[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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Company name (Japanese):	日本たばこ産業株式会社 (*Nihon Tabako Sangyo Kabushiki-Kaisha*)
Company name (English):	JAPAN TOBACCO INC.
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Places where the document to be filed is available for public inspection:	Japan Tobacco Inc. Saitama Sales Office (55-1, Shimocho 1-chome, Omiya-ku, Saitama-shi, Saitama)
	Japan Tobacco Inc. Yokohama Sales Office (143, Hanasakicho 6-chome, Nishi-ku, Yokohama-shi, Kanagawa)
	Japan Tobacco Inc. Nagoya Sales Office (12-1, Iseyama 2-chome, Naka-ku, Nagoya-shi, Aichi)
	Japan Tobacco Inc. Osaka Sales Office (5-10, Oyodo-minami 1-chome, Kita-ku, Osaka-shi, Osaka)
	Japan Tobacco Inc. Kobe Sales Office (7-23, Nakayamate-dori 3-chome, Chuo-ku, Kobe-shi, Hyogo)
	Tokyo Stock Exchange, Inc. (2-1, Nihonbashi-kabutocho, Chuo-ku, Tokyo)
	Osaka Securities Exchange Co., Ltd. (8-16, Kitahama 1-chome, Chuo-ku, Osaka-shi, Osaka)
	Nagoya Stock Exchange, Inc. (8-20, Sakae 3-chome, Naka-ku, Nagoya-shi, Aichi)
	Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-shi, Fukuoka)
	Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-shi, Hokkaido)

A. Company Information

I. Overview of the JT Group

1. Trends in principal management benchmarks

Term	Nine months ended December 31, 2009	Nine months ended December 31, 2010	Third quarter of the 25th term	Third quarter of the 26th term	25th term
Accounting period	From April 1, 2009 to December 31, 2009	From April 1, 2010 to December 31, 2010	From October 1, 2009 to December 31, 2009	From October 1, 2010 to December 31, 2010	From April 1, 2009 to March 31, 2010
Net sales (Millions of yen)	4,651,891	4,647,927	1,597,636	1,349,193	6,134,695
Ordinary income (Millions of yen)	215,609	248,439	80,476	62,248	255,377
Net income (Millions of yen)	106,926	119,531	40,858	37,577	138,448
Net assets (Millions of yen)	–	–	1,668,296	1,638,192	1,723,278
Total assets (Millions of yen)	–	–	3,917,855	3,682,803	3,872,595
Net assets per share (Yen)	–	–	166,437.71	162,900.17	172,139.61
Net income per share (Yen)	11,161.33	12,477.09	4,264.94	3,922.45	14,451.67
Diluted net income per share (Yen)	11,159.28	12,473.47	4,264.00	3,921.19	14,448.89
Equity ratio (%)	–	–	40.70	42.38	42.58
Net cash provided by (used in) operating activities (Millions of yen)	283,340	345,695	–	–	320,024
Net cash provided by (used in) investing activities (Millions of yen)	(65,397)	(104,423)	–	–	(84,057)
Net cash provided by (used in) financing activities (Millions of yen)	(254,170)	(164,054)	–	–	(250,398)
Cash and cash equivalents at end of period (Millions of yen)	–	–	136,445	226,038	154,368
Number of employees (Person)	–	–	48,792	49,602	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 third quarter) is prepared by subtracting previous six months' amount from the total amount of nine months.
2. Net sales do not include consumption taxes.

2. Business description

During this third quarter, there were neither material changes in the business of the JT Group (JT, 253 consolidated subsidiaries and 14 companies accounted for by the equity method) mentioned in the previous fiscal year's Annual Securities Report nor changes in principal subsidiaries and affiliates.

Effective January 2011, a merger was executed as part of reorganization within the JT Group whereby JT's consolidated subsidiary Japan Beverage Holdings Inc. is the surviving company and JT's consolidated subsidiary Japan Beverage Inc. is the absorbed company. Following the merger, Japan Beverage Holdings Inc. is conducting sales of beverages in the beverage business.

3. Status of subsidiaries and affiliates

During this third 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 December 31, 2010)

Number of employees (Person)	49,602 [11,961]

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

2. The number of employees in foreign subsidiaries in which the closing dates of the third quarter accounting period fall on September 30 is calculated using the number of employees as of September 30, 2010.

(2) Filing company (JT)

(As of December 31, 2010)

Number of employees (Person)	9,071 [1,387]

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

2. The number of employees includes contract employees (88), employees on leave (82) and employees transferred to JT (75), but excludes employees transferred from JT (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 third quarter, there were no new business or other risks.

In the previous fiscal year’s Annual Securities Report, JT stated in “Business and other risks” that “a JT subsidiary has filed a suit seeking to invalidate an assessment it received from tax authorities in Russia.” This suit has been settled with acknowledgement of the assertion by the JT subsidiary. As of the filing date of this Quarterly Securities Report, the suit between a JT subsidiary and the tax authorities in Russia concerning a claim of invalid assessment from the tax authorities no longer exists.

In the Outline of the 2011 Tax Reform Proposals determined by the Cabinet of Japan on December 16, 2010, it continues to be mentioned the necessity of increasing the tax rate for tobacco excise taxes in the future to suppress the consumption of tobacco from the perspective of public health. In addition, it is mentioned the objective to formulate a new framework for the tobacco business that would include the amendment or abolition of the existing Tobacco Business Act. This may affect the JT Group’s operating results.

3. Important operational contracts, etc.

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

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

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

Values representing the nine months ended December 31, 2009 and the nine months ended December 31, 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 third quarter ended December 31, 2009 and the third quarter ended December 31, 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 third quarter accounting period of the consolidated subsidiaries classified in the International Tobacco Business segment is September 30, and their financial results used for the consolidated third quarter results are for the three months from July 1 to September 30, 2010.

<Net sales>

In the Japanese Domestic Tobacco Business, sales volume and, consequently, sales were lower year on year due to the effect of the tobacco excise tax hike and the retail price amendment that was implemented in October 2010. In the International Tobacco Business, although benefitting from increased sales volume and higher unit prices, it also bore the negative effect of the strong yen on foreign currency exchange. This resulted in a year-on-year decrease in net sales of ¥248.4 billion, or 15.6%, to ¥1.3491 trillion.

	Third quarter ended December 31, 2009 (Billions of yen)	Third quarter ended December 31, 2010 (Billions of yen)	Change (Billions of yen, %)	
Consolidated net sales	1,597.6	1,349.1	(248.4)	(15.6)
Japanese Domestic Tobacco Business	777.2	577.3	(199.9)	(25.7)
International Tobacco Business	700.8	657.4	(43.3)	(6.2)
Pharmaceutical Business	12.2	12.8	0.6	4.9
Food Business	102.3	96.8	(5.5)	(5.4)

* 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.

	Third quarter ended December 31, 2009 (Billions of yen)	Third quarter ended December 31, 2010 (Billions of yen)	Change (Billions of yen, %)	
Consolidated net sales	1,597.6	1,349.1	(248.4)	(15.6)
Amount equivalent to tobacco excise taxes	949.4	792.8	(156.5)	(16.5)
Net sales excluding tobacco excise taxes	648.2	556.3	(91.8)	(14.2)

* Net sales excluding tobacco excise taxes for the third quarter ended December 31, 2009 is unaudited and for reference purposes only and they are not presented in the information for the third quarter ended December 31, 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

	Third quarter ended December 31, 2009 (Billions of yen)	Third quarter ended December 31, 2010 (Billions of yen)	Change (Billions of yen, %)	
Net sales including tobacco excise taxes	777.2	577.3	(199.9)	(25.7)
Net sales excluding tobacco excise taxes	259.3	189.4	(69.8)	(26.9)
Of which, adjusted net sales excluding tobacco excise taxes (Note)	157.5	112.7	(44.8)	(28.5)

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

	Third quarter ended December 31, 2009 (Billions of yen)	Third quarter ended December 31, 2010 (Billions of yen)	Change (Billions of yen, %)	
Net sales including tobacco excise taxes	700.8	657.4	(43.3)	(6.2)
Net sales excluding tobacco excise taxes	269.3	252.4	(16.8)	(6.2)
Of which, adjusted net sales excluding tobacco excise taxes (Note)	232.3	225.2	(7.0)	(3.0)

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 third quarter ended December 31, 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 third quarter ended December 31, 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 decreased by ¥212.0 billion, or 16.2%, from the same period of the previous fiscal year to ¥1.0948 trillion and selling, general and administrative expenses decreased by ¥13.2 billion, or 6.5%, from the same period of the previous fiscal year to ¥188.6 billion.

<Operating income / EBITDA>

Mainly caused by effects from decreased sales in the Japanese Domestic Tobacco Business, operating income fell ¥23.1 billion, or 26.1%, from the same period of the previous fiscal year to ¥65.6 billion. EBITDA was ¥118.1 billion, a decrease of ¥28.2 billion, or 19.3%, from the same period of the previous fiscal year mainly as a result of a ¥5.0 billion decrease in depreciation and amortization expenses from foreign exchange effects in the International Tobacco Business, among other factors.

	Third quarter ended December 31, 2009 (Former accounting standard) (Billions of yen)	Third quarter ended December 31, 2009 (New accounting standard) (Billions of yen)	Third quarter ended December 31, 2010 (New accounting standard) (Billions of yen)	Change (New accounting standard) (Billions of yen, %)	
Operating income	88.8	88.8	65.6	(23.1)	(26.1)
EBITDA	146.4	146.4	118.1	(28.2)	(19.3)
Japanese Domestic Tobacco Business	66.2	65.5	35.0	(30.5)	(46.5)
International Tobacco Business	72.7	79.6	82.8	3.2	4.1
Pharmaceutical Business	(1.3)	(1.3)	(1.6)	(0.2)	–
Food Business	5.6	5.6	4.5	(1.0)	(18.8)

* 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 third quarter ended December 31, 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 third quarter ended December 31, 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 ¥4.9 billion. These partially offset a decrease amounting to ¥23.1 billion in operating income, consequently, ordinary income fell ¥18.2 billion, or 22.7%, from the same period of the previous fiscal year to ¥62.2 billion.

<Net income>

Net extraordinary income/loss improved by ¥1.3 billion mainly because of lower business restructuring costs in the Japanese Domestic Tobacco Business and the International Tobacco Business, and lower loss on valuation of investment securities, offsetting a drop in the gain on sales of noncurrent assets. This partially offset a decrease amounting to ¥18.2 billion in ordinary income, consequently, income before income taxes and minority interests fell ¥16.9 billion, from the same period of the previous fiscal year to ¥62.2 billion. Net income, affected by a ¥13.0 billion decrease in the amount of income taxes recorded due to lower income before income taxes and minority interests, among other factors, decreased ¥3.2 billion, or 8.0%, from the same period of the previous fiscal year to ¥37.5 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 third quarter decreased by 18.5 billion cigarettes, or 47.7%, from the same period of the previous fiscal year to 20.3 billion cigarettes (Note) due to the effect of the retail price amendment, which followed the tobacco excise tax hike in October 2010.

The sales volume for this third quarter fell from the same period of the previous fiscal year because of trade de-loading occurred due to heightened demand ahead of the tobacco excise tax hike and retail price amendment that occurred in October in addition to a drop in demand resulting from the excise tax hike and retail price amendment that occurred from October onwards.

Our market share for this third quarter was 62.7%, compared with 64.9% of the previous fiscal year, and net sales per 1,000 cigarettes (tax excluded) rose ¥1,482 from the same period of the previous fiscal year to ¥5,539 following the retail price amendment.

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

From January this year onwards, among brands of particular focus, we launched new products in the Mild Seven family and plan to change the box type of the 12 core products in this family to a round-cornered box. We also plan to renew some of the products in the Seven Stars family. Also, 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. The first release of Zerostyle Mint, which was limited to Tokyo, was in May. Since then, we have been steadily widening the area in which we are selling this product. During the fiscal year ending March 2012, we plan to begin selling it nationwide.

As a result, although impacted by the effect of higher unit prices, as a result of a decrease in the sales volume, net sales excluding tobacco excise taxes decreased by ¥69.8 billion, or 26.9%, from the same period of the previous fiscal year to ¥189.4 billion and adjusted net sales excluding tobacco excise taxes decreased by ¥44.8 billion, or 28.5%, from the same period of the previous fiscal year to ¥112.7 billion. As a result of a decline in sales and the recording of promotion expenses to provide a level of quality and service that befits our prices, EBITDA decreased by ¥30.5 billion, or 46.5%, from the same period of the previous fiscal year to ¥35.0 billion.

The volume of cigarettes manufactured in Japan during this third quarter decreased by 24.0 billion cigarettes, or 54.1%, from the same period of the previous fiscal year to 20.3 billion cigarettes.

Note: In addition to the figure stated above, during this third quarter, 0.7 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

In the GFB (Note 1) in this third quarter, there was steady growth in sales of Winston in Russia, Turkey and Italy and in sales of Camel in Turkey and France. In addition, there was steady growth in sales of LD in Russia and Turkey. As a result, the sales volume of GFB increased by 5.7 billion cigarettes, or 9.4%, from the same period of the previous fiscal year to 66.7 billion cigarettes, and the volume of our International Tobacco Business's cigarette sales including GFB increased by 5.2 billion cigarettes, or 4.8%, from the same period of the previous fiscal year to 114.8 billion cigarettes (Note 2).

In this third quarter, because of effects from higher unit prices and an increase in sales volume, dollar-based net sales excluding tobacco excise taxes increased by $69 million, or 2.4%, from the same period of the previous fiscal year to $2,940 million while adjusted net sales excluding tobacco excise taxes increased by $144 million, or 5.8%, from the same period of the previous fiscal year to $2,621 million. EBITDA was $962 million, an increase of $113 million, or 13.3%, compared to the same period of the previous fiscal year.

In addition, as a result of the effects of a high yen when making conversions to that currency, net sales excluding tobacco excise taxes decreased by ¥16.8 billion, or 6.2%, from the same period of the previous fiscal year to ¥252.4 billion with a decrease in adjusted net sales excluding tobacco excise taxes of ¥7.0 billion, or 3.0%, to ¥225.2 billion and an increase in EBITDA of ¥3.2 billion, or 4.1%, to ¥82.8 billion.

The volume of cigarettes manufactured overseas during this third quarter decreased by 2.5 billion cigarettes, or 2.6%, from the same period of the previous fiscal year to 96.6 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 third quarter.

3. In addition to the figure stated above, the production volume of private label products, mainly for the German market, was 0.1 billion cigarettes for this third quarter.

* The foreign exchange rate in the nine months ended December 31, 2010 was ¥89.49 per U.S. dollar, representing a ¥5.47 year-on-year yen appreciation, compared with ¥94.96 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. The number of compounds developed in-house that are under clinical development is 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 third quarter increased by ¥0.6 billion, or 4.9%, from the same period of the previous fiscal year to ¥12.8 billion due to the increased revenue at Torii Pharmaceutical Co., Ltd. and the occurrence of lump-sum revenue in connection with an already-licensed-out product reaching a development milestone. EBITDA was negative ¥1.6 billion (compared to negative ¥1.3 billion in the same period of the previous fiscal year).

Food Business

Net sales for our Food Business in this third quarter declined by ¥5.5 billion, or 5.4%, from the same period of the previous fiscal year to ¥96.8 billion due to a decrease in sales of commercial use products 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 higher sales, particularly for our flagship Roots brand, in the beverage business. EBITDA decreased by ¥1.0 billion, or 18.8%, from the same period of the previous fiscal year to ¥4.5 billion due to a decrease in sales of commercial use products in the processed food business and an increase in operating expenses in the beverage business associated with efforts to further boost the value of the Roots brand, among other factors.

(2) Operational and financial issues to be addressed

During this third 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 third quarter were ¥12.8 billion.

During this third 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 third quarter stood at ¥226.0 billion, representing a ¥71.6 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 ¥136.4 billion.)

Cash flows from operating activities

Net cash provided by operating activities during this third quarter was ¥3.9 billion, compared with ¥178.1 billion provided in the same period of the previous fiscal year. This is mainly due to decrease in notes and accounts payable-trade and income taxes paid despite the recording of ¥118.1 billion of EBITDA mostly in the tobacco business (compared to ¥146.4 billion in the same period of the previous fiscal year).

Cash flows from investing activities

Net cash used in investing activities during this third quarter was ¥33.7 billion, compared with ¥25.8 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 provided by financing activities during this third quarter was ¥51.1 billion, compared with ¥160.2 billion used in the same period of the previous fiscal year. This was mainly due to proceeds from the issuance of bonds and from long-term loans payable despite repayment of short-term bank loans and payment of cash dividends.

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 Tobacco Business and International Tobacco Business.

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, 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. 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 third 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 third 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 second quarter. The projected capital expenditures for the current fiscal year for the entire JT Group is ¥159.0 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 December 31, 2010)	Number of shares issued (Share; as of the date of filing: February 14, 2011)	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 December 31, 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 delivery 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.

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

	As of December 31, 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 delivery 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 December 31, 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 delivery 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.

d. Resolutions of a meeting of the Board of Directors on September 17, 2010

	As of December 31, 2010
Number of subscription rights to shares	979 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	979 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share
Exercise period of subscription rights to shares	From October 5, 2010 to October 4, 2040
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥198,386 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 delivery 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)
October 1, 2010 to December 31, 2010	–	10,000	–	100,000	–	736,400

(6) Status of major shareholders

A verification of the shareholder registry as of December 31, 2010 revealed that Morgan Stanley & Company Inc. (Standing proxy: Morgan Stanley MUFG Securities Co., Ltd.), which was in the top ten major shareholders as of September 30, 2010, ceased to be major shareholders with “Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)” newly ascended to the top ten major shareholders.

(As of December 31, 2010)

Name of shareholders	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
Mitsubishi UFJ Trust and Banking Corporation (Standing proxy: The Master Trust Bank of Japan, Ltd.)	4-5, Marunouchi 1-chome, Chiyoda-ku, Tokyo, Japan (11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan)	60,000	0.60

(7) Status of voting rights

a. Shares issued

(As of December 31, 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 December 31, 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 nine months ended December 31, 2010

Month	April 2010	May 2010	June 2010	July 2010	August 2010	September 2010	October 2010	November 2010	December 2010
Highest (Yen)	350,500	327,500	306,500	293,400	290,500	294,000	282,000	301,500	310,500
Lowest (Yen)	305,000	275,000	275,100	266,000	258,800	257,600	243,900	250,000	279,100

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

3. Status of officers

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

V. Accounting

1. Preparation policy of the quarterly consolidated financial statements

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

The quarterly consolidated financial statements for the third quarter of the previous fiscal year (from October 1, 2009 to December 31, 2009) and for the nine months ended December 31, 2009 were prepared in accordance with the pre-revised Regulation for Quarterly Consolidated Financial Statements while those for this third quarter (from October 1, 2010 to December 31, 2010) and for the nine months ended December 31, 2010 were prepared in accordance with the revised Regulation for Quarterly Consolidated Financial Statements.

2. Audit attestation

The quarterly consolidated financial statements for the third quarter of the previous fiscal year (from October 1, 2009 to December 31, 2009) and for the nine months ended December 31, 2009, as well as those for this third quarter (from October 1, 2010 to December 31, 2010) and for the nine months ended December 31, 2010 were reviewed by Deloitte Touche Tohmatsu LLC pursuant to the first paragraph 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 December 31, 2010		As of March 31, 2010 (Summary)
Assets				
Current assets				
Cash and deposits		114,930		155,444
Notes and accounts receivable-trade		324,627		296,884
Short-term investment securities		19,188		11,950
Merchandise and finished goods		129,835		151,062
Semi-finished goods		98,978		109,621
Work in process		4,420		5,522
Raw materials and supplies		293,480		288,893
Other	*2	288,096		180,086
Allowance for doubtful accounts		(3,038)		(3,622)
Total current assets		1,270,518		1,195,843
Noncurrent assets				
Property, plant and equipment	*1	673,770	*1	679,561
Intangible assets				
Goodwill		1,200,938		1,387,397
Right of trademark		302,195		350,900
Other		26,920		30,766
Total intangible assets		1,530,054		1,769,064
Investments and other assets				
Investment securities		67,316		83,760
Other		170,800		179,061
Allowance for doubtful accounts		(29,658)		(34,695)
Total investments and other assets		208,459		228,127
Total noncurrent assets		2,412,284		2,676,752
Total assets		3,682,803		3,872,595
Liabilities				
Current liabilities				
Notes and accounts payable-trade		141,464		149,462
Short-term loans payable		69,619		109,263
Commercial papers		–		119,000
Current portion of bonds		131,731		50,395
Current portion of long-term loans payable		21,423		23,024
National tobacco excise tax payable		250,210		212,066
National tobacco special excise tax payable		13,188		10,490
Local tobacco excise tax payable		163,177		85,238
Income taxes payable		45,202		54,057
Provision		26,623		39,610
Other		243,305		248,926
Total current liabilities		1,105,947		1,101,535

(Millions of yen)

	As of December 31, 2010	As of March 31, 2010 (Summary)
Noncurrent liabilities		
Bonds payable	330,538	409,014
Long-term loans payable	157,879	149,569
Provision for retirement benefits	239,042	251,902
Other provision	359	763
Other	210,842	236,532
Total noncurrent liabilities	938,663	1,047,782
Total liabilities	2,044,611	2,149,317
Net assets		
Shareholders’ equity		
Capital stock	100,000	100,000
Capital surplus	736,409	736,406
Retained earnings	1,374,759	1,310,669
Treasury stock	(74,573)	(74,575)
Total shareholders’ equity	2,136,595	2,072,501
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,583	12,043
Pension liability adjustment of foreign consolidated subsidiaries	(22,847)	(26,269)
Foreign currency translation adjustment	(561,730)	(409,160)
Total valuation and translation adjustments	(575,994)	(423,387)
Subscription rights to shares	714	564
Minority interests	76,876	73,599
Total net assets	1,638,192	1,723,278
Total liabilities and net assets	3,682,803	3,872,595

(2) Quarterly consolidated statements of income (cumulative)

(Millions of yen)

		Nine months ended December 31, 2009		Nine months ended December 31, 2010
Net sales		4,651,891		4,647,927
Cost of sales		3,801,168		3,801,940
Gross profit		850,722		845,986
Selling, general and administrative expenses	*1	598,179	*1	581,434
Operating income		252,542		264,552
Non-operating income				
Interest income		3,377		1,591
Dividends income		1,720		852
Equity in earnings of affiliates		–		2,049
Other		5,431		3,602
Total non-operating income		10,528		8,095
Non-operating expenses				
Interest expenses		20,991		13,397
Foreign exchange losses		19,123		1,606
Financial support for domestic leaf tobacco growers		538		1,457
Other		6,808		7,747
Total non-operating expenses		47,462		24,208
Ordinary income		215,609		248,439
Extraordinary income				
Gain on sales of noncurrent assets		21,762		2,900
Gain on sales of investment securities		–		2,148
Other		5,747		1,635
Total extraordinary income		27,510		6,685
Extraordinary loss				
Loss on sales of noncurrent assets		3,517		540
Loss on retirement of noncurrent assets		4,127		3,980
Impairment loss		2,426		3,338
Business restructuring costs	*2	6,599	*2	3,103
Regulatory fine in Canada		–	*3	13,092
Other		9,821		8,096
Total extraordinary losses		26,491		32,150
Income before income taxes and minority interests		216,628		222,974
Income taxes		104,565		98,728
Income before minority interests		–		124,246
Minority interests in income		5,136		4,714
Net income		106,926		119,531

Quarterly consolidated statements of income

(Millions of yen)

		Third quarter ended December 31, 2009		Third quarter ended December 31, 2010
Net sales		1,597,636		1,349,193
Cost of sales		1,306,929		1,094,837
Gross profit		290,707		254,355
Selling, general and administrative expenses	*1	201,891	*1	188,687
Operating income		88,815		65,668
Non-operating income				
Interest income		833		556
Dividends income		352		241
Foreign exchange gains		–		473
Equity in earnings of affiliates		–		885
Other		1,620		805
Total non-operating income		2,806		2,962
Non-operating expenses				
Interest expenses		5,554		4,043
Foreign exchange losses		5,016		–
Other		574		2,339
Total non-operating expenses		11,145		6,383
Ordinary income		80,476		62,248
Extraordinary income				
Gain on sales of noncurrent assets		11,035		2,059
Other		2,017		927
Total extraordinary income		13,053		2,986
Extraordinary loss				
Loss on sales of noncurrent assets		835		77
Loss on retirement of noncurrent assets		1,967		1,266
Impairment loss		1,007		908
Business restructuring costs	*2	5,521		–
Other		5,001		704
Total extraordinary losses		14,332		2,957
Income before income taxes and minority interests		79,196		62,277
Income taxes		36,417		23,367
Income before minority interests		–		38,909
Minority interests in income		1,920		1,331
Net income		40,858		37,577

(3) Quarterly consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	216,628	222,974
Depreciation and amortization	98,740	90,563
Impairment loss	2,426	3,338
Amortization of goodwill	74,428	69,443
Increase (decrease) in provision for retirement benefits	(6,176)	(4,589)
Interest and dividends income	(5,097)	(2,443)
Interest expenses	20,991	13,397
Equity in (earnings) losses of affiliates	–	(2,049)
Loss (gain) on sales and retirement of noncurrent assets	(15,720)	475
Loss (gain) on sales of investment securities	–	(1,581)
Regulatory fine in Canada	–	13,092
Decrease (increase) in notes and accounts receivable-trade	(31,551)	(45,753)
Decrease (increase) in inventories	(93,673)	244
Increase (decrease) in notes and accounts payable-trade	3,237	(1,423)
Increase (decrease) in accounts payable-other	(1,239)	(12,469)
Increase (decrease) in tobacco excise taxes payable	169,918	133,525
Other, net	(21,934)	2,084
Subtotal	410,976	478,828
Interest and dividends income received	5,277	4,088
Interest expenses paid	(26,907)	(16,605)
Payment for regulatory fine in Canada	–	(13,092)
Income taxes paid	(106,006)	(107,524)
Net cash provided by (used in) operating activities	283,340	345,695
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(2,997)	(13,790)
Proceeds from sales and redemption of securities	1,901	12,894
Purchase of property, plant and equipment	(81,487)	(99,574)
Proceeds from sales of property, plant and equipment	28,336	5,740
Purchase of intangible assets	(4,577)	(5,459)
Proceeds from sales and redemption of investment securities	1,431	12,839
Payments into time deposits	–	(23,643)
Proceeds from withdrawal of time deposits	–	10,603
Purchase of investments in subsidiaries	(1,164)	–
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(324)	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	–	(646)
Other, net	(6,515)	(3,386)
Net cash provided by (used in) investing activities	(65,397)	(104,423)

(Millions of yen)

		Nine months ended December 31, 2009		Nine months ended December 31, 2010
Net cash provided by (used in) financing activities				
Increase (decrease) in short-term bank loans and commercial papers		48,697		(169,843)
Proceeds from long-term loans payable		1,655		49,091
Repayment of long-term loans payable		(151,846)		(12,636)
Proceeds from issuance of bonds		100,304		79,798
Redemption of bonds		(191,874)		(50,200)
Cash dividends paid		(53,601)		(55,518)
Proceeds from stock issuance to minority shareholders		189		406
Cash dividends paid to minority shareholders		(3,196)		(1,109)
Repayments of finance lease obligations		(4,498)		(4,040)
Other, net		0		0
Net cash provided by (used in) financing activities		(254,170)		(164,054)
Effect of exchange rate change on cash and cash equivalents		5,416		(5,742)
Net increase (decrease) in cash and cash equivalents		(30,812)		71,474
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	*	136,445	*	226,038

Changes in significant matters in preparing quarterly consolidated financial statements

	Nine months ended December 31, 2010
1. Changes in scope of consolidation	(1) Changes in scope of consolidation From the nine months ended December 31, 2010, a total of 12 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 253 companies
2. Changes in scope of equity method	(1) Changes in application of the equity method From the nine months ended December 31, 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 non-consolidated subsidiaries and 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” (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 nine months ended December 31, 2010 is immaterial.

Changes in methods of presentation

Nine months ended December 31, 2010
(Quarterly consolidated statements of income) 1. In the nine months ended December 31, 2009, “Equity in earnings of affiliates” (¥1,880 million recorded in the nine months ended December 31, 2009) was included in “Other” in “Non-operating income,” however, it is now presented separately due to its increased materiality. 2. In the nine months ended December 31, 2009, “Gain on sales of investment securities” (¥364 million recorded in the nine months ended December 31, 2009) was included in “Other” in “Extraordinary income,” however, it is now presented separately due to its increased materiality. 3. 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 nine months ended December 31, 2010. (Quarterly consolidated statements of cash flows) 1. In the nine months ended December 31, 2009, “Equity in earnings of affiliates” (¥(1,880) million recorded in the nine months ended December 31, 2009) was included in “Other, net” in “Net cash provided by (used in) operating activities,” however, it is now presented separately due to its increased materiality. 2. In the nine months ended December 31, 2009, “Loss (gain) on sales of investment securities” (¥(141) million recorded in the nine months ended December 31, 2009) was included in “Other, net” in “Net cash provided by (used in) operating activities,” however, it is now presented separately due to its increased materiality. 3. In the nine months ended December 31, 2009, “Payments into time deposits” (¥(10,655) million recorded in the nine months ended December 31, 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 nine months ended December 31, 2009, “Proceeds from withdrawal of time deposits” (¥525 million recorded in the nine months ended December 31, 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.

Nine months ended December 31, 2010
5. In the nine months ended December 31, 2009, “Purchase of investments in subsidiaries” (¥(109) million recorded in the nine months ended December 31, 2010) was presented separately in “Net cash provided by (used in) investing activities,” however, in the nine months ended December 31, 2010, it is included in “Other, net” in “Net cash provided by (used in) investing activities” due to its immateriality.

Third quarter ended December 31, 2010
(Quarterly consolidated statements of income) 1. In the third quarter ended December 31, 2009, “Equity in earnings of affiliates” (¥717 million recorded in the third quarter ended December 31, 2009) was included in “Other” in “Non-operating income,” however, it is now presented separately due to its increased materiality. 2. In the third quarter ended December 31, 2009, “Business restructuring costs” (¥141 million recorded in the third quarter ended December 31, 2010) was presented separately in “Extraordinary loss,” however, in the third quarter ended December 31, 2010, it is included in “Other” in “Extraordinary loss” due to its immateriality. 3. 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 third quarter ended December 31, 2010.

Special accounting applied in preparing quarterly consolidated financial statements

	Nine months ended December 31, 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 third quarter ended December 31, 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 December 31, 2010	As of March 31, 2010
*1. Accumulated depreciation of property, plant and equipment amounted to ¥942,198 million. *2. “Other” in “Current assets” includes repurchase agreements for which collateral in the form of securities received from counterparties is valued at ¥118,922 million as of December 31, 2010.	*1. Accumulated depreciation of property, plant and equipment amounted to ¥952,070 million. —

(Notes to quarterly consolidated statements of income)

Nine months ended December 31, 2009	Nine months ended December 31, 2010
*1. Major items and their amounts of selling, general and administrative expenses are as follows: Advertising expenses ¥14,706 million Promotion expenses ¥102,984 million Compensation, salaries and allowances ¥98,374 million Retirement benefit expenses ¥13,536 million Legal welfare expenses ¥18,370 million Employees' bonuses ¥13,166 million Provision for bonuses ¥18,464 million Depreciation and amortization ¥55,157 million Amortization of goodwill ¥74,453 million Research and development expenses ¥36,988 million	*1. Major items and their amounts of selling, general and administrative expenses are as follows: Advertising expenses ¥14,766 million Promotion expenses ¥101,261 million Compensation, salaries and allowances ¥95,838 million Retirement benefit expenses ¥11,659 million Legal welfare expenses ¥17,129 million Employees' bonuses ¥12,867 million Provision for bonuses ¥19,884 million Depreciation and amortization ¥45,896 million Amortization of goodwill ¥69,457 million Research and development expenses ¥37,452 million
*2. Business restructuring costs were incurred in association with the business restructuring measures mainly for rationalization of Domestic Tobacco and International Tobacco Businesses.	*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."

Third quarter ended December 31, 2009	Third quarter ended December 31, 2010
*1. Major items and their amounts of selling, general and administrative expenses are as follows: Advertising expenses ¥5,866 million Promotion expenses ¥36,440 million Compensation, salaries and allowances ¥33,765 million Retirement benefit expenses ¥4,274 million Legal welfare expenses ¥6,104 million Employees' bonuses ¥65 million Provision for bonuses ¥9,240 million Depreciation and amortization ¥17,486 million Amortization of goodwill ¥24,847 million Research and development expenses ¥12,399 million	*1. Major items and their amounts of selling, general and administrative expenses are as follows: Advertising expenses ¥5,377 million Promotion expenses ¥33,987 million Compensation, salaries and allowances ¥30,226 million Retirement benefit expenses ¥3,452 million Legal welfare expenses ¥4,519 million Employees' bonuses ¥348 million Provision for bonuses ¥9,432 million Depreciation and amortization ¥14,535 million Amortization of goodwill ¥22,294 million Research and development expenses ¥12,889 million
*2. Business restructuring costs were incurred in association with the business restructuring measures mainly for rationalization of Domestic Tobacco and International Tobacco Businesses.	―

(Notes to quarterly consolidated statements of cash flows)

Nine months ended December 31, 2009		Nine months ended December 31, 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 December 31, 2009) (Millions of yen)		(As of December 31, 2010) (Millions of yen)
Cash and deposits	131,506	Cash and deposits	114,930
Time deposits with a deposits period of over three months	(12,350)	Time deposits with a deposits period of over three months	(20,895)
Short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk		Short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk	
(Short-term investment securities)	17,290	(Short-term investment securities)	13,080
Cash and cash equivalents	136,445	(Other current assets)	118,922
		Cash and cash equivalents	226,038

(Shareholders' equity)

As of December 31, 2010 and nine months ended December 31, 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 December 31, 2010
   Subscription rights to shares as stock options Parent company ¥714 million

4. Cash dividends
   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
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

Third quarter ended December 31, 2009

(Millions of yen)

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

Notes: 1. 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
Third quarter ended December 31, 2009	12,812	13,947	1,014	4,049	810	32,634	113	32,748

Goodwill amortization (Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Third quarter ended December 31, 2009	272	21,282	–	3,292	–	24,847

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

   Third quarter ended December 31, 2009: ¥276,929 million

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

Nine months ended December 31, 2009

(Millions of yen)

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

Notes: 1. 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
Nine months ended December 31, 2009	40,312	41,076	2,906	12,307	1,975	98,578	161	98,740

Goodwill amortization (Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Nine months ended December 31, 2009	816	64,536	–	9,100	–	74,453

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

   Nine months ended December 31, 2009: ¥837,868 million

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

Geographical segment information

Third quarter ended December 31, 2009

(Millions of yen)

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

Notes: 1. Geographical segments are set with consideration of geographical proximity.
2. Countries or regions belonging to the segments other than Japan
a. Western Europe: Switzerland, United Kingdom, Germany
b. Others: Canada, Russia, Malaysia
3. The following table shows the amounts of goodwill amortization by geographical segment which are included in operating expenses for the third quarter ended December 31, 2009.

(Millions of yen)

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

Nine months ended December 31, 2009

(Millions of yen)

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

Notes: 1. Geographical segments are set with consideration of geographical proximity.
2. Countries or regions belonging to the segments other than Japan
a. Western Europe: Switzerland, United Kingdom, Germany
b. Others: Canada, Russia, Malaysia
3. The following table shows the amounts of goodwill amortization by geographical segment which are included in operating expenses for the nine months ended December 31, 2009.

(Millions of yen)

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

Overseas sales

Third quarter ended December 31, 2009

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

Nine months ended December 31, 2009

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

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

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 include 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

Nine months ended December 31, 2010

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 3)	Pharmaceutical	Food	Total
Net sales					
(1) Sales (Note 1)	766,558	770,473	35,968	293,673	1,866,674
(2) Intersegment sales or transfers	23,182	34,192	–	96	57,471
Total	789,741	804,665	35,968	293,770	1,924,145
Segment profit (loss) (Note 2)	185,175	236,762	(6,401)	14,227	429,764

Third quarter ended December 31, 2010

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 3)	Pharmaceutical	Food	Total
Net sales					
(1) Sales (Note 1)	189,477	252,498	12,840	96,815	551,632
(2) Intersegment sales or transfers	7,724	9,896	–	34	17,655
Total	197,202	262,395	12,840	96,849	569,287
Segment profit (loss) (Note 2)	35,030	82,896	(1,600)	4,581	120,907

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)

Nine months ended December 31, 2010	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	2,310,263	1,993,523
Net sales excluding tobacco excise taxes	766,558	770,473
Of which, adjusted net sales excluding tobacco excise taxes (*)	464,166	679,328

(Millions of yen)

Third quarter ended December 31, 2010	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	577,315	657,493
Net sales excluding tobacco excise taxes	189,477	252,498
Of which, adjusted net sales excluding tobacco excise taxes (*)	112,719	225,233

(*) 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, 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 mainly 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)

Nine months ended December 31, 2010	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	32,863	38,427	3,054	12,578	86,923
Amortization of goodwill	816	61,436	–	7,205	69,457

(Millions of yen)

Third quarter ended December 31, 2010	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	11,035	12,460	1,065	4,398	28,958
Amortization of goodwill	272	19,622	–	2,399	22,294

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 September 30, 2010 have been included in the nine months ended December 31, 2010 and operating results from July 1, 2010 to September 30, 2010 have been included in the third quarter ended December 31, 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)

Nine months ended December 31, 2010

(Millions of yen)

Net sales	Amount
Reportable segments total	1,924,145
Other net sales (Note 1)	21,696
Elimination of intersegment transactions	(64,669)
Amount equivalent to tobacco excise taxes	2,766,754
Net sales recorded in quarterly consolidated statements of income	4,647,927

(Millions of yen)

Profit	Amount
Reportable segments total	429,764
Other profits (Note 1)	9,825
Head office expenses (Note 2)	(14,175)
Elimination of intersegment transactions	(607)
Other adjustments	(232)
Subtotal (Note 3)	424,573
Depreciation and amortization	(90,563)
Amortization of goodwill	(69,457)
Operating income recorded in quarterly consolidated statements of income	264,552

Third quarter ended December 31, 2010

(Millions of yen)

Net sales	Amount
Reportable segments total	569,287
Other net sales (Note 1)	7,019
Elimination of intersegment transactions	(19,945)
Amount equivalent to tobacco excise taxes	792,831
Net sales recorded in quarterly consolidated statements of income	1,349,193

(Millions of yen)

Profit	Amount
Reportable segments total	120,907
Other profits (Note 1)	3,182
Head office expenses (Note 2)	(5,040)
Elimination of intersegment transactions	(83)
Other adjustments	(796)
Subtotal (Note 3)	118,171
Depreciation and amortization	(30,208)
Amortization of goodwill	(22,294)
Operating income recorded in quarterly consolidated statements of income	65,668

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 December 31, 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 amount" 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 underlying products	Type of derivative transactions	Contract/ notional amount	Fair value	Unrealized gain (loss)
Foreign currency	Foreign currency forward contracts	224,797	(250)	(250)
	Currency swaps	1,888	(97)	(97)
Interest rate	Interest rate swaps	33,084	1,863	1,863
	Interest rate cap options	33,084	13	(529)

Note: Products that qualify for hedge accounting are omitted.

(Stock options)

Third quarter ended December 31, 2010

1. Amount charged to expense for the third quarter ended December 31, 2010 and its account title

   Selling, general and administrative expenses ¥97 million

2. Details of stock options granted during the third quarter ended December 31, 2010

	Japan Tobacco Inc. 2010 stock option
Positions and number of persons granted	Directors 9 persons Operating Officers (excluding persons serving as Director) 14 persons
Number of stock options granted by class of shares	Common stock 979 shares
Date of grant	October 4, 2010
Vesting conditions	None
Requisite service period	From June 24, 2010 to the date of Annual General Meeting of Shareholders to be held in 2011
Exercise period	From October 5, 2010 to October 4, 2040
Exercise price (Yen)	1
Fair value at the date of grant (Yen)	198,386

(Per share information)

1. Net assets per share

As of December 31, 2010		As of March 31, 2010	
Net assets per share	¥162,900.17	Net assets per share	¥172,139.61

2. Net income per share, etc.

Nine months ended December 31, 2009		Nine months ended December 31, 2010	
Net income per share	¥11,161.33	Net income per share	¥12,477.09
Diluted net income per share	¥11,159.28	Diluted net income per share	¥12,473.47

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

	Nine months ended December 31, 2009	Nine months ended December 31, 2010
Net income per share		
Net income (Millions of yen)	106,926	119,531
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	106,926	119,531
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)	1	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	–	–

Third quarter ended December 31, 2009		Third quarter ended December 31, 2010	
Net income per share	¥4,264.94	Net income per share	¥3,922.45
Diluted net income per share	¥4,264.00	Diluted net income per share	¥3,921.19

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

	Third quarter ended December 31, 2009	Third quarter ended December 31, 2010
Net income per share		
Net income (Millions of yen)	40,858	37,577
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	40,858	37,577
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)	2	3
Dilutive shares which are not included in the calculation of diluted net income per share as they have no dilutive effects and in which there were significant changes after the end of the previous fiscal year	–	–

(Additional information)

Third quarter ended December 31, 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 ¥4.0735 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.

(Significant subsequent events)

Third quarter ended December 31, 2010
As part of measures for shareholder return and for the purpose of improving capital efficiency, JT's Board of Directors made a resolution on February 7, 2011 for JT to acquire its own shares according to the particulars stated below pursuant to the provision of Article 156 of the Companies Act, as applied by replacing the relevant terms pursuant to the Act's provision of Article 165, paragraph 3. (1) Class of shares to be acquired Common stock (2) Number of shares to be acquired Up to 65,000 shares (3) Total payment amount to acquire shares Up to ¥20,000 million (4) Period of share acquisition From February 9, 2011 to March 23, 2011 (5) Method of acquisition Purchase on the stock exchange via a trust bank

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

February 2, 2010

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC

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

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

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

Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, we have reviewed the quarterly consolidated financial statements included in the Accounting Section, namely, the quarterly consolidated balance sheets of Japan Tobacco Inc. and consolidated subsidiaries as of December 31, 2009 and the related quarterly consolidated statements of income for the three-month and nine-month periods then ended, and the quarterly consolidated statements of cash flows for the nine-month period then ended. These quarterly consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review.

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

Based on our review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Japan Tobacco Inc. and consolidated subsidiaries as of December 31, 2009, and the results of their operations for the three-month and nine-month periods then ended and their cash flows for the nine-month period then ended in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

As discussed in Additional information, JTI-Macdonald Corp. ("JTI-Mac"), JT's Canadian 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 ¥120.1 billion). JTI-Mac filed an application for protection with the Ontario Superior Court of Justice on August 24, 2004, under the Companies' Creditors Arrangement Act, to make it possible for JTI-Mac to continue business operations with its assets safeguarded.

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

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

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

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

(TRANSLATION)

INDEPENDENT ACCOUNTANTS' REVIEW REPORT

February 9, 2011

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 December 31, 2010 and the related consolidated statements of income for the three-month and nine- month periods then ended, and the consolidated statement of cash flows for the nine-month period then ended. These 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 December 31, 2010, and the results of their operations for the three-month and nine-month periods then ended and their cash flows for the nine-month period then ended in conformity with accounting principles for 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.