[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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Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	November 13, 2009
Quarterly financial period:	Second quarter of the 25th term (from July 1, 2009 to September 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.
Title and name of representative:	Hiroshi Kimura, President, Chief Executive Officer and Representative Director
Location of head office:	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-3582-3111 (Main)
Contact person:	Yuki Maeda, Vice President, Media & Investor Relations Division
Place of contact:	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-3582-3111 (Main)
Contact person:	Yuki Maeda, Vice President, Media & Investor Relations Division
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	Six months ended September 30, 2008	Six months ended September 30, 2009	Second quarter of the 24th term	Second quarter of the 25th term	24th term
Accounting period	From April 1, 2008 to September 30, 2008	From April 1, 2009 to September 30, 2009	From July 1, 2008 to September 30, 2008	From July 1, 2009 to September 30, 2009	From April 1, 2008 to March 31, 2009
Net sales (Millions of yen)	3,497,087	3,054,254	1,777,267	1,591,133	6,832,307
Ordinary income (Millions of yen)	151,385	135,133	78,775	56,318	307,586
Net income (Millions of yen)	69,479	66,068	52,569	23,198	123,400
Net assets (Millions of yen)	–	–	1,853,671	1,744,664	1,624,288
Total assets (Millions of yen)	–	–	4,624,827	4,048,662	3,879,803
Net assets per share (Yen)	–	–	185,730.18	174,537.60	162,087.74
Net income per share (Yen)	7,252.53	6,896.39	5,487.36	2,421.50	12,880.90
Diluted net income per share (Yen)	7,252.21	6,895.72	5,487.12	2,421.25	12,879.77
Equity ratio (%)	–	–	38.47	41.30	40.02
Net cash provided by (used in) operating activities (Millions of yen)	140,643	105,179	–	–	275,271
Net cash provided by (used in) investing activities (Millions of yen)	(28,598)	(39,578)	–	–	(65,008)
Net cash provided by (used in) financing activities (Millions of yen)	(135,423)	(93,914)	–	–	(217,470)
Cash and cash equivalents at end of period (Millions of yen)	–	–	175,057	148,959	167,257
Number of employees (Number)	–	–	49,463	48,917	47,977

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

Please note that the data for the three months (the second quarter) is prepared by subtracting previous three months’ amount from the total amount of six months.

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

2. Business description

During this second quarter, there were neither material changes in the business of the JT Group (JT, 265 consolidated subsidiaries and 19 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 this second quarter.

4. Status of employees

(1) Consolidated companies

(As of September 30, 2009)

Number of employees (Person)	48,917 [10,995]

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

2. The number of employees in foreign subsidiaries in which the closing dates of the second quarter accounting period fall on June 30 is calculated using the number of employees as of June 30, 2009.

(2) Filing company (JT)

(As of September 30, 2009)

Number of employees (Person)	9,184 [1,415]

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

2. The number of employees includes contract employees (93), employees on leave (74) and employees transferred to JT (73), but excludes employees transferred from JT and employees on long-term leave prior to retirement (total 1,091).

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 a made-to-order basis. For this reason, size of production and orders received are not presented in the amount of money nor 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

Material changes in the business and other risks mentioned in the previous fiscal year’s Annual Securities Report are as follows. Matters concerning the future in this document were determined by the JT Group as of the filing date of this Quarterly Securities Report.

> In September 2009, the Government of Ontario, Canada filed a lawsuit against 13 tobacco manufacturers including JT’s Canadian consolidated subsidiary JTI-Macdonald Corp. (“ JTI-Mac”) and 1 industry organization demanding for the payment of the amount allegedly equivalent to health care costs incurred by the Government of Ontario, Canada for the treatment of smoking related diseases. The JT Group shall respond to this lawsuit on a timely and appropriate basis.
>
> As mentioned in the previous fiscal year’s Annual Securities Report, there are similar pending lawsuits against tobacco manufacturers and others including a JT Group companiy filed in Canada by the Government of British Columbia and the Government of New Brunswick.

3. Material operational contracts, etc.

No material operational contracts were decided or entered into during this second quarter.

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

Matters concerning the future in this document were determined by the JT Group as of the filing date of this Quarterly Securities Report.

Values representing the six months ended September 30, 2008 and the six months ended September 30, 2009 provided in “V. Accounting, 1. Quarterly consolidated financial statements, (3) Quarterly consolidated statements of cash flows” are subject to review by the Independent Accountants. However, values representing the second quarter ended September 30, 2008 and the second quarter ended September 30, 2009 provided in “II. Review of operations, 4. Analysis of financial position, operating results and cash flow position, (4) Analysis of capital resources and liquidity of funds, c. Cash flows” are not subject to review by the Independent Accountants.

(1) Operating results

The global economy during this second quarter continued to be severe in the vicious cycle spawned by the financial crisis and worsening real economy in Europe, a major market of the JT Group, 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 the realization of sustainable growth 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 three months from April 1 to June 30, 2009.

Net sales for this second quarter declined by ¥186.1 billion, or 10.5%, from the same period of the previous fiscal year to ¥1.5911 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 ¥143.1 billion, or 9.9%, from the same period of the previous fiscal year to ¥1.3083 trillion and selling, general and administrative expenses decreased by ¥28.3 billion, or 12.2%, from the same period of the previous fiscal year to ¥203.3 billion. Operating income fell by ¥14.6 billion, or 15.6%, from the same period of the previous fiscal year to ¥79.4 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 fell ¥22.4 billion, or 28.5%, from the same period of the previous fiscal year to ¥56.3 billion mainly due to the recording of foreign exchange losses resulting from exchange hedging activities effected in the course of business by the international tobacco business. Net income, affected by a decline in gain on sales of noncurrent assets, among other factors, fell ¥29.3 billion, or 55.9%, from the same period of the previous fiscal year to ¥23.1 billion.

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 this second 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 and Seven Stars family, which are our core brands. These endeavors included the nationwide release of the Seven Stars Black Charcoal Menthol Box.

In addition, Winston Light Box was released nationwide in October 2009. Please note that we will also strengthen the Pianissimo family aiming for further growth through the nationwide release of Pianissimo Icene Menthol One in December 2009 as well as the integration of Icene and Lucia brands in Pianissimo in January 2010.

The sales volume of cigarettes for the domestic tobacco business during this second quarter decreased by 1.2 billion cigarettes, or 3.2%, from the same period of the previous fiscal year to 39.5 billion cigarettes [Note] mainly due to overall decline in demand. Moreover, our market share fell to 64.8%, or by 0.1 point, and net sales per 1,000 cigarettes (tax excluded) was ¥4,055.

Consequently, net sales for our domestic tobacco business in this second quarter declined by ¥23.7 billion, or 2.9%, from the same period of the previous fiscal year to ¥795.9 billion due to a decrease in sales volume. Operating income increased by ¥6.4 billion, or 13.0%, to ¥56.2 billion, due to lower amortization expenses following the completion of the amortization of some trademark rights despite a decline in net sales.

The volume of cigarettes manufactured in Japan during this second quarter decreased by 1.1 billion cigarettes, or 2.4%, from the same period of the previous fiscal year to 44.1 billion cigarettes.

Note: In addition to the figure stated above, during this second 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. 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 this second quarter increased by 0.7 billion cigarettes, or 1.1%, from the same period of the previous fiscal year to 64.2 billion cigarettes. This was mainly due to the steady sales 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 0.5 billion cigarettes, or 0.4%, from the same period of the previous fiscal year to 115.1 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 this second quarter declined by ¥143.4 billion, or 17.5%, from the same period of the previous fiscal year to ¥677.3 billion. This was also due to the devaluation of the currencies of major markets against the U.S. dollar during the six months ended September 30, 2009 compared with the six months ended September 30, 2008, which is used by the subsidiary which consolidates the accounts of the subsidiaries in the international tobacco business, compounded by the effects of a high yen when making conversions to that currency. Operating income fell by ¥21.4 billion, or 44.7%, to ¥26.4 billion as a result of an increase in manufacturing costs in the wake of an increase in the price of leaf tobacco.

The volume of cigarettes manufactured overseas during this second quarter decreased by 7.2 billion cigarettes, or 6.7%, from the same period of the previous fiscal year to 100.1 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 this second quarter ended September 30, 2009, the sales volume of cigars, pipes and snus was 0.2 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 this second quarter ended September 30, 2009.

3. From the current fiscal year, the volume of cigarettes manufactured overseas includes the volume of cigars, pipes and snus manufactured. For this second quarter ended September 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 1.0 billion during this second quarter ended September 30, 2009.

* The foreign exchange rate during the six months ended September 2009 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 out-licensing and in-licensing 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, Torii began , in March 2009, 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 increased by ¥0.3 billion, or 2.9%, from the same period of the previous fiscal year to ¥10.9 billion and operating loss was ¥3.5 billion, compared with an operating loss of ¥3.7 billion in the same period of the previous fiscal year. This is mainly due to the lack of the milestone revenue recorded during the same period of the previous fiscal year related to the progress made in the development of the anti-HIV drug JTK-303, licensed to Gilead Sciences in March 2005, and the increase in sales from Torii during this second quarter.

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 ¥18.8 billion, or 15.6%, from the same period of the previous fiscal year to ¥101.9 billion due to our withdrawal from chilled processed foods and the exclusion from the scope of consolidation of some subsidiaries. The JT Group recorded an operating loss of ¥1.9 billion, compared with the operating loss of ¥2.8 billion recorded in the same period of the previous fiscal year, due to the effect of cost reduction.

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

Other businesses

Net sales for our other businesses declined by ¥0.3 billion, or 7.2%, from the same period of the previous fiscal year to ¥4.8 billion and operating income amounted to ¥2.5 billion, up 0.2%.

Operating results by geographical segment are as follows.

Japan

Net sales in Japan during this second quarter amounted to ¥909.2 billion, down ¥33.3 billion, or 3.5%, from the same period of the previous fiscal year and operating income was ¥52.9 billion, up ¥6.3 billion, or 13.6%, from the same period of the previous fiscal year.

Western Europe

Net sales in Western Europe during this second quarter amounted to ¥424.2 billion, down ¥114.4 billion, or 21.2%, from the same period of the previous fiscal year and operating loss was ¥11.4 billion, compared to the operating loss of ¥1.4 billion recorded in the same period of the previous fiscal year.

Others

Net sales for other regions during this second quarter amounted to ¥257.6 billion, down ¥38.3 billion, or 13.0%, from the same period of the previous fiscal year and operating income was ¥37.9 billion, down ¥10.9 billion, or 22.4%, from the same period of the previous fiscal year.

(2) Operational and financial issues to be addressed

There were no material changes during this second 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 this second quarter were ¥12.4 billion.

There were no material changes during this second 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 funds are mainly procured from cash flow provided by operating activities, loans from financial institutions and long-term bond and commercial paper issuances.

c. Cash flows

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

Cash flows from operating activities

Net cash provided by operating activities during this second quarter was ¥72.2 billion, compared with ¥172.4 billion provided in the same period of the previous fiscal year, affected by increases in inventories resulting from higher leaf tobacco prices and increase of purchases volume in the international tobacco business despite the generation of a stable cash inflow from the tobacco businesses.

Cash flows from investing activities

Net cash used in investing activities during this second quarter was ¥26.5 billion, compared with ¥2.9 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 flows from financing activities

Net cash used in financing activities during this second quarter was ¥19.1 billion, compared with ¥237.8 billion used in the same period of the previous fiscal year. The main factors were cash used for the redemption of bonds and repayment of long-term loans payable, despite the proceeds from issuance of commercial papers.

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 this second quarter in main facilities.

(2) Plans for new installation and disposal of facilities

There were no material changes during this second quarter in the new installation and expansion of facilities that were in the planning stage as of the end of the first quarter. The projected amount for the entire JT Group is ¥162.0 billion.

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 September 30, 2009)	Number of shares issued (Share; as of the date of filing: November 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 shares issued.

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 September 30, 2009
Number of subscription rights to shares	409 units
Of which, the number of treasury subscription rights to shares	–
Class of shares to which subscription rights to shares apply	Common stock (Standard class of shares with no rights limitations. No unit share system is adopted.)
Number of shares to which subscription rights to shares apply	409 shares (Note 1)
Paying due upon exercise of subscription rights to shares per share	¥1 per share
Exercise period of subscription rights to shares	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 subscription rights to shares	¥581,269 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17, paragraph (1) of the Corporate Accounting Rules. If the obtained figure has a fraction less than one yen, the figure is rounded up to the nearest yen above. b. Capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares should be the amount obtained by 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 subscription rights to shares	a. The person who is a holder of subscription rights to shares and is recorded in the registry of subscription rights to shares (hereinafter, “Subscription rights to shares Holder”) may exercise his/her subscription rights to shares only if he/she forfeit his/her all position as director (including executive officers at companies with committees), auditor and operating officer. b. In cases where Subscription rights to shares Holders waive their subscription rights to shares, they cannot exercise those subscription rights to shares.
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.
Matters regarding surrogate payments	–
Provisions for acquiring subscription rights to shares	(Note 2)
Matters regarding deliver of subscription rights to shares accompanied by reorganization	(Note 3)

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

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

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

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 Subscription rights to shares Holders of necessary information by the date before the date on which the Number of Shares Granted after adjustment is applied. However, in cases where the notice or public notice by the date before the date of the application is impossible, JT shall later do so as soon as possible.

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

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

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

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

3. In cases where JT 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 subscription rights to shares of the companies as listed in Article 236, paragraph (1), item (viii), sub-items (a) to (e) inclusive of the Companies Act (hereinafter, the "Company Subject to Reorganization") to the Subscription rights to shares Holders that have subscription rights to shares existing immediately before the effective date of the Reorganization, which is either the effective date of absorption-type merger when it is an absorption-type merger, the consolidation date of a company as a result of the consolidated-type merger when it is a consolidated-type merger, the effective date of absorption-type company split when it is an absorption-type company split, the incorporation date of a company as a result of the incorporation-type company split when it is an incorporation-type company split, the effective date of share exchange when it is a share exchange, or the incorporation date of a wholly-owning parent company as a result of the share transfer when it is a share transfer (hereinafter, "Remaining Subscription rights to shares"). However, it is subject to a condition that the provision that the subscription rights to shares of the Company Subject to Reorganization shall be delivered pursuant to the provisions of the items below, is specified in the absorption-type merger contract, consolidated-type merger contract, absorption-type company split contract, incorporation-type company split plan, share exchange contract or share transfer plan.

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

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

	As of September 30, 2009
Number of subscription rights to shares	547 units
Of which, the number of treasury subscription rights to shares	–
Class of shares to which subscription rights to shares apply	Common stock (Standard class of shares with no rights limitations. No unit share system is adopted.)
Number of shares to which subscription rights to shares apply	547 shares (Note 1)
Paying due upon exercise of subscription rights to shares per share	¥1 per share
Exercise period of subscription rights to shares	From October 7, 2008 to October 6, 2038
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥285,904 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17, paragraph (1) of the Corporate Accounting Rules. If the obtained figure has a fraction less than one yen, the figure is rounded up to the nearest yen above. b. Capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares should be the amount obtained by 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 subscription rights to shares	a. The person who is a holder of subscription rights to shares and is recorded in the registry of subscription rights to shares (hereinafter, “Subscription rights to shares Holder”) may exercise his/her subscription rights to shares only if he/she forfeit his/her all position as director (including executive officers at companies with committees), auditor and operating officer. b. In cases where Subscription rights to shares Holders waive their subscription rights to shares, they cannot exercise those subscription rights to shares.
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.
Matters regarding surrogate payments	–
Provisions for acquiring subscription rights to shares	(Note 2)
Matters regarding deliver of subscription rights to shares accompanied by reorganization	(Note 3)

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

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

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

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 Subscription rights to shares Holders of necessary information by the date before the date on which the Number of Shares Granted after adjustment is applied. However, in cases where the notice or public notice by the date before the date of the application is impossible, JT shall later do so as soon as possible.

2. In cases where proposal a., b. or c. below is approved at the General Meeting of Shareholders of JT (if a resolution by the General Meeting of Shareholders is not necessary, it is read as “in cases where the resolution of a meeting of the Board of Directors or the decision by the representative executive officer is made”), JT may acquire subscription rights to shares on the date separately provided for by the Board of Directors.
   In this case, JT shall, in exchange for acquiring each stock acquisition right, deliver money at the amount obtained by multiplying the value per share calculated according to the following formula by the Number of Shares Granted (if adjusted pursuant to the Note 1 above, the Number of Shares Granted after adjustment) to the Subscription rights to shares Holders of respective such subscription rights to shares.

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

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

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

(3) Details of rights plan

No items to report

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

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (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)
July 1, 2009 to September 30, 2009	–	10,000	–	100,000	–	736,400

(5) Status of major shareholders

(As of September 30, 2009)

Name of shareholders	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
The Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	5,001,387	50.01
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, Japan	291,196	2.91
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	211,901	2.12
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	169,000	1.69
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	166,184	1.66
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	118,290	1.18
The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	WOOLGATE HOUSE, COLEMAN STREET, LONDON EC2P 2HD, U.K. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	94,227	0.94
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)	86,102	0.86
Deutsche Bank AG London PB Non-treaty Clients 613 (Standing proxy: Deutsche Securities Limited)	TAUNUSANLAGE 12, D-60325 FRANKFURT AM MAIN, FEDERAL REPUBLIC OF GERMANY (Sanno Park Tower, 11-1, Nagatacho 2-chome, Chiyoda-ku, Tokyo, Japan)	78,255	0.78
The Bank of Tokyo-Mitsubishi UFJ, Ltd.	7-1, Marunouchi 2-chome, Chiyoda-ku, Tokyo, Japan	71,455	0.71
Total	–	6,287,997	62.88

Note: In addition to the above, JT held 419,903 shares of common stock as treasury stock.

(6) Status of voting rights

a. Shares issued

(As of September 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 419,903	–	(Note 2)
Shares with full voting rights (Other)	Common stock 9,580,097	9,580,097	(Note 2)
Odd shares	–	–	–
Total number of shares issued	10,000,000	–	–
Total number of voting rights	–	9,580,097	–

Notes: 1. The number of "Shares with full voting rights (Other)" includes 174 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 174 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 September 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 shares issued (%)
Japan Tobacco Inc.	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan	419,903	–	419,903	4.20
Total	–	419,903	–	419,903	4.20

2. Trends in share price

Monthly highest and lowest share prices during the six months ended September 30, 2009

Month	April 2009	May 2009	June 2009	July 2009	August 2009	September 2009
Highest (Yen)	287,000	288,000	328,000	302,000	285,700	330,000
Lowest (Yen)	232,400	227,000	268,300	250,200	267,400	259,500

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 second quarter (from July 1, 2008 to September 30, 2008) and for the six months ended September 30, 2008 were prepared in accordance with the pre-revised Regulation for Quarterly Consolidated Financial Statements while those for the second quarter (from July 1, 2009 to September 30, 2009) and for the six months ended September 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 second quarter (from July 1, 2008 to September 30, 2008) and for the six months ended September 30, 2008 were reviewed by Deloitte Touche Tohmatsu, and those for the second quarter (from July 1, 2009 to September 30, 2009) and for the six months ended September 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 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) Quarterly 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	*1	446,464	*1	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	*2	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

Quarterly consolidated statements of income

(Millions of yen)

	Second quarter ended September 30, 2008	Second quarter ended September 30, 2009
Net sales	1,777,267	1,591,133
Cost of sales	1,451,499	1,308,362
Gross profit	325,768	282,770
Selling, general and administrative expenses	* 231,630	* 203,317
Operating income	94,137	79,453
Non-operating income		
Interest income	2,382	1,070
Dividends income	233	187
Other	2,401	2,051
Total non-operating income	5,017	3,308
Non-operating expenses		
Interest expenses	13,893	7,242
Foreign exchange losses	3,813	15,162
Other	2,672	4,038
Total non-operating expenses	20,379	26,444
Ordinary income	78,775	56,318
Extraordinary income		
Gain on sales of noncurrent assets	20,946	1,610
Reversal of allowance for doubtful accounts	–	2,184
Other	703	419
Total extraordinary income	21,650	4,214
Extraordinary loss		
Loss on sales of noncurrent assets	302	1,080
Loss on retirement of noncurrent assets	1,667	971
Impairment loss	1,057	1,189
Introduction costs for vending machines with adult identification functions	3,274	–
Other	4,531	3,473
Total extraordinary losses	10,834	6,715
Income before income taxes and minority interests	89,591	53,817
Income taxes	36,086	28,855
Minority interests in income	935	1,764
Net income	52,569	23,198

(3) Quarterly 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

Changes in significant matters in preparing quarterly consolidated financial statements

	Six months ended September 30, 2009
1. Changes in scope of consolidation	(1) Changes in scope of consolidation From the six months ended September 30, 2009, a total of 4 companies, including Japan Tobacco International S&D FLLC, were newly included in the scope of consolidation. Also, a total of 13 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 265 companies
2. Changes in scope of equity method	(1) Changes in application of the equity method From the six months ended September 30, 2009, a total of 3 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 19 companies

Changes in methods of presentation

Six months ended September 30, 2009
(Notes to quarterly consolidated statements of income) During the six months ended September 30, 2008, “Reversal of allowance for doubtful accounts” was included in “Other” in “Extraordinary income” (¥103 million recorded for the six months ended September 30, 2008) ;however, for the six months ended September 39, 2009, it is presented separately due to its increase in materiality. (Notes to quarterly consolidated statements of cash flows) During the six months ended September 30, 2008, “Purchase of short-term investment securities” (-¥0 million recorded for the six months ended September 30, 2009) was presented separately in “Net cash provided by (used in) investment activities,” however, for the six months ended September 30, 2009, it is included in “Other” due to its decrease in materiality.

Second quarter ended September 30, 2009
(Notes to quarterly consolidated statements of income) In the second quarter ended September 30, 2008, “Reversal of allowance for doubtful accounts” was included in “Other” in “Extraordinary income” (¥103 million recorded for the second quarter ended September 30, 2008); however, for the second quarter ended September 30,2009, it is presented separately due to its increase in materiality.

Specific accounting policy adopted in preparing quarterly consolidated financial statements

	Six months ended September 30, 2009
Calculation of tax expenses	Tax expenses are calculated by: using rational means to obtain an estimate of the effective tax rate after tax effect accounting to be applied to income before income taxes and minority interests of the fiscal year including the current second quarter; and then by multiplying quarterly income before income taxes and minority interests by the aforesaid estimated effective tax rate. Note that deferred income taxes are included in “Income taxes.”

Notes to quarterly consolidated financial statements

(Notes to quarterly consolidated balance sheets)

As of September 30, 2009	As of March 31, 2009
* Accumulated depreciation of property, plant and equipment amounted to ¥963,734 million.	* Accumulated depreciation of property, plant and equipment amounted to ¥942,782 million.

(Notes to quarterly consolidated statements of income)

<table>
<tr><th>Six months ended September 30, 2008</th><th>Six months ended September 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>¥12,485 million</td></tr>
<tr><td>Promotion expenses</td><td>¥80,714 million</td></tr>
<tr><td>Compensations, salaries and allowances</td><td>¥71,758 million</td></tr>
<tr><td>Retirement benefit expenses</td><td>¥6,631 million</td></tr>
<tr><td>Legal welfare expenses</td><td>¥14,091 million</td></tr>
<tr><td>Employees’ bonuses</td><td>¥955 million</td></tr>
<tr><td>Provision for bonuses</td><td>¥23,817 million</td></tr>
<tr><td>Depreciation</td><td>¥43,958 million</td></tr>
<tr><td>Amortization of goodwill</td><td>¥53,282 million</td></tr>
<tr><td>Research and development expenses</td><td>¥25,224 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>11,537</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 six months ended September 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 ¥10,483 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>¥8,840 million</td></tr>
<tr><td>Promotion expenses</td><td>¥66,543 million</td></tr>
<tr><td>Compensations, salaries and allowances</td><td>¥64,608 million</td></tr>
<tr><td>Retirement benefit expenses</td><td>¥9,262 million</td></tr>
<tr><td>Legal welfare expenses</td><td>¥12,265 million</td></tr>
<tr><td>Employees’ bonuses</td><td>¥464 million</td></tr>
<tr><td>Provision for bonuses</td><td>¥21,860 million</td></tr>
<tr><td>Depreciation</td><td>¥37,670 million</td></tr>
<tr><td>Amortization of goodwill</td><td>¥49,606 million</td></tr>
<tr><td>Research and development expenses</td><td>¥24,589 million</td></tr>
</table>

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

<table>
<tr><th>Second quarter ended September 30, 2008</th><th>Second quarter ended September 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>¥7,175 million</td></tr>
<tr><td>Promotion expenses</td><td>¥44,692 million</td></tr>
<tr><td>Compensations, salaries and allowances</td><td>¥35,768 million</td></tr>
<tr><td>Retirement benefit expenses</td><td>¥3,497 million</td></tr>
<tr><td>Legal welfare expenses</td><td>¥7,156 million</td></tr>
<tr><td>Employees’ bonuses</td><td>¥108 million</td></tr>
<tr><td>Provision for bonuses</td><td>¥12,762 million</td></tr>
<tr><td>Depreciation</td><td>¥21,525 million</td></tr>
<tr><td>Amortization of goodwill</td><td>¥26,498 million</td></tr>
<tr><td>Research and development expenses</td><td>¥14,008 million</td></tr>
</table>
</td>
<td>
*1. Major items and their amounts of selling, general and administrative expenses are as follows.

<table>
<tr><td>Advertising expenses</td><td>¥4,705 million</td></tr>
<tr><td>Promotion expenses</td><td>¥37,274 million</td></tr>
<tr><td>Compensations, salaries and allowances</td><td>¥33,111 million</td></tr>
<tr><td>Retirement benefit expenses</td><td>¥4,646 million</td></tr>
<tr><td>Legal welfare expenses</td><td>¥5,942 million</td></tr>
<tr><td>Employees’ bonuses</td><td>¥94 million</td></tr>
<tr><td>Provision for bonuses</td><td>¥10,208 million</td></tr>
<tr><td>Depreciation</td><td>¥17,565 million</td></tr>
<tr><td>Amortization of goodwill</td><td>¥24,622 million</td></tr>
<tr><td>Research and development expenses</td><td>¥12,427 million</td></tr>
</table>
</td>
</tr>
</table>

(Notes to quarterly consolidated statements of cash flows)

Six months ended September 30, 2008		Six months ended September 30, 2009	
* Cash and cash equivalents at the end of the period are reconciled to items on the consolidated balance sheet as follows:		* Cash and cash equivalents at the end of the period are reconciled to items on the consolidated balance sheet as follows:	
	(As of September 30, 2008) (Millions of yen)		(As of September 30, 2009) (Millions of yen)
Cash and deposits	167,871	Cash and deposits	146,408
Time deposits with a deposits period of over three months	(1,778)	Time deposits with a deposits period of over three months	(9,442)
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)	8,965	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)	11,993
Cash and cash equivalents	175,057	Cash and cash equivalents	148,959

(Shareholders' equity)

As of September 30, 2009 and six months ended September 30, 2009

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

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

3. Balance of subscription rights to shares as of September 30, 2009
   Subscription rights to shares as stock options Parent company ¥394 million

4. Dividends
   (1) Dividend payments

(Resolution)	Class 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

(2) Dividends whose record dates are in the six months ended September 30, 2009 but whose effective dates fall after the end of the current second quarter

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date	Source of dividends
Meeting of the Board of Directors held on October 29, 2009	Common stock	26,824	2,800	September 30, 2009	December 1, 2009	Retained earnings

(Segment information)

Business segment information

Second quarter ended 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	819,734	820,799	10,671	120,819	5,243	1,777,267	–	1,777,267
(2) Intersegment sales or transfers	11,607	12,085	–	36	3,242	26,972	(26,972)	–
Total	831,342	832,885	10,671	120,855	8,485	1,804,240	(26,972)	1,777,267
Operating income (loss)	49,770	47,869	(3,779)	(2,865)	2,595	93,591	546	94,137

Second quarter ended 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	795,940	677,393	10,977	101,956	4,865	1,591,133	–	1,591,133
(2) Intersegment sales or transfers	14,758	9,598	–	61	2,621	27,040	(27,040)	–
Total	810,698	686,992	10,977	102,018	7,486	1,618,173	(27,040)	1,591,133
Operating income (loss)	56,223	26,462	(3,543)	(1,965)	2,599	79,776	(322)	79,453

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. 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
Second quarter ended September 30, 2008	19,954	18,690	926	1,966	2,674	44,213	(142)	44,070
Second quarter ended September 30, 2009	12,788	13,921	963	4,095	802	32,571	164	32,735

Goodwill amortization (Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Second quarter ended September 30, 2008	272	23,686	—	2,539	—	26,498
Second quarter ended September 30, 2009	272	21,935	—	2,414	—	24,622

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:
   Second quarter ended September 30, 2008 ¥291,912 million
   Second quarter ended September 30, 2009 ¥284,170 million
5. With respect to the international tobacco segment, as the closing date of the accounting period of foreign consolidated subsidiaries is set on December 31, operating results from April 1, 2008 to June 30, 2008 have been included in the second quarter ended September 30, 2008, and operating results from April 1, 2009 to June 30, 2009 have been included in the second quarter ended September 30, 2009.

Six months ended 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

(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 Macao, markets that are under the control of the China Division.)

b. International tobacco: Tobacco products

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 foreign 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 operating results 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, operating income for the six months ended September 30, 2008 for the international tobacco segment decreased by ¥47,541 million as compared to the case where the previous method was applied.

Geographical segment information

Second quarter ended September 30, 2008

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	942,584	538,658	296,024	1,777,267	–	1,777,267
(2) Intersegment sales or transfers	13,372	58,410	12,829	84,612	(84,612)	–
Total	955,957	597,069	308,853	1,861,880	(84,612)	1,777,267
Operating income (loss)	46,646	(1,470)	48,953	94,129	8	94,137

Second quarter ended September 30, 2009

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	909,250	424,213	257,669	1,591,133	–	1,591,133
(2) Intersegment sales or transfers	16,016	57,294	9,041	82,352	(82,352)	–
Total	925,267	481,507	266,711	1,673,485	(82,352)	1,591,133
Operating income (loss)	52,974	(11,404)	37,976	79,546	(92)	79,453

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. The following table shows the amounts of goodwill amortization by geographical segment which are included in operating expenses for the second quarter ended September 30, 2009.

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Second quarter ended September 30, 2009	2,686	21,935	–	24,622

Six months ended September 30, 2008

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	1,905,002	1,035,341	556,743	3,497,087	–	3,497,087
(2) Intersegment sales or transfers	26,816	108,328	19,230	154,376	(154,376)	–
Total	1,931,818	1,143,670	575,974	3,651,463	(154,376)	3,497,087
Operating income	104,343	4,844	95,179	204,367	216	204,584

Six months ended September 30, 2009

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	1,799,233	792,495	462,526	3,054,254	–	3,054,254
(2) Intersegment sales or transfers	32,228	108,709	20,159	161,097	(161,097)	–
Total	1,831,461	901,204	482,686	3,215,352	(161,097)	3,054,254
Operating income (loss)	102,986	(18,305)	78,750	163,431	296	163,727

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

   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, operating income for the six months ended September 30, 2008 for the Western Europe segment decreased by ¥47,541 million as compared to the case where the previous method was applied.

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

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Six months ended September 30, 2009	6,352	43,254	–	49,606

Overseas sales

Second quarter ended September 30, 2008

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	529,964	306,160	836,125
II. Consolidated sales	(Millions of yen)			1,777,267
III. Percentage of overseas sales	(%)	29.8	17.2	47.0

Second quarter ended September 30, 2009

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	416,062	266,226	682,289
II. Consolidated sales	(Millions of yen)			1,591,133
III. Percentage of overseas sales	(%)	26.2	16.7	42.9

Six months ended September 30, 2008

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	1,019,788	580,472	1,600,260
II. Consolidated sales	(Millions of yen)			3,497,087
III. Percentage of overseas sales	(%)	29.2	16.6	45.8

Six months ended September 30, 2009

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	774,518	481,337	1,255,856
II. Consolidated sales	(Millions of yen)			3,054,254
III. Percentage of overseas sales	(%)	25.3	15.8	41.1

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 September 30, 2009

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

(Millions of yen)

Type of products	Type of derivative transactions	Contract / notional amount	Fair value	Unrealized Gain (loss)
Foreign currency	Foreign currency forward contracts	415,391	412,305	2,636
	Currency swaps	62,950	(1,045)	(1,045)
Interest rate	Interest rate swaps	39,739	2,049	2,049
	Interest rate cap options	313,190	186	(1,240)

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 September 30, 2009		As of March 31, 2009	
Net assets per share	¥174,537.60	Net assets per share	¥162,087.74

2. Net income per share, etc.

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

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

	Six months ended September 30, 2008	Six months ended September 30, 2009
Net income per share		
Net income (Millions of yen)	69,479	66,068
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	69,479	66,068
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 after the end of the previous fiscal year	–	–

Second quarter ended September 30, 2008		Second quarter ended September 30, 2009	
Net income per share	¥5,487.36	Net income per share	¥2,421.50
Diluted net income per share	¥5,487.12	Diluted net income per share	¥2,421.25

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

	Second quarter ended September 30, 2008	Second quarter ended September 30, 2009
Net income per share		
Net income (Millions of yen)	52,569	23,198
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	52,569	23,198
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 after the end of the previous fiscal year	–	–

(Additional information)

Second quarter ended September 30, 2009
1. On August 11, 2004, JTI-Macdonald Corp. (“ JTI-Mac”), JT’s Canadian subsidiary, received a Notice of Assessment from the Quebec Ministry of Revenue (“QMR”) requiring an immediate payment of approximately CAD1.36 billion (approximately ¥113.6 billion), based on allegations that the company had contributed to tobacco smuggling from 1990 to 1998, prior to JT’s acquisition of RJR Nabisco Inc.’s international (non-US) tobacco operations. JTI-Mac 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 September 30, 2009 (the end of the second quarter), the company was continuing business operations with its assets protected under the CCAA. In order to enable JTI-Mac 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-Mac 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-Mac in 1999.

Second quarter ended September 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, concluded an early resolution agreement with the OFT. Gallaher agreed to pay a fine for anti-competitive business practices relating to the retail pricing of tobacco products in the UK market during the period prior to JT’s acquisition of Gallaher. In August 2003, the OFT notified Gallaher of an inquiry into vertical agreements between manufacturers and retailers in the UK cigarette, tobacco and tobacco-related markets. Since that time Gallaher has been fully cooperating with the OFT regarding the investigation. Regarding this matter, the OFT issued a statement of objections on April 25, 2008. Following a careful and comprehensive review of the document, the JT Group decided to conclude an early resolution agreement with the OFT, which JT believes best serves the interests of all parties involved. A certain amount, based on the company’s assumptions about the fine, has been booked as noncurrent liabilities in the purchase price allocation related to JT’s acquisition of Gallaher Group Plc (now Gallaher Group Ltd.). In the Consolidated Balance Sheet for the second 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 ¥13.3 billion) to Gallaher is scheduled to be finally decided after completion of such investigation. In cases where the payment amount is decided as the fine amount specified in this agreement, the difference between such fine and the liability already posted, approximately £71 million (approximately ¥10.3 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.

(Important subsequent events)

Second quarter ended September 30, 2009
On September 29, 2009, the Government of Ontario, Canada filed a lawsuit against 13 tobacco manufacturers including JT's Canadian consolidated subsidiary JTI-Macdonald Corp. (" JTI-Mac") and 1 industry organization. The detail is as follows. 1. Parties to the lawsuit Plaintiff Government of Ontario (Canada) Defendants 14 parties of tobacco manufacturers and other including JTI-Mac 2. Content of the complaint To seek compensation against 13 tobacco manufacturers and 1 industry organization for damages for the cost of health care benefits, resulting from tobacco related disease or the risk of tobacco related disease, which have been paid or will be paid by the government of Ontario for insured persons. 3. Amount of the claim CAD50.0 billion (approximately ¥4,170.0 billion) * The statement of claim in this case contains allegations of joint and several liabilities amongst all the defendants but does not specify any individual amount or percentages, within the total amount of the claim, which is claimed from any individual defendant. JTI-Mac has valid grounds to defend the action which it will pursue by all appropriate means with the full support of JT. There are similar pending lawsuits against tobacco manufacturers and others including a JT Group company filed in Canada by the Government of British Columbia and the Government of New Brunswick claiming the recovery of health care costs, however, the amounts of claims have not been specified in these lawsuits.

2. Other

(1) Lawsuit

On September 29, 2009, the Government of Ontario, Canada filed a lawsuit against 13 tobacco manufacturers including JT's Canadian consolidated subsidiary JTI-Macdonald Corp. (" JTI-Mac") and 1 industry organization. The detail is as follows.

1. Parties to the lawsuit

   Plaintiff Government of Ontario (Canada)

   Defendants 14 parties of tobacco manufacturers and other including JTI-Mac

2. Content of the complaint

   To seek compensation against 13 tobacco manufacturers and 1 industry organization for damages for the cost of health care benefits, resulting from tobacco related disease or the risk of tobacco related disease, which have been paid or will be paid by the government of Ontario for insured persons.

3. Amount of the claim

   CAD50.0 billion (approximately ¥4,170.0 billion)

   * The statement of claim in this case contains allegations of joint and several liabilities amongst all the defendants but does not specify any individual amount or percentages, within the total amount of the claim, which is claimed from any individual defendant.

JTI-Mac has valid grounds to defend the action which it will pursue by all appropriate means with the full support of JT.

(2) Dividends

The Board of Directors, at a meeting held on October 29, 2009, resolved the following regarding interim dividends for the current fiscal year.

(a) Total amount of interim dividends ¥26,824 million

(b) Amount per share ¥2,800.00

(c) Effective date of requests for payment, and commencement date of payments December 1, 2009

Note: Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of September 30, 2009.

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

No items to report

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

November 4, 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 September 30, 2008 and the related quarterly consolidated statements of income for the three-month and six-month periods then ended, and the consolidated statement of cash flows for the six-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 September 30, 2008, and the results of their operations for the three-month and six-month periods then ended and their cash flows for the six-month period then ended in conformity with accounting principles for interim 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

October 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 September 30, 2009 and the related quarterly consolidated statements of income for the three-month and six-month periods then ended, and the consolidated statement of cash flows for the six-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 September 30, 2009, and the results of their operations for the three-month and six-month periods then ended and their cash flows for the six-month period then ended in conformity with accounting principles for interim 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 (approximately ¥113.6 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).

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