[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.]

[Cover]

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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

(1) Management benchmarks (consolidated)

Term	22nd term	23rd term	24th term	25th term	26th term
Accounting period	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Net sales (Millions of yen)	4,769,387	6,409,726	6,832,307	6,134,695	6,194,554
Ordinary income (Millions of yen)	312,044	362,681	307,586	255,377	312,487
Net income (Millions of yen)	210,772	238,702	123,400	138,448	144,961
Comprehensive income (Millions of yen)	–	–	–	–	(54,427)
Net assets (Millions of yen)	2,024,615	2,154,629	1,624,288	1,723,278	1,591,202
Total assets (Millions of yen)	3,364,663	5,087,214	3,879,803	3,872,595	3,571,927
Net assets per share (Yen)	204,617.68	216,707.27	162,087.74	172,139.61	159,039.71
Net income per share (Yen)	22,001.10	24,916.51	12,880.90	14,451.67	15,141.31
Diluted net income per share (Yen)	–	24,916.26	12,879.77	14,448.89	15,136.79
Equity ratio (%)	58.26	40.81	40.02	42.58	42.39
Return on equity (ROE) (%)	11.32	11.83	6.80	8.65	9.16
Price earnings ratio (PER) (Times)	26.32	20.03	20.33	24.08	19.85
Net cash provided by (used in) operating activities (Millions of yen)	435,958	145,030	275,271	320,024	399,638
Net cash provided by (used in) investing activities (Millions of yen)	(149,692)	(1,668,634)	(65,008)	(84,057)	(119,406)
Net cash provided by (used in) financing activities (Millions of yen)	(32,634)	519,000	(217,470)	(250,398)	(184,950)
Cash and cash equivalents at end of period (Millions of yen)	1,179,522	215,008	167,257	154,368	244,240
Number of employees [Separately, average number of temporary employees] (Person)	33,428 [10,353]	47,459 [14,986]	47,977 [11,736]	49,665 [11,870]	48,472 [11,611]

Notes: 1. Net sales do not include consumption taxes.
2. Diluted net income per share for the 22nd term is not presented because there were no potential shares.

(2) Filing company’s management benchmarks (non-consolidated)

Term	22nd term	23rd term	24th term	25th term	26th term
Accounting period	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Net sales (Millions of yen)	2,330,453	2,302,704	2,173,552	2,052,654	2,066,340
Ordinary income (Millions of yen)	189,730	177,757	160,200	161,606	182,818
Net income (Millions of yen)	132,456	131,145	89,637	107,361	32,216
Capital stock (Millions of yen)	100,000	100,000	100,000	100,000	100,000
Total number of shares issued (Thousands of shares)	10,000	10,000	10,000	10,000	10,000
Net assets (Millions of yen)	1,753,067	1,816,727	1,845,443	1,901,759	1,854,401
Total assets (Millions of yen)	2,561,865	2,902,509	2,857,330	3,027,503	2,879,353
Net assets per share (Yen)	182,990.92	189,616.56	192,595.36	198,452.58	194,679.73
Cash dividends per share (Yen) [Interim dividends per share] (Yen)	4,000 [1,800]	4,800 [2,200]	5,400 [2,600]	5,800 [2,800]	6,800 [2,800]
Net income per share (Yen)	13,826.19	13,689.35	9,356.60	11,206.74	3,365.00
Diluted net income per share (Yen)	–	13,689.21	9,355.78	11,204.58	3,364.00
Equity ratio (%)	68.4	62.6	64.6	62.8	64.4
Return on equity (ROE) (%)	7.80	7.35	4.90	5.73	1.72
Price earnings ratio (PER) (Times)	41.88	36.45	27.99	31.05	89.30
Dividend payout ratio (%)	28.9	35.1	57.7	51.8	202.1
Number of employees [Separately, average number of temporary employees] (Person)	8,930 [1,195]	8,999 [1,209]	8,908 [1,164]	8,961 [1,349]	8,928 [1,387]

Notes: 1. Net sales do not include consumption taxes.
2. Diluted net income per share for the 22nd term is not presented because there were no potential shares.
3. Cash dividend per share for the 25th term of ¥5,800 includes the 25th anniversary commemorative dividend of ¥200.

2. History

(1) Background of JT's transition to stock company

Before it became a stock company, Japan Tobacco Inc. (hereinafter, "JT") was formerly Japan Tobacco and Salt Public Corporation, or JTS. JTS was established in June 1, 1949 with the "Aim to bring soundness and efficiency to the operation of the national government monopolies." JTS, serving as the main body for conducting operations of the tobacco monopoly system and other government monopolies, contributed to establishing stable supply of tobacco and securing tobacco-derived financial revenues.

However, the growth in demand for cigarettes in Japan began to slow in the mid-1970s as the result of demographic trends and growing concern about health risks associated with smoking. This trend continued, such that growth in industry sales essentially stopped. In addition to the structural change, the Japanese domestic tobacco market was virtually opened to foreign tobacco suppliers, triggering competition between domestic and foreign tobacco products in Japan, and foreign countries stepped up pressure on Japan to take further market-opening measures that were difficult to implement within the framework of the monopoly tobacco sales system. Amid such pressure as well as moves toward the reform of government-run public corporations, Ad Hoc Commission on Administrative Reform was established in March 1981 to conduct research on the public corporation system. In its third report (July 30, 1982), the commission proposed drastic reform of the monopoly system and the public corporation system.

In response to this proposal, the government conducted a comprehensive review of these systems and drafted bills to:

- Abolish the tobacco monopoly law in order to liberalize tobacco imports and establish a tobacco business law in order to make necessary adjustments related to the tobacco business.
- Abolish the JTS law, reorganize JTS as stock company so as to enable it to pursue rational corporate management as much as possible and establish the Japan Tobacco Inc. Act, which provides for a necessary minimum level of regulation in light of the corporation's need to compete with foreign tobacco companies on an equal footing in the domestic market following the liberalization of tobacco imports.

These bills were enacted on August 3, 1984 in the 101st session of the Diet and promulgated on August 10 of the same year.

The major events and incidents prior to the incorporation of JT are as follows:

Date	Major events and incidents
June 1949	Japan Tobacco and Salt Public Corporation established.
July 1957	First filter cigarettes manufactured in Japan, "Hope (10)," launched.
February 1963	Tokyo Tobacco Haiso Co., Ltd. established to distribute cigarettes to retailers.
	In the period thereafter to March 1972, Kansai Tobacco Haiso Co., Ltd., Chubu Tobacco Haiso Co., Ltd., Kyushu Tobacco Haiso Co., Ltd., and Hokkaido Tobacco Haiso Co., Ltd. established to create a nationwide distribution system.
January 1973	Research and development section relocated from Tokyo to newly-established Tobacco Science Research Center in Yokohama to enhance and strengthen research and development structures.
March 1977	Utsunomiya and Motegi Factories closed and Kita-Kanto Factory built to modernize and rationalize tobacco production.
September 1979	Iwata Factory closed and Tokai Factory built to modernize and rationalize tobacco production.
July 1982	Ad Hoc Commission on Administrative Reform released third report, advising reforms to the monopoly system.
September 1982	Kyoto, Ibaraki and Takatsuki Factories closed and Kansai Factory built to modernize and rationalize tobacco production.
April 1984	Japan Tobacco International S.A. established to export Japanese cigarettes abroad.
August 1984	Diet passed Government Monopoly Reform Act (promulgated on August 10).

(2) Status of JT after its incorporation

JT was incorporated on April 1, 1985, pursuant to the Japan Tobacco Inc. Act (Act No. 69 of August 10, 1984), and all of the start-up capital was provided by the Japan Tobacco and Salt Public Corporation, or JTS. When incorporated, JT succeeded all the rights and obligations of JTS.

The main changes since the incorporation of JT are as follows:

Date	Details of change
April 1985	Japan Tobacco Inc. was incorporated.
April 1985	The Business Development Division was established to promote active development of new businesses. Subsequently until July 1990, in order to reinforce the promotion system for each business, this division was reformed and business departments were established dealing with medicine, food, etc.
March 1986	Fukuoka and Tosu Factories closed and Kitakyushu Factory built to modernize and rationalize tobacco production. Subsequently until June 1996, nine more tobacco factories were closed down in further moves towards rationalization of the tobacco production system.
October 1988	The communication name “JT” was introduced.
July 1991	The Head Office was relocated from Minato-ku to Shinagawa-ku to make way for the construction of the new Head Office building.
September 1993	The Central Pharmaceutical Research Institute was established to reinforce JT’s internal pharmaceutical research and development capabilities.
October 1994	The initial public offering of JT shares held by the Japanese government took place. (394,276 shares) JT shares were listed on the First Section of the Tokyo, Osaka and Nagoya Stock Exchanges.
November 1994	JT shares were listed on the Kyoto, Hiroshima, Fukuoka, Niigata and Sapporo Stock Exchanges.
May 1995	The Head Office was relocated from Shinagawa-ku to Minato-ku.
June 1996	The second public offering of JT shares held by the Japanese government took place. (272,390 shares)
April 1997	In accordance with the abolition of the salt monopoly, JT ended its salt monopoly business. The Tobacco Mutual Aid Pension scheme was united with the Employees’ Pension scheme.
April 1998	JT signed an agreement with Unimat Corporation to form a business alliance in the soft drinks business and acquired a majority stake in the company.
December 1998	JT acquired a majority stake in Torii Pharmaceutical Co., Ltd. through a tender offer.
May 1999	JT acquired the non-US tobacco operations of RJR Nabisco Inc.
July 1999	JT acquired the food business of Asahi Kasei Corporation, including eight subsidiaries such as Asahi Foods Corporation.
October 1999	Through the business alliance with Torii Pharmaceutical Co., Ltd., research and development in the medical pharmaceutical business was concentrated in JT while promotion functions were united within Torii Pharmaceutical.
March 2003	In order to establish a basis for future profit growth in the Japanese Domestic Tobacco Business, the Sendai, Nagoya and Hashimoto Factories were closed down.
October 2003	JT acquired 45,800 of its own shares in order to expand its management options.
March 2004	In order to establish a basis for future profit growth in the Japanese Domestic Tobacco Business, the Hiroshima, Fuchu, Matsuyama and Naha Factories were closed down.
June 2004	The third public offering of JT shares held by the Japanese government took place (289,334 shares), completing the sale of shares above the minimum threshold that the government is legally required to maintain.
November 2004 to March 2005	JT acquired 38,184 of its own shares in order to expand its management options.
March 2005	In order to establish a basis for future profit growth in the Japanese Domestic Tobacco Business, the Ueda, Hakodate, Takasaki, Takamatsu, Tokushima, Usuki, Kagoshima and Miyakonojo Factories were closed down.
April 2005	JT ceased to produce, sell and use Marlboro brand cigarette exclusively in Japan upon the expiration of the license term.
April 2007	JT acquired shares issued of the Gallaher Group Plc of the United Kingdom through an acquisition method under English act known as a scheme of arrangement.
January 2008	JT acquired the shares of Katokichi Co., Ltd. through a tender offer.
March 2009	In order to restructure the Japanese Domestic Tobacco Business in ways to make it more competitive, Kanazawa Factory was closed down.

Date	Details of change
March 2010	In order to restructure the Japanese Domestic Tobacco Business in ways to make it more competitive, Morioka and Yonago Factories were closed down.
February 2011 to March 2011	JT acquired 58,630 of its own shares as part of its efforts to increase shareholder returns and in order to improve capital efficiency.
March 2011	In order to restructure the Japanese Domestic Tobacco Business in ways to make it more competitive, Odawara Factory was closed down.

Note: The stock split of 5-for-1 was conducted as of April 1, 2006.

3. Business description

The main business activities operated by JT, its 246 consolidated subsidiaries and 14 companies accounted for by the equity method, and the relationship of each company to the Group's business activities are stated below.

The following four segments are the same as the segmentation of reportable segments in "Notes to consolidated financial statements" in (1) Consolidated financial statements, 1. Consolidated financial statements, etc., V. Accounting.

Japanese Domestic Tobacco Business

The Japanese Domestic Tobacco Business consists of the manufacture and sale of tobacco products.

JT manufactures and sells tobacco products, and TS Network Co., Ltd. conducts distribution-related operations such as distribution of JT's tobacco products and wholesale of foreign tobacco products (imported tobacco products). Japan Filter Technology Co., Ltd. and other subsidiaries manufacture materials.

Major subsidiaries and affiliates

TS Network Co., Ltd., JT Logistics Co., Ltd., Japan Filter Technology Co., Ltd., Fuji Flavor Co., Ltd., JT Engineering Inc.

Besides the companies named above, there are 11 consolidated subsidiaries and 2 companies accounted for by the equity method.

International Tobacco Business

The International Tobacco Business consists of the manufacture and sale of tobacco products with JT International S.A. controlling the manufacture and sale as the core company.

Major subsidiaries and affiliates

JT International S.A., JTI-Macdonald Corp., LLC Petro, JT International Germany GmbH, JTI Tütün Urunleri Sanayi A.S., Gallaher Ltd., Austria Tabak GmbH, Liggett-Ducat CJSC

Besides the companies named above, there are 157 consolidated subsidiaries and 6 companies accounted for by the equity method.

Pharmaceutical Business

The Pharmaceutical Business consists of research and development, manufacture and sale of prescription drugs.

JT concentrates on research and development while Torii Pharmaceutical Co., Ltd. manufactures and promotes sales of drugs (including JT's products).

Major subsidiaries and affiliates

Torii Pharmaceutical Co., Ltd., JT Pharma Alliance Co., Ltd., Akros Pharma Inc.

Besides the companies named above, there is 1 consolidated subsidiary.

Food Business

The Food Business consists of the manufacture and sale of beverages, processed foods and seasonings.

In the beverages business, JT develops products while JT Beverage Inc., Japan Beverage Holdings Inc. (Note) and certain other subsidiaries sell them. In the processed food business and seasonings business, TableMark Co., Ltd. and certain other subsidiaries are engaged in manufacturing, selling and other activities.

Major subsidiaries and affiliates

JT Beverage Inc., Japan Beverage Holdings Inc., TableMark Co., Ltd.

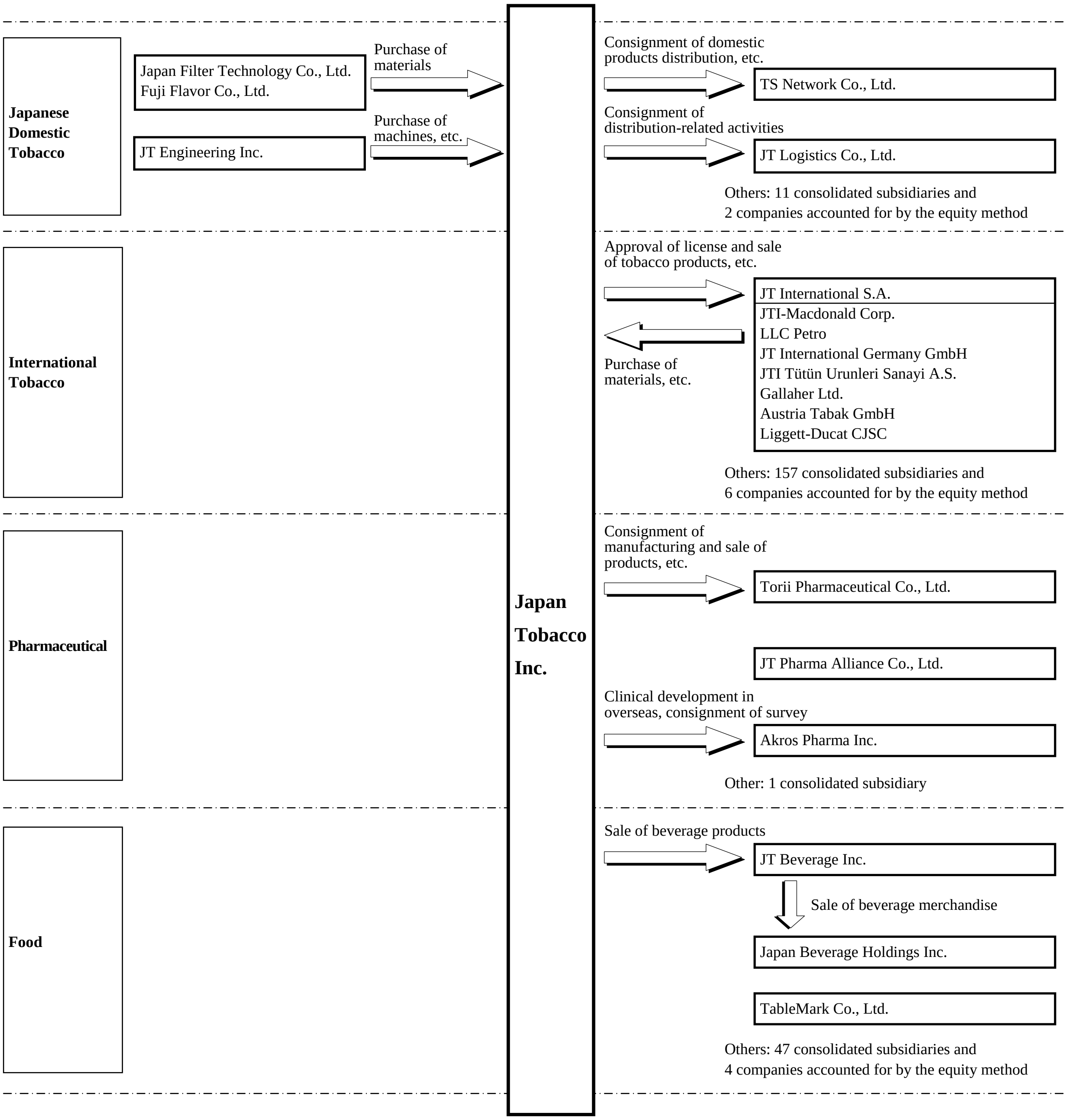
Besides the companies named above, there are 47 consolidated subsidiaries and 4 companies accounted for by the equity method.

Note: Effective January 2011, a merger was executed as part of reorganization within the JT Group whereby Japan Beverage Holdings Inc. is the surviving company and Japan Beverage Inc. is the absorbed company.

In addition to the reportable segments mentioned above, the JT Group runs businesses, etc. relating to the rent of real estate, etc. and there are subsidiaries and affiliates with respect to these businesses (11 consolidated subsidiaries and 2 companies accounted for by the equity method).

The following business activities diagram show the matters described above.

(As of March 31, 2011)



* In addition to the businesses mentioned above, the JT Group runs businesses, etc. relating to the rent of real estate, etc. and there are subsidiaries and affiliates with respect to these businesses (11 consolidated subsidiaries and 2 companies accounted for by the equity method).

4. Status of subsidiaries and affiliates

Name	Location	Capital (Millions of yen)	Principal business	Holding rate of voting rights (%)	Relationship				
					Interlocking of officers, etc.		Financial assistance	Business relationship	Facility leasing
					Officer of JT	Employee of JT			
(Consolidated subsidiaries) 246 companies									
TS Network Co., Ltd. *1	Taito-ku, Tokyo	460	Japanese domestic tobacco	74.5	No	Yes	No	Consignment of tobacco products distribution, etc.	Yes
JT Logistics Co., Ltd.	Shibuya-ku, Tokyo	207	Japanese domestic tobacco	100.0	No	Yes	No	Consignment of tobacco products and raw materials distribution	Yes
Japan Filter Technology Co., Ltd. *2	Shibuya-ku, Tokyo	461	Japanese domestic tobacco	87.1	No	Yes	No	Purchase of filter for tobacco products	Yes
Fuji Flavor Co., Ltd.	Hamura-shi, Tokyo	196	Japanese domestic tobacco	100.0	No	Yes	Yes	Purchase of flavors for tobacco products	No
JT Engineering Inc.	Sumida-ku, Tokyo	200	Japanese domestic tobacco	100.0	No	Yes	No	Purchase of machines, etc.	Yes
JT International S.A. *2	Swiss	Thousands of CHF 1,215,425	International tobacco	100.0 (100.0)	Yes	No	No	Approval of license and sale of tobacco products, etc.	No
JTI-Macdonald Corp. *2	Canada	Thousands of CAD 124,996	International tobacco	100.0 (100.0)	No	No	No	No	No
LLC Petro	Russia	Thousands of RUB 328,439	International tobacco	100.0 (100.0)	No	No	No	No	No
JT International Germany GmbH	Germany	Thousands of EUR 37,393	International tobacco	100.0 (100.0)	No	No	No	No	No
JTI Tütün Urunleri Sanayi A.S. *2	Turkey	Thousands of TRY 148,824	International tobacco	100.0 (100.0)	No	No	No	No	No
JT International Holding B.V. *2	Netherlands	Thousands of EUR 1,380,018	International tobacco	100.0 (100.0)	Yes	Yes	No	No	No
Gallaher Group Ltd. *2	U.K.	Thousands of GBP 65,858	International tobacco	100.0 (100.0)	No	No	No	No	No
Gallaher Ltd. *2	U.K.	Thousands of GBP 172,494	International tobacco	100.0 (100.0)	No	No	No	No	No
Austria Tabak GmbH *2	Austria	Thousands of EUR 175,934	International tobacco	100.0 (100.0)	No	No	No	No	No
Liggett-Ducat CJSC	Russia	Thousands of RUB 260,365	International tobacco	100.0 (100.0)	No	No	No	No	No
Torii Pharmaceutical Co., Ltd. *3	Chuo-ku, Tokyo	5,190	Pharmaceutical	54.5	No	Yes	No	Consignment of manufacturing and sale of products, etc.	Yes
JT Pharma Alliance Co., Ltd.	Minato-ku, Tokyo	360	Pharmaceutical	100.0	Yes	Yes	No	No	Yes
Akros Pharma Inc.	U.S.A.	Thousand of USD 1	Pharmaceutical	100.0 (100.0)	No	Yes	No	Clinical development in overseas, consignment of survey	No
JT Beverage Inc.	Shinagawa-ku, Tokyo	90	Food	100.0	No	Yes	Yes	Consignment of selling beverages, etc.	Yes
Japan Beverage Holdings Inc.	Shinjuku-ku, Tokyo	500	Food	66.7	No	Yes	No	Sale of beverages through JT Beverage Inc.	Yes
TableMark Co., Ltd. *2, *4	Kanonji-shi, Kagawa	47,502	Food	100.0	No	Yes	Yes	No	Yes

Name	Location	Capital (Millions of yen)	Principal business	Holding rate of voting rights (%)	Relationship					
					Interlocking of officers, etc.		Financial assistance	Business relationship	Facility leasing
					Officer of JT	Employee of JT			
JT Europe Holding B.V. *2	Netherlands	Thousands of EUR 1,380,018	Others	100.0	No	Yes	No	No	No
Other 224 companies *2									
(Companies accounted for by the equity method) 14 companies									

Notes: 1. Descriptions in the “Principal business” column are names of segments.

2. The figures in parentheses in the “Holding rate of voting rights” column are indirect holding rates included in the figures outside the parentheses.

3. “Interlocking etc. of officers” includes interlocking of officers of associated companies and secondment of officers of JT.

4. With regard to foreign subsidiaries at which the closing dates of the accounting period fall on December 31, the above shows the situation as of December 31, 2010.

5. *1: Net sales of TS Network Co., Ltd. (excluding net sales among the consolidated companies) exceed 10% of consolidated net sales.

Name	Major profit/loss information (Millions of yen)				
	Net sales	Ordinary income	Net income	Net assets	Total assets
TS Network Co., Ltd.	1,160,683	5,036	2,458	43,076	214,661

6. *2: These companies are classified as specified subsidiaries. Companies that fall under the category of specified subsidiaries included in “Other 224 companies” are as follows.
JTI (UK) MANAGEMENT LTD, JT Canada LLC Inc., JT Canada LLC II Inc., Gallaher Europe Finance

7. *3: This company files Annual Securities Report.

8. *4: The head office of TableMark Co., Ltd. is scheduled to be located in Chuo-ku, Tokyo, effective October 1, 2011.

5. Status of employees

(1) Consolidated companies

(As of March 31, 2011)

Segment	Number of employees (Person)
Japanese Domestic Tobacco Business	11,191 [4,140]
International Tobacco Business	23,902 [2,494]
Pharmaceutical Business	1,664 [138]
Food Business	10,864 [4,771]
Common company-wide services within the filing company, etc.	851 [68]
Total	48,472 [11,611]

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

2. The number of employees in foreign subsidiaries in which the closing dates of the accounting period fall on December 31 is calculated using the number of employees as of December 31, 2010.

3. The number of employees in the “Common company-wide services within the filing company, etc.” row is the number of those working for departments unclassifiable to specific segments, such as the administrative department.

(2) Filing company (JT)

(As of March 31, 2011)

Number of employees (Person)	Average age (Year old)	Average years of service (Year)	Average annual salary (Yen)
8,928 [1,387]	43.0	21.7	8,562,215

The numbers of employees by segment are as follows.

Segment	Number of employees (Person)
Japanese Domestic Tobacco Business	7,652 [1,382]
Pharmaceutical Business	720 [0]
Food Business	49 [4]
Common company-wide services within the filing company, etc.	507 [1]
Total	8,928 [1,387]

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

2. The number of employees includes contract employees (90), employees on leave (82) and employees transferred to JT (72), but excludes employees transferred from JT and employees on long-term leave prior to retirement (total 997).

3. Average years of service includes years of service at former Japan Tobacco and Salt Public Corporation.

4. Average annual salary (including taxes) includes bonuses and surplus wages.

(3) Status of labor union

In the JT Group, All Japan Tobacco Labor Union is formed as a principle labor union. The Union belongs to the Federation of Japan Foods and Tobacco Workers Union (Food-Rengo), which is a member of the Japanese Trade Union Confederation (JTUC-RENGO) and the International Union of Food, Agricultural, Hotel, Restaurant, Catering, Tobacco and Allied Workers’ Associations (IUF).

The labor-management relations are amiable and there are no matters that should be reported.

II. Review of operations

1. Overview of operating results

First and foremost, we at JT would like to express our deepest sympathies to all those who have been devastated by the Great East Japan Earthquake. We hope that recovery will proceed quickly.

In the JT Group's Japanese Domestic Tobacco Business, as some of our facilities were damaged by the disaster, at present we are limiting the deliveries we make in terms of the number of brands and delivery volume. We would like to express our sincere apologies to our customers and to tobacco retailers for the considerable inconvenience and trouble caused by this. While at present the number of brands for which we make deliveries is set at 36, we will work towards having a delivery structure of 73 brands in place in early August. While working to make sure of this, the JT Group will continue to make efforts to make improvements in aspects of our products such as taste and flavor, design, and packaging form, for the satisfaction of our customers.

Furthermore, following the application of the "Accounting Standard for Disclosures about Segments of an Enterprise and Related Information" (ASBJ Statement No. 17), effective 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

<Net sales>

Owing to a large-scale tobacco tax hike in Japan in October 2010, in addition to tax increases in other countries, net sales including tobacco excise taxes increased by ¥59.8 billion, or 1.0%, from the previous fiscal year, to ¥6.1945 trillion.

In terms of net sales excluding tobacco excise taxes, despite being at the same level as in the previous fiscal year in the Japanese Domestic Tobacco Business, they decreased by ¥27.9 billion, or 1.1%, from the previous fiscal year, to ¥2.4861 trillion, owing to factors such as the negative effects from foreign currency conversions due to an appreciated yen in the International Tobacco Business, and the abolishment of part of the Food Business.

	Fiscal year ended March 2010	Fiscal year ended March 2011	Change	
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(%)
Consolidated net sales	6,134.6	6,194.5	59.8	1.0
Japanese Domestic Tobacco Business	3,042.8	3,103.3	60.5	2.0
International Tobacco Business	2,633.6	2,649.9	16.3	0.6
Pharmaceutical Business	44.0	46.9	2.9	6.6
Food Business	394.6	375.0	(19.6)	(5.0)

* Net sales figures represent sales to customers.

* Consolidated net sales includes other net sales relating to rent of real estate, etc. in addition to net sales relating to the segments shown above. For details, please refer to "4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments), Segment information, Notes to consolidate financial statements, (1) Consolidate financial statements, 1. Consolidate financial statements, etc., V. Accounting."

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

	Fiscal year ended March 2010	Fiscal year ended March 2011	Change	
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(%)
Consolidated net sales	6,134.6	6,194.5	59.8	1.0
Amount equivalent to tobacco excise taxes	3,620.5	3,708.4	87.8	2.4
Net sales excluding tobacco excise taxes	2,514.1	2,486.1	(27.9)	(1.1)

Net sales including and excluding tobacco excise taxes by the Japanese Domestic Tobacco Business and the International Tobacco Business consist of the following:

Japanese Domestic Tobacco Business

	Fiscal year ended March 2010	Fiscal year ended March 2011	Change	
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(%)
Net sales including tobacco excise taxes	3,042.8	3,103.3	60.5	2.0
Net sales excluding tobacco excise taxes	1,016.7	1,027.8	11.0	1.1
Of which, adjusted net sales excluding tobacco excise taxes (Note)	615.9	617.9	1.9	0.3

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

International Tobacco Business

	Fiscal year ended March 2010	Fiscal year ended March 2011	Change	
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(%)
Net sales including tobacco excise taxes	2,633.6	2,649.9	16.3	0.6
Net sales excluding tobacco excise taxes	1,039.1	1,017.0	(22.1)	(2.1)
Of which, adjusted net sales excluding tobacco excise taxes (Note)	906.7	897.4	(9.3)	(1.0)

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

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

Cost of sales increased by ¥51.4 billion, or 1.0%, from the previous fiscal year to ¥5.0740 trillion and selling, general and administrative expenses decreased by ¥23.7 billion, or 2.9%, from the previous fiscal year to ¥791.7 billion.

<Operating income / EBITDA>

Although net sales excluding tobacco excise taxes decreased, mainly due to the effect of higher unit prices in the International Tobacco Business, operating income increased by ¥32.1 billion, or 10.9%, from the previous fiscal year, to ¥328.6 billion. EBITDA increased by ¥14.4 billion, or 2.7%, from the previous fiscal year, to ¥541.1 billion. This was the result of a ¥17.7 billion decrease in depreciation and amortization expenses due to a decrease in depreciation expense relating to vending machines and the completion of the amortization of some trademark rights in the Japanese Domestic Tobacco Business, as well as a decrease in depreciation and amortization expenses from foreign exchange effects in the International Tobacco Business, among others.

	Fiscal year ended March 2010	Fiscal year ended March 2011	Change	
	(Billions of yen)	(Billions of yen)	(Billions of yen)	(%)
Operating income	296.5	328.6	32.1	10.9
EBITDA	526.7	541.1	14.4	2.7
Japanese Domestic Tobacco Business	251.2	257.6	6.4	2.6
International Tobacco Business	277.6	288.1	10.4	3.8
Pharmaceutical Business	(9.6)	(13.2)	(3.6)	–
Food Business	14.4	17.2	2.7	19.2

* EBITDA includes EBITDA relating to other net sales in addition to EBIDTA relating to the segments shown above.

* For details, please refer to “4. Differences between total amounts for reportable segments and amounts in the consolidated financial statements and main details of these differences (matters relating to difference adjustments), Segment information, Notes to consolidate financial statements, (1) Consolidate financial statements, 1. Consolidate financial statements, etc., V. Accounting.”

* 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)

<Ordinary income>

An improvement in foreign exchange gains/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 ¥24.9 billion. With the ¥32.1 billion increase in operating income, ordinary income rose ¥57.1 billion, or 22.4%, from the previous fiscal year, to ¥312.4 billion.

<Net income>

Net extraordinary income/loss worsened by ¥52.6 billion in the fiscal year ended March 31, 2011, due to, in addition to the recording of a gain from reversal of liability on fine levied under UK competition law in the previous fiscal year, the recording of a loss from the payment for regulatory fine in Canada and a loss on the Great East Japan Earthquake, as well as factors such as a decrease in gain on sales of noncurrent assets. These losses just about offset a ¥57.1 billion increase in ordinary income. As a result, net income increased by ¥6.5 billion, or 4.7%, from the previous fiscal year, to ¥144.9 billion.

Operating results by segment are as follows.

Japanese Domestic Tobacco Business

Sales volume for cigarettes in the fiscal year ended March 31, 2011 decreased by 17.2 billion cigarettes, or 11.3%, from the previous fiscal year, to 134.6 billion cigarettes [Note], due to factors such as the effects in the second half of the fiscal year of a drop in demand resulting from the hike in tobacco excise taxes in October 2010 and retail price amendments.

Furthermore, our market share for the fiscal year ended March 31, 2011 was 64.1%, compared with 64.9% for the previous fiscal year. This is mainly because, as well as the impact of the difference according to brand in the extent of price rises in the retail price amendments accompanying the hike in tobacco excise taxes, there was damage from the earthquake disaster to some of our facilities and some of non-tobacco material suppliers, resulting in shortages of some of our brands and a temporary suspension in deliveries for all of our brands. With the retail price amendments, net sales per 1,000 cigarettes (tax excluded) increased by ¥526 from the previous fiscal year to ¥4,582.

As a result, in terms of net sales, the effect of higher unit prices just about offset the decrease in sales volume. Net sales excluding tobacco excise taxes came to ¥1.0278 trillion, up 1.1% from the previous fiscal year, and adjusted net sales excluding tobacco excise taxes came to ¥617.9 billion, up 0.3% from the previous fiscal year, making them about equal with the previous fiscal year. EBITDA increased by ¥6.4 billion, or 2.6%, from the previous fiscal year, to ¥257.6 billion, as a result of the effects of higher unit prices exceeding the decrease in sales volume, despite the recording of promotion expenses to provide a level of quality and service that befits our prices, and temporary costs associated with the hike in the tobacco excise taxes and retail price amendment.

The volume of cigarettes manufactured in Japan in the fiscal year ended March 31, 2011 decreased by 38.3 billion cigarettes, or 21.3%, from the previous fiscal year to 141.2 billion cigarettes.

Note: In addition to the figure stated above, during the fiscal year ended March 31, 2011, 3.5 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 the fiscal year ended March 31, 2011, there was steady growth in sales of Winston in Italy and France and in sales of Camel in Turkey and France. In addition, there was steady growth in sales of LD in Poland and Turkey. As a result, the sales volume of GFB increased by 6.5 billion cigarettes, or 2.7%, from the previous fiscal year to 249.8 billion cigarettes. However, owing to an overall decline in demand in Russia, among others, the volume of our International Tobacco Business's cigarette sales including GFB decreased by 6.5 billion cigarettes, or 1.5%, from the previous fiscal year to 428.4 billion cigarettes [Note 2].

In the fiscal year ended March 31, 2011, despite a decline in sales volume, because of advantageous movements of the local currencies of major markets compared to the previous fiscal year against the U.S. dollar, which is used by the subsidiary which consolidates the accounts of the subsidiaries in the International Tobacco Business, in addition to effects from higher unit prices, dollar-based net sales excluding tobacco excise taxes increased by $489 million, or 4.4%, from the previous fiscal year to $11,585 million while adjusted net sales excluding tobacco excise taxes increased by $540 million, or 5.6%, from the previous fiscal year to $10,223 million. EBITDA was $3,282 million, an increase of $317 million, or 10.7%, compared to the previous fiscal year, despite an increase in cost of sales resulting from higher leaf tobacco price.

However, due to the effects of a high yen when making conversions to that currency, net sales excluding tobacco excise taxes decreased by ¥22.1 billion, or 2.1%, from the previous fiscal year to ¥1.0170 trillion with a decrease in adjusted net sales excluding tobacco excise taxes of ¥9.3 billion, or 1.0%, to ¥897.4 billion and an increase in EBITDA of ¥10.4 billion, or 3.8%, to ¥288.1 billion.

The volume manufactured overseas in the fiscal year ended March 31, 2011 decreased by 13.6 billion cigarettes, or 3.5%, from the previous fiscal year to 371.7 billion cigarettes [Note 3].

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

2. In addition to the figure stated above, the sales volume of private label products, mainly for the German market, was 0.8 billion cigarettes for the fiscal year ended March 31, 2011.

3. In addition to the figure stated above, the production volume of private label products, mainly for the German market, was 0.7 billion cigarettes for the fiscal year ended March 31, 2011.

* The foreign exchange rate in the fiscal year ended March 31, 2011 was ¥87.79 per U.S. dollar, representing a ¥5.86 year-on-year yen appreciation, compared with ¥93.65 per U.S. dollar in the previous fiscal year.

* The closing date of the consolidated subsidiaries allocated to the International Tobacco Business segment is December 31, and their financial results used for the consolidated fiscal year ended March 31, 2011, are for the twelve months from January 1 to December 31, 2010.

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 now 10.

Regarding the business performance by our subsidiary Torii Pharmaceutical Co., Ltd. (“Torii”), despite the decline in sales of FUTHAN for injection use, a protease inhibitor, Torii 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 as a result of higher cost of sales due to changes in the composition of products on sale, as well as an increase in research and development expenses due to factors such as the payment of a licensing lump-sum for the license agreement Torii entered into with ALK-Abello A/S for that company’s house dust mite allergy immunotherapy products (for asthma and allergic rhinitis).

Net sales in the fiscal year ended March 31, 2011 increased by ¥2.9 billion, or 6.6%, from the previous fiscal year to ¥46.9 billion due to the increased revenue at Torii and the occurrence of lump-sum revenue in connection with an already-licensed-out product reaching a development milestone. EBITDA was negative ¥13.2 billion (compared to negative ¥9.6 billion in the previous fiscal year) due to factors such as an increase in research and development expenses.

Food Business

Net sales for our Food Business in the fiscal year ended March 31, 2011 declined by ¥19.6 billion, or 5.0%, from the previous fiscal year to ¥375.0 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 an increase in demand due to the hot summer and higher sales mostly with respect to our flagship Roots brand in the beverage business. EBITDA increased by ¥2.7 billion, or 19.2%, from the previous fiscal year to ¥17.2 billion thanks to a solid performance by the beverage business, and the absence of a temporary loss pertaining to fishery products business at the processed food business which was recorded in the previous fiscal year.

(2) Cash flows

Cash and cash equivalents at the end of the current fiscal year stood at ¥244.2 billion, representing a ¥89.8 billion increase from the end of the previous fiscal year. (Cash and cash equivalents at the end of the previous fiscal year was ¥154.3 billion.)

Cash flows from operating activities

Net cash provided by the operating activities during the current fiscal year was ¥399.6 billion, compared with ¥320.0 billion provided in the previous fiscal year. The main factors were the recording of EBITDA, mainly in the tobacco business, despite payment of income taxes.

Cash flows from investing activities

Net cash used in investing activities during the current fiscal year was ¥119.4 billion, compared with ¥84.0 billion used in the previous fiscal year, mainly due to the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities during the current fiscal year was ¥184.9 billion, compared with ¥250.3 billion used in the previous fiscal year. The main factors were the repayment of short-term bank loans, the redemption of commercial papers and bonds, the payment of cash dividends and purchase of treasury stock, among others, despite proceeds from the issuance of bonds and from long-term loans payable.

(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 common and company-wide expenses 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.

2. 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 “1. Overview of operating results.”

3. Issues to be addressed

In April 2009, JT formulated the new medium-term management plan “JT-11” for the three-year period ending March 2012, which will continue the strategies JT has promoted in the past and will take them to a higher level, in an effort to realize its long-term corporate image of becoming “A company committed to global growth that provides consumers diversified value uniquely available from JT.”

The theme of “JT-11” is to “secure strong business momentum through investment for the future and continuous improvement in business operations in anticipation of possible changes in the business environment that may occur in the future so that we can maintain sustainable growth in the long term.”

The Japanese Domestic Tobacco Business is positioned as the core source of profits for the JT Group. We expect total tobacco demand in Japan to continue to decline and competition with other tobacco manufacturers to intensify and, with an eye on environmental changes, we will strive to maintain and promote our brand equity primarily in our core brands and build a strong portfolio. Meanwhile, we will fortify our product exposure at key sales channels, enhance our sales and organizational strengths and secure our competitive advantages over competitors. In addition, the JT Group will implement efforts aimed at the enhancement of our added-value and quality for the maximization of customer satisfaction. We will also build a highly cost efficient business framework capable of adapting to highly uncertain business environments and continue to make greater efforts than ever in order to realize a society in which smokers and non-smokers can coexist harmoniously.

As one large environmental change of late, as of October 2010, a hike in tobacco excise taxes of ¥3.5 per cigarette (¥70 per packet containing 20 cigarettes) was carried out. In addition to the decreasing birth rate, aging population and other structural factors, this unprecedentedly large and drastic tax increase inevitably led to a significant decrease in total tobacco demand. In order to continue providing the quality and services which will satisfy our customers the JT Group carried out an amendment of our retail prices which exceeds the excise tax hike, given our cost reduction efforts alone will be insufficient to absorb the impact of the fall in demand. 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 satisfies our valued customers.

In addition to the above, owing to the effects of Great East Japan Earthquake, which occurred in March 2011, on the manufacture of goods and on supply, at present we are limiting the deliveries we make in terms of the number of brands and delivery volume as a temporary measure. While at present the number of brands for which we make deliveries is set at 36, we will work towards having a delivery structure of 58 brands in place as of July 4, and a delivery structure of 73 brands in place in early August. While working to make sure of this, the JT Group will continue to make efforts to make improvements in aspects of our products such as taste and flavor, design and packaging form for the satisfaction of our customers. In conjunction with this, we will make every possible effort to enhance our competitiveness in order to regain our market share at an early juncture through efforts such as the active introduction of new products under our core brands and the development of effective sales promotions.

The International Tobacco Business is continuing its role as the profit growth engine for the JT Group. Therefore, we aim to sustain quality top-line growth by maintaining our primary focus on GFB and realizing the sales volume growth and unit price improvements accompanying building and nurturing outstanding brands. Concurrently, we will expand our earnings base and make proactive business base fortification investments including in markets with growth potential.

The JT Group will also continue to take appropriate response to the WHO Framework Convention on Tobacco Control and the tobacco-related regulations of the EU and other countries.

In the Pharmaceutical Business, we will continue to build a globally successful, R&D-driven business with unique features and strive to secure a market presence with original new drugs by increasing and advancing compounds in a late phase of clinical trial and enhancing the research and development pipeline. To achieve this, while striving to strengthen the capability for clinical trial, including late-phase development and further improve the drug discovery research capability, we will continue to explore strategic opportunities for out-licensing and strengthen alliances with business partners so that we can realize the value of the Pharmaceutical Business at an early date.

Concerning the Food Business, we will focus on three areas: beverages, processed foods and seasonings, promote efforts to achieve the highest level of safety control, and further strengthen the business foundation for significant future growth. In the beverages sector, we will further strengthen the flagship Roots brand and establish a solid profit base by pursuing efficiency. For processed foods and seasonings, in the TableMark Group we will pursue integrated synergies and labor to concentrate our forces on key areas and foster a higher sense of oneness all in an effort to buttress our business base.

In the area of environmental protection efforts and social contribution activities, the JT Group is actively engaged in reducing impacts on the environment, contributing to local communities, promoting afforestation and forest conservation projects, youth education and other activities from the aspect of bringing about a “harmony” between its corporate activities and the environment and a feeling of mutual coexistence with society as a “good corporate citizen” in all countries and regions where the Group operates.

Regarding dividends, the JT Group aims to achieve a consolidated dividend payout ratio of 30% (after deducting the goodwill amortization effect) as our medium-term objective. We will continue to consistently strive towards improvement in cash dividend per share levels by having as our basic policy with the aim to provide a competitive level of returns to shareholders in the capital market while considering the status of the medium to long term growth strategies and our consolidated financial results outlook. Internal reserves will be prepared not only for present and future business investments and to acquire external resources but also for the purchase of own shares effected to expand management options, to pay down interest-bearing debts and other objectives.

4. Business and other risks

Listed below are items that, among those relating to the review of operations and accounting, etc. revealed in the Annual Securities Report, may significantly influence investor decisions. The following includes forward-looking statements determined, unless otherwise indicated, as of the end of this fiscal year.

(1) Items relating to the business, profit structure and management policy of the JT Group

a. Dependence on the Japanese Domestic Tobacco Business

Presently, the main business segment of the JT Group is the Japanese Domestic Tobacco Business, which greatly contributes to our net sales and operating income. Net sales of the Japanese Domestic Tobacco Business during this fiscal year by JT (representing the total of the amount manufactured and sold in Japan by JT (including that which was based on licenses), the amount sold wholesale in Japan by JT Group companies (including low margin products from competitors) and the amount sold by JT in the China, Hong Kong and Macau markets) covered 50.1% of net sales and 64.8% of operating income of the JT Group. Any adverse influence on the Japanese Domestic Tobacco Business of the JT Group may negatively impact the result of the JT Group as a whole (for details, see (2) below).

b. Business expansion

The JT Group believes that the Pharmaceutical Business and Food Business will contribute to its future earnings and the Group plans to invest in these businesses, however, there are no guarantees as to the returns expected from these investments.

The JT Group worked proactively to obtain external managerial resources geared towards business expansion through such maneuvers as, for its International Tobacco Business, the acquisition of Gallaher as well as all the non-US tobacco operations of the American firm RJR Nabisco Inc. and, for its Food Business, the acquisition of the Katokichi Group (now TableMark Co., Ltd.). In an effort to further strengthen the business foundation, the JT Group will consider acquisitions, capital contributions, business tie-ups and cooperative systems with respect to other companies and may execute same if it is determined as a result that such activities would contribute to the future earnings of the JT Group. However, should such activities not generate the expected results, same may have a detrimental effect on the earnings of the JT Group.

Also, as a result of the recording in the consolidated balance sheets of a substantial amount of goodwill generated following acquisitions, the amount of goodwill for the International Tobacco Business accounts for 31.2% of the consolidated total assets as of the end of the fiscal year. The JT Group believes that the abovementioned goodwill appropriately reflects the future profitability that will result from the unleashing of synergy effects of each business value and integration, however, in the event this expected outcome does not materialize as a result of factors such as changes in the business environment or competitive forces, the JT Group may incur an impairment loss that negatively impacts our performance.

In addition, when doing business overseas, the JT Group faces the possibility of risks associated with foreign exchange fluctuations, changes in laws and regulations, political unrest, uncertainties over economic developments, local labor-management relations, tax and tariff revisions, differences in business practices, etc.

c. Effects of foreign exchange fluctuations

JT drafts its consolidated financial statements indicating all figures in yen, however, overseas Group companies draft their financial statements in currencies other than yen. Accordingly, the results, assets and liabilities of overseas Group companies are converted into yen as of the date on which the consolidated financial statements of JT are drafted and indicated in yen therein. As a result, those figures are affected by fluctuations in the exchange rate of the foreign currency used by overseas Group companies in their accounts settlement with respect to the yen. Especially, foreign exchange fluctuation may greatly impact consolidated financial statements with respect to the amount contributed by the expansion of the International Tobacco Business. Although JT International Holding B.V. (JT's consolidated subsidiary in the Netherlands, "JTIH") uses the U.S. dollar for its consolidated results, this company is managed through its consolidated subsidiaries and affiliates located all over the world, some of which using currencies other than the U.S. dollar. As a result, this foreign exchange risk includes not only fluctuations between the yen and the U.S. dollar used by JTIH in its consolidated results but also between the U.S. dollar and the other currencies used in the results of its consolidated subsidiaries and affiliates.

In addition, any liquidation, sale or significant drop in the value of an foreign Group company whose foreign currency denominated stock, etc. was acquired by JT will result in the recording of an investment loss with respect to said company in the consolidated financial statements of JT and this loss will be affected by the exchange rate fluctuation between the yen and the foreign currency that was used to acquire said stock, etc.

Most international transactions by JT Group companies are effected in currencies other than the yen and there exists a foreign exchange risk. Although the JT Group hedges a portion of the foreign exchange risk generated by its transactions, it is impossible to completely avoid this risk for the entire group by such hedges and there is always the possibility that foreign exchange fluctuations will negatively affect the Group's earnings.

d. Outline of the 2011 Tax Reform Proposals

The Outline of the 2011 Tax Reform Proposals determined by the Cabinet of Japan on December 16, 2010 continues to mention that a future tax rate increase for the tobacco excise tax is necessary with the aim of formulating 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.

e. Natural disasters and other contingency situations

The Great East Japan Earthquake that occurred in March 2011 has inflicted damage on some factories of the JT Group and raw materials suppliers, thereby creating an impact on the group's business operations, mainly in the Japanese Domestic Tobacco Business. Incidents related to the earthquake disaster may negatively affect the JT Group's business performance in the future. Major earthquakes, volcano eruptions, tsunamis and other hnatural disasters and unforeseen emergencies may negatively affect the JT Group's business performance.

(2) Risks relating to the JT Group's Japanese Domestic and International Tobacco Businesses

a. Decreasing tobacco demand

In the Japanese domestic tobacco market, with the aging of the Japanese population, growing awareness about the health risks associated with smoking and the tightening of smoking-related regulations, total demand for cigarettes has continued to decline and JT expects this downward trend to continue unabated into the future. Demand overseas could also decrease depending on the economic conditions and other circumstances of the regions concerned, although the trends in demand will vary from region to region.

Should demand decrease domestically or internationally, net sales of the JT Group's Japanese Domestic Tobacco Business and International Tobacco Business may drop negatively affecting our business performance.

b. Competition with rival companies

The JT Group is competing fiercely in both the Japanese Domestic and International Tobacco Businesses with rivals such as Phillip Morris International and British American Tobacco.

In the Japanese domestic tobacco market, competition has intensified partly due to the diversification of smoker preferences and aggressive marketing activities by rival companies ever since the easing of regulations relating to imported tobacco products in 1985 and the abolishment of tariffs on imported cigarettes in 1987.

In overseas tobacco markets, the JT Group expanded its business mainly by acquiring the non-US tobacco operations of RJR Nabisco and Gallaher, as a result, its competitive relationships with global players in the International Tobacco Business such as Phillip Morris International and British American Tobacco as well as strong firms operating in localized markets are observed.

Our domestic and overseas tobacco market share fluctuates under multiple factors including competition, pricing strategies, changing smoker preferences, brand strengths and economic conditions occurring in different markets not to mention short-term fluctuations caused by temporary factors such as the introduction of new products by the JT Group and other companies and the special promotional activities effected for them. A lower market share due to these factors or measures undertaken to counter a decreasing market share (including an increase in expenses) may negatively affect the JT Group's business performance.

c. Foreign leaf tobacco price fluctuations

Of all the raw materials JT uses for its tobacco products manufactured in Japan, some 60% consist of foreign-grown leaf tobacco and all of the raw materials the JT Group uses for manufacturing tobacco products overseas presently consists of foreign leaf tobacco. Fluctuations in foreign leaf tobacco prices directly affect the operating income of both the JT Group and rival companies (see (4) b. below for details of domestically-grown leaf tobacco purchasing).

d. Taxes levied on tobacco

Tobacco products manufactured or sold in Japan are subject to a national tobacco excise tax, a local tobacco excise tax and a national tobacco special excise tax based on cigarette count as well as a price-based consumption tax. Also, the government revises its taxation policies annually when deliberating its budget (for details, see (4) c. (iii) below). Even overseas, tobacco products are subject to taxes whose object, basis and standards, etc. vary by region.

JT can predict neither increases nor changes in taxes or tax rates imposed on tobacco products in Japan or overseas.

Increases in tobacco taxes in Japan or overseas may, if accompanied by a hike in retail prices, push down demand or move consumers toward lower priced items. If no retail price hike occurs, such tax increases may deteriorate the earnings structure of the Japanese Domestic or International Tobacco Businesses negatively affecting the JT Group's business performance.

The Outline of the 2011 Tax Reform Proposals determined by the Cabinet of Japan on December 16, 2010 continues to mention that, in order to hold down tobacco consumption from the perspective of national health, a future tax rate increase for the tobacco excise tax is necessary.

e. Regulations on tobacco products in Japan and overseas

The Tobacco Business Act, related acts and statutes and voluntary standards set forth the regulations for the sale and promotion activities of tobacco products in Japan that include the indication of warning labels on tobacco product advertisements and packages that urge caution over the relationship between the consumption of tobacco products and health. In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised including the wording of the cautions over the relationship between the consumption of tobacco products and health indicated on tobacco product packages and, starting July 2005, all tobacco products sold in Japan have been in conformity to the revised regulations. In addition, the Japanese Minister of Finance has indicated a "Guideline for Advertising of Tobacco Products" based on the Tobacco Business Act which, in March 2004, was revised with tougher language (for details, see (4) c. (i), Note 2 below). The Tobacco Institute of Japan has established voluntary standards regarding the advertising and sales promotion activities for tobacco products. All member companies, including JT, comply with these standards. Recently, cases where smoking in public areas including restaurants and office buildings has been restricted are on the rise in Japan. From the perspective of passive smoking prevention, various measures are being implemented and promoted by the government and governing bodies since the establishment of the Health Promotion Act, which impose the facility manager the obligation to make efforts and the “Guidelines for Measures on Smoking in the Workplace” dealing with efforts at the workplace. JT expects such trend to continue in the future.

Even in overseas markets where JT Group’s tobacco products are sold, there is a rising trend in regulations regarding sales promoting activities and the marketing of tobacco products and smoking. For example, in the EU, a directive regarding tobacco products came into effect in July 2001 by which all laws, regulations and ordinances of EU member countries regarding the amount of tar, nicotine and carbon monoxide, warning labels on individual packages and outer wrappers, ingredients appearing on individual packages and descriptive expressions such as “mild,” “light,” etc. would be harmonized over the entire EU region. In addition, the World Health Organization (WHO) adopted the Framework Convention on Tobacco Control (“FCTC”) at its 56th World Health Assembly held in May 2003. The FCTC, whose purpose is to continuously and substantively control the proliferation of smoking, came into force in February 2005. (Japanese government accepted it in June 2004.) Its provisions include price and tax measures to reduce tobacco demand, non-price measures to reduce the demand for tobacco (such as regulations on packaging and labeling of tobacco products and regulations on tobacco advertising, promotion and sponsorship, etc.), measures relating to the reduction of the supply of tobacco (such as regulations banning the sale of tobacco to minors), among others. Signatory nations are generally required to develop, implement, periodically update and review tobacco regulatory strategies, plans and programs. However, the content, scope and method of specific controls undertaken in these nations are ultimately legislated by each respective nation and not necessarily unambiguous. Besides the above, many official and non-official controls have also appeared on a general basis in many overseas markets. For example, in the U.K., laws including “Restrictions on the in-store display of tobacco products” and “Ban on sale of tobacco products through vending machines” are enforced.

Although it is impossible to predict the content of future laws, regulations and industry guidelines relating to sales activities, marketing and smoking, we expect regulations like the above and new regulations (including those of local governments) to diffuse across Japan and other countries where the JT Group sells its products.

JT Group’s position is to support any regulation relating to tobacco that is appropriate and reasonable, however, the strengthening of regulations like the aforementioned may negatively affect the Group’s earnings by reducing tobacco demand and engendering costs incurred for the compliance to new regulations, etc.

f. Prohibition of “mild,” “light” and other descriptive labeling

The aforementioned FCTC includes provisions regulating descriptive labeling such as “mild” and “light.” They stipulate that signatory countries must, within three years after entry into force within their country, adopt and implement effective measures to prevent promotion of tobacco products by any means that could create an erroneous impression about the characteristics, etc. of tobacco products including the use of terms, etc. that creates false impression that a particular tobacco product is less harmful than other tobacco products (these may include terms such as “mild” and “light”). Each signatory country is establishing various measures required by FCTC.

Measures vary among signatory countries including prohibiting the use of target words or expressions such as “mild” or “light” specifically enumerated or illustrated, or the use of words that would create a false impression without specifying target words or expressions. In the future, measures over descriptive labeling, etc. such as “mild” and “light” , which would include the measures to comply with the requirements under FCTC, may prohibit the use of the word “mild” in the brand name “Mild Seven,” thus rendering impossible the sale of “Mild Seven” brand products in those countries where such measures are established. If such a case arises, the JT Group may have to spend enormous amounts of money and time on building a new brand that is comparable or commeasurable to “Mild Seven” with no guarantee that this new creation will have the same value and appeal, thus bearing the risk of negatively affecting the Group’s business performance.

With respect to Japan, in accordance with the Ordinance for Enforcement of the Tobacco Business Act revised in November 2003, all tobacco products bound for the domestic market labeled with “mild,” “light,” etc. after July 2005 are subject to certain necessary measures. The JT Group plans to continue using words like “mild” and “light” in Japan in accordance with the above Ordinance (for details, see (4) c. (i), Note 2 below).

g. Illicit product trading such as smuggling and counterfeiting

Illicit product trading, which encompasses smuggling and counterfeiting, pose a major challenge to the tobacco industry as a whole. The JT Group is making efforts towards countermeasures, such as by concluding cooperation agreements to counter illicit trade with the EU (including its member countries), the governments of Canada and all its provinces and territories, and other authorities. Even so, growth in illicit trade such as smuggling and counterfeiting of tobacco products may negatively affect the JT Group’s business performance because of damage to its brand equity and other consequences of such illicit trade.

h. Litigation

(i) Litigation in Japan and overseas related to health problems associated with smoking

The JT Group is the defendant in smoking and health related litigation both in Japan and overseas. As of the end of this fiscal year, JT is the defendant of two pending lawsuits in Japan (at the Tokyo District Court and Tokyo High Court, respectively).

Such litigation overseas includes health care costs recovery suits filed by governments and damage suits filed by individuals or classes of individuals. As of the end of this fiscal year, there were a total of 25 such lawsuits pending in which the JT Group is named as a defendant or for which JT may owe certain indemnity obligations pursuant to the relevant contracts, including the agreement for JT’s acquisition of RJR Nabisco’s non-US tobacco operations.

These lawsuits include a health care cost recovery action by the Canadian Province of British Columbia and two class actions in Quebec brought against tobacco manufacturers including the JT Group. The British Columbia action has been brought under a provincial statute entitled the “Tobacco Damages and Health Care Costs Recovery Act,” which was determined as constitutional by the Supreme Court of Canada. Similar actions were filed by the Province of New Brunswick in March 2008, the Province of Ontario in September 2009, and the Province of Newfoundland and Labrador in February 2011. However, these actions remain in pre-trial proceedings with no decision made yet as to the liability of the JT Group. In Quebec, a first-instance court authorized the two class actions, however, they also remain in pre-trial proceedings with no decision made yet as to the liability of the JT Group. The JT Group will also give them its timely and appropriate response.

JT believes that it is possible that other similar smoking and health-related lawsuits can be filed in the future.

JT is unable to predict the outcome of currently pending or future lawsuits. However, if these actions result in a decision unfavorable to the JT Group, its business could be materially affected by, for example, the payment of monetary compensation. Moreover, regardless of the results of these lawsuits, critical media coverage may reduce social tolerance of smoking, increase interest in the relationship between smoking and health, strengthen public regulations concerning smoking and prompt the filing of a number of similar lawsuits against the JT Group, forcing it to bear litigation costs and materially affecting its business performance.

(ii) Others

In addition to the smoking and health-related litigation mentioned above, the JT Group is a party to other cases, and may be a party to further cases should litigation occur in the future. Such litigation cases may negatively affect the business performance or manufacture, sale, import and export, etc. of tobacco products by the JT Group should their outcomes prove unfavorable.

(3) Risks relating to non-tobacco businesses

a. Risks relating to Pharmaceutical Business

The following are various risks relating to the Pharmaceutical Business of the JT Group.

-The JT Group may fail to develop and launch commercially valuable pharmaceutical products. To this date, JT has never brought a pharmaceutical product to market that it has developed on its own.

-The JT Group may have to invest an enormous amount of time and funds in research and development before it successfully develops pharmaceutical products.

-The JT Group may be forced to abandon the clinical development of a pharmaceutical product that involves another company as a co-developer or a licensee on the basis of its or its partner company's judgment or due to some internal or external factors.

-Even if the JT Group succeeds in developing and launching a commercially valuable pharmaceutical product, research and development expenses may exceed the revenue generated from it.

-The JT Group may become dependent on a certain pharmaceutical product.

-The JT Group may fail to achieve efficient mass-production of pharmaceutical products.

-Even if a pharmaceutical product developed by the JT Group proves to be commercially successful, the success may be offset by competition with rival products developed by other companies in Japan or overseas, a government-mandated price reduction and other factors.

-The JT Group may become dependent on the license of pharmaceutical products developed by other companies and on revenues from such products.

-The JT Group may become dependent on a certain outside source for the supply of part of critical raw materials.

-If any problem arises regarding the quality of a pharmaceutical product of the JT Group or regarding information provided by the Group about such product, the Group may become the target of claims seeking product liability, etc., or may be forced to suspend sales of such product.

-JT's business performance may be affected by lawsuits concerning patents and other intellectual property rights.

-Regulation may be applied broadly, covering a full range of activities from the research and development stage to the post-launch stage of a new drug.

-The JT Group may become dependent on a certain business partner in research and development or sales of a pharmaceutical product.

-In relation to the JT Group's use and management of radioactive or other hazardous substances, social or legal problems may arise, such as damage to the environment caused by such substances.

b. Risks relating to Food Business

The following are various risks relating to the Food Business of the JT Group.

-Food products developed by the JT Group may fail to meet consumer preferences and their product lives may prove to be short.

- The JT Group’s profit and loss may fluctuate due to fluctuations in the prices of raw materials for food products (including those due to changes in the exchange rate).
- The sales of JT’s food products may be affected by weather conditions.
- The regulation of the procurement, manufacture and sale of food products in Japan or overseas may be strengthened, including the possibility that additional costs may arise due to compliance with such regulation.
- The JT Group may be unable to compete with major companies with larger distribution networks, stronger development capabilities and more experience.
- The JT Group may be unable to engage in efficient marketing activities.
- The JT Group may be unable to produce, or outsource the production of, food products in an efficient, stable and effective manner.
- The JT Group may outsource the production of most beverage products to other domestic manufacturers, thus becoming dependant on outside sources.
- If any problem arises regarding the quality of the JT Group’s food products, the Group may become the target of claims seeking product liability, etc., or the reputation of the Group and its products may be undermined.

(4) Other factors which may materially affect investment decisions

a. Relations with the Japanese government and the Minister of Finance

The Japan Tobacco Inc. Act (the “JT Act”) obligates the government to hold at least one-half of all JT shares that it acquired by voluntary conveyance upon JT’s incorporation, and the government must continue to hold more than one-third of all JT shares issued. As of the end of the fiscal year ended in March 2011, the government held 50.01% of all JT shares issued.

In addition, the Minister of Finance has the authority to supervise JT under the JT Act and Tobacco Business Act. Under the JT Act, the scope of JT’s businesses includes the “manufacture, sale and importation of tobacco products and ancillary businesses, as well as businesses required for attaining the objective of JT,” and “business required for attaining the objective of JT” are subject to the Minister of Finance’s approval. Consequently, the Minister of Finance’s approval is required in order for JT to engage in new businesses outside the scope of currently-approved businesses (for details, see c. (ii) below).

b. Purchasing of leaf tobacco

The Tobacco Business Act requires JT to annually enter into purchase contracts with tobacco growers regarding the aggregate cultivation area for specific varieties of leaf tobacco and the prices for leaf tobacco by variety and grade. JT must purchase all leaf tobacco produced pursuant to such contracts, except for any not suited for the manufacture of tobacco products. When JT decides the aggregate cultivation area and the prices of leaf tobacco for its contracts with tobacco growers, it is required to respect the opinion of the Leaf Tobacco Deliberative Council (hatabako shingi kai), which consists of members appointed by JT with the approval of the Ministry of Finance from among the representatives of domestic leaf tobacco growers and academic appointees (for details see c. (i) below). Much like many other agricultural products in Japan, production costs for domestically-grown leaf tobacco is higher than those of foreign-grown leaf tobacco to the extent that the purchasing price for the former (before redrying) is approximately four times that of the latter (after redrying).

c. Legal matters relating to the business of filing company

(i) Tobacco Business Act (Act No. 68 of August 10, 1984)

	Description
1. Purpose	The object of this Act is, in consideration of the tax relating to tobacco products as a portion of the Treasury revenue incidental to the abolishment of the tobacco monopoly system, to promote a sound development of the tobacco industry in our country by making necessary adjustments in the production and purchase of domestically produced leaf tobacco as raw material for tobacco products and in business activities etc. of manufacture and sale of the tobacco products, whereby it will contribute to ensuring treasury revenue and a sound development of the national economy. (Article 1)
2. Cultivation and purchase of domestically grown leaf tobacco for use as raw material	(1) When intending to purchase the domestically produced leaf tobacco, Japan Tobacco Inc. ("JT") shall enter into agreements in advance with those who intend to cultivate leaf tobacco for the purpose of selling it to JT regarding the cultivation area for each item of leaf tobacco and the prices for each item and each grade of the leaf tobacco. (Article 3) (2) JT shall purchase all leaf tobacco produced pursuant to such agreements, except those which are not suitable as raw materials for manufacture red tobacco. (3) In the case where JT intends to enter into an agreement, JT shall consult with the Leaf Tobacco Deliberative Council that JT establishes, and respect its opinion concerning the total cultivation area and the prices of leaf tobacco. (Articles 4 and 7) (4) The Leaf Tobacco Deliberative Council shall deliberate on the price of the leaf tobacco so that subsequent production of leaf tobacco is ensured, by taking into account the production costs, commodity prices and other economic conditions. (5) JT shall determine the regional breakdown of the aggregate cultivation area for the respective items of leaf tobacco seeking the opinion of the Japan Tobacco Growers Association ("JTGA") and, within the scope of such regional breakdown, enter into agreements with growers. (Article 5) (6) If a member grower of a tobacco growers association entrusts JTGA with entering into an agreement regarding a fundamental matters of the agreements such as the price of leaf tobacco, JT shall establish said fundamental matters with JTGA and such agreement shall be deemed as a part of the agreements executed between JT and said grower. (Article 6)
3. Manufacture of tobacco products	(1) No tobacco products shall be manufactured by any party other than JT. (Article 8) (2) JT shall obtain the approval of the Minister of Finance on the maximum wholesale price for each item of tobacco products. (Article 9) (3) JT shall make efforts to ensure a smooth supply of tobacco products taking into account regional demand conditions for tobacco products. (Article 10)
4. Sale of tobacco products	(1) A party wanting to engage in the sale of tobacco products imported by themselves shall register with the Minister of Finance, who establishes necessary regulations relating to said registration and registered party ("Specified Distributor"). (Articles 11 to 19) (2) A party wanting to engage in the wholesaling of tobacco products shall, for the time being, register with the Minister of Finance, who establishes necessary regulations relating to said registration and registered party. (Articles 20 and 21) (3) A party wanting to engage in the retailing of tobacco products shall, for the time being, obtain the approval of the Minister of Finance, who establishes necessary regulations relating to said registration and registered party ("Retailer"). (Articles 22 to 32) (4) If JT and a Specified Distributor want to sell manufactured or imported tobacco products, the list price of each item, and any subsequent change thereof, shall be approved by the Minister of Finance for the time being. Necessary regulations are in place with respect to the approval: for example, the Minister of Finance shall grant approval unless it deems such price is unfair to consumers, etc. (Articles 33 to 35) (5) A Retailer is only permitted to sell tobacco products at list prices that have been approved by the Minister of Finance. (Article 36)

	Description
5. Other	(1) JT or a Specified Distributor shall indicate the wording as prescribed by Ordinance of the Ministry of Finance for warning consumers of the relationship between the consumption of tobacco products and health prior to the commencement of sale of the tobacco products that it manufactured or imported. (Article 39) (2) Advertisers of tobacco products shall give due consideration to the prevention of smoking by minors, etc. and make efforts lest such advertisement should be made to an excessive extent. The Minister of Finance may implement necessary measures with respect to advertisers. (Article 40)

Notes:

1. The so-called list price system is maintained for the time being as a means to prevent confusion in the distribution order, a well-established constant that materialized after the list price system was adopted in 1904. Tobacco is a luxury item different from the so-called commodities and services and, in a distribution market completely liberalized after the opening of import markets and other factors, JT and Specified Distributors stipulate prices on application (POA) to the Minister of Finance based on their respective, independent management decisions.

   Concerning the approval of list prices, the Ministry of Finance has the following view:

   "Pertaining to tobacco product list prices, under the Tobacco Business Act, in the event an application is made for the approval of list prices, the Minister of Finance may exceptionally deny approval if it deems such list price unfair to consumers or unfairly low in comparison with wholesale prices of domestic products or import prices of imported products. In all other cases, the Minister approves list prices in line with the spirit of Tobacco Business Act."

2. In November 2003, the Ordinance for Enforcement of the Tobacco Business Act was revised and the wording of warnings concerning tobacco consumption and health indicated on tobacco product packages was changed to specify risks related to eight items, four of which are diseases associated with direct smoking (lung cancer, heart attack, stroke and emphysema), while the other four are smoking by pregnant women, passive smoking, addiction to smoking and youth smoking. Each tobacco product package must indicate, on its main surfaces, a warning regarding at least one of the four items associated with direct smoking and at least one of the other four items. The Ordinance stipulates, among others, (1) that these warnings must be rotated throughout the year in ways to ensure that they receive equal exposure on each product item and each type of package and (2) that the display area must occupy 30% or more of the main surfaces of the package.

   In addition, the Ordinance stipulates that when wording like "mild" and "light" are used on the package, they must be accompanied by a warning that clarifies that such words do not mean that the risk to their health is lower than other tobacco products so as to prevent consumers from misunderstanding the relationship between the consumption of tobacco products and health. JT has been adhering to this rule since July 1, 2005.

   In addition, in March 2004, the Ministry of Finance revised the "Guideline for Advertising of Tobacco Products," which stipulates that the outdoor advertising of tobacco products (posters, billboards, etc.) shall generally be prohibited and specifies matters concerning the indication and content of the health warnings that accompany tobacco advertising.

(ii) Japan Tobacco Inc. Act (Act No. 69 of August 10, 1984)

	Description
1. Purpose	Japan Tobacco Inc. ("JT") is a stock company whose purpose is to engage in business related to the manufacture, sale, and importation of tobacco products in order to attain the objectives set forth in Article 1 of the Tobacco Business Act. (Article 1)
2. Stock	The Japanese government shall continue to hold at least one-half of the total number of JT shares that it acquired by voluntary conveyance upon JT's incorporation. (Article 2, paragraph (1)) In the event of a stock split or consolidation of shares occurring with respect to the shares stipulated in the preceding paragraph, the number of shares is calculated by multiplying by the ratio of said stock split or consolidation (in the event of a stock split or consolidation of two tiers or more, the ratio equivalent to the product of all tiers). (Article 2, paragraph (2)) As per the stipulations in preceding two paragraphs, the government shall continue to hold more than one-third of the total number of the shares issued of JT. (Article 2, paragraph (3)) Whenever JT intends to solicit subscribers for an issuance of shares or subscription rights to shares of JT, or deliver shares (excluding own shares), subscription rights to shares (excluding subscription rights to treasury shares), or issuance of bonds with subscription rights to shares (excluding bonds with subscription rights to treasury shares) at the time of share exchange, the approval of the Minister of Finance is required. (Article 2, paragraph (4)) The disposal of JT shares held by the government shall be effectuated within the maximum range stipulated by resolution of the Diet based on the budget of the corresponding year. (Article 3)
3. Scope of business	JT shall engage in the following businesses in order to attain the objectives stated in 1 above. (1) business of manufacture, sale and importation of tobacco products (2) business incidental or relating to the business in the preceding item (3) other business required for attaining the object of JT JT shall obtain authorization from the Minister of Finance before engaging in any business corresponding to (3) above. (Article 5)
4. Monitoring	(1) The appointment or dismissal of directors, executive officers (*sikkoyaku at a company with committees*), and auditors require authorization from the Minister of Finance. (Article 7) (2) Amendments to JT's articles of incorporation, appropriations of surplus (except disposal of losses), and any merger, corporate split, or dissolution of JT require authorization from the Minister of Finance. (Article 8) (3) JT shall formulate a business plan prior to each business year and obtain authorization from the Minister of Finance. Any change thereof also requires authorization from same. (Article 9) (4) Within three months after the closing of each business year, JT shall issue its balance sheet, statement of income, and business report to the Minister of Finance. (Article 10) (5) Transfers of manufacturing facilities or similar material assets require authorization from the Minister of Finance. (Article 11) (6) The Minister of Finance shall monitor JT in accordance with this Act as well as the Tobacco Business Act and may implement necessary measures in the execution of same. (Articles 12 and 13)

(iii) Acts relating to tobacco excise taxes (including tobacco special excise taxes)

	Description			
	National Tobacco Excise Tax	National Tobacco Special Excise Tax	Local Tobacco Excise Tax	
1. Tax item (Note 1)	Tobacco Excise Tax	Tobacco Special Excise Tax	Prefectural Tobacco Excise Tax (also applies to Tokyo)	Municipal Tobacco Excise Tax (also applies to special wards)
2. Taxpayers (Note 2)	Manufacturers of tobacco products or those who removes tobacco products from bonded areas		Manufacturers of tobacco products, specified distributors or wholesalers selling to retailers	
3. Tax base (Note 3)	Number of cigarettes removed from the manufacturing site or bonded area (for tobacco products other than cigarettes, prescribed cigarette count conversion)		Number of cigarettes relating to sales to retailers (for tobacco products other than cigarettes, prescribed cigarette count conversion)	
4. Tax rate (Note 4)	¥5,302 per 1,000 cigarettes	¥820 per 1,000 cigarettes	¥1,504 per 1,000 cigarettes	¥4,618 per 1,000 cigarettes
Former third-class products (Note 5)	¥2,517 per 1,000 cigarettes	¥389 per 1,000 cigarettes	¥716 per 1,000 cigarettes	¥2,190 per 1,000 cigarettes
5. Declaration and payment (Note 6)	Tobacco product manufacturers are to declare and pay taxes for each month’s shipment by the end of the following month. Parties removing tobacco products from bonded areas are to declare and pay taxes by the time of extraction		For sales of tobacco products relating to sales locations of retailers located within a given prefecture, a declaration and payment of taxes is to be made to that prefecture for each month’s transfer by the end of the following month	For sales of tobacco products relating to sales locations of retailers located within a given municipality, a declaration and payment of taxes is to be made to that municipality for each month’s transfer by the end of the following month

Notes:
1. Article 3 of the Tobacco Excise Tax Act, Article 4 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Article 1, paragraph (2) and Articles 4 and 5 of the Local Tax Act
2. Article 4 of the Tobacco Excise Tax Act, Article 5 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Article 74-2, paragraph (1) and Article 465, paragraph (1) of the Local Tax Act
3. Article 10 of the Tobacco Excise Tax Act, Article 7 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-4 and 467 of the Local Tax Act
4. Article 11, paragraph (1) of the Tobacco Excise Tax Act, Article 8, paragraph (1) of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-5 and 468 of the Local Tax Act
5. Article 2 of the Supplemental Provisions of the Tobacco Excise Tax Act, Article 8, paragraph (2) of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 12-2 and 30-2 of the Supplemental Provisions of the Local Tax Act
6. Articles 17 to 20 of the Tobacco Excise Tax Act, Article 12 of the Act Concerning Special Measures for Financing Debt Transferred to the General Accounts, and Articles 74-10 and 473 of the Local Tax Act
7. Concerning “4. Tax rate”

   The term “Former third-class products” refers to tobacco products stipulated as third-class cigarettes in the Tobacco Product Price Act, repealed on April 1, 1985. These are same products as those at the time of abolishment, and, for the time being, the aforementioned tax rates are applied.
8. (i) In the event the tax system relating to tobacco subject to high excise taxes is examined, on a general basis, as part of a revision of the tax system made in the course of reorganizing government budgets each year and the tax system is revised, a decision is made upon the deliberation and resolution of the legislature subsequent to the determination of government policy through deliberation by the Tax System Council and other bodies. When determining government policy, with respect to the National Tobacco Excise Tax, a bill is presented upon cabinet approval of a summary of the tax reform initially reported to the cabinet as a broad outline. For the Local Tobacco Excise Tax, a bill is presented upon determination of policy in the course of establishing local financing measures during budget reorganization.

   (ii) See the following page for revisions to the tax system relating to tobacco after the April 1985 transfer from the monopoly profit system to the tobacco consumption tax system.

[Main movements relating to the tobacco tax system and JT's responses]

Month/Year	Item	Description	JT's response
May 1986	1986 Tax Reform	Tax increase equivalent to ¥900 per 1,000 cigarettes	Fixed price revised by amount equivalent to tax increase
April 1989	1989 Tax Reform	Following the introduction of the consumption tax, "tobacco consumption tax" changed to "tobacco excise tax" and taxation formula unified to a unit tax	Basically, fixed price revision unnecessary
April 1997	1997 Tax Reform	[Revision of Local Tax Act] Local Tobacco Excise Tax revenue transferred from the Prefectural Tobacco Excise Tax to the Municipal Tobacco Excise Tax	Fixed price revision unnecessary
		[Revision of Consumption Tax Act] Consumption tax rate revised from 3% to 5%	Prices raised by ¥10 per pack for some brands in an effort to revise fixed prices overall by the amount equivalent to the consumption tax rate revision
December 1998	1998 Tax Reform	Act Concerning Special Measures for Financing Debt Transferred to the General Accounts established and ¥820 per 1,000 cigarettes of Tobacco Special Excise Tax introduced	Basically, price per cigarette raised by ¥1
May 1999	1999 Tax Reform	[Revision of Special Taxation Measures Act and Local Tax Act] Tax revenue transferred from Tobacco Excise Tax to Prefectural Tobacco Excise Tax and Municipal Tobacco Excise Tax	Fixed price revision unnecessary
July 2003	2003 Tax Reform	Acts revising a portion of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥820 per 1,000 cigarettes	Price per cigarette raised by approx. ¥1
July 2006	2006 Tax Reform	Acts revising a portion of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥852 per 1,000 cigarettes	Amount equivalent to tax increase shifted to fixed price of all brands with some prices increased higher than said amount
October 2010	2010 Tax Reform	Acts revising a portion of the Income Tax Act, Local Tax Act, among others, established and tax increase by ¥3,500 per 1,000 cigarettes	With exception of some brands, prices increased higher than the amount equivalent to tax increase

5. Important operational contracts, etc.

No items to report

6. Research and development activities

Research and development activities are mainly undertaken at JT's Tobacco Science Research Center and Central Pharmaceutical Research Institute, which have approximately 770 staffers.

Research and development expenses for the entire JT Group over the fiscal year amounts to ¥53.3 billion and the research objectives and research and development expenses by each segment are as follows.

Please note that the aforementioned research and development expenses includes ¥0.7 billion relating to basic research not affiliated to any segment (plant biotechnology related research, etc.) and conducted by JT corporate division.

(1) Japanese Domestic and International Tobacco Businesses

From the prospective of optimizing the JT Group's research and development functions, JT mainly undertakes JT Group's widely ranging technological developments, from leaf tobacco cultivation to raw material processing, fragrance, other materials and manufacturing processes, as well as product value enhancements and cost reductions along with active new product development in step with the needs of customers. Activities are centered at JT's Tobacco Science Research Center and Leaf Tobacco Research Laboratory.

Research and development expenses relating to the Japanese Domestic Tobacco Business amounts to ¥19.4 billion with that of the International Tobacco Business amounting to ¥5.2 billion.

(2) Pharmaceutical Business

Aiming to build a distinctive, global business centered on research and development, JT engages in the research and development of pharmaceuticals mainly for carbohydrate and fat metabolism, viruses, immunity and inflammation, and bones, with activities centered at its Central Pharmaceutical Research Institute.

Currently under development by JT are 10 drugs now in the clinical trial stage.

Research and development expenses for this business is ¥27.1 billion.

(3) Food Business

With activities centered at its Food R&D Center, development is undertaken for beverages, processed foods and seasonings in step with customer needs and their various eating and drinking situation.

Research and development expenses for this business is ¥0.7 billion.

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

(1) Important accounting policies and estimates

The financial statements of the JT Group are prepared in accordance with Japanese Generally Accepted Accounting Principles ("Japanese GAAP"). For details, please refer to "Significant matters in preparing consolidated financial statements" in (1) Consolidated financial statements, 1. Consolidated financial statements, etc., V. Accounting.

In the preparation of consolidated financial statements, estimates and judgments are made concerning items that affect assets and liabilities at the end of the fiscal year and earnings and expense figures of the fiscal year based on various factors considered reasonable in light of historical results and conditions and evaluations are made on a continuous basis. Actual results may vary due to uncertainties in the estimates.

(2) Analysis of business results for the fiscal year

a. Net sales

Owing to tax increases in other countries, in addition to a large-scale tobacco tax hike in Japan in October 2010, net sales including tobacco excise taxes increased by ¥59.8 billion, or 1.0%, from the previous fiscal year, to ¥6.1945 trillion.
In terms of net sales excluding tobacco excise taxes, despite being at the same level as in the previous fiscal year in the Japanese Domestic Tobacco Business, they decreased by ¥27.9 billion, or 1.1%, from the previous fiscal year, to ¥2.4861 trillion, owing to factors such as the negative effects from foreign currency conversions due to an appreciated yen in the International Tobacco Business, and the abolishment of part of the Food Business.

b. Cost of sales and selling, general and administrative expenses

Mainly due to the increase in tobacco excise taxes in Japanese Domestic Tobacco and International Tobacco, cost of sales increased by ¥51.4 billion, or 1.0%, from the previous fiscal year to ¥5.0740 trillion. In addition, selling, general and administrative expenses decreased by ¥23.7 billion, or 2.9%, from the previous fiscal year to ¥791.7 billion due to a decrease in depreciation and amortization expenses, etc.

c. Operating income / EBITDA

Although net sales excluding tobacco excise taxes decreased, mainly due to the effect of higher unit prices in the International Tobacco Business, operating income increased by ¥32.1 billion, or 10.9%, from the previous fiscal year, to ¥328.6 billion. EBITDA increased by ¥14.4 billion, or 2.7%, from the previous fiscal year, to ¥541.1 billion. This was the result of a ¥17.7 billion decrease in depreciation and amortization expenses due to a decrease in depreciation expense relating to vending machines and the completion of the amortization of some trademark rights in the Japanese Domestic Tobacco Business, as well as a decrease in depreciation and amortization expenses from foreign exchange effects in the International Tobacco Business, among others.

d. Ordinary income

An improvement in foreign exchange gains/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 ¥24.9 billion. With the ¥32.1 billion increase in operating income, ordinary income rose ¥57.1 billion, or 22.4%, from the previous fiscal year, to ¥312.4 billion.

e. Net income

Net extraordinary income/loss worsened by ¥52.6 billion in the fiscal year ended March 31, 2011, due to, in addition to the recording of a gain from reversal of liability on fine levied under UK competition law in the previous fiscal year, the recording of a loss from the payment for regulatory fine in Canada and a loss on the Great East Japan Earthquake, as well as factors such as a decrease in gain on sales of noncurrent assets. These losses just about offset a ¥57.1 billion increase in ordinary income. As a result, net income increased by ¥6.5 billion, or 4.7%, from the previous fiscal year, to ¥144.9 billion.

(3) 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

Net cash provided by operating activities in the fiscal year ended March 31, 2011 came to ¥399.6 billion, while net cash used in investing activities and financing activities was ¥119.4 billion and ¥184.9 billion, respectively. Cash and cash equivalents on a consolidated basis at March 31, 2011 after adjusting for translation differences and increases or decreases in the amount resulting from the change in the scope of consolidation, increased by ¥89.8 billion from the previous fiscal year to ¥244.2 billion (end of previous fiscal year balance of ¥154.3 billion).

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.

III. Facilities

1. Outline of capital expenditures

In this fiscal year, we made capital expenditures totaling ¥146.0 billion.

In the Japanese Domestic Tobacco Business, we spent ¥55.9 billion, mainly on measures to streamline manufacturing processes, strengthen our ability to respond flexibly to supply and demand fluctuations with regard to an increasingly diverse range of products and develop new products. In the International Tobacco Business, we invested ¥60.9 billion mainly for the purpose of expanding our production capacity. In the Pharmaceutical Business, we spent ¥2.8 billion mainly for construction and research facilities. In the Food Business, we invested ¥25.0 billion, mainly for enhancing production and sales facilities.

Please note that our own capital was allocated for capital expenditures.

2. Main facilities

Main facilities of the JT Group (JT and its consolidated subsidiaries) are as follows.

(1) Filing company (JT)

(As of March 31, 2011)

Office and factory name (Location)	Segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m^2)	Amount					
Kita-kanto Factory (Utsunomiya-shi, Tochigi) *1	Japanese Domestic Tobacco	Tobacco manufacturing facilities	149	2,062	3,981	13,101	273	19,418	387
Tokai Factory (Iwata-shi, Shizuoka) *1	Japanese Domestic Tobacco	Tobacco manufacturing facilities	223	2,308	5,867	10,092	318	18,587	321
Kansai Factory (Fushimi-ku, Kyoto-shi)	Japanese Domestic Tobacco	Tobacco manufacturing facilities	116	5,831	6,211	16,009	442	28,493	498
Kyushu Factory (Chikushino-shi, Fukuoka)	Japanese Domestic Tobacco	Tobacco manufacturing facilities	165	4,041	2,580	6,618	242	13,483	246
Other factories (7) (Municipality) *1	Japanese Domestic Tobacco	Mainly tobacco manufacturing facilities	686	3,307	9,575	12,140	637	25,660	821
Tobacco Science Research Center (Aoba-ku, Yokohama-shi) *1	Japanese Domestic Tobacco	Research and development facilities	34	641	3,001	13	778	4,435	97
Central Pharmaceutical Research Institute (Takatsuki-shi, Osaka)	Pharmaceutical	Research and development facilities	94	2,729	11,473	17	1,046	15,267	566
Head Office (Minato-ku, Tokyo)	General administration	Other	7	21,486	19,109	66	1,994	42,657	1,594
Domestic Sales Offices (25) (Municipality)	Japanese Domestic Tobacco (includes administration)	Other, etc.	76	4,680	4,492	1,096	2,475	12,744	1,001

(2) Domestic subsidiaries

(As of March 31, 2011)

Office and factory name (Location)	Segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m^2)	Amount					
TS Network Co., Ltd. Head Office and other 32 distribution bases, etc. (Head Office: Taito-ku, Tokyo) *1	Japanese Domestic Tobacco	Distribution facilities	4	457	3,747	2,097	506	6,807	1,361
Japan Filter Technology Co., Ltd. Head Office and other 4 factories, etc. (Head Office: Shibuya-ku, Tokyo) *1, *2	Japanese Domestic Tobacco	Material manufacturing facilities	167	2,236	3,919	6,495	198	12,850	512
Torii Pharmaceutical Co., Ltd. Head Office and other 14 branch offices, etc. (Head Office: Chuo-ku, Tokyo) *2	Pharmaceutical	Other	5	366	1,302	4	145	1,819	800
Torii Pharmaceutical Co., Ltd. Sakura Plant (Sakura-shi, Chiba)	Pharmaceutical	Pharmaceuticals manufacturing facility	53	336	2,014	1,253	215	3,820	105
Japan Beverage Holdings Inc. Head Office and other business locations, etc. (Head Office: Shinjuku-ku, Tokyo) *1, *2	Food	Sales and distribution facilities	59	3,166	1,741	1,708	12,957	19,574	175
TableMark Co., Ltd. Head Office and other 8 factories, etc. (Head Office: Kanonji-shi, Kagawa) *1, *2	Food	Frozen food production facilities	230	6,502	9,437	7,164	376	23,481	1,429

(3) Foreign subsidiaries

(As of December 31, 2010)

Office and factory name (Location)	Segment	Description	Book value (Millions of yen)						Number of employees (Person)
			Land		Buildings and structures	Machinery, equipment and vehicles	Tools, furniture and fixtures	Total	
			Size (thousand m²)	Amount					
JT International Germany GmbH (Germany)	International Tobacco	Tobacco manufacturing facilities	345	255	9,673	16,712	1,306	27,947	1,665
LLC Petro (Russia) *1, *2	International Tobacco	Tobacco manufacturing facilities	187	21	7,316	20,094	1,285	28,717	1,604
JTI Tütün Urunleri Sanayi A.S. (Turkey)	International Tobacco	Tobacco manufacturing facilities	179	183	1,918	5,784	64	7,951	430
JTI-Macdonald Corp. (Canada)	International Tobacco	Tobacco manufacturing facilities	46	17	1,020	1,553	201	2,792	495
Gallaher Ltd. (U.K.)	International Tobacco	Tobacco manufacturing facilities	536	3,908	8,463	10,055	1,307	23,735	1,594
Austria Tabak GmbH (Austria) *1	International Tobacco	Tobacco manufacturing facilities	95	1,608	4,402	5,031	404	11,447	498
Liggett-Ducat CJSC (Russia) *2	International Tobacco	Tobacco manufacturing facilities	35	–	90	5,483	342	5,916	1,162

Notes: 1. Companies marked with *1 have land leased to entities other than the Group companies.
2. Companies marked with *2 have land leased from entities other than the Group companies.
3. Book values include lease assets.
4. Among the other 7 factories shown in (1) Filing company (JT), the Odawara Factory closed at the end of March 2011.

3. Plans for new installation and retirement of facilities

Owing to the impact of the Great East Japan Earthquake, the capital expenditure plan (new installations, expansions) for the Japanese Domestic Tobacco Business and the Food Business for the period of one year after this fiscal year is yet to be determined as of the date of filing.

The segment breakdowns of the capital expenditure plan for the International Tobacco Business and the Pharmaceutical Business are as follows.

Please note that the plan for installing or retiring of each facility depends on the method of disclosing numerical figures for each segment because of the broad range of individual projects undertaken by JT and its consolidated subsidiaries.

Segment	Projected amount at the end of March 2011 (Billions of yen)	Main contents and objectives of facilities, etc.	Capital resources
Japanese Domestic Tobacco	Not determined	Not determined	Not determined
International Tobacco	45.0	Expansion of production capacity, maintenance and renewals, etc.	Own capital
Pharmaceutical	3.0	Building and strengthening the research and development structure	Same as above
Food	Not determined	Not determined	Not determined

Notes: 1. Consumption taxes are not included.
2. There were no plans for sales or retirement of important facilities except for the regular renewal of facilities.

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 March 31, 2011)	Number of shares issued (Share; as of the date of filing: June 24, 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 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 March 31, 2011	As of May 31, 2011
Number of subscription rights to shares	402 units	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.)	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	402 shares (Note 1)	402 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share	Same as left
Exercise period of subscription rights to shares	From January 9, 2008 to January 8, 2038	Same as left
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	Same as left
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 ¥1, 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.	Same as left
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.	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left
Matters regarding surrogate payments	–	–
Provisions for acquiring subscription rights to shares	(Note 2)	Same as left
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 3)	Same as left

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 down 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 and 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 March 31, 2011	As of May 31, 2011
Number of subscription rights to shares	547 units	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.)	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	547 shares (Note 1)	547 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share	Same as left
Exercise period of subscription rights to shares	From October 7, 2008 to October 6, 2038	Same as left
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	Same as left
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 ¥1, 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.	Same as left
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.	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left
Matters regarding surrogate payments	–	–
Provisions for acquiring subscription rights to shares	(Note 2)	Same as left
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 3)	Same as left

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.

Number of Shares Granted after adjustment	=	Number of Shares Granted before adjustment	×	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 down 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 and 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 March 31, 2011	As of May 31, 2011
Number of subscription rights to shares	1,153 units	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.)	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	1,153 shares (Note 1)	1,153 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share	Same as left
Exercise period of subscription rights to shares	From October 14, 2009 to October 13, 2039	Same as left
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	Same as left
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 ¥1, 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.	Same as left
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.	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left
Matters regarding surrogate payments	–	–
Provisions for acquiring subscription rights to shares	(Note 2)	Same as left
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 3)	Same as left

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 down 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 and 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 March 31, 2011	As of May 31, 2011
Number of subscription rights to shares	979 units	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.)	Same as left
Number of shares to be issued upon exercise of subscription rights to shares	979 shares (Note 1)	979 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share	Same as left
Exercise period of subscription rights to shares	From October 5, 2010 to October 4, 2040	Same as left
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	Same as left
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 ¥1, 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.	Same as left
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.	Same as left
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.	Same as left
Matters regarding surrogate payments	–	–
Provisions for acquiring subscription rights to shares	(Note 2)	Same as left
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 3)	Same as left

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 down 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 and 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)
April 1, 2006	8,000	10,000	–	100,000	–	736,400

Note: The stock split of 5-for-1 was conducted as of April 1, 2006. Consequently, the balance of shares issued increased by 8,000 thousand shares to 10,000 thousand shares.

(6) Shareholder composition

(As of March 31, 2011)

Category	Shareholder composition								Shares less than one unit (Share)
	Public sector	Financial institutions	Financial instruments business operators	Other corporations	Foreign investors		Individuals, etc.	Total	
					Companies, etc.	Individuals			
Number of shareholders (Person)	1	113	35	374	686	12	56,930	58,151	–
Number of shares held (Share)	5,001,345	1,438,706	55,870	68,330	2,659,371	42	776,336	10,000,000	–
Holding rate of shares (%)	50.01	14.39	0.56	0.68	26.59	0.00	7.76	100.00	–

Notes: 1. 478,526 treasury shares are included in “Individuals, etc.”
2. The number of “Other corporations” includes 168 shares in the name of Japan Securities Depository Center, Inc.

(7) Status of major shareholders

(As of March 31, 2011)

Name of shareholder	Address	Number of shares held (Share)	Percentage of number of shares held in the total number of shares issued (%)
The Minister of Finance	1-1, Kasumigaseki 3-chome, Chiyoda-ku, Tokyo, Japan	5,001,345	50.01
Japan Trustee Services Bank, Ltd. (Trust Account)	8-11, Harumi 1-chome, Chuo-ku, Tokyo, Japan	256,502	2.57
State Street Bank and Trust Company 505223 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	224,116	2.24
The Master Trust Bank of Japan, Ltd. (Trust Account)	11-3, Hamamatsucho 2-chome, Minato-ku, Tokyo, Japan	222,931	2.23
Trust & Custody Services Bank, Ltd. as trustee for Mizuho Bank, Ltd. Retirement Benefit Trust Account re-entrusted by Mizuho Trust and Banking Co., Ltd.	Harumi Island Triton Square Office Tower Z, 8-12, Harumi 1-chome, Chuo-ku, Tokyo, Japan	169,000	1.69
The Chase Manhattan Bank 385036 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	360 N. CRESCENT DRIVE BEVERLYHILLS, CA 90210 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	85,107	0.85
Mellon Bank, N.A. as Agent for its Client Melon Omnibus US Pension (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	ONE BOSTON PLACE BOSTON, MA 02108 (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	80,675	0.81
State Street Bank and Trust Company (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	78,317	0.78
HSBC BANK PLC A/C THE CHILDRENS INVESTMENT MASTER FUND (Standing proxy: The Hongkong and Shanghai Banking Corporation Limited, Tokyo Branch)	8 CANADA SQUARE, LONDON E145HQ (11-1, Nihonbashi 3-chome, Chuo-ku, Tokyo, Japan)	68,367	0.68
State Street Bank and Trust Company 505225 (Standing proxy: Mizuho Corporate Bank, Ltd., Settlement Sales Department)	P.O.BOX 351 BOSTON, MASSACHUSETTS 02101 U.S.A. (16-13, Tsukishima 4-chome, Chuo-ku, Tokyo, Japan)	61,888	0.62
Total	–	6,248,248	62.48

Note: In addition to the above, JT held 478,526 shares of common stock as treasury stock.

(8) Status of voting rights

a. Shares issued

(As of March 31, 2011)

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 478,526	–	(Note 2)
Shares with full voting rights (Other)	Common stock 9,521,474	9,521,474	(Note 2)
Odd shares	–	–	–
Total number of shares issued	10,000,000	–	–
Total number of voting rights	–	9,521,474	–

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 March 31, 2011)

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	478,526	–	478,526	4.79
Total	–	478,526	–	478,526	4.79

(9) Stock options

JT has adopted a system of stock options that involves the issuance of subscription rights to shares in accordance with the Companies Act.

Details are as follows.

(By resolutions of the Annual General Meeting of Shareholders held on June 22, 2007, and the Board of Directors at a meeting held on December 21, 2007)

The 22nd Annual General Meeting of Shareholders held on June 22, 2007, and the Board of Directors at a meeting held on December 21, 2007, resolved to issue subscription rights to shares as share remuneration type stock options to JT Directors and Executive Officers (*sikkoyakuin*) in accordance with the Companies Act.

Resolution date	June 22, 2007, December 21, 2007
Positions and number of persons granted	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 16 persons
Class of shares to be issued upon exercise of subscription rights to shares	See "(2) Status of subscription rights to shares"
Number of shares	233 shares to Directors, 193 shares to Executive Officers (*sikkoyakuin*), total 426 shares (1 share per stock acquisition right) (Note)
Paying due upon exercise of subscription rights to shares	See "(2) Status of subscription rights to shares"
Exercise period of subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Assignment of subscription rights to shares	Same as above
Matters regarding surrogate payments	–
Matters regarding delivery of subscription rights to shares accompanied by reorganization	See "(2) Status of subscription rights to shares"

Note: 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 to which each stock acquisition right applies (hereinafter, "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 down 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 and 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 holders of subscription rights to shares being recorded in the registry of subscription rights to shares 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.

(By resolutions of the Board of Directors at a meeting held on September 19, 2008)

The Board of Directors at a meeting held on September 19, 2008, resolved to issue subscription rights to shares as share remuneration type stock options to JT Directors and Executive Officers (*sikkoyakuin*) in accordance with the Companies Act.

Resolution date	September 19, 2008
Positions and number of persons granted	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons
Class of shares to be issued upon exercise of subscription rights to shares	See "(2) Status of subscription rights to shares"
Number of shares	315 shares to Directors, 232 shares to Executive Officers (*sikkoyakuin*), total 547 shares (1 share per stock acquisition right) (Note)
Paying due upon exercise of subscription rights to shares	See "(2) Status of subscription rights to shares"
Exercise period of subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Assignment of subscription rights to shares	Same as above
Matters regarding surrogate payments	–
Matters regarding delivery of subscription rights to shares accompanied by reorganization	See "(2) Status of subscription rights to shares"

Note: 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 to which each stock acquisition right applies (hereinafter, "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 down 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 and 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 holders of subscription rights to shares being recorded in the registry of subscription rights to shares 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.

(By resolutions of the Board of Directors at a meeting held on September 28, 2009)

The Board of Directors at a meeting held on September 28, 2009, resolved to issue subscription rights to shares as share remuneration type stock options to JT Directors and Executive Officers (*sikkoyakuin*) in accordance with the Companies Act.

Resolution date	September 28, 2009
Positions and number of persons granted	Directors 9 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons
Class of shares to be issued upon exercise of subscription rights to shares	See "(2) Status of subscription rights to shares"
Number of shares	626 shares to Directors, 527 shares to Executive Officers (*sikkoyakuin*), total 1,153 shares (1 share per stock acquisition right) (Note)
Paying due upon exercise of subscription rights to shares	See "(2) Status of subscription rights to shares"
Exercise period of subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Assignment of subscription rights to shares	Same as above
Matters regarding surrogate payments	–
Matters regarding delivery of subscription rights to shares accompanied by reorganization	See "(2) Status of subscription rights to shares"

Note: 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 to which each stock acquisition right applies (hereinafter, "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 down 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 and 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 holders of subscription rights to shares being recorded in the registry of subscription rights to shares 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.

(By resolutions of the Board of Directors at a meeting held on September 17, 2010)

The Board of Directors at a meeting held on September 17, 2010, resolved to issue subscription rights to shares as share remuneration type stock options to JT Directors and Executive Officers (*sikkoyakuin*) in accordance with the Companies Act.

Resolution date	September 17, 2010
Positions and number of persons granted	Directors 9 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons
Class of shares to be issued upon exercise of subscription rights to shares	See "(2) Status of subscription rights to shares"
Number of shares	521 shares to Directors, 458 shares to Executive Officers (*sikkoyakuin*), total 979 shares (1 share per stock acquisition right) (Note)
Paying due upon exercise of subscription rights to shares	See "(2) Status of subscription rights to shares"
Exercise period of subscription rights to shares	Same as above
Conditions for exercising subscription rights to shares	Same as above
Assignment of subscription rights to shares	Same as above
Matters regarding surrogate payments	–
Matters regarding delivery of subscription rights to shares accompanied by reorganization	See "(2) Status of subscription rights to shares"

Note: 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 to which each stock acquisition right applies (hereinafter, "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 down 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 and 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 holders of subscription rights to shares being recorded in the registry of subscription rights to shares 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. Acquisition of treasury stock

[Class of shares] Acquisition of common stock falling under Article 155, item (iii) of the Companies Act

(1) Acquisition by resolution of the General Meeting of Shareholders

No items to report

(2) Acquisition by resolution of the Board of Directors

Category	Number of shares (Share)	Total amount (Yen)
Resolution at a meeting of the Board of Directors (on February 7, 2011) (Acquisition period: From February 9, 2011 to March 23, 2011)	65,000	20,000,000,000
Treasury stock acquired before this fiscal year	–	–
Treasury stock acquired during this fiscal year	58,630	19,999,745,500
Total number and amount of remaining shares to be acquired by resolution	6,370	254,500
Ratio of unexercised shares to the number resolved as of the end of this fiscal year (%)	–	0.0
Treasury stock acquired during this period	–	–
Ratio of unexercised shares to the number resolved as of the date of filing	–	0.0

Note: At the meeting of the Board of Directors mentioned above, it was resolved for the acquisition of treasury stock to be carried out in the market by the trust method.

(3) Items not based on resolutions of the General Meeting of Shareholders or Board of Directors

No items to report

(4) Status of disposal and ownership of acquired treasury stock

Category	Fiscal year ended March 31, 2011		From April 1, 2011 until the filing date of this Annual Securities Report	
	Number of shares (Share)	Total disposal value (Millions of yen)	Number of shares (Share)	Total disposal value (Millions of yen)
Acquired treasury stock offered for subscription	–	–	–	–
Acquired treasury stock that were disposed	–	–	–	–
Acquired treasury stock transferred for merger, share exchange and company split	–	–	–	–
Other (exercise of subscription rights to shares)	7	1	–	–
Treasury stock held	478,526	–	478,526	–

Note: The number of shares and total disposal value in the “From April 1, 2011 until the filling date of this Annual Securities Report” column does not include transfers by the exercise of subscription rights to shares from June 1, 2011 until the filing date of this Annual Securities Report.

3. Dividend policy

JT believes the growth of our corporate value in the medium to long term by realizing sustainable profit growth fueled by proactive business investment is the key to increasing shareholder benefits.

Regarding dividends, JT aims to achieve a consolidated dividend payout ratio of 30% (after deducting the goodwill amortization effect) as our medium-term objective. We will continue to strive towards further improving dividend-per-share levels by having as our basic policy with the aim to provide a competitive level of returns to shareholders in the capital market while considering the status of the medium to long term growth strategies and our consolidated financial results outlook.

It is also a basic policy of JT to pay an interim dividend and year-end dividend annually, with the former determined by the Board of Directors and the latter by the General Meeting of Shareholders.

The year-end dividend for the fiscal year was ¥4,000 per share. Therefore, the total annual dividend, including the interim dividend of ¥2,800, is ¥6,800 per share.

Also, internal reserves will be prepared not only for present and future business investments and to acquire external resources but also for the purchase of own shares effected to expand management options, to pay down interest-bearing debts and other objectives.

JT's articles of incorporation stipulate that JT may pay interim dividends to shareholders with the record date of September 30 each year, upon a resolution by the Board of Directors.

The dividend for the 26th term is as follows.

Resolution date	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)
Meeting of the Board of Directors held on October 28, 2010	26,824	2,800.00
Annual General Meeting of Shareholders held on June 24, 2011	38,085	4,000.00

4. Trends in share price

(1) Highest and lowest share prices for the most recent 5 years by term

Term	22nd term	23rd term	24th term	25th term	26th term
Accounting period	From April 1, 2006 to March 31, 2007	From April 1, 2007 to March 31, 2008	From April 1, 2008 to March 31, 2009	From April 1, 2009 to March 31, 2010	From April 1, 2010 to March 31, 2011
Highest (Yen)	604,000	708,000	555,000	358,000	352,000
Lowest (Yen)	362,000	492,000	216,000	227,000	243,900

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

(2) Monthly highest and lowest share prices for the most recent 6 months

Month	October 2010	November 2010	December 2010	January 2011	February 2011	March 2011
Highest (Yen)	282,000	301,500	310,500	321,000	352,000	349,000
Lowest (Yen)	243,900	250,000	279,100	302,000	310,000	280,500

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

5. Status of officers

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Chairman of the Board		Yoji Wakui	February 5, 1942	April 1964 Joined Ministry of Finance May 1995 Deputy Vice Minister July 1997 Director-General of the Budget Bureau July 1999 Vice Chairman of the General Insurance Association of Japan June 2004 Representative Director and Chairman of the Board, the Company June 2006 Chairman of the Board (Current Position)	2 years since June 2010	75
* President, Chief Executive Officer and Representative Director		Hiroshi Kimura	April 23, 1953	April 1976 Joined the Company (Japan Tobacco and Salt Public Corporation) January 1999 Vice President of Corporate Planning Division May 1999 Senior Manager in Tobacco Business Planning Division, Tobacco Business Headquarters; Executive Vice President, JT International S.A. June 1999 Member of the Board June 2001 Retired from Member of the Board June 2005 Member of the Board June 2006 President, Chief Executive Officer and Representative Director (Current Position)	2 years since June 2010	116
* Representative Director and Executive Deputy President		Munetaka Takeda	August 22, 1949	April 1972 Joined Ministry of Finance July 1999 Director-General of Kanto Local Finance Bureau January 2001 Deputy Assistant Vice Minister, Cabinet Office July 2001 Director-General of Okinawa Promotion Bureau July 2003 Director-General for Policy Planning September 2005 Assistant Vice Minister February 2007 Corporate Advisor of the Company April 2007 Senior Executive Vice President, and Chief Financial Officer June 2007 Representative Director and Executive Deputy President (Current Position)	2 years since June 2010	54

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
* Representative Director and Executive Deputy President		Mitsuomi Koizumi	April 15, 1957	April 1981 Joined the Company (Japan Tobacco and Salt Public Corporation) June 2001 Vice President of Corporate Planning Division June 2003 Senior Vice President, and Head of Human Resources and Labor Relations Group June 2004 Senior Vice President, and Vice President of Tobacco Business Planning Division, Tobacco Business Headquarters June 2006 Executive Vice President, and Vice President of Tobacco Business Planning Division, Tobacco Business Headquarters June 2007 Member of the Board, Executive Vice President, and Head of Marketing & Sales General Division, Tobacco Business Headquarters July 2007 Member of the Board, Executive Vice President, and Chief Marketing & Sales Officer, Tobacco Business Headquarters June 2009 Representative Director and Executive Deputy President (Current Position)	2 years since June 2010	88
* Representative Director and Executive Deputy President		Masakazu Shimizu	April 22, 1953	April 1977 Joined the Company (Japan Tobacco and Salt Public Corporation) April 1998 Vice President of Domestic Leaf Tobacco Division, Tobacco Business Headquarters September 1999 Vice President of Finance Division July 2001 Vice President of Temporary Systems Task Force July 2004 Vice President of General Administration Division June 2005 Senior Vice President, and Chief Communications Officer June 2007 Executive Vice President, and Chief Communications Officer June 2009 Representative Director and Executive Deputy President (Current Position)	2 years since June 2010	73

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
* Representative Director and Executive Deputy President		Yasushi Shingai	January 11, 1956	April 1980 Joined the Company (Japan Tobacco and Salt Public Corporation) July 2001 Vice President of Financial Planning Division June 2004 Senior Vice President, and Head of Finance Group, Vice President of Financial Planning Division July 2004 Senior Vice President, and Chief Financial Officer June 2005 Member of the Board, Senior Vice President, and Chief Financial Officer June 2006 Member of the Board Executive Vice President, JT International S.A. June 2011 Member of the Board, Senior Vice President, and Executive Vice President in charge of International Tobacco Business June 2011 Representative Director and Executive Deputy President (Current Position)	2 years since June 2010	69
* Member of the Board	Senior Executive Vice President, President of Pharmaceutical Business	Noriaki Okubo	May 22, 1959	April 1983 Joined the Company (Japan Tobacco and Salt Public Corporation) April 2000 Vice President of Business Development Dept., Pharmaceutical Division June 2002 Vice President of Business Planning Dept., Pharmaceutical Division June 2004 Member of the Board, Senior Vice President, and President, Pharmaceutical Business June 2006 Member of the Board, Executive Vice President, and President, Pharmaceutical Business June 2009 Member of the Board, Senior Executive Vice President, and President, Pharmaceutical Business May 2010 Member of the Board, Senior Executive Vice President, and President, Pharmaceutical Business, Vice President of Business Planning Dept., Pharmaceutical Division January 2011 Member of the Board, Senior Executive Vice President, and President, Pharmaceutical Business (Current Position)	2 years since June 2010	40

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Member of the Board		Mutsuo Iwai	October 29, 1960	April 1983 Joined the Company (Japan Tobacco and Salt Public Corporation) June 2003 Vice President of Corporate Planning Division July 2004 Vice President of Corporate Strategy Division June 2005 Senior Vice President, and Vice President of Food Business Division, Food Business June 2006 Member of the Board, Executive Vice President, and President, Food Business June 2008 Executive Vice President, and Chief Strategy Officer June 2010 Member of the Board, Executive Vice President, and Chief Strategy Officer July 2010 Member of the Board, Executive Vice President, and Chief Strategy Officer, Executive Vice President in charge of Food Business June 2011 Member of the Board (Current Position) Executive Vice President, JT International S.A. (Current Position)	2 years since June 2010	76
Standing Auditor		Hisao Tateishi	December 23, 1946	April 1971 Joined Ministry of Finance July 1997 Director-General, Kanto-Shinetsu Regional Taxation Bureau, National Tax Agency July 1999 Deputy Director-General, Personnel Bureau, Management and Coordination Agency January 2001 Deputy Director-General, Personnel and Pension Bureau, Ministry of Internal Affairs and Communications July 2001 Standing Director, Japan Foundation for Regional Vitalization July 2003 Standing Director, Federation of National Public Service, Personnel Mutual Aid Associations September 2005 Executive Director, Federation of National Public Service, Personnel Mutual Aid Associations June 2007 Standing Auditor, the Company (Current Position)	4 years since June 2011	25

Title	Post	Name	Date of birth	Summary of career	Term of office	Number of shares held (Share)
Standing Auditor		Gisuke Shiozawa	April 18, 1952	April 1976 Joined the Company (Japan Tobacco and Salt Public Corporation) August 1995 Vice President of Finance Division September 1999 Senior Manager in Business Planning Dept., Food Business Division April 2002 Senior Manager in Beverages Business Dept., Food Business Division June 2003 Senior Vice President, Vice President of Business Planning Dept., Food Business Division June 2005 Senior Vice President, Vice President of Beverages Business Dept., Food Business Division June 2008 Standing Auditor (Current Position)	4 years since June 2011	67
Auditor		Koichi Ueda	December 17, 1943	April 1967 Judicial Apprentice April 1969 Appointed as Public Prosecutor June 2006 Superintending Public Prosecutor, the Tokyo High Public Prosecutors Office December 2006 Took mandatory retirement January 2007 Registered as an attorney at law April 2007 Specially Appointed Professor of Meiji University Law School (Current Position) January 2009 Representative Director, The Resolution and Collection Corporation March 2009 President and Representative Director, The Resolution and Collection Corporation (Current Position) June 2009 Auditor, the Company (Current Position)	4 years since June 2011	6
Auditor		Yoshinori Imai	December 3, 1944	April 1968 Joined Japan Broadcasting Corporation June 1995 Bureau Chief of General Bureau for Europe May 2000 Director General, Planning & Broadcasting Department June 2003 Executive Editor and Programme Host January 2008 Executive Vice President January 2011 Retired from Executive Vice President April 2011 Visiting Professor, Ritsumeikan University (Current Position) June 2011 Auditor, the Company (Current Position)	4 years since June 2011	0
Total						689

Notes: 1. Auditors Hisao Tateishi, Koichi Ueda and Yoshinori Imai are Outside Auditors provided for by Article 2, item (xvi) of the Companies Act.

2. JT has introduced the Executive Officer (*sikkoyakuin*) System since June 2001 in order to realize swift and high-quality decision making and operating execution.

   Persons with the title marked with * concurrently serve as Executive Officer (*sikkoyakuin*).

   Except for them, there are 15 Executive Officers (*sikkoyakuin*): Kenji Iijima (Chief Marketing & Sales Officer, Tobacco Business Headquarters), Ryuichi Shimomura (Chief Legal Officer), Tadashi Iwanami (Chief R&D Officer, Tobacco Business Headquarters), Akira Saeki (Vice President of Tobacco Business Planning Division, Tobacco Business Headquarters), Hideki Miyazaki (Chief Financial Officer), Ryoji Chijiiwa (Chief General Affairs Officer), Kazuhito Yamashita (Chief Corporate, Scientific and Regulatory Affairs Officer, Tobacco Business Headquarters), Shinichi Murakami (Head of Domestic Leaf Tobacco General Division, Tobacco Business Headquarters), Atsuhiro Kawamata (Vice President of China Division, Tobacco Business Headquarters), Masahiko Sato (Head of Manufacturing General Division, Tobacco Business Headquarters), Junichi Haruta (Head of Central Pharmaceutical Research Institute, Pharmaceutical Division), Ryoko Nagata (Vice President of Beverages Business Dept.), Satoshi Matsumoto (Chief Human Resources Officer), Yasuyuki Tanaka (Chief Communications Officer) and Masamichi Terabatake (Chief Strategy Officer and Senior Vice President in charge of Food Business).

6. Status of corporate governance, etc.

(1) Status of corporate governance

a. Basic concept on the corporate governance

JT recognizes that prompt and proper decision-making and business execution are vital to increasing our corporate value and responding appropriately to new challenges to come in the future, as the business and social environment change. Based on this recognition, JT has been striving hard to enhance corporate governance as a top management priority.

b. Implementation status of measures concerning corporate governance (as of the date of filing)

i. Corporate governance system

(a) Organization of JT

The Board of Directors meets once a month in principle and on more occasions if necessary, in order to make decisions with regard to the matters specified by laws and regulations and other important matters, to supervise business execution and to receive reports from the Directors on the status of business execution.

In order to maintain a high quality of business execution, JT has adopted the Executive Officer (*sikkoyakuin*) System, under which Executive Officers (*sikkoyakuin*) appointed by the Board of Directors execute business in their respective areas of responsibility, in accordance with a company-wide business strategy decided by the Board, by exercising the authority delegated to them. In addition, the Chairman of the Board has been positioned as a non-executive director in order to concentrate on the function of supervising management.

Moreover, as part of its efforts to enhance corporate governance, JT has established the Advisory Committee, which comprises five outside experts and advises the management team from a broad perspective with regard to how JT should operate in the medium to long term, and other issues of similar importance.

Meanwhile, the Executive Committee, comprising JT's President and other members appointed by the President, discusses important management issues, particularly management policy and basic plans regarding overall business operations of JT, in addition to matters to be referred to the Board of Directors.

JT has adopted the Audit Board System under which Auditors, in their capacity as independent agents with a mandate from shareholders, examine the performance of duties by Directors and Executive Officers (*sikkoyakuin*) in order to ensure sound and sustainable growth, and maintain and enhance public trust in JT. Moreover, the auditor of JT, Mr. Gisuke Shiozawa, has considerable knowledge of finance and accounting because he has held the office of the Vice President of Finance Division of Japan Tobacco Inc.

(b) Internal control system and risk management system

JT has been endeavoring to ensure appropriate business operations through efforts to enhance compliance, internal audits and risk management, and implementing measures to ensure the effectiveness of audits, such as improving arrangements and procedures for reporting the necessary matters to Auditors, as is required of a company adopting the Audit Board System.

We will continue these efforts while reviewing and revising the current system as necessary, and ensure appropriate business execution by taking the following steps:

<System to ensure that Directors and employees perform their duties in accordance with laws, regulations and JT's articles of incorporation>

With regard to the compliance system, JT has established the Guidelines for Conduct based on internal rules concerning compliance in order to ensure that directors, executive officers (*sikkoyakuin*) and employees comply with laws, regulations, JT's articles of incorporation, the social norms, etc., and set up the Compliance Committee as an organization responsible for ensuring thorough compliance. This committee, headed by JT's Chairman, includes outside experts among its members and reports directly to the Board of Directors. Meanwhile, the Compliance Office is charged with overseeing efforts to improve the company-wide compliance system, identify compliance problems and enhance the effectiveness of the compliance system by enlightening Directors, Executive Officers (*sikkoyakuin*) and employees about compliance through various compliance education programs.

Regarding the internal reporting system (whistle-blower system), JT has a counter through which employees may report any misconduct they have detected. The Compliance Office is charged with investigating reported cases and implementing company-wide measures to prevent the recurrence of misconduct after holding consultations with the departments and divisions concerned. Matters of particular importance shall be referred to the Compliance Committee for deliberation.

In order to ensure the reliability of its financial reporting, JT is operating a relevant internal control system that it has established in accordance with the Financial Instruments and Exchange Act. By allocating a sufficient level of staff to the task of evaluating financial results and reporting them, JT is striving to maintain and improve the reliability of its financial reporting.

The internal audit system is overseen by the Operational Review and Business Assurance Division (staffed with 26 members as of the end of this fiscal year), which examines and evaluates systems for supervising and managing the overall operations of JT and the status of business execution from the viewpoints of legality and rationality, in order to protect JT's assets and improve management efficiency.

<System for storage and management of information on the performance of duties by the Directors>

JT makes sure to properly store and manage the minutes of Annual General Meetings of Shareholders, meetings of the Board of Directors, and meetings of the Executive Committee, in line with laws, regulations and internal rules.

Information on other important matters relating to business execution and decision-making are stored and managed by the relevant departments and divisions as specified by internal rules on the allocation of responsibilities and authorities (hereinafter, the "Responsibilities/Authorities Allocation Rules"), in accordance with rules on the supervision of the processes of decision-making, procurement and accounting.

<Rules on management of risk of loss and procedures/arrangements for other matters>

JT has established internal rules on the management of risk of loss relating to monetary and financial affairs, and ensures that relevant reports are made to the Executive Committee on a quarterly basis.

With regard to risk of loss relating to other affairs, the relevant departments and divisions specified by the Responsibilities/Authorities Allocation Rules conduct proper management, identifying risk and reporting it to the Executive Committee or referring it to the Committee for deliberation, depending on the importance of the identified risk.

JT has assigned sufficient staff to the Operational Review and Business Assurance Division, which functions as JT's internal audit organization. This division examines and evaluates the internal control systems of JT and JT Group companies – in light of the importance of internal control procedures and arrangements and the risks involved – from an objective viewpoint, in its capacity as an entity independent of the organizations responsible for business execution, and reports its findings and present proposals to the President, as well as reporting to the Board of Directors.

To prepare for possible emergencies, JT has produced a manual for crisis management and disaster response. In the event of an emergency or a disaster, JT is ready to establish an emergency project system under the supervision of the Corporate Planning Division, and make prompt and proper responses under the leadership of senior management and through close cooperation between the relevant departments and divisions.

<System to ensure that directors perform their duties efficiently>

The Board of Directors meets once a month in principle and on more occasions if necessary, in order to make decisions with regard to the matters specified by laws and regulations and other important matters and to supervise business execution. Meanwhile, the Executive Committee, comprising JT's President and other members appointed by the President, discusses important management issues, particularly management policy and basic plans regarding overall business operations of JT, in addition to matters to be referred to the Board of Directors.

JT has adopted the Executive Officer (*sikkoyakuin*) System, under which Executive Officers (*sikkoyakuin*) appointed by the Board of Directors execute business in their respective areas of responsibility, in accordance with a company-wide business strategy decided by the Board, by exercising the authority delegated to them.

Moreover, in order to ensure that business operations are managed in ways that contribute to the business efficiency and flexibility of JT as a whole, basic matters concerning JT's organization, allocation of duties to officers and staff and the roles of individual divisions are specified by the relevant internal rules. Meanwhile, in order to enable prompt decision-making, the departments and divisions responsible for business execution are specified by the "Responsibilities/Authorities Allocation Rules."

<System to ensure the appropriateness of business operations within the JT Group>

The JT Group promises to deliver "irreplaceable delight" to ask all stakeholders, and it has adopted the JT Group Mission "the JT Branding Declaration" as a shared aim within the group. We have specified the functions and rules necessary for group management based on a group management policy, in order to optimize the operations of the JT Group as a whole.

Moreover, JT has been enhancing its systems for compliance (including the internal reporting system), internal audits, financial affairs management, etc. in cooperation with JT Group companies.

<System for assisting auditors and reporting to auditors, and other systems to ensure effective auditing>

JT has allocated sufficient staff to the Auditor's Office as an organization supporting the auditors in performing their duties. In addition, JT makes sure to review and reform the staffing structure as necessary based on consultations with the Audit Board. The Audit Board is involved in the selection of personnel of the Auditor's Office in order to ensure the office's independence from Directors.

When Directors and Executive Officers (*sikkoyakuin*) detect any matter that may cause substantial damage to the company, they are due to report it to the Audit Board. Moreover, when Directors, Executive Officers (*sikkoyakuin*) and employees detect any evidence of malfeasance in financial documents or serious breaches of laws or JT's articles of incorporation, they are due to report them to the Audit Board, along with other relevant matters that could affect JT's management.

As Auditors are allowed to attend not only meetings of the Board of Directors but also other important meetings, they usually attend meetings of the Executive Committee. When Directors, Executive Officers (*sikkoyakuin*) and employees are asked by Auditors to compile important documents available for their perusal, to accept field audits and to submit reports, they are due to respond to the request in a prompt and appropriate manner.

Furthermore, Directors are due to cooperate with audits and ensure the provision of funds necessary for covering audit-related expenses so as to secure their effectiveness. The Operational Review and Business Assurance Division and the Compliance Office maintain cooperation with Auditors by exchanging information.

(c) Implementation status of audits by Auditors and Independent Auditor

<Audits by Auditors and Independent Auditor>

- JT has an Audit Board System under which Auditors, in their capacity as independent agents with a mandate from shareholders, examine the performance of duties by Directors and Executive Officers (*sikkoyakuin*) in order to ensure sound and sustainable growth, and maintain and enhance public trust in JT.
- JT employs three Outside Auditors appointed considering their abundant experience and broad insight in various industries. All Auditors of JT, including Outside Auditors fulfill their management monitoring function from an objective and neutral perspective by conducting independent and fair audits.
- Among JT's Outside Auditors, Mr. Koichi Ueda is Representative Director and President of the The Resolution and Collection Corporation, however, said corporation has no dealings with JT and the Outside Auditor himself has no direct interests in JT. The other two Outside Auditors also have no interests in JT.
- The details, etc. of liability limitation agreements between JT and its Outside Auditors are as follows.

  JT's articles of incorporation stipulate provisions to allow JT to enter into an agreement with each of Outside Auditors to limit their liabilities in advance to the extent permitted by the Companies Act and provisions to release Auditors from liabilities to the extent permitted by the Companies Act so as to make it possible for Auditors to fulfill the roles expected of them and facilitate the recruitment of appropriate persons with broader choice within and outside the company. As of the date of filing, there are agreements in place between JT and its Outside Auditors to limit such liabilities.
- JT has employed Deloitte Touche Tohmatsu LLC as its Independent Auditor and Deloitte Touche Tohmatsu LLC has conducted audits based on the Companies Act and the Financial Instruments and Exchange Act. The certified public accountants who audited JT's financial statements for fiscal year ended March 31, 2011 and the persons who assisted the auditing work are as follows.

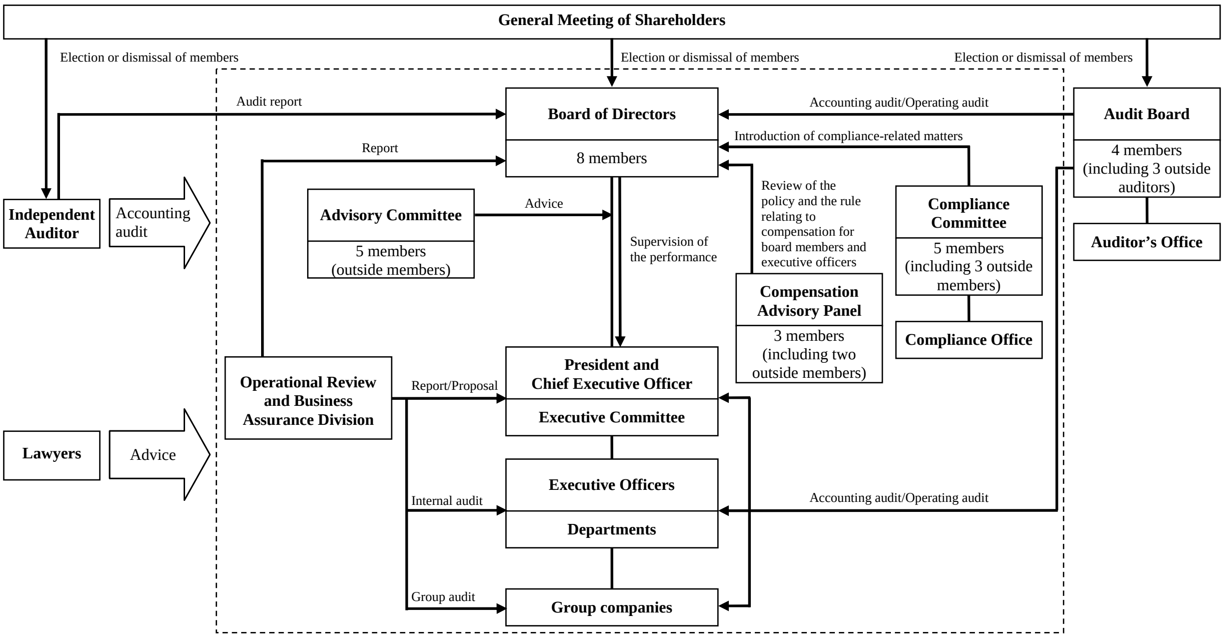
  (Certified public accountants)
  Tatsuo Igarashi (6 years), Satoshi Iizuka (4 years), Koji Ishikawa (1 year)
  Note: Figures in parentheses represent the number of years in which the certified public accountants have engaged in the accounting audit of JT.

  (Assistants for the audit work)
  Certified public accountants: 12 persons, Junior accountants: 10 persons, Others: 8 persons

  While Auditors, internal audit organizations including the Operational Review and Business Assurance Division, and the Independent Auditor conduct audits individually, they endeavor to enhance their cooperation in order to ensure appropriate audits, for example by sharing information on the results of their respective audits. Also, Auditors, internal audit organizations including the Operational Review and Business Assurance Division, and the Independent Auditor cooperate with JT's Internal Control Division to ensure appropriate business execution by exchanging information when necessary as per "(b) Internal control system and risk management system."

While there is no sitting outside director, JT selects persons suitable for the post of director in light of the candidates' personality, insight and the experience. As an effort to secure the function of advice from an external viewpoint, a function expected to outside directors, JT has established the Advisory Committee, which comprises five outside experts and advises the management team from a broad perspective with regard to how the company should operate in the medium to long term, and other issues of similar importance. In addition, JT has established a system to monitor the management with securing objectivity and neutrality by carrying out audits by Auditors (a majority of them are Outside Auditors and all three those auditors are independent officers) from their independent and fair standpoint. There are also the Compensation Advisory Panel and the Compliance Committee, both of which include outside members, too. Therefore, JT believes that the current organizational system is adequately functioning. Although JT does not appoint an outside director at the moment, it will continually consider the role expected of an outside director and the qualifications of a candidate.

The status of the development of JT's corporate governance system is represented as the following schematic depiction.



ii. Remuneration for Directors and Auditors

Remuneration for Directors and Auditors for the fiscal year ended March 31, 2011 are as follows.

(a) Total amount of remuneration and other payments, total amount of remuneration and other payments by type and number to be paid by Director and Auditor category

Category	Total amount of remuneration and other payments (Millions of yen)	Total amount of remuneration and other payments by type (Millions of yen)			Number to be paid (Person)
		Basic remuneration	Directors' bonus	Stock option grants	
Directors	583	372	107	103	10
Auditors (excluding Outside Auditors)	33	33	–	–	1
Outside Directors and Outside Auditors	56	56	–	–	3
Total	673	463	107	103	14

Notes: 1. For Directors' bonuses, the amounts planned to be paid are shown.
2. For stock option grants, the total amounts granted during this fiscal year are shown.

(b) Total amount of consolidated remuneration and other payments for individuals whose consolidated remuneration and other payments amount to ¥100 million or more

Name	Category	Company	Amount of consolidated remuneration and other payments by type (Millions of yen)			Total (Millions of yen)
			Basic remuneration	Directors' bonus	Stock option grants	
Hiroshi Kimura	Representative Director	Filing company	67	25	18	112
Yasushi Shingai	Director	Filing company	6	–	1	117
	Executive Vice President	JT International S.A.	67	42	–	

Notes: 1. A portion of the remuneration for Directors and Auditors of Mr. Yasushi Shingai as Executive Vice President of JT International S.A. is paid in Swiss francs. (1 franc = ¥84.15)
2. For Mr. Yasushi Shingai, aside from the remuneration shown above, JT International S.A. pays ¥31 million as an equivalent amount to fringe benefits. This amount represents life insurance premiums, expenses for housing and company-owned vehicles, which the company pays for, and the contribution the company pays towards medical insurance and corporate pension.

(c) Policy on determining the amount of remuneration and other payments for Directors and Auditors and calculation method thereof, and the method for establishing said policy

JT's basic concept of remuneration for Directors and Auditors is as follows:

- Setting the remuneration at a level sufficient to secure personnel with superior capabilities
- Linking the remuneration to business performance so as to motivate Directors and Auditors to enhance performance
- Linking the remuneration to medium and long-term corporate value
- Ensuring transparency based on an objective point of view and quantitative schemes

In accordance with the above concept, the remuneration system for Directors is made of three components. In addition to the monthly "basic remuneration," there is a "directors' bonus," which reflects the Company's business performance in the relevant fiscal year, and a "stock option," which is linked to the medium and long-term corporate value of JT.

The composition of the remuneration for Directors is as follows:

	Role	Composition of remuneration
Directors serving concurrently as Executive Officers (*sikkoyakuin*)	Achievement of business results through daily execution of their duties	"Basic remuneration" "Directors' bonus" "Stock option"
Directors not serving concurrently as Executive Officers (*sikkoyakuin*)	Participating in decision-making regarding company-wide business strategies aimed at increasing the corporate value of JT and performing their audit-related duties	"Basic remuneration" "Stock option"

In the light of the main role of auditors, which is to audit the status of compliance with laws and regulations, remuneration for auditors comprises of "basic remuneration" only.

In addition, decisions on the amount of remuneration are taken after monitoring is carried out of remuneration levels at major Japanese manufacturers whose level of scale and profits are at the same level as JT's, and which are operating globally, and in the light of deliberation by the Compensation Advisory Panel, whose members include outside experts. Remuneration for Directors is decided through deliberation by the Board of Directors, while remuneration for Auditors is decided through deliberation by the Auditors.

Details of remuneration linked to business performance and the company's corporate value are as follows.

The "Directors' bonus" is linked to the Company's consolidated business performance and the performances of business divisions for each year, while the "stock option" is linked to the company's medium and long term corporate value. For Directors who serve concurrently as Executive Officers (*sikkoyakuin*), who are in the scope of payment of the "Directors' bonus," in the case that the "Directors' bonus" is a standard amount, the total amount of the "Directors' bonus" and the "stock option" is set as a percentage of just over 70% of the "basic remuneration."

iii. Share ownership

(a) Number of issues and balance sheet amount for investment stocks whose purpose of holding is other than for net investment

61 issues, ¥26,974 million

(b) Issue, number of shares, balance sheet amount and purpose of holding for investment stocks whose purpose of holding is other than for net investment

(Fiscal year ended March 31, 2010)

Specified investment stocks

Issue	Number of shares (Share)	Balance sheet amount (Millions of yen)	Purpose of holding
KT&G Corporation	2,864,904	14,759	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
UNIMAT LIFE CORPORATION (Note)	3,739,500	5,029	Held for policy-based investment under business alliance with JT

Issue	Number of shares (Share)	Balance sheet amount (Millions of yen)	Purpose of holding
Mitsubishi UFJ Financial Group, Inc.	5,015,750	2,457	Policy-based investment whose purpose is stable bank transactions and strengthened relations over the long term
Mizuho Financial Group, Inc.	12,750,700	2,358	Policy-based investment whose purpose is stable bank transactions and strengthened relations over the long term
Seven & i Holdings Co., Ltd.	852,000	1,924	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
DOUTOR-NICHIRES Holdings Co., Ltd.	1,320,000	1,635	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Sumitomo Mitsui Financial Group, Inc.	340,901	1,053	Policy-based investment whose purpose is stable bank transactions and strengthened relations over the long term
OKAMURA CORPORATION	1,206,000	719	Held for policy-based investment under business alliance with JT for joint venture, etc.
Central Japan Railway Company	1,000	712	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
NIPPON EXPRESS CO., LTD.	1,730,400	695	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term

Note: JT subscribed to the tender offer of UNIMAT LIFE CORPORATION shares by Unimat Rainbow Corporation and sold all its held shares on May 19, 2010.

(Fiscal year ended March 31, 2011)

Specified investment stocks

Issue	Number of shares (Share)	Balance sheet amount (Millions of yen)	Purpose of holding
KT&G Corporation	2,864,904	12,382	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Seven & i Holdings Co., Ltd.	852,000	1,807	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Mizuho Financial Group, Inc.	12,750,700	1,759	Policy-based investment whose purpose is stable bank transactions and strengthened relations over the long term

Issue	Number of shares (Share)	Balance sheet amount (Millions of yen)	Purpose of holding
Mitsubishi UFJ Financial Group, Inc.	3,511,050	1,348	Policy-based investment whose purpose is stable bank transactions and strengthened relations over the long term
DOUTOR-NICHIRES Holdings Co., Ltd.	1,320,000	1,326	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Sumitomo Mitsui Financial Group, Inc.	340,901	881	Policy-based investment whose purpose is stable bank transactions and strengthened relations over the long term
Central Japan Railway Company	1,000	659	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
NIPPON TELEGRAPH AND TELEPHONE CORPORATION	153,000	571	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
OKAMURA CORPORATION	1,206,000	564	Held for policy-based investment under business alliance with JT for joint venture, etc.
NIPPON EXPRESS CO., LTD.	1,730,400	551	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Electric Power Development Co., Ltd.	213,600	547	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
West Japan Railway Company	1,330	426	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Japan Airport Terminal Co., Ltd.	400,000	419	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
The Sumitomo Trust and Banking Company, Limited (Note)	818,000	352	Policy-based investment whose purpose is stable bank transactions and strengthened relations over the long term
MEGMILK SNOW BRAND Co., Ltd.	246,900	314	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
DAICEL CHEMICAL INDUSTRIES, LTD.	602,000	308	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
HOKKAN HOLDINGS LIMITED	1,000,000	295	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term

Issue	Number of shares (Share)	Balance sheet amount (Millions of yen)	Purpose of holding
KEY COFFEE INC.	200,000	291	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Tokyo Automatic Machinery Works, Ltd.	2,700,000	283	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Tomoku Co., Ltd.	1,000,000	264	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
Nifco Inc.	110,000	219	Held for policy-based investment under business alliance with JT for joint venture, etc.
Tokio Marine Holdings, Inc.	42,500	94	Policy-based investment whose purpose is stable casualty insurance transactions and strengthened relations over the long term
CMK CORPORATION	145,200	52	Held for policy-based investment under business alliance with JT for joint venture, etc.
MS&AD Insurance Group Holdings, Inc.	26,200	49	Policy-based investment whose purpose is stable casualty insurance transactions and strengthened relations over the long term
Hitachi, Ltd.	94,000	40	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
NEC Corporation	145,000	26	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term
ITOCHU-SHOKUHIN Co., Ltd.	100	0	Policy-based investment whose purpose is to maintain and strengthen business transactions and cooperative relations stably and over the long term

Note: The Sumitomo Trust and Banking Company, Limited and Chuo Mitsui Trust Holdings, Inc. carried out management integration and became Sumitomo Mitsui Trust Holdings, Inc. as of April 1, 2011.

(c) Investment stocks whose purpose for holding is net investment

No items to report

iv. Number of Directors

JT’s articles of incorporation stipulate that the number of Directors must be 15 or less.

v. Appointment of Directors

JT’s articles of incorporation stipulate that Directors must be appointed by a majority of the shareholder votes cast on an occasion where shareholders representing at least one-third of the total voting rights are present.

vi. Release of Directors from liabilities

JT's articles of incorporation stipulate provisions to release Directors from liabilities to the extent permitted by the Companies Act upon a resolution by the Board of Directors so as to make it possible for Directors to fulfill the roles expected of them and facilitate the recruitment of appropriate persons with broader choice within and outside the company.

vii. Matters to be decided by the Board of Directors without referral to General Meeting of Shareholders

Acquisition of treasury stock

In order to enable flexible management that meets changes in business environment, JT's articles of incorporation stipulate that JT may acquire its treasury stock through means such as market trading, upon a resolution by the Board of Directors under Article 165, paragraph (2) of the Companies Act.

Interim dividends

In order to enable profits to be returned to shareholders in a flexible manner, JT's articles of incorporation stipulate that JT may pay interim dividends to shareholders, upon a resolution by the Board of Directors under Article 454, paragraph (5) of the Companies Act.

viii. Requirements for special resolutions at General Meeting of Shareholders

In order to facilitate the smooth conduct of General Meeting of Shareholders with an easier validity requirement for special resolutions, JT's articles of incorporation stipulate that a resolution as specified by Article 309, paragraph (2) of the Companies Act is valid if it is supported by at least two-thirds of the votes cast at a General Meeting of Shareholders attended by shareholders representing at least one-third of JT's total voting rights (compared with the usual requirement of "at least half").

(2) Audit fees

a. Audit fees paid to certified public accountants, etc.

(Millions of yen)

Classification	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
	Fees for audit attestation services	Fees for non-audit services	Fees for audit attestation services	Fees for non-audit services
Filing company	252	21	281	75
Consolidated subsidiaries	217	4	214	0
Total	469	26	469	75

Note: Fees paid to Deloitte Touche Tohmatsu LLC

b. Other important fees

Fiscal year ended March 31, 2010

The foreign subsidiaries of JT are audited mainly by member firms of Deloitte Touche Tohmatsu to which Deloitte Touche Tohmatsu LLC belongs, and especially significant is the fees for audit and non-audit services related to the attestation of the financial documents of JT International Holding B.V. and its subsidiaries in the amount of approximately ¥1.1 billion.

Fiscal year ended March 31, 2011

The foreign subsidiaries of JT are audited mainly by member firms of Deloitte Touche Tohmatsu Limited to which Deloitte Touche Tohmatsu LLC belongs, and especially significant is the fees for audit and non-audit services related to the attestation of the financial documents of JT International Holding B.V. and its subsidiaries in the amount of approximately ¥0.9 billion.

c. Non-audit services to filing company

Fiscal year ended March 31, 2010

Non-audit services for which fees are paid by JT to certified public accountants, etc. include advisory services pertaining to International Accounting Standards.

Fiscal year ended March 31, 2011

Non-audit services for which fees are paid by JT to certified public accountants, etc. include advisory services pertaining to International Accounting Standards.

d. Policy for determining audit fees

Audit fees paid by JT to certified public accountants, etc. are determined upon considerable consultation therewith where necessary based on the audit plan and fee estimates presented thereby.

Specifically, audit fees are determined after confirming whether the scope of the audit and review procedures of important audit items indicated in the audit plan and the status of the corporate group, including and movements of target consolidated subsidiaries, etc. is properly reflected in the amount of time required for the audit. A comparison of the amount of time required for the previous audit with the corresponding plan is also generally taken into consideration along with the above.

The approval of the Audit Board is obtained when determining audit fees in order to preserve the independence of certified public accountants, etc.

V. Accounting

1. Preparation policy of the consolidated and non-consolidated financial statements

(1) JT prepares consolidated financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976, hereinafter, the “Regulation for Consolidated Financial Statements”).

The consolidated financial statements for the fiscal year ended March 31, 2010 were prepared in accordance with the pre-revised Regulation for Consolidated Financial Statements while those for the fiscal year ended March 31, 2011 were prepared in accordance with the revised Regulation for Consolidated Financial Statements.

(2) JT prepares non-consolidated financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Financial Statements (Ministry of Finance Ordinance No. 59 of 1963, hereinafter, the “Regulation for Financial Statements”).

The non-consolidated financial statements for the fiscal year ended March 31, 2010 were prepared in accordance with the pre-revised Regulation for Financial Statements while those for the fiscal year ended March 31, 2011 were prepared in accordance with the revised Regulation for Financial Statements.

2. Audit attestation

The consolidated financial statements for the fiscal year ended March 31, 2010 and the fiscal year ended March 31, 2011 and the non-consolidated financial statements for the fiscal year ended March 31, 2010 and the fiscal year ended March 31, 2011 were audited by Deloitte Touche Tohmatsu LLC pursuant to Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Special efforts made to ensure the properness of consolidated financial statements, etc.

JT is carrying out the special efforts mentioned below in order to ensure the properness of consolidated financial statements, etc.

(1) Participates in the Financial Accounting Standards Foundation, among others, and has in place a system that enables precise responses to changes, etc. in accounting standards.

(2) In anticipation of the application of the designated International Accounting Standards, JT has established an internal project team and is making preparations accordingly.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

a. Consolidated balance sheets

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Assets				
Current assets				
Cash and deposits		155,444		117,458
Notes and accounts receivable-trade		296,884		301,829
Short-term investment securities		11,950		159,097
Merchandise and finished goods		151,062		129,654
Semi-finished goods		109,621		103,475
Work in process		5,522		3,738
Raw materials and supplies	*3	288,893		276,989
Deferred tax assets		26,615		24,674
Other		153,470		133,684
Allowance for doubtful accounts		(3,622)		(2,781)
Total current assets		1,195,843		1,247,820
Noncurrent assets				
Property, plant and equipment				
Buildings and structures	*3	611,509	*3	595,928
Accumulated depreciation		(380,469)		(371,113)
Buildings and structures, net		231,039		224,815
Machinery, equipment and vehicles	*3	668,608	*3	688,460
Accumulated depreciation		(455,737)		(456,933)
Machinery, equipment and vehicles, net		212,870		231,527
Tools, furniture and fixtures	*3	170,906	*3	157,203
Accumulated depreciation		(115,863)		(106,304)
Tools, furniture and fixtures, net		55,042		50,899
Land	*3	138,702	*3	127,207
Construction in progress		41,905		29,100
Total property, plant and equipment		679,561		663,550
Intangible assets				
Goodwill		1,387,397		1,147,816
Right of trademark		350,900		286,435
Other		30,766		27,234
Total intangible assets		1,769,064		1,461,487
Investments and other assets				
Investment securities	*1, *3	83,760	*1, *3	58,582
Deferred tax assets		85,375		82,328
Other	*1, *3	93,685	*1	81,698
Allowance for doubtful accounts		(34,695)		(23,540)
Total investments and other assets		228,127		199,069
Total noncurrent assets		2,676,752		2,324,107
Total assets		3,872,595		3,571,927

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Liabilities				
Current liabilities				
Notes and accounts payable-trade		149,462		170,820
Short-term loans payable	*3	109,263	*3	70,059
Commercial papers		119,000		–
Current portion of bonds	*3	50,395	*3	126,486
Current portion of long-term loans payable	*3	23,024	*3	21,490
Lease obligations		4,936		4,591
Accounts payable-other		73,738		67,129
National tobacco excise taxes payable		212,066		202,234
National tobacco special excise taxes payable		10,490		8,150
Local tobacco excise taxes payable		85,238		102,168
Income taxes payable		54,057		65,651
Accrued consumption taxes		60,105		69,825
Deferred tax liabilities		2,357		2,241
Provision	*2	39,610	*2	38,777
Other		107,789		113,746
Total current liabilities		1,101,535		1,063,374
Noncurrent liabilities				
Bonds payable	*3	409,014	*3	325,738
Long-term loans payable	*3	149,569	*3	152,414
Lease obligations		9,126		7,949
Deferred tax liabilities		94,577		72,630
Provision for retirement benefits		251,902		231,601
Provision for directors' retirement benefits		763		375
Other		132,827		126,639
Total noncurrent liabilities		1,047,782		917,350
Total liabilities		2,149,317		1,980,724
Net assets				
Shareholders' equity				
Capital stock		100,000		100,000
Capital surplus		736,406		736,409
Retained earnings		1,310,669		1,400,189
Treasury stock		(74,575)		(94,573)
Total shareholders' equity		2,072,501		2,142,025
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		12,043		5,753
Pension liability adjustment of foreign consolidated subsidiaries		(26,269)		(27,486)
Foreign currency translation adjustment		(409,160)		(606,000)
Total accumulated other comprehensive income		(423,387)		(627,732)
Subscription rights to shares		564		763
Minority interests		73,599		76,146
Total net assets		1,723,278		1,591,202
Total liabilities and net assets		3,872,595		3,571,927

b. Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Net sales		6,134,695		6,194,554
Cost of sales		5,022,637		5,074,074
Gross profit		1,112,057		1,120,479
Selling, general and administrative expenses	*1, *4	815,552	*1, *4	791,798
Operating income		296,504		328,680
Non-operating income				
Interest income		4,473		2,174
Dividends income		2,509		853
Foreign exchange gains		–		797
Equity in earnings of affiliates		2,401		2,329
Other		6,224		5,873
Total non-operating income		15,608		12,029
Non-operating expenses				
Interest expenses		26,111		17,059
Foreign exchange losses		20,228		–
Financial support for domestic leaf tobacco growers		522		1,491
Periodic mutual assistance association cost		1,724		1,384
Other		8,150		8,286
Total non-operating expenses		56,736		28,222
Ordinary income		255,377		312,487
Extraordinary income				
Gain on sales of noncurrent assets	*2	32,341	*2	12,182
Gain on sales of investment securities		–		5,389
Gain from reversal of liability on fine levied under UK competition law	*6	16,710		–
Other		9,464		3,028
Total extraordinary income		58,516		20,600
Extraordinary loss				
Loss on sales of noncurrent assets		4,237		850
Loss on retirement of noncurrent assets	*3	6,334	*3	7,255
Impairment loss		6,042		5,297
Business restructuring costs	*5	9,900	*5	4,322
Expense for disposal of PCB-containing wastes		4,055		–
Regulatory fine in Canada		–	*7	12,843
Loss on the Great East Japan Earthquake		–	*8	10,966
Other		7,268		11,055
Total extraordinary losses		37,838		52,590
Income before income taxes and minority interests		276,054		280,497
Income taxes-current		114,145		152,402
Income taxes-deferred		17,158		(21,512)
Total income taxes		131,303		130,889
Income before minority interests		–		149,607
Minority interests in income		6,302		4,646
Net income		138,448		144,961

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Income before minority interests	–		149,607
Other comprehensive income			
Valuation difference on available-for-sale securities	–		(6,458)
Pension liability adjustment of foreign consolidated subsidiaries	–		(1,216)
Foreign currency translation adjustment	–		(196,360)
Total other comprehensive income	–	*2	(204,035)
Comprehensive income	–	*1	(54,427)
Comprehensive income attributable to			
Comprehensive income attributable to owners of the parent	–		(59,383)
Comprehensive income attributable to minority interests	–		4,956

c. Consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Shareholders’ equity		
Capital stock		
Balance at the end of previous period	100,000	100,000
Balance at the end of current period	100,000	100,000
Capital surplus		
Balance at the end of previous period	736,400	736,406
Changes of items during the period		
Disposal of treasury stock	6	2
Total changes of items during the period	6	2
Balance at the end of current period	736,406	736,409
Retained earnings		
Balance at the end of previous period	1,224,989	1,310,669
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	138,448	144,961
Change of scope of consolidation	–	122
Change of scope of equity method	880	–
Total changes of items during the period	85,680	89,519
Balance at the end of current period	1,310,669	1,400,189
Treasury stock		
Balance at the end of previous period	(74,578)	(74,575)
Changes of items during the period		
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	3	1
Total changes of items during the period	3	(19,998)
Balance at the end of current period	(74,575)	(94,573)
Total shareholders’ equity		
Balance at the end of previous period	1,986,810	2,072,501
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	138,448	144,961
Change of scope of consolidation	–	122
Change of scope of equity method	880	–
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	9	4
Total changes of items during the period	85,690	69,523
Balance at the end of current period	2,072,501	2,142,025

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	8,437	12,043
Changes of items during the period		
Net changes of items other than shareholders’ equity	3,606	(6,290)
Balance at the end of current period	12,043	5,753
Deferred gains or losses on hedges		
Balance at the end of previous period	92	–
Changes of items during the period		
Net changes of items other than shareholders’ equity	(92)	–
Balance at the end of current period	–	–
Pension liability adjustment of foreign consolidated subsidiaries		
Balance at the end of previous period	(18,965)	(26,269)
Changes of items during the period		
Net changes of items other than shareholders’ equity	(7,304)	(1,216)
Balance at the end of current period	(26,269)	(27,486)
Foreign currency translation adjustment		
Balance at the end of previous period	(423,561)	(409,160)
Changes of items during the period		
Net changes of items other than shareholders’ equity	14,400	(196,839)
Balance at the end of current period	(409,160)	(606,000)
Total accumulated other comprehensive income		
Balance at the end of previous period	(433,997)	(423,387)
Changes of items during the period		
Net changes of items other than shareholders’ equity	10,610	(204,345)
Balance at the end of current period	(423,387)	(627,732)
Subscription rights to shares		
Balance at the end of previous period	364	564
Changes of items during the period		
Net changes of items other than shareholders’ equity	200	198
Balance at the end of current period	564	763
Minority interests		
Balance at the end of previous period	71,109	73,599
Changes of items during the period		
Net changes of items other than shareholders’ equity	2,489	2,547
Balance at the end of current period	73,599	76,146

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Total net assets		
Balance at the end of previous period	1,624,288	1,723,278
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	138,448	144,961
Change of scope of consolidation	–	122
Change of scope of equity method	880	–
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	9	4
Net changes of items other than shareholders' equity	13,299	(201,599)
Total changes of items during the period	98,990	(132,075)
Balance at the end of current period	1,723,278	1,591,202

Marginal notes for consolidated statements of changes in net assets

Note: “Pension liability adjustment of foreign consolidated subsidiaries” in accumulated other comprehensive income was unfunded liabilities recorded by foreign consolidated subsidiaries that adopt U.S. GAAP.

d. Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	276,054	280,497
Depreciation and amortization	132,770	121,648
Impairment loss	6,042	5,297
Amortization of goodwill	97,394	91,089
Increase (decrease) in provision for retirement benefits	(8,034)	(10,219)
Interest and dividends income	(6,982)	(3,027)
Interest expenses	26,111	17,059
Equity in (earnings) losses of affiliates	–	(2,329)
Loss (gain) on sales and retirement of noncurrent assets	(24,236)	(6,227)
Loss (gain) on sales of investment securities	–	(4,113)
Loss (gain) on valuation of investment securities	1,436	–
Regulatory fine in Canada	–	12,843
Decrease (increase) in notes and accounts receivable-trade	5,702	(29,890)
Decrease (increase) in inventories	(79,456)	(2,452)
Increase (decrease) in notes and accounts payable-trade	(12,820)	28,970
Increase (decrease) in accounts payable-other	14,905	(7,160)
Increase (decrease) in tobacco excise taxes payable	30,842	27,627
Increase (decrease) in accrued consumption taxes	–	14,952
Other, net	(497)	13,902
Subtotal	459,229	548,467
Interest and dividends income received	7,090	5,052
Interest expenses paid	(29,956)	(18,658)
Payment for regulatory fine in Canada	–	(12,843)
Income taxes paid	(116,338)	(122,379)
Net cash provided by (used in) operating activities	320,024	399,638
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(3,999)	(30,076)
Proceeds from sales and redemption of securities	2,470	15,870
Purchase of property, plant and equipment	(121,459)	(131,242)
Proceeds from sales of property, plant and equipment	44,057	18,814
Purchase of intangible assets	(6,639)	(6,491)
Proceeds from sales and redemption of investment securities	–	20,617
Payments into time deposits	–	(25,298)
Proceeds from withdrawal of time deposits	–	21,169
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(9,975)	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	–	(646)
Other, net	11,487	(2,121)
Net cash provided by (used in) investing activities	(84,057)	(119,406)

(Millions of yen)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Net cash provided by (used in) financing activities				
Increase (decrease) in short-term bank loans and commercial papers		93,443		(172,082)
Proceeds from long-term loans payable		1,712		62,946
Repayment of long-term loans payable		(191,041)		(23,206)
Proceeds from issuance of bonds		100,304		79,793
Redemption of bonds		(191,928)		(50,300)
Purchase of treasury stock		–		(19,999)
Cash dividends paid		(53,642)		(55,558)
Proceeds from stock issuance to minority shareholders		190		584
Cash dividends paid to minority shareholders		(3,680)		(1,665)
Repayments of finance lease obligations		(5,755)		(5,461)
Other, net		0		0
Net cash provided by (used in) financing activities		(250,398)		(184,950)
Effect of exchange rate change on cash and cash equivalents		1,542		(5,604)
Net increase (decrease) in cash and cash equivalents		(12,888)		89,676
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	*1	154,368	*1	244,240

Significant matters in preparing consolidated financial statements

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
1. Scope of consolidation	- Number of consolidated subsidiaries 258 Details of major consolidated subsidiaries are described in "4. Status of subsidiaries and affiliates of I. Overview of the JT Group." A total of 15 companies, including JTI Kannenberg Comércio de Tabacos do Brasil Ltda., were included in the scope of consolidation from this fiscal year. A total of 31 companies, including Tokyo Tobacco Shoji Co., Ltd., were excluded from the scope of consolidation due to completion of their liquidation or other reasons. Non-consolidated subsidiaries are all small-scale and respective amounts in aggregate of total assets, net sales, net income (amount corresponding to JT's equity portion) and retained earnings (amount corresponding to JT's interest) of non-consolidated subsidiaries would not have a material impact on the consolidated financial statements. For this reason, these companies are excluded from the scope of consolidation.	- Number of consolidated subsidiaries 246 Details of major consolidated subsidiaries are described in "4. Status of subsidiaries and affiliates of I. Overview of the JT Group." A total of 12 companies, including JT International Zagreb d.o.o. za trgovinu i usluge, were included in the scope of consolidation from this fiscal year. A total of 24 companies, including Food Incluve Co., Ltd., were excluded from the scope of consolidation due to transfer of shares or other reasons. Non-consolidated subsidiaries are all small-scale and respective amounts in aggregate of total assets, net sales, net income (amount corresponding to JT's equity portion) and retained earnings (amount corresponding to JT's interest) of non-consolidated subsidiaries would not have a material impact on the consolidated financial statements. For this reason, these companies are excluded from the scope of consolidation.
2. Scope of equity method	(1) Affiliates accounted for by the equity method 17 companies, including NTT DATA WAVE CORPORATION. As a result of the new acquisition of shares, Cargo Handling Services Limited is included in the scope of affiliates accounted for by the equity method and 6 affiliates, including HUB CO., LTD. and DAIREI CO., LTD., were excluded from the scope of the equity method as JT's equity interests in those companies have been reduced or for other reasons. (2) Non-consolidated subsidiaries and affiliates which are not subjected to the equity method are excluded from the scope of companies subjected to the equity method because their effects on the consolidated net income and consolidated retained earnings are immaterial, respectively, and they are unimportant overall.	(1) Non-consolidated subsidiaries and affiliates accounted for by the equity method 14 companies, including NTT DATA WAVE CORPORATION. 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) Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(3) Of the companies accounted for by the equity method, some companies' closing dates are different from the consolidated closing date of the accounting period. In that case, the financial statements relating to this fiscal year of each company are used for the consolidation.	(3) Same as left
3. Fiscal year of consolidated subsidiaries	Of the consolidated subsidiaries, most of the foreign consolidated subsidiaries have a closing date of December 31. The consolidated financial statements are prepared using their financial statements on the closing date, and any necessary adjustments for significant transactions occurring in the period between their closing date and the consolidated year-end are made for consolidation purposes.	Same as left
4. Accounting policies (1) Valuation standard and method for significant assets	1) Short-term investment securities Held-to-maturity debt securities --- Stated at amortized costs (straight-line method) Available-for-sale securities With a fair value --- Stated at fair value based on market prices, etc. on the closing date of the accounting period. (Valuation difference is stated as a component of net assets, and the cost of securities sold is mainly calculated by applying the moving-average method.) Without a fair value --- Mainly stated at cost determined by the moving-average method. 2) Derivatives --- Stated based on the fair value method. 3) Inventories --- Mainly stated at cost determined by the gross average method. (Balance sheet amounts are measured at the lower of cost or net selling value.)	1) Short-term investment securities Held-to-maturity debt securities --- Same as left Available-for-sale securities With a fair value --- Same as left Without a fair value --- Same as left 2) Derivatives --- Same as left 3) Inventories --- Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(2) Depreciation methods for significant depreciable assets	1) Property, plant and equipment (excluding lease assets) --- Mainly, the declining balance method (straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998) is applied, however, some domestic consolidated subsidiaries apply the straight-line method. The useful lives of major items are as follows: Buildings and structures 38 to 50 years Machinery, equipment and vehicles 10 years	1) Property, plant and equipment (excluding lease assets) --- Same as left
	2) Intangible assets (excluding lease assets) --- The straight-line method is applied. The useful life of the major item is as follows: Right of trademark 10 years	2) Intangible assets (excluding lease assets) --- Same as left
	3) Lease assets --- For finance leases that do not transfer ownership of the leased property to the lessee, depreciation expense is mostly computed based on the straight-line method over the lease period as the useful life and assuming no residual value.	3) Lease assets --- Same as left
(3) Policy for significant reserve allowances	1) Allowance for doubtful accounts Provided for possible losses from bad debts at an amount determined based on the historical default rate for ordinary receivables and the individual recoverability of specific doubtful receivables from customers experiencing financial difficulties.	1) Allowance for doubtful accounts Same as left
	2) Provision for bonuses Provided based on the estimated bonus amount payable to employees and directors.	2) Provision for bonuses Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	3) Provision for retirement benefits Provided in preparation for the payment of retirement benefits to employees based on the estimated retirement benefits obligation and fair value of plan assets as of the end of this fiscal year. Prior service cost is amortized using the straight-line method over the average remaining years of service of the employees (mostly 10 years). Actuarial gains or losses are amortized from the year following the year in which the gains or losses are recognized using the straight-line method over the average remaining years of service of the employees (mostly 10 years). Also included in the provision for retirement benefits is the portion of public pension expenses for mutual assistance association during certain periods in or before June 1956 (prior to the enforcement of the Act on the Mutual Aid Association of Public Corporation Employees, etc.).	3) Provision for retirement benefits Same as left
	4) Provision for directors' retirement benefits Provided for directors' retirement benefits to be paid at the end of the fiscal year in accordance with internal rules.	4) Provision for directors' retirement benefits Same as left
(4) Policy for translation of significant foreign currency-denominated assets and liabilities into Japanese yen	Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates prevailing at the closing date of the accounting period with translation differences treated as gains or losses occurring in the corresponding fiscal year. All assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at each subsidiary's respective fiscal year end. All revenue and expense accounts are translated at average exchange rates during each subsidiary's respective fiscal year. Differences arising from such translation are shown as foreign currency translation adjustment and minority interests in net assets.	Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(5) Significant hedge accounting method	1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated in foreign currencies are translated at foreign exchange rate stipulated in foreign currency forward contracts where requirements are met. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential to be paid or received under the swap agreements are accrued or recorded and included in interest expenses or income.	1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated in foreign currencies are translated at foreign exchange rate stipulated in foreign currency forward contracts where requirements are met. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential to be paid or received under the swap agreements are accrued or recorded and included in interest expenses or income. For interest rate and currency swaps, if they satisfy the requirements for treatment that incorporates swaps into underlying accounting items (accounting by applying foreign exchange rate stipulated in the contracts, exceptional treatment), they are accounted for by incorporating swaps into underlying accounting items.
	2) Hedging instruments and hedged items a. Hedging instruments --- Foreign currency forward contracts Hedged items --- Forecasted foreign currency transactions b. Hedging instruments --- Interest rate swaps Hedged items --- Loans payable	2) Hedging instruments and hedged items a. Hedging instruments --- Interest rate swaps Hedged items --- Loans payable b. Hedging instruments --- Interest rate and currency swaps Hedged items --- Loans payable
	3) Hedging policy Derivative transactions are mainly used in line with the Group Basic Policy on Financial Operations, the internal policy for derivative transactions, or rules based on it for the purpose of avoiding or reducing foreign currency exchange risks associated with future foreign currency transactions and for the purpose of avoiding interest rate risks associated with interest receipts on debt securities and interest payments on loans.	3) Hedging policy Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value but used for translation of foreign currency-denominated assets and liabilities and for interest rate swaps that are not remeasured at fair value, but whose differential to be paid or received under the swap agreements are accrued or recorded and included in interest expenses or income.	4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value but used for translation of foreign currency-denominated assets and liabilities, for interest rate swaps that are not remeasured at fair value, but whose differential to be paid or received under the swap agreements are accrued or recorded and included in interest expenses or income and for interest rate and currency swaps treated with accounting that incorporates the swaps into underlying accounting items.
(6) Accounting treatment policies of foreign consolidated subsidiaries	JT International S.A. and other foreign consolidated subsidiaries principally maintain their accounting records in conformity with U.S. GAAP. The significant accounting policies, which are different from JT's, are as follows:	Same as left
	1) Valuation standard and method of inventories Inventories are generally stated at the lower price of cost or market, cost being determined by the first-in, first-out method or average cost.	1) Valuation standard and method of inventories Same as left
	2) Depreciation of significant depreciable assets i. Property, plant and equipment --- Generally depreciated applying the straight-line method over the estimated useful lives of the respective assets. ii. Intangible assets --- Right of trademark is principally amortized over 20 years in equal amounts and other intangible assets are amortized using the straight-line method over the estimated useful lives of the respective assets.	2) Depreciation of significant depreciable assets i. Property, plant and equipment --- Same as left ii. Intangible assets --- Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	3) Retirement benefit pension plans The difference between the retirement benefits obligation and the fair value of pension plan assets is recognized on the consolidated balance sheets as assets or liabilities. Unrecognized net actuarial gains or losses and prior service cost, net of tax effect, are recorded as pension liability adjustment of foreign consolidated subsidiaries in valuation and translation adjustments of net assets. 4) Derivatives treatment Derivatives related to foreign currency and interest rate are entered into for hedging. Fair values for all derivatives are recognized at fair value on the balance sheets as assets or liabilities and their fluctuations are recognized as income or loss.	3) Retirement benefit pension plans The difference between the retirement benefits obligation and the fair value of pension plan assets is recognized on the consolidated balance sheets as assets or liabilities. Unrecognized net actuarial gains or losses and prior service cost, net of tax effect, are recorded as pension liability adjustment of foreign consolidated subsidiaries in accumulated other comprehensive income of net assets. 4) Derivatives treatment Same as left
(7) Method and period of amortization of goodwill	――――	Goodwill is amortized over the years estimated individually between 5 and 20 years. However, immaterial amounts of goodwill are fully charged to income when incurred.
(8) Cash and cash equivalents in consolidated statements of cash flows	――――	Cash and cash equivalents presented in the consolidated statements of cash flows are cash on hand, deposits which are withdrawable at anytime without notice, and short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk.
(9) Other significant accounting policies	Consumption taxes National consumption tax and local consumption tax are excluded from the consolidated statements of income.	Consumption taxes Same as left
5. Valuation of assets and liabilities of consolidated subsidiaries	The assets and liabilities of consolidated subsidiaries are originally measured using the fair value at the time when JT acquired control of the respective subsidiaries.	――――
6. Amortization of goodwill	Goodwill is amortized over the years estimated individually between 5 and 20 years. However, immaterial amounts of goodwill are fully charged to income when incurred.	――――

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
7. Cash and cash equivalents in consolidated statements of cash flows	Cash and cash equivalents presented in the consolidated statements of cash flows are cash on hand, deposits which are withdrawable at anytime without notice, and short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk.	――――――

Changes in significant matters in preparing consolidated financial statements

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
―――	(Application of Accounting Standard for Asset Retirement Obligations) Effective 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 this fiscal year is immaterial.

Changes in methods of presentation

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(Consolidated balance sheets) In the previous fiscal year, "Long-term loans receivable" (¥1,403 million recorded in this fiscal year) was presented separately in "Investments and other assets," however, in this fiscal year, it is included in "Other" in "Investments and other assets" due to its immateriality.	―――
(Consolidated statements of income) In the previous fiscal year, "Equity in earnings of affiliates" (¥2,369 million recorded in the previous fiscal year) was included in "Other" in "Non-operating income," however, it is now presented separately due to its increased materiality.	(Consolidated statements of income) 1. In the previous fiscal year, "Gain on sales of investment securities" (¥3,820 million recorded in the previous fiscal year) was included in "Other" in "Extraordinary income," however, it is now presented separately due to its increased materiality. 2. In the previous fiscal year, "Expense for disposal of PCB-containing wastes" (¥86 million recorded in this fiscal year) was presented separately in "Extraordinary loss," however, in this fiscal year, it is included in "Other" in "Extraordinary loss" due to its immateriality. 3. Effective April 1, 2010, JT applied 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). As a result, "Income before minority interests" is included as an account line item in the consolidated statements of income.
―――	(Consolidated statements of cash flows) 1. In the previous fiscal year, "Equity in (earnings) losses of affiliates" (¥(2,401) million recorded in the previous fiscal year) 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.

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
――――――――――	2. In the previous fiscal year, “Loss (gain) on sales of investment securities” (¥(1,692) million recorded in the previous fiscal year) 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 previous fiscal year, “Loss (gain) on valuation of investment securities” (¥981 million recorded in this fiscal year) was presented separately in “Net cash provided by (used in) operating activities,” however, in this fiscal year, it is included in “Other, net” in “Net cash provided by (used in) operating activities” due to its immateriality. 4. In the previous fiscal year, “Increase (decrease) in accrued consumption taxes” (¥14,245 million recorded in the previous fiscal year) 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. 5. In the previous fiscal year, “Proceeds from sales and redemption of investment securities” (¥14,718 million recorded in the previous fiscal year) 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. 6. In the previous fiscal year, “Payments into time deposits” (¥(14,602) million recorded in the previous fiscal year) 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. 7. In the previous fiscal year, “Proceeds from withdrawal of time deposits” (¥9,014 million recorded in the previous fiscal year) 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.

Additional Information

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
――――――――――	Effective April 1, 2010, JT applied the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010). However, the amounts of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” as of March 31, 2010 indicate the amounts of “Valuation and translation adjustments” and “Total valuation and translation adjustments,” respectively.

Notes to consolidated financial statements

(Notes to consolidated balance sheets)

As of March 31, 2010	As of March 31, 2011
*1. The amount invested in non-consolidated subsidiaries and affiliates is as follows: (Millions of yen) Investment securities 23,582 Other (Investments in capital) 349	*1. The amount invested in non-consolidated subsidiaries and affiliates is as follows: (Millions of yen) Investment securities 19,178 Other (Investments in capital) 91
*2. "Provision" under current liabilities consists of provision for bonuses and provision for sales rebates.	*2. Same as left
*3. (1) Pursuant to Article 6 of the Japan Tobacco Inc. Act, JT's assets are pledged as general collateral for its corporate bonds.	*3. (1) Same as left
(2) Assets pledged as collateral with respect to some consolidated subsidiaries are as follows: (Millions of yen) Buildings and structures 5,821 Land 4,315 Other 6,939 Total 17,076 Liabilities corresponding to the above are as follows: (Millions of yen) Long-term loans payable 5,281 Short-term loans payable 10,861 Current portion of long-term loans payable 1,755 Other 420 Total 18,319	(2) Assets pledged as collateral with respect to some consolidated subsidiaries are as follows: (Millions of yen) Buildings and structures 7,209 Land 3,394 Other 2,263 Total 12,867 Liabilities corresponding to the above are as follows: (Millions of yen) Long-term loans payable 3,486 Short-term loans payable 1,774 Current portion of long-term loans payable 966 Other 620 Total 6,847

(Notes to consolidated statements of income)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
*1. Of selling, general and administrative expenses, major items and their amounts are as follows: (Millions of yen) Advertising expenses 21,980 Promotion expenses 143,703 Compensation, salaries and allowances 133,509 Retirement benefit expenses 17,524 Legal welfare expenses 24,102 Employees' bonuses 13,313 Provision for bonuses 27,606 Depreciation and amortization 72,590 Amortization of goodwill 97,427 Research and development expenses 49,644	*1. Of selling, general and administrative expenses, major items and their amounts are as follows: (Millions of yen) Advertising expenses 20,899 Promotion expenses 140,791 Compensation, salaries and allowances 135,784 Retirement benefit expenses 16,475 Legal welfare expenses 22,696 Employees' bonuses 13,014 Provision for bonuses 29,390 Depreciation and amortization 60,860 Amortization of goodwill 91,107 Research and development expenses 53,363
*2. The main component of "Gain on sales of noncurrent assets" is "Land" valued at ¥30,440 million.	*2. The main component of "Gain on sales of noncurrent assets" is "Land" valued at ¥11,608 million.
*3. The main component of "Loss on retirement of noncurrent assets" is "Machinery and equipment" valued at ¥2,437 million.	*3. The main component of "Loss on retirement of noncurrent assets" is "Buildings" valued at ¥3,005 million.
*4. Total research and development expenses are ¥49,644 million, all of which are recorded as general and administrative expenses.	*4. Total research and development expenses are ¥53,363 million, all of which are recorded as general and administrative expenses.
*5. Business restructuring costs were incurred in association with the business restructuring measures mainly for rationalization of Domestic Tobacco and International Tobacco Businesses.	*5. Business restructuring costs were incurred in association with the business restructuring measures mainly for rationalization of Japanese Domestic Tobacco and Food Businesses.

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
*6. On April 16, 2010, Gallaher Group Ltd. (former Gallaher Group Plc) and Gallaher Ltd. (together, hereinafter, "Gallaher"), JT's tobacco business subsidiaries in the United Kingdom, received the decision from the Office of Fair Trading ("OFT"), the UK competition authority, concluding that a fine of approximate 50 million sterling pound was levied to Gallaher for anti-competitive business practices relating to the retail pricing of tobacco products in the market during the period prior to JT's acquisition of Gallaher. Approximate 164 million sterling pound in total, based on the company's assumption about the risk of fine being levied, had been booked as liabilities in the purchase price allocation related to JT's acquisition of Gallaher Group Plc (now Gallaher Group Ltd.) on April 18, 2007 and such liabilities had been included in other current liabilities and other noncurrent liabilities on the consolidated balance sheets. As the amount of fine decided by the OFT was lower than the liabilities which had been originally booked, the liability has been reversed to the amount of fine determined by the OFT, and consequently, the relevant variance of approximate 114 million sterling pound has been recognized and disclosed as "Gain from reversal of liability on fine levied under UK competition law" in extraordinary income.	――――――――
――――――――	*7. 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."
――――――――	*8. Loss on the Great East Japan Earthquake refers to items such as loss on destruction of noncurrent assets and restoration costs, as well as loss on destruction of inventories, which occurred to the manufacturing facilities and other sites of JT and JT's consolidated subsidiaries as a result of the Great East Japan Earthquake, which struck on March 11, 2011. Most of the noncurrent assets and inventories damaged in the earthquake disaster are covered by casualty insurance.

(Notes to consolidated statements of comprehensive income)

Fiscal year ended March 31, 2011

*1. Comprehensive income for the fiscal year immediately prior to the current fiscal year

	(Millions of yen)
Comprehensive income attributable to owners of the parent	149,058
Comprehensive income attributable to minority interests	6,764
Total	155,822

*2. Other comprehensive income for the fiscal year immediately prior to the current fiscal year

	(Millions of yen)
Valuation difference on available-for-sale securities	3,740
Deferred gains or losses on hedges	(79)
Pension liability adjustment of foreign consolidated subsidiaries	(7,304)
Foreign currency translation adjustment	14,714
Total	11,071

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2010

1. Class and total number of shares issued and class and number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2009	Increase in the fiscal year ended March 31, 2010	Decrease in the fiscal year ended March 31, 2010	Number of shares as of March 31, 2010
Shares issued				
Common stock	10,000	–	–	10,000
Total	10,000	–	–	10,000
Treasury shares				
Common stock (Note)	419	–	0	419
Total	419	–	0	419

Note: The decrease of 17 shares in the number of common shares of treasury stock is due to the exercise of stock options.

2. Subscription rights to shares and subscription rights to treasury shares

Category	Details of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (Share)				Balance as of March 31, 2010 (Millions of yen)
			As of March 31, 2009	Increase in the fiscal year ended March 31, 2010	Decrease in the fiscal year ended March 31, 2010	As of March 31, 2010	
Filing company (parent company)	Subscription rights to shares as stock options	–	–	–	–	–	564
Total		–	–	–	–	–	564

3. Cash dividends

(1) Dividend payments

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Cash dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2009	Common stock	26,824	2,800	March 31, 2009	June 24, 2009
Meeting of the Board of Directors held on October 29, 2009	Common stock	26,824	2,800	September 30, 2009	December 1, 2009

(2) Dividends whose record dates are in the fiscal year ended March 31, 2010 but whose effective dates fall in the next fiscal year

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

Fiscal year ended March 31, 2011

1. Class and total number of shares issued and class and number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011	Number of shares as of March 31, 2011
Shares issued				
Common stock	10,000	–	–	10,000
Total	10,000	–	–	10,000
Treasury shares				
Common stock (Note)	419	58	0	478
Total	419	58	0	478

Note: The increase of 58,630 shares in the number of common shares of treasury stock is the increase due to the acquisition implemented pursuant to the provision of Article 156 of the Companies Act, as applied under Article 165, paragraph (3) of the Act, and the decrease of 7 shares is due to the exercise of stock options.

2. Subscription rights to shares and subscription rights to treasury shares

Category	Details of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (Share)				Balance as of March 31, 2011 (Millions of yen)
			As of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011	As of March 31, 2011	
Filing company (parent company)	Subscription rights to shares as stock options	–	–	–	–	–	763
Total		–	–	–	–	–	763

3. Cash dividends

(1) Dividend payments

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2010	Common stock	28,740	3,000	March 31, 2010	June 25, 2010
Meeting of the Board of Directors held on October 28, 2010	Common stock	26,824	2,800	September 30, 2010	December 1, 2010

(2) Dividends whose record dates are in the fiscal year ended March 31, 2011 but whose effective dates fall in the next fiscal year

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Cash dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2011	Common stock	38,085	Retained earnings	4,000	March 31, 2011	June 27, 2011

(Notes to consolidated statements of cash flows)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
*1. Cash and cash equivalents at the end of the period are reconciled to items on the consolidated balance sheets as follows: (As of March 31, 2010) (Millions of yen) Cash and deposits: 155,444 Time deposits with a deposits period of over three months: (7,855) 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): 6,780 Cash and cash equivalents: 154,368	*1. Cash and cash equivalents at the end of the period are reconciled to items on the consolidated balance sheets as follows: (As of March 31, 2011) (Millions of yen) Cash and deposits: 117,458 Time deposits with a deposits period of over three months: (12,638) 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): 139,420 Cash and cash equivalents: 244,240
2. Significant non-cash transactions Assets and obligations related to finance lease transactions that were newly recorded in this fiscal year were both ¥3,416 million.	2. Significant non-cash transactions Assets and obligations related to finance lease transactions that were newly recorded in this fiscal year were both ¥3,573 million.

(Lease transactions)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
[As lessee] Operating leases Future minimum lease payments under noncancelable operating leases (Millions of yen) Due within one year: 7,361 Due after one year: 21,152 Total: 28,514	**[As lessee]** Operating leases Future minimum lease payments under noncancelable operating leases (Millions of yen) Due within one year: 6,571 Due after one year: 13,871 Total: 20,443

(Financial instruments)

Fiscal year ended March 31, 2010

1. Status of financial instruments

(1) Policy for financial instruments

JT and its major consolidated subsidiaries efficiently raise necessary funds (for business operations) with mainly bank loans and bonds considering their business environment. Cash surplus, if any, is invested in low risk and highly liquid financial instruments.

Derivatives are used, not for speculative nor trading purposes, but to manage risk exposure arising from business operations.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and accounts receivable are exposed to customer’s credit risk. As JT and its major consolidated subsidiaries operate on a global basis, receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Short-term investments and investment securities mainly consist of bonds held for surplus investment and equities of customers and suppliers of the Group and those are exposed to the issuer’s credit risk and market price fluctuation risk.

Payables such as trade notes and accounts payable and other accounts payable in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Bank loans, commercial papers and bonds issued by the Group are exposed to the liquidity risk that the Group would not be able to prepare funding to repay such debts due to deterioration of financial market. Bank loans and bonds bearing variable interest rates are exposed to risks of interest rate fluctuation and those in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Derivatives mainly include foreign currency forward contracts to manage the risk of fluctuation in foreign currency exchange rate related to future cash flow in foreign currency and interest rate swaps to manage the risk of fluctuation in interest rate related to interest payment for bank loans and bonds. These derivatives are exposed to counterparty’s credit risk. Please see “(5) Significant hedge accounting method,” an item in the aforementioned accounting policies, for details on hedging instruments and hedged items, hedging policy and the assessment of hedge effectiveness relating to hedge accounting.

(3) Risk management for financial instruments

a. Credit risk management (risk relating to nonfulfillment of contracts by business partners)

With respect to receivables, in order to control customer’s credit risk, JT and its major consolidated subsidiaries set credit limits or payment terms to major customers based on the Credit Management Guideline in principle. In addition, receivable balance of each customer is constantly checked to reduce risk of customer’s default. The Treasury Division of JT regularly monitors status of occurrence and collections of bad debts, and reports them to JT’s Executive Committee.

To control credit risk related to surplus investment and derivatives, based on the internal guidelines, JT and its major consolidated subsidiaries invest cash surplus into bonds and other financial instruments with a certain credit grade and have derivatives with counterparties which has high credit grade. In addition, the Treasury Division of JT regularly monitors such transactions and reports them to its Executive Committee.

b. Foreign exchange fluctuation risk management

In accordance with the internal guidelines, JT and its major consolidated subsidiaries establish foreign exchange hedging strategy based on the environment and the forecast of foreign exchange market in order to reduce the risk of fluctuation in foreign currency exchange rate related to cash flows arising from transactions in a foreign currency to be executed in the future. The foreign exchange hedging strategy is reviewed and approved by the Financial Risk Management Committee of JT and, based on which, the derivative transactions are originated. The Treasury Division of JT regularly reports such derivative transactions to the JT's Executive Committee.

c. Interest rate fluctuation risk management

In accordance with the internal guidelines, JT and its major consolidated subsidiaries, establish interest rate hedging strategy based on the environment and the forecast of market interest rates in order to reduce the risk of interest rate fluctuation related to bank loans and bonds. The interest rate hedging strategy is reviewed and approved by the Financial Risk Management Committee of JT and, based on which, derivative transactions are originated. The Treasury Division of JT regularly reports such derivative transactions to JT's Executive Committee.

d. Risk Management of market price fluctuation

With respect to short-term investments and investment securities, JT and its major consolidated subsidiaries regularly monitor prices and issuer's financial status. Except for held-to-maturity bonds, responsible divisions revise investment strategy, if necessary, by taking relationship with issuers into consideration.

e. Liquidity risk management associated with funding (Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates)

In accordance with the internal guidelines, JT and its major consolidated subsidiaries establish finance plan based on the annual business plan. The Treasury Division of JT regularly monitors the balance of liquidity-in-hand and interest-bearing debts and reports them to JT's Executive Committee. In addition, JT and its major consolidated subsidiaries keep necessary credit facilities to manage liquidity risk, having commitment lines with several financial institutions.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The results of valuation may differ among assumptions because the rational valuation techniques include variable factors.

Also, the contract or notional amounts of derivatives which are shown in "Derivative transactions" do not represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

2. Fair values of financial instruments

Consolidated balance sheet amounts and fair values at March 31, 2010 (the closing date of this fiscal year) and their differences are as follows. If the determination of a fair value is deemed extremely difficult, it is not included in this table. (Please refer to Note 2.)

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	155,444	155,444	–
(2) Notes and accounts receivable-trade	296,884		
Allowance for doubtful accounts (*1)	(2,860)		
	294,024	294,024	–
(3) Short-term investment securities and investment securities	67,310	67,310	0
a. Held-to-maturity debt securities	300	300	0
b. Available-for-sale securities	67,010	67,010	–
Total assets	516,779	516,779	0
(1) Notes and accounts payable-trade	149,462	149,462	–
(2) Short-term loans payable	109,263	109,263	–
(3) Commercial papers	119,000	119,000	–
(4) Accounts payable-other	73,738	73,738	–
(5) National tobacco excise taxes payable	212,066	212,066	–
(6) National tobacco special excise taxes payable	10,490	10,490	–
(7) Local tobacco excise taxes payable	85,238	85,238	–
(8) Income taxes payable	54,057	54,057	–
(9) Accrued consumption taxes	60,105	60,105	–
(10) Bonds payable	459,409	474,272	14,862
(11) Long-term loans payable	172,594	173,732	1,138
Total liabilities	1,505,426	1,521,427	16,001
Derivative transactions (*2)	2,039	2,039	–

(*1) The allowance for doubtful accounts corresponding to notes and accounts receivable-trade is excluded.

(*2) Net receivables and payables generated by derivative transactions are presented as net amounts.

Note: 1. Fair value measurement of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Stated as book value because fair value approximates book value because of their short maturity

(3) Short-term investment securities and investment securities

Regarding shares, fair value is stated at the quoted market price of stock exchange and, for bonds, fair value is stated at the quoted market price of the stock exchange or the price obtained from the financial institutions. Please refer to (Short-term investment securities and investment securities) for notes concerning securities by purpose of holding.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (3) Commercial papers, (4) Accounts payable-other, (5) National tobacco excise taxes payable, (6) National tobacco special excise taxes payable, (7) Local tobacco excise taxes payable, (8) Income taxes payable, and (9) Accrued consumption taxes

Stated as book value because fair value approximates book value because of their short maturities

(10) Bonds payable

Fair value of bonds issued by JT and its consolidated subsidiaries is based on a quoted market price. For bonds which do not have any quoted market price, fair value is determined by discounting the total of principal and interest to the present value at a rate considering bonds' remaining period and credit risk.

(11) Long-term loans payable

Fair value of long-term loans payable is determined by discounting the total of principal and interest to the present value at a rate assumed for similar new loans being borrowed.

Derivative transactions

Please refer to (Derivative transactions).

Note: 2. Financial instruments whose fair values are deemed extremely difficult to determine

(Millions of yen)

Category	Consolidated balance sheet amount
Unlisted stock and available-for-sale securities, etc.	28,400

The above are not included in "(3) Short-term investment securities and investment securities" because their market values are not available and their fair values are deemed extremely difficult to determine.

Note: 3. Redemption schedule for monetary receivables and securities with maturity after the closing date of the accounting period

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	155,444	–	–	–
Notes and accounts receivable-trade	296,884	–	–	–
Short-term investment securities and investment securities				
Held-to-maturity debt securities	300	–	–	–
Available-for-sale securities with maturities	11,650	2,500	9	–
Total	464,279	2,500	9	–

Note: 4. Repayment schedule for bonds payable, long-term loans payable and other interest-bearing debts after the closing date of the accounting period

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	109,263	–	–	–	–	–
Commercial papers	119,000	–	–	–	–	–
Bonds payable	50,300	146,030	60,150	36,706	166,200	–
Long-term loans payable	23,024	22,203	104,106	20,928	1,800	529
Total	301,588	168,233	164,256	57,634	168,000	529

Fiscal year ended March 31, 2011

1. Status of financial instruments

(1) Policy for financial instruments

JT and its major consolidated subsidiaries efficiently raise necessary funds (for business operations) with mainly bank loans and bonds considering their business environment. Cash surplus, if any, is invested in low risk and highly liquid financial instruments.

Derivatives are used, not for speculative nor trading purposes, but to manage risk exposure arising from business operations.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and accounts receivable are exposed to customer's credit risk. As JT and its major consolidated subsidiaries operate on a global basis, receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Short-term investments and investment securities mainly consist of bonds held for surplus investment and equities of customers and suppliers of the Group and those are exposed to the issuer's credit risk and market price fluctuation risk.

Payables such as trade notes and accounts payable and other accounts payable in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Bank loans and bonds issued by the Group are exposed to the liquidity risk that the Group would not be able to prepare funding to repay such debts due to deterioration of financial market. Bank loans and bonds bearing variable interest rates are exposed to risks of interest rate fluctuation and those in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Derivatives mainly include foreign currency forward contracts to manage the risk of fluctuation in foreign currency exchange rate related to future cash flow in foreign currency and interest rate swaps to manage the risk of fluctuation in interest rate related to interest payment for bank loans and bonds. These derivatives are exposed to counterparty's credit risk. Please see "(5) Significant hedge accounting method," an item in the aforementioned accounting policies, for details on hedging instruments and hedged items, hedging policy and the assessment of hedge effectiveness relating to hedge accounting.

(3) Risk management for financial instruments

a. Credit risk management (risk relating to nonfulfillment of contracts by business partners)

With respect to receivables, in order to control customer's credit risk, JT and its major consolidated subsidiaries set credit limits or payment terms to major customers based on the Credit Management Guideline in principle. In addition, receivable balance of each customer is constantly checked to reduce risk of customer's default. The Treasury Division of JT regularly monitors status of occurrence and collections of bad debts, and reports them to JT's Executive Committee.

To control credit risk related to surplus investment and derivatives, based on the internal guidelines, JT and its major consolidated subsidiaries invest cash surplus into bonds and other financial instruments with a certain credit grade and have derivatives with counterparties which has high credit grade. In addition, the Treasury Division of JT regularly monitors such transactions and reports them to its Executive Committee.

b. Foreign exchange fluctuation risk management

In accordance with the internal guidelines, JT and its major consolidated subsidiaries establish foreign exchange hedging strategy based on the environment and the forecast of foreign exchange market in order to reduce the risk of fluctuation in foreign currency exchange rate related to cash flows arising from transactions in a foreign currency to be executed in the future. The foreign exchange hedging strategy is reviewed and approved by the Financial Risk Management Committee of JT and, based on which, the derivative transactions are originated. The Treasury Division of JT regularly reports such derivative transactions to the JT's Executive Committee.

c. Interest rate fluctuation risk management

In accordance with the internal guidelines, JT and its major consolidated subsidiaries, establish interest rate hedging strategy based on the environment and the forecast of market interest rates in order to reduce the risk of interest rate fluctuation related to bank loans and bonds. The interest rate hedging strategy is reviewed and approved by the Financial Risk Management Committee of JT and, based on which, derivative transactions are originated. The Treasury Division of JT regularly reports such derivative transactions to JT's Executive Committee.

d. Risk Management of market price fluctuation

With respect to short-term investments and investment securities, JT and its major consolidated subsidiaries regularly monitor prices and issuer's financial status. Except for held-to-maturity bonds, responsible divisions revise investment strategy, if necessary, by taking relationship with issuers into consideration.

e. Liquidity risk management associated with funding (Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates)

In accordance with the internal guidelines, JT and its major consolidated subsidiaries establish finance plan based on the annual business plan. The Treasury Division of JT regularly monitors the balance of liquidity-in-hand and interest-bearing debts and reports them to JT's Executive Committee. In addition, JT and its major consolidated subsidiaries keep necessary credit facilities to manage liquidity risk, having commitment lines with several financial institutions.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The results of valuation may differ among assumptions because the rational valuation techniques include variable factors.

Also, the contract or notional amounts of derivatives which are shown in "Derivative transactions" do not necessarily represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

2. Fair values of financial instruments

Consolidated balance sheet amounts and fair values at March 31, 2011 (the closing date of this fiscal year) and their differences are as follows. If the determination of a fair value is deemed extremely difficult, it is not included in this table. (Please refer to Note 2.)

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	117,458	117,458	–
(2) Notes and accounts receivable-trade	301,829		
Allowance for doubtful accounts (*1)	(2,362)		
	299,466	299,466	–
(3) Short-term investment securities and investment securities			
Available-for-sale securities	194,164	194,164	–
Total assets	611,090	611,090	–
(1) Notes and accounts payable-trade	170,820	170,820	–
(2) Short-term loans payable	70,059	70,059	–
(3) Accounts payable-other	67,129	67,129	–
(4) National tobacco excise taxes payable	202,234	202,234	–
(5) National tobacco special excise taxes payable	8,150	8,150	–
(6) Local tobacco excise taxes payable	102,168	102,168	–
(7) Income taxes payable	65,651	65,651	–
(8) Accrued consumption taxes	69,825	69,825	–
(9) Bonds payable	452,225	462,475	10,250
(10) Long-term loans payable	173,905	174,302	396
Total liabilities	1,382,170	1,392,817	10,647
Derivative transactions (*2)	3,950	3,950	–

(*1) The allowance for doubtful accounts corresponding to notes and accounts receivable-trade is excluded.

(*2) Net receivables and payables generated by derivative transactions are presented as net amounts.

Note: 1. Fair value measurement of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Stated as book value because fair value approximates book value because of their short maturity

(3) Short-term investment securities and investment securities

Regarding shares, fair value is stated at the quoted market price of stock exchange and, for bonds, fair value is stated at the quoted market price of the stock exchange or the price obtained from the financial institutions. Please refer to (Short-term investment securities and investment securities) for notes concerning securities by purpose of holding.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (3) Accounts payable-other, (4) National tobacco excise taxes payable, (5) National tobacco special excise taxes payable, (6) Local tobacco excise taxes payable, (7) Income taxes payable, and (8) Accrued consumption taxes

Stated as book value because fair value approximates book value because of their short maturities

(9) Bonds payable

Fair value of bonds issued by JT and its consolidated subsidiaries is based on a quoted market price. For bonds which do not have any quoted market price, fair value is determined by discounting the total of principal and interest to the present value at a rate considering bonds' remaining period and credit risk.

(10) Long-term loans payable

Fair value of long-term loans payable is determined by discounting the total of principal and interest to the present value at a rate assumed for similar new loans being borrowed.

Derivative transactions

Please refer to (Derivative transactions).

Note: 2. Financial instruments whose fair values are deemed extremely difficult to determine

(Millions of yen)

Category	Consolidated balance sheet amount
Unlisted stock and available-for-sale securities, etc.	23,515

The above are not included in "(3) Short-term investment securities and investment securities" because their market values are not available and their fair values are deemed extremely difficult to determine.

Note: 3. Redemption schedule for monetary receivables and securities with maturity after the closing date of the accounting period

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	117,458	–	–	–
Notes and accounts receivable-trade	301,829	–	–	–
Short-term investment securities and investment securities				
Available-for-sale securities with maturities	159,097	3,530	4	–
Total	578,385	3,530	4	–

Note: 4. Repayment schedule for bonds payable, long-term loans payable and other interest-bearing debts after the closing date of the accounting period

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	70,059	–	–	–	–	–
Bonds payable	126,479	60,150	31,676	153,981	40,000	40,000
Long-term loans payable	21,490	99,377	20,893	1,692	30,035	416
Total	218,030	159,527	52,569	155,673	70,035	40,416

(Short-term investment securities and investment securities)

Fiscal year ended March 31, 2010

1. Held-to-maturity debt securities (As of March 31, 2010)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Bonds whose fair values exceed their book values	Government bonds and municipal bonds	300	300	0
Total		300	300	0

2. Available-for-sale securities (As of March 31, 2010)

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost or amortized cost	Difference
Securities whose book values exceed their acquisition costs or amortized costs	(1) Equity securities	38,127	18,371	19,755
	(2) Bonds	6,651	6,523	127
	(3) Other	4,293	3,245	1,047
	Subtotal	49,072	28,141	20,931
Securities whose book values do not exceed their acquisition costs or amortized costs	(1) Equity securities	8,823	10,698	(1,874)
	(2) Bonds	1,066	1,079	(12)
	(3) Other	8,047	8,154	(107)
	Subtotal	17,937	19,932	(1,994)
Total		67,010	48,073	18,936

Note: Items whose fair values are deemed extremely difficult to determine are not included.

3. Available-for-sale securities sold in this fiscal year (Fiscal year ended March 31, 2010)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
(1) Equity securities	7,097	1,900	1,936
(2) Bonds	92	18	–
(3) Other	5,772	1,763	2
Total	12,961	3,682	1,938

4. Short-term investment securities and investment securities whose purpose for holding was changed (Fiscal year ended March 31, 2010)

The shares of HUB CO., LTD. previously held as stocks of affiliates were partially sold and excluded from the scope of the equity method. As a result, their classification was changed to available-for-sale securities during this fiscal year. The impact of this change on ordinary income and income before income taxes and minority interests is immaterial.

5. Short-term investment securities and investment securities accounted for as impaired (Fiscal year ended March 31, 2010)

During this fiscal year, ¥1,404 million of short-term investment securities were accounted for as impaired. For impairment of securities, their values are "significantly decreased" when their fair values declined by 50% or more compared to the carrying amounts or their fair values declined by 30% to less than 50% compared to the carrying amounts and such declines have significant influence on the consolidated financial statements.

Recoverability is assessed for securities "significantly decreased," and securities other than those judged clearly recoverable are accounted for as impaired.

Fiscal year ended March 31, 2011

1. Available-for-sale securities (As of March 31, 2011)

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost or amortized cost	Difference
Securities whose book values exceed their acquisition costs or amortized costs	(1) Equity securities	21,444	10,546	10,898
	(2) Bonds	6,438	6,380	58
	(3) Other	24	17	6
	Subtotal	27,908	16,944	10,963
Securities whose book values do not exceed their acquisition costs or amortized costs	(1) Equity securities	8,939	11,587	(2,648)
	(2) Bonds	17,888	17,940	(51)
	(3) Other	139,429	139,429	–
	Subtotal	166,256	168,956	(2,699)
Total		194,164	185,901	8,263

Note: Items whose fair values are deemed extremely difficult to determine are not included.

2. Available-for-sale securities sold in this fiscal year (Fiscal year ended March 31, 2011)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
(1) Equity securities	10,804	4,502	728
(2) Other	4,081	538	127
Total	14,886	5,041	856

3. Short-term investment securities and investment securities accounted for as impaired (Fiscal year ended March 31, 2011)

During this fiscal year, ¥953 million of short-term investment securities were accounted for as impaired. For impairment of securities, their values are "significantly decreased" when their fair values declined by 50% or more compared to the carrying amounts or their fair values declined by 30% to less than 50% compared to the carrying amounts and such declines have significant influence on the consolidated financial statements.

Recoverability is assessed for securities "significantly decreased," and securities other than those judged clearly recoverable are accounted for as impaired.

(Derivative transactions)

As of March 31, 2010

Regarding "Contract/notional amount" below for the following derivative transactions, the amounts themselves do not 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.

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency

(Millions of yen)

Category	Type	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Foreign currency forward contracts:				
	Buying	296,522	2,894	654	654
	Selling	133,767	2,416	(489)	(489)
	Currency swaps:				
	Buying	59,712	–	(122)	(122)
	Selling	2,259	2,259	(460)	(460)
Total		492,262	7,570	(418)	(418)

(2) Interest rate

(Millions of yen)

Category	Type	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Interest rate swaps:				
	Fixed rate receipt and floating rate payment	36,606	36,606	2,296	2,296
	Interest rate caps:				
	Buying	297,744	36,606	161	(1,208)
Total		334,350	73,212	2,457	1,088

2. Derivatives to which hedge accounting is applied

Interest rate

(Millions of yen)

Category	Type	Main hedged item	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value
Exceptional treatment of interest rate swaps	Interest rate swaps: Floating rate receipt and fixed rate payment	Long-term loans payable	1,136	437	(Note)

Note: Items subjected to the exceptional treatment of interest rate swaps are treated in an integrated form with long-term loans payable used as hedged items; therefore, their fair value includes the fair value of those long-term loans payable.

As of March 31, 2011

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.

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency

(Millions of yen)

Category	Type	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Foreign currency forward contracts:				
	Buying	204,215	–	2,944	2,944
	Selling	85,173	–	(1,237)	(1,237)
	Currency swaps:				
	Selling	1,781	1,781	(82)	(82)
	Currency options:				
	Buying	6,111	–	120	(151)
Total		297,282	1,781	1,745	1,473

(2) Interest rate

(Millions of yen)

Category	Type	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Interest rate swaps: Fixed rate receipt and floating rate payment	31,576	31,576	2,191	2,191
	Interest rate caps: Buying	31,576	31,576	13	(513)
Total		63,152	63,152	2,205	1,677

2. Derivatives to which hedge accounting is applied

(1) Interest rate

(Millions of yen)

Category	Type	Main hedged item	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value
Exceptional treatment of interest rate swaps	Interest rate swaps: Floating rate receipt and fixed rate payment	Long-term loans payable	357	197	(Note)

Note: Items subjected to the exceptional treatment of interest rate swaps are treated in an integrated form with long-term loans payable used as hedged items; therefore, their fair value includes the fair value of those long-term loans payable.

(2) Interest rate and currency

(Millions of yen)

Category	Type	Main hedged item	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value
Accounting that incorporates interest rate and currency swaps into underlying accounting items	Interest rate and currency swaps Floating rate receipt and fixed rate payment Buying	Long-term loans payable	30,000	30,000	(Note)

Note: Interest rate and currency swaps that are qualified for the accounting that incorporates the swaps into underlying accounting items (accounting by applying foreign exchange rate stipulated in the contracts, exceptional treatment) are treated in an integrated form with long-term loans payable used as hedged items; therefore, their fair value includes the fair value of those long-term loans payable.

(Retirement benefits)

1. Overview of the adopted retirement benefit pension plans

JT and its domestic consolidated subsidiaries have unfunded severance indemnity plans, and cash balance pension plans, which are both defined payment plans, as well as defined contribution plans. Foreign consolidated subsidiaries have defined payment plans, while certain foreign consolidated subsidiaries also provide health and life insurance benefits for retired employees.

When employees leave JT Group, they are entitled, in certain circumstances, to receive additional retirement benefits, which are not included in projected benefit obligations that are based on actuarial calculations as prescribed by retirement benefit accounting standard.

2. Projected benefit obligations

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
a. Projected benefit obligations	(455,264)	(486,862)
b. Fair value of plan assets	321,317	307,113
c. Funded status (a + b)	(133,946)	(179,748)
d. Unrecognized actuarial difference	42,196	100,671
e. Unrecognized prior service cost	4,789	3,533
f. Net amount recognized (c + d + e)	(86,960)	(75,544)
g. Pension liability adjustment of foreign consolidated subsidiaries (Note 2)	(35,742)	(34,685)
h. Prepaid pension cost	23,390	22,807
i. Other current liabilities (Note 3)	(3,720)	(2,434)
j. Provision for retirement benefits (f + g – h – i) (Note 4)	(142,372)	(130,601)

Notes: 1. Certain consolidated subsidiaries apply a simplified method for computing projected benefit obligations.

2. As described in an item of accounting policies, "(6) Accounting treatment policies of foreign consolidated subsidiaries," this is the unfunded liabilities recorded by foreign consolidated subsidiaries that adopt U.S. GAAP. In the consolidated balance sheets and the consolidated statements of changes in net assets, this amount is presented as "Pension liability adjustment of foreign consolidated subsidiaries" under "Accumulated other comprehensive income."

3. The amount by which the actuarial present value of benefits included in the retirement benefit obligation payable in the next term exceeds the fair value of plan assets in foreign consolidated subsidiaries that adopt U.S. GAAP is included in "Other" under current liabilities.

4. As described in an item of accounting policies, "(3) Policy for significant reserve allowances," reserve for mutual assistance association benefit was separately computed from "j. Provision for retirement benefits" above and included in "Provision for retirement benefits." The amounts thereof were as follows:

(As of March 31, 2010) ¥109,529 million (As of March 31, 2011) ¥100,999 million

5. Certain domestic consolidated subsidiaries participate in multi-employer contributory pension plans. The required contributions to the pension plan are recognized as a net pension cost for the year. Of these pension plans, information related to Tokyo Pharmaceutical Industry Employees' Pension Fund (multi-enterprise integrated type) is as follows:

(a) Funded status of the entire plan:

(Millions of yen)

	(As of March 31, 2010)	(As of March 31, 2011)
Fair value of plan assets	325,177	403,992
Benefit obligations	502,794	458,224
Deficit	(177,616)	(54,232)

For the above amounts, the record date for the previous fiscal year is March 31, 2009 and that of this fiscal year is March 31, 2010.

(b) Proportion of the domestic consolidated subsidiaries' contributions to the entire plan:

(As of March 31, 2010) 1.3% (As of March 31, 2011) 1.3%

3. Net periodic retirement benefit cost

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
a. Service cost (Note 1)	11,293	11,126
b. Interest cost	18,090	17,928
c. Expected return on plan assets	(12,902)	(13,883)
d. Recognized actuarial net gain (Note 2)	3,876	2,903
e. Amortization of prior service cost (Note 2)	1,744	1,639
f. Net periodic retirement benefit cost (a + b + c + d + e)	22,102	19,714

Notes: 1. Retirement benefit cost to which the simplified method is applied is included in "a. Service cost."

2. The following additional retirement benefits are included in extraordinary loss. Additional retirement benefits include a one-time charge for the unrecognized actuarial difference and unrecognized prior service cost attributable to the employees who retired earlier than expected.
(Fiscal year ended March 31, 2010) ¥8,523 million (Fiscal year ended March 31, 2011) ¥2,872 million

3. In addition to the above, the necessary amounts of the JT Group's contributions to the defined contribution plans are charged to expenses as follows:
(Fiscal year ended March 31, 2010) ¥5,679 million (Fiscal year ended March 31, 2011) ¥5,812 million

4. Assumptions used for computation of projected benefit obligations

Fiscal year ended March 31, 2010

	(Domestic retirement benefit pension plans)	(Overseas retirement benefit pension plans)
a. Periodic allocation standard for projected benefit obligation:	Principally, standard of fixed-amount for period	Mainly stated based on the benefit calculation method
b. Discount rate:	Principally, 2.5%	Principally, 3.0% to 5.8%
c. Expected rate of return on plan assets:	Principally, 2.5%	Principally, 4.5% to 6.2%
d. Period over which prior service cost is amortized:	Principally, 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)	Principally, 6 to 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)
e. Period over which actuarial gains or losses are amortized:	Principally, 10 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)	Principally, 5 to 19 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)

Fiscal year ended March 31, 2011

		(Domestic retirement benefit pension plans)	(Overseas retirement benefit pension plans)
a.	Periodic allocation standard for projected benefit obligation:	Principally, standard of fixed-amount for period	Mainly stated based on the benefit calculation method
b.	Discount rate:	Principally, 1.7%	Principally, 2.8% to 5.4%
c.	Expected rate of return on plan assets:	Principally, 2.5%	Principally, 4.3% to 5.7%
d.	Period over which prior service cost is amortized:	Principally, 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)	Principally, 7 to 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)
e.	Period over which actuarial gains or losses are amortized:	Principally, 10 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)	Principally, 7 to 15 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)

(Mutual assistance association)

Obligations relating to mutual assistance association as described in an item of the accounting policies, “(3) Policy for significant reserve allowances,” are computed as follows:

1. Obligations relating to mutual assistance association

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
a. Benefit obligations (Note 1)	(106,345)	(97,576)
b. Unrecognized actuarial difference (Note 2)	(3,183)	(3,422)
c. Liabilities recognized (a + b) (Note 3)	(109,529)	(100,999)

Notes: 1. Present discounted value of the future obligation related to the service of public mutual assistance association provided before June 1, 1956, which consists of JT’s cost of government-sponsored pension.

2. Unrecognized actuarial difference between numerical assumptions used to compute liabilities concerning benefit obligations under the Mutual Assistance Association of Public Corporation Employees Law and actual figure.

3. Included in provision for retirement benefits in the consolidated balance sheets.

2. Net periodic costs for obligations relating to mutual assistance association

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
a. Interest cost	1,753	1,595
b. Recognized actuarial loss (gain)	(28)	(210)
c. Net periodic costs (a + b)	1,724	1,384

3. Assumptions used for obligations relating to mutual assistance association

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
a. Discount rate	1.5%	1.2%
b. Period over which actuarial gains or losses are amortized	10 years (the amount equally allocated by the straight-line method is charged to expenses from the year following the respective years in which it occurred)	Same as left

(Stock options)

Fiscal year ended March 31, 2010

1. Amount charged to expense for this fiscal year and its account title

Selling, general and administrative expenses ¥209 million

2. Details, size and activity of stock options

(1) Details of stock options

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares
Positions and number of persons granted	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 16 persons	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons	Directors 9 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons
Number of stock options by class of shares (Note 1)	Common stock 426 shares	Common stock 547 shares	Common stock 1,153 shares
Date of grant	January 8, 2008	October 6, 2008	October 13, 2009
Vesting conditions	None	None	None
Requisite service period	From June 22, 2007 to June 24, 2008	From June 24, 2008 to June 23, 2009	From June 23, 2009 to June 24, 2010
Exercise period (Note 2)	From January 9, 2008 to January 8, 2038	From October 7, 2008 to October 6, 2038	From October 14, 2009 to October 13, 2039

Notes: 1. Presented as the number of underlying shares.

2. Terms and conditions of exercise of stock option rights are as follows:

a. The rights become exercisable when a holder no longer holds a position as a director, an auditor or an executive officer (*sikkoyakuin*).

In the subscription rights to shares allocation contract with holders of such rights, it is provided for that the rights become exercisable from the day following the day on which one year has elapsed after leaving their positions (however, the rights are exercisable even within one year after leaving their positions only in the case where the Board of Directors find it to be unavoidable).

b. In the case where any holders of subscription rights to shares waive such rights, they cannot exercise said rights.

(2) Size and activity of stock options

The following details are on stock options that existed during the fiscal year ended March 31, 2010. The number of stock options is presented as the number of underlying shares.

a. Number of stock options

(Share)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares
Non-Vested			
As of March 31, 2009	–	137	–
Granted	–	–	1,153
Canceled	–	–	–
Vested	–	137	865
Non-vested	–	–	288
Vested			
As of March 31, 2009	426	410	–
Vested	–	137	865
Exercised	17	–	–
Canceled	–	–	–
Unexercised	409	547	865

b. Unit price

(Yen)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares
Exercise price	1	1	1
Average share price at exercise	272,959	–	–
Fair value at the date of grant	581,269	285,904	197,517

3. Estimations used to measure fair value of stock options

Estimations used to measure fair value of Japan Tobacco Inc. 2009 subscription rights to shares granted during this fiscal year are as follows:

a. Valuation model used Black-Scholes option pricing model

b. Basic assumptions and estimation method

	Japan Tobacco Inc. 2009 subscription rights to shares
Volatility of share price (Note 1)	34.536%
Estimated remaining outstanding period (Note 2)	15 years
Estimated dividend (Note 3)	¥5,400 per share
Interest rate with risk free (Note 4)	1.778%

Notes: 1. Calculated based on share prices for the period on and after listing date (from October 27, 1994 to October 13, 2009).
2. With difficulty in reasonable estimation due to insufficient data, remaining outstanding period is estimated based on the assumption that stock option rights would be exercised at a mid-point of exercise period.
3. Based on interim dividend and year-end dividend for the fiscal year ended March 31, 2009.
4. A yield of 15-year government bond, a period of which corresponds to estimated remaining outstanding period.

4. Method to estimate vested number of stock options

As it is difficult, in principle, to reasonably estimate the number of future cancellations, the number here reflects only that of actual cancellations.

Fiscal year ended March 31, 2011

1. Amount charged to expense for this fiscal year and its account title

Selling, general and administrative expenses ¥202 million

2. Details, size and activity of stock options

(1) Details of stock options

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares	Japan Tobacco Inc. 2010 subscription rights to shares
Positions and number of persons granted	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 16 persons	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons	Directors 9 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons	Directors 9 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons
Number of stock options by class of shares (Note 1)	Common stock 426 shares	Common stock 547 shares	Common stock 1,153 shares	Common stock 979 shares
Date of grant	January 8, 2008	October 6, 2008	October 13, 2009	October 4, 2010
Vesting conditions	None	None	None	None
Requisite service period	From June 22, 2007 to June 24, 2008	From June 24, 2008 to June 23, 2009	From June 23, 2009 to June 24, 2010	From June 24, 2010 to June 24, 2011
Exercise period (Note 2)	From January 9, 2008 to January 8, 2038	From October 7, 2008 to October 6, 2038	From October 14, 2009 to October 13, 2039	From October 5, 2010 to October 4, 2040

Notes: 1. Presented as the number of underlying shares.
2. Terms and conditions of exercise of stock option rights are as follows:
a. The rights become exercisable when a holder no longer holds a position as a director, an auditor or an executive officer (*sikkoyakuin*).
In the subscription rights to shares allocation contract with holders of such rights, it is provided for that the rights become exercisable from the day following the day on which one year has elapsed after leaving their positions (however, the rights are exercisable even within one year after leaving their positions only in the case where the Board of Directors find it to be unavoidable).
b. In the case where any holders of subscription rights to shares waive such rights, they cannot exercise said rights.

(2) Size and activity of stock options

The following details are on stock options that existed during the fiscal year ended March 31, 2011. The number of stock options is presented as the number of underlying shares.

a. Number of stock options

(Share)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares	Japan Tobacco Inc. 2010 subscription rights to shares
Non-Vested				
As of March 31, 2010	–	–	288	–
Granted	–	–	–	979
Canceled	–	–	–	–
Vested	–	–	288	734
Non-vested	–	–	–	245
Vested				
As of March 31, 2010	409	547	865	–
Vested	–	–	288	734
Exercised	7	–	–	–
Canceled	–	–	–	–
Unexercised	402	547	1,153	734

b. Unit price

(Yen)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares	Japan Tobacco Inc. 2010 subscription rights to shares
Exercise price	1	1	1	1
Average share price at exercise	275,323	–	–	–
Fair value at the date of grant	581,269	285,904	197,517	198,386

3. Estimations used to measure fair value of stock options

Estimations used to measure fair value of Japan Tobacco Inc. 2010 subscription rights to shares granted during this fiscal year are as follows:

a. Valuation model used　　Black-Scholes option pricing model

b. Basic assumptions and estimation method

	Japan Tobacco Inc. 2010 subscription rights to shares
Volatility of share price (Note 1)	34.351%
Estimated remaining outstanding period (Note 2)	15 years
Estimated dividend (Note 3)	¥5,600 per share
Interest rate with risk free (Note 4)	1.406%

Notes: 1. Calculated based on share prices for the period on and after listing date (from October 27, 1994 to October 4, 2010).
2. With difficulty in reasonable estimation due to insufficient data, remaining outstanding period is estimated based on the assumption that stock option rights would be exercised at a mid-point of exercise period.
3. Based on interim dividend and year-end dividend for the fiscal year ended March 31, 2010 (excluding the commemorative dividend of ¥200).
4. A yield of 15-year government bond, a period of which corresponds to estimated remaining outstanding period.

4. Method to estimate vested number of stock options

As it is difficult, in principle, to reasonably estimate the number of future cancellations, the number here reflects only that of actual cancellations.

(Tax effect accounting)

As of March 31, 2010		As of March 31, 2011	
1. Breakdown of deferred tax assets and deferred tax liabilities by major cause		1. Breakdown of deferred tax assets and deferred tax liabilities by major cause	
	(Millions of yen)		(Millions of yen)
Deferred tax assets		Deferred tax assets	
Provision for retirement benefits	42,984	Provision for retirement benefits	41,028
Obligations pertaining to mutual assistance association	44,195	Obligations pertaining to mutual assistance association	40,753
Net operating loss carryforwards	45,685	Net operating loss carryforwards	65,122
Foreign exchange losses	20,139	Other	77,114
Allowance for doubtful accounts	10,488	Subtotal	224,018
Other	73,255	Less valuation allowance	(69,116)
Subtotal	236,748	Total	154,902
Less valuation allowance	(74,102)	Deferred tax liabilities	
Total	162,646	Reserve for reduction entry	(25,498)
Deferred tax liabilities		Basis differences in assets acquired and liabilities assumed upon acquisition	(56,576)
Reserve for reduction entry	(26,306)	Prepaid pension cost	(8,637)
Basis differences in assets acquired and liabilities assumed upon acquisition	(72,286)	Other	(32,057)
Prepaid pension cost	(8,782)	Total	(122,770)
Other	(40,213)	Net deferred tax assets	32,131
Total	(147,589)		
Net deferred tax assets	15,056		
Note: Net deferred tax assets were reflected in the consolidated balance sheets under the following captions:		Note: Net deferred tax assets were reflected in the consolidated balance sheets under the following captions:	
	(Millions of yen)		(Millions of yen)
Current assets-Deferred tax assets	26,615	Current assets-Deferred tax assets	24,674
Noncurrent assets-Deferred tax assets	85,375	Noncurrent assets-Deferred tax assets	82,328
Current liabilities-Deferred tax liabilities	2,357	Current liabilities-Deferred tax liabilities	2,241
Noncurrent liabilities-Deferred tax liabilities	94,577	Noncurrent liabilities-Deferred tax liabilities	72,630

As of March 31, 2010		As of March 31, 2011	
2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income, if there is a significant difference		2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income, if there is a significant difference	
	(%)		(%)
Normal effective statutory tax rates	40.35	Normal effective statutory tax rates	40.35
(Adjustment)		(Adjustment)	
Tax rate difference applied for foreign consolidated subsidiaries	(6.90)	Tax rate difference applied for foreign consolidated subsidiaries	(10.32)
Non-deductible expenses	1.95	Non-deductible expenses	2.75
Amortization of goodwill	8.81	Amortization of goodwill	8.75
Valuation allowance	6.10	Valuation allowance	(1.43)
Gain from reversal of liability on fine levied under UK competition law	(2.44)	Regulatory fine in Canada	1.60
Other	(0.31)	Uncertainty in income taxes of foreign consolidated subsidiaries	5.31
Actual effective tax rate	47.56	Other	(0.35)
		Actual effective tax rate	46.66

(Business combination)

Fiscal year ended March 31, 2010

No items to report

Fiscal year ended March 31, 2011

No items to report

(Asset retirement obligations)

As of March 31, 2011

Omitted because of immateriality.

(Investment and rental properties)

Fiscal year ended March 31, 2010

JT and some consolidated subsidiaries own some rental properties such as office buildings and residence in Tokyo Prefecture and other areas. The consolidated balance sheet amounts, increase or decrease in the fiscal year ended March 31, 2010 and fair values for these investment properties are as follows.

(Millions of yen)

Intended use	Consolidated balance sheet amount			Fair value as of March 31, 2010
	Balance as of March 31, 2009	Increase/(decrease) in the fiscal year ended March 31, 2010	Balance as of March 31, 2010	
Office building for rent	41,505	(2,419)	39,086	140,605
Residence for rent	5,278	(142)	5,136	26,737
Others	29,271	(10,951)	18,319	66,774
Total	76,056	(13,514)	62,542	234,118

Notes: 1. Consolidated balance sheet amounts are net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2010 primarily represents the sales of domestic idle properties (¥11,214 million).
3. Fair value of investment properties at March 31, 2010 is principally measured based on the real estate appraisal assessed by the external real estate appraiser. And the others are measured by the Group based on the assessed value of taxable fixed asset. However, unless the appraisal or indicators that are regarded to reflect the fair value of the investment properties appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Group measures the fair value of the investment properties based on such appraisal or indicators.

The income and expenses for the investment properties for the year ended March 31, 2010 were as follows.

(Millions of yen)

Intended use	Income	Expenses	Net gain/(loss)	Other income/ (expense)
Office building for rent	11,546	5,179	6,366	(44)
Residence for rent	1,512	502	1,009	(20)
Others	2,941	3,327	(386)	21,767
Total	15,999	9,009	6,990	21,702

Note: The expenses above primarily consist of depreciation, repairs and maintenance expenses, insurance expense and fixed assets tax of each investment property.

Fiscal year ended March 31, 2011

JT and some consolidated subsidiaries own some rental properties such as office buildings and residence in Tokyo Prefecture and other areas. The consolidated balance sheet amounts, increase or decrease in the fiscal year ended March 31, 2011 and fair values for these investment properties are as follows.

(Millions of yen)

Intended use	Consolidated balance sheet amount			Fair value as of March 31, 2011
	Balance as of March 31, 2010	Increase (decrease) in the fiscal year ended March 31, 2011	Balance as of March 31, 2011	
Office building for rent	39,086	(2,050)	37,035	124,706
Residence for rent	5,136	(832)	4,303	24,037
Others	18,319	(4,439)	13,880	59,523
Total	62,542	(7,322)	55,219	208,267

Notes: 1. Consolidated balance sheet amounts are net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2011 primarily represents the sales of domestic idle properties (¥2,185 million).
3. Fair value of investment properties at March 31, 2011 is principally measured based on the real estate appraisal assessed by the external real estate appraiser. And the others are measured by the Group based on the assessed value of taxable fixed asset. However, unless the appraisal or indicators that are regarded to reflect the fair value of the investment properties appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Group measures the fair value of the investment properties based on such appraisal or indicators.

The income and expenses for the investment properties for the year ended March 31, 2011 were as follows.

(Millions of yen)

Intended use	Income	Expenses	Net gain (loss)	Other profit (loss) (sales gain or loss, etc.)
Office building for rent	11,194	4,601	6,592	(75)
Residence for rent	1,381	376	1,004	624
Others	2,150	1,577	572	4,174
Total	14,726	6,556	8,170	4,723

Note: The expenses above primarily consist of depreciation, repairs and maintenance expenses, insurance expense and fixed assets tax of each investment property.

(Segment information, etc.)

Business segment information

Fiscal year ended March 31, 2010

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Others	Total	Elimination and corporate	Consolidated total
I. Net sales and operating income (loss)								
Net sales								
(1) Sales to customers	3,042,836	2,633,636	44,068	394,653	19,500	6,134,695	–	6,134,695
(2) Intersegment sales or transfers	54,921	38,128	–	111	10,448	103,609	(103,609)	–
Total	3,097,758	2,671,764	44,068	394,764	29,948	6,238,304	(103,609)	6,134,695
Operating expenses	2,894,418	2,562,637	57,661	408,460	19,393	5,942,571	(104,380)	5,838,190
Operating income (loss)	203,339	109,127	(13,592)	(13,695)	10,555	295,733	771	296,504
II. Assets, depreciation and amortization other than goodwill, impairment loss and capital expenditure								
Assets	782,293	2,765,948	114,060	311,189	85,093	4,058,584	(185,988)	3,872,595
Depreciation and amortization other than goodwill	53,218	56,089	3,941	16,498	2,781	132,529	240	132,770
Impairment loss	17	1,030	–	3,135	–	4,183	1,859	6,042
Capital expenditure	45,827	64,552	2,953	23,445	346	137,125	8	137,133

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. Pharmaceutical: Prescription drugs
   - d. Food: Beverages and processed foods
   - e. Others: Rent of real estate, leasing and others

3. The amounts of corporate assets included in the "Elimination and corporate" column and the "Assets" row are as follows. Major components are the surplus funds (cash and deposits, and short-term investment securities), the assets pertaining to basic research and the land not used for businesses.

   (Fiscal year ended March 31, 2010) ¥74,995 million

4. The following table shows the amounts of goodwill amortization by business segment which are included in "operating expenses."

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Others	Consolidated total
Fiscal year ended March 31, 2010	1,088	84,651	–	11,687	–	97,427

5. 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. was ¥1,084,320 million.

6. With respect to the International Tobacco segment, as the closing date of the accounting period of foreign consolidated subsidiaries, in which JT International S.A. conducts the main operational role, is set on December 31, operating results from January 1, 2009 to December 31, 2009 have been included in the consolidated financial statements for the fiscal year ended March 31, 2010.

Geographical segment information

Fiscal year ended March 31, 2010

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
I. Net sales and operating income (loss)						
Net sales						
(1) Sales to customers	3,482,547	1,677,755	974,392	6,134,695	–	6,134,695
(2) Intersegment sales or transfers	59,889	196,600	34,326	290,815	(290,815)	–
Total	3,542,436	1,874,355	1,008,718	6,425,511	(290,815)	6,134,695
Operating expenses	3,357,883	1,914,644	858,223	6,130,751	(292,561)	5,838,190
Operating income (loss)	184,553	(40,288)	150,495	294,759	1,745	296,504
II. Assets	1,031,910	2,358,102	433,866	3,823,880	48,715	3,872,595

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 amount and details of corporate assets included in the "Elimination and corporate" column and the "Assets" row is the same as ones in "Note 3." of "Business segment information."
4. The following table shows the amounts of goodwill amortization by geographical segment which are included in "operating expenses."

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Fiscal year ended March 31, 2010	12,775	84,651	–	97,427

Overseas sales

Fiscal year ended March 31, 2010

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	1,646,648	1,008,325	2,654,973
II. Consolidated sales	(Millions of yen)			6,134,695
III. Percentage of overseas sales	(%)	26.8	16.5	43.3

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. Method of measurement for amounts regarding net sales, profit or loss, assets and other items by reportable segment
   The accounting method for the reportable segments is generally the same as the method in “Significant matters in preparing consolidated financial statements.” Profit by reportable segment 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). Intersegment sales and transfers are based mainly on actual market prices.
   Part of common and company-wide expenses and assets are not allocated into reportable segments. Allocation bases for expenses and for assets are different from the perspective of business management.

3. Information about net sales, profit or loss, assets and other items by reportable segment
   Fiscal year ended March 31, 2010

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 5)	Pharmaceutical	Food	Total
Net sales					
Sales (Note 1)	1,016,788	1,039,140	44,068	394,653	2,494,651
Intersegment sales or transfers	26,596	38,128	–	111	64,836
Total	1,043,385	1,077,269	44,068	394,764	2,559,487
Segment profit (loss)	251,263	277,677	(9,650)	14,489	533,779
Segment assets (Note 2)	696,660	2,765,948	105,539	307,796	3,875,944
Other items:					
Depreciation and amortization (Note 2)	51,436	56,089	3,941	16,498	127,966
Amortization of goodwill (Note 3)	1,088	84,651	–	11,687	97,427
Investment in companies under equity method	503	20,322	–	2,015	22,841
Increase in property, plant and equipment and intangible assets (Note 4)	42,652	64,552	2,665	23,420	133,291

Fiscal year ended March 31, 2011

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 5)	Pharmaceutical	Food	Total
Net sales					
Sales (Note 1)	1,027,876	1,017,034	46,987	375,015	2,466,914
Intersegment sales or transfers	30,114	37,908	–	116	68,140
Total	1,057,991	1,054,943	46,987	375,132	2,535,055
Segment profit (loss)	257,689	288,167	(13,267)	17,277	549,867
Segment asset (Note 2)	732,335	2,362,921	104,941	273,021	3,473,219
Other items:					
Depreciation and amortization (Note 2)	43,690	51,637	4,145	17,069	116,542
Amortization of goodwill (Note 3)	1,088	80,400	–	9,619	91,107
Investment in companies under equity method	523	17,051	–	1,216	18,791
Increase in property, plant and equipment and intangible assets (Note 4)	55,982	60,907	2,887	25,011	144,789

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)

Fiscal year ended March 31, 2010	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	3,042,836	2,633,636
Net sales excluding tobacco excise taxes	1,016,788	1,039,140
Of which, adjusted net sales excluding tobacco excise taxes (*)	615,991	906,756

Fiscal year ended March 31, 2011	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	3,103,355	2,649,956
Net sales excluding tobacco excise taxes	1,027,876	1,017,034
Of which, adjusted net sales excluding tobacco excise taxes (*)	617,918	897,455

(*) 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 measure adjusted net sales excluding tobacco excise taxes.

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

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

2. "Segment asset" includes long-term prepaid expenses, and amortization thereof is included in "Depreciation and amortization."
3. This is amortization of goodwill included in operating expenses.
4. "Increase in property, plant and equipment and intangible assets" includes long-term prepaid expenses.
5. 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, 2009 to December 31, 2009 have been included in the fiscal year ended March 31, 2010 and operating results from January 1, 2010 to December 31, 2010 have been included in the fiscal year ended March 31, 2011.

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

(Millions of yen)

Net sales	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Reportable segments total	2,559,487	2,535,055
Other net sales (Note 1)	29,587	28,612
Elimination of intersegment transactions	(74,922)	(77,514)
Amount equivalent to tobacco excise taxes	3,620,543	3,708,401
Net sales recorded in consolidated statements of income	6,134,695	6,194,554

(Millions of yen)

Profit	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Reportable segments total	533,779	549,867
Other profits (Note 1)	13,340	12,919
Head office expenses (Note 2)	(20,837)	(20,210)
Elimination of intersegment transactions	(98)	(433)
Other adjustments	516	(1,030)
Subtotal (Note 3)	526,701	541,111
Depreciation and amortization	(132,770)	(121,322)
Amortization of goodwill	(97,427)	(91,107)
Operating income recorded in consolidated statements of income	296,504	328,680

(Millions of yen)

Assets	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Reportable segments total	3,875,944	3,473,219
Other assets (Note 1)	90,743	85,465
Corporate assets unallocated into segments (Note 4)	172,151	284,417
Offset elimination of intersegment transactions	(266,244)	(271,175)
Assets recorded in consolidated balance sheets	3,872,595	3,571,927

(Millions of yen)

Other items	Reportable segments total		Other		Adjustment		Amounts on consolidated financial statements	
	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Depreciation and amortization	127,966	116,542	2,781	2,935	2,021	1,844	132,770	121,322
Amortization of goodwill	97,427	91,107	–	–	–	–	97,427	91,107
Investment in companies under equity method	22,841	18,791	469	280	–	–	23,310	19,072
Increase in property, plant and equipment and intangible assets	133,291	144,789	345	575	3,497	656	137,133	146,021

Notes: 1. Other net sales, other profits and other assets 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).
4. Corporate assets unallocated into segments mainly consist of surplus funds, land and buildings not attributable to reportable segments and deferred tax assets unallocated into reportable segments.

(Additional information)

Effective 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 Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

Related information

Fiscal year ended March 31, 2011

1. Information by product and service

   As stated in “1. Overview of reportable segments” in Segment information, the classification of product and service is the same as the classification by reportable segment, and as a result, this information is omitted.

2. Geographical information

   (1) Net sales

(Millions of yen)

Japan	Overseas	Total
3,524,088	2,670,465	6,194,554

(2) Property, plant and equipment

(Millions of yen)

Japan	Overseas	Total
426,855	236,695	663,550

3. Information by major customer

   As net sales to one particular customer did not amount to 10% or more of net sales in the consolidated statements of income, this information is omitted.

Information related to impairment loss on noncurrent assets by reportable segment

Fiscal year ended March 31, 2011

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Reportable segments total	Adjustment	Total
Impairment loss	16	344	–	2,977	3,338	1,958	5,297

Note: Adjustment indicates the amount pertaining to idle properties managed by the head office.

Information related to amount of goodwill amortization and unamortized balance by reportable segment

As of March 31, 2011

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Balance as of March 31, 2011	15,237	1,115,970	–	16,608	1,147,816

Note: For the amount of goodwill amortization, please refer to “3. Information about net sales, profit or loss, assets and other items by reportable segment” in segment information.

Related party transaction

Fiscal year ended March 31, 2010

Omitted because of immateriality.

Fiscal year ended March 31, 2011

Omitted because of immateriality.

(Per share information)

Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
Net assets per share	¥172,139.61	Net assets per share	¥59,039.71
Net income per share	¥14,451.67	Net income per share	¥15,141.31
Diluted net income per share	¥14,448.89	Diluted net income per share	¥15,136.79

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

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net income per share		
Net income (Millions of yen)	138,448	144,961
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	138,448	144,961
Average number of common stocks during the period (Thousands of shares)	9,580	9,573
Diluted net income per share		
Dilutive effects (Millions of yen)	–	–
Number of increased common stocks (Thousands of shares)	1	2
(of which, subscription rights to shares) (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	–	–

(Additional information)

<table>
<tr><th>Fiscal year ended March 31, 2010</th><th>Fiscal year ended March 31, 2011</th></tr>
<tr><td>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 ¥4.5680 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.</td><td>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 ¥4.2830 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, the Government of New Brunswick and the Government of Newfoundland and Labrador claiming the recovery of health care costs, however, the amounts of claims have not been specified in these lawsuits.</td></tr>
</table>

(Important subsequent events)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
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 (the "Canadian Governments") 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. ("RJR") and paid CAD150 million (approximately ¥13.8 billion). As a result, all of the contraband-related claims against JTI-Mac and others associated with it by the Canadian Governments have been withdrawn and the Notice of Assessment from the Quebec Ministry of Revenue has been withdrawn. At the same time, on April 13, 2010, the RJR Group entered into another agreement with the Canadian Governments and made the payment of CAD400 million (approximately ¥37.0 billion), resulting in total payments by the JT Group and RJR Group to the Canadian Governments of CAD550 million (approximately ¥50.9 billion). As a result of indemnification rights under the RJRI Purchase Agreement in 1999 and subsequent negotiations with the RJR Group, the JT Group and the RJR Group entered into an agreement whereby the JT Group would incur CAD150 million among the aforementioned CAD550 million total.	JT decided by resolution at a meeting of the Board of Directors held on April 27, 2011, for Austria Tabak GmbH, a consolidated subsidiary of JT, to close its Hainburg Factory and streamline some of its administrative departments in Wien. It should be noted that JT expects temporary losses such as additional retirement benefits for employees and impairment loss on noncurrent assets will occur as a result of this move. JT estimates that the effect of these losses will amount to EUR 80 million (approximately ¥9.4 billion).

e. Supplementary statements–consolidated

Detailed statement of bonds payable

Company name	Issues	Issue date	Balance as of March 31, 2010 (Millions of yen)	Balance as of March 31, 2011 (Millions of yen)	Interest rate (%)	Security	Maturity
Japan Tobacco Inc.	No. 2 domestic straight bonds	July 24, 2007	50,000 (50,000)	–	1.34	Yes	July 23, 2010
Japan Tobacco Inc.	No. 3 domestic straight bonds	July 24, 2007	40,000	40,000 (40,000)	1.53	Yes	July 22, 2011
Japan Tobacco Inc.	No. 4 domestic straight bonds	July 24, 2007	59,996	59,998	1.68	Yes	July 24, 2012
Japan Tobacco Inc.	No. 5 domestic straight bonds	June 3, 2009	100,000	100,000	1.13	Yes	June 3, 2014
Japan Tobacco Inc.	No. 6 domestic straight bonds	December 9, 2010	–	40,000	0.53	Yes	December 9, 2015
Japan Tobacco Inc.	No. 7 domestic straight bonds	December 9, 2010	–	20,000	0.84	Yes	December 8, 2017
Japan Tobacco Inc.	No. 8 domestic straight bonds	December 9, 2010	–	20,000	1.30	Yes	December 9, 2020
JTI (UK) Finance Plc	Euro-denominated straight bonds	June 10, 2004	105,828 [EUR 800 million]	86,209 (86,209) [EUR 800 million]	4.63	No	June 10, 2011
JTI (UK) Finance Plc	Pound-denominated straight bonds	February 6, 2003	36,513 [GBP 250 million]	31,534 [GBP 250 million]	5.75	No	February 6, 2013
JTI (UK) Finance Plc	Euro-denominated straight bonds	October 2, 2006	66,055 [EUR 500 million]	53,855 [EUR 500 million]	4.50	No	April 2, 2014
Other bonds	–	–	1,015 (395)	626 (276)	–	–	–
Total		–	459,409 (50,395)	452,225 (126,486)	–	–	–

Notes: 1. The figures in parentheses in the “Balance” columns are current portions included in the figures above.
2. The figures in square bracket in the “Balance” columns are foreign currency-denominated bonds included in the figures above.
3. Bond redemption schedule within five years after the closing date of accounting period are as follows:

(Millions of yen)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
126,479	60,150	31,676	153,981	40,000

Detailed statement of loans payable

Category	Balance as of March 31, 2010 (Millions of yen)	Balance as of March 31, 2011 (Millions of yen)	Average interest rate (%)	Payment due
Short-term loans payable	109,263	70,059	2.8	–
Commercial papers	119,000	–	–	–
Current portion of long-term loans payable	23,024	21,490	1.4	–
Current portion of lease obligations	4,936	4,591	8.6	–
Long-term loans payable (excluding current portion)	149,569	152,414	1.0	2012 to 2028
Lease obligations (excluding current portion)	9,126	7,949	5.3	2012 to 2019
Other interest-bearing debts	–	–	–	–
Total	414,920	256,506	–	–

Notes: 1. Average interest rates above are computed based on the interest rate and outstanding balance as of the closing date of the accounting period.

2. Repayment of long-term loans payable and lease obligations (excluding current portion) above scheduled within five years after the closing date of accounting period are as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	99,377	20,893	1,692	30,035
Lease obligations	3,521	2,285	1,367	545

Detailed statement of asset retirement obligations

As the amount of asset retirement obligations as of March 31, 2011 is not more than 1% of the total amount of liabilities and net assets as of the same date, this information is omitted pursuant to the provisions of Article 92-2 of the Regulation for Consolidated Financial Statements.

(2) Others

Quarterly data of the fiscal year ended March 31, 2011

(Millions of yen)

	First quarter From April 1, 2010 to June 30, 2010	Second quarter From July 1, 2010 to September 30, 2010	Third quarter From October 1, 2010 to December 31, 2010	Fourth quarter From January 1, 2011 to March 31, 2011
Net sales	1,467,099	1,831,635	1,349,193	1,546,626
Income before income taxes and minority interests	53,915	106,781	62,277	57,523
Net income	22,840	59,113	37,577	25,429
Net income per share (Yen)	2,384.18	6,170.47	3,922.45	2,661.41

Note: Quarterly data for the three months (the second, third and fourth quarters) is prepared by subtracting previous three, six and nine months' amount from the total amount of six, nine and twelve months, respectively.

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

a. Non-consolidated balance sheets

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Assets				
Current assets				
Cash and deposits		2,466		291
Accounts receivable-trade	*2	53,662	*2	55,919
Short-term investment securities		6,760		139,400
Merchandise and finished goods		35,446		8,437
Semi-finished goods		108,997		102,958
Work in process		3,719		2,031
Raw materials and supplies		39,965		41,140
Advance payments-trade	*2	452	*2	483
Prepaid expenses	*2	4,796	*2	5,206
Deferred tax assets		13,988		12,457
Short-term loans receivable from subsidiaries and affiliates		174,555		30,965
Other	*2	15,945	*2	21,569
Allowance for doubtful accounts		(425)		(422)
Total current assets		460,328		420,441
Noncurrent assets				
Property, plant and equipment				
Buildings		410,946		397,526
Accumulated depreciation		(288,704)		(281,031)
Buildings, net		122,242		116,494
Structures		21,171		20,071
Accumulated depreciation		(17,662)		(16,846)
Structures, net		3,509		3,225
Machinery and equipment		320,518		338,508
Accumulated depreciation		(254,677)		(263,095)
Machinery and equipment, net		65,840		75,412
Vehicles		2,915		2,938
Accumulated depreciation		(1,353)		(1,458)
Vehicles, net		1,561		1,480
Tools, furniture and fixtures		92,769		81,615
Accumulated depreciation		(71,479)		(61,104)
Tools, furniture and fixtures, net		21,290		20,510
Land		93,453		91,721
Construction in progress		8,278		7,206
Total property, plant and equipment		316,176		316,050

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Intangible assets				
Patent right		338		221
Leasehold right		13		13
Right of trademark		2,182		4,905
Design right		75		99
Software		10,996		11,553
Other		152		182
Total intangible assets		13,759		16,975
Investments and other assets				
Investment securities		43,896		27,804
Stocks of subsidiaries and affiliates		2,093,949		2,018,926
Investments in capital of subsidiaries and affiliates		782		782
Long-term loans receivable		310		310
Long-term loans receivable from subsidiaries and affiliates		32,540		14,450
Long-term prepaid expenses		7,131		7,157
Deferred tax assets		39,704		39,698
Other		19,573		17,335
Allowance for doubtful accounts		(648)		(578)
Total investments and other assets		2,237,239		2,125,886
Total noncurrent assets		2,567,175		2,458,912
Total assets		3,027,503		2,879,353
Liabilities				
Current liabilities				
Accounts payable-trade	*2	15,266	*2	10,525
Short-term loans payable		30,543		–
Commercial papers		119,000		–
Current portion of bonds	*1	50,000	*1	40,000
Current portion of long-term loans payable		20,200		20,200
Lease obligations	*2	6,116	*2	3,327
Accounts payable-other	*2	48,241	*2	44,272
Accrued expenses	*2	2,309	*2	7,972
National tobacco excise taxes payable		45,439		52,703
National tobacco special excise taxes payable		10,490		8,150
Local tobacco excise taxes payable		55,982		61,868
Income taxes payable		30,697		33,888
Accrued consumption taxes		13,904		23,010
Advances received		12		0
Deposits received		623		638
Cash management system deposits received	*3	227,108	*3	232,174
Unearned revenue	*2	184	*2	193
Provision for bonuses		11,534		11,753
Other	*2	1,069	*2	1,018
Total current liabilities		688,722		551,697

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Noncurrent liabilities				
Bonds payable	*1	199,996	*1	239,998
Long-term loans payable		40,360		50,160
Lease obligations	*2	5,244	*2	6,096
Provision for retirement benefits		177,988		163,963
Asset retirement obligations		–		397
Lease and guarantee deposits received	*2	7,695	*2	7,254
Long-term accounts payable-other		5,735		5,385
Total noncurrent liabilities		437,020		473,255
Total liabilities		1,125,743		1,024,952
Net assets				
Shareholders' equity				
Capital stock		100,000		100,000
Capital surplus				
Legal capital surplus		736,400		736,400
Other capital surplus		6		9
Total capital surpluses		736,406		736,409
Retained earnings				
Legal retained earnings		18,776		18,776
Other retained earnings				
Reserve for reduction entry		38,320		37,127
Special account for reduction entry		4,254		1,882
General reserve		955,300		955,300
Retained earnings brought forward		112,612		92,829
Total retained earnings		1,129,263		1,105,915
Treasury stock		(74,575)		(94,573)
Total shareholders' equity		1,891,095		1,847,751
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		10,099		5,886
Total valuation and translation adjustments		10,099		5,886
Subscription rights to shares		564		763
Total net assets		1,901,759		1,854,401
Total liabilities and net assets		3,027,503		2,879,353

b. Non-consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Net sales		2,052,654		2,066,340
Cost of sales				
Beginning merchandise and finished goods		21,266		35,446
Cost of products manufactured		302,735		263,267
Cost of purchased goods		603		534
National tobacco excise taxes		532,760		550,302
National tobacco special excise taxes		122,990		108,250
Local tobacco excise taxes		655,745		658,535
Transfer to other account	*1	556	*1	3,897
Ending merchandise and finished goods		35,446		8,437
Cost of sales on real estate business		3,618		3,372
Total cost of sales		1,603,720		1,607,374
Gross profit		448,934		458,966
Selling, general and administrative expenses				
Advertising expenses		13,993		12,792
Promotion expenses		52,365		54,359
License fee		2,438		3,190
Transportation and warehousing expenses		19,807		22,027
Compensations, salaries and allowances		33,002		33,312
Retirement benefit expenses		6,593		5,720
Legal welfare expenses		5,805		6,038
Employees' bonuses		7,650		6,884
Provision for bonuses		6,985		7,203
Business consignment expenses		22,276		23,432
Depreciation		31,793		17,385
Research and development expenses	*5	41,655	*5	41,956
Other		40,717		39,239
Total selling, general and administrative expenses		285,086		273,543
Operating income		163,847		185,422
Non-operating income				
Interest income	*4	587		517
Dividends income	*4	5,917	*4	4,880
Rent income from subsidiaries and affiliates		765		814
Other	*4	2,959	*4	2,735
Total non-operating income		10,229		8,948

(Millions of yen)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Non-operating expenses				
Interest expenses	*4	2,724		1,848
Interest on bonds		3,791		3,158
Foreign exchange losses		–		1,466
Financial support for domestic leaf tobacco growers		522		1,491
Periodic mutual assistance association cost		1,724		1,384
Other		3,707		2,201
Total non-operating expenses		12,470		11,552
Ordinary income		161,606		182,818
Extraordinary income				
Gain on sales of land		30,415		8,092
Gain on sales of other noncurrent assets		0		77
Gain on sales of investment securities		–		1,381
Other		3,492		82
Total extraordinary income		33,907		9,634
Extraordinary loss				
Loss on sales of noncurrent assets	*2	3,514	*2	715
Loss on retirement of noncurrent assets	*3	4,144	*3	4,210
Impairment loss		1,859		1,974
Business restructuring costs	*6	5,004		–
Expense for disposal of PCB-containing wastes		4,055		–
Loss on valuation of stocks of subsidiaries and affiliates		–	*7	74,942
Loss on the Great East Japan Earthquake		–	*8	8,667
Other		2,023		3,353
Total extraordinary losses		20,601		93,864
Income before income taxes		174,912		98,588
Income taxes-current		56,358		62,031
Income taxes-deferred		11,192		4,341
Total income taxes		67,551		66,372
Net income		107,361		32,216

Detailed statement of manufacturing cost

(Millions of yen)

Category	Note	Fiscal year ended March 31, 2010 Amount	%	Fiscal year ended March 31, 2011 Amount	%
I. Raw material cost		209,637	71.1	177,089	68.9
II. Labor cost		25,508	8.7	23,219	9.0
III. Other expenses		59,387	20.2	56,955	22.1
Total manufacturing cost of this fiscal year		294,533	100.0	257,264	100.0
Beginning semi-finished goods		118,789		108,997	
Beginning work in process		3,706		3,719	
Total		417,029		369,981	
Ending semi-finished goods		108,997		102,958	
Ending work in process		3,719		2,031	
Transfer to other account	*1	1,576		1,722	
Cost of products manufactured		302,735		263,267	

(Millions of yen)

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Major item of other expenses		
Depreciation and amortization	18,055	19,220

Note: *1. Mainly consisting of transfers to raw materials used for trials.

Method of cost accounting

Process cost accounting system is used for the cost accounting for our major products, tobacco, where processes are classified as the process of threshing and processing tobacco leaves (process to manufacture semi-finished goods) and the process of manufacturing finished goods from semi-finished goods of tobacco leaves threshed and processed.

c. Non-consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Shareholders' equity		
Capital stock		
Balance at the end of previous period	100,000	100,000
Balance at the end of current period	100,000	100,000
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	736,400	736,400
Balance at the end of current period	736,400	736,400
Other capital surplus		
Balance at the end of previous period	–	6
Changes of items during the period		
Disposal of treasury stock	6	2
Total changes of items during the period	6	2
Balance at the end of current period	6	9
Total capital surplus		
Balance at the end of previous period	736,400	736,406
Changes of items during the period		
Disposal of treasury stock	6	2
Total changes of items during the period	6	2
Balance at the end of current period	736,406	736,409
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	18,776	18,776
Balance at the end of current period	18,776	18,776
Other retained earnings		
Reserve for reduction entry		
Balance at the end of previous period	44,734	38,320
Changes of items during the period		
Provision of reserve for reduction entry	3,068	4,969
Reversal of reserve for reduction entry	(9,481)	(6,161)
Total changes of items during the period	(6,413)	(1,192)
Balance at the end of current period	38,320	37,127
Special account for reduction entry		
Balance at the end of previous period	2,413	4,254
Changes of items during the period		
Provision of reserve for special account for reduction entry	4,254	1,882
Reversal of reserve for special account for reduction entry	(2,413)	(4,254)
Total changes of items during the period	1,841	(2,372)
Balance at the end of current period	4,254	1,882

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
General reserve		
Balance at the end of previous period	916,300	955,300
Changes of items during the period		
Provision of general reserve	39,000	–
Total changes of items during the period	39,000	–
Balance at the end of current period	955,300	955,300
Retained earnings brought forward		
Balance at the end of previous period	93,326	112,612
Changes of items during the period		
Provision of reserve for reduction entry	(3,068)	(4,969)
Reversal of reserve for reduction entry	9,481	6,161
Provision of reserve for special account for reduction entry	(4,254)	(1,882)
Reversal of reserve for special account for reduction entry	2,413	4,254
Provision of general reserve	(39,000)	–
Dividends from surplus	(53,648)	(55,564)
Net income	107,361	32,216
Total changes of items during the period	19,285	(19,783)
Balance at the end of current period	112,612	92,829
Total retained earnings		
Balance at the end of previous period	1,075,550	1,129,263
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	107,361	32,216
Total changes of items during the period	53,713	(23,348)
Balance at the end of current period	1,129,263	1,105,915
Treasury stock		
Balance at the end of previous period	(74,578)	(74,575)
Changes of items during the period		
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	3	1
Total changes of items during the period	3	(19,998)
Balance at the end of current period	(74,575)	(94,573)
Total shareholders’ equity		
Balance at the end of previous period	1,837,372	1,891,095
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	107,361	32,216
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	9	4
Total changes of items during the period	53,723	(43,344)
Balance at the end of current period	1,891,095	1,847,751

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	7,627	10,099
Changes of items during the period		
Net changes of items other than shareholders' equity	2,472	(4,212)
Balance at the end of current period	10,099	5,886
Deferred gains or losses on hedges		
Balance at the end of previous period	79	–
Changes of items during the period		
Net changes of items other than shareholders' equity	(79)	–
Balance at the end of current period	–	–
Total valuation and translation adjustments		
Balance at the end of previous period	7,706	10,099
Changes of items during the period		
Net changes of items other than shareholders' equity	2,392	(4,212)
Balance at the end of current period	10,099	5,886
Subscription rights to shares		
Balance at the end of previous period	364	564
Changes of items during the period		
Net changes of items other than shareholders' equity	200	198
Balance at the end of current period	564	763
Total net assets		
Balance at the end of previous period	1,845,443	1,901,759
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	107,361	32,216
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	9	4
Net changes of items other than shareholders' equity	2,593	(4,014)
Total changes of items during the period	56,316	(47,358)
Balance at the end of current period	1,901,759	1,854,401

Significant accounting policies

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
1. Valuation standard and method for securities	Stocks of subsidiaries and affiliates --- Stated at cost determined by the moving-average method. Available-for-sale securities With a fair value --- Stated at fair value based on market prices, etc. on the closing date of the accounting period. (Valuation difference is stated as a component of net assets, and the cost of securities sold is calculated by applying the moving-average method.) Without a fair value --- Stated at cost determined by the moving-average method.	Stocks of subsidiaries and affiliates --- Same as left Available-for-sale securities With a fair value --- Same as left Without a fair value --- Same as left
2. Valuation standard and method for derivatives	Derivatives --- Stated based on the fair value method.	Derivatives --- Same as left
3. Valuation standard and method for inventories	Stated at cost determined by the gross average method. (Balance sheet amounts are measured at the lower of cost or net selling value.)	Same as left
4. Depreciation methods for noncurrent assets	(1) Property, plant and equipment (excluding lease assets) The declining balance method (straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998) is applied. The useful lives of major items are as follows: Buildings (excluding accompanying facilities) 38 to 50 years Machinery and equipment 10 years	(1) Property, plant and equipment (excluding lease assets) Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(2) Intangible assets (excluding lease assets) The straight-line method is applied. The useful lives of major items are as follows: Goodwill 5 years Patent right 8 years Right of trademark 10 years Software 5 years (3) Lease assets For finance leases that do not transfer ownership of the leased property to the lessee, depreciation expense is mostly computed based on the straight-line method over the lease period as the useful life and assuming no residual value.	(2) Intangible assets (excluding lease assets) The straight-line method is applied. The useful lives of major items are as follows: Patent right 8 years Right of trademark 10 years Software 5 years (3) Lease assets Same as left
5. Policy for translation of foreign currency-denominated assets and liabilities into Japanese yen	Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates prevailing at the closing date of the accounting period with translation differences treated as gains or losses occurring in the corresponding fiscal year.	Same as left
6. Policy for reserve allowances	(1) Allowance for doubtful accounts Provided for possible losses from bad debts at an amount determined based on the historical default rate for ordinary receivables and the individual recoverability of specific doubtful receivables from customers experiencing financial difficulties. (2) Provision for bonuses Provided based on the estimated bonus amount payable to employees and directors.	(1) Allowance for doubtful accounts Same as left (2) Provision for bonuses Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(3) Provision for retirement benefits Provided in preparation for the payment of retirement benefits to employees based on the estimated retirement benefits obligation and fair value of plan assets as of the end of this fiscal year. Prior service cost is amortized using the straight-line method over the average remaining years of service of the employees (10 years). Actuarial gains or losses are amortized from the year following the year in which the gains or losses are recognized using the straight-line method over the average remaining years of service of the employees (10 years). Also included in the provision for retirement benefits is the portion of public pension expenses for mutual assistance association during certain periods in or before June 1956 (prior to the enforcement of the Act on the Mutual Aid Association of Public Corporation Employees, etc.).	(3) Provision for retirement benefits Same as left
7. Hedge accounting method	(1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated in foreign currencies are translated at foreign exchange rate stipulated in foreign currency forward contracts where requirements are met. (2) Hedging instruments and hedged items Hedging instruments --- Foreign currency forward contracts Hedged items --- Loans receivable	(1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated in foreign currencies are translated at foreign exchange rate stipulated in foreign currency forward contracts where requirements are met. For interest rate and currency swaps, if they satisfy the requirements for treatment that incorporates swaps into underlying accounting items (accounting by applying foreign exchange rate stipulated in the contracts, exceptional treatment), they are accounted for by incorporating swaps into underlying accounting items. (2) Hedging instruments and hedged items a. Hedging instruments --- Foreign currency forward contracts Hedged items --- Loans receivable b. Hedging instruments --- Interest rate and currency swaps Hedged items --- Loans payable

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(3) Hedging policy Derivative transactions are mainly used in line with the Group Basic Policy on Financial Operations, the internal policy for derivative transactions, for the purpose of avoiding or reducing foreign currency exchange risks associated with future foreign currency transactions and for the purpose of avoiding interest rate risks associated with interest receipts on debt securities and interest payments on loans. (4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value, but used for translation of foreign currency-denominated assets and liabilities.	(3) Hedging policy Same as left (4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value, but used for translation of foreign currency-denominated assets and liabilities and for interest rate and currency swaps treated with accounting that incorporates the swaps into underlying accounting items.
8. Other significant accounting policies	Consumption taxes National consumption tax and local consumption tax are excluded from the non-consolidated statements of income.	Consumption taxes Same as left

Changes in significant matters in preparing non-consolidated financial statements

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
―――――――――	(Application of Accounting Standard for Asset Retirement Obligations) Effective 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 during this fiscal year is immaterial.

Changes in methods of presentation

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(Non-consolidated balance sheets) In the previous fiscal year, "Short-term loans receivable from subsidiaries and affiliates" (¥8,257 million recorded in the previous fiscal year) was included in "Other" in "Current assets," however, it is now presented separately due to its increased materiality.	―――――――――
(Non-consolidated statements of income) 1. In the previous fiscal year, "Foreign exchange losses" (¥1,168 million recorded in this fiscal year) was presented separately in "Non-operating expenses," however, in this fiscal year, it is included in "Other" in "Non-operating expenses" due to its immateriality. 2. In the previous fiscal year, "Business restructuring costs" (¥1,860 million recorded in the previous fiscal year) was included in "Other" in "Extraordinary loss," however, it is now presented separately due to its increased materiality.	(Non-consolidated statements of income) 1. In the previous fiscal year, "Foreign exchange losses" (¥1,168 million recorded in the previous fiscal year) was included in "Other" in "Non-operating expenses," however, it is now presented separately due to its increased materiality. 2. In the previous fiscal year, "Gain on sales of investment securities" (¥23 million recorded in the previous fiscal year) was included in "Other" in "Extraordinary income," however, it is now presented separately due to its increased materiality. 3. In the previous fiscal year, "Business restructuring costs" (¥1,844 million recorded in this fiscal year) was presented separately in "Extraordinary loss," however, in this fiscal year, it is included in "Other" in "Extraordinary loss" due to its immateriality. 4. In the previous fiscal year, "Expense for disposal of PCB-containing wastes" (¥11 million recorded in this fiscal year) was presented separately in "Extraordinary loss," however, in this fiscal year, it is included in "Other" in "Extraordinary loss" due to its immateriality.

Notes to non-consolidated financial statements

(Notes to non-consolidated balance sheets)

As of March 31, 2010	As of March 31, 2011
*1. Pursuant to Article 6 of the Japan Tobacco Inc. Act, JT's assets are pledged as general collateral for its corporate bonds.	*1. Same as left
*2. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows: (Millions of yen) Assets for subsidiaries and affiliates: 35,369 Liabilities for subsidiaries and affiliates: 40,082	*2. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows: (Millions of yen) Assets for subsidiaries and affiliates: 37,614 Liabilities for subsidiaries and affiliates: 33,347
*3. "Cash management system deposits received" represents the fund entrusted in the cash management system of domestic Group companies. Please note that, from this fiscal year, the company that controls the cash management system was changed from JT Finance Service Co., Ltd. to JT.	*3. "Cash management system deposits received" represents the fund entrusted in the cash management system of domestic Group companies.
4. Contingent obligations Guarantees are provided for bank loans and bonds of subsidiaries and affiliates as follows:	4. Contingent obligations Guarantees are provided for bank loans and bonds of subsidiaries and affiliates as follows:

Bank loans — As of March 31, 2010

	(Millions of yen)	
JT International Holding B.V.	98,272	(GBP 700 million)
JT International Germany GmbH	14,968	(EUR 119 million)
JT International S.A.	13,564	(CHF 64 million) (EUR 44 million) (USD 25 million)
JT International Company Netherlands B.V.	10,041	(EUR 80 million) (USD 0 million)
Other (40 companies)	69,990	
Total	206,837	

Bank loans — As of March 31, 2011

	(Millions of yen)	
JT International Holding B.V.	124,626	(EUR 510 million) (GBP 455 million) (CAD 44 million)
JTI Ireland Limited	22,787	(EUR 194 million)
JT International Hellas A.E.B.E.	20,497	(EUR 174 million)
JT International Germany GmbH	14,253	(EUR 121 million)
JT International S.A.	13,197	(EUR 54 million) (CHF 53 million) (USD 23 million)
Other (47 companies)	70,743	
Total	266,104	

Bonds — As of March 31, 2010

	(Millions of yen)	
JTI (UK) Finance PLC	204,118	(EUR 1,352 million) (GBP 252 million)
Total	204,118	

Bonds — As of March 31, 2011

	(Millions of yen)	
JTI (UK) Finance PLC	192,562	(EUR 1,352 million) (GBP 252 million)
Total	192,562	

As of March 31, 2010 — Note: Guarantee obligations denominated in foreign currencies were translated to yen amounts using the exchange rate as of the closing date of the accounting period.

As of March 31, 2011 — Note: Guarantee obligations denominated in foreign currencies were translated to yen amounts using the exchange rate as of the closing date of the accounting period.

(Notes to non-consolidated statements of income)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
*1. “Transfer to other account” represents the amount of merchandise and finished goods to be used as samples or for other purposes.	*1. “Transfer to other account” represents the amount of merchandise and finished goods to be used as loss on the Great East Japan Earthquake or for other purposes.
*2. The main component of “Loss on sales of noncurrent assets” is as follows: (Millions of yen) Buildings 1,683 Land 1,620	*2. The main component of “Loss on sales of noncurrent assets” is as follows: (Millions of yen) Buildings 557
*3. The main component of “Loss on retirement of noncurrent assets” is as follows: (Millions of yen) Buildings 1,574 Machinery and equipment 1,566	*3. The main component of “Loss on retirement of noncurrent assets” is as follows: (Millions of yen) Buildings 1,775 Machinery and equipment 1,437
*4. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows: (Millions of yen) Dividends income 3,897 Other non-operating income 2,036 Interest expenses 1,475	*4. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows: (Millions of yen) Dividends income 4,313 “Other” in Non-operating income 1,001
*5. Total research and development expenses are ¥41,655 million, all of which are recorded as general and administrative expenses.	*5. Total research and development expenses are ¥41,956 million, all of which are recorded as general and administrative expenses.
*6. “Business restructuring costs” in “Extraordinary loss” were incurred in line with the business restructuring measures mainly for additional retirement benefits related to early retirement.	
	*7. Loss on valuation of stocks of subsidiaries and affiliates is the recording of an impairment loss on the stock of JT’s subsidiary, TableMark Co., Ltd.
	*8. Loss on the Great East Japan Earthquake refers to items such as restoration costs for noncurrent assets and loss on destruction of inventories, which occurred at JT’s manufacturing facilities and other sites as a result of the Great East Japan Earthquake, which struck on March 11, 2011. Most of the noncurrent assets and inventories damaged in the earthquake disaster are covered by casualty insurance.

(Notes to non-consolidated statements of changes in net assets)

Fiscal year ended March 31, 2010

Class and number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2009	Increase in the fiscal year ended March 31, 2010	Decrease in the fiscal year ended March 31, 2010	Number of shares as of March 31, 2010
Common stock (Note)	419	–	0	419
Total	419	–	0	419

Note: The decrease of 17 shares in the number of common shares of treasury stock is due to the exercise of stock options.

Fiscal year ended March 31, 2011

Class and number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011	Number of shares as of March 31, 2011
Common stock (Note)	419	58	0	478
Total	419	58	0	478

Note: The increase of 58,630 shares in the number of common shares of treasury stock is the increase due to the acquisition implemented pursuant to the provision of Article 156 of the Companies Act, as applied under Article 165, paragraph (3) of the Act, and the decrease of 7 shares is due to the exercise of stock options.

(Lease transactions)

Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
[As lessee]		**[As lessee]**	
Operating leases		Operating leases	
Future minimum lease payments under noncancelable operating leases		Future minimum lease payments under noncancelable operating leases	
	(Millions of yen)		(Millions of yen)
Due within one year	5	Due within one year	5
Due after one year	6	Due after one year	1
Total	11	Total	6

(Short-term investment securities and investment securities)

As of March 31, 2010

Investments in subsidiaries and affiliates

(Millions of yen)

Type	Balance sheet amount	Fair value	Difference
Investments in subsidiaries	41,580	28,241	(13,338)
Total	41,580	28,241	(13,338)

Note: Investments in subsidiaries and affiliates whose fair value is deemed extremely difficult to determine

(Millions of yen)

Type	Balance sheet amount
Investments in subsidiaries	2,052,133
Investments in affiliates	235

The above are not included in "Investments in subsidiaries and affiliates" because their market values are not available and their fair values are deemed extremely difficult to determine.

As of March 31, 2011

Investments in subsidiaries and affiliates

(Millions of yen)

Type	Balance sheet amount	Fair value	Difference
Investments in subsidiaries	41,580	25,515	(16,064)
Total	41,580	25,515	(16,064)

Note: Investments in subsidiaries and affiliates whose fair value is deemed extremely difficult to determine

(Millions of yen)

Type	Balance sheet amount
Investments in subsidiaries	1,977,191
Investments in affiliates	154

The above are not included in "Investments in subsidiaries and affiliates" because their market values are not available and their fair values are deemed extremely difficult to determine.

(Tax effect accounting)

As of March 31, 2010		As of March 31, 2011	
1. Breakdown of deferred tax assets and deferred tax liabilities by major cause		1. Breakdown of deferred tax assets and deferred tax liabilities by major cause	
	(Millions of yen)		(Millions of yen)
Deferred tax assets		Deferred tax assets	
Provision for retirement benefits	27,623	Provision for retirement benefits	25,406
Obligations pertaining to mutual assistance association	44,195	Obligations pertaining to mutual assistance association	40,753
Impairment loss	1,173	Impairment loss	941
Provision for bonuses	4,654	Provision for bonuses	4,742
Other	20,235	Loss on valuation of stocks of subsidiaries and affiliates	31,259
Subtotal	97,880	Other	17,641
Less valuation allowance	(2,960)	Subtotal	120,744
Total	94,920	Less valuation allowance	(33,406)
		Total	87,337
Deferred tax liabilities			
Reserve for reduction entry	(25,921)	Deferred tax liabilities	
Other	(15,305)	Reserve for reduction entry	(25,114)
Total	(41,227)	Other	(10,066)
Net deferred tax assets	53,692	Total	(35,181)
		Net deferred tax assets	52,156
2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the non-consolidated statements of income, if there is a significant difference		2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the non-consolidated statements of income, if there is a significant difference	
Note is omitted because the difference between the normal effective statutory tax rates and the actual effective tax rates are not more than 5% of the normal effective statutory tax rates.			(%)
		Normal effective statutory tax rates	40.35
		(Adjustment)	
		Expenses not deductible permanently such as entertainment expenses	0.77
		Income not taxable permanently such as dividends income	(1.74)
		Tax deduction on experiment and research expenses	(3.01)
		Valuation allowance	30.88
		Other	0.07
		Actual effective tax rate	67.32

(Business combination)

Fiscal year ended March 31, 2010

No items to report

Fiscal year ended March 31, 2011

No items to report

(Asset retirement obligations)

As of March 31, 2011

Omitted because of immateriality.

(Per share information)

Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
Net assets per share	¥198,452.58	Net assets per share	¥194,679.73
Net income per share	¥11,206.74	Net income per share	¥3,365.00
Diluted net income per share	¥11,204.58	Diluted net income per share	¥3,364.00

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

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net income per share		
Net income (Millions of yen)	107,361	32,216
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common shares (Millions of yen)	107,361	32,216
Average number of common shares during the period (Thousands of shares)	9,580	9,573
Diluted net income per share		
Dilutive effects (Millions of yen)	–	–
Number of increased common shares (Thousands of shares)	1	2
(of which, subscription rights to shares) (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	–	–

(Important subsequent events)

Fiscal year ended March 31, 2010

No items to report

Fiscal year ended March 31, 2011

No items to report

d. Supplementary statements

Detailed statement of short-term investment securities

Shares

Issues			Number of shares (Share)	Balance sheet amount (Millions of yen)
Investment securities	Available-for-sale securities	KT&G Corporation	2,864,904	12,382
		Seven & i Holdings Co., Ltd.	852,000	1,807
		Mizuho Financial Group, Inc.	12,750,700	1,759
		Mitsubishi UFJ Financial Group, Inc.	3,511,050	1,348
		DOUTOR-NICHIRES Holdings Co., Ltd.	1,320,000	1,326
		Sumitomo Mitsui Financial Group, Inc.	340,901	881
		Central Japan Railway Company	1,000	659
		NIPPON TELEGRAPH AND TELEPHONE CORPORATION	153,000	571
		OKAMURA CORPORATION	1,206,000	564
		NIPPON EXPRESS CO., LTD.	1,730,400	551
		51 other issues	13,250,605	5,121
Total			37,980,560	26,974

Other

Issues			Number of investment units (Unit)	Balance sheet amount (Millions of yen)
Short-term investment securities	Available-for-sale securities	Certificates of deposit	–	139,400
		Subtotal	–	139,400
Investment securities	Available-for-sale securities	Securities issued by government agencies	50,000	500
		Preferred securities	1,115,540	318
		Limited liabilities partnership for investments (2 partnerships)	100	12
		Subtotal	–	830
Total			–	140,230

Detailed statement of property, plant and equipment and others

(Millions of yen)

Type of assets	Balance as of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011	Balance as of March 31, 2011	Accumulated depreciation or accumulated amortization as of March 31, 2011	Depreciation during the fiscal year ended March 31, 2011	Balance as of March 31, 2011
Property, plant and equipment							
Buildings	410,946	7,770	21,190 (1,513)	397,526	281,031	9,699	116,494
Structures	21,171	330	1,430 (37)	20,071	16,846	470	3,225
Machinery and equipment	320,518	28,880	10,889 (711)	338,508	263,095	17,117	75,412
Vehicles	2,915	361	338	2,938	1,458	391	1,480
Tools, furniture and fixtures	92,769	11,623	22,778	81,615	61,104	12,060	20,510
Land	93,453	176	1,908 (423)	91,721	–	–	91,721
Construction in progress	8,278	38,269	39,341	7,206	–	–	7,206
Total property, plant and equipment	950,052	87,412	97,878 (2,685)	939,587	623,536	39,740	316,050
Intangible assets							
Patent right	1,170	31	–	1,201	980	148	221
Leasehold right	13	–	–	13	–	–	13
Right of trademark	4,688	3,321	–	8,009	3,103	598	4,905
Design right	83	40	–	123	25	17	99
Software	54,228	4,854	2,355	56,728	45,174	4,137	11,553
Other	267	40	–	307	125	11	182
Total intangible assets	60,449	8,288	2,355	66,381	49,407	4,912	16,975
Long-term prepaid expenses	15,433	2,521	265	17,689	10,531	2,292	7,157

Notes: 1. The figures in parentheses in the “Decrease in the fiscal year ended March 31, 2011” column represent decreases due to impairment losses included in the figures above.

2. The balance as of March 31, 2010 of intangible assets (excluding software) and long-term prepaid expenses is presented after deduction of accumulated amortization as of March 31, 2010.

3. Major breakdowns of “Increase in the fiscal year ended March 31, 2011” and “Decrease in the fiscal year ended March 31, 2011” are as follows:

(Millions of yen)

Buildings	Decrease	Idle assets	16,104
Machinery and equipment	Increase	Tobacco products manufacturing equipment and other	27,336
Tools, furniture and fixtures	Decrease	Lease assets (vending machines, etc.)	18,257

Detailed statement of reserve allowances

(Millions of yen)

Category	Balance as of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011 (specific purposes)	Decrease in the fiscal year ended March 31, 2011 (other)	Balance as of March 31, 2011
Allowance for doubtful accounts	1,074	1	71	2	1,001
Provision for bonuses	11,534	11,753	11,534	–	11,753

Note: "Decrease in the fiscal year ended March 31, 2011 (other)" for allowance for doubtful accounts consists of provision by mark-to-market based on the historical default rate for ordinary receivables.

(2) Principal assets and liabilities

Breakdowns of principal assets and liabilities as of March 31, 2011 are as follows.

a. Assets

(a) Cash and deposits

(Millions of yen)

Category	Amount
Cash	61
Type of deposits	
Checking accounts	220
Saving accounts	9
Subtotal	230
Total	291

(b) Accounts receivable-trade

i. Balance by business partner

(Millions of yen)

Business partner	Amount
JT International S.A.	10,426
JT Beverage Inc.	9,060
LAWSON, INC.	5,857
FamilyMart Co., Ltd.	4,760
Circle K Sunkus Co., Ltd.	4,096
Other	21,718
Total	55,919

ii. Accrual, collection and retention of accounts receivable-trade

Balance carried from the fiscal year ended March 31, 2010 (Millions of yen) (A)	Accrual in the fiscal year ended March 31, 2011 (Millions of yen) (B)	Collection in the fiscal year ended March 31, 2011 (Millions of yen) (C)	Balance carried forward (Millions of yen) (D)	Collection rate (%) $\frac{(C)}{(A)+(B)} \times 100$	Detention period (Day) $\frac{\frac{(A)+(D)}{2}}{\frac{(B)}{365}}$
53,662	2,166,868	2,164,611	55,919	97.5	9.2

Note: In JT's accounting, consumption taxes are, in general, excluded from transaction amounts. However, "Accrual in the fiscal year ended March 31, 2011" above includes consumption taxes.

(c) Inventories

i. Merchandise and finished goods

(Millions of yen)

	Item	Amount
Merchandise	Vending machinery-related products	89
	Other	41
	Subtotal	130
Finished goods	Tobacco products	6,199
	Other	2,107
	Subtotal	8,307
Total		8,437

ii. Semi-finished goods

(Millions of yen)

Item	Amount
Processed raw materials for tobacco products (threshed tobacco)	102,958
Total	102,958

iii. Work in process

(Millions of yen)

Item	Amount
Tobacco products	2,031
Total	2,031

iv. Raw materials and supplies

(Millions of yen)

	Item	Amount
Raw materials	Leaf tobacco	30,514
	Other	3,347
	Subtotal	33,861
Supplies	Supplies for tobacco products	3,306
	Other	3,972
	Subtotal	7,278
Total		41,140

(d) Stock of subsidiaries and affiliates

(Millions of yen)

Issue	Amount
JT Europe Holding B.V.	1,831,099
TableMark Co., Ltd.	67,775
Japan Beverage Holdings Inc.	47,564
Torii Pharmaceutical Co., Ltd.	41,580
Japan Filter Technology Co., Ltd.	12,584
Other	18,322
Total	2,018,926

b. Liabilities

(a) Accounts payable-trade

(Millions of yen)

Business partner	Amount
JT International S.A.	1,554
Japan Filter Technology Co., Ltd.	1,236
HOKKAI CAN CO., LTD	1,081
KEY COFFEE INC.	804
WEST JAPAN CAN PACK LIMITED	635
Other	5,213
Total	10,525

(b) Cash management system deposits received

Details are described in “Notes to non-consolidated balance sheets, Notes to non-consolidated financial statements of (1) Non-consolidated financial statements in 2. Non-consolidated financial statements, etc.”

(c) Bonds payable

The breakdown is described in “Detailed statement of bonds payable, e. Supplementary statements–consolidated of (1) Consolidated financial statements in 1. Consolidated financial statements, etc.”

(d) Provision for retirement benefits

i. Retirement benefits

(Millions of yen)

Category	Amount
Projected benefit obligations	190,439
Fair value of plan assets	(77,073)
Unrecognized actuarial difference	(62,388)
Unrecognized prior service cost	(3,650)
Prepaid pension cost	15,637
Subtotal	62,964

ii. Obligations pertaining to mutual assistance association (Note)

(Millions of yen)

Category	Amount
Benefit obligations	97,576
Unrecognized actuarial difference	3,422
Subtotal	100,999

(Millions of yen)

Total	163,963

Note: As described in "(3) Provision for retirement benefits, 6. Policy for reserve allowances of Significant accounting policies of (1) Non-consolidated financial statements in 2. Non-consolidated financial statements, etc.," JT computes the amount of mutual assistance association obligation separately and includes it in provision for retirement benefits.

(3) Others

No items to report

VI. Outline of filing company's business concerning shares

Business year	From April 1 to March 31
Annual General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Share trade unit	Not applicable.
Purchase of shares less than one unit:	
Office for handling business	Not applicable.
Shareholder registry administrator	Not applicable.
Forwarding office	Not applicable.
Handling charge for purchase	Not applicable.
Method of public notice	Electronic public notice will be made. However, if JT is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice on "The Nikkei" newspaper. Electronic public notice will be notified on JT's website (http://www.jti.co.jp/).
Special benefits for shareholders	Special benefits for shareholders (1) Scope: All shareholders who appear in the shareholder registry as of March 31 and September 30 each year and hold one or more shares. (2) Description: JT presents one of various own products (including products of JT Group companies and gifts and novelties with JT name) a. Shareholders with one or more than one and less than five shares: ¥2,000 equivalent b. Shareholders with five or more shares: ¥3,000 equivalent * It is possible to choose for a contribution to be made to an organization that carries out social contribution activities in lieu of the presentation of products.

VII. Reference information on filing company

1. Information on filing company's parent company

JT does not have a parent company as described by the provisions of Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, JT has filed the following documents.

(1) Annual Securities Report and Appendices, and Written Confirmation

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2010.

25th term; from April 1, 2009 to March 31, 2010

(2) Internal Control Report

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2010.

25th term; from April 1, 2009 to March 31, 2010

(3) Quarterly Securities Reports and Written Confirmations

Filed to Director-General of Kanto Local Finance Bureau on August 13, 2010.

(First quarter of the 26th term; from April 1, 2010 to June 30, 2010)

Filed to Director-General of Kanto Local Finance Bureau on November 12, 2010.

(Second quarter of the 26th term; from July 1, 2010 to September 30, 2010)

Filed to Director-General of Kanto Local Finance Bureau on February 14, 2011.

(Third quarter of the 26th term; from October 1, 2010 to December 31, 2010)

(4) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on June 29, 2010.

Extraordinary Report based on Article 19, paragraph (2), item (ix-2) (Results of Exercise of Voting Rights at the Annual General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed to Director-General of Kanto Local Finance Bureau on September 17, 2010.

Extraordinary Report based on Article 19, paragraph (2), item (ii-2) (Issuance of Subscription Rights to Shares as Stock Options) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(5) Amendment Report of Extraordinary Report

Filed to Director-General of Kanto Local Finance Bureau on October 5, 2010.

Amendment Report of Extraordinary Report filed on September 17, 2010.

(6) Share Buyback Reports

Reporting period; from February 1, 2011 to February 28, 2011

Filed to Director-General of Kanto Local Finance Bureau on March 4, 2011.

Reporting period; from March 1, 2011 to March 31, 2011

Filed to Director-General of Kanto Local Finance Bureau on April 5, 2011.

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' REPORT

June 24, 2010

To the Board of Directors of
Japan Tobacco Inc.

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Tatsuo Igarashi (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Shuichi Momoki (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Satoshi Iizuka (Seal)

[Audit of Financial Statements]
Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Accounting Section, namely, the consolidated balance sheet and the related consolidated statements of income, changes in net assets and cash flows, and consolidated supplementary schedules of Japan Tobacco Inc. and consolidated subsidiaries for the fiscal year from April 1, 2009 to March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. and consolidated subsidiaries as of March 31, 2010, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

[Audit of Internal Control over Financial Reporting]
Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Japan Tobacco Inc. as of March 31, 2010. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Japan Tobacco Inc. as of March 31, 2010 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting generally accepted in Japan.

Our firm and the engagement partners do not have any financial 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 Accountants' Report. The original report is kept separately by JT (the filing company of the Annual Securities Report).
2. The section of financial statements of this report does not contain their XBRL data.

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June 24, 2011

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Satoshi Iizuka (Seal)

Designated Unlimited Liability Partner,
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Certified Public Accountant:

Koji Ishikawa (Seal)

[Audit of Financial Statements]
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Shuichi Momoki (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Satoshi Iizuka (Seal)

Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the financial statements included in the Accounting Section, namely, the balance sheet and the related statements of income and changes in net assets, and supplementary schedules of Japan Tobacco Inc. for the 25th fiscal year from April 1, 2009 to March 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. as of March 31, 2010, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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Certified Public Accountant:

Satoshi Iizuka (Seal)

Designated Unlimited Liability 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 audited the financial statements included in the Accounting Section, namely, the balance sheet and the related statements of income and changes in net assets, and supplementary schedules of Japan Tobacco Inc. for the 26th fiscal year from April 1, 2010 to March 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. as of March 31, 2011, and the results of its operations for the year then ended in conformity with accounting principles generally accepted in Japan.

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

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V. Accounting

1. Preparation policy of the consolidated and non-consolidated financial statements

(1) JT prepares consolidated financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Consolidated Financial Statements (Ministry of Finance Ordinance No. 28 of 1976, hereinafter, the “Regulation for Consolidated Financial Statements”).

The consolidated financial statements for the fiscal year ended March 31, 2010 were prepared in accordance with the pre-revised Regulation for Consolidated Financial Statements while those for the fiscal year ended March 31, 2011 were prepared in accordance with the revised Regulation for Consolidated Financial Statements.

(2) JT prepares non-consolidated financial statements in accordance with the Regulation for Terminology, Forms and Preparation of Financial Statements (Ministry of Finance Ordinance No. 59 of 1963, hereinafter, the “Regulation for Financial Statements”).

The non-consolidated financial statements for the fiscal year ended March 31, 2010 were prepared in accordance with the pre-revised Regulation for Financial Statements while those for the fiscal year ended March 31, 2011 were prepared in accordance with the revised Regulation for Financial Statements.

2. Audit attestation

The consolidated financial statements for the fiscal year ended March 31, 2010 and the fiscal year ended March 31, 2011 and the non-consolidated financial statements for the fiscal year ended March 31, 2010 and the fiscal year ended March 31, 2011 were audited by Deloitte Touche Tohmatsu LLC pursuant to Article 193-2, paragraph (1) of the Financial Instruments and Exchange Act.

3. Special efforts made to ensure the fairness of consolidated financial statements, etc.

JT is carrying out the special efforts mentioned below in order to ensure the properness of consolidated financial statements, etc.

(1) Participates in the Financial Accounting Standards Foundation, among others, and has in place a system that enables precise responses to changes, etc. in accounting standards.

(2) In anticipation of the application of the designated International Accounting Standards, JT has established an internal project team and is making preparations accordingly.

1. Consolidated financial statements, etc.

(1) Consolidated financial statements

a. Consolidated balance sheets

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Assets				
Current assets				
Cash and deposits		155,444		117,458
Notes and accounts receivable-trade		296,884		301,829
Short-term investment securities		11,950		159,097
Merchandise and finished goods		151,062		129,654
Semi-finished goods		109,621		103,475
Work in process		5,522		3,738
Raw materials and supplies	*3	288,893		276,989
Deferred tax assets		26,615		24,674
Other		153,470		133,684
Allowance for doubtful accounts		(3,622)		(2,781)
Total current assets		1,195,843		1,247,820
Noncurrent assets				
Property, plant and equipment				
Buildings and structures	*3	611,509	*3	595,928
Accumulated depreciation		(380,469)		(371,113)
Buildings and structures, net		231,039		224,815
Machinery, equipment and vehicles	*3	668,608	*3	688,460
Accumulated depreciation		(455,737)		(456,933)
Machinery, equipment and vehicles, net		212,870		231,527
Tools, furniture and fixtures	*3	170,906	*3	157,203
Accumulated depreciation		(115,863)		(106,304)
Tools, furniture and fixtures, net		55,042		50,899
Land	*3	138,702	*3	127,207
Construction in progress		41,905		29,100
Total property, plant and equipment		679,561		663,550
Intangible assets				
Goodwill		1,387,397		1,147,816
Right of trademark		350,900		286,435
Other		30,766		27,234
Total intangible assets		1,769,064		1,461,487
Investments and other assets				
Investment securities	*1, *3	83,760	*1, *3	58,582
Deferred tax assets		85,375		82,328
Other	*1, *3	93,685	*1	81,698
Allowance for doubtful accounts		(34,695)		(23,540)
Total investments and other assets		228,127		199,069
Total noncurrent assets		2,676,752		2,324,107
Total assets		3,872,595		3,571,927

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Liabilities				
Current liabilities				
Notes and accounts payable-trade		149,462		170,820
Short-term loans payable	*3	109,263	*3	70,059
Commercial paper		119,000		–
Current portion of bonds	*3	50,395	*3	126,486
Current portion of long-term loans payable	*3	23,024	*3	21,490
Lease obligations		4,936		4,591
Accounts payable-other		73,738		67,129
National tobacco excise taxes payable		212,066		202,234
National tobacco special excise taxes payable		10,490		8,150
Local tobacco excise taxes payable		85,238		102,168
Income taxes payable		54,057		65,651
Accrued consumption taxes		60,105		69,825
Deferred tax liabilities		2,357		2,241
Provision	*2	39,610	*2	38,777
Other		107,789		113,746
Total current liabilities		1,101,535		1,063,374
Noncurrent liabilities				
Bonds payable	*3	409,014	*3	325,738
Long-term loans payable	*3	149,569	*3	152,414
Lease obligations		9,126		7,949
Deferred tax liabilities		94,577		72,630
Provision for retirement benefits		251,902		231,601
Provision for directors’ retirement benefits		763		375
Other		132,827		126,639
Total noncurrent liabilities		1,047,782		917,350
Total liabilities		2,149,317		1,980,724
Net assets				
Shareholders’ equity				
Capital stock		100,000		100,000
Capital surplus		736,406		736,409
Retained earnings		1,310,669		1,400,189
Treasury stock		(74,575)		(94,573)
Total shareholders’ equity		2,072,501		2,142,025
Accumulated other comprehensive income				
Valuation difference on available-for-sale securities		12,043		5,753
Pension liability adjustment of foreign consolidated subsidiaries		(26,269)		(27,486)
Foreign currency translation adjustment		(409,160)		(606,000)
Total accumulated other comprehensive income		(423,387)		(627,732)
Subscription rights to shares		564		763
Minority interests		73,599		76,146
Total net assets		1,723,278		1,591,202
Total liabilities and net assets		3,872,595		3,571,927

b. Consolidated statements of income and consolidated statements of comprehensive income

Consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Net sales		6,134,695		6,194,554
Cost of sales		5,022,637		5,074,074
Gross profit		1,112,057		1,120,479
Selling, general and administrative expenses	*1, *4	815,552	*1, *4	791,798
Operating income		296,504		328,680
Non-operating income				
Interest income		4,473		2,174
Dividend income		2,509		853
Foreign exchange gains		–		797
Equity in earnings of affiliates		2,401		2,329
Other		6,224		5,873
Total non-operating income		15,608		12,029
Non-operating expenses				
Interest expense		26,111		17,059
Foreign exchange losses		20,228		–
Financial support for domestic leaf tobacco growers		522		1,491
Periodic mutual assistance association cost		1,724		1,384
Other		8,150		8,286
Total non-operating expenses		56,736		28,222
Ordinary income		255,377		312,487
Extraordinary income				
Gain on sales of noncurrent assets	*2	32,341	*2	12,182
Gain on sales of investment securities		–		5,389
Gain from the reversal of liability on a fine levied under the UK competition law	*6	16,710		–
Other		9,464		3,028
Total extraordinary income		58,516		20,600
Extraordinary loss				
Loss on sales of noncurrent assets		4,237		850
Loss on retirement of noncurrent assets	*3	6,334	*3	7,255
Impairment loss		6,042		5,297
Business restructuring costs	*5	9,900	*5	4,322
Expense for disposal of PCB-containing wastes		4,055		–
Regulatory fine in Canada		–	*7	12,843
Loss on the Great East Japan Earthquake		–	*8	10,966
Other		7,268		11,055
Total extraordinary losses		37,838		52,590
Income before income taxes and minority interests		276,054		280,497
Income taxes-current		114,145		152,402
Income taxes-deferred		17,158		(21,512)
Total income taxes		131,303		130,889
Net income before minority interests		–		149,607
Minority interests in income		6,302		4,646
Net income		138,448		144,961

Consolidated statements of comprehensive income

(Millions of yen)

	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Net income before minority interests	–		149,607
Other comprehensive income			
Valuation difference on available-for-sale securities	–		(6,458)
Pension liability adjustment of foreign consolidated subsidiaries	–		(1,216)
Foreign currency translation adjustment	–		(196,360)
Total other comprehensive income	–	*2	(204,035)
Comprehensive income	–	*1	(54,427)
Total comprehensive income attributable to:			
Owners of the parent	–		(59,383)
Minority interests	–		4,956

c. Consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Shareholders' equity		
Capital stock		
Balance at the end of previous period	100,000	100,000
Balance at the end of current period	100,000	100,000
Capital surplus		
Balance at the end of previous period	736,400	736,406
Changes of items during the period		
Disposal of treasury stock	6	2
Total changes of items during the period	6	2
Balance at the end of current period	736,406	736,409
Retained earnings		
Balance at the end of previous period	1,224,989	1,310,669
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	138,448	144,961
Change in scope of consolidation	–	122
Change in scope of equity method	880	–
Total changes of items during the period	85,680	89,519
Balance at the end of current period	1,310,669	1,400,189
Treasury stock		
Balance at the end of previous period	(74,578)	(74,575)
Changes of items during the period		
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	3	1
Total changes of items during the period	3	(19,998)
Balance at the end of current period	(74,575)	(94,573)
Total shareholders' equity		
Balance at the end of previous period	1,986,810	2,072,501
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	138,448	144,961
Change in scope of consolidation	–	122
Change in scope of equity method	880	–
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	9	4
Total changes of items during the period	85,690	69,523
Balance at the end of current period	2,072,501	2,142,025

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	8,437	12,043
Changes of items during the period		
Net changes of items other than shareholders' equity	3,606	(6,290)
Balance at the end of current period	12,043	5,753
Deferred gains or losses on hedges		
Balance at the end of previous period	92	–
Changes of items during the period		
Net changes of items other than shareholders' equity	(92)	–
Balance at the end of current period	–	–
Pension liability adjustment of foreign consolidated subsidiaries		
Balance at the end of previous period	(18,965)	(26,269)
Changes of items during the period		
Net changes of items other than shareholders' equity	(7,304)	(1,216)
Balance at the end of current period	(26,269)	(27,486)
Foreign currency translation adjustment		
Balance at the end of previous period	(423,561)	(409,160)
Changes of items during the period		
Net changes of items other than shareholders' equity	14,400	(196,839)
Balance at the end of current period	(409,160)	(606,000)
Total accumulated other comprehensive income		
Balance at the end of previous period	(433,997)	(423,387)
Changes of items during the period		
Net changes of items other than shareholders' equity	10,610	(204,345)
Balance at the end of current period	(423,387)	(627,732)
Subscription rights to shares		
Balance at the end of previous period	364	564
Changes of items during the period		
Net changes of items other than shareholders' equity	200	198
Balance at the end of current period	564	763
Minority interests		
Balance at the end of previous period	71,109	73,599
Changes of items during the period		
Net changes of items other than shareholders' equity	2,489	2,547
Balance at the end of current period	73,599	76,146

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Total net assets		
Balance at the end of previous period	1,624,288	1,723,278
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	138,448	144,961
Change in scope of consolidation	–	122
Change in scope of equity method	880	–
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	9	4
Net changes of items other than shareholders' equity	13,299	(201,599)
Total changes of items during the period	98,990	(132,075)
Balance at the end of current period	1,723,278	1,591,202

Marginal notes for consolidated statements of changes in net assets

Note: “Pension liability adjustment of foreign consolidated subsidiaries” in accumulated other comprehensive income represents unfunded liabilities recorded by foreign consolidated subsidiaries that adopt U.S. GAAP.

d. Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	276,054	280,497
Depreciation and amortization	132,770	121,648
Impairment loss	6,042	5,297
Amortization of goodwill	97,394	91,089
Increase (decrease) in provision for retirement benefits	(8,034)	(10,219)
Interest and dividends income	(6,982)	(3,027)
Interest expenses	26,111	17,059
Equity in (earnings) losses of affiliates	–	(2,329)
Loss (gain) on sales and retirement of noncurrent assets	(24,236)	(6,227)
Loss (gain) on sales of investment securities	–	(4,113)
Loss (gain) on valuation of investment securities	1,436	–
Regulatory fine in Canada	–	12,843
Decrease (increase) in notes and accounts receivable-trade	5,702	(29,890)
Decrease (increase) in inventories	(79,456)	(2,452)
Increase (decrease) in notes and accounts payable-trade	(12,820)	28,970
Increase (decrease) in accounts payable-other	14,905	(7,160)
Increase (decrease) in tobacco excise taxes payable	30,842	27,627
Increase (decrease) in accrued consumption taxes	–	14,952
Other, net	(497)	13,902
Subtotal	459,229	548,467
Interest and dividends income received	7,090	5,052
Interest expenses paid	(29,956)	(18,658)
Payment for regulatory fine in Canada	–	(12,843)
Income taxes paid	(116,338)	(122,379)
Net cash provided by (used in) operating activities	320,024	399,638
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(3,999)	(30,076)
Proceeds from sales and redemption of securities	2,470	15,870
Purchase of property, plant and equipment	(121,459)	(131,242)
Proceeds from sales of property, plant and equipment	44,057	18,814
Purchase of intangible assets	(6,639)	(6,491)
Proceeds from sales and redemption of investment securities	–	20,617
Payments into time deposits	–	(25,298)
Proceeds from withdrawal of time deposits	–	21,169
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(9,975)	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	–	(646)
Other, net	11,487	(2,121)
Net cash provided by (used in) investing activities	(84,057)	(119,406)

(Millions of yen)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Net cash provided by (used in) financing activities				
Increase (decrease) in short-term bank loans and commercial paper		93,443		(172,082)
Proceeds from long-term loans payable		1,712		62,946
Repayment of long-term loans payable		(191,041)		(23,206)
Proceeds from issuance of bonds		100,304		79,793
Redemption of bonds		(191,928)		(50,300)
Purchase of treasury stock		–		(19,999)
Cash dividends paid		(53,642)		(55,558)
Proceeds from stock issuance to minority shareholders		190		584
Cash dividends paid to minority shareholders		(3,680)		(1,665)
Repayments of finance lease obligations		(5,755)		(5,461)
Other, net		0		0
Net cash provided by (used in) financing activities		(250,398)		(184,950)
Effect of exchange rate change on cash and cash equivalents		1,542		(5,604)
Net increase (decrease) in cash and cash equivalents		(12,888)		89,676
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	*1	154,368	*1	244,240

Significant matters in preparing consolidated financial statements

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
1. Scope of consolidation	- Number of consolidated subsidiaries 258 Details of major consolidated subsidiaries are described in "4. Status of subsidiaries and affiliates of I. Overview of the JT Group." A total of 15 companies, including JTI Kannenberg Comércio de Tabacos do Brasil Ltda., were included in the scope of consolidation from this fiscal year. A total of 31 companies, including Tokyo Tobacco Shoji Co., Ltd., were excluded from the scope of consolidation due to completion of their liquidation or other reasons. Non-consolidated subsidiaries are all small-scale and respective amounts in aggregate of total assets, net sales, net income (amount corresponding to JT's equity portion) and retained earnings (amount corresponding to JT's interest) of non-consolidated subsidiaries would not have a material impact on the consolidated financial statements. For this reason, these companies are excluded from the scope of consolidation.	- Number of consolidated subsidiaries 246 Details of major consolidated subsidiaries are described in "4. Status of subsidiaries and affiliates of I. Overview of the JT Group." A total of 12 companies, including JT International Zagreb d.o.o. za trgovinu i usluge, were included in the scope of consolidation from this fiscal year. A total of 24 companies, including Food Incluve Co., Ltd., were excluded from the scope of consolidation due to transfer of shares or other reasons. Non-consolidated subsidiaries are all small-scale and respective amounts in aggregate of total assets, net sales, net income (amount corresponding to JT's equity portion) and retained earnings (amount corresponding to JT's interest) of non-consolidated subsidiaries would not have a material impact on the consolidated financial statements. For this reason, these companies are excluded from the scope of consolidation.
2. Scope of equity method	(1) Affiliates accounted for by the equity method 17 companies, including NTT DATA WAVE CORPORATION. As a result of the new acquisition of shares, Cargo Handling Services Limited is included in the scope of affiliates accounted for by the equity method and 6 affiliates, including HUB CO., LTD. and DAIREI CO., LTD., were excluded from the scope of the equity method as JT's equity interests in those companies have been reduced or for other reasons. (2) Non-consolidated subsidiaries and affiliates which are not subjected to the equity method are excluded from the scope of companies subjected to the equity method because their effects on the consolidated net income and consolidated retained earnings are immaterial, respectively, and they are unimportant overall.	(1) Non-consolidated subsidiaries and affiliates accounted for by the equity method 14 companies, including NTT DATA WAVE CORPORATION. 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) Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(3) Of the companies accounted for by the equity method, some companies' closing dates are different from the consolidated closing date of the accounting period. In that case, the financial statements relating to this fiscal year of each company are used for the consolidation.	(3) Same as left
3. Fiscal year of consolidated subsidiaries	Of the consolidated subsidiaries, most of the foreign consolidated subsidiaries have a closing date of December 31. The consolidated financial statements are prepared using their financial statements on the closing date, and any necessary adjustments for significant transactions occurring in the period between their closing date and the consolidated year-end are made for consolidation purposes.	Same as left
4. Accounting policies (1) Valuation standard and method for significant assets	1) Short-term investment securities Held-to-maturity debt securities --- Stated at amortized cost (straight-line method) Available-for-sale securities With a fair value --- Stated at fair value based on market prices, etc. on the closing date of the accounting period. (Valuation difference is stated as a component of net assets, and the cost of securities sold is mainly calculated by applying the moving-average method.) Without a fair value --- Mainly stated at cost determined by the moving-average method. 2) Derivatives --- Stated based on the fair value method. 3) Inventories --- Mainly stated at cost determined by the gross average method. (Balance sheet amounts are measured at the lower of cost or net selling value.)	1) Short-term investment securities Held-to-maturity debt securities --- Same as left Available-for-sale securities With a fair value --- Same as left Without a fair value --- Same as left 2) Derivatives --- Same as left 3) Inventories --- Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(2) Depreciation methods for significant depreciable assets	1) Property, plant and equipment (excluding lease assets) --- Mainly, the declining balance method (straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998) is applied, however, some domestic consolidated subsidiaries apply the straight-line method. The useful lives of major items are as follows: Buildings and structures 38 to 50 years Machinery, equipment and vehicles 10 years	1) Property, plant and equipment (excluding lease assets) --- Same as left
	2) Intangible assets (excluding lease assets) --- The straight-line method is applied. The useful life of the major item is as follows: Right of trademark 10 years	2) Intangible assets (excluding lease assets) --- Same as left
	3) Lease assets --- For finance leases that do not transfer ownership of the leased property to the lessee, depreciation expense is mainly computed based on the straight-line method over the lease period as the useful life and assuming no residual value.	3) Lease assets --- Same as left
(3) Policy for significant reserve allowances	1) Allowance for doubtful accounts Provided for possible losses from bad debts at an amount determined based on the historical default rate for ordinary receivables and the individual recoverability of specific doubtful receivables from customers experiencing financial difficulties.	1) Allowance for doubtful accounts Same as left
	2) Provision for bonuses Provided based on the estimated bonus amount payable to employees and directors.	2) Provision for bonuses Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	3) Provision for retirement benefits Provided in preparation for the payment of retirement benefits to employees based on the estimated retirement benefits obligation and fair value of plan assets as of the end of this fiscal year. Prior service cost is amortized using the straight-line method over the average remaining years of service of the employees (mainly 10 years). Actuarial gains or losses are amortized from the year following the year in which the gains or losses are recognized using the straight-line method over the average remaining years of service of the employees (mainly 10 years). Also included in the provision for retirement benefits is the portion of public pension expenses for mutual assistance association during certain periods in or before June 1956 (prior to the enforcement of the Act on the Mutual Aid Association of Public Corporation Employees, etc.).	3) Provision for retirement benefits Same as left
	4) Provision for directors' retirement benefits Provided for directors' retirement benefits to be paid at the end of the fiscal year in accordance with internal rules.	4) Provision for directors' retirement benefits Same as left
(4) Policy for translation of significant foreign currency-denominated assets and liabilities into Japanese yen	Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates prevailing at the closing date of the accounting period with translation differences treated as gains or losses occurring in the corresponding fiscal year. All assets and liabilities of foreign consolidated subsidiaries are translated into Japanese yen at the exchange rates prevailing at each subsidiary's respective fiscal year end. All revenue and expense accounts are translated at average exchange rates during each subsidiary's respective fiscal year. Differences arising from such translation are shown as foreign currency translation adjustment and minority interests in net assets.	Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(5) Significant hedge accounting method	1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate stipulated in the foreign currency forward contracts where requirements are met. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential to be paid or received under the swap agreements are accrued or recorded and included in interest expenses or income.	1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate stipulated in the foreign currency forward contracts where requirements are met. Interest rate swaps that qualify for hedge accounting and meet specific matching criteria are not remeasured at fair value, but the differential to be paid or received under the swap agreements are accrued or recorded and included in interest expenses or income. For interest rate and currency swaps, if they satisfy the requirements for treatment that incorporates swaps into underlying accounting items (accounting by applying foreign exchange rate stipulated in the contracts, exceptional treatment), they are accounted for by incorporating swaps into underlying accounting items.
	2) Hedging instruments and hedged items a. Hedging instruments --- Foreign currency forward contracts Hedged items --- Forecasted foreign currency transactions b. Hedging instruments --- Interest rate swaps Hedged items --- Loans payable	2) Hedging instruments and hedged items a. Hedging instruments --- Interest rate swaps Hedged items --- Loans payable b. Hedging instruments --- Interest rate and currency swaps Hedged items --- Loans payable
	3) Hedging policy Derivative transactions are mainly used in line with the Group Basic Policy on Financial Operations, the internal policy for derivative transactions, or rules based on that policy for the purpose of avoiding or reducing foreign currency exchange risks associated with future foreign currency transactions and for the purpose of avoiding interest rate risks associated with interest receipts on debt securities and interest payments on loans.	3) Hedging policy Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value but used for translation of foreign currency-denominated assets and liabilities and for interest rate swaps that are not remeasured at fair value, but whose differential to be paid or received under the swap agreements is accrued or recorded and included in interest expenses or income.	4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value but used for translation of foreign currency-denominated assets and liabilities, for interest rate swaps that are not remeasured at fair value, but whose differential to be paid or received under the swap agreements is accrued or recorded and included in interest expenses or income, and for interest rate and currency swaps treated with accounting that incorporates the swaps into underlying accounting items.
(6) Accounting treatment policies of foreign consolidated subsidiaries	JT International S.A. and other foreign consolidated subsidiaries principally maintain their accounting records in conformity with U.S. GAAP. The significant accounting policies, which are different from JT's, are as follows:	Same as left
	1) Valuation standard and method of inventories Inventories are generally stated at the lower of cost or market, cost being determined by the first-in, first-out method or average cost.	1) Valuation standard and method of inventories Same as left
	2) Depreciation of significant depreciable assets i. Property, plant and equipment --- Generally depreciated applying the straight-line method over the estimated useful lives of the respective assets. ii. Intangible assets --- Right of trademark is principally amortized over 20 years in equal amounts and other intangible assets are amortized using the straight-line method over the estimated useful lives of the respective assets.	2) Depreciation of significant depreciable assets i. Property, plant and equipment --- Same as left ii. Intangible assets --- Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	3) Retirement benefit pension plans The difference between the retirement benefits obligation and the fair value of pension plan assets is recognized on the consolidated balance sheets as assets or liabilities. Unrecognized net actuarial gains or losses and prior service cost, net of tax effect, are recorded as pension liability adjustment of foreign consolidated subsidiaries in valuation and translation adjustments of net assets. 4) Derivative treatment method Derivatives related to foreign currency and interest rate are entered into for hedging. Fair values for all derivatives are recognized at fair value on the balance sheets as assets or liabilities and their fluctuations are recognized as income or loss.	3) Retirement benefit pension plans The difference between the retirement benefits obligation and the fair value of pension plan assets is recognized on the consolidated balance sheets as assets or liabilities. Unrecognized net actuarial gains or losses and prior service cost, net of tax effect, are recorded as pension liability adjustment of foreign consolidated subsidiaries in accumulated other comprehensive income of net assets. 4) Derivative treatment method Same as left
(7) Method and period of amortization of goodwill	―――――	Goodwill is amortized over the years estimated individually between 5 and 20 years. However, immaterial amounts of goodwill are fully charged to income when incurred.
(8) Cash and cash equivalents in consolidated statements of cash flows	―――――	Cash and cash equivalents presented in the consolidated statements of cash flows are cash on hand, deposits which are withdrawable at anytime without notice, and short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk.
(9) Other significant accounting policies	Consumption taxes National consumption tax and local consumption tax are excluded from the consolidated statements of income.	Consumption taxes Same as left
5. Valuation of assets and liabilities of consolidated subsidiaries	The assets and liabilities of consolidated subsidiaries are originally measured using the fair value at the time when JT acquired control of the respective subsidiaries.	―――――
6. Amortization of goodwill	Goodwill is amortized over the years estimated individually between 5 and 20 years. However, immaterial amounts of goodwill are fully charged to income when incurred.	―――――

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
7. Cash and cash equivalents in consolidated statements of cash flows	Cash and cash equivalents presented in the consolidated statements of cash flows are cash on hand, deposits which are withdrawable at anytime without notice, and short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk.	――――――

Changes in significant matters in preparing consolidated financial statements

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
―――――	(Application of Accounting Standard for Asset Retirement Obligations) Effective 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 the application of this new accounting standard on operating income, ordinary income and income before income taxes and minority interests during this fiscal year is immaterial.

Changes in methods of presentation

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(Consolidated balance sheets) In the previous fiscal year, "Long-term loans receivable" (¥1,403 million recorded in this fiscal year) was presented separately in "Investments and other assets," however, in this fiscal year, it is included in "Other" in "Investments and other assets" due to its immateriality.	―――――
(Consolidated statements of income) In the previous fiscal year, "Equity in earnings of affiliates" (¥2,369 million recorded in the previous fiscal year) was included in "Other" in "Non-operating income," however, it is now presented separately due to its increased materiality.	(Consolidated statements of income) 1. In the previous fiscal year, "Gain on sales of investment securities" (¥3,820 million recorded in the previous fiscal year) was included in "Other" in "Extraordinary income," however, it is now presented separately due to its increased materiality. 2. In the previous fiscal year, "Expense for disposal of PCB-containing wastes" (¥86 million recorded in this fiscal year) was presented separately in "Extraordinary loss," however, in this fiscal year, it is included in "Other" in "Extraordinary loss" due to its immateriality. 3. Effective April 1, 2010, JT applied 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). As a result, "Net income before minority interests" is included as an account line item in the consolidated statements of income.
―――――	(Consolidated statements of cash flows) 1. In the previous fiscal year, "Equity in (earnings) losses of affiliates" (¥(2,401) million recorded in the previous fiscal year) 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.

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
――――――――――	2. In the previous fiscal year, “Loss (gain) on sales of investment securities” (¥(1,692) million recorded in the previous fiscal year) 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 previous fiscal year, “Loss (gain) on valuation of investment securities” (¥981 million recorded in this fiscal year) was presented separately in “Net cash provided by (used in) operating activities,” however, in this fiscal year, it is included in “Other, net” in “Net cash provided by (used in) operating activities” due to its immateriality. 4. In the previous fiscal year, “Increase (decrease) in accrued consumption taxes” (¥14,245 million recorded in the previous fiscal year) 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. 5. In the previous fiscal year, “Proceeds from sales and redemption of investment securities” (¥14,718 million recorded in the previous fiscal year) 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. 6. In the previous fiscal year, “Payments into time deposits” (¥(14,602) million recorded in the previous fiscal year) 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. 7. In the previous fiscal year, “Proceeds from withdrawal of time deposits” (¥9,014 million recorded in the previous fiscal year) 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.

Additional Information

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
――――――――――	Effective from the fiscal year ended March 31, 2011, JT applied the “Accounting Standard for Presentation of Comprehensive Income” (ASBJ Statement No. 25, June 30, 2010). However, the amounts of “Accumulated other comprehensive income” and “Total accumulated other comprehensive income” as of March 31, 2010 indicate the amounts of “Valuation and translation adjustments” and “Total valuation and translation adjustments,” respectively.

Notes to consolidated financial statements

(Notes to consolidated balance sheets)

As of March 31, 2010	As of March 31, 2011
*1. The amount invested in non-consolidated subsidiaries and affiliates is as follows: (Millions of yen) Investment securities 23,582 Other (Investments in capital) 349	*1. The amount invested in non-consolidated subsidiaries and affiliates is as follows: (Millions of yen) Investment securities 19,178 Other (Investments in capital) 91
*2. "Provision" under current liabilities consists of provision for bonuses and provision for sales rebates.	*2. Same as left
*3. (1) Pursuant to Article 6 of the Japan Tobacco Inc. Act, JT's assets are pledged as general collateral for its corporate bonds.	*3. (1) Same as left
(2) Assets pledged as collateral with respect to some consolidated subsidiaries are as follows: (Millions of yen) Buildings and structures 5,821 Land 4,315 Other 6,939 Total 17,076 Liabilities corresponding to the above are as follows: (Millions of yen) Long-term loans payable 5,281 Short-term loans payable 10,861 Current portion of long-term loans payable 1,755 Other 420 Total 18,319	(2) Assets pledged as collateral with respect to some consolidated subsidiaries are as follows: (Millions of yen) Buildings and structures 7,209 Land 3,394 Other 2,263 Total 12,867 Liabilities corresponding to the above are as follows: (Millions of yen) Long-term loans payable 3,486 Short-term loans payable 1,774 Current portion of long-term loans payable 966 Other 620 Total 6,847

(Notes to consolidated statements of income)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
*1. Of selling, general and administrative expenses, major items and their amounts are as follows: (Millions of yen) Advertising expenses 21,980 Promotion expenses 143,703 Compensation, salaries and allowances 133,509 Retirement benefit expenses 17,524 Legal welfare expenses 24,102 Employees' bonuses 13,313 Provision for bonuses 27,606 Depreciation and amortization 72,590 Amortization of goodwill 97,427 Research and development expenses 49,644	*1. Of selling, general and administrative expenses, major items and their amounts are as follows: (Millions of yen) Advertising expenses 20,899 Promotion expenses 140,791 Compensation, salaries and allowances 135,784 Retirement benefit expenses 16,475 Legal welfare expenses 22,696 Employees' bonuses 13,014 Provision for bonuses 29,390 Depreciation and amortization 60,860 Amortization of goodwill 91,107 Research and development expenses 53,363
*2. The main component of "Gain on sales of noncurrent assets" is "Land" valued at ¥30,440 million.	*2. The main component of "Gain on sales of noncurrent assets" is "Land" valued at ¥11,608 million.
*3. The main component of "Loss on retirement of noncurrent assets" is "Machinery and equipment" valued at ¥2,437 million.	*3. The main component of "Loss on retirement of noncurrent assets" is "Buildings" valued at ¥3,005 million.
*4. Total research and development expenses are ¥49,644 million, all of which are recorded as general and administrative expenses.	*4. Total research and development expenses are ¥53,363 million, all of which are recorded as general and administrative expenses.
*5. Business restructuring costs were incurred in association with the business restructuring measures mainly for rationalization of the Japanese Domestic Tobacco and International Tobacco Businesses.	*5. Business restructuring costs were incurred in association with the business restructuring measures mainly for rationalization of the Japanese Domestic Tobacco and Food Businesses.

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
*6. On April 16, 2010, Gallaher Group Ltd. (former Gallaher Group Plc) and Gallaher Ltd. (together, hereinafter, “Gallaher”), JT’s tobacco business subsidiaries in the United Kingdom, received the decision from the Office of Fair Trading (“OFT”), the UK competition authority, concluding that a fine of approximate 50 million sterling pound was levied to Gallaher for anti-competitive business practices relating to the retail pricing of tobacco products in the market during the period prior to JT’s acquisition of Gallaher. Approximate 164 million sterling pound in total, based on the company’s assumption about the risk of fine being levied, had been booked as liabilities in the purchase price allocation related to JT’s acquisition of Gallaher Group Plc (now Gallaher Group Ltd.) on April 18, 2007 and such liabilities had been included in other current liabilities and other noncurrent liabilities on the consolidated balance sheets. As the amount of fine decided by the OFT was lower than the liabilities which had been originally booked, the liability has been reversed to the amount of fine determined by the OFT, and consequently, the relevant variance of approximate 114 million sterling pound has been recognized and disclosed as “Gain from the reversal of liability on a fine levied under the UK competition law” in extraordinary income.	―――――――
―――――――	*7. 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.”
―――――――	*8. Loss on the Great East Japan Earthquake refers to items such as loss on destruction of noncurrent assets and restoration costs, as well as loss on destruction of inventories, which occurred to the manufacturing facilities and other sites of JT and JT’s consolidated subsidiaries as a result of the Great East Japan Earthquake, which struck on March 11, 2011. Most of the noncurrent assets and inventories damaged in the earthquake disaster are covered by casualty insurance.

(Notes to consolidated statements of comprehensive income)

Fiscal year ended March 31, 2011

*1. Comprehensive income for the fiscal year immediately prior to the current fiscal year

	(Millions of yen)
Comprehensive income attributable to owners of the parent	149,058
Comprehensive income attributable to minority interests	6,764
Total	155,822

*2. Other comprehensive income for the fiscal year immediately prior to the current fiscal year

	(Millions of yen)
Valuation difference on available-for-sale securities	3,740
Deferred gains or losses on hedges	(79)
Pension liability adjustment of foreign consolidated subsidiaries	(7,304)
Foreign currency translation adjustment	14,714
Total	11,071

(Notes to consolidated statements of changes in net assets)

Fiscal year ended March 31, 2010

1. Class and total number of shares issued and class and number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2009	Increase in the fiscal year ended March 31, 2010	Decrease in the fiscal year ended March 31, 2010	Number of shares as of March 31, 2010
Shares issued				
Common stock	10,000	–	–	10,000
Total	10,000	–	–	10,000
Treasury shares				
Common stock (Note)	419	–	0	419
Total	419	–	0	419

Note: The decrease of 17 shares in the number of common shares of treasury stock is due to the exercise of stock options.

2. Subscription rights to shares and subscription rights to treasury shares

Category	Details of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (Share)				Balance as of March 31, 2010 (Millions of yen)
			As of March 31, 2009	Increase in the fiscal year ended March 31, 2010	Decrease in the fiscal year ended March 31, 2010	As of March 31, 2010	
Filing company (parent company)	Subscription rights to shares as stock options	–	–	–	–	–	564
Total		–	–	–	–	–	564

3. Cash dividends

(1) Dividend payments

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Cash dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 23, 2009	Common stock	26,824	2,800	March 31, 2009	June 24, 2009
Meeting of the Board of Directors held on October 29, 2009	Common stock	26,824	2,800	September 30, 2009	December 1, 2009

(2) Dividends whose record dates are in the fiscal year ended March 31, 2010 but whose effective dates fall in the next fiscal year

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

Fiscal year ended March 31, 2011

1. Class and total number of shares issued and class and number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011	Number of shares as of March 31, 2011
Shares issued				
Common stock	10,000	–	–	10,000
Total	10,000	–	–	10,000
Treasury shares				
Common stock (Note)	419	58	0	478
Total	419	58	0	478

Note: The increase of 58,630 shares in the number of common stocks of treasury shares is due to the acquisition implemented pursuant to the provision of Article 156 of the Companies Act, as applied under Article 165, paragraph (3) of the Act, and the decrease of 7 shares is due to the exercise of stock options.

2. Subscription rights to shares and subscription rights to treasury shares

Category	Details of subscription rights to shares	Class of shares to be issued upon exercise of subscription rights to shares	Number of shares to be issued upon exercise of subscription rights to shares (Share)				Balance as of March 31, 2011 (Millions of yen)
			As of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011	As of March 31, 2011	
Filing company (parent company)	Subscription rights to shares as stock options	–	–	–	–	–	763
Total		–	–	–	–	–	763

3. Cash dividends

(1) Dividend payments

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Cash dividends per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2010	Common stock	28,740	3,000	March 31, 2010	June 25, 2010
Meeting of the Board of Directors held on October 28, 2010	Common stock	26,824	2,800	September 30, 2010	December 1, 2010

(2) Dividends whose record dates are in the fiscal year ended March 31, 2011 but whose effective dates fall in the next fiscal year

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Source of dividends	Cash dividend per share (Yen)	Record date	Effective date
Annual General Meeting of Shareholders held on June 24, 2011	Common stock	38,085	Retained earnings	4,000	March 31, 2011	June 27, 2011

(Notes to consolidated statements of cash flows)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
*1. Cash and cash equivalents at the end of the period are reconciled to items on the consolidated balance sheets as follows: (As of March 31, 2010) (Millions of yen) Cash and deposits 155,444 Time deposits with a deposits period of over three months (7,855) 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) 6,780 Cash and cash equivalents 154,368	*1. Cash and cash equivalents at the end of the period are reconciled to items on the consolidated balance sheets as follows: (As of March 31, 2011) (Millions of yen) Cash and deposits 117,458 Time deposits with a deposits period of over three months (12,638) 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) 139,420 Cash and cash equivalents 244,240
2. Significant non-cash transactions Assets and obligations related to finance lease transactions that were newly recorded in this fiscal year were both ¥3,416 million.	2. Significant non-cash transactions Assets and obligations related to finance lease transactions that were newly recorded in this fiscal year were both ¥3,573 million.

(Lease transactions)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
[As lessee] Operating leases Future minimum lease payments under noncancelable operating leases (Millions of yen) Due within one year 7,361 Due after one year 21,152 Total 28,514	**[As lessee]** Operating leases Future minimum lease payments under noncancelable operating leases (Millions of yen) Due within one year 6,571 Due after one year 13,871 Total 20,443

(Financial instruments)

Fiscal year ended March 31, 2010

1. Status of financial instruments

(1) Policy for financial instruments

JT and its major consolidated subsidiaries efficiently raise necessary funds, mainly from bank loans and bond issuances, considering the changes in the business environment. Cash surplus, if any, is invested in low risk and highly liquid financial instruments.

Derivatives are restricted to use to mitigate risk exposure arising from business operations and JT and its major consolidated subsidiaries do not enter into any transactions for speculative or trading purposes.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and accounts receivable are exposed to customer's credit risk. As JT and its major consolidated subsidiaries operate on a global basis, receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Short-term investments and investment securities mainly consist of bonds held for surplus investment and equities of customers and suppliers of the Group and those are exposed to the issuer's credit risk and market price fluctuation risk.

Payables such as trade notes and accounts payable and other accounts payable in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Bank loans, commercial paper and bonds issued by the Group are exposed to the liquidity risk that the Group would not be able to prepare funding to repay such debts due to deterioration of financial market. Bank loans and bonds bearing variable interest rates are exposed to risks of interest rate fluctuation and those in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Derivatives mainly include foreign currency forward contracts to manage the risk of fluctuation in foreign currency exchange rate related to future cash flow in foreign currency and interest rate swaps to manage the risk of fluctuation in interest rate related to interest payment for bank loans and bonds. These derivatives are exposed to counterparty's credit risk. Please see "(5) Significant hedge accounting method," an item in the aforementioned accounting policies, for details on hedging instruments and hedged items, hedging policy and the assessment of hedge effectiveness relating to hedge accounting.

(3) Risk management for financial instruments

a. Credit risk management (risk relating to nonfulfillment of contracts by business partners)

With respect to receivables, in order to control customer's credit risk, JT and its major consolidated subsidiaries set credit limits or payment terms to major customers based on the Credit Management Guideline in principle. In addition, receivable balance of each customer is constantly checked to reduce risk of customer's default. The Treasury Division of JT regularly monitors status of occurrence and collections of bad debts, and reports them to JT's Executive Committee.

To control credit risk related to surplus investment and derivatives, based on the internal guidelines, JT and its major consolidated subsidiaries invest cash surplus into bonds and other financial instruments with a certain credit grade and have derivatives with counterparties which has high credit grade. In addition, the Treasury Division of JT regularly monitors such transactions and reports them to its Executive Committee.

b. Foreign exchange fluctuation risk management

In accordance with the internal guidelines, JT and its major consolidated subsidiaries establish foreign exchange hedging strategy based on the environment and the forecast of foreign exchange market in order to reduce the risk of fluctuation in foreign currency exchange rate related to cash flows arising from transactions in foreign currency to be executed in the future. The foreign exchange hedging strategy is reviewed and approved by the Financial Risk Management Committee of JT and, based on which, the derivative transactions are originated. The Treasury Division of JT regularly reports such derivative transactions to JT’s Executive Committee.

c. Interest rate fluctuation risk management

In accordance with the internal guidelines, JT and its major consolidated subsidiaries, establish interest rate hedging strategy based on the environment and the forecast of market interest rates in order to reduce the risk of interest rate fluctuation related to bank loans and bonds. The interest rate hedging strategy is reviewed and approved by the Financial Risk Management Committee of JT and, based on which, the derivative transactions are originated. The Treasury Division of JT regularly reports such derivative transactions to JT’s Executive Committee.

d. Risk Management of market price fluctuation

With respect to short-term investments and investment securities, JT and its major consolidated subsidiaries regularly monitor prices and issuer’s financial status. Except for held-to-maturity bonds, responsible divisions revise investment strategy, if necessary, by taking relationship with issuers into consideration.

e. Liquidity risk management associated with funding (Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates)

In accordance with the internal guidelines, JT and its major consolidated subsidiaries establish finance plan based on the annual business plan. The Treasury Division of JT regularly monitors the balance of liquidity-in-hand and interest-bearing debts and reports them to JT’s Executive Committee. In addition, JT and its major consolidated subsidiaries keep necessary credit facilities to manage liquidity risk, having commitment lines with several financial institutions.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The results of valuation may differ among assumptions because the rational valuation techniques include variable factors.

Also, the contract or notional amounts of derivatives which are shown in “Derivative transactions” do not represent the amounts exchanged by the parties and do not measure the Group’s exposure to credit or market risk.

2. Fair values of financial instruments

Consolidated balance sheet amounts and fair values at March 31, 2010 (the closing date of this fiscal year) and their differences are as follows. If the determination of a fair value is deemed extremely difficult, it is not included in this table. (Please refer to Note 2.)

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	155,444	155,444	–
(2) Notes and accounts receivable-trade	296,884		
Allowance for doubtful accounts (*1)	(2,860)		
	294,024	294,024	–
(3) Short-term investment securities and investment securities	67,310	67,310	0
a. Held-to-maturity debt securities	300	300	0
b. Available-for-sale securities	67,010	67,010	–
Total assets	516,779	516,779	0
(1) Notes and accounts payable-trade	149,462	149,462	–
(2) Short-term loans payable	109,263	109,263	–
(3) Commercial paper	119,000	119,000	–
(4) Accounts payable-other	73,738	73,738	–
(5) National tobacco excise taxes payable	212,066	212,066	–
(6) National tobacco special excise taxes payable	10,490	10,490	–
(7) Local tobacco excise taxes payable	85,238	85,238	–
(8) Income taxes payable	54,057	54,057	–
(9) Accrued consumption taxes	60,105	60,105	–
(10) Bonds payable	459,409	474,272	14,862
(11) Long-term loans payable	172,594	173,732	1,138
Total liabilities	1,505,426	1,521,427	16,001
Derivative transactions (*2)	2,039	2,039	–

(*1) The allowance for doubtful accounts corresponding to notes and accounts receivable-trade is excluded.

(*2) Net receivables and payables generated by derivative transactions are presented as net amounts.

Note: 1. Fair value measurement of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Stated as book value because fair value approximates book value because of their short maturity

(3) Short-term investment securities and investment securities

Regarding shares, fair value is stated at the quoted market price of the stock exchange and, for bonds, fair value is stated at the quoted market price of the stock exchange or the price obtained from the financial institutions. Please refer to (Short-term investment securities and investment securities) for notes concerning securities by purpose of holding.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (3) Commercial paper, (4) Accounts payable-other, (5) National tobacco excise taxes payable, (6) National tobacco special excise taxes payable, (7) Local tobacco excise taxes payable, (8) Income taxes payable, and (9) Accrued consumption taxes

Stated as book value because fair value approximates book value because of their short maturities

(10) Bonds payable

Fair value of bonds issued by JT and its consolidated subsidiaries is based on a quoted market price. For bonds which do not have any quoted market price, fair value is determined by discounting the total of principal and interest to the present value at a rate considering bonds' remaining period and credit risk.

(11) Long-term loans payable

Fair value of long-term loans payable is determined by discounting the total of principal and interest to the present value at a rate assumed for similar new loans being borrowed.

Derivative transactions

Please refer to (Derivative transactions).

Note: 2. Financial instruments whose fair values are deemed extremely difficult to determine

(Millions of yen)

Category	Consolidated balance sheet amount
Unlisted stock and available-for-sale securities, etc.	28,400

The above are not included in "(3) Short-term investment securities and investment securities" because their market values are not available and their fair values are deemed extremely difficult to determine.

Note: 3. Redemption schedule for monetary receivables and securities with maturity after the closing date of the accounting period

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	155,444	–	–	–
Notes and accounts receivable-trade	296,884	–	–	–
Short-term investment securities and investment securities				
Held-to-maturity debt securities	300	–	–	–
Available-for-sale securities with maturities	11,650	2,500	9	–
Total	464,279	2,500	9	–

Note: 4. Repayment schedule for bonds payable, long-term loans payable and other interest-bearing debts after the closing date of the accounting period

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	109,263	–	–	–	–	–
Commercial paper	119,000	–	–	–	–	–
Bonds payable	50,300	146,030	60,150	36,706	166,200	–
Long-term loans payable	23,024	22,203	104,106	20,928	1,800	529
Total	301,588	168,233	164,256	57,634	168,000	529

Fiscal year ended March 31, 2011

1. Status of financial instruments

(1) Policy for financial instruments

JT and its major consolidated subsidiaries efficiently raise necessary funds, mainly from bank loans and bond issuances, considering the changes in the business environment. Cash surplus, if any, is invested in low risk and highly liquid financial instruments.

Derivatives are restricted to use to mitigate risk exposure arising from business operations and JT and its major consolidated subsidiaries do not enter into any transactions for speculative or trading purposes.

(2) Nature and extent of risks arising from financial instruments

Receivables such as trade notes and accounts receivable are exposed to customer's credit risk. As JT and its major consolidated subsidiaries operate on a global basis, receivables in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Short-term investments and investment securities mainly consist of bonds held for surplus investment and equities of customers and suppliers of the Group and those are exposed to the issuer's credit risk and market price fluctuation risk.

Payables such as trade notes and accounts payable and other accounts payable in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Bank loans and bonds issued by the Group are exposed to the liquidity risk that the Group would not be able to prepare funding to repay such debts due to deterioration of financial market. Bank loans and bonds bearing variable interest rates are exposed to risks of interest rate fluctuation and those in foreign currencies are exposed to the risk of fluctuation in foreign currency exchange rates.

Derivatives mainly include foreign currency forward contracts to manage the risk of fluctuation in foreign currency exchange rate related to future cash flow in foreign currency and interest rate swaps to manage the risk of fluctuation in interest rate related to interest payment for bank loans and bonds. These derivatives are exposed to counterparty's credit risk. Please see "(5) Significant hedge accounting method," an item in the aforementioned accounting policies, for details on hedging instruments and hedged items, hedging policy and the assessment of hedge effectiveness relating to hedge accounting.

(3) Risk management for financial instruments

a. Credit risk management (risk relating to nonfulfillment of contracts by business partners)

With respect to receivables, in order to control customer's credit risk, JT and its major consolidated subsidiaries set credit limits or payment terms to major customers based on the Credit Management Guideline in principle. In addition, receivable balance of each customer is constantly checked to reduce risk of customer's default. The Treasury Division of JT regularly monitors status of occurrence and collections of bad debts, and reports them to JT's Executive Committee.

To control credit risk related to surplus investment and derivatives, based on the internal guidelines, JT and its major consolidated subsidiaries invest cash surplus into bonds and other financial instruments with a certain credit grade and have derivatives with counterparties which has high credit grade. In addition, the Treasury Division of JT regularly monitors such transactions and reports them to its Executive Committee.

b. Foreign exchange fluctuation risk management

In accordance with the internal guidelines, JT and its major consolidated subsidiaries establish foreign exchange hedging strategy based on the environment and the forecast of foreign exchange market in order to reduce the risk of fluctuation in foreign currency exchange rate related to cash flows arising from transactions in foreign currency to be executed in the future. The foreign exchange hedging strategy is reviewed and approved by the Financial Risk Management Committee of JT and, based on which, the derivative transactions are originated. The Treasury Division of JT regularly reports such derivative transactions to JT's Executive Committee.

c. Interest rate fluctuation risk management

In accordance with the internal guidelines, JT and its major consolidated subsidiaries, establish interest rate hedging strategy based on the environment and the forecast of market interest rates in order to reduce the risk of interest rate fluctuation related to bank loans and bonds. The interest rate hedging strategy is reviewed and approved by the Financial Risk Management Committee of JT and, based on which, the derivative transactions are originated. The Treasury Division of JT regularly reports such derivative transactions to JT's Executive Committee.

d. Risk Management of market price fluctuation

With respect to short-term investments and investment securities, JT and its major consolidated subsidiaries regularly monitor prices and issuer's financial status. Except for held-to-maturity bonds, responsible divisions revise investment strategy, if necessary, by taking relationship with issuers into consideration.

e. Liquidity risk management associated with funding (Liquidity risk comprises the risk that the Group cannot meet its contractual obligations in full on maturity dates)

In accordance with the internal guidelines, JT and its major consolidated subsidiaries establish finance plan based on the annual business plan. The Treasury Division of JT regularly monitors the balance of liquidity-in-hand and interest-bearing debts and reports them to JT's Executive Committee. In addition, JT and its major consolidated subsidiaries keep necessary credit facilities to manage liquidity risk, having commitment lines with several financial institutions.

(4) Fair values of financial instruments

Fair values of financial instruments are based on quoted price in active markets. If quoted price is not available, other rational valuation techniques are used instead. The results of valuation may differ among assumptions because the rational valuation techniques include variable factors.

Also, the contract or notional amounts of derivatives which are shown in "Derivative transactions" do not necessarily represent the amounts exchanged by the parties and do not measure the Group's exposure to credit or market risk.

2. Fair values of financial instruments

Consolidated balance sheet amounts and fair values at March 31, 2011 (the closing date of this fiscal year) and their differences are as follows. If the determination of a fair value is deemed extremely difficult, it is not included in this table. (Please refer to Note 2.)

(Millions of yen)

	Consolidated balance sheet amount	Fair value	Difference
(1) Cash and deposits	117,458	117,458	–
(2) Notes and accounts receivable-trade	301,829		
Allowance for doubtful accounts (*1)	(2,362)		
	299,466	299,466	–
(3) Short-term investment securities and investment securities			
Available-for-sale securities	194,164	194,164	–
Total assets	611,090	611,090	–
(1) Notes and accounts payable-trade	170,820	170,820	–
(2) Short-term loans payable	70,059	70,059	–
(3) Accounts payable-other	67,129	67,129	–
(4) National tobacco excise taxes payable	202,234	202,234	–
(5) National tobacco special excise taxes payable	8,150	8,150	–
(6) Local tobacco excise taxes payable	102,168	102,168	–
(7) Income taxes payable	65,651	65,651	–
(8) Accrued consumption taxes	69,825	69,825	–
(9) Bonds payable	452,225	462,475	10,250
(10) Long-term loans payable	173,905	174,302	396
Total liabilities	1,382,170	1,392,817	10,647
Derivative transactions (*2)	3,950	3,950	–

(*1) The allowance for doubtful accounts corresponding to notes and accounts receivable-trade is excluded.

(*2) Net receivables and payables generated by derivative transactions are presented as net amounts.

Note: 1. Fair value measurement of financial instruments and matters regarding securities and derivative transactions

Assets

(1) Cash and deposits and (2) Notes and accounts receivable-trade

Stated as book value because fair value approximates book value because of their short maturity

(3) Short-term investment securities and investment securities

Regarding shares, fair value is stated at the quoted market price of the stock exchange and, for bonds, fair value is stated at the quoted market price of the stock exchange or the price obtained from the financial institutions. Please refer to (Short-term investment securities and investment securities) for notes concerning securities by purpose of holding.

Liabilities

(1) Notes and accounts payable-trade, (2) Short-term loans payable, (3) Accounts payable-other, (4) National tobacco excise taxes payable, (5) National tobacco special excise taxes payable, (6) Local tobacco excise taxes payable, (7) Income taxes payable, and (8) Accrued consumption taxes

Stated as book value because fair value approximates book value because of their short maturities

(9) Bonds payable

Fair value of bonds issued by JT and its consolidated subsidiaries is based on a quoted market price. For bonds which do not have any quoted market price, fair value is determined by discounting the total of principal and interest to the present value at a rate considering bonds' remaining period and credit risk.

(10) Long-term loans payable

Fair value of long-term loans payable is determined by discounting the total of principal and interest to the present value at a rate assumed for similar new loans being borrowed.

Derivative transactions

Please refer to (Derivative transactions).

Note: 2. Financial instruments whose fair values are deemed extremely difficult to determine

(Millions of yen)

Category	Consolidated balance sheet amount
Unlisted stock and available-for-sale securities, etc.	23,515

The above are not included in "(3) Short-term investment securities and investment securities" because their market values are not available and their fair values are deemed extremely difficult to determine.

Note: 3. Redemption schedule for monetary receivables and securities with maturity after the closing date of the accounting period

(Millions of yen)

	Due within one year	Due after one year through five years	Due after five years through ten years	Due after ten years
Cash and deposits	117,458	–	–	–
Notes and accounts receivable-trade	301,829	–	–	–
Short-term investment securities and investment securities				
Available-for-sale securities with maturities	159,097	3,530	4	–
Total	578,385	3,530	4	–

Note: 4. Repayment schedule for bonds payable, long-term loans payable and other interest-bearing debts after the closing date of the accounting period

(Millions of yen)

	Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years	Due after five years
Short-term loans payable	70,059	–	–	–	–	–
Bonds payable	126,479	60,150	31,676	153,981	40,000	40,000
Long-term loans payable	21,490	99,377	20,893	1,692	30,035	416
Total	218,030	159,527	52,569	155,673	70,035	40,416

(Short-term investment securities and investment securities)

Fiscal year ended March 31, 2010

1. Held-to-maturity debt securities (As of March 31, 2010)

(Millions of yen)

	Type	Consolidated balance sheet amount	Fair value	Difference
Bonds whose fair values exceed their book values	Government bonds and municipal bonds	300	300	0
Total		300	300	0

2. Available-for-sale securities (As of March 31, 2010)

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost or amortized cost	Difference
Securities whose book values exceed their acquisition costs or amortized costs	(1) Equity securities	38,127	18,371	19,755
	(2) Bonds	6,651	6,523	127
	(3) Other	4,293	3,245	1,047
	Subtotal	49,072	28,141	20,931
Securities whose book values do not exceed their acquisition costs or amortized costs	(1) Equity securities	8,823	10,698	(1,874)
	(2) Bonds	1,066	1,079	(12)
	(3) Other	8,047	8,154	(107)
	Subtotal	17,937	19,932	(1,994)
Total		67,010	48,073	18,936

Note: Items whose fair values are deemed extremely difficult to determine are not included.

3. Available-for-sale securities sold in this fiscal year (Fiscal year ended March 31, 2010)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
(1) Equity securities	7,097	1,900	1,936
(2) Bonds	92	18	–
(3) Other	5,772	1,763	2
Total	12,961	3,682	1,938

4. Short-term investment securities and investment securities whose purpose of holding was changed (Fiscal year ended March 31, 2010)

The shares of HUB CO., LTD. previously held as stocks of affiliates were partially sold and excluded from the scope of the equity method. As a result, their classification was changed to available-for-sale securities during this fiscal year. The impact of this change on ordinary income and income before income taxes and minority interests is immaterial.

5. Short-term investment securities and investment securities accounted for as impaired (Fiscal year ended March 31, 2010)

During this fiscal year, ¥1,404 million of short-term investment securities were accounted for as impaired. For impairment of securities, their values are “significantly decreased” when their fair values declined by 50% or more compared to the carrying amounts or their fair values declined by 30% to less than 50% compared to the carrying amounts and such declines have significant influence on the consolidated financial statements.

Recoverability is assessed for securities “significantly decreased,” and securities other than those judged clearly recoverable are accounted for as impaired.

Fiscal year ended March 31, 2011

1. Available-for-sale securities (As of March 31, 2011)

(Millions of yen)

	Type	Consolidated balance sheet amount	Acquisition cost or amortized cost	Difference
Securities whose book values exceed their acquisition costs or amortized costs	(1) Equity securities	21,444	10,546	10,898
	(2) Bonds	6,438	6,380	58
	(3) Other	24	17	6
	Subtotal	27,908	16,944	10,963
Securities whose book values do not exceed their acquisition costs or amortized costs	(1) Equity securities	8,939	11,587	(2,648)
	(2) Bonds	17,888	17,940	(51)
	(3) Other	139,429	139,429	–
	Subtotal	166,256	168,956	(2,699)
Total		194,164	185,901	8,263

Note: Items whose fair values are deemed extremely difficult to determine are not included.

2. Available-for-sale securities sold in this fiscal year (Fiscal year ended March 31, 2011)

(Millions of yen)

Type	Proceeds from sales	Total gain on sales	Total loss on sales
(1) Equity securities	10,804	4,502	728
(2) Other	4,081	538	127
Total	14,886	5,041	856

3. Short-term investment securities and investment securities accounted for as impaired (Fiscal year ended March 31, 2011)

During this fiscal year, ¥953 million of short-term investment securities were accounted for as impaired. For impairment of securities, their values are “significantly decreased” when their fair values declined by 50% or more compared to the carrying amounts or their fair values declined by 30% to less than 50% compared to the carrying amounts and such declines have significant influence on the consolidated financial statements.

Recoverability is assessed for securities “significantly decreased,” and securities other than those judged clearly recoverable are accounted for as impaired.

(Derivative transactions)

As of March 31, 2010

Regarding notional amount of the following derivative transactions, the amounts themselves do not necessarily indicate the market risk relating to derivative transactions.

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

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency

(Millions of yen)

Category	Type	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Foreign currency forward contracts:				
	Buying	296,522	2,894	654	654
	Selling	133,767	2,416	(489)	(489)
	Currency swaps:				
	Buying	59,712	–	(122)	(122)
	Selling	2,259	2,259	(460)	(460)
Total		492,262	7,570	(418)	(418)

(2) Interest rate

(Millions of yen)

Category	Type	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Interest rate swaps:				
	Fixed rate receipt and floating rate payment	36,606	36,606	2,296	2,296
	Interest rate caps:				
	Buying	297,744	36,606	161	(1,208)
Total		334,350	73,212	2,457	1,088

2. Derivatives to which hedge accounting is applied

Interest rate

(Millions of yen)

Category	Type	Main hedged item	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value
Exceptional treatment of interest rate swaps	Interest rate swaps: Floating rate receipt and fixed rate payment	Long-term loans payable	1,136	437	(Note)

Note: Interest rate swaps that qualify for the exceptional treatment are accounted for with the long-term loans payable, and their fair value is included in the fair value of those long-term loans payable.

As of March 31, 2011

Regarding notional amount of the following derivative transactions, the amounts themselves do not necessarily indicate the market risk relating to derivative transactions.

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

1. Derivatives to which hedge accounting is not applied

(1) Foreign currency

(Millions of yen)

Category	Type	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Foreign currency forward contracts:				
	Buying	204,215	–	2,944	2,944
	Selling	85,173	–	(1,237)	(1,237)
	Currency swaps:				
	Selling	1,781	1,781	(82)	(82)
	Currency options:				
	Buying	6,111	–	120	(151)
Total		297,282	1,781	1,745	1,473

(2) Interest rate

(Millions of yen)

Category	Type	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value	Unrealized gain (loss)
Non-market transactions	Interest rate swaps:				
	Fixed rate receipt and floating rate payment	31,576	31,576	2,191	2,191
	Interest rate caps:				
	Buying	31,576	31,576	13	(513)
Total		63,152	63,152	2,205	1,677

2. Derivatives to which hedge accounting is applied

(1) Interest rate

(Millions of yen)

Category	Type	Main hedged item	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value
Exceptional treatment of interest rate swaps	Interest rate swaps: Floating rate receipt and fixed rate payment	Long-term loans payable	357	197	(Note)

Note: Interest rate swaps that qualify for the exceptional treatment are accounted for with the long-term loans payable, and their fair value is included in the fair value of those long-term loans payable.

(2) Interest rate and currency

(Millions of yen)

Category	Type	Main hedged item	Contract/ notional amount	Contract/ notional amount/ over one year	Fair value
Accounting that incorporates interest rate and currency swaps into underlying accounting items	Interest rate and currency swaps Floating rate receipt and fixed rate payment Buying	Long-term loans payable	30,000	30,000	(Note)

Note: Interest rate and currency swaps that qualify for the accounting that incorporates the swaps into underlying accounting items (accounting by applying foreign exchange rate stipulated in the contracts, exceptional treatment) are accounted for with the long-term loans payable that are the hedged items, and the fair value of interest rate and currency swaps is included in that of long-term loans payable.

(Retirement benefits)

1. Overview of the adopted retirement benefit pension plans

JT and its domestic consolidated subsidiaries have defined benefit plans, including unfunded severance indemnity plans and a cash balance pension plans. They also have defined contribution plans.

Foreign consolidated subsidiaries also have defined benefit plans, and certain foreign consolidated subsidiaries provide health and life insurance benefits for retired employees.

When employees leave JT, they are entitled, in certain circumstances, to receive additional retirement benefits, which are not included in projected benefit obligations that are based on actuarial calculations as prescribed by retirement benefit accounting standard.

2. Projected benefit obligations

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
a. Projected benefit obligations	(455,264)	(486,862)
b. Fair value of plan assets	321,317	307,113
c. Funded status (a + b)	(133,946)	(179,748)
d. Unrecognized actuarial difference	42,196	100,671
e. Unrecognized prior service cost	4,789	3,533
f. Net amount recognized (c + d + e)	(86,960)	(75,544)
g. Pension liability adjustment of foreign consolidated subsidiaries (Note 2)	(35,742)	(34,685)
h. Prepaid pension cost	23,390	22,807
i. Other current liabilities (Note 3)	(3,720)	(2,434)
j. Provision for retirement benefits (f + g – h – i) (Note 4)	(142,372)	(130,601)

Notes: 1. Certain consolidated subsidiaries apply a simplified method for computing projected benefit obligations.

2. As described in an item of accounting policies, "(6) Accounting treatment policies of foreign consolidated subsidiaries," this is the unfunded liabilities recorded by foreign consolidated subsidiaries that adopt U.S. GAAP. In the consolidated balance sheets and the consolidated statements of changes in net assets, this amount is presented as "Pension liability adjustment of foreign consolidated subsidiaries" under "Accumulated other comprehensive income."

3. The amount by which the actuarial present value of benefits included in the retirement benefit obligation payable in the next term exceeds the fair value of plan assets in foreign consolidated subsidiaries that adopt U.S. GAAP is included in "Other" under current liabilities.

4. As described in an item of accounting policies, "(3) Policy for significant reserve allowances," reserve for mutual assistance association benefit was separately computed from "j. Provision for retirement benefits" above and included in "Provision for retirement benefits." The amounts thereof were as follows:

(As of March 31, 2010) ¥109,529 million (As of March 31, 2011) ¥100,999 million

5. Certain domestic consolidated subsidiaries participate in multi-employer contributory pension plans. The required contributions to the pension plan are recognized as a net pension cost for the year. Of these pension plans, information related to Tokyo Pharmaceutical Industry Employees' Pension Fund (multi-enterprise integrated type) is as follows:

(a) Funded status of the entire plan:

(Millions of yen)

	(As of March 31, 2010)	(As of March 31, 2011)
Fair value of plan assets	325,177	403,992
Benefit obligations	502,794	458,224
Deficit	(177,616)	(54,232)

For the above amounts, the record date for the previous fiscal year is March 31, 2009 and that of this fiscal year is March 31, 2010.

(b) Proportion of the domestic consolidated subsidiaries' contributions to the entire plan:

(As of March 31, 2010) 1.3% (As of March 31, 2011) 1.3%

3. Net periodic retirement benefit cost

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
a. Service cost (Note 1)	11,293	11,126
b. Interest cost	18,090	17,928
c. Expected return on plan assets	(12,902)	(13,883)
d. Recognized actuarial net gain (Note 2)	3,876	2,903
e. Amortization of prior service cost (Note 2)	1,744	1,639
f. Net periodic retirement benefit cost (a + b + c + d + e)	22,102	19,714

Notes: 1. Retirement benefit cost to which the simplified method is applied is included in “a. Service cost.”

2. The following additional retirement benefits are included in extraordinary loss. Additional retirement benefits include a one-time charge for the unrecognized actuarial difference and unrecognized prior service cost attributable to the employees who retired earlier than expected.

(Fiscal year ended March 31, 2010) ¥8,523 million (Fiscal year ended March 31, 2011) ¥2,872 million

3. In addition to the above, the necessary amounts of the JT Group’s contributions to the defined contribution plans are charged to expenses as follows:

(Fiscal year ended March 31, 2010) ¥5,679 million (Fiscal year ended March 31, 2011) ¥5,812 million

4. Assumptions used for computation of projected benefit obligations

Fiscal year ended March 31, 2010

	(Domestic retirement benefit pension plans)	(Overseas retirement benefit pension plans)
a. Periodic allocation standard for projected benefit obligation:	Principally, standard of fixed-amount for period	Mainly stated based on the benefit calculation method
b. Discount rate:	Principally, 2.5%	Principally, 3.0% to 5.8%
c. Expected rate of return on plan assets:	Principally, 2.5%	Principally, 4.5% to 6.2%
d. Period over which prior service cost is amortized:	Principally, 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)	Principally, 6 to 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)
e. Period over which actuarial gains or losses are amortized:	Principally, 10 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)	Principally, 5 to 19 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)

Fiscal year ended March 31, 2011

		(Domestic retirement benefit pension plans)	(Overseas retirement benefit pension plans)
a.	Periodic allocation standard for projected benefit obligation:	Principally, standard of fixed-amount for period	Mainly stated based on the benefit calculation method
b.	Discount rate:	Principally, 1.7%	Principally, 2.8% to 5.4%
c.	Expected rate of return on plan assets:	Principally, 2.5%	Principally, 4.3% to 5.7%
d.	Period over which prior service cost is amortized:	Principally, 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)	Principally, 7 to 10 years (charged to expenses by the straight-line method over specific years within average remaining service years as occurred)
e.	Period over which actuarial gains or losses are amortized:	Principally, 10 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)	Principally, 7 to 15 years (the amount principally equally allocated by the straight-line method over specific years within average remaining service years as occurred is charged to expenses from the year following the respective years in which it occurred)

(Mutual assistance association)

Obligations relating to mutual assistance association as described in an item of the accounting policies, "(3) Policy for significant reserve allowances," are computed as follows:

1. Obligations relating to mutual assistance association

(Millions of yen)

	As of March 31, 2010	As of March 31, 2011
a. Benefit obligations (Note 1)	(106,345)	(97,576)
b. Unrecognized actuarial difference (Note 2)	(3,183)	(3,422)
c. Liabilities recognized (a + b) (Note 3)	(109,529)	(100,999)

Notes: 1. Present discounted value of the future obligation related to the service of public mutual assistance association provided before June 1, 1956, which consists of JT's cost of government-sponsored pension.

2. Unrecognized actuarial difference between numerical assumptions used to compute liabilities concerning benefit obligations under the Mutual Assistance Association of Public Corporation Employees Law and actual figure.

3. Included in provision for retirement benefits in the consolidated balance sheets.

2. Net periodic costs for obligations relating to mutual assistance association

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
a. Interest cost	1,753	1,595
b. Recognized actuarial loss (gain)	(28)	(210)
c. Net periodic costs (a + b)	1,724	1,384

3. Assumptions used for obligations relating to mutual assistance association

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
a. Discount rate	1.5%	1.2%
b. Period over which actuarial gains or losses are amortized	10 years (the amount equally allocated by the straight-line method is charged to expenses from the year following the respective years in which it occurred)	Same as left

(Stock options)

Fiscal year ended March 31, 2010

1. Amount charged to expense for this fiscal year and its account title

Selling, general and administrative expenses ¥209 million

2. Details, size and activity of stock options

(1) Details of stock options

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares
Positions and number of persons granted	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 16 persons	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons	Directors 9 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons
Number of stock options by class of shares (Note 1)	Common stock 426 shares	Common stock 547 shares	Common stock 1,153 shares
Date of grant	January 8, 2008	October 6, 2008	October 13, 2009
Vesting conditions	None	None	None
Requisite service period	From June 22, 2007 to June 24, 2008	From June 24, 2008 to June 23, 2009	From June 23, 2009 to June 24, 2010
Exercise period (Note 2)	From January 9, 2008 to January 8, 2038	From October 7, 2008 to October 6, 2038	From October 14, 2009 to October 13, 2039

Notes: 1. Presented as the number of underlying shares.

2. Terms and conditions of exercise of stock option rights are as follows:

a. The rights become exercisable when a holder no longer holds a position as a director, an auditor or an executive officer (*sikkoyakuin*).

In the subscription rights to shares allocation contract with holders of such rights, it is provided for that the rights become exercisable from the day following the day on which one year has elapsed after leaving their positions (however, the rights are exercisable even within one year after leaving their positions only in the case where the Board of Directors find it to be unavoidable).

b. In the case where any holders of subscription rights to shares waive such rights, they cannot exercise said rights.

(2) Size and activity of stock options

The following details are on stock options that existed during the fiscal year ended March 31, 2010. The number of stock options is presented as the number of underlying shares.

a. Number of stock options

(Share)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares
Non-Vested			
As of March 31, 2009	–	137	–
Granted	–	–	1,153
Canceled	–	–	–
Vested	–	137	865
Non-vested	–	–	288
Vested			
As of March 31, 2009	426	410	–
Vested	–	137	865
Exercised	17	–	–
Canceled	–	–	–
Unexercised	409	547	865

b. Unit price

(Yen)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares
Exercise price	1	1	1
Average share price at exercise	272,959	–	–
Fair value at the date of grant	581,269	285,904	197,517

3. Estimations used to measure fair value of stock options

Estimations used to measure fair value of Japan Tobacco Inc. 2009 subscription rights to shares granted during this fiscal year are as follows:

a. Valuation model used Black-Scholes option pricing model

b. Basic assumptions and estimation method

	Japan Tobacco Inc. 2009 subscription rights to shares
Volatility of share price (Note 1)	34.536%
Estimated remaining outstanding period (Note 2)	15 years
Estimated dividend (Note 3)	¥5,400 per share
Interest rate with risk free (Note 4)	1.778%

Notes: 1. Calculated based on share prices for the period on and after listing date (from October 27, 1994 to October 13, 2009).
2. With difficulty in reasonable estimation due to insufficient data, remaining outstanding period is estimated based on the assumption that stock option rights would be exercised at a mid-point of exercise period.
3. Based on interim dividend and year-end dividend for the fiscal year ended March 31, 2009.
4. A yield of 15-year government bond, a period of which corresponds to estimated remaining outstanding period.

4. Method to estimate vested number of stock options

As it is difficult, in principle, to reasonably estimate the number of future cancellations, the number here reflects only that of actual cancellations.

Fiscal year ended March 31, 2011

1. Amount charged to expense for this fiscal year and its account title

Selling, general and administrative expenses ¥202 million

2. Details, size and activity of stock options

(1) Details of stock options

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares	Japan Tobacco Inc. 2010 subscription rights to shares
Positions and number of persons granted	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 16 persons	Directors 11 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons	Directors 9 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons	Directors 9 persons Executive Officers (*sikkoyakuin*) (excluding persons serving as Director) 14 persons
Number of stock options by class of shares (Note 1)	Common stock 426 shares	Common stock 547 shares	Common stock 1,153 shares	Common stock 979 shares
Date of grant	January 8, 2008	October 6, 2008	October 13, 2009	October 4, 2010
Vesting conditions	None	None	None	None
Requisite service period	From June 22, 2007 to June 24, 2008	From June 24, 2008 to June 23, 2009	From June 23, 2009 to June 24, 2010	From June 24, 2010 to June 24, 2011
Exercise period (Note 2)	From January 9, 2008 to January 8, 2038	From October 7, 2008 to October 6, 2038	From October 14, 2009 to October 13, 2039	From October 5, 2010 to October 4, 2040

Notes: 1. Presented as the number of underlying shares.
2. Terms and conditions of exercise of stock option rights are as follows:
a. The rights become exercisable when a holder no longer holds a position as a director, an auditor or an executive officer (*sikkoyakuin*).
In the subscription rights to shares allocation contract with holders of such rights, it is provided for that the rights become exercisable from the day following the day on which one year has elapsed after leaving their positions (however, the rights are exercisable even within one year after leaving their positions only in the case where the Board of Directors find it to be unavoidable).
b. In the case where any holders of subscription rights to shares waive such rights, they cannot exercise said rights.

(2) Size and activity of stock options

The following details are on stock options that existed during the fiscal year ended March 31, 2011. The number of stock options is presented as the number of underlying shares.

a. Number of stock options

(Share)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares	Japan Tobacco Inc. 2010 subscription rights to shares
Non-Vested				
As of March 31, 2010	–	–	288	–
Granted	–	–	–	979
Canceled	–	–	–	–
Vested	–	–	288	734
Non-vested	–	–	–	245
Vested				
As of March 31, 2010	409	547	865	–
Vested	–	–	288	734
Exercised	7	–	–	–
Canceled	–	–	–	–
Unexercised	402	547	1,153	734

b. Unit price

(Yen)

	Japan Tobacco Inc. 2007 subscription rights to shares	Japan Tobacco Inc. 2008 subscription rights to shares	Japan Tobacco Inc. 2009 subscription rights to shares	Japan Tobacco Inc. 2010 subscription rights to shares
Exercise price	1	1	1	1
Average share price at exercise	275,323	–	–	–
Fair value at the date of grant	581,269	285,904	197,517	198,386

3. Estimations used to measure fair value of stock options

Estimations used to measure fair value of Japan Tobacco Inc. 2010 subscription rights to shares granted during this fiscal year are as follows:

a. Valuation model used Black-Scholes option pricing model

b. Basic assumptions and estimation method

	Japan Tobacco Inc. 2010 subscription rights to shares
Volatility of share price (Note 1)	34.351%
Estimated remaining outstanding period (Note 2)	15 years
Estimated dividend (Note 3)	¥5,600 per share
Interest rate with risk free (Note 4)	1.406%

Notes: 1. Calculated based on share prices for the period on and after listing date (from October 27, 1994 to October 4, 2010).
2. With difficulty in reasonable estimation due to insufficient data, remaining outstanding period is estimated based on the assumption that stock option rights would be exercised at a mid-point of exercise period.
3. Based on interim dividend and year-end dividend for the fiscal year ended March 31, 2010 (excluding the commemorative dividend of ¥200).
4. A yield of 15-year government bond, a period of which corresponds to estimated remaining outstanding period.

4. Method to estimate vested number of stock options

As it is difficult, in principle, to reasonably estimate the number of future cancellations, the number here reflects only that of actual cancellations.

(Tax effect accounting)

As of March 31, 2010		As of March 31, 2011	
1. Breakdown of deferred tax assets and deferred tax liabilities by major cause		1. Breakdown of deferred tax assets and deferred tax liabilities by major cause	
	(Millions of yen)		(Millions of yen)
Deferred tax assets		Deferred tax assets	
Provision for retirement benefits	42,984	Provision for retirement benefits	41,028
Obligations pertaining to mutual assistance association	44,195	Obligations pertaining to mutual assistance association	40,753
Net operating loss carryforwards	45,685	Net operating loss carryforwards	65,122
Foreign exchange losses	20,139	Other	77,114
Allowance for doubtful accounts	10,488	Subtotal	224,018
Other	73,255	Less valuation allowance	(69,116)
Subtotal	236,748	Total	154,902
Less valuation allowance	(74,102)	Deferred tax liabilities	
Total	162,646	Reserve for reduction entry	(25,498)
Deferred tax liabilities		Basis differences in assets acquired and liabilities assumed upon acquisition	(56,576)
Reserve for reduction entry	(26,306)	Prepaid pension cost	(8,637)
Basis differences in assets acquired and liabilities assumed upon acquisition	(72,286)	Other	(32,057)
Prepaid pension cost	(8,782)	Total	(122,770)
Other	(40,213)	Net deferred tax assets	32,131
Total	(147,589)		
Net deferred tax assets	15,056		
Note: Net deferred tax assets were reflected in the consolidated balance sheets under the following captions:		Note: Net deferred tax assets were reflected in the consolidated balance sheets under the following captions:	
	(Millions of yen)		(Millions of yen)
Current assets-Deferred tax assets	26,615	Current assets-Deferred tax assets	24,674
Noncurrent assets-Deferred tax assets	85,375	Noncurrent assets-Deferred tax assets	82,328
Current liabilities-Deferred tax liabilities	2,357	Current liabilities-Deferred tax liabilities	2,241
Noncurrent liabilities-Deferred tax liabilities	94,577	Noncurrent liabilities-Deferred tax liabilities	72,630

As of March 31, 2010		As of March 31, 2011	
2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income, if there is a significant difference		2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the consolidated statements of income, if there is a significant difference	
	(%)		(%)
Normal effective statutory tax rates	40.35	Normal effective statutory tax rates	40.35
(Adjustment)		(Adjustment)	
Tax rate difference applied for foreign consolidated subsidiaries	(6.90)	Tax rate difference applied for foreign consolidated subsidiaries	(10.32)
Non-deductible expenses	1.95	Non-deductible expenses	2.75
Amortization of goodwill	8.81	Amortization of goodwill	8.75
Valuation allowance	6.10	Valuation allowance	(1.43)
Gain from reversal of liability on fine levied under UK competition law	(2.44)	Regulatory fine in Canada	1.60
		Uncertainty in income taxes of foreign consolidated subsidiaries	5.31
Other	(0.31)	Other	(0.35)
Actual effective tax rate	47.56	Actual effective tax rate	46.66

(Business combination)

Fiscal year ended March 31, 2010

No items to report

Fiscal year ended March 31, 2011

No items to report

(Asset retirement obligations)

As of March 31, 2011

Omitted because of immateriality.

(Investment and rental properties)

Fiscal year ended March 31, 2010

JT and some consolidated subsidiaries own some rental properties such as office buildings and residence in Tokyo Prefecture and other areas. The consolidated balance sheet amounts, increase or decrease in the fiscal year ended March 31, 2010 and fair values for these investment properties are as follows.

(Millions of yen)

Intended use	Consolidated balance sheet amount			Fair value as of March 31, 2010
	Balance as of March 31, 2009	Increase/(decrease) in the fiscal year ended March 31, 2010	Balance as of March 31, 2010	
Office building for rent	41,505	(2,419)	39,086	140,605
Residence for rent	5,278	(142)	5,136	26,737
Others	29,271	(10,951)	18,319	66,774
Total	76,056	(13,514)	62,542	234,118

Notes: 1. Consolidated balance sheet amounts are net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2010 primarily represents the sales of domestic idle properties (¥11,214 million).
3. Fair value of investment properties at March 31, 2010 is principally measured based on the real estate appraisal assessed by the external real estate appraiser. And the others are measured by the Group based on the assessed value of taxable fixed asset. However, unless the appraisal or indicators that are regarded to reflect the fair value of the investment properties appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Group measures the fair value of the investment properties based on such appraisal or indicators.

The income and expenses for the investment properties for the year ended March 31, 2010 were as follows.

(Millions of yen)

Intended use	Income	Expenses	Net gain/(loss)	Other income/ (expense) (gain or loss on sales, etc.)
Office building for rent	11,546	5,179	6,366	(44)
Residence for rent	1,512	502	1,009	(20)
Others	2,941	3,327	(386)	21,767
Total	15,999	9,009	6,990	21,702

Note: The expenses above primarily consist of depreciation, repairs and maintenance expenses, insurance expense and fixed assets tax of each investment property.

Fiscal year ended March 31, 2011

JT and some consolidated subsidiaries own some rental properties such as office buildings and residence in Tokyo Prefecture and other areas. The consolidated balance sheet amounts, increase or decrease in the fiscal year ended March 31, 2011 and fair values for these investment properties are as follows.

(Millions of yen)

Intended use	Consolidated balance sheet amount			Fair value as of March 31, 2011
	Balance as of March 31, 2010	Increase/(decrease) in the fiscal year ended March 31, 2011	Balance as of March 31, 2011	
Office building for rent	39,086	(2,050)	37,035	124,706
Residence for rent	5,136	(832)	4,303	24,037
Others	18,319	(4,439)	13,880	59,523
Total	62,542	(7,322)	55,219	208,267

Notes: 1. Consolidated balance sheet amounts are net of accumulated depreciation and accumulated impairment losses, if any.
2. Decrease during the fiscal year ended March 31, 2011 primarily represents the sales of domestic idle properties (¥2,185 million).
3. Fair value of investment properties at March 31, 2011 is principally measured based on the real estate appraisal assessed by the external real estate appraiser. And the others are measured by the Group based on the assessed value of taxable fixed asset. However, unless the appraisal or indicators that are regarded to reflect the fair value of the investment properties appropriately change significantly since the date of acquisition or the date of the latest appraisal, the Group measures the fair value of the investment properties based on such appraisal or indicators.

The income and expenses for the investment properties for the year ended March 31, 2011 were as follows.

(Millions of yen)

Intended use	Income	Expenses	Net gain (loss)	Other income /(expense) (gain or loss on sales, etc.)
Office building for rent	11,194	4,601	6,592	(75)
Residence for rent	1,381	376	1,004	624
Others	2,150	1,577	572	4,174
Total	14,726	6,556	8,170	4,723

Note: The expenses above primarily consist of depreciation, repairs and maintenance expenses, insurance expense and fixed assets tax of each investment property.

(Segment information, etc.)

Business segment information

Fiscal year ended March 31, 2010

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Others	Total	Elimination and corporate	Consolidated total
I. Net sales and operating income (loss)								
Net sales								
(1) Sales to customers	3,042,836	2,633,636	44,068	394,653	19,500	6,134,695	–	6,134,695
(2) Intersegment sales or transfers	54,921	38,128	–	111	10,448	103,609	(103,609)	–
Total	3,097,758	2,671,764	44,068	394,764	29,948	6,238,304	(103,609)	6,134,695
Operating expenses	2,894,418	2,562,637	57,661	408,460	19,393	5,942,571	(104,380)	5,838,190
Operating income (loss)	203,339	109,127	(13,592)	(13,695)	10,555	295,733	771	296,504
II. Assets, depreciation and amortization other than goodwill, impairment loss and capital expenditure								
Assets	782,293	2,765,948	114,060	311,189	85,093	4,058,584	(185,988)	3,872,595
Depreciation and amortization other than goodwill	53,218	56,089	3,941	16,498	2,781	132,529	240	132,770
Impairment loss	17	1,030	–	3,135	–	4,183	1,859	6,042
Capital expenditure	45,827	64,552	2,953	23,445	346	137,125	8	137,133

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. Pharmaceutical: Prescription drugs
   - d. Food: Beverages and processed foods
   - e. Others: Rent of real estate, leasing and others

3. The amounts of corporate assets included in the “Elimination and corporate” column and the “Assets” row are as follows. Major components are the surplus funds (cash and deposits, and short-term investment securities), the assets pertaining to basic research and the land not used for businesses.

   (Fiscal year ended March 31, 2010) ¥74,995 million

4. The following table shows the amounts of goodwill amortization by business segment which are included in “operating expenses.”

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Others	Consolidated total
Fiscal year ended March 31, 2010	1,088	84,651	–	11,687	–	97,427

5. 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. was ¥1,084,320 million.

6. With respect to the International Tobacco segment, as the closing date of the accounting period of foreign consolidated subsidiaries, in which JT International S.A. conducts the main operational role, is set on December 31, operating results from January 1, 2009 to December 31, 2009 have been included in the consolidated financial statements for the fiscal year ended March 31, 2010.

Geographical segment information

Fiscal year ended March 31, 2010

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated total
I. Net sales and operating income (loss)						
Net sales						
(1) Sales to customers	3,482,547	1,677,755	974,392	6,134,695	–	6,134,695
(2) Intersegment sales or transfers	59,889	196,600	34,326	290,815	(290,815)	–
Total	3,542,436	1,874,355	1,008,718	6,425,511	(290,815)	6,134,695
Operating expenses	3,357,883	1,914,644	858,223	6,130,751	(292,561)	5,838,190
Operating income (loss)	184,553	(40,288)	150,495	294,759	1,745	296,504
II. Assets	1,031,910	2,358,102	433,866	3,823,880	48,715	3,872,595

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 amount and details of corporate assets included in the "Elimination and corporate" column and the "Assets" row is the same as ones in "Note 3." of "Business segment information."
4. The following table shows the amounts of goodwill amortization by geographical segment which are included in "operating expenses."

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Fiscal year ended March 31, 2010	12,775	84,651	–	97,427

Overseas sales

Fiscal year ended March 31, 2010

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	1,646,648	1,008,325	2,654,973
II. Consolidated sales	(Millions of yen)			6,134,695
III. Percentage of overseas sales	(%)	26.8	16.5	43.3

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 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. Method of measurement for net sales, profit or loss, assets and other items by reportable segment

   The accounting method for the reportable segments is generally the same as the method described in the section “Significant matters in preparing consolidated financial statements.” Profit by reportable segment 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). Intersegment sales and transfers are based mainly on actual market prices.

   A portion of common and company-wide expenses and assets are not allocated to the reportable segments. Allocation bases for expenses and for assets are different from the perspective of business management.

3. Information about net sales, profit or loss, assets and other items by reportable segment

   Fiscal year ended March 31, 2010

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 5)	Pharmaceutical	Food	Total
Net sales					
Sales to external customers (Note 1)	1,016,788	1,039,140	44,068	394,653	2,494,651
Intersegment sales or transfers	26,596	38,128	–	111	64,836
Total	1,043,385	1,077,269	44,068	394,764	2,559,487
Segment profit (loss)	251,263	277,677	(9,650)	14,489	533,779
Segment assets (Note 2)	696,660	2,765,948	105,539	307,796	3,875,944
Other items:					
Depreciation and amortization other than goodwill (Note 2)	51,436	56,089	3,941	16,498	127,966
Amortization of goodwill (Note 3)	1,088	84,651	–	11,687	97,427
Investment in equity method affiliate	503	20,322	–	2,015	22,841
Increase in property, plant and equipment and intangible assets (Note 4)	42,652	64,552	2,665	23,420	133,291

Fiscal year ended March 31, 2011

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 5)	Pharmaceutical	Food	Total
Net sales					
Sales to external customers (Note 1)	1,027,876	1,017,034	46,987	375,015	2,466,914
Intersegment sales or transfers	30,114	37,908	–	116	68,140
Total	1,057,991	1,054,943	46,987	375,132	2,535,055
Segment profit (loss)	257,689	288,167	(13,267)	17,277	549,867
Segment assets (Note 2)	732,335	2,362,921	104,941	273,021	3,473,219
Other items:					
Depreciation and amortization other than goodwill (Note 2)	43,690	51,637	4,145	17,069	116,542
Amortization of goodwill (Note 3)	1,088	80,400	–	9,619	91,107
Investment in equity method affiliate	523	17,051	–	1,216	18,791
Increase in property, plant and equipment and intangible assets (Note 4)	55,982	60,907	2,887	25,011	144,789

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)

Fiscal year ended March 31, 2010	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	3,042,836	2,633,636
Net sales excluding tobacco excise taxes	1,016,788	1,039,140
Of which, adjusted net sales excluding tobacco excise taxes (*)	615,991	906,756

Fiscal year ended March 31, 2011	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	3,103,355	2,649,956
Net sales excluding tobacco excise taxes	1,027,876	1,017,034
Of which, adjusted net sales excluding tobacco excise taxes (*)	617,918	897,455

(*) 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 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 tobacco products of other companies, including wholesale, are useful, which are disclosed as adjusted net sales excluding tobacco excise taxes for this reporting purpose. The following adjustments are made to measure adjusted net sales excluding tobacco excise taxes.

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

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

2. “Segment assets” include long-term prepaid expense, and amortization thereof is included in “Depreciation and amortization.”
3. This is amortization of goodwill included in operating expenses.
4. “Increase in property, plant and equipment and intangible assets” includes long-term prepaid expenses.
5. 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 December 31, operating results from January 1, 2009 to December 31, 2009 have been included in the fiscal year ended March 31, 2010 and operating results from January 1, 2010 to December 31, 2010 have been included in the fiscal year ended March 31, 2011.

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

(Millions of yen)

Net sales	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Reportable segments total	2,559,487	2,535,055
Other net sales (Note 1)	29,587	28,612
Elimination of intersegment transactions	(74,922)	(77,514)
Amount equivalent to tobacco excise taxes	3,620,543	3,708,401
Net sales in the consolidated statements of income	6,134,695	6,194,554

(Millions of yen)

Profit	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Reportable segments total	533,779	549,867
Other profits (Note 1)	13,340	12,919
Head office expenses (Note 2)	(20,837)	(20,210)
Elimination of intersegment transactions	(98)	(433)
Other adjustments	516	(1,030)
Subtotal (Note 3)	526,701	541,111
Depreciation and amortization	(132,770)	(121,322)
Amortization of goodwill	(97,427)	(91,107)
Operating income in the consolidated statements of income	296,504	328,680

(Millions of yen)

Assets	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Reportable segments total	3,875,944	3,473,219
Other assets (Note 1)	90,743	85,465
Company-wide assets (Note 4)	172,151	284,417
Elimination of intersegment transactions	(266,244)	(271,175)
Total assets in the consolidated balance sheets	3,872,595	3,571,927

(Millions of yen)

Other items	Reportable segments total		Other		Adjustments		Amounts on consolidated financial statements	
	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Depreciation and amortization other than goodwill	127,966	116,542	2,781	2,935	2,021	1,844	132,770	121,322
Amortization of goodwill	97,427	91,107	–	–	–	–	97,427	91,107
Investment in equity method affiliate	22,841	18,791	469	280	–	–	23,310	19,072
Increase in property, plant and equipment and intangible assets	133,291	144,789	345	575	3,497	656	137,133	146,021

Notes: 1. Other net sales, other profits and other assets include business activities relating to rent on 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).
4. Corporate assets unallocated to segments mainly consist of surplus funds, land and buildings not attributable to reportable segments and deferred tax assets unallocated to reportable segments.

(Additional information)

Effective 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 Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

Related information

Fiscal year ended March 31, 2011

1. Information by product and service

   As stated in “1. Overview of reportable segments” in Segment information, the classification of products and services is the same as the classification by reportable segment, and as a result, this information is omitted.

2. Geographical information

   (1) Net sales

(Millions of yen)

Japan	Overseas	Total
3,524,088	2,670,465	6,194,554

(2) Property, plant and equipment

(Millions of yen)

Japan	Overseas	Total
426,855	236,695	663,550

3. Information by major customer

As net sales to one particular customer did not amount to 10% or more of net sales in the consolidated statements of income, this information is omitted.

Information related to impairment loss on noncurrent assets by reportable segment

Fiscal year ended March 31, 2011

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Reportable segments total	Adjustment	Total
Impairment loss	16	344	–	2,977	3,338	1,958	5,297

Note: Adjustment indicates the amount pertaining to idle properties managed by the head office.

Information related to goodwill amortization and unamortized balances by reportable segment

As of March 31, 2011

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Balance as of March 31, 2011	15,237	1,115,970	–	16,608	1,147,816

Note: For the amount of goodwill amortization, please refer to “3. Information about net sales, profit or loss, assets and other items by reportable segment” in segment information.

Related party transaction

Fiscal year ended March 31, 2010

Omitted because of immateriality.

Fiscal year ended March 31, 2011

Omitted because of immateriality.

(Per share information)

Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
Net assets per share	¥172,139.61	Net assets per share	¥159,039.71
Net income per share	¥14,451.67	Net income per share	¥15,141.31
Diluted net income per share	¥14,448.89	Diluted net income per share	¥15,136.79

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

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net income per share		
Net income (Millions of yen)	138,448	144,961
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common share (Millions of yen)	138,448	144,961
Average number of common shares during the period (Thousands of shares)	9,580	9,573
Diluted net income per share		
Dilutive effects (Millions of yen)	–	–
Number of increased common shares (Thousands of shares)	1	2
(of which, subscription rights to shares) (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	–	–

(f)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
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 ¥4.5680 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.	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 ¥4.2830 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, the Government of New Brunswick and the Government of Newfoundland and Labrador claiming the recovery of health care costs, however, the amounts of claims have not been specified in these lawsuits.

(Important subsequent events)

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
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 (the “Canadian Governments”) 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. (“RJR”) and paid CAD150 million (approximately ¥13.8 billion). As a result, all of the contraband-related claims against JTI-Mac and others associated with it by the Canadian Governments have been withdrawn and the Notice of Assessment from the Quebec Ministry of Revenue has been withdrawn. At the same time, on April 13, 2010, the RJR Group entered into another agreement with the Canadian Governments and made the payment of CAD400 million (approximately ¥37.0 billion), resulting in total payments by the JT Group and RJR Group to the Canadian Governments of CAD550 million (approximately ¥50.9 billion). As a result of indemnification rights under the RJRI Purchase Agreement in 1999 and subsequent negotiations with the RJR Group, the JT Group and the RJR Group entered into an agreement whereby the JT Group would incur CAD150 million among the aforementioned CAD550 million total.	JT decided by resolution at a meeting of the Board of Directors held on April 27, 2011 to approve the proposal of the management board of Austria Tabak Gmbh, a consolidated subsidiary of JT, to close the Hainburg factory followed by a restructuring of the central office in Vienna. The payment of additional termination benefits, impairment loss on long-lived assets and other related costs are expected to arise due to those measures. These factors are expected to have an impact of approximately EUR 80 million (¥9.4 billion) in the next fiscal year.

e. Supplementary statements–consolidated

Detailed statement of bonds payable

Company name	Issues	Issue date	Balance as of March 31, 2010 (Millions of yen)	Balance as of March 31, 2011 (Millions of yen)	Interest rate (%)	Security	Maturity
Japan Tobacco Inc.	No. 2 domestic straight bonds	July 24, 2007	50,000 (50,000)	–	1.34	Yes	July 23, 2010
Japan Tobacco Inc.	No. 3 domestic straight bonds	July 24, 2007	40,000	40,000 (40,000)	1.53	Yes	July 22, 2011
Japan Tobacco Inc.	No. 4 domestic straight bonds	July 24, 2007	59,996	59,998	1.68	Yes	July 24, 2012
Japan Tobacco Inc.	No. 5 domestic straight bonds	June 3, 2009	100,000	100,000	1.13	Yes	June 3, 2014
Japan Tobacco Inc.	No. 6 domestic straight bonds	December 9, 2010	–	40,000	0.53	Yes	December 9, 2015
Japan Tobacco Inc.	No. 7 domestic straight bonds	December 9, 2010	–	20,000	0.84	Yes	December 8, 2017
Japan Tobacco Inc.	No. 8 domestic straight bonds	December 9, 2010	–	20,000	1.30	Yes	December 9, 2020
JTI (UK) Finance Plc	Euro-denominated straight bonds	June 10, 2004	105,828 [EUR 800 million]	86,209 (86,209) [EUR 800 million]	4.63	No	June 10, 2011
JTI (UK) Finance Plc	Pound-denominated straight bonds	February 6, 2003	36,513 [GBP 250 million]	31,534 [GBP 250 million]	5.75	No	February 6, 2013
JTI (UK) Finance Plc	Euro-denominated straight bonds	October 2, 2006	66,055 [EUR 500 million]	53,855 [EUR 500 million]	4.50	No	April 2, 2014
Other bonds	–	–	1,015 (395)	626 (276)	–	–	–
Total		–	459,409 (50,395)	452,225 (126,486)	–	–	–

Notes: 1. The figures in parentheses in the “Balance” columns are current portions included in the figures above.
2. The figures in square bracket in the “Balance” columns are foreign currency-denominated bonds included in the figures above.
3. Bond redemption schedule within five years after the closing date of accounting period are as follows:

(Millions of yen)

Due within one year	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
126,479	60,150	31,676	153,981	40,000

Detailed statement of loans payable

Category	Balance as of March 31, 2010 (Millions of yen)	Balance as of March 31, 2011 (Millions of yen)	Average interest rate (%)	Payment due
Short-term loans payable	109,263	70,059	2.8	–
Commercial paper	119,000	–	–	–
Current portion of long-term loans payable	23,024	21,490	1.4	–
Current portion of lease obligations	4,936	4,591	8.6	–
Long-term loans payable (excluding current portion)	149,569	152,414	1.0	2012 to 2028
Lease obligations (excluding current portion)	9,126	7,949	5.3	2012 to 2019
Other interest-bearing debts	–	–	–	–
Total	414,920	256,506	–	–

Notes: 1. Average interest rates above are computed based on the interest rate and outstanding balance as of the closing date of the accounting period.

2. Repayment of long-term loans payable and lease obligations (excluding current portion) above scheduled within five years after the closing date of accounting period are as follows:

(Millions of yen)

	Due after one year through two years	Due after two years through three years	Due after three years through four years	Due after four years through five years
Long-term loans payable	99,377	20,893	1,692	30,035
Lease obligations	3,521	2,285	1,367	545

Detailed statement of asset retirement obligations

As the amount of asset retirement obligations as of March 31, 2011 is not more than 1% of the total amount of liabilities and net assets as of the same date, this information is omitted pursuant to the provisions of Article 92-2 of the Regulation for Consolidated Financial Statements.

(2) Others

Quarterly data of the fiscal year ended March 31, 2011

(Millions of yen)

	First quarter From April 1, 2010 to June 30, 2010	Second quarter From July 1, 2010 to September 30, 2010	Third quarter From October 1, 2010 to December 31, 2010	Fourth quarter From January 1, 2011 to March 31, 2011
Net sales	1,467,099	1,831,635	1,349,193	1,546,626
Income before income taxes and minority interests	53,915	106,781	62,277	57,523
Net income	22,840	59,113	37,577	25,429
Net income per share (Yen)	2,384.18	6,170.47	3,922.45	2,661.41

Note: Quarterly data for the three months (the second, third and fourth quarters) is prepared by subtracting previous three, six and nine months' amount from the total amount of six, nine and twelve months, respectively.

2. Non-consolidated financial statements, etc.

(1) Non-consolidated financial statements

a. Non-consolidated balance sheets

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Assets				
Current assets				
Cash and deposits		2,466		291
Accounts receivable-trade	*2	53,662	*2	55,919
Short-term investment securities		6,760		139,400
Merchandise and finished goods		35,446		8,437
Semi-finished goods		108,997		102,958
Work in process		3,719		2,031
Raw materials and supplies		39,965		41,140
Advance payments-trade	*2	452	*2	483
Prepaid expenses	*2	4,796	*2	5,206
Deferred tax assets		13,988		12,457
Short-term loans receivable from subsidiaries and affiliates		174,555		30,965
Other	*2	15,945	*2	21,569
Allowance for doubtful accounts		(425)		(422)
Total current assets		460,328		420,441
Noncurrent assets				
Property, plant and equipment				
Buildings		410,946		397,526
Accumulated depreciation		(288,704)		(281,031)
Buildings, net		122,242		116,494
Structures		21,171		20,071
Accumulated depreciation		(17,662)		(16,846)
Structures, net		3,509		3,225
Machinery and equipment		320,518		338,508
Accumulated depreciation		(254,677)		(263,095)
Machinery and equipment, net		65,840		75,412
Vehicles		2,915		2,938
Accumulated depreciation		(1,353)		(1,458)
Vehicles, net		1,561		1,480
Tools, furniture and fixtures		92,769		81,615
Accumulated depreciation		(71,479)		(61,104)
Tools, furniture and fixtures, net		21,290		20,510
Land		93,453		91,721
Construction in progress		8,278		7,206
Total property, plant and equipment		316,176		316,050

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Intangible assets				
Patent right		338		221
Leasehold right		13		13
Right of trademark		2,182		4,905
Design right		75		99
Software		10,996		11,553
Other		152		182
Total intangible assets		13,759		16,975
Investments and other assets				
Investment securities		43,896		27,804
Stocks of subsidiaries and affiliates		2,093,949		2,018,926
Investments in capital of subsidiaries and affiliates		782		782
Long-term loans receivable		310		310
Long-term loans receivable from subsidiaries and affiliates		32,540		14,450
Long-term prepaid expenses		7,131		7,157
Deferred tax assets		39,704		39,698
Other		19,573		17,335
Allowance for doubtful accounts		(648)		(578)
Total investments and other assets		2,237,239		2,125,886
Total noncurrent assets		2,567,175		2,458,912
Total assets		3,027,503		2,879,353
Liabilities				
Current liabilities				
Accounts payable-trade	*2	15,266	*2	10,525
Short-term loans payable		30,543		–
Commercial paper		119,000		–
Current portion of bonds	*1	50,000	*1	40,000
Current portion of long-term loans payable		20,200		20,200
Lease obligations	*2	6,116	*2	3,327
Accounts payable-other	*2	48,241	*2	44,272
Accrued expenses	*2	2,309	*2	7,972
National tobacco excise taxes payable		45,439		52,703
National tobacco special excise taxes payable		10,490		8,150
Local tobacco excise taxes payable		55,982		61,868
Income taxes payable		30,697		33,888
Accrued consumption taxes		13,904		23,010
Advances received		12		0
Deposits received		623		638
Cash management system deposits received	*3	227,108	*3	232,174
Unearned revenue	*2	184	*2	193
Provision for bonuses		11,534		11,753
Other	*2	1,069	*2	1,018
Total current liabilities		688,722		551,697

(Millions of yen)

		As of March 31, 2010		As of March 31, 2011
Noncurrent liabilities				
Bonds payable	*1	199,996	*1	239,998
Long-term loans payable		40,360		50,160
Lease obligations	*2	5,244	*2	6,096
Provision for retirement benefits		177,988		163,963
Asset retirement obligations		–		397
Lease and guarantee deposits received	*2	7,695	*2	7,254
Long-term accounts payable-other		5,735		5,385
Total noncurrent liabilities		437,020		473,255
Total liabilities		1,125,743		1,024,952
Net assets				
Shareholders’ equity				
Capital stock		100,000		100,000
Capital surplus				
Legal capital surplus		736,400		736,400
Other capital surplus		6		9
Total capital surpluses		736,406		736,409
Retained earnings				
Legal retained earnings		18,776		18,776
Other retained earnings				
Reserve for reduction entry		38,320		37,127
Special account for reduction entry		4,254		1,882
General reserve		955,300		955,300
Retained earnings brought forward		112,612		92,829
Total retained earnings		1,129,263		1,105,915
Treasury stock		(74,575)		(94,573)
Total shareholders’ equity		1,891,095		1,847,751
Valuation and translation adjustments				
Valuation difference on available-for-sale securities		10,099		5,886
Total valuation and translation adjustments		10,099		5,886
Subscription rights to shares		564		763
Total net assets		1,901,759		1,854,401
Total liabilities and net assets		3,027,503		2,879,353

b. Non-consolidated statements of income

(Millions of yen)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Net sales		2,052,654		2,066,340
Cost of sales				
Beginning merchandise and finished goods		21,266		35,446
Cost of products manufactured		302,735		263,267
Cost of purchased goods		603		534
National tobacco excise taxes		532,760		550,302
National tobacco special excise taxes		122,990		108,250
Local tobacco excise taxes		655,745		658,535
Transfer to other account	*1	556	*1	3,897
Ending merchandise and finished goods		35,446		8,437
Cost of sales on real estate business		3,618		3,372
Total cost of sales		1,603,720		1,607,374
Gross profit		448,934		458,966
Selling, general and administrative expenses				
Advertising expenses		13,993		12,792
Promotion expenses		52,365		54,359
License fee		2,438		3,190
Transportation and warehousing expenses		19,807		22,027
Compensations, salaries and allowances		33,002		33,312
Retirement benefit expenses		6,593		5,720
Legal welfare expenses		5,805		6,038
Employees’ bonuses		7,650		6,884
Provision for bonuses		6,985		7,203
Business consignment expenses		22,276		23,432
Depreciation		31,793		17,385
Research and development expenses	*5	41,655	*5	41,956
Other		40,717		39,239
Total selling, general and administrative expenses		285,086		273,543
Operating income		163,847		185,422
Non-operating income				
Interest income	*4	587		517
Dividends income	*4	5,917	*4	4,880
Rent income from subsidiaries and affiliates		765		814
Other	*4	2,959	*4	2,735
Total non-operating income		10,229		8,948

(Millions of yen)

		Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011
Non-operating expenses				
Interest expenses	*4	2,724		1,848
Interest on bonds		3,791		3,158
Foreign exchange losses		–		1,466
Financial support for domestic leaf tobacco growers		522		1,491
Periodic mutual assistance association cost		1,724		1,384
Other		3,707		2,201
Total non-operating expenses		12,470		11,552
Ordinary income		161,606		182,818
Extraordinary income				
Gain on sales of land		30,415		8,092
Gain on sales of other noncurrent assets		0		77
Gain on sales of investment securities		–		1,381
Other		3,492		82
Total extraordinary income		33,907		9,634
Extraordinary loss				
Loss on sales of noncurrent assets	*2	3,514	*2	715
Loss on retirement of noncurrent assets	*3	4,144	*3	4,210
Impairment loss		1,859		1,974
Business restructuring costs	*6	5,004		–
Expense for disposal of PCB-containing wastes		4,055		–
Loss on valuation of stock of subsidiaries and affiliates		–	*7	74,942
Loss on the Great East Japan Earthquake		–	*8	8,667
Other		2,023		3,353
Total extraordinary losses		20,601		93,864
Income before income taxes		174,912		98,588
Income taxes-current		56,358		62,031
Income taxes-deferred		11,192		4,341
Total income taxes		67,551		66,372
Net income		107,361		32,216

Detailed statement of manufacturing cost

(Millions of yen)

Category	Note	Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
		Amount	%	Amount	%
I. Raw material cost		209,637	71.1	177,089	68.9
II. Labor cost		25,508	8.7	23,219	9.0
III. Other expenses		59,387	20.2	56,955	22.1
Total manufacturing cost of this fiscal year		294,533	100.0	257,264	100.0
Beginning semi-finished goods		118,789		108,997	
Beginning work in process		3,706		3,719	
Total		417,029		369,981	
Ending semi-finished goods		108,997		102,958	
Ending work in process		3,719		2,031	
Transfer to other account	*1	1,576		1,722	
Cost of products manufactured		302,735		263,267	

(Millions of yen)

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Major item of other expenses		
Depreciation and amortization	18,055	19,220

Note: *1. Mainly consisting of transfers to raw materials used for trials.

Method of cost accounting

Process cost accounting system is used for the cost accounting for our major products, tobacco, where processes are classified as the process of threshing and processing tobacco leaves (process to manufacture semi-finished goods) and the process of manufacturing finished goods from semi-finished goods of tobacco leaves threshed and processed.

c. Non-consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Shareholders' equity		
Capital stock		
Balance at the end of previous period	100,000	100,000
Balance at the end of current period	100,000	100,000
Capital surplus		
Legal capital surplus		
Balance at the end of previous period	736,400	736,400
Balance at the end of current period	736,400	736,400
Other capital surplus		
Balance at the end of previous period	–	6
Changes of items during the period		
Disposal of treasury stock	6	2
Total changes of items during the period	6	2
Balance at the end of current period	6	9
Total capital surplus		
Balance at the end of previous period	736,400	736,406
Changes of items during the period		
Disposal of treasury stock	6	2
Total changes of items during the period	6	2
Balance at the end of current period	736,406	736,409
Retained earnings		
Legal retained earnings		
Balance at the end of previous period	18,776	18,776
Balance at the end of current period	18,776	18,776
Other retained earnings		
Reserve for reduction entry		
Balance at the end of previous period	44,734	38,320
Changes of items during the period		
Provision of reserve for reduction entry	3,068	4,969
Reversal of reserve for reduction entry	(9,481)	(6,161)
Total changes of items during the period	(6,413)	(1,192)
Balance at the end of current period	38,320	37,127
Special account for reduction entry		
Balance at the end of previous period	2,413	4,254
Changes of items during the period		
Provision of reserve for special account for reduction entry	4,254	1,882
Reversal of reserve for special account for reduction entry	(2,413)	(4,254)
Total changes of items during the period	1,841	(2,372)
Balance at the end of current period	4,254	1,882

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
General reserve		
Balance at the end of previous period	916,300	955,300
Changes of items during the period		
Provision of general reserve	39,000	–
Total changes of items during the period	39,000	–
Balance at the end of current period	955,300	955,300
Retained earnings brought forward		
Balance at the end of previous period	93,326	112,612
Changes of items during the period		
Provision of reserve for reduction entry	(3,068)	(4,969)
Reversal of reserve for reduction entry	9,481	6,161
Provision of reserve for special account for reduction entry	(4,254)	(1,882)
Reversal of reserve for special account for reduction entry	2,413	4,254
Provision of general reserve	(39,000)	–
Dividends from surplus	(53,648)	(55,564)
Net income	107,361	32,216
Total changes of items during the period	19,285	(19,783)
Balance at the end of current period	112,612	92,829
Total retained earnings		
Balance at the end of previous period	1,075,550	1,129,263
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	107,361	32,216
Total changes of items during the period	53,713	(23,348)
Balance at the end of current period	1,129,263	1,105,915
Treasury stock		
Balance at the end of previous period	(74,578)	(74,575)
Changes of items during the period		
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	3	1
Total changes of items during the period	3	(19,998)
Balance at the end of current period	(74,575)	(94,573)
Total shareholders' equity		
Balance at the end of previous period	1,837,372	1,891,095
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	107,361	32,216
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	9	4
Total changes of items during the period	53,723	(43,344)
Balance at the end of current period	1,891,095	1,847,751

(Millions of yen)

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	7,627	10,099
Changes of items during the period		
Net changes of items other than shareholders' equity	2,472	(4,212)
Balance at the end of current period	10,099	5,886
Deferred gains or losses on hedges		
Balance at the end of previous period	79	–
Changes of items during the period		
Net changes of items other than shareholders' equity	(79)	–
Balance at the end of current period	–	–
Total valuation and translation adjustments		
Balance at the end of previous period	7,706	10,099
Changes of items during the period		
Net changes of items other than shareholders' equity	2,392	(4,212)
Balance at the end of current period	10,099	5,886
Subscription rights to shares		
Balance at the end of previous period	364	564
Changes of items during the period		
Net changes of items other than shareholders' equity	200	198
Balance at the end of current period	564	763
Total net assets		
Balance at the end of previous period	1,845,443	1,901,759
Changes of items during the period		
Dividends from surplus	(53,648)	(55,564)
Net income	107,361	32,216
Purchase of treasury stock	–	(19,999)
Disposal of treasury stock	9	4
Net changes of items other than shareholders' equity	2,593	(4,014)
Total changes of items during the period	56,316	(47,358)
Balance at the end of current period	1,901,759	1,854,401

Significant accounting policies

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
1. Valuation standard and method for securities	Stocks of subsidiaries and affiliates --- Stated at cost determined by the moving-average method. Available-for-sale securities With a fair value --- Stated at fair value based on market prices, etc. on the closing date of the accounting period. (Valuation difference is stated as a component of net assets, and the cost of securities sold is calculated by applying the moving-average method.) Without a fair value --- Stated at cost determined by the moving-average method.	Stocks of subsidiaries and affiliates --- Same as left Available-for-sale securities With a fair value --- Same as left Without a fair value --- Same as left
2. Valuation standard and method for derivatives	Derivatives --- Stated based on the fair value method.	Derivatives --- Same as left
3. Valuation standard and method for inventories	Stated at cost determined by the gross average method. (Balance sheet amounts are measured at the lower of cost or net selling value.)	Same as left
4. Depreciation methods for noncurrent assets	(1) Property, plant and equipment (excluding lease assets) The declining balance method (straight-line method is applied for buildings (excluding accompanying facilities) acquired on or after April 1, 1998) is applied. The useful lives of major items are as follows: Buildings (excluding accompanying facilities) 38 to 50 years Machinery and equipment 10 years	(1) Property, plant and equipment (excluding lease assets) Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(2) Intangible assets (excluding lease assets) The straight-line method is applied. The useful lives of major items are as follows: Goodwill 5 years Patent right 8 years Right of trademark 10 years Software 5 years (3) Lease assets For finance leases that do not transfer ownership of the leased property to the lessee, depreciation expense is mainly computed based on the straight-line method over the lease period as the useful life and assuming no residual value.	(2) Intangible assets (excluding lease assets) The straight-line method is applied. The useful lives of major items are as follows: Patent right 8 years Right of trademark 10 years Software 5 years (3) Lease assets Same as left
5. Policy for translation of foreign currency-denominated assets and liabilities into Japanese yen	Receivables and payables denominated in foreign currencies are translated into Japanese yen at the rates prevailing at the closing date of the accounting period with translation differences treated as gains or losses occurring in the corresponding fiscal year.	Same as left
6. Policy for reserve allowances	(1) Allowance for doubtful accounts Provided for possible losses from bad debts at an amount determined based on the historical default rate for ordinary receivables and the individual recoverability of specific doubtful receivables from customers experiencing financial difficulties. (2) Provision for bonuses Provided based on the estimated bonus amount payable to employees and directors.	(1) Allowance for doubtful accounts Same as left (2) Provision for bonuses Same as left

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(3) Provision for retirement benefits Provided in preparation for the payment of retirement benefits to employees based on the estimated retirement benefits obligation and fair value of plan assets as of the end of this fiscal year. Prior service cost is amortized using the straight-line method over the average remaining years of service of the employees (10 years). Actuarial gains or losses are amortized from the year following the year in which the gains or losses are recognized using the straight-line method over the average remaining years of service of the employees (10 years). Also included in the provision for retirement benefits is the portion of public pension expenses for mutual assistance association during certain periods in or before June 1956 (prior to the enforcement of the Act on the Mutual Aid Association of Public Corporation Employees, etc.).	(3) Provision for retirement benefits Same as left
7. Hedge accounting method	(1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate stipulated in the foreign currency forward contracts where requirements are met. (2) Hedging instruments and hedged items Hedging instruments --- Foreign currency forward contracts Hedged items --- Loans receivable	(1) Hedge accounting method Deferral hedge accounting is applied. Assets and liabilities denominated in foreign currencies are translated at the foreign exchange rate stipulated in the foreign currency forward contracts where requirements are met. For interest rate and currency swaps, if they satisfy the requirements for treatment that incorporates swaps into underlying accounting items (accounting by applying foreign exchange rate stipulated in the contracts, exceptional treatment), they are accounted for by incorporating swaps into underlying accounting items. (2) Hedging instruments and hedged items a. Hedging instruments --- Foreign currency forward contracts Hedged items --- Loans receivable b. Hedging instruments --- Interest rate and currency swaps Hedged items --- Loans payable

Item	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
	(3) Hedging policy Derivative transactions are mainly used in line with the Group Basic Policy on Financial Operations, the internal policy for derivative transactions, for the purpose of avoiding or reducing foreign currency exchange risks associated with future foreign currency transactions and for the purpose of avoiding interest rate risks associated with interest receipts on debt securities and interest payments on loans. (4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value, but used for translation of foreign currency-denominated assets and liabilities.	(3) Hedging policy Same as left (4) Assessment of hedge effectiveness As a general rule, the effectiveness of hedging instruments is determined by comparing the accumulated amount of changes in hedging instruments with the accumulated amount of changes in hedged items. Assessment of effectiveness is omitted for foreign currency forward contracts that are not remeasured at fair value, but used for translation of foreign currency-denominated assets and liabilities and for interest rate and currency swaps treated with accounting that incorporates the swaps into underlying accounting items.
8. Other significant accounting policies	Consumption taxes National consumption tax and local consumption tax are excluded from the non-consolidated statements of income.	Consumption taxes Same as left

Changes in significant matters in preparing non-consolidated financial statements

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
――――――――	(Application of Accounting Standard for Asset Retirement Obligations) Effective 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 the application of this new accounting standard on operating income, ordinary income and income before income taxes during this fiscal year is immaterial.

Changes in methods of presentation

Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
(Non-consolidated balance sheets) In the previous fiscal year, "Short-term loans receivable from subsidiaries and affiliates" (¥8,257 million recorded in the previous fiscal year) was included in "Other" in "Current assets," however, it is now presented separately due to its increased materiality.	――――――――
(Non-consolidated statements of income) 1. In the previous fiscal year, "Foreign exchange losses" (¥1,168 million recorded in this fiscal year) was presented separately in "Non-operating expenses," however, in this fiscal year, it is included in "Other" in "Non-operating expenses" due to its immateriality. 2. In the previous fiscal year, "Business restructuring costs" (¥1,860 million recorded in the previous fiscal year) was included in "Other" in "Extraordinary loss," however, it is now presented separately due to its increased materiality.	(Non-consolidated statements of income) 1. In the previous fiscal year, "Foreign exchange losses" (¥1,168 million recorded in the previous fiscal year) was included in "Other" in "Non-operating expenses," however, it is now presented separately due to its increased materiality. 2. In the previous fiscal year, "Gain on sales of investment securities" (¥23 million recorded in the previous fiscal year) was included in "Other" in "Extraordinary income," however, it is now presented separately due to its increased materiality. 3. In the previous fiscal year, "Business restructuring costs" (¥1,844 million recorded in this fiscal year) was presented separately in "Extraordinary loss," however, in this fiscal year, it is included in "Other" in "Extraordinary loss" due to its immateriality. 4. In the previous fiscal year, "Expense for disposal of PCB-containing wastes" (¥11 million recorded in this fiscal year) was presented separately in "Extraordinary loss," however, in this fiscal year, it is included in "Other" in "Extraordinary loss" due to its immateriality.

Notes to non-consolidated financial statements

(Notes to non-consolidated balance sheets)

<table>
<tr><th>As of March 31, 2010</th><th>As of March 31, 2011</th></tr>
<tr><td>*1. Pursuant to Article 6 of the Japan Tobacco Inc. Act, JT's assets are pledged as general collateral for its corporate bonds.</td><td>*1. Same as left</td></tr>
<tr><td>*2. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows:
(Millions of yen)
Assets for subsidiaries and affiliates: 35,369
Liabilities for subsidiaries and affiliates: 40,082</td><td>*2. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows:
(Millions of yen)
Assets for subsidiaries and affiliates: 37,614
Liabilities for subsidiaries and affiliates: 33,347</td></tr>
<tr><td>*3. "Cash management system deposits received" represents the fund entrusted in the cash management system of domestic Group companies.
Please note that, from this fiscal year, the company that controls the cash management system was changed from JT Finance Service Co., Ltd. to JT.</td><td>*3. "Cash management system deposits received" represents the fund entrusted in the cash management system of domestic Group companies.</td></tr>
<tr><td>4. Contingent obligations
Guarantees are provided for bank loans and bonds of subsidiaries and affiliates as follows:
Bank loans
(Millions of yen)
JT International Holding B.V.: 98,272 (GBP 700 million)
JT International Germany GmbH: 14,968 (EUR 119 million)
JT International S.A.: 13,564 (CHF 64 million) (EUR 44 million) (USD 25 million)
JT International Company Netherlands B.V.: 10,041 (EUR 80 million) (USD 0 million)
Other (40 companies): 69,990
Total: 206,837

Bonds
(Millions of yen)
JTI (UK) Finance PLC: 204,118 (EUR 1,352 million) (GBP 252 million)
Total: 204,118

Note: Guarantee obligations denominated in foreign currencies were translated to yen amounts using the exchange rate as of the closing date of the accounting period.</td><td>4. Contingent obligations
Guarantees are provided for bank loans and bonds of subsidiaries and affiliates as follows:
Bank loans
(Millions of yen)
JT International Holding B.V.: 124,626 (EUR 510 million) (GBP 455 million) (CAD 44 million)
JTI Ireland Limited: 22,787 (EUR 194 million)
JT International Hellas A.E.B.E.: 20,497 (EUR 174 million)
JT International Germany GmbH: 14,253 (EUR 121 million)
JT International S.A.: 13,197 (EUR 54 million) (CHF 53 million) (USD 23 million)
Other (47 companies): 70,743
Total: 266,104

Bonds
(Millions of yen)
JTI (UK) Finance PLC: 192,562 (EUR 1,352 million) (GBP 252 million)
Total: 192,562

Note: Guarantee obligations denominated in foreign currencies were translated to yen amounts using the exchange rate as of the closing date of the accounting period.</td></tr>
</table>

(Notes to non-consolidated statements of income)

<table>
<tr><th>Fiscal year ended March 31, 2010</th><th>Fiscal year ended March 31, 2011</th></tr>
<tr><td>*1. “Transfer to other account” represents the amount of merchandise and finished goods to be used as samples or for other purposes.</td><td>*1. “Transfer to other account” represents the amount of merchandise and finished goods related to loss on the Great East Japan Earthquake or for other purposes.</td></tr>
<tr><td>*2. The main components of “Loss on sales of noncurrent assets” are as follows:
(Millions of yen)
Buildings 1,683
Land 1,620</td><td>*2. The main components of “Loss on sales of noncurrent assets” are as follows:
(Millions of yen)
Buildings 557</td></tr>
<tr><td>*3. The main components of “Loss on retirement of noncurrent assets” are as follows:
(Millions of yen)
Buildings 1,574
Machinery and equipment 1,566</td><td>*3. The main components of “Loss on retirement of noncurrent assets” are as follows:
(Millions of yen)
Buildings 1,775
Machinery and equipment 1,437</td></tr>
<tr><td>*4. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows:
(Millions of yen)
Dividend income 3,897
Other non-operating income 2,036
Interest expenses 1,475</td><td>*4. Amounts incurred from transactions with subsidiaries and affiliates that are included in the relevant accounts other than those separately presented as such are as follows:
(Millions of yen)
Dividend income 4,313
“Other” in Non-operating income 1,001</td></tr>
<tr><td>*5. Total research and development expenses are ¥41,655 million, all of which are recorded as general and administrative expenses.</td><td>*5. Total research and development expenses are ¥41,956 million, all of which are recorded as general and administrative expenses.</td></tr>
<tr><td>*6. “Business restructuring costs” in “Extraordinary loss” were incurred in line with the business restructuring measures mainly for additional retirement benefits related to early retirement.</td><td>―――――――</td></tr>
<tr><td>―――――――</td><td>*7. Loss on valuation of stocks of subsidiaries and affiliates is the recording of an impairment loss on the stock of JT’s subsidiary, TableMark Co., Ltd.</td></tr>
<tr><td>―――――――</td><td>*8. Loss on the Great East Japan Earthquake refers to items such as restoration costs for noncurrent assets and loss on destruction of inventories, which occurred at JT’s manufacturing facilities and other sites as a result of the Great East Japan Earthquake, which struck on March 11, 2011.
Most of the noncurrent assets and inventories damaged in the earthquake disaster are covered by casualty insurance.</td></tr>
</table>

(Notes to non-consolidated statements of changes in net assets)

Fiscal year ended March 31, 2010

Class and number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2009	Increase in the fiscal year ended March 31, 2010	Decrease in the fiscal year ended March 31, 2010	Number of shares as of March 31, 2010
Common stock (Note)	419	–	0	419
Total	419	–	0	419

Note: The decrease of 17 shares in the number of common shares of treasury stock is due to the exercise of stock options.

Fiscal year ended March 31, 2011

Class and number of treasury shares

(Thousands of shares)

	Number of shares as of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011	Number of shares as of March 31, 2011
Common stock (Note)	419	58	0	478
Total	419	58	0	478

Note: The increase of 58,630 shares in the number of common shares of treasury stock is the increase due to the acquisition implemented pursuant to the provision of Article 156 of the Companies Act, as applied under Article 165, paragraph (3) of the Act, and the decrease of 7 shares is due to the exercise of stock options.

(Lease transactions)

<table>
<tr><th>Fiscal year ended March 31, 2010</th><th>Fiscal year ended March 31, 2011</th></tr>
<tr><td>[As lessee]
Operating leases
Future minimum lease payments under noncancelable operating leases
(Millions of yen)
Due within one year 5
Due after one year 6
Total 11</td><td>[As lessee]
Operating leases
Future minimum lease payments under noncancelable operating leases
(Millions of yen)
Due within one year 5
Due after one year 1
Total 6</td></tr>
</table>

(Short-term investment securities and investment securities)

As of March 31, 2010

Investments in subsidiaries and affiliates

(Millions of yen)

Type	Balance sheet amount	Fair value	Difference
Investments in subsidiaries	41,580	28,241	(13,338)
Total	41,580	28,241	(13,338)

Note: Investments in subsidiaries and affiliates whose fair value is deemed extremely difficult to determine

(Millions of yen)

Type	Balance sheet amount
Investments in subsidiaries	2,052,133
Investments in affiliates	235

The above are not included in “Investments in subsidiaries and affiliates” because their market values are not available and their fair values are deemed extremely difficult to determine.

As of March 31, 2011

Investments in subsidiaries and affiliates

(Millions of yen)

Type	Balance sheet amount	Fair value	Difference
Investments in subsidiaries	41,580	25,515	(16,064)
Total	41,580	25,515	(16,064)

Note: Investments in subsidiaries and affiliates whose fair value is deemed extremely difficult to determine

(Millions of yen)

Type	Balance sheet amount
Investments in subsidiaries	1,977,191
Investments in affiliates	154

The above are not included in “Investments in subsidiaries and affiliates” because their market values are not available and their fair values are deemed extremely difficult to determine.

(Tax effect accounting)

As of March 31, 2010

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets	
Provision for retirement benefits	27,623
Obligations pertaining to mutual assistance association	44,195
Impairment loss	1,173
Provision for bonuses	4,654
Other	20,235
Subtotal	97,880
Less valuation allowance	(2,960)
Total	94,920
Deferred tax liabilities	
Reserve for reduction entry	(25,921)
Other	(15,305)
Total	(41,227)
Net deferred tax assets	53,692

2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the non-consolidated statements of income, if there is a significant difference

Note is omitted because the difference between the normal effective statutory tax rates and the actual effective tax rates are not more than 5% of the normal effective statutory tax rates.

As of March 31, 2011

1. Breakdown of deferred tax assets and deferred tax liabilities by major cause

(Millions of yen)

Deferred tax assets	
Provision for retirement benefits	25,406
Obligations pertaining to mutual assistance association	40,753
Impairment loss	941
Provision for bonuses	4,742
Loss on valuation of stocks of subsidiaries and affiliates	31,259
Other	17,641
Subtotal	120,744
Less valuation allowance	(33,406)
Total	87,337
Deferred tax liabilities	
Reserve for reduction entry	(25,114)
Other	(10,066)
Total	(35,181)
Net deferred tax assets	52,156

2. Reconciliation between the normal effective statutory tax rates and the actual effective tax rates reflected in the non-consolidated statements of income, if there is a significant difference

(%)

Normal effective statutory tax rates	40.35
(Adjustment)	
Expenses not deductible permanently such as entertainment expenses	0.77
Income not taxable permanently such as dividends income	(1.74)
Tax deduction on experiment and research expenses	(3.01)
Valuation allowance	30.88
Other	0.07
Actual effective tax rate	67.32

(Business combination)

Fiscal year ended March 31, 2010

No items to report

Fiscal year ended March 31, 2011

No items to report

(Asset retirement obligations)

As of March 31, 2011

Omitted because of immateriality.

(Per share information)

Fiscal year ended March 31, 2010		Fiscal year ended March 31, 2011	
Net assets per share	¥198,452.58	Net assets per share	¥194,679.73
Net income per share	¥11,206.74	Net income per share	¥3,365.00
Diluted net income per share	¥11,204.58	Diluted net income per share	¥3,364.00

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

	Fiscal year ended March 31, 2010	Fiscal year ended March 31, 2011
Net income per share		
Net income (Millions of yen)	107,361	32,216
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common shares (Millions of yen)	107,361	32,216
Average number of common shares during the period (Thousands of shares)	9,580	9,573
Diluted net income per share		
Dilutive effects (Millions of yen)	–	–
Number of increased common shares (Thousands of shares)	1	2
(of which, subscription rights to shares) (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	–	–

(Important subsequent events)

Fiscal year ended March 31, 2010

No items to report

Fiscal year ended March 31, 2011

No items to report

d. Supplementary statements

Detailed statement of short-term investment securities

Shares

Issues			Number of shares (Share)	Balance sheet amount (Millions of yen)
Investment securities	Available-for-sale securities	KT&G Corporation	2,864,904	12,382
		Seven & i Holdings Co., Ltd.	852,000	1,807
		Mizuho Financial Group, Inc.	12,750,700	1,759
		Mitsubishi UFJ Financial Group, Inc.	3,511,050	1,348
		DOUTOR-NICHIRES Holdings Co., Ltd.	1,320,000	1,326
		Sumitomo Mitsui Financial Group, Inc.	340,901	881
		Central Japan Railway Company	1,000	659
		NIPPON TELEGRAPH AND TELEPHONE CORPORATION	153,000	571
		OKAMURA CORPORATION	1,206,000	564
		NIPPON EXPRESS CO., LTD.	1,730,400	551
		51 other issues	13,250,605	5,121
Total			37,980,560	26,974

Other

Issues			Number of investment units (Unit)	Balance sheet amount (Millions of yen)
Short-term investment securities	Available-for-sale securities	Certificates of deposit	–	139,400
		Subtotal	–	139,400
Investment securities	Available-for-sale securities	Securities issued by government agencies	50,000	500
		Preferred securities	1,115,540	318
		Limited liability partnership for investments (2 partnerships)	100	12
		Subtotal	–	830
Total			–	140,230

Detailed statement of property, plant and equipment and others

(Millions of yen)

Type of assets	Balance as of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011	Balance as of March 31, 2011	Accumulated depreciation or accumulated amortization as of March 31, 2011	Depreciation during the fiscal year ended March 31, 2011	Balance as of March 31, 2011
Property, plant and equipment							
Buildings	410,946	7,770	21,190 (1,513)	397,526	281,031	9,699	116,494
Structures	21,171	330	1,430 (37)	20,071	16,846	470	3,225
Machinery and equipment	320,518	28,880	10,889 (711)	338,508	263,095	17,117	75,412
Vehicles	2,915	361	338	2,938	1,458	391	1,480
Tools, furniture and fixtures	92,769	11,623	22,778	81,615	61,104	12,060	20,510
Land	93,453	176	1,908 (423)	91,721	–	–	91,721
Construction in progress	8,278	38,269	39,341	7,206	–	–	7,206
Total property, plant and equipment	950,052	87,412	97,878 (2,685)	939,587	623,536	39,740	316,050
Intangible assets							
Patent right	1,170	31	–	1,201	980	148	221
Leasehold right	13	–	–	13	–	–	13
Right of trademark	4,688	3,321	–	8,009	3,103	598	4,905
Design right	83	40	–	123	25	17	99
Software	54,228	4,854	2,355	56,728	45,174	4,137	11,553
Other	267	40	–	307	125	11	182
Total intangible assets	60,449	8,288	2,355	66,381	49,407	4,912	16,975
Long-term prepaid expenses	15,433	2,521	265	17,689	10,531	2,292	7,157

Notes: 1. The figures in parentheses in the “Decrease in the fiscal year ended March 31, 2011” column represent decreases due to impairment losses included in the figures above.

2. The balance as of March 31, 2010 of intangible assets (excluding software) and long-term prepaid expenses is presented after deduction of accumulated amortization as of March 31, 2010.

3. Major breakdowns of “Increase in the fiscal year ended March 31, 2011” and “Decrease in the fiscal year ended March 31, 2011” are as follows:

(Millions of yen)

Buildings	Decrease	Idle assets	16,104
Machinery and equipment	Increase	Tobacco products manufacturing equipment and other	27,336
Tools, furniture and fixtures	Decrease	Lease assets (vending machines, etc.)	18,257

Detailed statement of reserve allowances

(Millions of yen)

Category	Balance as of March 31, 2010	Increase in the fiscal year ended March 31, 2011	Decrease in the fiscal year ended March 31, 2011 (specific purposes)	Decrease in the fiscal year ended March 31, 2011 (other)	Balance as of March 31, 2011
Allowance for doubtful accounts	1,074	1	71	2	1,001
Provision for bonuses	11,534	11,753	11,534	–	11,753

Note: "Decrease in the fiscal year ended March 31, 2011 (other)" for allowance for doubtful accounts consists of the credited reserve amount added back in full to the income in the following period on the historical default rate for ordinary receivables.

(2) Principal assets and liabilities

Breakdowns of principal assets and liabilities as of March 31, 2011 are as follows.

a. Assets

(a) Cash and deposits

(Millions of yen)

Category	Amount
Cash	61
Type of deposits	
Checking accounts	220
Saving accounts	9
Subtotal	230
Total	291

(b) Accounts receivable-trade

i. Balance by business partner

(Millions of yen)

Business partner	Amount
JT International S.A.	10,426
JT Beverage Inc.	9,060
LAWSON, INC.	5,857
FamilyMart Co., Ltd.	4,760
Circle K Sunkus Co., Ltd.	4,096
Other	21,718
Total	55,919

ii. Accrual, collection and retention of accounts receivable-trade

Balance carried from the fiscal year ended March 31, 2010 (Millions of yen) (A)	Accrual in the fiscal year ended March 31, 2011 (Millions of yen) (B)	Collection in the fiscal year ended March 31, 2011 (Millions of yen) (C)	Balance carried forward (Millions of yen) (D)	Collection rate (%) $\frac{(C)}{(A)+(B)} \times 100$	Detention period (Day) $\frac{\frac{(A)+(D)}{2}}{\frac{(B)}{365}}$
53,662	2,166,868	2,164,611	55,919	97.5	9.2

Note: In JT's accounting, consumption taxes are, in general, excluded from transaction amounts. However, "Accrual in the fiscal year ended March 31, 2011" above includes consumption taxes.

(c) Inventories

i. Merchandise and finished goods

(Millions of yen)

	Item	Amount
Merchandise	Vending machinery-related products	89
	Other	41
	Subtotal	130
Finished goods	Tobacco products	6,199
	Other	2,107
	Subtotal	8,307
Total		8,437

ii. Semi-finished goods

(Millions of yen)

Item	Amount
Processed raw materials for tobacco products (threshed tobacco)	102,958
Total	102,958

iii. Work in process

(Millions of yen)

Item	Amount
Tobacco products	2,031
Total	2,031

iv. Raw materials and supplies

(Millions of yen)

	Item	Amount
Raw materials	Leaf tobacco	30,514
	Other	3,347
	Subtotal	33,861
Supplies	Supplies for tobacco products	3,306
	Other	3,972
	Subtotal	7,278
Total		41,140

(d) Stock of subsidiaries and affiliates

(Millions of yen)

Issue	Amount
JT Europe Holding B.V.	1,831,099
TableMark Co., Ltd.	67,775
Japan Beverage Holdings Inc.	47,564
Torii Pharmaceutical Co., Ltd.	41,580
Japan Filter Technology Co., Ltd.	12,584
Other	18,322
Total	2,018,926

b. Liabilities

(a) Accounts payable-trade

(Millions of yen)

Business partner	Amount
JT International S.A.	1,554
Japan Filter Technology Co., Ltd.	1,236
HOKKAI CAN CO., LTD	1,081
KEY COFFEE INC.	804
WEST JAPAN CAN PACK LIMITED	635
Other	5,213
Total	10,525

(b) Cash management system deposits received

Details are described in “Notes to non-consolidated balance sheets, Notes to non-consolidated financial statements of (1) Non-consolidated financial statements in 2. Non-consolidated financial statements, etc.”

(c) Bonds payable

The breakdown is described in “Detailed statement of bonds payable, e. Supplementary statements–consolidated of (1) Consolidated financial statements in 1. Consolidated financial statements, etc.”

(d) Provision for retirement benefits

i. Retirement benefits

(Millions of yen)

Category	Amount
Projected benefit obligations	190,439
Fair value of plan assets	(77,073)
Unrecognized actuarial difference	(62,388)
Unrecognized prior service cost	(3,650)
Prepaid pension cost	15,637
Subtotal	62,964

ii. Obligations pertaining to mutual assistance association (Note)

(Millions of yen)

Category	Amount
Benefit obligations	97,576
Unrecognized actuarial difference	3,422
Subtotal	100,999

(Millions of yen)

Total	163,963

Note: As described in "(3) Provision for retirement benefits, 6. Policy for reserve allowances of Significant accounting policies of (1) Non-consolidated financial statements in 2. Non-consolidated financial statements, etc.," JT computes the amount of mutual assistance association obligation separately and includes it in provision for retirement benefits.

(3) Others

No items to report

VI. Outline of filing company's business concerning shares

Business year	From April 1 to March 31
Annual General Meeting of Shareholders	June
Record date	March 31
Record dates for dividends from surplus	September 30 March 31
Share trade unit	Not applicable.
Purchase of shares less than one unit:	
Office for handling business	Not applicable.
Shareholder registry administrator	Not applicable.
Forwarding office	Not applicable.
Handling charge for purchase	Not applicable.
Method of public notice	Electronic public notice will be made. However, if JT is unable to make electronic public notice due to an accident or any other compelling reason, it will make an alternative public notice on "The Nikkei" newspaper. Electronic public notice will be notified on JT's website (http://www.jti.co.jp/).
Special benefits for shareholders	Special benefits for shareholders (1) Scope: All shareholders who appear in the shareholder registry as of March 31 and September 30 each year and hold one or more shares. (2) Description: JT presents one of various own products (including products of JT Group companies and gifts and novelties with JT name) a. Shareholders with one or more than one and less than five shares — ¥2,000 equivalent b. Shareholders with five or more shares — ¥3,000 equivalent * It is possible to choose for a contribution to be made to an organization that carries out social contribution activities in lieu of the presentation of products.

VII. Reference information on filing company

1. Information on filing company's parent company

JT does not have a parent company as described by the provisions of Article 24-7, paragraph (1) of the Financial Instruments and Exchange Act.

2. Other reference information

From the beginning of this fiscal year until the filing date of this Annual Securities Report, JT has filed the following documents.

(1) Annual Securities Report and Appendices, and Written Confirmation

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2010.

25th term; from April 1, 2009 to March 31, 2010

(2) Internal Control Report

Filed to Director-General of Kanto Local Finance Bureau on June 24, 2010.

25th term; from April 1, 2009 to March 31, 2010

(3) Quarterly Securities Reports and Written Confirmations

Filed to Director-General of Kanto Local Finance Bureau on August 13, 2010.

(First quarter of the 26th term; from April 1, 2010 to June 30, 2010)

Filed to Director-General of Kanto Local Finance Bureau on November 12, 2010.

(Second quarter of the 26th term; from July 1, 2010 to September 30, 2010)

Filed to Director-General of Kanto Local Finance Bureau on February 14, 2011.

(Third quarter of the 26th term; from October 1, 2010 to December 31, 2010)

(4) Extraordinary Reports

Filed to Director-General of Kanto Local Finance Bureau on June 29, 2010.

Extraordinary Report based on Article 19, paragraph (2), item (ix-2) (Results of Exercise of Voting Rights at the Annual General Meeting of Shareholders) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

Filed to Director-General of Kanto Local Finance Bureau on September 17, 2010.

Extraordinary Report based on Article 19, paragraph (2), item (ii-2) (Issuance of Subscription Rights to Shares as Stock Options) of the Cabinet Office Ordinance on Disclosure of Corporate Information, etc.

(5) Amendment Report of Extraordinary Report

Filed to Director-General of Kanto Local Finance Bureau on October 5, 2010.

Amendment Report of Extraordinary Report filed on September 17, 2010.

(6) Share Buyback Reports

Reporting period; from February 1, 2011 to February 28, 2011

Filed to Director-General of Kanto Local Finance Bureau on March 4, 2011.

Reporting period; from March 1, 2011 to March 31, 2011

Filed to Director-General of Kanto Local Finance Bureau on April 5, 2011.

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 AUDITORS' REPORT

June 24, 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)

[Audit of Financial Statements]
Pursuant to the first clause of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income, changes in net assets and cash flows, and consolidated supplementary schedules of Japan Tobacco Inc. and consolidated subsidiaries for the fiscal year from April 1, 2009 to March 31, 2010. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. and consolidated subsidiaries as of March 31, 2010, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

[Audit of Internal Control over Financial Reporting]
Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Japan Tobacco Inc. as of March 31, 2010. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over

financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Japan Tobacco Inc. as of March 31, 2010 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting 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 Accountants' Report. The original report is kept separately by JT (the filing company of the Annual Securities Report).

2. The section of 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 AUDITORS' REPORT

June 24, 2011

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Tatsuo Igarashi (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Satoshi Iizuka (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Koji Ishikawa (Seal)

[Audit of Financial Statements]
Pursuant to the first paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited the consolidated financial statements included in the Financial Section, namely, the consolidated balance sheet and the related consolidated statements of income and comprehensive income, changes in net assets and cash flows, and consolidated supplementary schedules of Japan Tobacco Inc. and consolidated subsidiaries for the fiscal year from April 1, 2010 to March 31, 2011. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. and consolidated subsidiaries as of March 31, 2011, and the consolidated results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in Japan.

[Audit of Internal Control over Financial Reporting]
Pursuant to the second paragraph of Article 193-2 of the Financial Instruments and Exchange Act, we have audited management's report on internal control over financial reporting of Japan Tobacco Inc. as of March 31, 2011. The Company's management is responsible for designing and operating effective internal control over financial reporting and preparing its report on internal control over financial reporting. Our responsibility is to express an opinion on management's report on internal control over financial reporting based on our audit. There is a possibility that material misstatements will not completely be prevented or detected by internal control over financial reporting.

We conducted our audit in accordance with auditing standards for internal control over financial reporting generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether management's report on internal control over financial reporting is free of material misstatement. An audit includes examining, on a test basis, the scope, procedures and results of assessment of internal control made by management, as well as evaluating the overall presentation of the management's report on internal control over financial reporting. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, management's report on internal control over financial reporting referred to above, which represents that the internal control over financial reporting of Japan Tobacco Inc. as of March 31, 2011 is effectively maintained, presents fairly, in all material respects, the assessment of internal control over financial reporting in conformity with assessment standards for internal control over financial reporting 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 Act.

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

INDEPENDENT AUDITORS' REPORT

June 24, 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 audited the financial statements included in the Financial Section, namely, the balance sheet and the related statements of income, changes in net assets, and supplemental schedules of Japan Tobacco Inc. for the 25th fiscal year from April 1, 2009 to March 31, 2010. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. as of March 31, 2010, and the results of its operations for the year then ended in conformity with accounting principles 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.

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

INDEPENDENT AUDITORS' REPORT

June 24, 2011

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Tatsuo Igarashi (Seal)

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant:

Satoshi Iizuka (Seal)

Designated Unlimited Liability 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 audited the financial statements included in the Financial Section, namely, the balance sheet and the related statements of income, changes in net assets and cash flows, and supplemental schedules of Japan Tobacco Inc. for the 26th fiscal year from April 1, 2010 to March 31, 2011. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in Japan. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Japan Tobacco Inc. as of March 31, 2011, and the results of its operations and its cash flows for the year then ended in conformity with accounting principles 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 Act.

Notes: 1. The document presented above is a digitized copy of the original version of the Accountants' Report. The original report is kept separately by JT (the filing company of the Annual Securities Report).

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