	(11,349)	(10,951)
Balance at the end of current period	18,578	7,627
Deferred gains or losses on hedges		
Balance at the end of previous period	14,580	411
Changes of items during the period		
Net changes of items other than shareholders' equity	(14,168)	(331)
Balance at the end of current period	411	79
Total valuation and translation adjustments		
Balance at the end of previous period	44,508	18,990
Changes of items during the period		
Net changes of items other than shareholders' equity	(25,518)	(11,283)
Balance at the end of current period	18,990	7,706
Subscription rights to shares		
Balance at the end of previous period	–	185
Changes of items during the period		
Net changes of items other than shareholders' equity	185	179
Balance at the end of current period	185	364
Total net assets		
Balance at the end of previous period	1,753,067	1,816,727
Changes of items during the period		
Dividends from surplus	(42,152)	(49,816)
Net income	131,145	89,637
Net changes of items other than shareholders' equity	(25,332)	(11,104)
Total changes of items during the period	63,659	28,716
Balance at the end of current period	1,816,727	1,845,443

Significant accounting policies

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
1. Valuation standard and method for securities	Stocks of subsidiaries and affiliates --- Stated at cost determined by the moving-average method. Available-for-sale securities With a fair value --- Stated at fair value based on market prices, etc. on the closing date of the accounting period. (Valuation difference is stated as a component of net assets, and the cost of securities sold is calculated by applying the moving-average method.) Without a fair value --- Stated at cost determined by the moving-average method.	Stocks of subsidiaries and affiliates --- Same as left Available-for-sale securities With a fair value --- Same as left Without a fair value --- Same as left
2. Valuation standard and method for derivatives	Derivatives --- Stated based on the fair value method.	Derivatives --- Same as left
3. Valuation standard and method for inventories	Stated at cost determined by the average method. (Balance sheet amounts are measured at the lower of cost or net selling value.) (Changes in accounting policies) The “Accounting Standard for Measurement of Inventories” (ASBJ Statement No. 9, July 5, 2006) became applicable to the financial statements for fiscal years beginning on or before March 31, 2008 and was applied from this fiscal year. The impact of this change on operating income, ordinary income and income before income taxes is immaterial. Write-downs on raw materials and semi-finished goods are discontinued from this fiscal year.	Stated at cost determined by the gross average method. (Balance sheet amounts are measured at the lower of cost or net selling value.)

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
4. Depreciation methods for depreciable assets	(1) Property, plant and equipment The declining balance method (straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998) is applied. The main useful lives are as follows: Buildings (excluding accompanying facilities) 38 to 50 years Machinery and equipment 8 years (Changes in accounting policies) In accordance with the revision of the Corporation Tax Act, JT applied the depreciation method based on the revised Corporation Tax Act to property, plant and equipment acquired on or after April 1, 2007 from this fiscal year. The impact of this change on operating income, ordinary income and income before income taxes is immaterial. (Additional information) In accordance with the revised Corporation Tax Act, for property, plant and equipment acquired by JT on or before March 31, 2007, when their book values have been depreciated to 5% of the acquisition costs applying the depreciation method based on the pre-revision Corporation Tax Act, the difference between the equivalent of 5% of the acquisition costs and a memorandum value is depreciated over a period of five years from the year following the year when the book value becomes 5% of the acquisition costs, and included in depreciation. The impact of this change on operating income, ordinary income and income before income taxes is immaterial.	(1) Property, plant and equipment (excluding lease assets) The declining balance method (straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998) is applied. The main useful lives are as follows: Buildings (excluding accompanying facilities) 38 to 50 years Machinery and equipment 10 years (Additional information) The useful lives of property, plant and equipment were changed as a result of the review of these assets' usage in conjunction with the revision of the Corporate Tax Act in 2008. As an example, the useful life of tobacco manufacturing facilities, which are JT's main machinery and equipment, was changed from 8 years to 10 years. As a result, depreciation expense decreased by ¥2,623 million during this fiscal year and operating income, ordinary income and net income before income taxes increased by ¥2,476 million, respectively.

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	(2) Intangible assets The straight-line method is applied. The useful lives of major items are as follows: Goodwill 5 years Patent right 8 years Right of trademark 10 years Software 5 years ―――――――――	(2) Intangible assets (excluding lease assets) Same as left (3) Lease assets For finance leases that do not transfer ownership of the leased property to the lessee, depreciation expense is mostly computed on the straight-line method over the lease period as the useful life and assuming no residual value.
5. Policy for translation of foreign currency-denominated assets and liabilities into Japanese yen	Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates prevailing at the closing date of the accounting period with translation differences treated as gains or losses occurring in the corresponding fiscal year.	Same as left
6. Policy for reserve allowances	(1) Allowance for doubtful accounts Provided for possible losses from bad debts at an amount determined using a credit loss ratio based on past experience for general receivables and the individual recoverability of specific doubtful receivables from customers experiencing financial difficulties. (2) Provision for bonuses Provided based on the estimated bonus amount payable to employees and directors.	(1) Allowance for doubtful accounts Same as left (2) Provision for bonuses Same as left

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
	(3) Provision for retirement benefits Provided in preparation for the payment of retirement benefits to employees based on the estimated retirement benefits obligation and fair value of plan assets as of the end of this fiscal year. Prior service cost is amortized as incurred by the straight-line method over the average remaining years of service of the employees. (10 years) Actuarial gains or losses are amortized from the year following the year in which the gains or losses are recognized by the straight-line method over the average remaining years of service of the employees. (10 years) Also included in the provision for retirement benefits is the portion of public pension expenses for mutual assistance association during certain periods in or before June 1956 (prior to the enforcement of the Act on the Mutual Aid Association of Public Corporation Employees, etc.). (4) Provision for directors' retirement benefits ——— (Additional information) The retirement benefit program for directors and auditors was abolished by the resolution at the Annual General Meeting of Shareholders, which was held on June 22, 2007. In line with this change, the accrued amount payable defined as the final payments (¥345 million) was transferred to "Long-term accounts payable-other."	(3) Provision for retirement benefits Same as left ———
7. Accounting for lease transactions	Finance leases other than those deemed to have transferred ownership of the leased property to the lessee are accounted for as ordinary operating lease transactions.	———

Item	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
8. Hedge accounting method	(1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated at foreign currencies are translated at foreign exchange rate stipulated in foreign currency forward contracts where requirements are met.	(1) Hedge accounting method Same as left
	(2) Hedging instruments and hedged items a. Hedging instruments --- Foreign currency forward contracts Hedged items --- Forecasted foreign currency transactions b. Hedging instruments --- Currency options Hedged items --- Forecasted foreign currency transactions	(2) Hedging instruments and hedged items No items to report
	(3) Hedging policy Derivative transactions are mainly used in line with the Risk Management Policy, the internal policy for derivative transactions, for the purpose of avoiding or reducing foreign currency fluctuation risks associated with future foreign currency transactions and for the purpose of avoiding interest rate risks associated with interest receipts on debt securities and interest payments on loans.	(3) Hedging policy Same as left
	(4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value, but used for translation of foreign currency-denominated assets and liabilities.	(4) Assessment of hedge effectiveness Same as left
9. Other significant accounting policies	Consumption tax National consumption tax and local consumption tax are excluded from the non-consolidated statement of income.	Consumption tax Same as left

Changes in significant matters in preparing non-consolidated financial statements

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
――――――――	The accounting treatment for finance lease transactions that do not transfer ownership followed the same method as the one for operating lease transactions. However, effective from April 1, 2008, JT applied the "Accounting Standard for Lease Transactions" (ASBJ Statement No. 13 [Business Accounting Council Committee No. 1, June 17, 1993; revised March 30, 2007]) and the "Guidance on Accounting Standard for Lease Transactions" (ASBJ Guidance No. 16 [The Japanese Institute of Certified Public Accountants (JICPA) Accounting Standard Committee, January 18, 1994; revised March 30, 2007]), and such transactions are accounted for in a similar manner with ordinary sale and purchase transactions. With respect to finance lease transactions that do not transfer ownership commenced prior to the first year of implementation of this accounting standard, the balance of future minimum lease payments as at the end of the previous fiscal year (after deduction of the interest element) is regarded as the acquisition cost, at which lease assets are recognized as if acquired at the beginning of the year.The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.

Changes in methods of presentation

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
――――――――	(Non-consolidated Balance sheets) In the previous fiscal year, "Long-term loans receivable" (¥310 million recorded in the previous fiscal year) was included in "Other" of "Investments and other assets," however, it is now presented separately due to its increased materiality.
――――――――	(Non-consolidated Statements of income) In the previous fiscal year, "Interest on securities" (¥0 million recorded in this fiscal year) was presented separately in "Non-operating income," however, in this fiscal year, it is included in "Interest income" due to its immateriality.

Notes to non-consolidated financial statements

(Notes to non-consolidated balance sheets)

As of March 31, 2008	As of March 31, 2009
*1. Pursuant to Article 6 of the Japan Tobacco Inc. Act, JT's assets are pledged as general collateral for its corporate bonds.	*1. Same as left
*2. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows: (Millions of yen) Assets for subsidiaries and affiliates 32,793	*2. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows: (Millions of yen) Assets for subsidiaries and affiliates 35,403 Liabilities for subsidiaries and affiliates 47,955
*3. "Short-term loans payable from cash management system" represents the fund borrowed from JT Finance Service Co., Ltd., a consolidated subsidiary of JT, which controls the cash management system of domestic Group companies.	*3. Same as left

As of March 31, 2008	As of March 31, 2009
4. Contingent obligations	4. Contingent obligations

As of March 31, 2008

4. Contingent obligations

JT guarantees bank loans and bonds of subsidiaries and affiliates as follows:

Bank loans

	(Millions of yen)	
JT International Holding B.V.	344,068	(EUR 1,055 million) (GBP 885 million)
JT Finance Service Co., Ltd.	75,001	
JT International Germany GmbH	17,410	(EUR 110 million)
JT International S.A.	13,638	(USD 59 million) (EUR 29 million) (CHF 28 million) (TND 1 million) (SIT 50 million) (SGD 0 million)
JT International Company Netherlands B.V.	11,573	(EUR 73 million)
JT International Manufacturing (Romania) SA	8,256	(RON 193 million)
JT Tobacco International Taiwan Corp.	5,931	(TWD 1,800 million)
JT International Ukraine	5,715	(UAH 288 million)
JT International (Romania) SRL	5,713	(RON 134 million)
JT International AD Senta	5,108	(RSD 2,657 million)
JT International Hellas A.E.B.E.	3,941	(EUR 25 million)
JT International (India) Private Limited	3,459	(INR 1,377 million)
JT International Spol. s.r.o.	2,696	(CZK 428 million)
JT International Company Ukraine ZAT	2,690	(UAH 135 million)
JT International Marketing and Sales d.o.o.	2,679	(RSD 1,394 million)
JTI Services Switzerland SA	2,489	(CHF 25 million)
SIA JTI Marketing and Sales	2,484	(LVL 10 million)
JT International Korea Inc.	2,002	(KRW 19,690 million)
JTI-Macdonald TM Corp.	1,904	(CAD 19 million)
LLC Petro	1,143	(RUB 268 million)
Other (24 companies)	6,208	
Total	524,117	

As of March 31, 2009

4. Contingent obligations

JT guarantees bank loans and bonds of subsidiaries and affiliates as follows:

Bank loans

	(Millions of yen)	
JT International Holding B.V.	231,434	(GBP 1,149 million) (USD 450 million) (EUR 202 million)
JT International Germany GmbH	15,338	(EUR 118 million)
JT International S.A.	13,797	(CHF 64 million) (SIT 50 million) (EUR 44 million) (USD 25 million) (TND 0 million)
JT Finance Service Co., Ltd.	13,000	
JTI Polska sp.z.o.o.	12,442	(PLN 453 million)
Other (44 companies)	68,048	
Total	354,061	

As of March 31, 2008	As of March 31, 2009
Bonds (Millions of yen) JTI (UK) Finance PLC 390,095 (EUR 1,736 million) (GBP 569 million) Total 390,095 Note: Guarantee obligations denominated in foreign currencies were translated to yen amounts using the exchange rate as of the end of the fiscal year.	Bonds (Millions of yen) JTI (UK) Finance PLC 255,176 (EUR 1,348 million) (GBP 569 million) Total 255,176 Note: Guarantee obligations denominated in foreign currencies were translated to yen amounts using the exchange rate as of the end of the fiscal year.

(Notes to non-consolidated statements of income)

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
*1. "Transfer to other account" represents the amount of finished goods and merchandise that were transferred to be used as samples or for other purposes.	*1. "Transfer to other account" represents the amount of merchandise and finished goods that were transferred due to a transfer of business and those to be used as samples or for other purposes.
*2. The main component of "Loss on sales of noncurrent assets" is as follows: (Millions of yen) Land 1,438	*2. The main component of "Loss on sales of noncurrent assets" is as follows: (Millions of yen) Buildings 1,199
*3. The main component of "Loss on retirement of noncurrent assets" is as follows: (Millions of yen) Buildings 3,048	*3. The main component of "Loss on retirement of noncurrent assets" is as follows: (Millions of yen) Buildings 7,311
*4. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows: (Millions of yen) Interest income 694 Dividends income 5,676 Gain on settlement of acquisition expenses 1,735 Other non-operating income 1,393	*4. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows: (Millions of yen) Dividends income 1,915 Other non-operating income 1,616 Interest expenses 2,087 Loss on transfer of business 9,863
*5. Total research and development expenses are ¥40,442 million, all of which recorded as general and administrative expenses.	*5. Total research and development expenses are ¥41,895 million, all of which recorded as general and administrative expenses.

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
———	*6. An impairment loss was posted for the following asset groups.

Location	Usage	Assets category	Impairment loss (Millions of yen)
Tokyo metropolitan area	Company housing planned to be demolished, etc.	Buildings and structures	3,803
Kinki region	Company housing planned to be demolished, etc.	Buildings and structures	1,940
Others	Company housing planned to be demolished, etc.	Buildings and structures	6,791

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 this fiscal year, it was resolved to demolish certain buildings and structures of company housing. Most of the impairment loss 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 ¥11,993 million.

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

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
*7. Introduction costs for vending machines with adult identification functions consist of costs incurred for the development of the “Taspo” IC card adult identification system to be introduced countrywide in 2008 and for the installation of adult identification functions into vending machines leased under lease agreements, all in an effort to prevent youth smoking.	*7. Introduction costs for vending machines with adult identification functions consist of costs incurred for the development of the “Taspo” IC card adult identification system introduced countrywide in this fiscal year and in the installation of adult identification functions into vending machines leased under lease agreements, all in an effort to prevent youth smoking.
*8. Costs related to recall of frozen food products consist of costs incurred for the voluntary recall of some frozen food products imported and sold via JT’s subsidiary, JT Foods Co., Ltd.	———

(Notes to non-consolidated statements of changes in net assets)

Fiscal year ended March 31, 2008

Type and total number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2007	Increase in the fiscal year ended March 31, 2008	Decrease in the fiscal year ended March 31, 2008	Number of shares as of March 31, 2008
Common stock	419	–	–	419
Total	419	–	–	419

Fiscal year ended March 31, 2009

Type and total number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2008	Increase in the fiscal year ended March 31, 2009	Decrease in the fiscal year ended March 31, 2009	Number of shares as of March 31, 2009
Common stock	419	–	–	419
Total	419	–	–	419

(Lease transactions)

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
[As lessee]	**[As lessee]**

Fiscal year ended March 31, 2008

[As lessee]

Finance leases that do not transfer ownership of the leased property to the lessee

1. Acquisition cost, accumulated depreciation and net leased property

(Millions of yen)

	Acquisition cost	Accumulated depreciation	Net leased property
Vehicles	2,549	1,408	1,140
Tools, furniture and fixtures	57,003	27,950	29,052
Other	974	286	687
Total	60,527	29,645	30,881

2. Obligations under finance leases

(Millions of yen)

Due within one year	15,928
Due after one year	16,963
Total	32,892

3. Lease payments, depreciation expense and related interest expense

(Millions of yen)

Lease payments	18,807
Depreciation expense	18,132
Related interest expenses	846

4. Computing method of depreciation expense

Depreciation expense is computed on the straight-line method over the lease period as the useful life and assuming no residual value.

5. Computing method of related interest

Related interest is computed by amortizing the difference between the total amount of the lease payments and acquisition cost of the leased property over the lease period based on the interest method.

(Impairment loss)

Items are not presented because there are no impairment losses allocated to lease assets.

Fiscal year ended March 31, 2009

[As lessee]

Operating leases

Future minimum lease payments under noncancelable operating leases

(Millions of yen)

Due within one year	5
Due after one year	11
Total	17

(Short-term investment securities and investment securities)

Investments in subsidiaries and affiliates with fair value

(Millions of yen)

Type	As of March 31, 2008			As of March 31, 2009		
	Balance sheet amount	Fair value	Difference	Balance sheet amount	Fair value	Difference
Investments in subsidiaries	150,184	128,906	(21,277)	41,580	20,957	(20,622)
Total	150,184	128,906	(21,277)	41,580	20,957	(20,622)

(Tax effect accounting)

As of March 31, 2008

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets	
Provision for retirement benefits	29,046
Obligations pertaining to mutual assistance association	51,567
Provision for bonuses	5,268
Other	31,181
Total	117,064
Deferred tax liabilities	
Reserve for reduction entry	(31,239)
Unrealized gain on available-for-sale securities	(10,842)
Other	(11,145)
Total	(53,227)
Net deferred tax assets	63,836

2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the non-consolidated statements of income, if there is a significant difference

Note is omitted because the difference between the normal effective statutory tax rates and the actual effective tax rates are not more than 5% of the normal effective statutory tax rates.

As of March 31, 2009

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets	
Provision for retirement benefits	29,449
Obligations pertaining to mutual assistance association	47,725
Impairment loss	5,258
Provision for bonuses	5,241
Other	25,125
Subtotal	112,800
Less valuation allowance	(2,768)
Total	110,031
Deferred tax liabilities	
Reserve for reduction entry	(30,260)
Other	(13,287)
Total	(43,547)
Net deferred tax assets	66,484

2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the non-consolidated statements of income, if there is a significant difference

Same as left

(Business Combination)

Fiscal year ended March 31, 2008

No items to report

Fiscal year ended March 31, 2009

Transactions under common control

Notes to this item are omitted because they are presented in (Business Combination) of “Notes to Consolidated Financial Statements.”

(Per share information)

Fiscal year ended March 31, 2008		Fiscal year ended March 31, 2009	
Net assets per share	¥189,616.56	Net assets per share	¥192,595.36
Net income per share	¥13,689.35	Net income per share	¥9,356.60
Diluted net income per share	¥13,689.21	Diluted net income per share	¥9,355.78

Note: Basis for computing basic and diluted net income per share is as follows:

	Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
Net income per share		
Net income (Millions of yen)	131,145	89,637
Amounts not available to common shareholders (Millions of yen)	–	–
Net income related to common shares (Millions of yen)	131,145	89,637
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
(of which, subscription rights to 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	–	–

(Important subsequent events)

Fiscal year ended March 31, 2008	Fiscal year ended March 31, 2009
JT's Board of Directors resolved on April 18, 2008, that regarding JT's defunct condominiums and unused warehouses, JT would demolish the existing buildings on the individual properties, should it contribute to the sale of the land or increase its property value. JT estimates the losses resulting from the demolition to be at approximately ¥15.0 billion, which would be allocated as extraordinary losses in the fiscal year ending March 31, 2009.	1. JT's Board of Directors resolved on April 30, 2009 that JT would close three cigarette factories in Japan. The Morioka Factory and the Yonago Factory will cease to manufacture at the end of March 2010, and the Odawara Factory will cease to manufacture at the end of March 2011. The financial impact of this resolution has not yet been confirmed. 2. JT's Board of Directors resolved on April 30, 2009, that JT would roll over part of the redemption of JT's First Series Straight Bonds issued in Japan and maturing on June 25, 2009 (issue price: ¥150 billion), by issuing other domestic straight bonds. Based on this resolution, JT issued the following straight bonds. The Fifth Series Straight Bonds with General Mortgage (1) Type of bonds Straight bonds (2) Total amount of issue ¥100.0 billion (3) Interest rate 1.128% per annum (4) Issue price ¥100 per face value of ¥100 (5) Redemption price ¥100 per face value of ¥100 (6) Issue date June 3, 2009 (7) Redemption date June 3, 2014 (8) Method of redemption Redemption at maturity; provided, however, that JT may repurchase and redeem the bonds after the date of issuance. (9) Mortgage General mortgage under the JT Law (10) Purpose of funds Funds for bond retirement (11) Financial covenant No such special provisions

(4) Supplementary statements

Detailed statement of short-term investment securities

(Shares)

Issues			Number of shares (Share)	Balance sheet amount (Millions of yen)
Investment securities	Available-for-sale securities	KT&G Corporation	2,864,904	15,326
		UNIMAT LIFE CORPORATION	3,739,500	3,122
		Mizuho Financial Group, Inc.	12,750,700	2,397
		Mitsubishi UFJ Financial Group, Inc.	5,015,750	2,387
		Seven & i Holdings Co., Ltd.	852,000	1,840
		DOUTOR-NICHIRES Holdings Co., Ltd.	1,320,000	1,677
		Sumitomo Mitsui Financial Group, Inc.	340,901	1,162
		Electric Power Development Co., Ltd.	213,600	623
		Nippon Telegraph and Telephone Corporation	153,000	570
		Central Japan Railway Company	1,000	554
		56 other issues	17,135,925	5,760
Total			44,387,280	35,423

(Bonds)

Issues			Total face value (Millions of yen)	Balance sheet amount (Millions of yen)
Investment securities	Available-for-sale securities	Convertible bonds (2 issues)	80	81
Total			80	81

(Other)

Issues			Number of shares	Balance sheet amount (Millions of yen)
Investment securities	Available-for-sale securities	Real-estate investment trust beneficiary certificates	5,891	2,857
		Preferred securities	1,115,540	999
		Securities issued by government agencies	50,000	500
		Limited liabilities partnership for investments (1 partnership)	100	31
Total			–	4,388

Detailed statement of property, plant and equipment and others

(Millions of yen)

Type of assets	Balance as of March 31, 2008	Increase in the fiscal year ended March 31, 2009	Decrease in the fiscal year ended March 31, 2009	Balance as of March 31, 2009	Accumulated depreciation or accumulated amortization as of March 31, 2009	Depreciation during the fiscal year ended March 31, 2009	Balance as of March 31, 2009
Property, plant and equipment							
Buildings	452,370	5,592	35,638 (11,999)	422,323	293,778	10,356	128,545
Structures	24,275	205	2,085 (128)	22,395	18,555	516	3,839
Machinery and equipment	334,071	20,748	20,611	334,208	268,085	14,899	66,122
Vehicles	924	1,661	59	2,527	1,077	291	1,449
Tools, furniture and fixtures	58,482	44,525	5,638	97,368	66,613	23,283	30,754
Land	105,784	154	4,914 (406)	101,025	–	–	101,025
Construction in progress	6,439	28,293	27,899	6,833	–	–	6,833
Total property, plant and equipment	982,347	101,181	96,847 (12,534)	986,681	648,110	49,347	338,571
Intangible assets							
Goodwill	33,095	–	–	33,095	27,938	5,156	5,156
Patent right	37,193	34	–	37,227	36,776	144	451
Leasehold right	126	–	–	126	–	–	126
Right of trademark	297,230	357	–	297,588	292,684	29,661	4,904
Design right	214	–	–	214	197	3	17
Software	48,059	3,069	792	50,336	39,697	4,249	10,639
Other	1,013	17	45	985	819	14	165
Total intangible assets	416,932	3,478	837	419,573	398,112	39,229	21,461
Long-term prepaid expenses	12,504	2,890	1,214	14,179	7,665	1,598	6,514

Notes: 1. “Increase in the fiscal year ended March 31, 2009” of Tools, furniture and fixtures include finance lease transactions that do not transfer ownership which were capitalized as noncurrent assets (¥34,206 million) before “Accounting Standard for Lease Transactions” and “Guidance on Accounting Standard for Lease Transactions” became effective.

2. The figures in parenthesis in “Decrease in the fiscal year ended March 31, 2009” represent impairment losses included in figures above.

3. Major breakdowns of “Increase in the fiscal year ended March 31, 2009” and “Decrease in the fiscal year ended March 31, 2009” are as follows:

(Millions of yen)

Buildings	Decrease	Defunct condominiums and other	33,147
Machinery and equipment	Increase	Tobacco products manufacturing equipment and other	19,782
	Decrease	Tobacco products manufacturing equipment and other	19,068
Tools, furniture and fixtures	Increase	Lease assets and other (vending machines etc.)	37,700
Land	Decrease	Defunct condominiums and other	4,892

Detailed statement of reserve allowances

(Millions of yen)

Category	Balance as of March 31, 2008	Increase in the fiscal year ended March 31, 2009	Decrease in the fiscal year ended March 31, 2009 (specific purposes)	Decrease in the fiscal year ended March 31, 2009 (other)	Balance as of March 31, 2009
Allowance for doubtful accounts	11,317	229	2,268	1,388	7,890
Provision for bonuses	13,056	12,990	13,056	–	12,990

Note: “Decrease in the fiscal year ended March 31, 2009 (other)” for allowance for doubtful accounts consists of ¥15 million of provision by mark-to-market using a credit loss ratio based on past experience for general receivables and ¥1,373 million of reversal due to collection.

(2) Principal assets and liabilities

Breakdowns of assets and liabilities as of March 31, 2009 are as follows.

1. Assets

a. Cash and deposits

(Millions of yen)

Category	Amount
Cash	1,171
Type of deposits	
Checking accounts	1
Saving accounts	5,058
Time deposit	859
Subtotal	5,918
Total	7,090

b. Accounts receivable-trade

i. Balance by business partner

(Millions of yen)

Business partner	Amount
JT International S.A.	10,366
JT Beverage Inc.	7,073
LAWSON, INC.	4,361
FamilyMart Co., Ltd.	3,510
Circle K Sunkus Co., Ltd.	3,367
Other	20,766
Total	49,446

ii. Accrual, collection and retention of accounts receivable-trade

Balance carried from the fiscal year ended March 31, 2008 (Millions of yen) (A)	Accrual in the fiscal year ended March 31, 2009 (Millions of yen) (B)	Collection in the fiscal year ended March 31, 2009 (Millions of yen) (C)	Balance carried forward (Millions of yen) (D)	Collection rate (%) $\frac{(C)}{(A)+(B)} \times 100$	Detention period (Day) $\frac{\frac{(A)+(D)}{2}}{\frac{(B)}{365}}$
50,447	2,278,884	2,279,885	49,446	97.9	8.0

Note: In JT's accounting, consumption taxes are, in general, excluded from transaction amounts. However, "Accrual in the fiscal year ended March 31, 2009" above includes consumption taxes.

c. Inventories

i. Merchandise and finished goods

(Millions of yen)

	Item	Amount
Merchandise	Vending Machinery-related products	87
	Other	47
	Subtotal	134
Finished goods	Tobacco products	18,284
	Other	2,847
	Subtotal	21,132
Total		21,266

ii. Semi-finished goods

(Millions of yen)

Item	Amount
Processed raw materials for tobacco products (thrashed tobacco)	118,789
Total	118,789

iii. Work in process

(Millions of yen)

Item	Amount
Tobacco products	3,659
Other	47
Total	3,706

iv. Raw materials and supplies

(Millions of yen)

	Item	Amount
Raw materials	Leaf tobacco	25,653
	Other	3,502
	Subtotal	29,156
Supplies	Supplies for tobacco products	3,916
	Other	4,433
	Subtotal	8,350
Total		37,506

d. Stock of subsidiaries and affiliates

(Millions of yen)

Issue	Amount
JT Europe Holding B.V.	1,831,099
Katokichi Co., Ltd.	142,718
Japan Beverage Inc.	47,564
Torii Pharmaceutical Co., Ltd.	41,580
Japan Filter Technology Co., Ltd.	12,521
Other	21,041
Total	2,096,524

2. Liabilities

a. Accounts payable-trade

(Millions of yen)

Business partner	Amount
Japan Filter Technology Co., Ltd.	2,434
JT International S.A.	1,324
HOKKAI CAN CO.,LTD	964
TOPPAN PROSPRINT CO., LTD.	866
KEY COFFEE INC.	599
Other	7,402
Total	13,592

b. Short-term loans payable from cash management system

Details are described in "Notes to non-consolidated balance sheets, Notes to non-consolidated financial statements of (1) Non-consolidated financial statements in 2. Non-consolidated financial statements, etc."

c. Bonds payable

The breakdown is described in "Detailed statement of bonds payable, (5) Supplementary statements–consolidated of (1) Consolidated financial statements in 1. Consolidated financial statements, etc."

d. Provision for retirement benefits

i. Retirement benefits

(Millions of yen)

Category	Amount
Projected benefit obligations	158,059
Fair value of plan assets	(85,541)
Actuarial gain recognized in earnings	(12,861)
Prior service cost recognized in earnings	(6,378)
Prepaid pension cost	19,707
Subtotal	72,985

ii. Obligations pertaining to mutual assistance association (Note)

(Millions of yen)

Category	Amount
Benefit obligations	116,889
Unrecognized actuarial loss	1,388
Subtotal	118,278

(Millions of yen)

Total	191,264

Note: As described in "(3) Provision for retirement benefits, 6. Basis for reserve allowances of Significant accounting policies of (1) Non-consolidated financial statements in 2. Non-consolidated financial statements, etc.," JT computes the amount of mutual assistance association obligation separately and includes it in provision for retirement benefits.

(3) Other

No items to report

VI. Outline of filing company’s business concerning shares

Fiscal year	From April 1 to March 31
Annual General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Share trade unit	Not applicable.
Purchase of shares less than one unit: Office for handling business Shareholder registry administrator Forwarding office Handling charge for purchase	 Not applicable. Not applicable. Not applicable. Not applicable.
Method of public notice	Electronic public notice will be made. However, if JT is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice on “The Nikkei” newspaper. Electronic public notice will be notified on JT’s website (http://www.jti.co.jp/).
Special benefits for shareholders	Special benefits for shareholders (1) Scope: All shareholders who appear in the shareholder registry as of March 31 and September 30 each year and hold one or more shares. (2) Description: JT presents one of various own products (including products of JT Group companies and gifts and novelties with JT name) a. Shareholders with one or more than one and less than five shares: ¥2,000 equivalent b. Shareholders with five or more shares: ¥3,000 equivalent

VII. Reference Information on Filing Company

1. Information on filing company's parent company

JT does not have a parent company as described by the provisions of Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, JT has filed the following documents.

(1) Annual Securities Report and Appendices

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2008.

23rd term; from April 1, 2007 to March 31, 2008

(2) Quarterly Securities Report and Written Confirmation

Filed to Director-General of Kanto Local Finance Bureau on August 13, 2008.

(First quarter of the 24th term; from April 1, 2008 to June 30, 2008)

Filed to Director-General of Kanto Local Finance Bureau on November 14, 2008.

(Second quarter of the 24th term; from July 1, 2008 to September 30, 2008)

Filed to Director-General of Kanto Local Finance Bureau on February 13, 2009.

(Third quarter of the 24th term; from October 1, 2008 to December 31, 2008)

(3) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on June 23, 2008.

Extraordinary Report based on Article 19, paragraph (2), item (iii) (Changes in Specified Subsidiaries) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed to Director-General of Kanto Local Finance Bureau on September 19, 2008.

Extraordinary Report based on Article 19, paragraph (2), item (ii-2) (Issuance of Subscription Rights to Shares as Stock Options) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(4) Amendment Reports of Annual Securities Report

Filed to Director-General of Kanto Local Finance Bureau on February 6, 2009.

Amendment Report of Annual Securities Report filed on June 24, 2008.

(5) Amendment Report of Semiannual Securities Report

Filed to Director-General of Kanto Local Finance Bureau on May 1, 2008 and June 23, 2008.

Amendment Report of Semiannual Securities Report filed on December 27, 2007.

(6) Amendment Report of Quarterly Securities Report and Written Confirmation

Filed to Director-General of Kanto Local Finance Bureau on February 6, 2009.

Amendment Report and Written Confirmation of Quarterly Securities Report filed on August 13, 2008.

Filed to Director-General of Kanto Local Finance Bureau on February 6, 2009.

Amendment Report and Written Confirmation of Quarterly Securities Report filed on November 14, 2008.

Filed to Director-General of Kanto Local Finance Bureau on March 6, 2009.

Amendment Report and Written Confirmation of Quarterly Securities Report filed on February 13, 2009.

(7) Amendment Report of Extraordinary Report

Filed to Director-General of Kanto Local Finance Bureau on October 7, 2008.

Amendment Report of Extraordinary Report filed on September 19, 2008.

(8) Shelf Registration Statement (straight bonds) and Appendices

Filed to Director-General of Kanto Local Finance Bureau on April 20, 2009.

(9) Amendment to Shelf Registration Statement

Filed to Director-General of Kanto Local Finance Bureau on May 1, 2008, June 23, 2008, June 24, 2008, August 13, 2008, September 19, 2008, October 7, 2008, November 14, 2008, February 6, 2009, February 13, 2009, and March 6, 2009.

Amendment to Shelf Registration Statements pertaining to Shelf Registration Statement (straight bonds) filed on May 25, 2007.

(10) Shelf Registration Supplement (straight bonds) and Appendices

Filed to Director-General of Kanto Local Finance Bureau on May 28, 2009.

(11) Withdrawal Report of Shelf Registration (straight bonds)

Filed to Director-General of Kanto Local Finance Bureau on April 20, 2009.

B. Information on Guarantee Companies, etc. of Filing Company

No items to report

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

INDEPENDENT AUDITORS' REPORT

June 24, 2008

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 paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, changes in net assets and cash flows, and consolidated supplementary schedules of Japan Tobacco Inc. and consolidated subsidiaries for the fiscal year from April 1, 2007 to March 31, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. and consolidated subsidiaries as of March 31, 2008, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Additional information, JTI-Macdonald Corp. ("JTI-MC"), JT's Canadian subsidiary, received a Notice of Assessment from the Quebec Ministry of Revenue on August 11, 2004, demanding payment of approximately 1.36 billion Canadian dollars. JTI-MC filed an application for protection with the Ontario Superior Court of Justice on August 24, 2004, under the Companies' Creditors Arrangement Act, to make it possible for JTI-MC to continue business operations with its assets safeguarded.

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

Notes: 1. The document presented above is a digitized copy of the original version of the Accountants’ Report. The original report is kept separately by JT (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

June 23, 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)

[Audit of Financial Statements]

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, changes in net assets and cash flows, and consolidated supplementary schedules of Japan Tobacco Inc. and consolidated subsidiaries for the fiscal year from April 1, 2008 to March 31, 2009. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. and consolidated subsidiaries as of March 31, 2009, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

As discussed in Additional information, JTI-Macdonald Corp. ("JTI-MC"), JT's Canadian subsidiary, received a Notice of Assessment from the Quebec Ministry of Revenue on August 11, 2004, demanding payment of approximately 1.36 billion Canadian dollars (approximately ¥106.4 billion). JTI-MC filed an application for protection with the Ontario Superior Court of Justice on August 24, 2004, under the Companies' Creditors Arrangement Act, to make it possible for JTI-MC to continue business operations with its assets safeguarded.

[Audit of Internal Control over Financial Reporting]

Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management’s report on internal control over financial reporting of Japan Tobacco Inc. as

of March 31, 2009. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over finacial reporting.
We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.
In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Japan Tobacco Inc. as of March 31, 2009 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

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

Notes: 1. The document presented above is a digitized copy of the original version of the Accountants' Report. The original report is kept separately by JT (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of the consolidated financial statements.

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

INDEPENDENT AUDITORS' REPORT

June 24, 2008

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 paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the Financial Section, namely, the balance sheet and the related statements of income, changes in net assets, and supplemental schedules of Japan Tobacco Inc. for the 23rd fiscal year from April 1, 2007 to March 31, 2008. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. as of March 31, 2008, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

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

INDEPENDENT AUDITORS' REPORT

June 23, 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 paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the Financial Section, namely, the balance sheet and the related statements of income, changes in net assets, and supplemental schedules of Japan Tobacco Inc. for the 24th fiscal year from April 1, 2008 to March 31, 2009. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. as of March 31, 2009, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

Notes: 1. The document presented above is a digitized copy of the original version of the Accountants' Report. The original report is kept separately by JT (the filing company of the Annual Securities Report).
2. XBRL data is not included in the scope of the financial statements.