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

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Document to be filed:	Quarterly Securities Report
Provisions to base upon:	Article 24-4-7, paragraph (1) of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	November 12, 2010
Quarterly accounting period:	Second quarter of the 26th term (from July 1, 2010 to September 30, 2010)
Company name (Japanese):	日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
Company name (English):	JAPAN TOBACCO INC.
Title and name of representative:	Hiroshi Kimura, President, Chief Executive Officer and Representative Director
Location of head office:	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-3582-3111 (Main)
Contact person:	Yasuyuki Tanaka, Senior Vice President and Chief Communications Officer
Place of contact:	2-1, Toranomon 2-chome, Minato-ku, Tokyo, Japan
Telephone number:	+81-3-3582-3111 (Main)
Contact person:	Yasuyuki Tanaka, Senior Vice President and Chief Communications Officer
Places where the document to be filed is available for public inspection:	Japan Tobacco Inc. Saitama Sales Office (55-1, Shimocho 1-chome, Omiya-ku, Saitama-shi, Saitama)
	Japan Tobacco Inc. Yokohama Sales Office (143, Hanasakicho 6-chome, Nishi-ku, Yokohama-shi, Kanagawa)
	Japan Tobacco Inc. Nagoya Sales Office (12-1, Iseyama 2-chome, Naka-ku, Nagoya-shi, Aichi)
	Japan Tobacco Inc. Osaka Sales Office (5-10, Oyodo-minami 1-chome, Kita-ku, Osaka-shi, Osaka)
	Japan Tobacco Inc. Kobe Sales Office (7-23, Nakayamate-dori 3-chome, Chuo-ku, Kobe-shi, Hyogo)
	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)
	Osaka Securities Exchange Co., Ltd. (8-16, Kitahama 1-chome, Chuo-ku, Osaka-shi, Osaka)
	Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi)
	Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-shi, Fukuoka)
	Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-shi, Hokkaido)

A. Company Information

I. Overview of the JT Group

1. Trends in principal management benchmarks

Term	Six months ended September 30, 2009	Six months ended September 30, 2010	Second quarter of the 25th term	Second quarter of the 26th term	25th term
Accounting period	From April 1, 2009 to September 30, 2009	From April 1, 2010 to September 30, 2010	From July 1, 2009 to September 30, 2009	From July 1, 2010 to September 30, 2010	From April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	3,054,254	3,298,734	1,591,133	1,831,635	6,134,695
Ordinary income (Millions of yen)	135,133	186,191	56,318	114,604	255,377
Net income (Millions of yen)	66,068	81,954	23,198	59,113	138,448
Net assets (Millions of yen)	–	–	1,744,664	1,696,676	1,723,278
Total assets (Millions of yen)	–	–	4,048,662	3,812,171	3,872,595
Net assets per share (Yen)	–	–	174,537.60	169,121.49	172,139.61
Net income per share (Yen)	6,896.39	8,554.64	2,421.50	6,170.47	14,451.67
Diluted net income per share (Yen)	6,895.72	8,552.76	2,421.25	6,169.11	14,448.89
Equity ratio (%)	–	–	41.30	42.50	42.58
Net cash provided by (used in) operating activities (Millions of yen)	105,179	341,728	–	–	320,024
Net cash provided by (used in) investing activities (Millions of yen)	(39,578)	(70,628)	–	–	(84,057)
Net cash provided by (used in) financing activities (Millions of yen)	(93,914)	(215,211)	–	–	(250,398)
Cash and cash equivalents at end of period (Millions of yen)	–	–	148,959	202,834	154,368
Number of employees (Person)	–	–	48,917	49,923	49,665

Notes: 1. Filing company's trends in principal management benchmarks are not disclosed as JT prepares quarterly consolidated financial statements.
Please note that the data for the three months (the second quarter) is prepared by subtracting previous three months' amount from the total amount of six months.
2. Net sales do not include consumption taxes.

2. Business description

During this second quarter, there were neither material changes in the business of the JT Group (JT, 250 consolidated subsidiaries and 14 affiliates accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report nor changes in principal subsidiaries and affiliates.

3. Status of subsidiaries and affiliates

During this second quarter, there were no changes in significant subsidiaries and affiliates mentioned in the previous fiscal year's Annual Securities Report.

4. Status of employees

(1) Consolidated companies

(As of September 30, 2010)

Number of employees (Person)	49,923 [13,285]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during this second quarter is given in parentheses separately.
2. The number of employees in foreign subsidiaries in which the closing dates of the second quarter accounting period fall on June 30 is calculated using the number of employees as of June 30, 2010.

(2) Filing company (JT)

(As of September 30, 2010)

Number of employees (Person)	9,099 [1,389]

Notes: 1. The number of employees indicates the number of working employees, and the average number of temporary employees during this second quarter is given in parentheses separately.
2. The number of employees includes contract employees (93), employees on leave (78) and employees transferred to JT (74), but excludes employees transferred from JT and employees on long-term leave prior to retirement (Total 1,077).

II. Review of operations

1. Status of production, orders received and sales

The JT Group conducts production and sales of broad and various products in the Japanese Domestic Tobacco Business, International Tobacco Business, Pharmaceutical Business and Food Business. Moreover, the types, formats, content volumes, packages, etc. of their products are broad, and major products are not based on a made-to-order basis. For this reason, size of production and orders received are presented neither in the amount of money nor in volume by segment.

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

2. Business and other risks

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

There were no material changes to the items regarding business and other risks mentioned in the previous fiscal year’s Annual Securities Report.

3. Important operational contracts, etc.

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

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

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

Values representing the six months ended September 30, 2009 and the six months ended September 30, 2010 provided in “V. Accounting, 1. Quarterly consolidated financial statements, (3) Quarterly consolidated statements of cash flows” are subject to review by the Independent Auditors. However, values representing the second quarter ended September 30, 2009 and the second quarter ended September 30, 2010 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 Auditors.

Furthermore, following the application of the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17), effective from April 1, 2010, a series of JT’s segment information used by the management in decision making and other operational processes based on the management approach are disclosed. For details, please refer to “(Reference) Application of the ‘Accounting Standard for Disclosures about Segments of an Enterprise and Related Information.’”

(1) Operating results

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

Please note that the closing date of the second quarter accounting period of the consolidated subsidiaries classified in the International Tobacco Business segment is June 30, and their financial results used for the consolidated second quarter results are for the three months from April 1 to June 30, 2010.

<Net sales>

The Japanese Domestic Tobacco Business experienced a rise in sales volume attributable to heightened demand ahead of the October tobacco excise tax hike and retail price amendment, and the International Tobacco Business saw the effects of unit price increase and positive impact from local currency exchanges in major markets. This resulted in a year-on-year increase in net sales of ¥240.5 billion, or 15.1%, to ¥1.8316 trillion.

	Second quarter ended September 30, 2009 (Billions of yen)	Second quarter ended September 30, 2010 (Billions of yen)	Change (Billions of yen, %)	
Consolidated net sales	1,591.1	1,831.6	240.5	15.1
Japanese Domestic Tobacco Business	795.9	1,007.5	211.6	26.6
International Tobacco Business	677.3	707.2	29.8	4.4
Pharmaceutical Business	10.9	11.2	0.3	2.9
Food Business	101.9	100.6	(1.3)	(1.3)

* Net sales figures represent sales to customers.

* Consolidated net sales includes other net sales relating to rent of real estate in addition to the above. For details, please refer to "V. Accounting, 1. Quarterly consolidated financial statements, Notes to quarterly consolidated financial statements, Segment information, 3. ."

Net sales excluding tobacco excise taxes, resulting from deducting the amount equivalent to the tobacco excise taxes from consolidated net sales, is as follows.

	Second quarter ended September 30, 2009 (Billions of yen)	Second quarter ended September 30, 2010 (Billions of yen)	Change (Billions of yen, %)	
Consolidated net sales	1,591.1	1,831.6	240.5	15.1
Amount equivalent to tobacco excise taxes	936.7	1,108.3	171.6	18.3
Net sales excluding tobacco excise taxes	654.4	723.3	68.9	10.5

* Net sales excluding tobacco excise taxes for the second quarter ended September 30, 2009 is unaudited and for reference purposes only and they are not presented in the information for the second quarter ended September 30, 2009 in "V. Accounting, 1. Quarterly consolidated financial statements, Notes to quarterly consolidated financial statements, Segment information, etc."

Information on net sales excluding tobacco excise taxes, etc. by the Japanese Domestic Tobacco Business and the International Tobacco Business is as follows.

Japanese Domestic Tobacco Business

	Second quarter ended September 30, 2009 (Billions of yen)	Second quarter ended September 30, 2010 (Billions of yen)	Change (Billions of yen, %)	
Net sales including tobacco excise taxes	795.9	1,007.5	211.6	26.6
Net sales excluding tobacco excise taxes	267.0	334.6	67.6	25.3
Of which, adjusted net sales excluding tobacco excise taxes (Note)	160.4	205.3	44.8	28.0

Note: Net sales relating to imported tobacco, duty-free shops in Japan and the China Division are mainly excluded from the Japanese Domestic Tobacco Business.

International Tobacco Business

	Second quarter ended September 30, 2009 (Billions of yen)	Second quarter ended September 30, 2010 (Billions of yen)	Change (Billions of yen, %)	
Net sales including tobacco excise taxes	677.3	707.2	29.8	4.4
Net sales excluding tobacco excise taxes	269.5	271.7	2.2	0.8
Of which, adjusted net sales excluding tobacco excise taxes (Note)	233.7	238.9	5.2	2.2

Note: Net sales relating to the distribution business, leaf tobacco sales and contract manufacturing are mainly excluded from the International Tobacco Business.

* Net sales excluding tobacco excise taxes and adjusted net sales excluding tobacco excise taxes for the second quarter ended September 30, 2009 in the Japanese Domestic Tobacco Business and the International Tobacco Business are unaudited and for reference purposes only and they are not presented in the information for the second quarter ended September 30, 2009 in “V. Accounting, 1. Quarterly consolidated financial statements, Notes to quarterly consolidated financial statements, Segment information, etc.”

<Cost of sales / selling, general and administrative expenses>

Cost of sales increased by ¥201.3 billion, or 15.4%, from the same period of the previous fiscal year to ¥1.5097 trillion and selling, general and administrative expenses decreased by ¥1.1 billion, or 0.6%, from the same period of the previous fiscal year to ¥202.1 billion.

<Operating income / EBITDA>

Mainly caused by effects from increased sales in the Japanese Domestic Tobacco Business and the International Tobacco Business, operating income jumped ¥40.3 billion, or 50.7%, from the same period of the previous fiscal year to ¥119.7 billion. EBITDA was ¥173.7 billion, an increase of ¥36.9 billion, or 27.0%, from the same period of the previous fiscal year as a result of a ¥3.3 billion decrease in depreciation and amortization expenses due to a decrease in depreciation expense relating to vending machines in the Japanese Domestic Tobacco Business, among other factors.

	Second quarter ended September 30, 2009 (Former accounting standard) (Billions of yen)	Second quarter ended September 30, 2009 (New accounting standard) (Billions of yen)	Second quarter ended September 30, 2010 (New accounting standard) (Billions of yen)	Change (New accounting standard) (Billions of yen)	
Operating income	79.4	79.4	119.7	40.3	50.7
EBITDA	136.8	136.8	173.7	36.9	27.0
Japanese Domestic Tobacco Business	69.2	66.5	91.7	25.2	37.9
International Tobacco Business	62.3	69.8	80.9	11.0	15.9
Pharmaceutical Business	(2.5)	(2.5)	(2.7)	(0.1)	–
Food Business	4.5	4.5	5.5	1.0	22.9

* EBITDA includes EBITDA relating to other net sales in addition to the above. For details, please refer to “V. Accounting, 1. Quarterly consolidated financial statements, Notes to quarterly consolidated financial statements, Segment information, 3. Differences between total amounts for reportable segments and amounts in the quarterly consolidated statements of income and main details of these differences.”

* EBITDA = operating income + depreciation and amortization (including depreciation and amortization of property, plant and equipment, intangible assets and long-term prepaid expenses, and amortization of goodwill)

* The figures for the second quarter ended September 30, 2009 for each segment based on the new accounting standard for segment information are unaudited and for reference purposes only and they are not presented in the information for the second quarter ended September 30, 2009 in “V. Accounting, 1. Quarterly consolidated financial statements, Notes to quarterly consolidated financial statements, Segment information, etc.”

<Ordinary income>

An improvement in foreign exchange losses resulting from hedging activities effected in the course of business and a decrease in interest expenses due to the repayment of loans payable and redemption of bonds, etc. improved non-operating income/loss by ¥17.9 billion. With the ¥40.3 billion increase in operating income, ordinary income rose ¥58.2 billion, or 103.5%, from the same period of the previous fiscal year to ¥114.6 billion.

<Net income>

In addition to a lower gain on sales of noncurrent assets, the recording of costs geared towards strengthening the business system of the Food Business, among others, resulted in the deterioration of extraordinary income/loss by ¥5.3 billion. These partially offset an increase amounting to ¥58.2 billion in ordinary income, consequently, income before income taxes and minority interests rose ¥52.9 billion, from the same period of the previous fiscal year to ¥106.7 billion. Net income, affected by a ¥16.9 billion increase in the amount of income taxes recorded due to higher income before income taxes and minority interests, among other factors, increased ¥35.9 billion, or 154.8%, from the same period of the previous fiscal year to ¥59.1 billion.

Operating results by segment are as follows.

Japanese Domestic Tobacco Business

The sales volume of cigarettes for the Japanese Domestic Tobacco Business in this second quarter increased by 11.0 billion cigarettes, or 27.9%, from the same period of the previous fiscal year to 50.6 billion cigarettes [Note] due to heightened demand for approximately one-month's consumption ahead of the retail price amendment, which followed the October tobacco excise tax hike.

During this second quarter, despite the decreasing birth rate, aging population and other structural factors in addition to lower demand caused by impact of the tobacco excise tax hike and retail price amendment announcement, results increased thanks to heightened demand pushing up sales volume year on year.

Our market share stood at 65.1%, that of the previous fiscal year is 64.9%, and net sales per 1,000 cigarettes (tax excluded) was ¥4,052.

We will continue to bolster our R&D with an eye on improving product value, introduce new products under our core brands and improve quality, design and packaging form, among other measures, to provide a level of quality and service that befits our prices and satisfy our valued customers.

In November of this year, JT plans, in a specially targeted brand, to change the packaging form of 4 menthol products of the Mild Seven family and launch the Pianissimo Super Slim Menthol One of the Pianissimo family. Also, in May, we released the Zerostyle Mint all new style of smokeless tobacco as part of our commitment to develop many new tobacco products not limited to cigarettes so that people can enjoy their favorite tobacco products more.

As a result, due to an increase in the sales volume, net sales excluding tobacco excise taxes increased by ¥67.6 billion, or 25.3%, from the same period of the previous fiscal year to ¥334.6 billion and adjusted net sales excluding tobacco excise taxes increased by ¥44.8 billion, or 28.0%, from the same period of the previous fiscal year to ¥205.3 billion. Despite temporary costs associated with the hike in the tobacco excise taxes and retail price amendment, higher sales resulted in increased EBITDA by ¥25.2 billion, or 37.9%, from the same period of the previous fiscal year to ¥91.7 billion.

The volume of cigarettes manufactured in Japan during this second quarter increased by 3.0 billion cigarettes, or 6.9%, from the same period of the previous fiscal year to 47.1 billion cigarettes.

Note: In addition to the figure stated above, during this second quarter, 0.9 billion cigarettes were sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau that are under the control of JT's China Division.

International Tobacco Business

The sales volume of the GFB (Note 1) in this second quarter decreased by 0.6 billion cigarettes, or 0.9%, from the same period of the previous fiscal year to 63.7 billion cigarettes. This was mainly due to a decrease in total tobacco demand in Russia, among others, and the effects from an unstable business environment in some specified markets, despite the steady sales growth of Winston in France and Camel in Turkey and France. The volume of our International Tobacco Business's cigarette sales including GFB decreased by 4.5 billion cigarettes, or 3.9%, from the same period of the previous fiscal year to 110.7 billion cigarettes (Note 2).

In this second quarter, despite a decline in sales volume, because of advantageous movements of the local currencies of major markets in the six months ended September 30, 2010 compared to the same period of the previous fiscal year against the U.S. dollar, which is used by the subsidiary which consolidates the accounts of the subsidiaries in the International Tobacco Business, in addition to effects from higher unit prices, dollar-based net sales excluding tobacco excise taxes increased by $182 million, or 6.6%, from the same period of the previous fiscal year to $2,955 million while adjusted net sales excluding tobacco excise taxes increased by $194 million, or 8.1%, from the same period of the previous fiscal year to $2,598 million. EBITDA was $880 million, an increase of $164 million, or 22.9%, compared to the same period of the previous fiscal year.

As a result of the above, despite the effects of a high yen when making conversions to that currency, net sales excluding tobacco excise taxes increased by ¥2.2 billion, or 0.8%, from the same period of the previous fiscal year to ¥271.7 billion with an increase in adjusted net sales excluding tobacco excise taxes of ¥5.2 billion, or 2.2%, to ¥238.9 billion and an increase in EBITDA of ¥11.0 billion, or 15.9%, to ¥80.9 billion.

The volume of cigarettes manufactured overseas during this second quarter decreased by 5.4 billion cigarettes, or 5.4%, from the same period of the previous fiscal year to 94.7 billion cigarettes (Note 3).

Notes: 1. We have identified eight brands which serve as flagships of the brand portfolio, Winston, Camel, Mild Seven, Benson & Hedges, Silk Cut, LD, Sobranie and Glamour, which we collectively call the Global Flagship Brands (GFB).

2. In addition to the figure stated above, the sales volume of private label products, mainly for the German market, was 0.2 billion cigarettes for this second quarter.

3. In addition to the figure stated above, the production volume of private label products, mainly for the German market, was 0.2 billion cigarettes for this second quarter.

* The foreign exchange rate in the six months ended September 30, 2010 was ¥91.36 per U.S. dollar, representing a ¥4.23 year-on-year yen appreciation, compared with ¥95.59 per U.S. dollar in the same period of the previous fiscal year.

Pharmaceutical Business

In the Pharmaceutical Business, we focused our efforts on increasing and advancing compounds in a late phase of clinical trial and enhancing the research and development pipeline. Although we abandoned the development of anti-diabetes compound JTT-654, the anti-diabetes compound JTT-851 has advanced to the clinical trial stage making the number of compounds developed in-house that are under clinical development at 10.

Regarding the business performance by our subsidiary Torii Pharmaceutical Co., Ltd., despite the decline in sales of FUTHAN for injection use, a protease inhibitor, Torii enjoyed growth in sales of REMITCH CAPSULES, an oral antipruritus drug for hemodialysis patients, and Truvada Tablets, an anti-HIV drug, leading to an increase in sales. However, operating income decreased due to higher cost of sales and selling, general and administrative expenses.

Net sales in this second quarter increased by ¥0.3 billion, or 2.9%, from the same period of the previous fiscal year to ¥11.2 billion due to the increased revenue at Torii Pharmaceutical Co., Ltd. with EBITDA at negative ¥2.7 billion (compared to negative ¥2.5 billion in the same period of the previous fiscal year).

Food Business

Net sales for our Food Business in this second quarter declined by ¥1.3 billion, or 1.3%, from the same period of the previous fiscal year to ¥100.6 billion due to a decrease in sales of commercial use products mainly for the restaurant industry as well as the abolishment of our white rice wholesale business and effects from the exclusion from the scope of consolidation of some subsidiaries in our processed food business. This is despite positive effects from the hot summer and higher sales resulting from a concentration of our forces with respect to our flagship Roots brand in the beverage business. EBITDA increased by ¥1.0 billion, or 22.9%, from the same period of the previous fiscal year to ¥5.5 billion thanks to solid performance remained in the beverage business despite a decrease in sales of commercial use products in the processed food business.

(2) Operational and financial issues to be addressed

During this second quarter, there were no material changes in issues to be addressed by the JT Group mentioned in the previous fiscal year's Annual Securities Report.

(3) Research and development activities

Research and development expenses for the entire JT Group during this second quarter were ¥12.2 billion.

During this second quarter, there were no material changes in the status of the JT Group's research and development activities mentioned in the previous fiscal year's Annual Securities Report.

(4) Analysis of capital resources and liquidity of funds

a. Funding requirements

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. Resources of funds

The necessary funds are mainly procured from cash flow provided by operating activities, loans from financial institutions and bond and commercial paper issuances.

c. Cash flows

Cash and cash equivalents at the end of this second quarter stood at ¥202.8 billion, representing a ¥48.4 billion increase from the end of the previous fiscal year. (Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥148.9 billion.)

Cash flows from operating activities

Net cash provided by operating activities during this second quarter was ¥314.2 billion, compared with ¥72.2 billion provided in the same period of the previous fiscal year. This is mainly from, in addition to the recording of ¥173.7 billion of EBITDA from an increase in both sales and earnings mostly in the tobacco business, a temporary effect caused by the heightened demand ahead of the October tobacco excise tax hike and retail price amendment resulting in an increase in tobacco excise taxes payable as of September 30, 2010 by approximately one-month's worth compared to normal activity.

Cash flows from investing activities

Net cash used in investing activities during this second quarter was ¥41.2 billion, compared with ¥26.5 billion used in the same period of the previous fiscal year. This was mainly due to the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities during this second quarter was ¥179.9 billion, compared with ¥19.1 billion used in the same period of the previous fiscal year. This was mainly due to redemption of bonds as well as the repayment of short-term bank loans and redemption of commercial papers supported by a temporary hike in cash provided by operating activities.

d. Liquidity of funds

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

(Reference)

Application of the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information”

Major changes resulting from the application of the new segment basis are as follows.

i) Reportable segments

Reportable segments were determined based on the management approach as the Japanese Domestic Tobacco Business, the International Tobacco Business, the Pharmaceutical Business and the Food Business.

ii) Indicating net sales excluding tobacco excise taxes

It was decided that segment net sales are to be newly disclosed as net sales excluding tobacco excise taxes, which excludes the amount equivalent to tobacco excise taxes. Regarding tobacco excise taxes, representing a substantial portion of the consolidated net sales of the JT Group, which is engaged in the tobacco business, because the object, reason and basis of taxation differ for each country where JT operates, net sales excluding tobacco excise taxes is used as the net sales per reportable segment as a basis of managerial decision making and other processes relating to the Japanese Domestic and International Tobacco Businesses.

iii) Indicating EBITDA

It was decided that segment profit is to be disclosed as EBITDA (operating income before depreciation and amortization (property, plant and equipment, intangible assets, and long-term prepaid expenses) and amortization of goodwill). This is because EBITDA is used as a key performance indicator for each segment and for the JT Group’s managerial decision making.

iv) Revision of segment profit measurement

A revision was effected of the measurement of a portion of segment profit. Foreign consolidated subsidiaries classified under the International Tobacco Business manufacture and sell tobacco products using the brand trademark rights for Camel, Winston and other brands owned by JT and pay a fee for the use of said rights (hereinafter, “royalties”). Previously, the segment disclosure of said royalties was effected by measuring royalties received in the segment profit of the Japanese Domestic Tobacco Business, while the segment profit of the International Tobacco Business was measured after deducting royalties. However, because the profit of each segment is managed exclusive of effects from the payment of royalties, these effects are also excluded from the segment profits.

In addition, with the application of the management approach, a portion of the distributions of expenses common to all Group companies and capital expenditures to each reportable segment was revised.

v) Presentation of breakdown of adjusted net sales excluding tobacco excise taxes for the tobacco businesses

Net sales of the Japanese Domestic Tobacco Business consist of net sales of tobacco products of JT and net sales of tobacco products of other companies (imported tobacco products), including the wholesale. Similarly, net sales of the International Tobacco Business also include net sales relating to the distribution business and other activities that include the wholesale of tobacco products of other companies.

In order to provide the adequate information about the results of the Japanese Domestic Tobacco Business and International Tobacco Business, since we believe that net sales excluding the net sales of the tobacco products of other companies, including the wholesale is useful, adjusted net sales excluding tobacco excise taxes are disclosed for this reporting purpose. Please refer to "(1) Operating results, Net sales [(Note)]" for the detail of the adjustments made to measure adjusted net sales excluding tobacco excise taxes.

III. Facilities

(1) Main facilities

During this second quarter, there were no material changes in main facilities mentioned in the previous fiscal year’s Annual Securities Report.

(2) Plans for new installation and retirement of facilities

During this second quarter, there were no material changes in the new installation and expansion of facilities that were in the planning stage as of the end of the first quarter. The projected capital expenditures for the current fiscal year for the entire JT Group is ¥165.0 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 (Share)
Common stock	40,000,000
Total	40,000,000

b. Number of shares issued

Class	Number of shares issued (Share; as of September 30, 2010)	Number of shares issued (Share; as of the date of filing: November 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. JT's 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 the Companies Act are as follows.

a. Resolutions of the Annual General Meeting of Shareholders on June 22, 2007 and a meeting of the Board of Directors on December 21, 2007

	As of September 30, 2010
Number of subscription rights to shares	402 units
Of which, the number of treasury subscription rights to shares	–
Class of shares to be issued upon exercise of subscription rights to shares	Common stock (JT's standard class of shares with no rights limitations. No unit share system is adopted.)
Number of shares to be issued upon exercise of subscription rights to shares	402 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 (including *sikkoyaku* at a company with committees), auditor and executive officer (*sikkoyakuin*). 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 be issued upon exercise of subscription rights to shares shall be common stock. The number of shares to be issued upon exercise of each stock acquisition right (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 (*shikkoyaku* at a company with committees) 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 (*sikkoyaku* at a company with committees)) – ¥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 be issued upon exercise of subscription rights to shares
      Common stock of the Company Subject to Reorganization
   c. Number of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares
      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 be issued upon exercise of each stock acquisition right, 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 September 30, 2010
Number of subscription rights to shares	547 units
Of which, the number of treasury subscription rights to shares	–
Class of shares to be issued upon exercise of subscription rights to shares	Common stock (JT's standard class of shares with no rights limitations. No unit share system is adopted.)
Number of shares to be issued upon exercise of subscription rights to shares	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 (including *sikkoyaku* at a company with committees), auditor and executive officer (*sikkoyakuin*). 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 be issued upon exercise of subscription rights to shares shall be common stock. The number of shares to be issued upon exercise of each stock acquisition right (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 (*sikkoyaku* at a company with committees) 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 (*sikkoyaku* at a company with committees)) – ¥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 be issued upon exercise of subscription rights to shares
      Common stock of the Company Subject to Reorganization
   c. Number of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares
      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 be issued upon exercise of each stock acquisition right, 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 September 30, 2010
Number of subscription rights to shares	1,153 units
Of which, the number of treasury subscription rights to shares	–
Class of shares to be issued upon exercise of subscription rights to shares	Common stock (JT's standard class of shares with no rights limitations. No unit share system is adopted.)
Number of shares to be issued upon exercise of subscription rights to shares	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 (including *sikkoyaku* at a company with committees), auditor and executive officer (*sikkoyakuin*). 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 be issued upon exercise of subscription rights to shares shall be common stock. The number of shares to be issued upon exercise of each stock acquisition right (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 (*sikkoyaku* at a company with committees) 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 (*sikkoyaku* at a company with committees)) – ¥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 be issued upon exercise of subscription rights to shares
      Common stock of the Company Subject to Reorganization
   c. Number of shares of the Company Subject to Reorganization to be issued upon exercise of subscription rights to shares
      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 be issued upon exercise of each stock acquisition right, 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) Exercise of bond certificates with subscription rights to shares with exercise price amendment clause

No items to report

(4) Details of rights plan

No items to report

(5) 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 reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
July 1, 2010 to September 30, 2010	–	10,000	–	100,000	–	736,400

(6) Status of major shareholders

(As of September 30, 2010)

Name of shareholders	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
The Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	5,001,354	50.01
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, Japan	265,110	2.65
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	P.O.BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	242,274	2.42
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	236,350	2.36
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	169,000	1.69
The Chase Manhattan Bank 385036 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	360 N.CRESCENT DRIVE BEVERLYHILLS, CA 90210 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	102,580	1.03
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)	94,570	0.95
Morgan Stanley & Company Inc. (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.)	1585 Broadway, New York, New York 10036, U.S.A. (Yebisu Garden Place Tower, 20-3, Ebisu 4-chome, Shibuya-ku, Tokyo, Japan)	78,855	0.79
State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	P.O.BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	69,460	0.69
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	P.O.BOX 351 BOSTON MASSACHUSETTS 02101 U.S.A. (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	69,235	0.69
Total	–	6,328,788	63.29

Note: In addition to the above, JT held 419,896 shares of common stock as treasury stock.

(7) Status of voting rights

a. Shares issued

(As of September 30, 2010)

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 419,896	–	(Note 2)
Shares with full voting rights (Other)	Common stock 9,580,104	9,580,104	(Note 2)
Odd shares	–	–	–
Total number of shares issued	10,000,000	–	–
Total number of voting rights	–	9,580,104	–

Notes: 1. The number of "Shares with full voting rights (Other)" includes 168 shares in the name of Japan Securities Depository Center, Inc. "Number of voting rights" includes 168 units of voting rights related to shares with full voting rights in its name.

2. JT's standard class of shares with no rights limitations. No unit share system is adopted.

b. Treasury stock, etc.

(As of September 30, 2010)

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	419,896	–	419,896	4.20
Total	–	419,896	–	419,896	4.20

2. Trends in share price

Monthly highest and lowest share prices during the six months ended September 30, 2010

Month	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010
Highest (Yen)	350,500	327,500	306,500	293,400	290,500	294,000
Lowest (Yen)	305,000	275,000	275,100	266,000	258,800	257,600

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

3. Status of officers

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

V. Accounting

1. Preparation policy of the quarterly consolidated financial statements

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

The quarterly consolidated financial statements for the second quarter of the previous fiscal year (from July 1, 2009 to September 30, 2009) and for the six months ended September 30, 2009 were prepared in accordance with the pre-revised Regulation for Quarterly Consolidated Financial Statements while those for this second quarter (from July 1, 2010 to September 30, 2010) and for the six months ended September 30, 2010 were prepared in accordance with the revised Regulation for Quarterly Consolidated Financial Statements.

2. Audit attestation

The quarterly consolidated financial statements for the second quarter of the previous fiscal year (from July 1, 2009 to September 30, 2009) and for the six months ended September 30, 2009, as well as those for this second quarter (from July 1, 2010 to September 30, 2010) and for the six months ended September 30, 2010 were reviewed by Deloitte Touche Tohmatsu LLC pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

		As of September 30, 2010		As of March 31, 2010 (Summary)
Assets				
Current assets				
Cash and deposits		115,694		155,444
Notes and accounts receivable-trade		371,737		296,884
Short-term investment securities		21,382		11,950
Merchandise and finished goods		157,379		151,062
Semi-finished goods		85,879		109,621
Work in process		5,036		5,522
Raw materials and supplies		282,531		288,893
Other	*2	275,158		180,086
Allowance for doubtful accounts		(2,899)		(3,622)
Total current assets		1,311,899		1,195,843
Noncurrent assets				
Property, plant and equipment	*1	660,352	*1	679,561
Intangible assets				
Goodwill		1,288,703		1,387,397
Right of trademark		309,600		350,900
Other		27,234		30,766
Total intangible assets		1,625,538		1,769,064
Investments and other assets				
Investment securities		71,212		83,760
Other		173,499		179,061
Allowance for doubtful accounts		(30,330)		(34,695)
Total investments and other assets		214,381		228,127
Total noncurrent assets		2,500,272		2,676,752
Total assets		3,812,171		3,872,595
Liabilities				
Current liabilities				
Notes and accounts payable-trade		204,732		149,462
Short-term loans payable		71,596		109,263
Commercial papers		–		119,000
Current portion of bonds		126,597		50,395
Current portion of long-term loans payable		21,554		23,024
National tobacco excise tax payable		256,548		212,066
National tobacco special excise tax payable		19,794		10,490
Local tobacco excise tax payable		161,841		85,238
Income taxes payable		69,411		54,057
Provision		33,474		39,610
Other		287,264		248,926
Total current liabilities		1,252,815		1,101,535

(Millions of yen)

	As of September 30, 2010	As of March 31, 2010 (Summary)
Noncurrent liabilities		
Bonds payable	247,581	409,014
Long-term loans payable	158,698	149,569
Provision for retirement benefits	239,289	251,902
Other provision	318	763
Other	216,790	236,532
Total noncurrent liabilities	862,679	1,047,782
Total liabilities	2,115,495	2,149,317
Net assets		
Shareholders’ equity		
Capital stock	100,000	100,000
Capital surplus	736,409	736,406
Retained earnings	1,364,006	1,310,669
Treasury stock	(74,573)	(74,575)
Total shareholders’ equity	2,125,841	2,072,501
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,357	12,043
Pension liability adjustment of foreign consolidated subsidiaries	(24,493)	(26,269)
Foreign currency translation adjustment	(489,504)	(409,160)
Total valuation and translation adjustments	(505,640)	(423,387)
Subscription rights to shares	617	564
Minority interests	75,857	73,599
Total net assets	1,696,676	1,723,278
Total liabilities and net assets	3,812,171	3,872,595

(2) Quarterly consolidated statements of income (cumulative)

(Millions of yen)

		Six months ended September 30, 2009		Six months ended September 30, 2010
Net sales		3,054,254		3,298,734
Cost of sales		2,494,239		2,707,102
Gross profit		560,015		591,631
Selling, general and administrative expenses	*1	396,287	*1	392,747
Operating income		163,727		198,884
Non-operating income				
Interest income		2,543		1,035
Dividends income		1,368		610
Equity in earnings of affiliates		–		1,163
Other		3,811		2,796
Total non-operating income		7,722		5,606
Non-operating expenses				
Interest expenses		15,437		9,353
Foreign exchange losses		14,107		2,080
Financial support for domestic leaf tobacco growers		802		1,384
Other		5,970		5,481
Total non-operating expenses		36,317		18,299
Ordinary income		135,133		186,191
Extraordinary income				
Gain on sales of noncurrent assets		10,727		840
Gain on sales of investment securities		–		1,693
Reversal of allowance for doubtful accounts		2,952		637
Other		777		527
Total extraordinary income		14,457		3,698
Extraordinary loss				
Loss on sales of noncurrent assets		2,682		462
Loss on retirement of noncurrent assets		2,159		2,713
Impairment loss		1,418		2,429
Business restructuring costs		–	*2	2,961
Regulatory fine in Canada		–	*3	13,365
Other		5,898		7,259
Total extraordinary losses		12,158		29,192
Income before income taxes and minority interests		137,432		160,697
Income taxes		68,147		75,360
Income before minority interests		–		85,337
Minority interests in income		3,216		3,382
Net income		66,068		81,954

Quarterly consolidated statements of income

(Millions of yen)

		Second quarter ended September 30, 2009		Second quarter ended September 30, 2010
Net sales		1,591,133		1,831,635
Cost of sales		1,308,362		1,509,731
Gross profit		282,770		321,903
Selling, general and administrative expenses	*1	203,317	*1	202,140
Operating income		79,453		119,762
Non-operating income				
Interest income		1,070		757
Dividends income		187		176
Foreign exchange gains		–		571
Other		2,051		2,291
Total non-operating income		3,308		3,798
Non-operating expenses				
Interest expenses		7,242		4,785
Foreign exchange losses		15,162		–
Other		4,038		4,170
Total non-operating expenses		26,444		8,956
Ordinary income		56,318		114,604
Extraordinary income				
Gain on sales of noncurrent assets		1,610		478
Reversal of allowance for doubtful accounts		2,184		323
Other		419		474
Total extraordinary income		4,214		1,277
Extraordinary loss				
Loss on sales of noncurrent assets		1,080		435
Loss on retirement of noncurrent assets		971		1,981
Impairment loss		1,189		1,640
Business restructuring costs		–	*2	2,794
Other		3,473		2,248
Total extraordinary losses		6,715		9,100
Income before income taxes and minority interests		53,817		106,781
Income taxes		28,855		45,805
Income before minority interests		–		60,976
Minority interests in income		1,764		1,862
Net income		23,198		59,113

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	137,432	160,697
Depreciation and amortization	65,992	60,354
Impairment loss	1,418	2,429
Loss (gain) on sales and retirement of noncurrent assets	(6,792)	1,610
Regulatory fine in Canada	–	13,365
Amortization of goodwill	49,590	47,153
Increase (decrease) in provision for retirement benefits	(1,370)	(3,121)
Interest and dividends income	(3,911)	(1,645)
Interest expenses	15,437	9,353
Decrease (increase) in notes and accounts receivable-trade	(25,454)	(91,798)
Decrease (increase) in inventories	(61,797)	(3,289)
Increase (decrease) in notes and accounts payable-trade	(553)	62,657
Increase (decrease) in accounts payable-other	(12,236)	(12,312)
Increase (decrease) in tobacco excise taxes payable	26,128	148,099
Other, net	(245)	35,155
Subtotal	183,635	428,707
Interest and dividends income received	5,174	3,035
Interest expenses paid	(22,596)	(13,396)
Payment for regulatory fine in Canada	–	(13,365)
Income taxes paid	(61,034)	(63,253)
Net cash provided by (used in) operating activities	105,179	341,728
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	–	(11,802)
Proceeds from sales and redemption of securities	1,903	4,700
Purchase of property, plant and equipment	(50,753)	(64,249)
Proceeds from sales of property, plant and equipment	17,158	3,737
Purchase of intangible assets	(3,130)	(2,999)
Proceeds from sales and redemption of investment securities	1,503	8,527
Payments into time deposits	–	(13,600)
Proceeds from withdrawal of time deposits	–	7,581
Purchase of investments in subsidiaries	(980)	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(354)	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	–	(646)
Other, net	(4,924)	(1,876)
Net cash provided by (used in) investing activities	(39,578)	(70,628)

(Millions of yen)

	Six months ended September 30, 2009	Six months ended September 30, 2010
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial papers	134,990	(151,209)
Proceeds from long-term loans payable	1,615	30,000
Repayment of long-term loans payable	(105,630)	(12,180)
Proceeds from issuance of bonds	99,804	–
Redemption of bonds	(192,151)	(50,150)
Cash dividends paid	(26,818)	(28,734)
Proceeds from stock issuance to minority shareholders	–	221
Cash dividends paid to minority shareholders	(2,664)	(523)
Repayments of finance lease obligations	(3,058)	(2,634)
Other, net	0	0
Net cash provided by (used in) financing activities	(93,914)	(215,211)
Effect of exchange rate change on cash and cash equivalents	10,015	(7,616)
Net increase (decrease) in cash and cash equivalents	(18,298)	48,270
Cash and cash equivalents at beginning of period	167,257	154,368
Increase in cash and cash equivalents from newly consolidated subsidiary	–	194
Cash and cash equivalents at end of period	* 148,959	* 202,834

Changes in significant matters in preparing quarterly consolidated financial statements

	Six months ended September 30, 2010
1. Changes in scope of consolidation	(1) Changes in scope of consolidation From the six months ended September 30, 2010, a total of 9 companies, including JT International Zagreb d.o.o. za trgovinui usluge, were newly included in the scope of consolidation. Also, a total of 17 companies, including FOOD INCLUVE CO., LTD. were excluded from the scope of consolidation due to transfer of shares or other reasons. (2) Number of consolidated subsidiaries after changes 250 companies
2. Changes in scope of equity method	(1) Changes in application of the equity method From the six months ended September 30, 2010, a total of 3 companies, including Senichi Foods Co., Ltd. were excluded from the scope of the equity method due to transfer of shares. (2) Number of affiliates accounted for by the equity method after changes 14 companies
3. Changes in accounting policies	Application of Accounting Standard for Asset Retirement Obligations Effective from April 1, 2010, JT applied the “Accounting Standard for Asset Retirement Obligations” (Accounting Standards Board of Japan (“ASBJ”) Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008). The impact of this change on operating income, ordinary income and income before income taxes and minority interests during the six months ended September 30, 2010 is immaterial.

Changes in methods of presentation

Six months ended September 30, 2010
(Quarterly consolidated statements of income) 1. In the six months ended September 30, 2009, “Equity in earnings of affiliates” (¥1,163 million recorded in the six months ended September 30, 2009) was included in “Other” in “Non-operating income,” however, it is now presented separately due to its increased materiality. 2. In the six months ended September 30, 2009, “Gain on sales of investment securities” (¥363 million recorded in the six months ended September 30, 2009) was included in “Other” in “Extraordinary income,” however, it is now presented separately due to its increased materiality. 3. In the six months ended September 30, 2009, “Business restructuring costs” (¥1,077 million recorded in the six months ended September 30, 2009) was included in “Other” in “Extraordinary loss,” however, it is now presented separately due to its increased materiality. 4. Following the application of the “Cabinet Office Ordinance for Partial Revision of the Regulation for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), an accounting item of “Income before minority interests” is included in the quarterly consolidated statements of income for the six months ended September 30, 2010. (Quarterly consolidated statements of cash flows) 1. In the six months ended September 30, 2009, “Purchase of short-term investment securities” (¥(0) million recorded in the six months ended September 30, 2009) was included in “Other, net” in “Net cash provided by (used in) investing activities,” however, it is now presented separately due to its increased materiality. 2. In the six months ended September 30, 2009, “Payments into time deposits” (¥(7,489) million recorded in the six months ended September 30, 2009) was included in “Other, net” in “Net cash provided by (used in) investing activities,” however, it is now presented separately due to its increased materiality. 3. In the six months ended September 30, 2009, “Proceeds from withdrawal of time deposits” (¥311 million recorded in the six months ended September 30, 2009) was included in “Other, net” in “Net cash provided by (used in) investing activities,” however, it is now presented separately due to its increased materiality. 4. In the six months ended September 30, 2009, “Purchase of investments in subsidiaries” (¥(44) million recorded in the six months ended September 30, 2010) was presented separately in “Net cash provided by (used in) investing activities,” however, in the six months ended September 30, 2010, it is included in “Other, net” in “Net cash provided by (used in) investing activities” due to its immateriality.

Second quarter ended September 30, 2010
(Quarterly consolidated statements of income) 1. In the second quarter ended September 30, 2009, “Business restructuring costs” (¥886 million recorded in the second quarter ended September 30, 2009) was included in “Other” in “Extraordinary loss,” however, it is now presented separately due to its increased materiality. 2. Following the application of the “Cabinet Office Ordinance for Partial Revision of the Regulation for Terminology, Forms and Preparation of Financial Statements” (Cabinet Office Ordinance No. 5, March 24, 2009) based on the “Accounting Standard for Consolidated Financial Statements” (ASBJ Statement No. 22, December 26, 2008), an accounting item of “Income before minority interests” is included in the quarterly consolidated statements of income for the second quarter ended September 30, 2010.

Special accounting applied in preparing quarterly consolidated financial statements

	Six months ended September 30, 2010
Calculation of tax expenses	Tax expenses are calculated by: using rational means to obtain an estimate of the effective tax rate after tax accounting to be applied to income before income taxes and minority interests of the fiscal year containing the second quarter ended September 30, 2010; and then by multiplying quarterly income before income taxes and minority interests by the aforesaid estimated effective tax rate. Note that deferred income taxes are included in “Income taxes.”

Notes to quarterly consolidated financial statements

(Notes to quarterly consolidated balance sheets)

As of September 30, 2010	As of March 31, 2010
*1. Accumulated depreciation of property, plant and equipment amounted to ¥936,767 million. *2. “Other” in “Current assets” includes repurchase agreements for which collateral in the form of securities received from counterparties is valued at ¥91,934 million as of September 30, 2010.	*1. Accumulated depreciation of property, plant and equipment amounted to ¥952,070 million. —

(Notes to quarterly consolidated statements of income)

Six months ended September 30, 2009	Six months ended September 30, 2010
*1. Major items and their amounts of selling, general and administrative expenses are as follows: Advertising expenses ¥8,840 million Promotion expenses ¥66,543 million Compensation, salaries and allowances ¥64,608 million Retirement benefit expenses ¥9,262 million Legal welfare expenses ¥12,265 million Employees’ bonuses ¥464 million Provision for bonuses ¥21,860 million Depreciation and amortization ¥37,670 million Amortization of goodwill ¥49,606 million Research and development expenses ¥24,589 million	*1. Major items and their amounts of selling, general and administrative expenses are as follows: Advertising expenses ¥9,388 million Promotion expenses ¥67,274 million Compensation, salaries and allowances ¥65,612 million Retirement benefit expenses ¥8,206 million Legal welfare expenses ¥12,609 million Employees’ bonuses ¥344 million Provision for bonuses ¥22,628 million Depreciation and amortization ¥31,361 million Amortization of goodwill ¥47,163 million Research and development expenses ¥24,563 million
──	*2. Business restructuring costs were incurred in association with the business restructuring measures mainly for rationalization of Japanese Domestic Tobacco and Food Businesses.
──	*3. On April 13, 2010, JTI-Macdonald Corp (“JTI-Mac”), JT’s Canadian consolidated subsidiary, entered into a comprehensive agreement with the Government of Canada and all provinces and territories to establish a cooperation mechanism in combating cigarette smuggling and contraband. In addition, JTI-Mac pleaded to regulatory offense for its involvement in the illicit trade of cigarettes prior to JT’s acquisition of non-US tobacco operations of RJR Nabisco Inc. and paid CAD150 million. The payment amount is recorded in extraordinary loss as “Regulatory fine in Canada.”

Second quarter ended September 30, 2009	Second quarter ended September 30, 2010
*1. Major items and their amounts of selling, general and administrative expenses are as follows: Advertising expenses ¥4,705 million Promotion expenses ¥37,274 million Compensation, salaries and allowances ¥33,111 million Retirement benefit expenses ¥4,646 million Legal welfare expenses ¥5,942 million Employees’ bonuses ¥94 million Provision for bonuses ¥10,208 million Depreciation and amortization ¥17,565 million Amortization of goodwill ¥24,622 million Research and development expenses ¥12,427 million	*1. Major items and their amounts of selling, general and administrative expenses are as follows: Advertising expenses ¥5,026 million Promotion expenses ¥37,462 million Compensation, salaries and allowances ¥31,401 million Retirement benefit expenses ¥4,053 million Legal welfare expenses ¥6,129 million Employees’ bonuses ¥62 million Provision for bonuses ¥10,274 million Depreciation and amortization ¥15,227 million Amortization of goodwill ¥23,740 million Research and development expenses ¥12,262 million
──	*2. Business restructuring costs were incurred in line with the business restructuring measures mainly for rationalization of Japanese Domestic Tobacco and Food Businesses.

(Notes to quarterly consolidated statements of cash flows)

Six months ended September 30, 2009		Six months ended September 30, 2010	
* Cash and cash equivalents at the end of the period are reconciled to items on the quarterly consolidated balance sheets as follows:		* Cash and cash equivalents at the end of the period are reconciled to items on the quarterly consolidated balance sheets as follows:	
	(As of September 30, 2009) (Millions of yen)		(As of September 30, 2010) (Millions of yen)
Cash and deposits	146,408	Cash and deposits	115,694
Time deposits with a deposits period of over three months	(9,442)	Time deposits with a deposits period of over three months	(13,874)
Short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk (Short-term investment securities)	11,993	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)	9,080
		(Other current assets)	91,934
Cash and cash equivalents	148,959	Cash and cash equivalents	202,834

(Shareholders' equity)

As of September 30, 2010 and six months ended September 30, 2010

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 September 30, 2010
   Subscription rights to shares as stock options Parent company ¥617 million

4. Cash dividends
   (1) Dividend payments

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Cash dividend per share (Yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 24, 2010	Common stock	28,740	3,000	March 31, 2010	June 25, 2010	Retained earnings

(2) Dividends whose record dates are in the six months ended September 30, 2010 and whose effective dates fall after the end of this second quarter

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Cash dividend per share (Yen)	Record date	Effective date	Source of dividends
Meeting of the Board of Directors held on October 28, 2010	Common stock	26,824	2,800	September 30, 2010	December 1, 2010	Retained earnings

(Segment information, etc.)

Business segment information

Second quarter ended September 30, 2009

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	795,940	677,393	10,977	101,956	4,865	1,591,133	–	1,591,133
(2) Intersegment sales or transfers	14,758	9,598	–	61	2,621	27,040	(27,040)	–
Total	810,698	686,992	10,977	102,018	7,486	1,618,173	(27,040)	1,591,133
Operating income (loss)	56,223	26,462	(3,543)	(1,965)	2,599	79,776	(322)	79,453

Notes: 1. Business segments are set with consideration of types of products, characteristics and markets.

2. Main products or services under each segment are as follows:
   - a. Domestic Tobacco: Tobacco products (These include tobacco products sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau, markets that are under the control of JT's China Division.)
   - b. International Tobacco: Tobacco products
   - c. Pharmaceuticals: Prescription drugs
   - d. Foods: Beverages and processed foods
   - e. Others: Rent of real estate, leasing and others

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

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

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Second quarter ended September 30, 2009	12,788	13,921	963	4,095	802	32,571	164	32,735

Goodwill amortization (Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Second quarter ended September 30, 2009	272	21,935	–	2,414	–	24,622

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

   Second quarter ended September 30, 2009: ¥284,170 million

5. With respect to the International Tobacco segment, as the closing date of the accounting period of foreign consolidated subsidiaries is set on December 31, operating results from April 1, 2009 to June 30, 2009 have been included in the second quarter ended September 30, 2009.

Six months ended September 30, 2009

(Millions of yen)

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

Notes: 1. Business segments are set with consideration of types of products, characteristics and markets.

2. Main products or services under each segment are as follows:

a. Domestic Tobacco: Tobacco products (These include tobacco products sold at duty-free shops in Japan, as well as at markets in China, Hong Kong and Macau, markets that are under the control of JT's China Division.)

b. International Tobacco: Tobacco products

c. Pharmaceuticals: Prescription drugs

d. Foods: Beverages and processed foods

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

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

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

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Six months ended September 30, 2009	27,500	27,128	1,892	8,258	1,164	65,944	47	65,992

Goodwill amortization

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Six months ended September 30, 2009	544	43,254	–	5,807	–	49,606

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

Six months ended September 30, 2009: ¥560,938 million

5. With respect to the International Tobacco segment, as the closing date of the accounting period of foreign consolidated subsidiaries is set on December 31, operating results from January 1, 2009 to June 30, 2009 have been included in the six months ended September 30, 2009.

Geographical segment information

Second quarter ended September 30, 2009

(Millions of yen)

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

Notes: 1. Geographical segments are set with consideration of geographical proximity.
2. Countries or regions belonging to the segments other than Japan
   a. Western Europe: Switzerland, United Kingdom, Germany
   b. Others: Canada, Russia, Malaysia
3. The following table shows the amounts of goodwill amortization by geographical segment which are included in operating expenses for the second quarter ended September 30, 2009.

(Millions of yen)

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

Six months ended September 30, 2009

(Millions of yen)

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

Notes: 1. Geographical segments are set with consideration of geographical proximity.
2. Countries or regions belonging to the segments other than Japan
   a. Western Europe: Switzerland, United Kingdom, Germany
   b. Others: Canada, Russia, Malaysia
3. The following table shows the amounts of goodwill amortization by geographical segment which are included in operating expenses for the six months ended September 30, 2009.

(Millions of yen)

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

Overseas sales

Second quarter ended September 30, 2009

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

Six months ended September 30, 2009

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

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

Segment information

1. Overview of reportable segments

Reportable segments of the JT Group are determined as segments whose separate financial information is accessible from among the constituent units of the JT Group and that are subject to periodical examination, in order for the management to determine the allocation of management resources.

The JT Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and foods. With respect to tobacco products, operations are managed separately for domestic and overseas.

The reportable segments of the JT Group are composed of four segments, “Japanese Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business” and “Food Business.” They are determined based on types of products, characteristics and markets.

The “Japanese Domestic Tobacco Business” manufactures and sells tobacco products in domestic areas (which includes duty-free shops in Japan and markets in China, Hong Kong and Macau where JT’s China Division operates). The “International Tobacco Business” manufactures and sells tobacco products overseas mainly through JT International S.A., which controls manufacturing and sales operations. The “Pharmaceutical Business” consists of the research and development, manufacture and sale of prescription drugs. The “Food Business” consists of the manufacture and sale of beverages, processed foods and seasonings.

2. Information regarding net sales and profit or loss by reportable segment

Six months ended September 30, 2010

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 3)	Pharmaceutical	Food	Total
Net sales					
(1) Sales (Note 1)	577,080	517,974	23,128	196,858	1,315,041
(2) Intersegment sales or transfers	15,458	24,295	–	62	39,816
Total	592,539	542,269	23,128	196,921	1,354,857
Segment profit (loss) (Note 2)	150,144	153,866	(4,800)	9,646	308,856

Second quarter ended September 30, 2010

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco(Note 3)	Pharmaceutical	Food	Total
Net sales					
(1) Sales (Note 1)	334,681	271,783	11,299	100,643	718,408
(2) Intersegment sales or transfers	8,229	12,415	–	26	20,672
Total	342,911	284,199	11,299	100,669	739,080
Segment profit (loss) (Note 2)	91,753	80,969	(2,707)	5,586	175,603

Notes: 1. Under the JT Group's business management practices, net sales excludes the amount equivalent to tobacco excise taxes (net sales excluding tobacco excise taxes).
Details of net sales including tobacco excise taxes and net sales excluding tobacco excise taxes in sales of the Japanese Domestic Tobacco Business and International Tobacco Business are as follows.

(Millions of yen)

Six months ended September 30, 2010	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	1,732,948	1,336,030
Net sales excluding tobacco excise taxes	577,080	517,974
Of which, adjusted net sales excluding tobacco excise taxes (*)	351,447	454,094

(Millions of yen)

Second quarter ended September 30, 2010	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	1,007,575	707,207
Net sales excluding tobacco excise taxes	334,681	271,783
Of which, adjusted net sales excluding tobacco excise taxes (*)	205,307	238,959

(*) Net sales of the Japanese Domestic Tobacco Business consist of net sales of tobacco products of JT and net sales of tobacco products of other companies (imported tobacco products), including the wholesale. Similarly, net sales of the International Tobacco Business also include net sales relating to the distribution business and other activities that include the wholesale of tobacco products of other companies. In order to provide the adequate information about the results of the Japanese Domestic Tobacco Business and International Tobacco Business, since we believe that net sales excluding the net sales of the tobacco products of other companies, including the wholesale, are useful, which are disclosed as adjusted net sales excluding tobacco excise taxes for this reporting purpose.,The following adjustments are made to calculate adjusted net sales excluding tobacco excise taxes.

Net sales relating to imported tobacco, duty-free shops in Japan and the China Division are mainly excluded from the Japanese Domestic Tobacco Business.

Net sales relating to the distribution business, leaf tobacco sales and contract manufacturing are excluded from the International Tobacco Business.

2. Segment profit or loss is based on operating income before depreciation and amortization (property, plant and equipment, intangible assets, and long-term prepaid expenses) and amortization of goodwill (EBITDA).

   Depreciation and amortization and amortization of goodwill by reportable segment are as follows.

(Millions of yen)

Six months ended September 30, 2010	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	21,828	25,966	1,989	8,180	57,964
Amortization of goodwill	544	41,813	–	4,805	47,163

(Millions of yen)

Second quarter ended September 30, 2010	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	10,938	12,965	1,017	4,161	29,082
Amortization of goodwill	272	21,059	–	2,408	23,740

3. With respect to the International Tobacco Business segment, as the closing date of the accounting period of foreign consolidated subsidiaries including JT International S.A., the core company of this segment, is set on December 31, operating results from January 1, 2010 to June 30, 2010 have been included in the six months ended September 30, 2010 and operating results from April 1, 2010 to June 30, 2010 have been included in the second quarter ended September 30, 2010.

3. Differences between total amounts for reportable segments and amounts in the quarterly consolidated statements of income and main details of these differences (matters relating to difference adjustments)

Six months ended September 30, 2010

(Millions of yen)

Net sales	Amount
Reportable segments total	1,354,857
Other net sales (Note 1)	14,677
Elimination of intersegment transactions	(44,724)
Amount equivalent to tobacco excise taxes	1,973,923
Net sales recorded in quarterly consolidated statements of income	3,298,734

(Millions of yen)

Profit	Amount
Reportable segments total	308,856
Other profits (Note 1)	6,642
Head office expenses (Note 2)	(9,135)
Elimination of intersegment transactions	(524)
Other adjustments	563
Subtotal (Note 3)	306,402
Depreciation and amortization	(60,354)
Amortization of goodwill	(47,163)
Operating income recorded in quarterly consolidated statements of income	198,884

Second quarter ended September 30, 2010

(Millions of yen)

Net sales	Amount
Reportable segments total	739,080
Other net sales (Note 1)	7,245
Elimination of intersegment transactions	(23,007)
Amount equivalent to tobacco excise taxes	1,108,316
Net sales recorded in quarterly consolidated statements of income	1,831,635

(Millions of yen)

Profit	Amount
Reportable segments total	175,603
Other profits (Note 1)	3,322
Head office expenses (Note 2)	(4,513)
Elimination of intersegment transactions	(229)
Other adjustments	(396)
Subtotal (Note 3)	173,786
Depreciation and amortization	(30,283)
Amortization of goodwill	(23,740)
Operating income recorded in quarterly consolidated statements of income	119,762

Notes: 1. Other net sales and other profits include business activities relating to rent of real estate.

2. Head office expenses are mainly general and administrative expenses not attributable to any reportable segment and mainly advertising expenses and operating expenses for the head office corporate division are included.

3. The subtotal is based on company-wide operating income before depreciation and amortization (property, plant and equipment, intangible assets, and long-term prepaid expenses) and amortization of goodwill (EBITDA).

(Additional information)

Effective from April 1, 2010, JT applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

(Derivative transactions)

As of September 30, 2010

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.

Regarding "Contract/notional amounts" below for the following derivative transactions, the amounts themselves do not necessarily indicate the volume of market risk relating to derivative transactions.

The fair value is based on information provided by financial institutions with which the companies do business.

(Millions of yen)

Type of products	Type of derivative transactions	Contract/ notional amount	Fair value	Unrealized gain (loss)
Foreign currency	Foreign currency forward contracts	328,093	5,443	5,443
	Currency swaps	61,494	3	3
Interest rate	Interest rate swaps	33,316	1,782	1,782
	Interest rate caps options	255,945	16	(1,299)

Note: Items that qualify for hedge accounting are omitted.

(Per share information)

1. Net assets per share

As of September 30, 2010		As of March 31, 2010	
Net assets per share	¥169,121.49	Net assets per share	¥172,139.61

2. Net income per share, etc.

Six months ended September 30, 2009		Six months ended September 30, 2010	
Net income per share	¥6,896.39	Net income per share	¥8,554.64
Diluted net income per share	¥6,895.72	Diluted net income per share	¥8,552.76

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

	Six months ended September 30, 2009	Six months ended September 30, 2010
Net income per share		
Net income (Millions of yen)	66,068	81,954
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	66,068	81,954
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	–	–

Second quarter ended September 30, 2009		Second quarter ended September 30, 2010	
Net income per share	¥2,421.50	Net income per share	¥6,170.47
Diluted net income per share	¥2,421.25	Diluted net income per share	¥6,169.11

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

	Second quarter ended September 30, 2009	Second quarter ended September 30, 2010
Net income per share		
Net income (Millions of yen)	23,198	59,113
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	23,198	59,113
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)

Second quarter ended September 30, 2010
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 ¥4.0590 trillion) * 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.

(Important subsequent events)

Second quarter ended September 30, 2010
JT's Board of Directors resolved on October 28, 2010 that JT would cease operation of Hofu Factory at the end of March 2012 and close the factory. The impact of this resolution on consolidated financial statements has not yet been confirmed.

2. Other

Dividends

The Board of Directors, at a meeting held on October 28, 2010, 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, 2010

Note: Dividends shall be paid to shareholders registered or recorded on the shareholder registry as of September 30, 2010.

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

October 30, 2009

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC

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

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

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

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

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

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

As discussed in Additional information, JTI-Macdonald Corp. ("JTI-Mac"), JT's Canadian consolidated subsidiary, received a Notice of Assessment from the Quebec Ministry of Revenue on August 11, 2004, demanding payment of approximately 1.36 billion Canadian dollars (approximately ¥113.6 billion). JTI-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.

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

(TRANSLATION)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

November 1, 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: Satoshi Iizuka (Seal)

Designated Limited Partner,
Engagement Partner,
Certified Public Accountant: Koji Ishikawa (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the consolidated financial statements included in the Accounting Section, namely, the consolidated balance sheet of Japan Tobacco Inc. and subsidiaries as of September 30, 2010 and the related consolidated statements of income for the three-month and six- month periods then ended, and the consolidated statement of cash flows for the six-month period then ended. These interim consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these interim 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 interim consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Japan Tobacco Inc. and subsidiaries as of September 30, 2010, and the results of their operations for the three-month and six-month periods then ended and their cash flows for the six-month period then ended in conformity with accounting principles for interim consolidated financial statements generally accepted in Japan.

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 Law.

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.