[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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Document to be filed:	Quarterly Securities Report
Provisions to base upon:	Article 24-4-7, paragraph (1) of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	August 13, 2009
Quarterly financial period:	First quarter of the 25th term (from April 1, 2009 to June 30, 2009)
Company name (Japanese):	日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
Company name (English):	JAPAN TOBACCO INC.
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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 (consolidated)

Term	Three months ended June 30, 2008 (First quarter of the 24th term)	Three months ended June 30, 2009 (First quarter of the 25th term)	24th term
Accounting period	From April 1, 2008 to June 30, 2008	From April 1, 2009 to June 30, 2009	From April 1, 2008 to March 31, 2009
Net sales (Millions of yen)	1,719,819	1,463,121	6,832,307
Ordinary income (Millions of yen)	72,551	78,814	307,586
Net income (Millions of yen)	16,910	42,869	123,400
Net assets (Millions of yen)	1,700,582	1,743,545	1,624,288
Total assets (Millions of yen)	4,571,831	3,940,033	3,879,803
Net assets per share (Yen)	169,740.85	174,606.49	162,087.74
Net income per share (Yen)	1,765.17	4,474.90	12,880.90
Diluted net income per share (Yen)	1,765.09	4,474.44	12,879.77
Equity ratio (%)	35.57	42.46	40.02
Net cash provided by (used in) operating activities (Millions of yen)	(31,808)	32,943	275,271
Net cash provided by (used in) investing activities (Millions of yen)	(25,612)	(13,074)	(65,008)
Net cash provided by (used in) financing activities (Millions of yen)	102,436	(74,726)	(217,470)
Cash and cash equivalents at end of period (Millions of yen)	216,281	118,668	167,257
Number of employees (Person)	49,432	48,911	47,977

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as JT prepares quarterly consolidated financial statements.

2. Net sales do not include consumption taxes, etc.

2. Business description

During the first quarter, there were neither material changes in the business of the JT Group (JT, 264 consolidated subsidiaries and 20 affiliates accounted for by the equity method) nor changes in principal subsidiaries and affiliates.

3. Status of subsidiaries and affiliates

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

4. Status of employees

(1) Consolidated companies

(As of June 30, 2009)

Number of employees (Person)	48,911 [11,412]

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

2. The number of employees in foreign subsidiaries in which the closing dates of the first quarter accounting period fall on March 31 is calculated using the number of employees as of March 31, 2009.

(2) Filing company (JT)

(As of June 30, 2009)

Number of employees (Person)	9,220 [1,199]

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

2. The number of employees includes contract employees (93), employees on leave (63) and employees transferred to JT (73), but excludes employees transferred from JT and employees on long-term leave prior to retirement (total 1,068).

II. Review of operations

1. Status of production, orders received and sales

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

Therefore, details of “production, orders received and sales” are presented in connection with the operating results by business segment in “4. Analysis of financial position, operating results and cash flow position.”

2. Business and other risks

In the first quarter ended June 30, 2009, there were no new businesses or other risks.
Also, there were no material changes in the business and other risks mentioned in the previous fiscal year’s Annual Securities Report.

3. Material operational contracts, etc.

No material operational contracts were decided or entered into during the first quarter.

4. Analysis of financial position, operating results and cash flow position

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

(1) Operating results

The global economy during the first quarter ended June 30, 2009 further deteriorated in the vicious cycle spawned by the financial crisis and worsening real economy. The Japanese economy also continued on a stringent path as corporate earnings declined and the employment situation deteriorated, despite partial improvements witnessed in exports and production.

Under these circumstances, the JT Group is effecting measures under our medium-term management plan “JT-11” established in April 2009 towards making of sustainable growth possible for the future by effecting future-oriented investments and constant operational improvements.

The closing date of the first quarter accounting period of the consolidated subsidiaries allocated to the international tobacco business segment is March 31, and their financial results used for the consolidated first quarter results are for the three months from January 1 to March 31, 2009.

Net sales for the first quarter declined by ¥256.6 billion, or 14.9%, from the same period of the previous fiscal year to ¥1.4631 trillion. Major factors were a decline in the sales volume as a result of a fall in overall demand on the domestic tobacco business and a negative impact from currency exchange in the international tobacco business. Cost of sales fell by ¥208.6 billion, or 15.0%, from the same period of the previous fiscal year to ¥1.1858 trillion and selling, general and administrative expenses decreased by ¥21.8 billion, or 10.2%, from the same period of the previous fiscal year to ¥192.9 billion. Operating income fell by ¥26.1 billion, or 23.7%, from the same period of the previous fiscal year to ¥84.2 billion. This was due to the decrease in net sales despite lower amortization expenses following the completion of the amortization of some trademark rights in the domestic tobacco business. Ordinary income increased by ¥6.2 billion, or 8.6%, from the same period of the previous fiscal year to ¥78.8 billion due to a decrease of interest expenses and a great improvement in foreign exchange gain/loss. Net income increased by ¥25.9 billion, or 153.5%, from the same period of the previous fiscal year to ¥42.8 billion. Major factors were an increase in the gain on sales of noncurrent assets and the absence of losses related to the demolition of company-owned residences for employees as well as introduction costs for vending machines with adult identification functions during the same period of the previous fiscal year.

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 secure our competitive advantages over competitors, we are building a strong brand portfolio and working tirelessly to enhance our added-value and quality for the maximization of customer satisfaction as well as build a highly cost efficient business framework.

During the first quarter, 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 the nationwide release of Mild Seven 100's Box and Mild Seven Light 100's Box. Also released nationwide was Cabin Roast Blend 100's Box, which had been released in limited regions.

Furthermore, thanks to a completely new charcoal filter made using new technology, the Seven Stars Black Charcoal Menthol Box, a new product with extremely sharp, strong menthol taste, will be released nationwide in the beginning of August 2009.

The sales volume of cigarettes for the domestic tobacco business during the first quarter decreased by 3.0 billion cigarettes, or 7.2%, from the same period of the previous fiscal year to 39.0 billion cigarettes (Note) due to an overall decline in demand and absence of the increase in sales volume to convenience stores during the same period of the previous fiscal year when vending machines with adult identification functions were introduced. However, our market share rose to 65.1%, or by 0.2 point, and net sales per 1,000 cigarettes (tax excluded) was ¥4,056, as a result of the active sales promotion activities and the introduction of new products.

Consequently, net sales for our domestic tobacco business in the first quarter declined by ¥62.8 billion, or 7.5%, from the same period of the previous fiscal year to ¥779.7 billion due to a decrease in sales volume. Operating income fell by ¥1.2 billion, or 2.2%, to ¥54.6 billion, due to a decrease in net sales despite lower amortization expenses following the completion of the amortization of some trademark rights.

The volume of cigarettes manufactured in Japan during the first quarter decreased by 2.2 billion cigarettes, or 4.5%, from the same period of the previous fiscal year to 46.8 billion cigarettes.

Note: In addition to the figure stated above, during the first quarter, the domestic tobacco business also sold 0.9 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 JT's China Division.

International tobacco business

The international tobacco business is further continuing its role as the profit growth engine for the JT Group. We will concentrate our resources on the GFB (Note 1) and increase margin rates by improving unit prices, etc. in our quest to actively explore opportunities for top-line growth.

The sales volume of the GFB during the first quarter increased by 1.5 billion cigarettes, or 2.6%, from the same period of the previous fiscal year to 57.1 billion cigarettes. This was mainly due to the steady sales growth of Winston in Turkey, Russia, France, Italy and Spain; Camel in Italy; and Mild Seven in Korea and Taiwan. However, the volume of our international tobacco business's cigarette sales including GFB decreased by 1.4 billion cigarettes, or 1.4%, from the same period of the previous fiscal year to 100.9 billion cigarettes (Note 2) due to the temporary suspension of shipments to the Middle East and the replacement of a license agreement with outsourced manufacturing in the Philippines.

Consequently, net sales for our international tobacco business in the first quarter declined by ¥175.0 billion, or 23.5%, from the same period of the previous fiscal year to ¥568.3 billion and operating income fell by ¥18.8 billion, or 36.1%, to ¥33.3 billion, as a result of the devaluation of the currencies of major markets against the U.S. dollar, which is used by the subsidiary which consolidates the accounts of the subsidiaries in the international tobacco business, compared to the same period in the previous fiscal year, compounded by the effects of a high yen when making conversions to that currency.

The volume of cigarettes manufactured overseas during the first quarter decreased by 0.5 billion cigarettes, or 0.6%, from the same period of the previous fiscal year to 93.7 billion cigarettes (Note 3).

Notes: 1. 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).

2. From the current fiscal year, the sales volume of the international tobacco business's cigarette sales includes the sales volume of cigars, pipes and snus. For the first quarter ended June 30, 2009, the sales volume of cigars, pipes and snus was 0.1 billion. Also, the sales volume of private label products, mainly for the German market and previously included in the sales volume of the international tobacco business's cigarette sales, was excluded from the current fiscal year. The sales volume of private label products was 1.2 billion during the first quarter ended June 30, 2009.

3. From the current fiscal year, the volume of cigarettes manufactured overseas includes the volume of cigars, pipes and snus manufactured. For the first quarter ended June 30, 2009, the volume of cigars, pipes and snus manufactured was 0.1 billion. Also, the volume of private label products manufactured, mainly for the German market and previously included in the volume of cigarettes manufactured overseas, was excluded from the current fiscal year. The volume of private label products manufactured was 0.9 billion during the first quarter ended June 30, 2009.

* The foreign exchange rate during the first quarter was ¥93.76 per U.S. dollar, compared with ¥105.25 per U.S. dollar in the same period of the previous fiscal year.

Pharmaceutical business

In the pharmaceutical business, we 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. The number of compounds developed in-house that are under clinical development is now nine.

Also, we will continue to explore strategic opportunities for license-in and license-out and strengthen alliances with business partners so that we can realize the value of the pharmaceutical business at an early date.

Regarding the business performance by our subsidiary Torii Pharmaceutical Co., Ltd. ("Torii"), despite the decline in sales of FUTHAN for injection use, a protease inhibitor, in March 2009, Torii began selling REMITCH CAPSULES, an oral antiprutitus drug for hemodialysis patients, and enjoyed growth in sales for Truvada Tablets, an anti-HIV drug, and Serotone, an agent used for the treatment of emesis, leading to an increase in sales.

Consequently, net sales for our pharmaceutical business declined by ¥4.9 billion, or 31.0%, from the same period of the previous fiscal year to ¥11.1 billion and operating loss was ¥3.2 billion, compared with an operating income of ¥2.1 billion in the same period of the previous fiscal year. This is mainly due to the lack of any milestone revenue such as that which was recorded during the same period of the previous fiscal year related to the progress made in the development of anti-dyslipidemia compound JTT-705, licensed to Roche in October 2004, despite the increase in sales from Torii.

Foods business

The foods business is 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 are further strengthening our flagship Roots brand and expanding our sales channels, mainly through our subsidiary, Japan Beverage Inc., a vending machine operator, steadily expanding our business through these measures and promoting efforts to bolster our earning capabilities.

Regarding the processed foods and seasonings sectors, we are working to expand the business volume and establish a strong business foundation by propping up each value chain function within the Katokichi Group.

Also, a change in company name is planned for our subsidiary, Katokichi Co., Ltd., during the fiscal year ending March 31, 2010.

Consequently, net sales for our foods business declined by ¥13.7 billion, or 12.2%, from the same period of the previous fiscal year to ¥98.8 billion due to our withdrawal from chilled processed foods and the exclusion from the scope of consolidation of some subsidiaries despite strong results in the beverage sector. Concerning profits, the foods business had an operating loss of ¥3.6 billion, down ¥0.9 billion compared with an operating loss of ¥2.7 billion in the same period of the previous fiscal year, because of the impact of amortization of goodwill following the additional purchase of shares of the subsidiary Green Foods Co., Ltd. by Katokichi Co., Ltd. in June 2009.

Other business

Net sales for our other business declined by ¥0.03 billion, or 0.6%, from the same period of the previous fiscal year to ¥4.9 billion and operating income increased by ¥0.4 billion, or 16.0%, to ¥2.9 billion.

Operating results by geographical segment are as follows.

Japan

Net sales in Japan during the first quarter amounted to ¥889.9 billion, down ¥72.4 million from the same period of the previous fiscal year, or 7.5%, and operating income was ¥50.0 billion, down ¥7.6 billion from the same period of the previous fiscal year, or 13.3%.

Western Europe

Net sales in Western Europe during the first quarter amounted to ¥368.2 billion, down ¥128.4 billion from the same period of the previous fiscal year, or 25.9%, and operating loss was ¥6.9 billion, compared to the operating income of ¥6.3 billion recorded in the same period of the previous fiscal year.

Others

Net sales for other region during the first quarter amounted to ¥204.8 billion, down ¥55.8 billion from the same period of the previous fiscal year, or 21.4%, and operating income was ¥40.7 billion, down ¥5.4 billion from the same period of the previous fiscal year, or 11.8%.

(2) Operational and financial issues to be addressed

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

(3) Research and development activities

Research and development expenses for the entire JT Group during the first quarter were ¥12.1 billion.

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

(4) Analysis of capital resources and liquidity of funds

a. Capital demand

   Funds are allocated for 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. Capital resources

   The necessary capital was mainly procured from cash provided by operating activities, loans from financial institutions and long-term bond issuances.

c. Cash flows

Cash and cash equivalents at the end of the first quarter stood at ¥118.6 billion, representing a ¥48.5 billion decrease from the end of the previous fiscal year-end. (Net cash at the end of three-month period of the previous year was ¥21.6 billion.)

Cash provided by operating activities

Cash provided by operating activities during the first quarter was ¥32.9 billion, compared with ¥31.8 billion used in the same period of the previous fiscal year, mostly due to payment of income taxes and bonuses, etc. offsetting income before income taxes and minority interests amounting to ¥83.6 billion mostly attributable to the generation of a stable flow of cash from the tobacco business.

Cash used in investing activities

Cash used in investing activities during the first quarter was ¥13.0 billion, compared with ¥25.6 billion used in the same period of the previous fiscal year, due to the purchase of property, plant and equipment despite proceeds from sales of abandoned company residential buildings.

Cash used in financing activities

Cash used in financing activities during the first quarter was ¥74.7 billion, compared with ¥102.4 billion provided in the same period of the previous fiscal year. The main factors were the cash used for issuance and redemption of bonds and the payment of cash dividends.

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) Status of main facilities

There were no material changes during the first quarter in main facilities.

(2) Plans for new installation and disposal of facilities

There were no material changes during the first quarter in the new installation and expansion of facilities that were in the planning stage as of the end of the previous fiscal year.

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 (Share)
Common stock	40,000,000
Total	40,000,000

b. Number of shares issued

Class	Number of shares issued (Share; as of June 30, 2009)	Number of shares issued (Share; as of the date of filing: August 13, 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 the government must continue to hold more than one-third of all JT issued shares.

2. Standard class of shares with no rights limitations. No unit share system is adopted.

(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 June 30, 2009
Number of stock acquisition rights	426 units
Of which, the number of treasury stock acquisition rights	–
Class of shares to which stock acquisition rights apply	Common stock (Standard class of shares with no rights limitations. No unit share system is adopted.)
Number of shares to which stock acquisition rights apply	426 shares (Note 1)
Paying due upon exercise of stock acquisition rights per share	¥1 per share
Exercise period of stock acquisition rights	From January 9, 2008 to January 8, 2038
Issue price if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	¥581,269 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of stock acquisition rights	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 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 stock acquisition rights should be the amount obtained by subtracting the capital amount to be increased as specified in a. above from the maximum capital increase amount described in a. above.
Conditions for exercising stock acquisition rights	a. The person who is a holder of stock acquisition rights and is recorded in the registry of stock acquisition rights (hereinafter, "Stock Acquisition Rights Holder") may exercise his/her stock acquisition rights only if he/she forfeit his/her all position as director (including executive officers at companies with committees), auditor and operating officer. b. In cases where Stock Acquisition Rights Holders waive their stock acquisition rights, they cannot exercise those stock acquisition rights.
Assignment of stock acquisition rights	The approval of the Board of Directors is required for the assignment of stock acquisition rights.
Matters regarding surrogate payments	–
Provisions for acquiring stock acquisition rights	(Note 2)
Matters regarding deliver of stock acquisition rights accompanied by reorganization	(Note 3)

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

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

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

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

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

   In this case, JT shall, in exchange for acquiring each stock acquisition right, 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 stock acquisition rights.

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

   a. Proposal to ask approval of a contract of merger where JT is not 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 merges (limited to cases where JT is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where JT becomes the split company in either case) or exchanges or transfers shares (limited to cases where JT becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, "Reorganization"), JT shall, in each case, deliver stock acquisition rights 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 Stock Acquisition Rights Holders that have stock acquisition rights existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of share exchange when it is a share exchange, or the incorporation date of a wholly-owning parent company as a result of the share transfer when it is a share transfer (hereinafter, "Remaining Stock Acquisition Rights"). However, it is subject to a condition that the provision that the stock acquisition rights of the company to be reorganized shall be delivered pursuant to the provisions of the items below, is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, share exchange contract or share transfer plan.
   a. Number of stock acquisition rights to be delivered of the company to be reorganized
      Stock acquisition rights whose number is identical to the number of the Remaining Stock Acquisition Rights held by Stock Acquisition Rights Holder
   b. Class of shares of the company to be reorganized to which stock acquisition rights apply
      Common stock of the company to be reorganized
   c. Number of shares of the company to be reorganized to which stock acquisition rights apply
      To be determined in the same manner as Note 1 above, taking terms and other conditions of the Reorganization.
   d. Value of property to be contributed when stock acquisition rights are exercised
      The value of the property to be contributed when each stock acquisition right to be delivered is exercised shall be the amount obtained by multiplying the paid-in amount after Reorganization as specified below by the number of shares of the company to be reorganized to which each stock acquisition right applies, which is decided pursuant to c. above. The paid-in amount after Reorganization shall be ¥1 per share of the shares of the company to be reorganized that would be delivered by exercising the delivered stock acquisition rights.
   e. Period during which stock acquisition rights can be exercised
      From the effective date of the Reorganization to the expiration date of the period during which such stock acquisition rights can be exercised as specified in the "Exercise period of stock acquisition rights" mentioned above
   f. Matters regarding capital and capital reserves that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights
      To be determined in the same manner as the "Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of stock acquisition rights" mentioned above.
   g. Restrictions on acquisition of stock acquisition rights by assignment
      The approval of the board of directors of the company to be reorganized is required for the assignment of stock acquisition rights.
   h. Provision for acquisition of stock acquisition rights
      To be determined in the same manner as Note 2 above.
   i. Other conditions for exercising stock acquisition rights
      To be determined in the same manner as "Conditions for exercising stock acquisition rights" mentioned above.

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

	As of June 30, 2009
Number of stock acquisition rights	547 units
Of which, the number of treasury stock acquisition rights	–
Class of shares to which stock acquisition rights apply	Common stock (Standard class of shares with no rights limitations. No unit share system is adopted.)
Number of shares to which stock acquisition rights apply	547 shares (Note 1)
Paying due upon exercise of stock acquisition rights per share	¥1 per share
Exercise period of stock acquisition rights	From October 7, 2008 to October 6, 2038
Issue price if shares in cases where shares will be issued as a result of exercise of stock acquisition rights	¥285,904 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of stock acquisition rights	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 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 stock acquisition rights should be the amount obtained by subtracting the capital amount to be increased as specified in a. above from the maximum capital increase amount described in a. above.
Conditions for exercising stock acquisition rights	a. The person who is a holder of stock acquisition rights and is recorded in the registry of stock acquisition rights (hereinafter, “Stock Acquisition Rights Holder”) may exercise his/her stock acquisition rights only if he/she forfeit his/her all position as director (including executive officers at companies with committees), auditor and operating officer. b. In cases where Stock Acquisition Rights Holders waive their stock acquisition rights, they cannot exercise those stock acquisition rights.
Assignment of stock acquisition rights	The approval of the Board of Directors is required for the assignment of stock acquisition rights.
Matters regarding surrogate payments	–
Provisions for acquiring stock acquisition rights	(Note 2)
Matters regarding deliver of stock acquisition rights accompanied by reorganization	(Note 3)

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

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

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

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

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

   In this case, JT shall, in exchange for acquiring each stock acquisition right, 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 stock acquisition rights.

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

   a. Proposal to ask approval of a contract of merger where JT is not 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 merges (limited to cases where JT is to be extinguished as a result of the merger), splits and absorbs or splits and incorporates (limited to cases where JT becomes the split company in either case) or exchanges or transfers shares (limited to cases where JT becomes a wholly-owned subsidiary in either case) (collectively, hereinafter, "Reorganization"), JT shall, in each case, deliver stock acquisition rights 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 Stock Acquisition Rights Holders that have stock acquisition rights existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of share exchange when it is a share exchange, or the incorporation date of a wholly-owning parent company as a result of the share transfer when it is a share transfer (hereinafter, "Remaining Stock Acquisition Rights"). However, it is subject to a condition that the provision that the stock acquisition rights of the company to be reorganized shall be delivered pursuant to the provisions of the items below, is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, share exchange contract or share transfer plan.
   a. Number of stock acquisition rights to be delivered of the company to be reorganized
      Stock acquisition rights whose number is identical to the number of the Remaining Stock Acquisition Rights held by Stock Acquisition Rights Holder
   b. Class of shares of the company to be reorganized to which stock acquisition rights apply
      Common stock of the company to be reorganized
   c. Number of shares of the company to be reorganized to which stock acquisition rights apply
      To be determined in the same manner as Note 1 above, taking terms and other conditions of the Reorganization.
   d. Value of property to be contributed when stock acquisition rights are exercised
      The value of the property to be contributed when each stock acquisition right to be delivered is exercised shall be the amount obtained by multiplying the paid-in amount after Reorganization as specified below by the number of shares of the company to be reorganized to which each stock acquisition right applies, which is decided pursuant to c. above. The paid-in amount after Reorganization shall be ¥1 per share of the shares of the company to be reorganized that would be delivered by exercising the delivered stock acquisition rights.
   e. Period during which stock acquisition rights can be exercised
      From the effective date of the Reorganization to the expiration date of the period during which such stock acquisition rights can be exercised as specified in the "Exercise period of stock acquisition rights" mentioned above
   f. Matters regarding capital and capital reserves that will be increased in cases where shares will be issued as a result of the exercise of stock acquisition rights
      To be determined in the same manner as the "Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of stock acquisition rights" mentioned above.
   g. Restrictions on acquisition of stock acquisition rights by assignment
      The approval of the board of directors of the company to be reorganized is required for the assignment of stock acquisition rights.
   h. Provision for acquisition of stock acquisition rights
      To be determined in the same manner as Note 2 above.
   i. Other conditions for exercising stock acquisition rights
      To be determined in the same manner as "Conditions for exercising stock acquisition rights" mentioned above.

(3) Details of rights plan

No items to report

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

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, 2009 to June 30, 2009	–	10,000	–	100,000	–	736,400

(5) Status of major shareholders

A verification of the shareholder registry at June 30, 2009 revealed that Deutsche Bank AG London PB Non-treaty Clients 613 and The Chase Manhattan Bank 385036, both of which were in the top ten major shareholders at March 31, 2009, ceased to be major shareholders with Goldman Sachs and Company Regular Account and Mellon Bank NA as Agent for its Client Melon Omnibus US Pension newly ascended to the top ten major shareholders.

(As of June 30, 2009)

Name of shareholders	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of issued shares (%)
Goldman Sachs and Company Regular Account (Standing proxy: Goldman Sachs Japan Co., Ltd.)	85 BROAD STREET NEW YORK, NY, U.S.A. Roppongi Hills Mori Tower, 10-1, Roppongi 6-chome, Minato-ku, Tokyo, Japan)	80,994	0.81
Mellon Bank NA as Agent for its Client Melon Omnibus US Pension (Standing proxy: Mizuho Corporate Bank, Ltd., Kabutocho Securities Settlement Office)	ONE BOSTON PLACE BOSTON, MA02108 (6-7, Nihonbashi-kabutocho, Chuo-ku, Tokyo, Japan)	75,078	0.75

(6) Status of voting rights

a. Issued shares

(As of June 30, 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. Standard class of shares with no rights limitations. No unit share system is adopted.

b. Treasury stock, etc.

(As of June 30, 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

2. Trends in share price

Monthly highest and lowest share prices during the three months ended June 30, 2009

Month	April 2009	May 2009	June 2009
Highest (Yen)	287,000	288,000	328,000
Lowest (Yen)	232,400	227,000	268,300

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

3. Status of officers

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

V. Accounting

1. Preparation policy of the quarterly consolidated financial statements

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

The quarterly consolidated financial statements for the three months ended June 30, 2008 were prepared in accordance with the pre-revised Regulation for Quarterly Consolidated Financial Statements while those for the first quarter (from April 1, 2009 to June 30, 2009) and for the three months ended June 30, 2009 were prepared in accordance with the revised Regulation for Quarterly Consolidated Financial Statements.

2. Audit attestation

The quarterly consolidated financial statements for the three months ended June 30, 2008 were reviewed by Deloitte Touche Tohmatsu, and the quarterly consolidated financial statements for the first quarter (from April 1, 2009 to June 30, 2009) and for the three months ended June 30, 2009 were reviewed by Deloitte Touche Tohmatsu LLC pursuant to Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

Deloitte Touche Tohmatsu changed auditing firm category and changed its name to Deloitte Touche Tohmatsu LLC on July 1, 2009.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of June 30, 2009	As of March 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	113,745	164,957
Notes and accounts receivable-trade	283,753	290,068
Short-term investment securities	8,838	4,910
Merchandise and finished goods	139,550	122,970
Semi-finished goods	107,775	119,290
Work in process	7,776	6,561
Raw materials and supplies	229,578	215,334
Other	216,949	174,751
Allowance for doubtful accounts	(3,349)	(3,162)
Total current assets	1,104,619	1,095,682
Noncurrent assets		
Property, plant and equipment	* 663,349	* 668,742
Intangible assets		
Goodwill	1,539,748	1,453,961
Right of trademark	356,499	347,372
Other	29,462	30,509
Total intangible assets	1,925,710	1,831,843
Investments and other assets		
Investment securities	92,338	90,230
Other	196,755	234,999
Allowance for doubtful accounts	(42,739)	(41,695)
Total investments and other assets	246,354	283,534
Total noncurrent assets	2,835,414	2,784,121
Total assets	3,940,033	3,879,803
Liabilities		
Current liabilities		
Notes and accounts payable-trade	150,496	158,544
Short-term loans payable	136,375	113,231
Current portion of bonds	42,901	190,363
Current portion of long-term loans payable	25,763	26,380
National tobacco excise tax payable	200,642	172,986
National tobacco special excise tax payable	10,686	10,470
Local tobacco excise tax payable	87,879	85,541
Income taxes payable	41,498	51,777
Provision	24,268	39,172
Other	234,211	244,936
Total current liabilities	954,724	1,093,403

(Millions of yen)

	As of June 30, 2009	As of March 31, 2009 (Summary)
Noncurrent liabilities		
Bonds payable	454,076	349,794
Long-term loans payable	296,883	299,563
Provision for retirement benefits	259,781	259,145
Other provision	1,305	1,318
Other	229,715	252,289
Total noncurrent liabilities	1,241,763	1,162,111
Total liabilities	2,196,487	2,255,514
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,400	736,400
Retained earnings	1,241,034	1,224,989
Treasury stock	(74,578)	(74,578)
Total shareholders' equity	2,002,856	1,986,810
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,587	8,437
Deferred gains or losses on hedges	12	92
Pension liability adjustment of foreign consolidated subsidiaries	(20,188)	(18,965)
Foreign currency translation adjustment	(320,523)	(423,561)
Total valuation and translation adjustments	(330,112)	(433,997)
Subscription rights to shares	404	364
Minority interests	70,397	71,109
Total net assets	1,743,545	1,624,288
Total liabilities and net assets	3,940,033	3,879,803

(2) Quarterly consolidated statements of income (cumulative)

(Millions of yen)

		Three months ended June 30, 2008		Three months ended June 30, 2009
Net sales		1,719,819		1,463,121
Cost of sales		1,394,538		1,185,876
Gross profit		325,280		277,244
Selling, general and administrative expenses	*1	214,833	*1	192,970
Operating income		110,447		84,273
Non-operating income				
Interest income		2,008		1,472
Dividends income		1,386		1,181
Foreign exchange gains		–		1,055
Other		3,037		1,759
Total non-operating income		6,433		5,469
Non-operating expenses				
Interest expenses		11,384		8,194
Foreign exchange losses		29,771		–
Financial support for domestic leaf tobacco growers		39		73
Other		3,133		2,659
Total non-operating expenses		44,329		10,928
Ordinary income		72,551		78,814
Extraordinary income				
Gain on sales of noncurrent assets		678		9,117
Lump sum income from phasing out trade agreement		600		–
Other		77		1,125
Total extraordinary income		1,355		10,243
Extraordinary loss				
Loss on sales of noncurrent assets		121		1,601
Loss on retirement of noncurrent assets		4,998		1,187
Impairment loss	*2	10,480		229
Loss on liquidation of business		–		1,335
Introduction costs for vending machines with adult identification functions		7,786		–
Other		1,353		1,088
Total extraordinary losses		24,740		5,443
Income before income taxes and minority interests		49,166		83,614
Income taxes		30,509		39,292
Minority interests in income		1,745		1,452
Net income		16,910		42,869

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2008	Three months ended June 30, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	49,166	83,614
Depreciation and amortization	43,379	33,256
Impairment loss	10,480	229
Loss (gain) on sales and retirement of noncurrent assets	(214)	(6,982)
Amortization of goodwill	26,783	24,975
Increase (decrease) in provision for retirement benefits	2,953	(3,075)
Interest and dividends income	(3,395)	(2,653)
Interest expenses	11,384	8,194
Decrease (increase) in notes and accounts receivable-trade	(19,075)	9,907
Decrease (increase) in inventories	(63,416)	(26,363)
Increase (decrease) in notes and accounts payable-trade	(2,326)	(7,392)
Increase (decrease) in accounts payable-other	(28,774)	(6,245)
Increase (decrease) in tobacco excise taxes payable	68,572	21,663
Other, net	(57,518)	(54,173)
Subtotal	37,997	74,954
Interest and dividends income received	3,086	2,936
Interest expenses paid	(10,774)	(7,966)
Income taxes paid	(62,117)	(36,980)
Net cash provided by (used in) operating activities	(31,808)	32,943
Net cash provided by (used in) investing activities		
Proceeds from sales and redemption of securities	1,794	903
Purchase of property, plant and equipment	(17,889)	(25,162)
Proceeds from sales of property, plant and equipment	1,193	12,539
Purchase of intangible assets	(1,834)	(765)
Purchase of investments in subsidiaries	(7,644)	(979)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,061)	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(14)	–
Other, net	1,843	390
Net cash provided by (used in) investing activities	(25,612)	(13,074)
Net cash provided by (used in) financing activities		
Net increase (decrease) in short-term loans payable	63,606	22,970
Proceeds from long-term loans payable	334,621	315
Repayment of long-term loans payable	(270,625)	(17,263)
Proceeds from issuance of bonds	–	99,804
Redemption of bonds	–	(150,000)
Cash dividends paid	(24,546)	(26,454)
Cash dividends paid to minority shareholders	(786)	(2,446)
Repayments of finance lease obligations	–	(1,650)
Other, net	166	–
Net cash provided by (used in) financing activities	102,436	(74,726)
Effect of exchange rate change on cash and cash equivalents	(43,742)	6,268
Net increase (decrease) in cash and cash equivalents	1,273	(48,589)
Cash and cash equivalents at beginning of period	215,008	167,257
Cash and cash equivalents at end of period	* 216,281	* 118,668

Changes in significant matters in preparing quarterly consolidated financial statements

	First quarter ended June 30, 2009
1. Changes in scope of consolidation	(1) Changes in scope of consolidation From the first quarter, Japan Tobacco International S&D FLLC was newly included in the scope of consolidation. A total of 11 companies, including Tokyo Tobacco Shoji Co., Ltd., were excluded from the scope of consolidation due to completion of its liquidation or other reasons. (2) Number of consolidated subsidiaries after changes 264 companies
2. Changes in scope of equity method	(1) Changes in application of the equity method From the first quarter, a total of 2 companies, including DAIREI CO., LTD., were excluded from the scope of the equity method due to transfer of shares or other reasons. (2) Number of affiliates accounted for by the equity method after changes 20 companies

Specific accounting policy adopted in preparing quarterly consolidated financial statements

	First quarter ended June 30, 2009
Calculation of tax expenses	Tax expenses are calculated by multiplying the quarterly income before income taxes and minority interests by the estimated effective tax rate, which is calculated based on estimated annual income before income taxes and minority interests, including this quarterly consolidated statement of income and annual effective tax rate after tax effect accounting adoption. Note that deferred income taxes are included in “Income taxes.”

Notes to quarterly consolidated financial statements

(Notes to quarterly consolidated balance sheets)

As of June 30, 2009	As of March 31, 2009
* Accumulated depreciation of property, plant and equipment amounted to ¥951,009 million.	* Accumulated depreciation of property, plant and equipment amounted to ¥942,782 million.

(Notes to quarterly consolidated statements of income)

<table>
<tr><th>Three months ended June 30, 2008</th><th>Three months ended June 30, 2009</th></tr>
<tr><td>
*1. Major items and their amounts of selling, general and administrative expenses are as follows.
<table>
<tr><td>Advertising expenses</td><td>¥5,310 million</td></tr>
<tr><td>Promotion expenses</td><td>¥36,021 million</td></tr>
<tr><td>Compensations, salaries and allowances</td><td>¥35,990 million</td></tr>
<tr><td>Retirement benefit expenses</td><td>¥3,134 million</td></tr>
<tr><td>Legal welfare expenses</td><td>¥6,934 million</td></tr>
<tr><td>Employees’ bonuses</td><td>¥846 million</td></tr>
<tr><td>Provision for bonuses</td><td>¥11,055 million</td></tr>
<tr><td>Depreciation</td><td>¥22,433 million</td></tr>
<tr><td>Amortization of goodwill</td><td>¥26,783 million</td></tr>
<tr><td>Research and development expenses</td><td>¥11,215 million</td></tr>
</table>
*2. An impairment loss was posted for the following asset group.
<table>
<tr><th>Location</th><th>Usage</th><th>Assets category</th><th>Impairment loss (Millions of yen)</th></tr>
<tr><td>Tokyo and other prefectures (43 prefectures)</td><td>Company housing planned to be demolished, etc.</td><td>Buildings and structures</td><td>10,480</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 the three months ended June 30, 2008, it was decided 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 ¥10,355 million.
The recoverable value of such assets was calculated mainly by its value in use, which is set at zero.
</td><td>
*1. Major items and their amounts of selling, general and administrative expenses are as follows.
<table>
<tr><td>Advertising expenses</td><td>¥4,134 million</td></tr>
<tr><td>Promotion expenses</td><td>¥29,269 million</td></tr>
<tr><td>Compensations, salaries and allowances</td><td>¥31,497 million</td></tr>
<tr><td>Retirement benefit expenses</td><td>¥4,616 million</td></tr>
<tr><td>Legal welfare expenses</td><td>¥6,322 million</td></tr>
<tr><td>Employees’ bonuses</td><td>¥369 million</td></tr>
<tr><td>Provision for bonuses</td><td>¥11,651 million</td></tr>
<tr><td>Depreciation</td><td>¥20,104 million</td></tr>
<tr><td>Amortization of goodwill</td><td>¥24,983 million</td></tr>
<tr><td>Research and development expenses</td><td>¥12,161 million</td></tr>
</table>
—
</td></tr>
</table>

(Notes to quarterly consolidated statements of cash flows)

Three months ended June 30, 2008		Three months ended June 30, 2009	
* Cash and cash equivalents at the end of period are reconciled to items on the consolidated balance sheet as follows:		* Cash and cash equivalents at the end of period are reconciled to items on the consolidated balance sheet as follows:	
	(As of June 30, 2008) (Millions of yen)		(As of June 30, 2009) (Millions of yen)
Cash and deposits	210,853	Cash and deposits	113,745
Time deposits with a deposits period of over three months	(787)	Time deposits with a deposits period of over three months	(2,212)
Short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk (Short-term investment securities)	6,216	Short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk (Short-term investment securities)	7,136
Cash and cash equivalents	216,281	Cash and cash equivalents	118,668

(Notes to shareholders' equity)

As of June 30, 2009 and three months ended June 30, 2009

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

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

3. Balance of stock acquisition rights as of June 30, 2009
   Stock acquisition rights as stock options Parent company ¥404 million

4. Dividends
   Dividend payments

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

(Segment information)

Business segment information

Three months ended June 30, 2008

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceutical	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	842,661	743,349	16,137	112,654	5,016	1,719,819	–	1,719,819
(2) Intersegment sales or transfers	12,507	8,269	–	41	3,383	24,202	(24,202)	–
Total	855,168	751,619	16,137	112,695	8,399	1,744,021	(24,202)	1,719,819
Operating income (loss)	55,829	52,246	2,190	(2,752)	2,501	110,015	431	110,447

Three months ended June 30, 2009

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceutical	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	779,769	568,334	11,142	98,889	4,985	1,463,121	–	1,463,121
(2) Intersegment sales or transfers	14,737	8,816	–	36	2,694	26,284	(26,284)	–
Total	794,506	577,151	11,142	98,925	7,680	1,489,405	(26,284)	1,463,121
Operating income (loss)	54,617	33,395	(3,269)	(3,695)	2,901	83,949	324	84,273

Notes: 1. Businesses segments are set with consideration of 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, markets 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 and others

3. The following tables show the amounts of “Depreciation and amortization” and the ones of “Goodwill amortization” by business segment which are included in operating expenses.

Depreciation and amortization (Property, plant and equipment / Intangible assets other than goodwill / Long-term prepaid expenses)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceutical	Foods	Others	Total	Elimination and corporate	Consolidated total
Three months ended June 30, 2008	19,474	18,604	877	1,941	2,654	43,553	(174)	43,379
Three months ended June 30, 2009	14,711	13,207	928	4,163	362	33,372	(116)	33,256

Goodwill amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceutical	Foods	Others	Consolidated total
Three months ended June 30, 2008	272	23,854	–	2,657	–	26,783
Three months ended June 30, 2009	272	21,318	–	3,393	–	24,983

4. The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT's consolidated subsidiary. TS Network Co., Ltd. distributes domestic tobacco products and sells imported tobacco products by wholesale. Net sales of imported tobacco products via TS Network Co., Ltd. were as follows:

Three months ended June 30, 2008	¥300,068 million
Three months ended June 30, 2009	¥276,767 million.

5. With respect to the international tobacco segment, as the closing date of the accounting period of international consolidated subsidiaries is set on December 31, operating results from January 1, 2008 to March 31, 2008 have been included in the three months ended June 30, 2008, and operating results from January 1, 2009 to March 31, 2009 have been included in the three months ended June 30, 2009.
6. Changes in accounting policies

   Three months ended June 30, 2008

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

   Effective from April 1, 2008, JT applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006). As a result of this change, operating income for the international tobacco segment decreased by ¥23,854 million as compared to the case where the previous method was adopted.

Ggeographical segment information

Three months ended June 30, 2008

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	962,417	496,683	260,719	1,719,819	–	1,719,819
(2) Intersegment sales or transfers	13,444	49,917	6,401	69,763	(69,763)	–
Total	975,861	546,601	267,120	1,789,583	(69,763)	1,719,819
Operating income	57,696	6,315	46,226	110,238	208	110,447

Three months ended June 30, 2009

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	889,982	368,281	204,857	1,463,121	–	1,463,121
(2) Intersegment sales or transfers	16,211	51,414	11,118	78,744	(78,744)	–
Total	906,194	419,696	215,975	1,541,866	(78,744)	1,463,121
Operating income (loss)	50,011	(6,900)	40,774	83,884	388	84,273

Notes: 1. Geographical segments are set with consideration of geographical proximity.

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

3. Changes in accounting policies
   Three months ended June 30, 2008
   (Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements)
   Effective from April 1, 2008, JT applied the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18, May 17, 2006). As a result of this change, operating income for the Western Europe segment decreased by ¥23,854 million as compared to the case where the previous method was adopted.

4. The following table shows the amounts of goodwill amortization by geographical segment which are included in operating expenses for the three months ended June 30, 2009.

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Three months ended June 30, 2009	3,665	21,318	–	24,983

Overseas sales

Three months ended June 30, 2008

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	489,823	274,311	764,135
II. Consolidated sales	(Millions of yen)			1,719,819
III. Percentage of overseas sales	(%)	28.5	15.9	44.4

Three months ended June 30, 2009

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	358,456	215,110	573,566
II. Consolidated sales	(Millions of yen)			1,463,121
III. Percentage of overseas sales	(%)	24.5	14.7	39.2

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

(Derivative transactions)

As of June 30, 2009

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

(Millions of yen)

Type of products	Type of derivative transactions	Contract / notional amount	Fair value	Gain (loss)
Foreign currency	Foreign currency forward contracts	192,895	191,270	(2,272)
	Currency swaps	62,857	(500)	(500)
Interest rate	Interest rate swaps	77,027	2,926	2,926
	Interest rate cap options	330,742	62	(1,665)

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. Contract /notional amounts for currency swaps, interest rate swaps and interest rate cap options are the nominal contracted amounts or the calculated notional principal, and amounts do not represent the level of risk for derivative transactions.

(Per share information)

1. Net assets per share

As of June 30, 2009		As of March 31, 2009	
Net assets per share	¥174,606.49	Net assets per share	¥162,087.74

2. Net income per share, etc.

Three months ended June 30, 2008		Three months ended June 30, 2009	
Net income per share	¥1,765.17	Net income per share	¥4,474.90
Diluted net income per share	¥1,765.09	Diluted net income per share	¥4,474.44

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

	Three months ended June 30, 2008	Three months ended June 30, 2009
Net income per share		
Net income (Millions of yen)	16,910	42,869
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	16,910	42,869
Average number of common shares during the period (Thousands of shares)	9,580	9,580
Diluted net income per share		
Dilutive effects (Millions of yen)	–	–
Number of increased common shares (Thousands of shares)	0	0
Dilutive shares which are not included in the calculation of diluted net income per share as they have no dilutive effects and in which there were significant changes from the end of the previous fiscal year	–	–

(Additional information)

First quarter ended June 30, 2009
1. On August 11, 2004, JTI-Macdonald Corp. ("JTI-MC"), JT's Canadian subsidiary, received a Notice of Assessment from the Quebec Ministry of Revenue ("QMR") requiring an immediate payment of approximately C$1.36 billion (approximately ¥113.2 billion), based on allegations that the company had contributed to tobacco smuggling from 1990 to 1998, prior to JT's acquisition of RJR Nabisco Inc.'s international (non-US) tobacco operations. JTI-MC filed an application for protection with the Ontario Superior Court of Justice on August 24, 2004 under the Companies' Creditors Arrangement Act ("CCAA"), because the company's failure to pay the tax bill immediately could have prompted the QMR to confiscate its business assets, making it difficult for it to continue its normal business operations. As of June 30, 2009 (the end of the first quarter), the company was continuing business operations with its assets protected under the CCAA. In order to enable JTI-MC to repay part of its debts to other subsidiaries of JT, JT International Holding B.V., JT's Dutch subsidiary, provided a court-appointed monitor in April 2006 with a letter of credit issued by a financial institution for the amount corresponding to the repayment. JT believes that if JTI-MC incurs financial damage or bears costs associated with this case, it will be entitled to seek indemnification from RJR Nabisco Inc. or its successors, based on the contract entered into among JT, RJR Nabisco Inc. and RJR at the time of JT's acquisition of JTI-MC in 1999.

First quarter ended June 30, 2009
2. On July 11, 2008, the Office of Fair Trading (OFT), the UK competition authority, announced that Gallaher Group Ltd. (former Gallaher Group Plc) and Gallaher Ltd. (together, hereinafter, "Gallaher"), JT's tobacco subsidiaries in the United Kingdom, have concluded an early resolution agreement with the OFT. Gallaher has agreed to pay a fine for anti-competitive business practices relating to the retail pricing of tobacco products in the UK market during the period prior to JT's acquisition of Gallaher. In August 2003, the OFT notified Gallaher of an inquiry into vertical agreements between manufacturers and retailers in the UK cigarette, tobacco and tobacco-related markets. Since that time Gallaher has been fully cooperating with the OFT regarding the investigation. Regarding this matter, the OFT issued a statement of objections on April 25, 2008. Following a careful and comprehensive review of the document, the JT Group decided to conclude an early resolution agreement with the OFT, which JT believes best serves the interests of all parties involved. A certain amount, based on the company's assumptions about the fine, has been booked as noncurrent liabilities in the purchase price allocation related to JT's acquisition of Gallaher Group Plc (now Gallaher Group Ltd.). In the Balance Sheet for the first quarter under review, 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 ¥14.8 billion) to Gallaher is scheduled to be finally decided after such investigation has been completed. In cases where the payment amount is decided as the fine amount specified in this agreement, the difference between such fine and the liability already posted, approximately £71 million (approximately ¥11.4 billion), will be recorded as extraordinary income. While the agreement reached with the OFT relates only to Gallaher's past business activities prior to JT's acquisition of the Gallaher group of companies, JT considers that compliance with all applicable laws in each market in which it operates is of the utmost importance. JT will continue to enhance efforts to ensure compliance of the whole group of companies.

2. Other

No items to report

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 ACCOUNTANTS' REVIEW REPORT

August 8, 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 clause of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the quarterly consolidated financial statements included in the Financial Section, namely, the quarterly consolidated balance sheet of Japan Tobacco Inc. and subsidiaries as of June 30, 2008 and the related quarterly consolidated statements of income and the quarterly consolidated statement of cash flows for the three-month period then ended. These quarterly consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Japan Tobacco Inc. and subsidiaries as of June 30, 2008, and the results of their operations and their cash flows for the three-month period then ended in conformity with accounting principles for quarterly consolidated financial statements 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 interest in the Company for which disclosure is required under the provisions of the Certified Public Accountants Act.

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

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

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

July 30, 2009

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC

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

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

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

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the quarterly consolidated financial statements included in the Financial Section, namely, the quarterly consolidated balance sheet of Japan Tobacco Inc. and subsidiaries as of June 30, 2009 and the related quarterly consolidated statements of income and the quarterly consolidated statement of cash flows for the three-month period then ended. These quarterly consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Japan Tobacco Inc. and subsidiaries as of June 30, 2009, and the results of their operations and their cash flows for the three-month period then ended in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

As discussed in Additional information(1), 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 ¥113.2 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.

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

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

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