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

October 29, 2009

Consolidated Financial Results for the Six Months Ended September 30, 2009

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchanges: Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock Exchanges
URL: http://www.jti.co.jp/
Representative: Hiroshi Kimura, President, Chief Executive Officer and Representative Director
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Scheduled date to file Quarterly Securities Report: November 13, 2009
Scheduled starting date of the dividend payments: December 1, 2009

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the six months of the fiscal year ending March 31, 2010 (from April 1, 2009 to September 30, 2009)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

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

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

(2) Consolidated financial position

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

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

2. Cash dividends

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

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

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

(Percentages indicate year-on-year changes.)

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

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

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Application of simplified accounting and special accounting for preparing the consolidated quarterly financial statements: Applicable

Note: For more details, please refer to the section of “4. Others (2) Application of simplified accounting and special accounting for preparing the consolidated quarterly financial statements” on page 9.

(3) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated quarterly financial statements

a. Changes due to revisions to accounting standards and other regulations: None

b. Changes due to other reasons: None

(4) Number of issued shares (common stock)

a. Total number of issued shares at the end of the period (including treasury shares)

As of September 30, 2009	10,000,000 shares
As of March 31, 2009	10,000,000 shares

b. Number of treasury shares at the end of the period

As of September 30, 2009	419,903 shares
As of March 31, 2009	419,920 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

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

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ due to various factors. Please refer to “Caution concerning forward-looking statements” on page 9 and the supplementary document “Overview of Consolidated Financial Results for 1H FY 3/2010 and Full-term Forecasts for FY 3/2010” for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

Qualitative Information and Financial Statements

1. Qualitative information regarding consolidated financial results

a. General summary

Operation during the six months (April 1, 2009 to September 30, 2009)

The global economy during the six months ended September 30, 2009 continued to be severe in the vicious cycle spawned by the financial crisis and worsening real economy in Europe, a major market of JT, and the U.S. despite signs of a recovery mostly in Asia. The Japanese economy, notwithstanding positive movements in personal consumption and production, was also on a stringent path as corporate earnings declined and the employment situation deteriorated.

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.

Please note that the closing date of the second quarter accounting period of the consolidated subsidiaries classified in the international tobacco business segment is June 30, and their financial results used for the consolidated second quarter results are for the six months from January 1 to June 30, 2009.

Net sales

Net sales declined by ¥442.8 billion, or 12.7%, from the same period of the previous fiscal year to ¥3.0542 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.

	Six months ended September 2008	Six months ended September 2009	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated	3,497.0	3,054.2	(442.8)	(12.7)
Domestic tobacco business	1,662.3	1,575.7	(86.6)	(5.2)
International tobacco business	1,564.1	1,245.7	(318.4)	(20.4)
Pharmaceutical business	26.8	22.1	(4.6)	(17.5)
Foods business	233.4	200.8	(32.6)	(14.0)
Other business	10.2	9.8	(0.4)	(4.0)

* Net sales figures represent sales to customers.

Operating income

Operating income fell by ¥40.8 billion, or 20.0%, from the same period of the previous fiscal year to ¥163.7 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.

	Six months ended September 2008	Six months ended September 2009	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated	204.5	163.7	(40.8)	(20.0)
Domestic tobacco business	105.6	110.8	5.2	5.0
International tobacco business	100.1	59.8	(40.2)	(40.2)
Pharmaceutical business	(1.5)	(6.8)	(5.2)	-
Foods business	(5.6)	(5.6)	0.0	-
Other business	5.0	5.5	0.4	7.9
Elimination/corporate	0.9	0.0		

Ordinary income

In the international tobacco business, although JT recorded foreign exchange losses resulting from hedging activities effected in the course of business, net non-operating expenses improved because of decreases in foreign exchange losses relating to the period-end valuation of the liabilities of consolidated subsidiaries charged in the same period of the previous fiscal year as well as in interest expenses. However, ordinary income, affected by a decline in operating income, fell ¥16.2 billion, or 10.7%, from the same period of the previous fiscal year to ¥135.1 billion.

Net income

Gain on sales of noncurrent assets dropped, however, net extraordinary income improved because of 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 recorded for the same period of the previous fiscal year. However, net income, affected by a decline in ordinary income, fell ¥3.4 billion, or 4.9%, from the same period of the previous fiscal year to ¥66.0 billion.

b. Review of operations by business segment

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 six months, 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 and the Seven Stars family which are our core brands. These endeavors included the nationwide release of Mild Seven 100’s Box, Mild Seven Light 100’s Box and Seven Stars Black Charcoal Menthol Box. Also released nationwide was Cabin Roast Blend 100’s Box, which had been released in limited regions.

In addition, Winston Light Box was released nationwide in October 2009.

The sales volume of cigarettes for the domestic tobacco business during the six months decreased by 4.3

billion cigarettes, or 5.2%, from the same period of the previous fiscal year to 78.6 billion cigarettes (Note) due to overall decline in demand and absence of the increase in inventory at 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 65.0%, or by 0.1 point, and net sales per 1,000 cigarettes (tax excluded) was ¥4,055, 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 six months declined by ¥86.6 billion, or 5.2%, from the same period of the previous fiscal year to ¥1.5757 trillion due to a decrease in sales volume. Operating income increased by ¥5.2 billion, or 5.0%, to ¥110.8 billion, due to lower amortization expenses following the completion of the amortization of some trademark rights despite a decline in net sales..

(Note) In addition to the figure stated above, during the six months, the domestic tobacco business also sold 1.8 billion cigarettes at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau, markets that are under the control of 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. The business will concentrate its 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 in the six months increased by 2.2 billion cigarettes, or 1.8%, from the same period of the previous fiscal year to 121.3 billion cigarettes. This was mainly due to the steady sales growth of Winston in Turkey, Italy and France; Camel in Italy; and Mild Seven in Korea. However, the volume of our international tobacco business's cigarette sales including GFB decreased by 1.9 billion cigarettes, or 0.9%, from the same period of the previous fiscal year to 216.1 billion cigarettes (Note 2) due to the replacement of a license agreement with outsourced manufacturing in the Philippines and effects from an unstable business environment in Iran.

Consequently, net sales for our international tobacco business in the six months declined by ¥318.4 billion, or 20.4%, from the same period of the previous fiscal year to ¥1.2457 trillion 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. Operating income fell by ¥40.2 billion, or 40.2%, to ¥59.8 billion as a result of an increase in manufacturing costs in the wake of an increase in the price of leaf tobacco.

(Note 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).

(Note 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 six months, the sales volume of cigars, pipes and snus was 0.3 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 2.3 billion for the six months.

* The foreign exchange rate in the six months was ¥95.59 per U.S. dollar, compared with ¥104.89 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 outlicensing and inlicensing 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 ¥4.6 billion, or 17.5%, from the same period of the previous fiscal year to ¥22.1 billion and operating loss was ¥6.8 billion, compared with an operating loss of ¥1.5 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, and the anti-HIV drug JTK-303, licensed to Gilead Sciences in March 2005, 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.

Consequently, net sales for our foods business declined by ¥32.6 billion, or 14.0%, from the same period of the previous fiscal year to ¥200.8 billion due to our withdrawal from chilled processed foods and the exclusion from the scope of consolidation of some subsidiaries. Concerning profits, the foods business had an operating loss of ¥5.6 billion, the same amount as recorded in the same period of the previous fiscal year, because of effect of cost reduction despite 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.

Also, with the aim of further developing its business, Katokichi Co., Ltd. will change its company name to “TableMark Co., Ltd.” effective January 2010.

Other business

Net sales for our other business declined by ¥0.4 billion, or 4.0%, from the same period of the previous fiscal year to ¥9.8 billion and operating income increased by ¥0.4 billion, or 7.9%, to ¥5.5 billion.

2. Qualitative information regarding consolidated financial position

Cash and cash equivalents at the end of the six months stood at ¥148.9 billion, representing a ¥18.2 billion decrease from the end of the previous fiscal year.(Cash and cash equivalents at the end of the six months of the previous fiscal year was the ¥175.0 billion.)

Cash flows from operating activities

Net cash provided by operating activities during the six months was ¥105.1 billion, compared with ¥140.6 billion provided in the same period of the previous fiscal year, affected by increases in inventories resulting from higher leaf tobacco prices and purchases amounts in the international tobacco business despite the generation of a stable cash inflow from the tobacco business.

Cash flows from investing activities

Net cash used in investing activities during the six months was ¥39.5 billion, compared with ¥28.5 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-owned residences for employees.

Cash flows from financing activities

Net cash used in financing activities during the six months was ¥93.9 billion, compared with ¥135.4 billion used in the same period of the previous fiscal year. The main factors were cash used for the redemption of bonds, repayment of long-term loans payable and the payment of cash dividends, despite the proceeds from issuance of commercial papers and bonds.

3. Qualitative information regarding consolidated earnings forecasts

For the international tobacco business, in addition to the downward revision of the sales volume forecast to 24.0 billion cigarettes, we expect negative effects from the two-yen appreciation of the Japanese yen against the U.S. dollar. Despite this, changes in exchange rate assumptions made in light of stronger local currencies in major markets with respect to the U.S. dollar, which is used by the subsidiary which consolidates the accounts of the subsidiaries in the international tobacco business, resulted in the upward revision of net sales to ¥90.0 billion and of operating income to ¥28.0 billion.

Regarding ordinary income, an upward revision to ¥8.0 billion was effected current forecast because of taking into accounts the foreign exchange losses due to hedging activities in light of exchange rate fluctuations in the international tobacco business. Net income was also revised upward to ¥8.0 billion.

Consolidated earnings forecasts for the fiscal year ending March 31, 2010 are as follows.

	Previous forecast (Announced on April 30, 2009)	Current forecast	Change
	Billions of yen	Billions of yen	Billions of yen
Net sales	6,000.0	6,090.0	90.0
Operating income	244.0	272.0	28.0
Ordinary income	227.0	235.0	8.0
Net income	100.0	108.0	8.0

* Principal conditions forming basis of assumption

Domestic tobacco business

	Previous forecast	Current forecast
Sales volume	152.5 billion cigarettes	152.5 billion cigarettes

International tobacco business

	Previous forecast	Current forecast
Sales volume	456.0 billion cigarettes	432.0 billion cigarettes
Exchange rate (U.S. dollar)	¥95.00	¥93.00

(Note) Regarding other foreign exchange rates assumed for the previous forecast, 36.00 rubles, 0.73 pounds and 0.81 euros were assumed vis-à-vis the U.S. dollar, respectively. For the current forecast, 32.25 rubles, 0.65 pounds and 0.73 euros were assumed.

(Note) The above figures are based on judgments, evaluations, factual understandings, policy formulations and other factors made in accordance with information currently available to the management of JT. They are also based upon certain assumptions required to formulate forward-looking statements as well as information already confirmed to be factual. Actual figures may differ from those forecasted, depending on uncertainties inherent in future forecasts, as well as possible changes in the Company’s operations, domestic and foreign economies, stock markets and other conditions. Please refer to the “Caution concerning forward-looking statements” on page 9 before using the information provided in our earnings forecasts.

4. Others

(1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation)

No items to report.

(2) Application of simplified accounting and special accounting for preparing the consolidated quarterly financial statements

Tax expenses are computed by: using rational means to obtain an estimate of the effective tax rate after tax effect accounting has been applied to income before income taxes and minority interests of the consolidated fiscal year including the current second quarter; and then by multiplying income before income taxes and minority interests by the aforesaid estimated effective tax rate.

Income taxes-deferred is included in "income taxes."

(3) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated quarterly financial statements

No items to report.

* In addition to the information provided above, reference information regarding settlement of accounts and earnings forecasts is provided in the supplementary document "Overview of Consolidated Financial Results for 1H FY 3/2010 and Full-term Forecasts for FY 3/2010."

(Caution concerning forward-looking statements)

This material contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements reflect future expectations, identify strategies, discuss market trends, contain projections of operational results and financial conditions, and state other forward-looking information.

These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward looking statement include, without limitation:

(1) health concerns related to the use of tobacco products;
(2) legal or regulatory developments and changes; including, without limitation on sales, marketing and use of tobacco products, governmental investigations and privately imposed smoking restrictions;
(3) litigation in Japan and elsewhere;
(4) our ability to further diversify our business beyond the tobacco industry;
(5) our ability to successfully expand internationally and make investments outside Japan;
(6) competition and changing consumer preferences;
(7) the impact of any acquisitions or similar transactions;
(8) local and global economic conditions; and
(9) fluctuations in foreign exchange rates and the costs of raw materials.

5. Consolidated financial statements
(1) Consolidated balance sheets

(Millions of yen)

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

(Millions of yen)

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

(2) Consolidated statements of income (cumulative)

(Millions of yen)

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

(3) Consolidated statements of cash flows

(Millions of yen)

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

(Millions of yen)

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

(4) Notes on premise of going concern

No items to report.

(5) Segment information

[Business segment information]

Six months ended September 30, 2008 (From April 1, 2008 to September 30, 2008)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	1,662,396	1,564,149	26,808	233,473	10,259	3,497,087	-	3,497,087
(2) Intersegment sales or transfers	24,114	20,355	-	77	6,626	51,174	(51,174)	-
Total	1,686,510	1,584,504	26,808	233,551	16,885	3,548,261	(51,174)	3,497,087
Operating income (loss)	105,600	100,115	(1,589)	(5,617)	5,097	203,607	977	204,584

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

(Millions of yen)

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

Notes: 1. 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 Macau, markets that are under the control of JT's China Division.)

b. International tobacco: Tobacco products elsewhere

c. Pharmaceuticals: Prescription drugs

d. Foods: Beverages and processed foods

e. Others: Rent of real estate, leasing and others

3. The following tables show 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	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Six months ended September 30, 2008	39,429	37,295	1,804	3,908	5,329	87,766	(316)	87,449
Six months ended September 30, 2009	27,500	27,128	1,892	8,258	1,164	65,944	47	65,992

Goodwill amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Six months ended September 30, 2008	544	47,541	-	5,197	-	53,282
Six months ended September 30, 2009	544	43,254	-	5,807	-	49,606

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

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

   (Six months ended September 30, 2009) ¥560,938 million
5. With respect to the international tobacco segment, as the closing date of the accounting period of international consolidated subsidiaries is set on December 31, operating results from January 1, 2008 to June 30, 2008 have been included in the six months ended September 30, 2008 and those from January 1, 2009 to June 30, 2009 have been included in the six months ended September 30, 2009.
6. Changes in accounting policies

   (Six months ended September 30, 2008)

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

   Effective from April 1, 2008, JT applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006). As a result of this change, the operating income for the international tobacco segment for the six months ended September 30, 2008 decreased by ¥47,541 million as compared to the case where the previous method was adopted.

(6) Notes on significant changes in the amount of shareholders' equity

No items to report.