[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.]

October 31, 2011

Consolidated Financial Results for the Six Months Ended September 30, 2011 <under Japanese GAAP>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchanges: Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock Exchanges
URL: http://www.jti.co.jp/
Representative: Hiroshi Kimura, President, Chief Executive Officer and Representative Director
Contact: Yasuyuki Tanaka, Senior Vice President and Chief Communications Officer
Telephone: +81-3-3582-3111
Scheduled date to file Quarterly Securities Report: November 14, 2011
Scheduled starting date of the dividend payments: December 1, 2011
Drawing up supplementary documents on quarterly financial results: Yes
Holding quarterly investors' meeting: Yes (for analysts and institutional investors)

(Millions of yen with fractional amounts discarded, unless otherwise noted.)

1. Consolidated financial results for the six months of the fiscal year ending March 31, 2012 (from April 1, 2011 to September 30, 2011)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
Six months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
September 30, 2011	1,277,503	(1.5)	193,027	(3.8)	192,515	3.2	95,875	17.9
September 30, 2010	1,297,494	–	200,640	–	186,475	–	81,321	–

Note: Comprehensive income:
Six months ended September 30, 2011:¥171,691 million (—%);
Six months ended September 30, 2010:¥(121,237) million(—%)

	Net income per share	Diluted net income per share
Six months ended	Yen	Yen
September 30, 2011	10,069.35	10,066.10
September 30, 2010	8,488.54	8,486.67

* Effective April 1, 2011, JT made a partial revision to its accounting policy. For details, please refer to the section of "(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections, 2. Matters regarding summary information (Others)" on page 10. Also, in accordance with the "Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Statement No. 24), the financial figures for the corresponding period in the previous fiscal year are shown with the retrospective application of the partially revised accounting policy.

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
As of	Millions of yen	Millions of yen	%	Yen
September 30, 2011	3,594,067	1,704,389	45.2	170,657.76
March 31, 2011	3,544,107	1,571,750	42.2	156,996.72

Reference: Equity:
As of September 30, 2011: ¥1,624,913 million; As of March 31, 2011: ¥1,494,840 million

2. Cash dividends

	Annual dividends				
	First quarter-end	Second quarter-end	Third quarter-end	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2011	-	2,800.00	-	4,000.00	6,800.00
Year ending March 31, 2012	-	4,000.00			
Year ending March 31, 2012 (Forecast)			-	4,000.00	8,000.00

Note: Revisions to the cash dividends forecasts most recently announced: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2012 (from April 1, 2011 to March 31, 2012)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending March 31, 2012	2,497,000	2.6	329,000	(1.3)	318,000	1.6	161,000	10.8	16,909.15

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

4. Others

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Application of special accounting for preparing the quarterly consolidated financial statements: Yes

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

a. Changes in accounting policies due to revisions to accounting standards and other regulations: None

b. Changes in accounting policies due to other reasons: Yes

c. Changes in accounting estimates: None

d. Restatement of prior period financial statements after error corrections: None

Note: For details, please refer to the section of “(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections, 2. Matters regarding summary information (Others)” on page 10.

(4) Number of shares issued (common stock)

a. Total number of shares issued at the end of the period (including treasury shares)

As of September 30, 2011	10,000,000 shares
As of March 31, 2011	10,000,000 shares

b. Number of treasury shares at the end of the period

As of September 30, 2011	478,526 shares
As of March 31, 2011	478,526 shares

c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Six months ended September 30, 2011	9,521,474 shares
Six months ended September 30, 2010	9,580,100 shares

* Indication regarding execution of quarterly review procedures

At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act are in progress.

* Proper use of earnings forecasts, and other special matters

(1) The forward-looking statements, including forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ substantially due to various factors. Please refer to "Caution concerning forward-looking statements" on page 11 and the supplementary document "Overview of Consolidated Financial Results for the 6 months ended September 30, 2011 and Full-term Forecasts for FY 3/2012" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

(2) Please refer to JT's website (http://www.jti.co.jp/) for materials for investors' meeting.

Attached Materials

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1. Qualitative information regarding consolidated results for the six months ended September 30, 2011

(1) Qualitative information regarding consolidated operating results

a. General summary

Net sales

Consolidated net sales were ¥1,277.5 billion, a decrease of ¥19.9 billion, or 1.5%.

Adjusted net sales, which do not include the sales of imported tobacco, etc., handled by our subsidiary, TS Network Co., Ltd., fell ¥89.8 billion, or 8.7%, from the same period of the previous fiscal year, to ¥940.3 billion. This was due to the heightened demand in the same period of the previous fiscal year ahead of tax and price increases, as well as a decrease in sales volume from a drop in demand from the tax and price increases and the impact of the earthquake disaster in the Japanese Domestic Tobacco Business, along with the impact of a high yen when making conversions into that currency in the International Tobacco Business, among other factors.

	Six months ended September 30, 2010	Six months ended September 30, 2011	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated net sales	1,297.4	1,277.5	(19.9)	(1.5)
Of which, adjusted net sales (Note)	1,030.1	940.3	(89.8)	(8.7)
Japanese Domestic Tobacco Business	577.0	580.6	3.6	0.6
Of which, adjusted net sales (Note)	351.4	279.5	(71.8)	(20.5)
International Tobacco Business	490.6	476.6	(14.0)	(2.9)
Of which, core net sales (Note)	448.9	440.5	(8.3)	(1.9)
Pharmaceutical Business	23.1	24.3	1.2	5.4
Food Business	196.8	187.5	(9.2)	(4.7)

* Net sales figures represent sales to customers.

* For the amount equivalent to tobacco excise taxes, a method was previously employed that included the amount in net sales and cost of sales. However, effective April 1, 2011, this has been changed to a method which excludes the amount from net sales and cost of sales. For details, please refer to page 10.
Consolidated net sales including tobacco excise taxes are as follows.
Six months ended September 30, 2010: ¥3.3128 trillion Six months ended September 30, 2011: ¥3.3271 trillion

* Consolidated net sales include other net sales relating to rent of real estate in addition to the above. For details, please refer to "2. Differences between total amounts for reportable segments and amounts in the quarterly consolidated statements of income and main details of these differences (matters relating to difference adjustments), (4) Segment information, 3. Quarterly consolidated financial statements" on pages 19 and 21.

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

Operating income / EBITDA

Operating income fell ¥7.6 billion, or 3.8%, from the same period of the previous fiscal year to ¥193.0 billion. EBITDA decreased by ¥11.0 billion, or 3.6%, from the same period of the previous fiscal year, to ¥296.1 billion, as a result of a decrease in sales, despite the favorable pricing effects in the Japanese Domestic Tobacco Business and International Tobacco Business.

	Six months ended September 30, 2010	Six months ended September 30, 2011	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Operating income	200.6	193.0	(7.6)	(3.8)
EBITDA	307.1	296.1	(11.0)	(3.6)
Japanese Domestic Tobacco Business	150.1	135.6	(14.4)	(9.7)
International Tobacco Business	156.3	160.8	4.5	2.9
Pharmaceutical Business	(4.8)	(7.2)	(2.4)	–
Food Business	9.6	10.9	1.3	13.8

* EBITDA includes EBITDA relating to other net sales in addition to the above. For details, please refer to “2. Differences between total amounts for reportable segments and amounts in the quarterly consolidated statements of income and main details of these differences (matters relating to difference adjustments), (4) Segment information, 3. Quarterly consolidated financial statements” on pages 19 and 21.

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

Ordinary income

Although there was a decline in operating income, non-operating income/loss improved by ¥13.6 billion, thanks to an improvement in foreign exchange gains/losses, among other factors. As a result, ordinary income increased by ¥6.0 billion, or 3.2%, from the same period of the previous fiscal year to ¥192.5 billion.

Net income

Despite the absence of a loss from the payment for regulatory fine in Canada recorded in the same period of the previous fiscal year and an improvement in gain/loss on sales and retirement of noncurrent assets, our net extraordinary income/loss worsened by ¥9.1 billion as a result of recording of loss on the Great East Japan Earthquake, cooperation fee for terminating leaf tobacco farming and rationalization costs in the International Tobacco Business, among other factors. Although ordinary income increased by ¥6.0 billion, income before income taxes and minority interests fell ¥3.0 billion from the same period of the previous fiscal year to ¥157.8 billion. Net income, affected by a decline in the amount of income taxes due to lower profit, increased ¥14.5 billion, or 17.9%, from the same period of the previous fiscal year to ¥95.8 billion.

* JT International S.A. and other foreign subsidiaries (JTI), which are classified under the JT Group’s International Tobacco Business, have changed the accounting standards they apply from U.S. GAAP to International Financial Reporting Standards (IFRSs) effective January 2011. For details, please refer to page 10.
In accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18), amortization of goodwill has been implemented in the consolidated financial statements.

* For accounting changes and corrections of prior period errors made on or after April 1, 2011, JT has applied the “Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Statement No. 24) and the “Implementation Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24).

b. Review of operations by business segment

Japanese Domestic Tobacco Business

Sales volume for cigarettes during the six months ended September 30, 2011 decreased by 35.6 billion cigarettes, or 41.2%, from the same period of the previous fiscal year to 50.9 billion cigarettes (Note) due to factors such as the heightened demand in the same period of the previous fiscal year ahead of tax and price increases in October last year, a drop in demand resulting from the tax and price increases, as well as the limitation to deliveries in terms of the number of brands and delivery volume, particularly between April and June as a result of the impact of the Great East Japan Earthquake. Sales volume is improving as a result of the removal of the limitations to the number of brands and delivery volume, having grown from sales of 18.4 billion cigarettes between April and June to sales of 32.4 billion cigarettes between July and September. Furthermore, our market share for the six months was 50.9%, compared with 64.1% for the previous fiscal year.

With the price increase, net sales per 1,000 cigarettes increased by ¥1,437 from the same period of the previous fiscal year to ¥5,490.

As a result, adjusted net sales decreased ¥71.8 billion, or 20.5%, from the same period of the previous fiscal year, to ¥279.5 billion because of the decrease in sales volume, despite favorable pricing. Net sales including net sales, etc. of imported tobacco handled by our subsidiary TS Network Co., Ltd. increased ¥3.6 billion, or 0.6%, from the same period of the previous fiscal year, to ¥580.6 billion.

EBITDA decreased ¥14.4 billion, or 9.7%, from the same period of the previous fiscal year, to ¥135.6 billion, despite a decrease in costs resulting from the JT Group being unable to implement sales promotions while limitations on the number of brands delivered and delivery volumes were being implemented, particularly between April and June.

(Note) In addition to the figure stated above, during the six months ended September 30, 2011, 1.8 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) in the six months ended June 30, 2011, there was steady growth in sales of Winston in Russia, Turkey and Italy. In addition, LD sales grew in Russia. As a result, the shipment volume of GFB increased by 3.7 billion cigarettes, or 3.2%, from the same period of the previous fiscal year to 122.0 billion cigarettes. Despite an industry contraction in Ukraine and Spain, the total shipment volume including GFB increased by 0.2 billion cigarettes, or 0.1%, from the same period of the previous fiscal year to 204.9 billion cigarettes.

In the six months ended June 30, 2011, because of favorable pricing, as well as advantageous foreign exchange effects on the local currencies of major markets, among others, dollar-based net sales increased by $441 million, or 8.2%, from the same period of the previous fiscal year to $5,812 million while core net sales increased by $458 million, or 9.3%, from the same period of the previous fiscal year to $5,372 million. EBITDA was $1,962 million, an increase of $250 million, or 14.6%, compared to the same period of the previous fiscal year.

However, due to the effects of a high yen when making conversions to that currency, net sales decreased by ¥14.0 billion, or 2.9%, from the same period of the previous fiscal year to ¥476.6 billion with a decrease in core net sales of ¥8.3 billion, or 1.9%, to ¥440.5 billion and an increase in EBITDA of ¥4.5 billion, or 2.9%, to ¥160.8 billion.

(Note) 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).

* The foreign exchange rate in the six months ended June 30, 2011 was ¥82.01 per U.S. dollar, representing a ¥9.35 year-on-year yen appreciation, compared with ¥91.36 per U.S. dollar in the same period of the previous fiscal year.

Pharmaceutical Business

In the Pharmaceutical Business, we focused our efforts on increasing and advancing compounds in late stage developments and enhancing the research and development pipeline. The number of compounds developed in-house that are under clinical development is now 8 (Note) because JTZ-951, a treatment for anemia associated with kidney disease, has advanced to the clinical trial stage, while we have abandoned the development of JTT-305, a calcium-sensing receptor (CaSR) antagonist, and JTK-656, an anti-HIV drug. For single-tablet regimen containing anti-HIV drug JTK-303, Gilead Sciences, Inc., which is the licensee, has submitted a new drug application to the U.S. Food and Drug Administration (FDA).

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 due to factors such as an increase in research and development expenses.

Net sales in the six months ended September 30, 2011 increased by ¥1.2 billion, or 5.4%, from the same period of the previous fiscal year to ¥24.3 billion mainly due to the increased revenue at Torii. EBITDA was negative ¥7.2 billion (compared to negative ¥4.8 billion in the same period of the previous fiscal year) due to factors such as an increase in research and development expenses at Torii.

(Note) Regarding items under clinical development, please refer to "Japan Tobacco Inc. Clinical development (as of October 31, 2011)" of Overview of Consolidated Financial Results for the 6 months ended September 30, 2011 and Full-term Forecasts for FY 3/2012.

Food Business

Net sales in the six months ended September 30, 2011 declined by ¥9.2 billion, or 4.7%, from the same period of the previous fiscal year to ¥187.5 billion, due to the effects of the abolishment of our white rice wholesale business in the processed food business in the previous fiscal year, among other factors, despite increased sales mainly following a solid sales performance of our flagship brand "Roots" and an expansion in sales of staple food products (frozen noodles, cooked packed rice, baked frozen bread). However, EBITDA increased by ¥1.3 billion, or 13.8%, from the same period of the previous fiscal year to ¥10.9 billion thanks to an expansion in sales of high-margin staple food products and a decrease in fixed costs, among other factors, despite an increase in advertising expenses associated with efforts to further boost the value of the "Roots" brand.

(2) Qualitative information regarding consolidated financial position

Cash and cash equivalents at the end of the six months ended September 30, 2011 stood at ¥217.9 billion, representing a ¥26.2 billion decrease from the end of the previous fiscal year. (Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥202.8 billion.)

Cash flows from operating activities

Net cash provided by operating activities during the six months ended September 30, 2011 was ¥200.0 billion, compared with ¥341.7 billion provided in the same period of the previous fiscal year. This was mainly due to a temporary increase in working capital in the International Tobacco Business and the payment of income taxes and bonuses, while we recorded ¥296.1 billion in EBITDA mostly in the tobacco business.

Cash flows from investing activities

Net cash used in investing activities during the six months ended September 30, 2011 was ¥35.8 billion, compared with ¥70.6 billion used in the same period of 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 six months ended September 30, 2011 was ¥189.9 billion, compared with ¥215.2 billion used in the same period of the previous fiscal year, mainly due to the redemption of bonds, payment of cash dividends and repayment of ong-term loans payable.

(3) Qualitative information regarding consolidated earnings forecasts

The consolidated earnings forecasts for the current fiscal year have been revised as follows.

	Previous forecast (announced on July 28, 2011)	Current forecast	Change
	Billions of yen	Billions of yen	Billions of yen
Consolidated net sales	2,446.0	2,497.0	51.0
Of which, adjusted net sales (Note)	1,915.0	1,895.0	(20.0)
Japanese Domestic Tobacco Business	1,023.0	1,100.0	77.0
Of which, adjusted net sales (Note)	564.5	569.0	4.5
International Tobacco Business	993.0	958.0	(35.0)
Of which, core net sales (Note)	919.0	887.0	(32.0)
Pharmaceutical Business	49.0	50.0	1.0
Food Business	365.5	373.0	7.5
EBITDA	550.0	537.0	(13.0)
Japanese Domestic Tobacco Business	241.0	244.0	3.0
International Tobacco Business	313.0	302.0	(11.0)
Pharmaceutical Business	(17.5)	(14.0)	3.5
Food Business	20.0	20.0	0.0
Operating income	336.0	329.0	(7.0)
Ordinary income	324.0	318.0	(6.0)
Net income	161.0	161.0	0.0

Net sales and EBITDA

Net sales are forecast to be ¥2.4970 trillion. Adjusted net sales are forecast to be ¥1.8950 trillion, a downward revision by ¥20.0 billion. EBITDA is forecast to be ¥537.0 billion, a downward revision by ¥13.0 billion.

Forecasts for each segment are as follows.

Japanese Domestic Tobacco Business

Sales volume is forecast to be 103.0 billion cigarettes. In the light of sales trends up until now and other factors, we have upwardly revised the sales volume by 1.0 billion cigarettes.

We will keep making 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. Among brands of our particular focus, we launched “Seven Stars Cutting Menthol” from the Seven Stars family in August 2011, and intend to launch “Pianissimo ViV Menthol” from the Pianissimo family in November 2011.

Taking into account our expectations regarding sales volume, adjusted net sales are forecast to be ¥569.0 billion, upwardly revised by ¥4.5 billion, and EBITDA is forecast to be ¥244.0 billion, upwardly revised by ¥3.0 billion. Net sales including net sales, etc. of imported tobacco handled by our subsidiary, TS Network Co., Ltd. are forecast to be ¥1.1000 trillion.

* Principal assumption of sales volume forming the basis of the outlook

	Previous forecast	Current forecast
Sales volume	102.0 billion cigarettes	103.0 billion cigarettes

International Tobacco Business

In the light of conditions in each market up until now, although total shipment volume is forecast to decrease slightly from the previous forecast, shipment volume of GFB is forecast to be at the same amount.

In addition, as a result of negative foreign exchange effects associated with a revision of exchange rate assumptions for local currencies in major markets as well as of assumed conversion rates into yen, we have revised down our forecast for net sales by ¥35.0 billion to ¥958.0 billion, revised down our forecast for core net sales by ¥32.0 billion to ¥887.0 billion, and revised down our forecast for EBITDA by ¥11.0 billion to ¥302.0 billion.

* Principal assumption of shipment volume and foreign exchange rate forming the basis of the outlook

	Previous forecast	Current forecast
Sales volume	428.0 billion cigarettes	426.0 billion cigarettes
Of which, GFB shipment volume	257.0 billion cigarettes	257.0 billion cigarettes
Foreign exchange rate	¥80.00 per U.S. dollar	¥79.00 per U.S. dollar

(Note) The following exchange rates of major currencies against the U.S. dollar are assumed for the current forecast.

Foreign exchange rate per U.S. dollar	Previous forecast	Current forecast
Ruble	28.50 rubles	30.00 rubles
Pounds sterling	0.61 pounds sterling	0.62 pounds sterling
Euro	0.70 euros	0.71 euros

Pharmaceutical Business

Net sales are forecast to be ¥50.0 billion, upwardly revised by ¥1.0 billion due to milestone revenue related to progress in R&D of an original JT compound that has been out-licensed, among other factors. EBITDA forecast has been revised upwardly by ¥3.5 billion to negative ¥14.0 billion from the previous forecast of negative ¥17.5 billion as a result of re-examination of R&D expenditure and an increase in non-recurring revenue, among other factors.

Food Business

For net sales for the whole of the Food Business, we have revised our forecast upward by ¥7.5 billion to ¥373.0 billion, mainly due to firm sales in the beverage business, particularly with respect to "Roots." However, EBITDA forecast remains unchanged at ¥20.0 billion, the same amount in the previous forecast, because an increase in fixed costs is forecast for the beverage business in the second half of the fiscal year.

Ordinary income

Owing to a downward revision in EBITDA, we have revised down our forecast for ordinary income by ¥6.0 billion to ¥318.0 billion.

Net income

While cooperation fee for terminating leaf tobacco farming was recorded, net extraordinary income/loss is forecast to improve, mainly as a result of the occurrence of gain on sales of noncurrent assets. Consequently, net income forecast remains unchanged at ¥161.0 billion, the same amount in the previous forecast.

2. Matters regarding summary information (Others)

(1) Changes in significant subsidiaries during the current period

No items to report.

(2) Application of special accounting for preparing the quarterly consolidated financial statements

Tax expenses are computed by: using rational means to obtain an estimate of the effective tax rate after tax effect accounting applied to income before income taxes and minority interests for the consolidated fiscal year including the current second quarter; and then by multiplying income before income taxes and minority interests by the aforesaid estimated effective tax rate.

(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections

(Application of International Financial Reporting Standards (IFRS) at JT International S.A. and other foreign subsidiaries)

JT International S.A. and other foreign subsidiaries (JTI), which are classified under the JT Group's International Tobacco Business, previously applied U.S. GAAP. However, effective January 1, 2011, JTI applied International Financial Reporting Standards (IFRS).

As the JT Group's business expands globally, the application of IFRS is useful in order to enhance international comparability in the capital market, the Group is aiming to apply IFRS. As part of this process, JTI, which had previously applied U.S. GAAP, established a sufficient structure to prepare financial statements in accordance with IFRS as of the beginning of the current fiscal year, therefore, JTI has applied IFRS from January 1, 2011.

As a result of this change, JTI applied IFRS retrospectively to the figures of the financial position, operating results and cash flow position. Along with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006, revised February 19, 2010) , etc the quarterly consolidated financial statements for the six months ended September 30, 2010 and the consolidated financial statements for the fiscal year ended March 31, 2011 are shown in accordance with this retrospective application, etc.

As a result, the figures before the retroactive application, in the consolidated balance sheet for the previous fiscal year, total assets have decreased by ¥27,820 million, total liabilities have decreased by ¥8,368 million, and net assets have decreased by ¥19,452 million.

In the quarterly consolidated statement of income for the six months ended September 30, 2010, net sales have decreased by ¥845,372 million, cost of sales has decreased by ¥845,766 million, operating income has increased by ¥1,755 million, ordinary income has increased by ¥283 million, and income before income taxes and minority interests has increased by ¥283 million. In addition, the balance of retained earnings as of the beginning of the previous fiscal year has decreased by ¥4,661 million reflecting the cumulative amount of the effect from the retrospective application to net assets as of the beginning of the previous fiscal year.

(Exclusion of amount equivalent to tobacco excise taxes from net sales and cost of sales)

The JT Group had previously applied a method by which the amount equivalent to tobacco excise taxes was included in net sales and cost of sales. However, effective April 1, 2011, the method applied has been changed to one which excludes this amount from net sales and cost of sales.

Regarding tobacco excise taxes, although we are taxed according to different taxation systems in different countries, as the same amount equivalent to tobacco excise taxes that is included in net sales is also included in cost of sales, this is not something that has an effect on profit. However, the JT Group believes that, under the current circumstances, in which tobacco excise tax hikes have been implemented in various countries in recent years, increases in the amounts equivalent to tobacco excise taxes included in net sales and cost of sales may cause the performance of the JT Group to be evaluated inappropriately, to an extent that is above the actual results of its business activities.

The JT Group believes that it is able to demonstrate its performance more appropriately by showing net sales and cost of sales, net of tobacco excise taxes equivalent amount under such an environment.

In addition, as the JT Group's business expands globally, it is important to take accounting treatments based on IFRS into consideration. Furthermore, the JT Group has made this change as a way of reflecting the actual conditions of the business, by also taking into consideration the treatment of amounts equivalent to taxes in "Accounting Practice Committee Research Report No. 13 Research Report on Revenue Recognition in Japan (interim report) –considerations in light of IAS 18 'Revenue' (December 8, 2009, the Japanese Institute of Certified Public Accountants)."

The JT Group has applied this change in its accounting policy retroactively, and the quarterly consolidated financial statements for the six months ended September 30, 2010 and the consolidated financial statements for the fiscal year ended March 31, 2011 are shown in accordance with this retroactive application.

As a result, compared to the amount before the retroactive application, for the six months ended September 30, 2010, net sales and cost of sales have decreased by ¥1,155,867 million, respectively (excluding the impact from JTI's application of IFRS). However, this has no effect on operating income, ordinary income or income before income taxes and minority interests. In addition, as there is no cumulative amount of the impact from this retrospective application to be reflected in net assets as of the beginning of the previous fiscal year, this has no effect on the balance of retained earnings as of the beginning of the previous fiscal year.

* In addition to the information provided above, reference information regarding settlement of accounts and earnings forecasts is separately provided in the supplementary document "Overview of Consolidated Financial Results for the 6 months ended September 30, 2011 and Full-term Forecasts for FY 3/2012."

(Caution concerning forward-looking statements)

This material contains forward-looking statements about our industry, business, plans and objectives, financial conditions and results of operations based on current expectations, assumptions, estimates and projections. These statements reflect future expectations, identify strategies, discuss market trends, contain projections of operational results and financial conditions, and state other forward-looking information.

These forward-looking statements are subject to various known and unknown risks, uncertainties and other factors that could cause our actual results to differ from those suggested by any forward-looking statement. We assume no duty or obligation to update any forward-looking statement or to advise of any change in the assumptions and factors on which they are based. Risks, uncertainties or other factors that could cause actual results to differ materially from those expressed in any forward looking statement include, without limitation:

(1) health concerns related to the use of tobacco products;

(2) legal or regulatory developments and changes; including, without limitation on sales, marketing and use of tobacco products, governmental investigations and privately imposed smoking restrictions;

(3) litigation in Japan and elsewhere;

(4) our ability to further diversify our business beyond the tobacco industry;

(5) our ability to successfully expand internationally and make investments outside Japan;

(6) competition and changing consumer preferences;

(7) the impact of any acquisitions or similar transactions;

(8) local and global economic conditions; and

(9) fluctuations in foreign exchange rates and the costs of raw materials.

3. Quarterly consolidated financial statements
(1) Consolidated balance sheets

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Assets		
Current assets		
Cash and deposits	117,458	196,312
Notes and accounts receivable-trade	301,829	333,426
Short-term investment securities	159,097	3,129
Merchandise and finished goods	108,215	132,469
Semi-finished goods	103,475	80,728
Work in process	3,738	5,576
Raw materials and supplies	276,989	272,663
Other	172,920	217,920
Allowance for doubtful accounts	(2,781)	(2,254)
Total current assets	1,240,943	1,239,973
Noncurrent assets		
Property, plant and equipment	663,550	662,628
Intangible assets		
Goodwill	1,094,366	1,118,063
Right of trademark	286,435	285,598
Other	27,234	28,173
Total intangible assets	1,408,037	1,431,835
Investments and other assets		
Investment securities	58,582	64,278
Other	196,533	217,774
Allowance for doubtful accounts	(23,540)	(22,423)
Total investments and other assets	231,576	259,629
Total noncurrent assets	2,303,163	2,354,093
Total assets	3,544,107	3,594,067
Liabilities		
Current liabilities		
Notes and accounts payable-trade	170,820	173,430
Short-term loans payable	70,059	52,209
Current portion of bonds	126,486	60,219
Current portion of long-term loans payable	21,490	132,615
National tobacco excise tax payable	202,234	232,108
National tobacco special excise tax payable	8,150	7,718
Local tobacco excise tax payable	102,168	101,046
Income taxes payable	65,651	55,317
Provision	38,777	35,740
Other	252,052	248,580
Total current liabilities	1,057,892	1,098,986

(Millions of yen)

	As of March 31, 2011	As of September 30, 2011
Noncurrent liabilities		
Bonds payable	325,738	270,844
Long-term loans payable	152,414	53,399
Provision for retirement benefits	224,214	228,951
Other provision	375	419
Other	211,720	237,075
Total noncurrent liabilities	914,464	790,691
Total liabilities	1,972,356	1,889,678
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,409	736,409
Retained earnings	1,395,932	1,453,721
Treasury stock	(94,573)	(94,573)
Total shareholders' equity	2,137,768	2,195,557
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,753	6,761
Pension liability adjustment of foreign consolidated subsidiaries	(34)	(34)
Foreign currency translation adjustment	(648,647)	(577,371)
Total accumulated other comprehensive income	(642,928)	(570,644)
Subscription rights to shares	763	812
Minority interests	76,146	78,663
Total net assets	1,571,750	1,704,389
Total liabilities and net assets	3,544,107	3,594,067

(2) Consolidated statements of income and consolidated statements of comprehensive income
Consolidated statements of income (cumulative)

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net sales	1,297,494	1,277,503
Cost of sales	705,468	708,520
Gross profit	592,025	568,983
Selling, general and administrative expenses	391,384	375,956
Operating income	200,640	193,027
Non-operating income		
Interest income	1,035	1,003
Dividends income	610	1,010
Foreign exchange gains	-	4,823
Other	4,199	7,476
Total non-operating income	5,844	14,313
Non-operating expenses		
Interest expenses	9,353	8,224
Foreign exchange losses	2,080	-
Financial support for domestic leaf tobacco growers	1,384	2,625
Other	7,191	3,974
Total non-operating expenses	20,009	14,825
Ordinary income	186,475	192,515
Extraordinary income		
Gain on sales of noncurrent assets	840	8,091
Other	2,857	505
Total extraordinary income	3,698	8,597
Extraordinary loss		
Loss on sales of noncurrent assets	462	777
Loss on retirement of noncurrent assets	2,713	2,607
Impairment loss	2,429	427
Business restructuring costs	2,961	9,246
Regulatory fine in Canada	13,365	-
Loss on the Great East Japan Earthquake	-	12,650
Cooperation fee for terminating leaf tobacco farming	-	12,353
Other	7,259	5,160
Total extraordinary losses	29,192	43,222
Income before income taxes and minority interests	160,981	157,890
Income taxes	76,277	58,750
Income before minority interests	84,703	99,139
Minority interests in income	3,382	3,264
Net income	81,321	95,875

Consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Income before minority interests	84,703	99,139
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,813)	1,004
Pension liability adjustment of foreign consolidated subsidiaries	(6)	0
Foreign currency translation adjustment	(202,121)	71,547
Total other comprehensive income	(205,941)	72,551
Comprehensive income	(121,237)	171,691
Comprehensive income attributable to		
Comprehensive income attributable to owners of the parent	(124,425)	168,159
Comprehensive income attributable to minority interests	3,187	3,532

(3) Consolidated statements of cash flows

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	160,981	157,890
Depreciation and amortization	60,354	61,272
Impairment loss	2,429	427
Amortization of goodwill	46,169	42,618
Increase (decrease) in provision for retirement benefits	(2,685)	(1,021)
Interest and dividends income	(1,645)	(2,013)
Interest expenses	9,353	8,224
Loss (gain) on sales and retirement of noncurrent assets	1,610	(5,584)
Regulatory fine in Canada	13,365	-
Decrease (increase) in notes and accounts receivable-trade	(91,798)	(27,242)
Decrease (increase) in inventories	(3,268)	4,825
Increase (decrease) in notes and accounts payable-trade	62,657	1,093
Increase (decrease) in accounts payable-other	(12,312)	(14,332)
Increase (decrease) in tobacco excise taxes payable	148,099	24,721
Other, net	35,396	20,081
Subtotal	428,707	270,960
Interest and dividends income received	3,035	3,369
Interest expenses paid	(13,396)	(11,710)
Payment for regulatory fine in Canada	(13,365)	-
Income taxes paid	(63,253)	(62,554)
Net cash provided by (used in) operating activities	341,728	200,065

(Millions of yen)

	Six months ended September 30, 2010	Six months ended September 30, 2011
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(11,802)	(2,105)
Proceeds from sales and redemption of securities	4,700	18,987
Purchase of property, plant and equipment	(64,249)	(42,295)
Proceeds from sales of property, plant and equipment	3,737	10,930
Purchase of intangible assets	(2,999)	(6,149)
Purchase of investment securities	(950)	(3,500)
Payments into time deposits	(13,600)	(23,434)
Proceeds from withdrawal of time deposits	7,581	11,622
Purchase of investments in subsidiaries	(0)	(392)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(646)	-
Other, net	7,601	482
Net cash provided by (used in) investing activities	(70,628)	(35,852)
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial papers	(151,209)	(1,894)
Proceeds from long-term loans payable	30,000	-
Repayment of long-term loans payable	(12,180)	(10,682)
Redemption of bonds	(50,150)	(135,789)
Cash dividends paid	(28,734)	(38,078)
Proceeds from stock issuance to minority shareholders	221	346
Cash dividends paid to minority shareholders	(523)	(1,223)
Repayments of finance lease obligations	(2,634)	(2,633)
Other, net	0	-
Net cash provided by (used in) financing activities	(215,211)	(189,956)
Effect of exchange rate change on cash and cash equivalents	(7,616)	(521)
Net increase (decrease) in cash and cash equivalents	48,270	(26,264)
Cash and cash equivalents at beginning of period	154,368	244,240
Increase in cash and cash equivalents from newly consolidated subsidiary	194	-
Cash and cash equivalents at end of period	202,834	217,975

(4) Segment information

I. Six months ended September 30, 2010 (From April 1, 2010 to September 30, 2010)

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

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 3)	Pharmaceutical	Food	Total
Net sales					
(1) Sales (Note 1)	577,080	490,657	23,128	196,858	1,287,724
(2) Intersegment sales or transfers	15,458	24,295	-	62	39,816
Total	592,539	514,952	23,128	196,921	1,327,540
Segment profit (loss) (Note 2)	150,144	156,387	(4,800)	9,646	311,377

Notes: 1. Net sales of the Japanese Domestic Tobacco Business consist of net sales of tobacco products of JT and net sales relating to the wholesale of tobacco products of other companies (imported tobacco products), duty-free shops in Japan, the China Division, among others. In the Japanese Domestic Tobacco Business, adjusted net sales, which exclude net sales other than those of tobacco products of JT, came to ¥351,447 million. Similarly, net sales of the International Tobacco Business also include net sales relating to the distribution business that includes the wholesale of tobacco products of other companies, leaf tobacco sales, contract manufacturing, among others. In the International Tobacco Business, core net sales, which exclude such net sales, came to ¥448,964 million. 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 of the Japanese Domestic Tobacco Business and core net sales of the International Tobacco Business for this reporting purpose.

2. Segment profit or loss is based on operating income before depreciation and amortization (property, plant and equipment, intangible assets, and long-term prepaid expenses) and amortization of goodwill (EBITDA). Depreciation and amortization and amortization of goodwill included in operating expenses by reportable segment are as follows.

(Millions of yen)

Six months ended September 30, 2010	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	21,828	25,966	1,989	8,180	57,964
Amortization of goodwill	544	40,829	-	4,805	46,179

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

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

(Millions of yen)

Net sales	Amount
Reportable segments total	1,327,540
Other net sales (Note 1)	14,677
Elimination of intersegment transactions	(44,724)
Net sales recorded in quarterly consolidated statements of income	1,297,494

(Millions of yen)

Profit	Amount
Reportable segments total	311,377
Other profits (Note 1)	6,642
Head office expenses (Note 2)	(9,135)
Elimination of intersegment transactions	(524)
Other adjustments (Note 3)	(1,185)
Subtotal (Note 4)	307,174
Depreciation and amortization	(60,354)
Amortization of goodwill	(46,179)
Operating income recorded in quarterly consolidated statements of income	200,640

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

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

3. Other adjustments include recognized actuarial net gains or losses on retirement benefit pension plans with regard to the International Tobacco Business, which are amended in accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18).

4. 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).

II. Six months ended September 30, 2011 (From April 1, 2011 to September 30, 2011)

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

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 3)	Pharmaceutical	Food	Total
Net sales					
(1) Sales (Note 1)	580,696	476,611	24,374	187,571	1,269,253
(2) Intersegment sales or transfers	14,953	15,967	-	43	30,964
Total	595,649	492,578	24,374	187,614	1,300,218
Segment profit (loss) (Note 2)	135,649	160,894	(7,215)	10,981	300,310

Notes: 1. Net sales of the Japanese Domestic Tobacco Business consist of net sales of tobacco products of JT and net sales relating to the wholesale of tobacco products of other companies (imported tobacco products), duty-free shops in Japan, the China Division, among others. In the Japanese Domestic Tobacco Business, adjusted net sales, which exclude net sales other than those of tobacco products of JT, came to ¥279,554 million. Similarly, net sales of the International Tobacco Business also include net sales relating to the distribution business that includes the wholesale of tobacco products of other companies, leaf tobacco sales, contract manufacturing, among others. In the International Tobacco Business, core net sales, which exclude such net sales, came to ¥440,578 million. 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 of the Japanese Domestic Tobacco Business and core net sales of the International Tobacco Business for this reporting purpose.

2. Segment profit or loss is based on operating income before depreciation and amortization (property, plant and equipment, intangible assets, and long-term prepaid expenses) and amortization of goodwill (EBITDA). Depreciation and amortization and amortization of goodwill included in operating expenses by reportable segment are as follows.

(Millions of yen)

Six months ended September 30, 2011	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	19,325	28,105	1,854	9,085	58,371
Amortization of goodwill	544	37,388	-	4,695	42,627

3. With respect to the International Tobacco Business segment, as the closing date of the accounting period of foreign consolidated subsidiaries including JT International S.A., the core company of this segment, is set on December 31, operating results from January 1, 2011 to June 30, 2011 have been included in the six months ended September 30, 2011.

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

(Millions of yen)

Net sales	Amount
Reportable segments total	1,300,218
Other net sales (Note 1)	12,916
Elimination of intersegment transactions	(35,631)
Net sales recorded in quarterly consolidated statements of income	1,277,503

(Millions of yen)

Profit	Amount
Reportable segments total	300,310
Other profits (Note 1)	5,413
Head office expenses (Note 2)	(8,616)
Elimination of intersegment transactions	(763)
Other adjustments (Note 3)	(170)
Subtotal (Note 4)	296,173
Depreciation and amortization	(60,518)
Amortization of goodwill	(42,627)
Operating income recorded in quarterly consolidated statements of income	193,027

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

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

3. Other adjustments include recognized actuarial net gains or losses on retirement benefit pension plans with regard to the International Tobacco Business, which are amended in accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18).

4. 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).

3. Revision to measurement method for net sales and profit (loss) by reportable segment

As described in "(3) Changes in accounting policies, changes in accounting estimates, and restatement of prior period financial statements after error corrections, 2. Matters regarding summary information (Others)," effective January 1, 2011, consolidated subsidiaries in the International Tobacco Business which is mainly operated by JT International S.A. applied International Financial Reporting Standards (IFRSs). JT manages the International Tobacco Business based on financial statements prepared in accordance with IFRSs. Consequently, the measurement for profit for the International Tobacco Business segment in "Segment information" is based on IFRSs.

The figures stated for the six months ended September 30, 2010 have been restated based on the measurement method for business segment profit for the current fiscal year.

(5) Notes on premise of going concern

No items to report.

(6) Notes on significant changes in the amount of shareholders’ equity

No items to report.