[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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Quarterly accounting period:	Third quarter of the 25th term (from October 1, 2009 to December 31, 2009)
Company name (Japanese):	日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
Company name (English):	JAPAN TOBACCO INC.
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Places where the document to be filed is available for public inspection:	Japan Tobacco Inc. Saitama Sales Office (55-1, Shimocho 1-chome, Omiya-ku, Saitama-shi, Saitama)
	Japan Tobacco Inc. Yokohama Sales Office (143, Hanasakicho 6-chome, Nishi-ku, Yokohama-shi, Kanagawa)
	Japan Tobacco Inc. Nagoya Sales Office (12-1, Iseyama 2-chome, Naka-ku, Nagoya-shi, Aichi)
	Japan Tobacco Inc. Osaka Sales Office (5-10, Oyodo-minami 1-chome, Kita-ku, Osaka-shi, Osaka)
	Japan Tobacco Inc. Kobe Sales Office (7-23, Nakayamate-dori 3-chome, Chuo-ku, Kobe-shi, Hyogo)
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	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	Nine months ended December 31, 2008	Nine months ended December 31, 2009	Third quarter of the 24th term	Third quarter of the 25th term	24th term
Accounting period	From April 1, 2008 to December 31, 2008	From April 1, 2009 to December 31, 2009	From October 1, 2008 to December 31, 2008	From October 1, 2009 to December 31, 2009	From April 1, 2008 to March 31, 2009
Net sales (Millions of yen)	5,346,145	4,651,891	1,849,058	1,597,636	6,832,307
Ordinary income (Millions of yen)	269,024	215,609	117,636	80,476	307,586
Net income (Millions of yen)	131,454	106,926	61,974	40,858	123,400
Net assets (Millions of yen)	–	–	1,854,269	1,668,296	1,624,288
Total assets (Millions of yen)	–	–	4,530,167	3,917,855	3,879,803
Net assets per share (Yen)	–	–	185,810.09	166,437.71	162,087.74
Net income per share (Yen)	13,721.65	11,161.33	6,469.12	4,264.94	12,880.90
Diluted net income per share (Yen)	13,720.79	11,159.28	6,468.48	4,264.00	12,879.77
Equity ratio (%)	–	–	39.29	40.70	40.02
Net cash provided by (used in) operating activities (Millions of yen)	358,722	283,340	–	–	275,271
Net cash provided by (used in) investing activities (Millions of yen)	(31,636)	(65,397)	–	–	(65,008)
Net cash provided by (used in) financing activities (Millions of yen)	(260,538)	(254,170)	–	–	(217,470)
Cash and cash equivalents at end of period (Millions of yen)	–	–	257,091	136,445	167,257
Number of employees (Person)	–	–	47,954	48,792	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 third quarter) is prepared by subtracting previous six months' amount from the total amount of nine months.

2. Net sales do not include consumption taxes.

2. Business description

During this third quarter, there were neither material changes in the business of the JT Group (JT, 254 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 third quarter.

4. Status of employees

(1) Consolidated companies

(As of December 31, 2009)

Number of employees (Person)	48,792 [10,341]

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

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

(2) Filing company (JT)

(As of December 31, 2009)

Number of employees (Person)	9,188 [1,374]

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

2. The number of employees includes contract employees (94), employees on leave (83) and employees transferred to JT (71), but excludes employees transferred from JT and employees on long-term leave prior to retirement (total 1,085).

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 businesses. 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

During this third quarter, there were no new business or other risks.

Regarding business and other risks mentioned in the previous fiscal year's Annual Securities Report, in this third quarter, there were no changes made to the item mentioned in the Quarterly Securities Report for the previous quarter nor were there any material changes made to the other items.

In the Outline of the 2010 Tax Reform Proposals determined by the Cabinet of Japan on December 22, 2009, it is mentioned that tobacco excise tax is to be raised by ¥3.5 per cigarette in October 2010. Such a significant tax increase may adversely affect the JT Group's operating results.

The Outline also mentions the objective to formulate a new framework for the tobacco business that would include the amendment or abolition of the existing Tobacco Business Act. This may affect the JT Group's operating results.

3. Material operational contracts, etc.

No material operational contracts were decided or entered into during this third 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 nine months ended December 31, 2008 and the nine months ended December 31, 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 third quarter ended December 31, 2008 and the third quarter ended December 31, 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 third quarter continued to be severe as the harsh employment situation continued in Europe, a major market of the JT Group, and the U.S. despite signs of a recovery mostly in Asia due to effects of economic stimulus measures in countries around the world. The Japanese economy, notwithstanding positive movements in exports and production, also continued on a stringent path as corporate earnings declined and the employment situation deteriorated.

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

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

Net sales for this third quarter declined by ¥251.4 billion, or 13.6%, from the same period of the previous fiscal year to ¥1.5976 trillion. Major factors were a decline in the sales volume as a result of a fall in aggregate demand on the domestic tobacco business and a negative impact from currency exchange in the international tobacco business. Cost of sales fell by ¥179.9 billion, or 12.1%, from the same period of the previous fiscal year to ¥1.3069 trillion and selling, general and administrative expenses decreased by ¥35.1 billion, or 14.8%, from the same period of the previous fiscal year to ¥201.8 billion. Operating income fell by ¥36.2 billion, or 29.0%, from the same period of the previous fiscal year to ¥88.8 billion. This was due to effects on profit from the non-recurrence of lump-sum revenue from licensing in the pharmaceutical business recorded in the same period of the previous fiscal year, among other factors, although the decrease in operating income as a result of decrease in net sales was partially offset by lower amortization expenses following the completion of the amortization of some trademark rights in the domestic tobacco business. Ordinary income fell ¥37.1 billion, or 31.6%, from the same period of the previous fiscal year to ¥80.4 billion. This was 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 and effects of a decline in operating income despite the decrease in interest expenses due to the repayment of loans payable and lower interest rates in the international tobacco business. Regarding net income, gain on sales of noncurrent assets dropped, however, net extraordinary income/loss improved because of the absence of the cost accompanying the change in the business scheme in the Philippines recorded for the same period of the previous fiscal year. However, net income, affected by a decline in ordinary income, fell ¥21.1 billion, or 34.1%, from the same period of the previous fiscal year to ¥40.8 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 third 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 Winston Light Box and Pianissimo Icene Menthol One, and the nationwide release of Mild Seven Impact One Menthol Box planned in February 2010. Also in March, Camel Menthol Mini will be released in limited regions.

Moreover, JT strengthened and enhanced the Pianissimo family and the Mild Seven family brand value aiming for continuous growth by integrating the Icene and Lucia brands into the Pianissimo brand in January 2010 and changing the design for 15 core products of the Mild Seven family in February.

The sales volume of cigarettes for the domestic tobacco business during this third quarter decreased by 1.9 billion cigarettes, or 4.7%, from the same period of the previous fiscal year to 38.8 billion cigarettes [Note] mainly due to a decline in aggregate demand. Moreover, our market share fell to 65.0%, or by 0.2 point, and net sales per 1,000 cigarettes (tax excluded) was ¥4,057.

Consequently, net sales for our domestic tobacco business in this third quarter declined by ¥38.4 billion, or 4.7%, from the same period of the previous fiscal year to ¥777.2 billion due to a decrease in sales volume. Operating income increased by ¥6.5 billion, or 13.9%, to ¥53.1 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 third quarter decreased by 2.2 billion cigarettes, or 4.7%, from the same period of the previous fiscal year to 44.3 billion cigarettes.

Note: In addition to the figure stated above, during this third 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 third quarter decreased by 5.3 billion cigarettes, or 8.0%, from the same period of the previous fiscal year to 61.0 billion cigarettes. This was mainly due to effects from an unstable business environment in Iran and the replacement of a license agreement with outsourced manufacturing in the Philippines, despite the steady sales growth of Winston and Camel in France. The volume of our international tobacco business's cigarette sales including GFB decreased by 10.6 billion cigarettes, or 8.8%, from the same period of the previous fiscal year to 109.6 billion cigarettes (Note 2).

Regarding results for this third quarter, net sales for our international tobacco business declined by ¥191.9 billion, or 21.5%, from the same period of the previous fiscal year to ¥700.8 billion. This was due to the devaluation of the currencies of major markets against the U.S. dollar during the nine months ended December 31, 2009 compared with the nine months ended December 31, 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 ¥32.9 billion, or 46.8%, to ¥37.4 billion as a result of an increase in manufacturing costs in the wake of an increase in the price of leaf tobacco in addition to the above currency exchange effects.

The volume of cigarettes manufactured overseas during this third quarter decreased by 0.5 billion cigarettes, or 0.5%, from the same period of the previous fiscal year to 99.1 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 third quarter, 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 1.0 billion during this third quarter.
3. From the current fiscal year, the volume of cigarettes manufactured overseas includes the volume of cigars, pipes and snus manufactured. For this third quarter, the volume of cigars, pipes and snus manufactured was 0.1 billion. Also, the volume of private label products manufactured, mainly for the German market and previously included in the volume of cigarettes manufactured overseas, was excluded from the current fiscal year. The volume of private label products manufactured was 0.5 billion during this third quarter.

* The foreign exchange rate during the nine months ended December 31, 2009 was ¥94.96 per U.S. dollar, compared with ¥105.84 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 10, as anti-Hepatitis C compound JTK-853 has advanced to the clinical trial stage.

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

Regarding the business performance by our subsidiary Torii Pharmaceutical Co., Ltd. ("Torii"), despite the decline in sales of FUTHAN for injection use, a protease inhibitor, 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 decreased by ¥9.0 billion, or 42.6%, from the same period of the previous fiscal year to ¥12.2 billion and operating loss was ¥2.3 billion, compared with an operating income of ¥7.3 billion in the same period of the previous fiscal year. This is mainly due to the non-recurrence of lump-sum revenue from licensing to Merck (U.S.) in November 2008 of JTT-305, a calcium sensing receptor (CaSR) antagonist, which were recorded during the same period of the previous fiscal year, despite the increase in sales from Torii during this third 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 TableMark (Note) Group.

Consequently, net sales for our foods business declined by ¥11.8 billion, or 10.4%, from the same period of the previous fiscal year to ¥102.3 billion due to our withdrawal from chilled processed foods and the exclusion from the scope of consolidation of some subsidiaries. Concerning profits, the foods business had an operating loss of ¥1.6 billion, compared with the operating loss of ¥2.1 billion in the same period of the previous fiscal year, due to the effect of cost reduction.

Note: TableMark Co., Ltd. has changed its company name from Katokichi Co., Ltd. in January 2010.

Other businesses

Net sales for our other businesses declined by ¥0.02 billion, or 0.5%, from the same period of the previous fiscal year to ¥4.9 billion and operating income increased by ¥0.3 billion, or 17.2%, to ¥2.6 billion.

Operating results by geographical segment are as follows.

Japan

Net sales in Japan during this third quarter amounted to ¥891.7 billion, down ¥54.6 billion, or 5.8%, from the same period of the previous fiscal year and operating income was ¥50.5 billion, down ¥3.2 billion, or 6.0%, from the same period of the previous fiscal year.

Western Europe

Net sales in Western Europe during this third quarter amounted to ¥450.0 billion, down ¥125.8 billion, or 21.9%, from the same period of the previous fiscal year and operating loss was ¥5.2 billion, compared to the operating income of ¥4.9 billion recorded in the same period of the previous fiscal year.

Others

Net sales for other regions during this third quarter amounted to ¥255.8 billion, down ¥70.8 billion, or 21.7%, from the same period of the previous fiscal year and operating income was ¥43.1 billion, down ¥22.5 billion, or 34.4%, from the same period of the previous fiscal year.

(2) Operational and financial issues to be addressed

There were no material changes during this third 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 third quarter were ¥12.3 billion.

There were no material changes during this third 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 third quarter stood at ¥136.4 billion, representing a ¥30.8 billion decrease from the end of the previous fiscal year. (Cash and cash equivalents at the end of the third quarter of the previous fiscal year was ¥257.0 billion.)

Cash flows from operating activities

Net cash provided by operating activities during this third quarter was ¥178.1 billion, compared with ¥218.0 billion provided in the same period of the previous fiscal year, affected by increases in inventories resulting from an increase of purchases volume of leaf tobacco 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 third quarter was ¥25.8 billion, compared with ¥3.0 billion used in the same period of the previous fiscal year, due to the purchase of property, plant and equipment despite proceeds from sales of abandoned company-owned residences for employees.

Cash flows from financing activities

Net cash used in financing activities during this third quarter was ¥160.2 billion, compared with ¥125.1 billion used in the same period of the previous fiscal year. The main factors were decreases in commercial papers and short-term bank loans, and cash used for the repayment of long-term loans payable and payment of cash dividends.

d. Liquidity

To ensure liquidity, not only does the JT Group keep cash on hand, it also has alternate sources of funds by establishing commitment lines and others.

III. Facilities

(1) Status of main facilities

There were no material changes during this third quarter in main facilities.

(2) Plans for new installation and retirement of facilities

There were no material changes during this third quarter in the new installation and expansion of facilities that were in the planning stage as of the end of the second quarter. The projected amount for the entire JT Group is ¥150.0 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 December 31, 2009)	Number of shares issued (Share; as of the date of filing: February 12, 2010)	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 December 31, 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	¥1 per share
Exercise period of subscription rights to shares	From January 9, 2008 to January 8, 2038
Issue price of 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 must 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,, auditor and executive officer (both *sikkoyakuin* as well as *sikkoyaku* at a company with committees). 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 Subscription rights to shares Holders or make public notice 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 impracticable, 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 Company Subject to Reorganization.
   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 December 31, 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	¥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 must 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, auditor and executive officer (both *sikkoyakuin* as well as *sikkoyaku* at a company with committees). 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 Subscription rights to shares Holders or make public notice 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 impracticable, 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 Company Subject to Reorganization.
   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.

c. Resolutions of a meeting of the Board of Directors on September 28, 2009

	As of December 31, 2009
Number of subscription rights to shares	1,153 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	1,153 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share
Exercise period of subscription rights to shares	From October 14, 2009 to October 13, 2039
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥197,517 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 must 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, auditor and executive officer (both *sikkoyakuin* as well as *sikkoyaku* at a company with committees). 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 Subscription rights to shares Holders or make public notice 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 impracticable, 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 Company Subject to Reorganization.
   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)
October 1, 2009 to December 31, 2009	–	10,000	–	100,000	–	736,400

(5) Status of major shareholders

A verification of the shareholder registry at December 31, 2009 revealed that The Chase Manhattan Bank, N.A. London Secs Lending Omnibus Account and Deutsche Bank AG London PB Non-treaty Clients 613, both of which were in the top ten major shareholders at September 30, 2009, ceased to be major shareholders with Mellon Bank NA as Agent for its Client Melon Omnibus US Pension and HSBC BANK PLC A/C THE CHILDRENS INVESTMENT MASTER FUND newly ascended to the top ten major shareholders.

(As of December 31, 2009)

Name of shareholders	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
Mellon Bank, N.A. as Agent for its Client Melon Omnibus US Pension (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	ONE BOSTON PLACE BOSTON, MA 02108.(16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	69,440	0.69
HSBC BANK PLC A/C THE CHILDRENS INVESTMENT MASTER FUND (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	8 CANADA SQUARE, LONDON E145HQ (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	60,308	0.60

(6) Status of voting rights

a. Shares issued

(As of December 31, 2009)

Classification	Number of shares (Share)	Number of voting rights	Details
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 December 31, 2009)

Name of shareholders	Address	Number of shares held under own name (Share)	Number of shares held under the name of others (Share)	Total number of shares held (Share)	Percentage of 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 nine months ended December 31, 2009

Month	April 2009	May 2009	June 2009	July 2009	August 2009	September 2009	October 2009	November 2009	December 2009
Highest (Yen)	287,000	288,000	328,000	302,000	285,700	330,000	297,400	262,700	333,000
Lowest (Yen)	232,400	227,000	268,300	250,200	267,400	259,500	254,300	240,800	247,700

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 third quarter of the previous fiscal year (from October 1, 2008 to December 31, 2008) and for the nine months ended December 31, 2008 were prepared in accordance with the pre-revised Regulation for Quarterly Consolidated Financial Statements while those for this third quarter (from October 1, 2009 to December 31, 2009) and for the nine months ended December 31, 2009 were prepared in accordance with the revised Regulation for Quarterly Consolidated Financial Statements.

2. Audit attestation

The quarterly consolidated financial statements for the third quarter of the previous fiscal year (from October 1, 2008 to December 31, 2008) and for the nine months ended December 31, 2008 were reviewed by Deloitte Touche Tohmatsu, and those for this third quarter (from October 1, 2009 to December 31, 2009) and for the nine months ended December 31, 2009 were reviewed by Deloitte Touche Tohmatsu LLC pursuant to the first clause of Article 193-2 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 December 31, 2009		As of March 31, 2009 (Summary)
Assets				
Current assets				
Cash and deposits		131,506		164,957
Notes and accounts receivable-trade		327,277		290,068
Short-term investment securities		20,998		4,910
Merchandise and finished goods		145,338		122,970
Semi-finished goods		109,649		119,290
Work in process		5,689		6,561
Raw materials and supplies		291,448		215,334
Other		221,253		174,751
Allowance for doubtful accounts		(3,324)		(3,162)
Total current assets		1,249,837		1,095,682
Noncurrent assets				
Property, plant and equipment	*	667,122	*	668,742
Intangible assets				
Goodwill		1,370,195		1,453,961
Right of trademark		348,756		347,372
Other		28,049		30,509
Total intangible assets		1,747,001		1,831,843
Investments and other assets				
Investment securities		89,350		90,230
Other		200,700		234,999
Allowance for doubtful accounts		(36,156)		(41,695)
Total investments and other assets		253,894		283,534
Total noncurrent assets		2,668,018		2,784,121
Total assets		3,917,855		3,879,803
Liabilities				
Current liabilities				
Notes and accounts payable-trade		164,187		158,544
Short-term loans payable		68,771		113,231
Commercial papers		94,000		–
Current portion of bonds		50,922		190,363
Current portion of long-term loans payable		25,285		26,380
National tobacco excise tax payable		253,260		172,986
National tobacco special excise tax payable		20,772		10,470
Local tobacco excise tax payable		171,161		85,541
Income taxes payable		49,172		51,777
Provision		27,812		39,172
Other		236,422		244,936
Total current liabilities		1,161,769		1,093,403

(Millions of yen)

	As of December 31, 2009	As of March 31, 2009 (Summary)
Noncurrent liabilities		
Bonds payable	407,699	349,794
Long-term loans payable	183,390	299,563
Provision for retirement benefits	251,975	259,145
Other provision	664	1,318
Other	244,059	252,289
Total noncurrent liabilities	1,087,789	1,162,111
Total liabilities	2,249,559	2,255,514
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,406	736,400
Retained earnings	1,278,267	1,224,989
Treasury stock	(74,575)	(74,578)
Total shareholders' equity	2,040,098	1,986,810
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,628	8,437
Deferred gains or losses on hedges	–	92
Pension liability adjustment of foreign consolidated subsidiaries	(18,012)	(18,965)
Foreign currency translation adjustment	(438,225)	(423,561)
Total valuation and translation adjustments	(445,609)	(433,997)
Subscription rights to shares	507	364
Minority interests	73,298	71,109
Total net assets	1,668,296	1,624,288
Total liabilities and net assets	3,917,855	3,879,803

(2) Quarterly consolidated statements of income (cumulative)

(Millions of yen)

		Nine months ended December 31, 2008		Nine months ended December 31, 2009
Net sales		5,346,145		4,651,891
Cost of sales		4,332,945		3,801,168
Gross profit		1,013,200		850,722
Selling, general and administrative expenses	*1	683,545	*1	598,179
Operating income		329,654		252,542
Non-operating income				
Interest income		5,379		3,377
Dividends income		1,993		1,720
Other		9,397		5,431
Total non-operating income		16,769		10,528
Non-operating expenses				
Interest expenses		37,940		20,991
Foreign exchange losses		31,877		19,123
Financial support for domestic leaf tobacco growers		764		538
Other		6,816		6,808
Total non-operating expenses		77,398		47,462
Ordinary income		269,024		215,609
Extraordinary income				
Gain on sales of noncurrent assets		40,158		21,762
Other		1,627		5,747
Total extraordinary income		41,785		27,510
Extraordinary loss				
Loss on sales of noncurrent assets		2,031		3,517
Loss on retirement of noncurrent assets		7,849		4,127
Impairment loss	*2	11,705		2,426
Business restructuring costs	*3	19,456	*3	6,599
Other		29,349		9,821
Total extraordinary losses		70,392		26,491
Income before income taxes and minority interests		240,417		216,628
Income taxes		104,511		104,565
Minority interests in income		4,451		5,136
Net income		131,454		106,926

Quarterly consolidated statements of income

(Millions of yen)

		Third quarter ended December 31, 2008		Third quarter ended December 31, 2009
Net sales		1,849,058		1,597,636
Cost of sales		1,486,907		1,306,929
Gross profit		362,150		290,707
Selling, general and administrative expenses	*1	237,081	*1	201,891
Operating income		125,069		88,815
Non-operating income				
Interest income		987		833
Dividends income		373		352
Foreign exchange gains		1,707		–
Other		3,958		1,620
Total non-operating income		7,025		2,806
Non-operating expenses				
Interest expenses		12,662		5,554
Foreign exchange losses		–		5,016
Other		1,796		574
Total non-operating expenses		14,458		11,145
Ordinary income		117,636		80,476
Extraordinary income				
Gain on sales of noncurrent assets		18,533		11,035
Other		307		2,017
Total extraordinary income		18,841		13,053
Extraordinary loss				
Loss on sales of noncurrent assets		1,607		835
Loss on retirement of noncurrent assets		1,182		1,967
Impairment loss		168		1,007
Business restructuring costs	*2	18,147	*2	5,521
Other		13,711		5,001
Total extraordinary losses		34,817		14,332
Income before income taxes and minority interests		101,659		79,196
Income taxes		37,915		36,417
Minority interests in income		1,769		1,920
Net income		61,974		40,858

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	240,417	216,628
Depreciation and amortization	131,227	98,740
Impairment loss	11,705	2,426
Loss (gain) on sales and retirement of noncurrent assets	(36,597)	(15,720)
Amortization of goodwill	80,436	74,428
Increase (decrease) in provision for retirement benefits	(7,741)	(6,176)
Interest and dividends income	(7,372)	(5,097)
Interest expenses	37,940	20,991
Decrease (increase) in notes and accounts receivable-trade	(72,859)	(31,551)
Decrease (increase) in inventories	(70,022)	(93,673)
Increase (decrease) in notes and accounts payable-trade	15,275	3,237
Increase (decrease) in accounts payable-other	(7,686)	(1,239)
Increase (decrease) in tobacco excise taxes payable	214,605	169,918
Other, net	(24,215)	(21,934)
Subtotal	505,114	410,976
Interest and dividends income received	10,557	5,277
Interest expenses paid	(47,499)	(26,907)
Income taxes paid	(109,449)	(106,006)
Net cash provided by (used in) operating activities	358,722	283,340
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(1,391)	(2,997)
Proceeds from sales and redemption of securities	1,911	1,901
Purchase of property, plant and equipment	(74,680)	(81,487)
Proceeds from sales of property, plant and equipment	46,939	28,336
Purchase of intangible assets	(3,707)	(4,577)
Proceeds from sales and redemption of investment securities	2,873	1,431
Purchase of investments in subsidiaries	(7,645)	(1,164)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,060)	(324)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	460	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(107)	–
Other, net	6,772	(6,515)
Net cash provided by (used in) investing activities	(31,636)	(65,397)

(Millions of yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial papers	(150,826)	48,697
Proceeds from long-term loans payable	24,532	1,655
Repayment of long-term loans payable	(17,925)	(151,846)
Proceeds from issuance of bonds	–	100,304
Redemption of bonds	(62,019)	(191,874)
Cash dividends paid	(49,717)	(53,601)
Proceeds from stock issuance to minority shareholders	–	189
Cash dividends paid to minority shareholders	(3,207)	(3,196)
Repayments of finance lease obligations	–	(4,498)
Other, net	(1,376)	0
Net cash provided by (used in) financing activities	(260,538)	(254,170)
Effect of exchange rate change on cash and cash equivalents	(23,511)	5,416
Net increase (decrease) in cash and cash equivalents	43,036	(30,812)
Cash and cash equivalents at beginning of period	215,008	167,257
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(953)	–
Cash and cash equivalents at end of period	* 257,091	* 136,445

Changes in significant matters in preparing quarterly consolidated financial statements

	Nine months ended December 31, 2009
1. Changes in scope of consolidation	(1) Changes in scope of consolidation From the nine months ended December 31, 2009, a total of 6 companies, including Japan Tobacco International S&D FLLC, were newly included in the scope of consolidation. Also, a total of 26 companies, including Tokyo Tobacco Shoji Co., Ltd., were excluded from the scope of consolidation due to completion of their liquidation or other reasons. (2) Number of consolidated subsidiaries after changes 254 companies
2. Changes in scope of equity method	(1) Changes in application of the equity method From the nine months ended December 31, 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

Specific accounting policy adopted in preparing quarterly consolidated financial statements

	Nine months ended December 31, 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 this third 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 December 31, 2009	As of March 31, 2009
* Accumulated depreciation of property, plant and equipment amounted to ¥966,561 million.	* Accumulated depreciation of property, plant and equipment amounted to ¥942,782 million.

(Notes to quarterly consolidated statements of income)

<table>
<tr><th>Nine months ended December 31, 2008</th><th>Nine months ended December 31, 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>¥19,748 million</td></tr>
<tr><td>Promotion expenses</td><td>¥126,662 million</td></tr>
<tr><td>Compensation, salaries and allowances</td><td>¥108,481 million</td></tr>
<tr><td>Retirement benefit expenses</td><td>¥10,588 million</td></tr>
<tr><td>Legal welfare expenses</td><td>¥21,121 million</td></tr>
<tr><td>Employees’ bonuses</td><td>¥13,415 million</td></tr>
<tr><td>Provision for bonuses</td><td>¥23,950 million</td></tr>
<tr><td>Depreciation and amortization</td><td>¥66,000 million</td></tr>
<tr><td>Amortization of goodwill</td><td>¥80,468 million</td></tr>
<tr><td>Research and development expenses</td><td>¥35,337 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>¥14,706 million</td></tr>
<tr><td>Promotion expenses</td><td>¥102,984 million</td></tr>
<tr><td>Compensation, salaries and allowances</td><td>¥98,374 million</td></tr>
<tr><td>Retirement benefit expenses</td><td>¥13,536 million</td></tr>
<tr><td>Legal welfare expenses</td><td>¥18,370 million</td></tr>
<tr><td>Employees’ bonuses</td><td>¥13,166 million</td></tr>
<tr><td>Provision for bonuses</td><td>¥18,464 million</td></tr>
<tr><td>Depreciation and amortization</td><td>¥55,157 million</td></tr>
<tr><td>Amortization of goodwill</td><td>¥74,453 million</td></tr>
<tr><td>Research and development expenses</td><td>¥36,988 million</td></tr>
</table></td></tr>
<tr><td>*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>11,705</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 nine months ended December 31, 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 ¥10,577 million.
The recoverable value of such assets was calculated mainly by its value in use, which is set at zero.</td><td>—</td></tr>
<tr><td>*3. Business restructuring costs were incurred in line with the business restructuring measures mainly for a change of a business structure of certain license businesses in the international tobacco business and for rationalization of domestic and international tobacco businesses.</td><td>*3. Business restructuring costs were incurred in line with the business restructuring measures mainly for rationalization of domestic and international tobacco businesses.</td></tr>
</table>

Third quarter ended December 31, 2008	Third quarter ended December 31, 2009
*1. Major items and their amounts of selling, general and administrative expenses are as follows. Advertising expenses ¥7,263 million Promotion expenses ¥45,948 million Compensation, salaries and allowances ¥36,722 million Retirement benefit expenses ¥3,956 million Legal welfare expenses ¥7,029 million Employees' bonuses ¥658 million Provision for bonuses ¥11,935 million Depreciation and amortization ¥22,042 million Amortization of goodwill ¥27,186 million Research and development expenses ¥10,113 million	*1. Major items and their amounts of selling, general and administrative expenses are as follows. Advertising expenses ¥5,866 million Promotion expenses ¥36,440 million Compensation, salaries and allowances ¥33,765 million Retirement benefit expenses ¥4,274 million Legal welfare expenses ¥6,104 million Employees' bonuses ¥65 million Provision for bonuses ¥9,240 million Depreciation and amortization ¥17,486 million Amortization of goodwill ¥24,847 million Research and development expenses ¥12,399 million
*2. Business restructuring costs were incurred in line with the business restructuring measures mainly for a change of a business structure of certain license businesses in the international tobacco business and for rationalization of domestic and international tobacco businesses.	*2. Business restructuring costs were incurred in line with the business restructuring measures mainly for rationalization of domestic and international tobacco businesses.

(Notes to quarterly consolidated statements of cash flows)

Nine months ended December 31, 2008		Nine months ended December 31, 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 December 31, 2008) (Millions of yen)		(As of December 31, 2009) (Millions of yen)
Cash and deposits	161,745	Cash and deposits	131,506
Time deposits with a deposits period of over three months	(1,294)	Time deposits with a deposits period of over three months	(12,350)
Short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk		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)	26,681	(Short-term investment securities)	17,290
(Other current assets)	69,959		
Cash and cash equivalents	257,091	Cash and cash equivalents	136,445

(Shareholders' equity)

As of December 31, 2009 and nine months ended December 31, 2009

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

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

3. Balance of subscription rights to shares as of December 31, 2009
   Subscription rights to shares as stock options Parent company ¥507 million

4. Dividends
   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
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

Third quarter ended December 31, 2008

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	815,762	892,753	21,320	114,291	4,930	1,849,058	–	1,849,058
(2) Intersegment sales or transfers	10,874	10,392	–	28	3,210	24,506	(24,506)	–
Total	826,636	903,146	21,320	114,320	8,141	1,873,565	(24,506)	1,849,058
Operating income (loss)	46,653	70,411	7,395	(2,196)	2,223	124,487	581	125,069

Third quarter ended December 31, 2009

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	777,262	700,837	12,237	102,393	4,905	1,597,636	–	1,597,636
(2) Intersegment sales or transfers	11,819	11,039	–	27	3,145	26,031	(26,031)	–
Total	789,081	711,876	12,237	102,421	8,051	1,623,668	(26,031)	1,597,636
Operating income (loss)	53,157	37,488	(2,344)	(1,697)	2,605	89,209	(394)	88,815

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 JT's 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
Third quarter ended December 31, 2008	20,725	17,541	962	2,023	2,668	43,921	(144)	43,777
Third quarter ended December 31, 2009	12,812	13,947	1,014	4,049	810	32,634	113	32,748

Goodwill amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Third quarter ended December 31, 2008	272	24,439	–	2,475	–	27,186
Third quarter ended December 31, 2009	272	21,282	–	3,292	–	24,847

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:

   Third quarter ended December 31, 2008 ¥287,380 million

   Third quarter ended December 31, 2009 ¥276,929 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 July 1, 2008 to September 30, 2008 have been included in the third quarter ended December 31, 2008, and operating results from July 1, 2009 to September 30, 2009 have been included in the third quarter ended December 31, 2009.

Nine months ended December 31, 2008

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	2,478,158	2,456,903	48,128	347,765	15,190	5,346,145	–	5,346,145
(2) Intersegment sales or transfers	34,989	30,748	–	105	9,837	75,681	(75,681)	–
Total	2,513,147	2,487,651	48,128	347,871	25,027	5,421,827	(75,681)	5,346,145
Operating income (loss)	152,254	170,527	5,806	(7,814)	7,321	328,095	1,559	329,654

Nine months ended December 31, 2009

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	2,352,971	1,946,565	34,357	303,239	14,756	4,651,891	–	4,651,891
(2) Intersegment sales or transfers	41,314	29,454	–	125	8,461	79,356	(79,356)	–
Total	2,394,286	1,976,020	34,357	303,365	23,218	4,731,247	(79,356)	4,651,891
Operating income (loss)	163,998	97,346	(9,158)	(7,357)	8,106	252,935	(392)	252,542

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 JT's 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
Nine months ended December 31, 2008	60,155	54,837	2,767	5,931	7,997	131,688	(461)	131,227
Nine months ended December 31, 2009	40,312	41,076	2,906	12,307	1,975	98,578	161	98,740

Goodwill amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Nine months ended December 31, 2008	816	71,980	–	7,672	–	80,468
Nine months ended December 31, 2009	816	64,536	–	9,100	–	74,453

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:

   Nine months ended December 31, 2008 ¥879,362 million

   Nine months ended December 31, 2009 ¥837,868 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 September 30, 2008 have been included in the nine months ended December 31, 2008, and operating results from January 1, 2009 to September 30, 2009 have been included in the nine months ended December 31, 2009.

6. Changes in accounting policies

   Nine months ended December 31, 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 nine months ended December 31, 2008 for the international tobacco segment decreased by ¥71,980 million as compared to the case where the previous method was applied.

Geographical segment information

Third quarter ended December 31, 2008

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	946,425	575,930	326,702	1,849,058	–	1,849,058
(2) Intersegment sales or transfers	12,397	58,769	9,436	80,603	(80,603)	–
Total	958,823	634,700	336,138	1,929,661	(80,603)	1,849,058
Operating income	53,837	4,961	65,710	124,509	559	125,069

Third quarter ended December 31, 2009

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	891,766	450,041	255,827	1,597,636	–	1,597,636
(2) Intersegment sales or transfers	13,034	53,433	6,704	73,172	(73,172)	–
Total	904,801	503,474	262,532	1,670,808	(73,172)	1,597,636
Operating income (loss)	50,598	(5,201)	43,123	88,520	294	88,815

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 third quarter ended December 31, 2009.

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Third quarter ended December 31, 2009	3,564	21,282	–	24,847

Nine months ended December 31, 2008

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	2,851,427	1,611,272	883,445	5,346,145	–	5,346,145
(2) Intersegment sales or transfers	39,213	167,098	28,666	234,978	(234,978)	–
Total	2,890,641	1,778,370	912,112	5,581,124	(234,978)	5,346,145
Operating income	158,180	9,806	160,890	328,877	777	329,654

Nine months ended December 31, 2009

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
Net sales						
(1) Sales to customers	2,691,000	1,242,536	718,354	4,651,891	–	4,651,891
(2) Intersegment sales or transfers	45,262	162,142	26,864	234,269	(234,269)	–
Total	2,736,262	1,404,678	745,218	4,886,160	(234,269)	4,651,891
Operating income (loss)	153,584	(23,507)	121,874	251,951	591	252,542

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

   Nine months ended December 31, 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 nine months ended December 31, 2008 for the Western Europe segment decreased by ¥71,980 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 nine months ended December 31, 2009.

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Nine months ended December 31, 2009	9,916	64,536	–	74,453

Overseas sales

Third quarter ended December 31, 2008

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	564,499	349,201	913,701
II. Consolidated sales	(Millions of yen)			1,849,058
III. Percentage of overseas sales	(%)	30.5	18.9	49.4

Third quarter ended December 31, 2009

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	442,716	263,886	706,603
II. Consolidated sales	(Millions of yen)			1,597,636
III. Percentage of overseas sales	(%)	27.7	16.5	44.2

Nine months ended December 31, 2008

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	1,584,288	929,673	2,513,962
II. Consolidated sales	(Millions of yen)			5,346,145
III. Percentage of overseas sales	(%)	29.6	17.4	47.0

Nine months ended December 31, 2009

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	1,217,235	745,223	1,962,459
II. Consolidated sales	(Millions of yen)			4,651,891
III. Percentage of overseas sales	(%)	26.2	16.0	42.2

Notes: 1. Overseas sales figures consist of sales of JT and its consolidated subsidiaries in countries or regions outside Japan.
2. Geographical segments are 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 December 31, 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	386,381	404,268	4,532
	Currency swaps	62,888	(977)	(977)
Interest rate	Interest rate swaps	35,993	2,398	2,398
	Interest rate cap options	294,655	163	(1,177)

Notes: 1. Calculation of fair value is based on information provided by 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 the amounts do not represent the level of risk for derivative transactions.

(Stock options)

Third quarter ended December 31, 2009

1. Amount charged to expense for this third quarter and its account title

Selling, general and administrative expenses ¥113 million

2. Details of stock options granted during this third quarter

	Japan Tobacco Inc. 2009 stock option
Positions and number of persons granted	Directors 9 persons Operating Officers (excluding persons serving as Director) 14 persons
Number of stock options granted by class of shares	Common stock 1,153 shares
Date of grant	October 13, 2009
Vesting conditions	None
Requisite service period	From June 23, 2009 to the date of Annual General Meeting of Shareholders to be held in 2010
Exercise period	From October 14, 2009 to October 13, 2039
Exercise price	¥1
Fair value at the date of grant	¥197,517

(Per share information)

1. Net assets per share

As of December 31, 2009		As of March 31, 2009	
Net assets per share	¥166,437.71	Net assets per share	¥162,087.74

2. Net income per share, etc.

Nine months ended December 31, 2008		Nine months ended December 31, 2009	
Net income per share	¥13,721.65	Net income per share	¥11,161.33
Diluted net income per share	¥13,720.79	Diluted net income per share	¥11,159.28

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

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net income per share		
Net income (Millions of yen)	131,454	106,926
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	131,454	106,926
Average number of common stocks during the period (Thousands of shares)	9,580	9,580
Diluted net income per share		
Dilutive effects (Millions of yen)	–	–
Number of increased common stocks (Thousands of shares)	0	1
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	–	–

Third quarter ended December 31, 2008		Third quarter ended December 31, 2009	
Net income per share	¥6,469.12	Net income per share	¥4,264.94
Diluted net income per share	¥6,468.48	Diluted net income per share	¥4,264.00

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

	Third quarter ended December 31, 2008	Third quarter ended December 31, 2009
Net income per share		
Net income (Millions of yen)	61,974	40,858
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	61,974	40,858
Average number of common stocks during the period (Thousands of shares)	9,580	9,580
Diluted net income per share		
Dilutive effects (Millions of yen)	–	–
Number of increased common stocks (Thousands of shares)	0	2
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)

Third quarter ended December 31, 2009
1. On August 11, 2004, JTI-Macdonald Corp. ("JTI-Mac"), JT's Canadian consolidated subsidiary, received a Notice of Assessment from the Quebec Ministry of Revenue ("QMR") requiring an immediate payment of approximately CAD1.36 billion (approximately ¥120.1 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 December 31, 2009 (the end of this third 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 consolidated 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 between JT and RJR Nabisco Inc. at the time of JT's acquisition of JTI-Mac in 1999.

Third quarter ended December 31, 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 consolidated 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 this third quarter, 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 ¥13.6 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 ¥10.4 billion), will be recorded as extraordinary income. While the agreement reached with the OFT relates only to Gallaher's past business activities prior to JT's acquisition of the Gallaher group of companies, JT considers that compliance with all applicable laws in each market in which it operates is of the utmost importance. JT will continue to enhance efforts to ensure compliance of the whole group of companies.

Third quarter ended December 31, 2009
3. 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 ¥4,403.5 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 ¥4,403.5 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

February 6, 2009

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu

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

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

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

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the consolidated quarterly financial statements included in the Financial Section, namely, the consolidated quarterly balance sheet of Japan Tobacco Inc., and subsidiaries as of December 31, 2008 and the related consolidated quarterly statements of income for the three-month and nine- month periods then ended, and the consolidated quarterly statement of cash flows for the nine-month period then ended. These consolidated quarterly 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 consolidated quarterly 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 December 31, 2008, and the results of their operations for the three-month and nine-month periods then ended and their cash flows for the nine-month period then ended in conformity with accounting principles for consolidated quarterly 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 ¥102.1 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.

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

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

February 2, 2010

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 Accounting Section, namely, the quarterly consolidated balance sheet of Japan Tobacco Inc. and subsidiaries as of December 31, 2009 and the related quarterly consolidated statements of income for the three-month and nine-month periods then ended, and the consolidated statement of cash flows for the nine-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 December 31, 2009, and the results of their operations for the three-month and nine-month periods then ended and their cash flows for the nine-month period then ended in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

As discussed in Additional information, JTI-Macdonald Corp. ("JTI-Mac"), 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 ¥120.1 billion). JTI-Mac 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-Mac 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.