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

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Provisions to base upon:	Article 24-4-7, paragraph 1 of the Financial Instruments and Exchange Act
Filing to:	Director-General of the Kanto Local Finance Bureau
Date of filing:	February 14, 2012
Quarterly accounting period:	Third quarter of the 27th term (from October 1, 2011 to December 31, 2011)
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 (3-1, Kinkocho, Kanagawa-ku, Yokohama-shi, Kanagawa)
	Japan Tobacco Inc. Nagoya Sales Office (12-1, Iseyama 2-chome, Naka-ku, Nagoya-shi, Aichi)
	Japan Tobacco Inc. Osaka Sales Office (5-10, Oyodo-minami 1-chome, Kita-ku, Osaka-shi, Osaka)
	Japan Tobacco Inc. Kobe Sales Office (7-23, Nakayamate-dori 3-chome, Chuo-ku, Kobe-shi, Hyogo)
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	Fukuoka Stock Exchange (14-2, Tenjin 2-chome, Chuo-ku, Fukuoka-shi, Fukuoka)
	Sapporo Securities Exchange (14-1, Minamiichijo-nishi 5-chome, Chuo-ku, Sapporo-shi, Hokkaido)

A. Company Information

I. Overview of the JT Group

1. Trends in principal management benchmarks

Term	Nine months ended December 31, 2010	Nine months ended December 31, 2011	26th term
Accounting period	From April 1, 2010 to December 31, 2010	From April 1, 2011 to December 31, 2011	From April 1, 2010 to March 31, 2011
Net sales (Millions of yen) [Third quarter]	1,840,191 [542,697]	1,947,122 [669,619]	2,432,638
Ordinary income (Millions of yen)	249,268	301,671	313,065
Net income (Millions of yen) [Third quarter]	119,986 [38,664]	160,424 [64,548]	145,365
Comprehensive income (Millions of yen)	(63,003)	61,544	(110,352)
Net assets (Millions of yen)	1,639,546	1,555,037	1,571,750
Total assets (Millions of yen)	3,677,006	3,529,290	3,544,107
Net income per share (Yen) [Third quarter]	12,524.50 [4,035.96]	16,848.66 [6,779.30]	15,183.52
Diluted net income per share (Yen)	12,521.18	16,842.44	15,179.19
Equity ratio (%)	42.48	41.79	42.18
Net cash provided by (used in) operating activities (Millions of yen)	345,695	464,019	399,638
Net cash provided by (used in) investing activities (Millions of yen)	(104,423)	(73,699)	(119,406)
Net cash provided by (used in) financing activities (Millions of yen)	(164,054)	(246,098)	(184,950)
Cash and cash equivalents at end of period (Millions of yen)	226,038	379,088	244,240

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

2. Net sales do not include consumption taxes.

3. The "Accounting Standard for Presentation of Comprehensive Income" (ASBJ Statement No. 25, June 30, 2010) has been applied retrospectively in the calculation of comprehensive income for the nine months ended December 31, 2010.

4. Effective January 1, 2011, foreign subsidiaries classified under the JT Group's International Tobacco Business applied International Financial Reporting Standards (IFRS), and as a result, the figures for the nine months ended December 31, 2010, those for the third quarter of the 26th term and those for the 26th term are presented reflecting retrospective application of this accounting policy change.

5. 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, and as a result, the figures for the nine months ended December 31, 2010, those for the third quarter of the 26th term and those for the 26th term are presented reflecting retrospective application of this accounting policy change.

6. The "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, June 30, 2010) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, June 30, 2010) have been applied retrospectively in the calculation of diluted net income per share for the nine months ended December 31, 2010 and for the 26th term.

2. Business description

During the nine months ended December 31, 2011, there were neither material changes in the business of the JT Group (JT, 240 consolidated subsidiaries and 10 companies accounted for by the equity method) mentioned in the previous fiscal year’s Annual Securities Report nor changes in principal subsidiaries and affiliates.

II. Review of operations

1. Business and other risks

During the nine months ended December 31, 2011, there were no new business or other risks.

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

With respect to the legal requirement for the Japanese government to hold JT shares, under the “Act on Special Measures for Securing Necessary Financial Resources for the Implementation of Reconstruction Measures Following the Great East Japan Earthquake” (the “Securing Reconstruction Resources Act”), which was promulgated on December 2, 2011, the government must continue to hold more than one-third of all JT shares issued. Under the same Act, it is required for an examination to be made of the feasibility of selling JT shares by reassessing the framework under which the government holds the shares, while taking into consideration the framework of the country’s commitment to tobacco-related business until the fiscal year ending March 31, 2023 based on the Tobacco Business Act and the like.
The Outline of the 2012 Tax Reform Proposals determined by the Cabinet of Japan on December 10, 2011 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. It also states that, when the future framework of the tobacco business is examined, full consideration will be given to the consistency of such a move with the policies stated in the outlines of the 2010 and 2011 Tax Reform Proposals (amending and abolishing the existing Tobacco Business Act and formulating a new framework for the tobacco business in light of the expected future picture of the tobacco business and the lives of those involved in it), as well as the examination on the sale of JT shares and the framework of holding the shares based on the Securing Reconstruction Resources Act.

2. Important operational contracts, etc.

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

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

Matters concerning the future in this document were determined by the JT Group as of December 31, 2011.

(1) Operating results

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

Please note that the closing date of the third quarter accounting period of the consolidated subsidiaries classified in the International Tobacco Business segment is September 30, and their financial results used for the results of the nine months ended December 31, 2011 are for the nine months from January 1 to September 30, 2011.

<Net sales>

Consolidated net sales were ¥1,947.1 billion, an increase of ¥106.9 billion, or 5.8%, from the same period of the previous fiscal year.

Adjusted net sales(Note) fell ¥19.5 billion, or 1.3%, from the same period of the previous fiscal year, to ¥1,460.5 billion due to sales volume decline in the Japanese Domestic Tobacco Business caused by a drop in demand following the tax and price increase and the impact of the earthquake, along with the strong yen, despite favorable pricing in the Japanese Domestic and the International Tobacco Businesses.

	Nine months ended December 31, 2010 (Billions of yen)	Nine months ended December 31, 2011 (Billions of yen)	Change (Billions of yen, %)	
Consolidated net sales	1,840.1	1,947.1	106.9	5.8
Of which, adjusted net sales (Note)	1,480.0	1,460.5	(19.5)	(1.3)
Japanese Domestic Tobacco Business	766.5	877.3	110.8	14.5
Of which, adjusted net sales (Note)	464.1	444.8	(19.3)	(4.2)
International Tobacco Business	729.4	736.3	6.8	0.9
Of which, core net sales (Note)	671.7	682.3	10.5	1.6
Pharmaceutical Business	35.9	39.3	3.3	9.4
Food Business	293.6	281.9	(11.7)	(4.0)

* 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 that excludes the amount from net sales and cost of sales. For details, please refer to "IV. Accounting, 1. Quarterly consolidated financial statements, Changes in accounting policies, etc."
Consolidated net sales including tobacco excise taxes are as follows.
Nine months ended December 31, 2010: ¥4.6687 trillion
Nine months ended December 31, 2011: ¥5.0559 trillion

* Consolidated net sales include other net sales relating to rent of real estate in addition to the above. For details, please refer to "IV. Accounting, 1. Quarterly consolidated financial statements, Notes to quarterly consolidated financial statements, Segment information, 2. Differences between total amounts for reportable segments and amounts in the quarterly consolidated statement of income and main details of these differences."

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

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

Cost of sales increased by ¥70.3 billion, or 7.1%, from the same period of the previous fiscal year to ¥1,063.9 billion and selling, general and administrative expenses decreased by ¥5.1 billion, or 0.9%, from the same period of the previous fiscal year to ¥573.2 billion.

< EBITDA / Operating income>

Despite the decrease in adjusted net sales, EBITDA increased by ¥40.3 billion, or 9.5%, from the same period of the previous fiscal year, to ¥466.0 billion and operating income increased by ¥41.7 billion, or 15.6%, to ¥309.9 billion, driven by favorable pricing in the Japanese Domestic and International Tobacco Businesses.

	Nine months ended December 31, 2010 (Billions of yen)	Nine months ended December 31, 2011 (Billions of yen)	Change (Billions of yen, %)	
EBITDA	425.7	466.0	40.3	9.5
Japanese Domestic Tobacco Business	185.1	212.3	27.1	14.6
International Tobacco Business	240.5	254.0	13.5	5.6
Pharmaceutical Business	(6.4)	(7.8)	(1.4)	–
Food Business	14.2	16.5	2.2	16.1
Operating income	268.1	309.9	41.7	15.6

* EBITDA includes EBITDA relating to other net sales in addition to the above. For details, please refer to “IV. Accounting, 1. Quarterly consolidated financial statements, Notes to quarterly consolidated financial statements, Segment information, 2. Differences between total amounts for reportable segments and amounts in the quarterly consolidated statement of income and main details of these differences.”
* 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>

In addition to the increase in operating income, non-operating income/loss improved by ¥10.6 billion because of lower interest expenses. As a result, ordinary income increased by ¥52.4 billion, or 21.0%, from the same period of the previous fiscal year, to ¥301.6 billion.

<Net income>

As a result of an increase in gains on disposal of real estate and the absence of a loss from the payment for regulatory fine in Canada recorded in the same period of the previous fiscal year, extraordinary income/losses improved by ¥0.6 billion and income before income taxes and minority interests increased by ¥53.0 billion to ¥276.9 billion despite recording a loss due to the Great East Japan Earthquake, compensation payment for leaf tobacco growers voluntarily ceasing cultivation and business restructuring costs in the International Tobacco Business. Net income, while affected by an increase in the amount of income taxes resulting from an increase in profit, increased by ¥40.4 billion, or 33.7%, from the same period of the previous fiscal year, to ¥160.4 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 (IFRS) effective January 1, 2011. For details, please refer to “IV. Accounting, 1. Quarterly consolidated financial statements, Changes in accounting policies, etc.”
  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 “Guidance on Accounting Standard for Accounting Changes and Error Corrections” (ASBJ Guidance No. 24).

Operating results by segment are as follows.

Japanese Domestic Tobacco Business

Total sales volume for cigarettes during the nine months ended December 31, 2011 decreased by 25.9 billion cigarettes, or 24.3%, from the same period of the previous fiscal year to 80.8 billion cigarettes(Note) due to the effects of limited deliveries in terms of the number of brands and delivery volume in the aftermath of the Great East Japan Earthquake and a drop in demand resulting from the tax and price increase of October 2010. Our market share in the nine-month period was 53.6%, compared with 64.1% for the previous fiscal year. Of note, our market share in the nine-month period was steadily recovering, with single-month market share being 58.2% in October, 58.9% in November and 59.1% in December.

With the retail price amendment in October 2010, net sales per 1,000 cigarettes increased by ¥1,162 from the same period of the previous fiscal year to ¥5,497.

As a result, adjusted net sales decreased ¥19.3 billion, or 4.2%, from the same period of the previous fiscal year, to ¥444.8 billion because of the decrease in sales volume, despite favorable pricing. Net sales increased ¥110.8 billion, or 14.5%, from the same period of the previous fiscal year, to ¥877.3 billion.

Despite a fall in sales volume, EBITDA increased ¥27.1 billion, or 14.6%, from the same period of the previous fiscal year, to ¥212.3 billion, due to improved margin and a decrease in costs, as we could not undertake sales promotions while limitations on the number of brands delivered and delivery volumes were being implemented especially in the April-June quarter.

The volume of cigarettes manufactured in Japan during the nine months ended December 31, 2011 decreased by 13.6 billion cigarettes, or 11.8%, from the same period of the previous fiscal year to 101.9 billion cigarettes.

Note: In addition to the figure stated above, during the nine months ended December 31, 2011, 2.8 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

Among GFB(Note) in the nine months ended September 30, 2011, there was steady growth in shipments of Winston in Russia, Turkey and Italy. In addition, LD shipments grew in Russia. As a result, the shipment volume of GFB increased by 7.6 billion cigarettes, or 4.1%, from the same period of the previous fiscal year to 192.7 billion cigarettes. Despite a fall in sales of non-GFB local brands in Russia and industry contraction in Ukraine and Spain, the total shipment volume including GFB increased by 0.1 billion cigarettes, or 0.0%, from the same period of the previous fiscal year to 319.6 billion cigarettes.

In the nine months ended December 31, 2011, due to strong pricing, as well as favorable foreign exchange effects on the local currencies of key markets, dollar-based net sales increased by $986 million, or 12.1%, from the same period of the previous fiscal year to $9,137 million while core net sales increased by $960 million, or 12.8%, from the same period of the previous fiscal year to $8,466 million. EBITDA was $3,153 million, an increase of $465 million, or 17.3%, compared to the same period of the previous fiscal year.

As a result, despite the effects of a strong yen when making conversions to that currency, net sales increased by ¥6.8 billion, or 0.9%, from the same period of the previous fiscal year to ¥736.3 billion, core net sales increased ¥10.5 billion, or 1.6%, to ¥682.3 billion, and EBITDA increased ¥13.5 billion, or 5.6%, to ¥254.0 billion.

The volume of cigarettes manufactured overseas during the nine months ended December 31, 2011 decreased by 5.1 billion cigarettes, or 1.8%, from the same period of the previous fiscal year to 273.4 billion cigarettes.

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 nine months ended September 30, 2011 was ¥80.59 per U.S. dollar, representing an ¥8.90 year-on-year yen appreciation, compared with ¥89.49 per U.S. dollar in the same period of the previous fiscal year.

Pharmaceutical Business

In the Pharmaceutical Business, our focus is 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 nine because JTE-051, a treatment for autoimmune diseases and allergies, has advanced to the clinical trial stage. Gilead Sciences, Inc., which is the licensee, has submitted a new drug application in the United States for JTK-303, a single-tablet regimen anti-HIV drug.

Regarding the business performance of our subsidiary Torii Pharmaceutical Co., Ltd. ("Torii"), despite the decline in sales of FUTHAN®, a protease inhibitor for injection use, 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 an increase in research and development expenses.

Net sales in the nine months ended December 31, 2011 increased by ¥3.3 billion, or 9.4%, from the same period of the previous fiscal year, to ¥39.3 billion mainly due to the increased sales at Torii. EBITDA was negative ¥7.8 billion (compared to negative ¥6.4 billion in the same period of the previous fiscal year) due to factors such as an increase in research and development expenses at Torii.

Food Business

Net sales in the nine months ended December 31, 2011 declined by ¥11.7 billion, or 4.0%, from the same period of the previous fiscal year to ¥281.9 billion, due to the closure of the rice wholesale business in the processed food business in the previous fiscal year despite increased sales mainly following a solid sales performance by our flagship coffee brand "Roots" and an increase in sales of staple food products (frozen noodles, packed cooked rice, baked frozen bread). However, EBITDA increased by ¥2.2 billion, or 16.1%, from the same period of the previous fiscal year to ¥16.5 billion, thanks to increased sales of higher-margin staple food products and reduced fixed costs despite an increase in advertisement expenses aimed at enhancing “Roots” brand.

(2) Operational and financial issues to be addressed

During the nine months ended December 31, 2011, there were no material changes in issues to be addressed by the JT Group mentioned in the previous fiscal year’s Annual Securities Report.

(3) Research and development activities

Research and development expenses for the entire JT Group during the nine months ended December 31, 2011 were ¥39.6 billion.

During the nine months ended December 31, 2011, there were no material changes in the status of the JT Group’s research and development activities mentioned in the previous fiscal year’s Annual Securities Report.

(4) Analysis of capital resources and liquidity of funds

a. Funding requirements

Funds are allocated for capital expenditure, working capital and acquiring external capital resources as well as the repayment of loans and the payment of interest, dividends and income taxes.

b. Resources of funds

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

c. Cash flows

Cash and cash equivalents at the end of the nine months ended December 31, 2011 stood at ¥379.0 billion, representing a ¥134.8 billion increase from the end of the previous fiscal year. (Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥226.0 billion.)

Cash flows from operating activities

Net cash provided by operating activities during the nine months ended December 31, 2011 was ¥464.0 billion, compared with ¥345.6 billion provided in the same period of the previous fiscal year. This was due to the recording of ¥466.0 billion in EBITDA and an increase in tobacco excise taxes payable, while there were increases in income taxes paid and notes and accounts receivable-trade.

Cash flows from investing activities

Net cash used in investing activities during the nine months ended December 31, 2011 was ¥73.6 billion, compared with ¥104.4 billion used in the same period of the previous fiscal year, mainly due to the purchase of property, plant and equipment and an investment to acquire business bases in the Republics of Sudan and South Sudan.

Cash flows from financing activities

Net cash used in financing activities during the nine months ended December 31, 2011 was ¥246.0

billion, compared with ¥164.0 billion used in the same period of the previous fiscal year, mainly due to the redemption of bonds, cash dividends paid and repayment of long-term loans payable.

d. Liquidity of funds

To ensure liquidity of funds, not only does the JT Group keep cash on hand, it also has sources of funds such as commitment lines.

III. Filing company

1. Information on the Company (JT)'s shares

(1) Total number of shares authorized, etc.

a. Total number of shares authorized

Class	Total number of shares authorized (Share)
Common stock	40,000,000
Total	40,000,000

b. Number of shares issued

Class	Number of shares issued (Share; as of December 31, 2011)	Number of shares issued (Share; as of the date of filing: February 14, 2012)	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 prescribe that the Japanese government must continue to hold more than one-third of all JT shares issued (excluding shares of a class for which it is provided that the voting rights may not be exercised for all the matters that are subject to resolution at the shareholders meeting).

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 during this third quarter are as follows.

Resolution date	September 16, 2011
Number of subscription rights to shares	1,038 units
Of which, the number of treasury subscription rights to shares	–
Class of shares to be issued upon exercise of subscription rights to shares	Common stock (JT's standard class of shares with no rights limitations. No unit share system is adopted.)
Number of shares to be issued upon exercise of subscription rights to shares	1,038 shares (Note 1)
Paying due upon exercise of subscription rights to shares	¥1 per share
Exercise period of subscription rights to shares	From October 4, 2011 to October 3, 2041
Issue price of shares in cases where shares will be issued as a result of exercise of subscription rights to shares	¥277,947 per unit
Additional paid-in capital in issue price in cases where shares will be issued as a result of exercise of subscription rights to shares	a. Capital amount that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be a half of the maximum capital increase amount obtained by the calculation pursuant to Article 17, paragraph 1 of the Corporate Accounting Rules. If the obtained figure has a fraction less than ¥1, the figure is rounded up to the nearest yen. b. Capital reserves that will be increased in cases where shares will be issued as a result of the exercise of subscription rights to shares must be the amount obtained by subtracting the capital amount to be increased as specified in a. above from the maximum capital increase amount described in a. above.
Conditions for exercising subscription rights to shares	a. The person who is a holder of subscription rights to shares and is recorded in the registry of subscription rights to shares (hereinafter, "Subscription rights to shares Holder") may exercise his/her subscription rights to shares only if he/she forfeit his/her all position as director (including *sikkoyaku* at a company with committees), auditor and executive officer (*sikkoyakuin*) of JT. b. In cases where Subscription rights to shares Holders waive their subscription rights to shares, they cannot exercise those subscription rights to shares.
Assignment of subscription rights to shares	The approval of the Board of Directors is required for the assignment of subscription rights to shares.
Matters regarding surrogate payments	–
Provisions for acquiring subscription rights to shares	(Note 2)
Matters regarding delivery of subscription rights to shares accompanied by reorganization	(Note 3)

Notes: 1. The class of shares to be issued upon exercise of subscription rights to shares shall be common stock. The number of shares to be issued upon exercise of each stock acquisition right (hereinafter, "Number of Shares Granted") shall be one.

However, in cases where JT conducts stock split (including stock allotment without contribution; hereinafter, the same shall apply to description of stock split) or stock consolidation of common stock of JT 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 retrospectively 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 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 of 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) 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 "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 "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. Provisions for acquiring subscription rights to shares
      To be determined in the same manner as Note 2 above.
   i. Other conditions for exercising subscription rights to shares
      To be determined in the same manner as "Conditions for exercising subscription rights to shares" mentioned above.

(3) Exercise of bond certificates with subscription rights to shares with exercise price amendment clause

No items to report

(4) Details of rights plan

No items to report

(5) Trends in total number of shares issued, capital stock, etc.

Date	Fluctuation in the number of shares issued (Thousands of shares)	Balance of shares issued (Thousands of shares)	Fluctuation in capital stock (Millions of yen)	Balance of capital stock (Millions of yen)	Fluctuation in capital reserve (Millions of yen)	Balance of capital reserve (Millions of yen)
October 1, 2011 to December 31, 2011	–	10,000	–	100,000	–	736,400

(6) Status of major shareholders

As the current quarterly accounting period is the third quarter, there are no items to report.

(7) Status of voting rights

a. Shares issued

(As of December 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 December 31, 2011)

Name of shareholder	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

2. Status of officers

After filing of the previous fiscal year’s Annual Securities Report, there were no personnel changes of officers during the nine months ended December 31, 2011.

IV. Accounting

1. Preparation policy of the quarterly consolidated financial statements

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

In accordance with Article 5-2, paragraph 3 of the Regulation for Quarterly Consolidated Financial Statements, JT prepares a quarterly consolidated statement of cash flows.

Furthermore, in accordance with Article 64, paragraph 4 and Article 83-2, paragraph 3 of the Regulation for Quarterly Consolidated Financial Statements, JT prepares quarterly consolidated statement of income and quarterly consolidated statement of comprehensive income for the quarterly accounting period.

2. Audit attestation

The quarterly consolidated financial statements for the third quarter (from October 1, 2011 to December 31, 2011) and for the nine months ended December 31, 2011 were reviewed by Deloitte Touche Tohmatsu LLC pursuant to Article 193-2, paragraph 1 of the Financial Instruments and Exchange Act.

1. Quarterly consolidated financial statements

(1) Quarterly consolidated balance sheets

(Millions of yen)

	As of March 31, 2011		As of December 31, 2011
Assets			
Current assets			
Cash and deposits	117,458		131,326
Notes and accounts receivable-trade	301,829		330,337
Short-term investment securities	159,097		39,494
Merchandise and finished goods	108,215		118,901
Semi-finished goods	103,475		84,958
Work in process	3,738		4,422
Raw materials and supplies	276,989		263,463
Other	172,920	*	393,970
Allowance for doubtful accounts	(2,781)		(2,160)
Total current assets	1,240,943		1,364,713
Noncurrent assets			
Property, plant and equipment	663,550		631,229
Intangible assets			
Goodwill	1,094,366		993,120
Right of trademark	286,435		261,804
Other	27,234		28,277
Total intangible assets	1,408,037		1,283,203
Investments and other assets			
Investment securities	58,582		62,755
Other	196,533		209,341
Allowance for doubtful accounts	(23,540)		(21,953)
Total investments and other assets	231,576		250,143
Total noncurrent assets	2,303,163		2,164,577
Total assets	3,544,107		3,529,290
Liabilities			
Current liabilities			
Notes and accounts payable-trade	170,820		170,109
Short-term bank loans	70,059		44,539
Current portion of bonds	126,486		60,219
Current portion of long-term loans payable	21,490		109,976
National tobacco excise tax payable	202,234		280,269
National tobacco special excise tax payable	8,150		16,144
Local tobacco excise tax payable	102,168		207,099
Income taxes payable	65,651		63,116
Provision	38,777		29,499
Other	252,052		233,169
Total current liabilities	1,057,892		1,214,144

(Millions of yen)

	As of March 31, 2011	As of December 31, 2011
Noncurrent liabilities		
Bonds payable	325,738	262,166
Long-term loans payable	152,414	52,774
Provision for retirement benefits	224,214	228,329
Other provision	375	467
Other	211,720	216,370
Total noncurrent liabilities	914,464	760,108
Total liabilities	1,972,356	1,974,253
Net assets		
Shareholders’ equity		
Capital stock	100,000	100,000
Capital surplus	736,409	736,409
Retained earnings	1,395,932	1,480,184
Treasury stock	(94,573)	(94,573)
Total shareholders’ equity	2,137,768	2,222,020
Accumulated other comprehensive income		
Valuation difference on available-for-sale securities	5,753	8,174
Pension liability adjustment of foreign consolidated subsidiaries	(34)	(32)
Foreign currency translation adjustment	(648,647)	(755,202)
Total accumulated other comprehensive income	(642,928)	(747,060)
Subscription rights to shares	763	956
Minority interests	76,146	79,120
Total net assets	1,571,750	1,555,037
Total liabilities and net assets	3,544,107	3,529,290

(2) Quarterly consolidated statements of income and quarterly consolidated statements of comprehensive income

Quarterly consolidated statements of income (cumulative)

(Millions of yen)

		Nine months ended December 31, 2010		Nine months ended December 31, 2011
Net sales	*1	1,840,191	*1	1,947,122
Cost of sales		993,603		1,063,937
Gross profit		846,587		883,185
Selling, general and administrative expenses		578,422		573,278
Operating income		268,165		309,906
Non-operating income				
Interest income		1,591		1,778
Dividends income		852		1,242
Other		5,651		8,974
Total non-operating income		8,095		11,994
Non-operating expenses				
Interest expenses		13,397		11,192
Foreign exchange losses		1,606		681
Financial support for domestic leaf tobacco growers		1,457		2,866
Other		10,531		5,489
Total non-operating expenses		26,992		20,229
Ordinary income		249,268		301,671
Extraordinary income				
Gain on sales of noncurrent assets		2,900		22,021
Other		3,784		1,441
Total extraordinary income		6,685		23,463
Extraordinary loss				
Loss on sales of noncurrent assets		540		936
Loss on retirement of noncurrent assets		3,980		3,623
Impairment loss		3,338		867
Regulatory fine in Canada	*2	13,092		–
Loss on the Great East Japan Earthquake		–	*3	12,243
Cooperation Fee for Terminating Leaf Tobacco Farming		–		12,387
Other		11,199		18,173
Total extraordinary losses		32,150		48,231
Income before income taxes and minority interests		223,803		276,903
Income taxes		99,102		110,983
Net income before minority interests		124,700		165,919
Minority interests in income		4,714		5,495
Net income		119,986		160,424

Quarterly consolidated statements of income

(Millions of yen)

	Third quarter ended December 31, 2010	Third quarter ended December 31, 2011
Net sales	542,697	669,619
Cost of sales	288,135	355,417
Gross profit	254,562	314,201
Selling, general and administrative expenses	187,037	197,322
Operating income	67,525	116,879
Non-operating income		
Interest income	556	775
Dividends income	241	231
Foreign exchange gains	473	–
Other	1,709	1,620
Total non-operating income	2,980	2,627
Non-operating expenses		
Interest expenses	4,043	2,967
Foreign exchange losses	–	5,504
Other	3,669	1,878
Total non-operating expenses	7,712	10,350
Ordinary income	62,793	109,155
Extraordinary income		
Gain on sales of noncurrent assets	2,059	13,930
Other	927	935
Total extraordinary income	2,986	14,866
Extraordinary loss		
Loss on sales of noncurrent assets	77	158
Loss on retirement of noncurrent assets	1,266	1,016
Impairment loss	908	440
Costs relating to post tobacco leaf farming termination measures	–	1,499
Other	704	1,893
Total extraordinary losses	2,957	5,008
Income before income taxes and minority interests	62,822	119,012
Income taxes	22,825	52,233
Net income before minority interests	39,996	66,779
Minority interests in income	1,331	2,230
Net income	38,664	64,548

Quarterly consolidated statements of comprehensive income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Net income before minority interests	124,700	165,919
Other comprehensive income		
Valuation difference on available-for-sale securities	(3,604)	2,422
Pension liability adjustment of foreign consolidated subsidiaries	(5)	2
Foreign currency translation adjustment	(184,094)	(106,798)
Total other comprehensive income	(187,704)	(104,374)
Comprehensive income	(63,003)	61,544
Total comprehensive income attributable to		
Owners of the parent	(68,193)	56,291
Minority interests	5,189	5,253

Quarterly consolidated statements of comprehensive income

(Millions of yen)

	Third quarter ended December 31, 2010	Third quarter ended December 31, 2011
Net income before minority interests	39,996	66,779
Other comprehensive income		
Valuation difference on available-for-sale securities	209	1,418
Pension liability adjustment of foreign consolidated subsidiaries	0	1
Foreign currency translation adjustment	18,027	(178,346)
Total other comprehensive income	18,237	(176,926)
Comprehensive income	58,234	(110,146)
Total comprehensive income attributable to		
Owners of the parent	56,231	(111,867)
Minority interests	2,002	1,720

(3) Quarterly consolidated statements of cash flows (cumulative)

(Millions of yen)

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	223,803	276,903
Depreciation and amortization	90,563	93,973
Impairment loss	3,338	867
Amortization of goodwill	67,001	62,935
Increase (decrease) in provision for retirement benefits	(4,155)	5,862
Interest and dividends income	(2,443)	(3,020)
Interest expenses	13,397	11,192
Loss (gain) on sales and retirement of noncurrent assets	475	(18,725)
Regulatory fine in Canada	13,092	–
Decrease (increase) in notes and accounts receivable-trade	(45,753)	(45,119)
Decrease (increase) in inventories	283	(215)
Increase (decrease) in notes and accounts payable-trade	(1,423)	2,626
Increase (decrease) in accounts payable-other	(12,469)	(9,358)
Increase (decrease) in tobacco excise taxes payable	133,525	205,367
Other, net	(405)	1,829
Subtotal	478,828	585,119
Interest and dividends income received	4,088	4,444
Interest expenses paid	(16,605)	(13,883)
Payment for regulatory fine in Canada	(13,092)	–
Income taxes paid	(107,524)	(111,661)
Net cash provided by (used in) operating activities	345,695	464,019
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(13,790)	(2,105)
Proceeds from sales and redemption of securities	12,894	19,986
Purchase of property, plant and equipment	(99,574)	(65,918)
Proceeds from sales of property, plant and equipment	5,740	27,962
Purchase of intangible assets	(5,459)	(8,728)
Purchase of investment securities	(2,006)	(3,531)
Payments into time deposits	(23,643)	(30,546)
Proceeds from withdrawal of time deposits	10,603	22,707
Purchase of investments in subsidiaries	(109)	(507)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	–	(33,442)
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(646)	–
Other, net	11,568	423
Net cash provided by (used in) investing activities	(104,423)	(73,699)

(Millions of yen)

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial paper	(169,843)	(2,123)
Proceeds from long-term loans payable	49,091	79
Repayment of long-term loans payable	(12,636)	(28,430)
Proceeds from issuance of bonds	79,798	–
Redemption of bonds	(50,200)	(134,183)
Cash dividends paid	(55,518)	(76,125)
Proceeds from stock issuance to minority shareholders	406	340
Cash dividends paid to minority shareholders	(1,109)	(1,781)
Repayments of finance lease obligations	(4,040)	(3,871)
Other, net	0	–
Net cash provided by (used in) financing activities	(164,054)	(246,098)
Effect of exchange rate change on cash and cash equivalents	(5,742)	(9,373)
Net increase (decrease) in cash and cash equivalents	71,474	134,848
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	* 226,038	* 379,088

Change in scope of consolidation or scope of equity method

Nine months ended December 31, 2011
Material changes in scope of consolidation In this third quarter, Haggar Cigarette & Tobacco Factory Ltd. (the Republic of the Sudan) and Haggar Cigarette & Tobacco Factory Ltd. (the Republic of South Sudan) were included in the scope of consolidation due to acquisition of their shares.

Changes in accounting policies, etc.

Nine months ended December 31, 2011
(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, had previously applied accounting principles generally accepted in the United States of America (U.S. GAAP). However, effective January 1, 2011, JTI applied International Financial Reporting Standards (IFRS). As the JT Group’s business expands globally and the application of IFRS is useful in order to enhance international comparability in the capital markets, 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 effective January 1, 2011. As a result of this change, JTI applied IFRS retrospectively to the figures of the financial position, operating results and cash flows 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 nine months and the third quarter ended December 31, 2010 and the consolidated financial statements for the fiscal year ended March 31, 2011 are shown in accordance with this retrospective application. Consequently, compared to the amounts before the retrospective application, in the consolidated balance sheet as of the previous fiscal year end, 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 nine months ended December 31, 2010, net sales have decreased by ¥1,264,031 million, cost of sales has decreased by ¥1,264,632 million, operating income has increased by ¥3,612 million, ordinary income has increased by ¥828 million, and income before income taxes and minority interests has increased by ¥828 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 on net assets as of the beginning of the previous fiscal year.

Nine months ended December 31, 2011
(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 retrospectively, and the quarterly consolidated financial statements for the nine months and the third quarter ended December 31, 2010 and the consolidated financial statements for the fiscal year ended March 31, 2011 are shown in accordance with this retrospective application. As a result, compared to the amounts before the retrospective application, for the nine months ended December 31, 2010, net sales and cost of sales have both decreased by ¥1,543,704 million (excluding the impact from the application of IFRS at JT International S.A. and other foreign subsidiaries). 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 effect 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, net sales including the amount equivalent to tobacco excise taxes, which were previously disclosed as net sales, is presented in "Notes to quarterly consolidated financial statements, Notes to quarterly consolidated statements of income" as net sales including tobacco excise taxes. (Application of Accounting Standard for Earnings Per Share, etc.) Effective April 1, 2011, the "Accounting Standard for Earnings Per Share" (ASBJ Statement No. 2, June 30, 2010) and the "Guidance on Accounting Standard for Earnings Per Share" (ASBJ Guidance No. 4, June 30, 2010) have been applied. JT has changed the method by which it calculates diluted net income per share: for stock options that vest after a specified service period, JT now includes the portion of stock options' fair value attributable to future service rendered to JT when calculating the cash proceeds assumed to be receivable upon exercise of the stock options. As a result, diluted net income per share for the nine months and the third quarter ended December 31, 2010 are restated with this change. The impact of this change is immaterial.

Special accounting treatment applied in preparing quarterly consolidated financial statements

	Nine months ended December 31, 2011
Calculation of tax expenses	Tax expenses are computed by: using rational means to obtain an estimate of the effective tax rate after tax effect accounting is applied to income before income taxes and minority interests for the fiscal year including this third quarter; and then by multiplying income before income taxes and minority interests by the aforesaid estimated effective tax rate.

Additional information

Nine months ended December 31, 2011
(Application of Accounting Standard for Accounting Changes and Error Corrections, etc.) 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, December 4, 2009) and the "Guidance on Accounting Standard for Accounting Changes and Error Corrections" (ASBJ Guidance No. 24, December 4, 2009). (Impact from Change in Corporation Tax Rate) The "Act for Partial Revision of the Income Tax Act, etc., for the Purpose of Creating Taxation System Responding to Changes in Economic and Social Structures" (Act No. 114 of 2011) and the "Act on Special Measures for Securing Necessary Financial Resources to Implement Measures for the Restoration of the Damages following the Great East Japan Earthquake" (Act No. 117 of 2011) were promulgated on December 2, 2011. As a result, for the fiscal years beginning on or after April 1, 2012, the corporation tax rate will be lowered, and the special reconstruction corporation tax, a surtax for reconstruction funding after the Great East Japan Earthquake, will be imposed. The impact from this change is reflected in the calculation of the estimated effective tax rate after applying tax effect accounting for income before income taxes and minority interests in the fiscal year including this third quarter. The impact of this change is immaterial.

Notes to quarterly consolidated financial statements

(Notes to quarterly consolidated balance sheets)

As of March 31, 2011	As of December 31, 2011
―	* "Other" in current assets includes repurchase agreements for which collateral in the form of securities received from counterparties is valued at ¥230,913 million as of December 31, 2011.

(Notes to quarterly consolidated statements of income (cumulative))

Nine months ended December 31, 2010	Nine months ended December 31, 2011
*1. Net sales including tobacco excise taxes for the nine months ended December 31, 2010 amounted to ¥4,668,736 million. Net sales including tobacco excise taxes is the amount of net sales plus the amount equivalent to tobacco excise taxes.	*1. Net sales including tobacco excise taxes for the nine months ended December 31, 2011 amounted to ¥5,055,917 million. Net sales including tobacco excise taxes is the amount of net sales plus the amount equivalent to tobacco excise taxes.
*2. 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 counterfeit. In addition, JTI-Mac pleaded to regulatory offense for its involvement in the illicit trade of cigarettes prior to JT's acquisition of the 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."	―
―	*3. Loss on the Great East Japan Earthquake refers to items such as loss on abandonment of inventories and fixed costs resulting from the discontinuation of operations which occurred at the manufacturing facilities and other sites of JT and its consolidated subsidiaries as a result of the Great East Japan Earthquake.

(Notes to quarterly consolidated statements of cash flows (cumulative))

<table>
<tr><th colspan="2">Nine months ended December 31, 2010</th><th colspan="2">Nine months ended December 31, 2011</th></tr>
<tr><td colspan="2">* Cash and cash equivalents at the end of the period are reconciled to items on the quarterly consolidated balance sheet as follows:
(As of December 31, 2010)
(Millions of yen)</td><td colspan="2">* Cash and cash equivalents at the end of the period are reconciled to items on the quarterly consolidated balance sheet as follows:
(As of December 31, 2011)
(Millions of yen)</td></tr>
<tr><td>Cash and deposits</td><td>114,930</td><td>Cash and deposits</td><td>131,326</td></tr>
<tr><td>Time deposits with deposit periods of over three months</td><td>(20,895)</td><td>Time deposits with deposit periods of over three months</td><td>(20,341)</td></tr>
<tr><td>Short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk</td><td></td><td>Short-term investments with an investment period within three months, which are readily convertible to cash and represent less value fluctuation risk</td><td></td></tr>
<tr><td>(Short-term investment securities)</td><td>13,080</td><td>(Short-term investment securities)</td><td>37,190</td></tr>
<tr><td>(Other current assets)</td><td>118,922</td><td>(Other current assets)</td><td>230,913</td></tr>
<tr><td>Cash and cash equivalents</td><td>226,038</td><td>Cash and cash equivalents</td><td>379,088</td></tr>
</table>

(Shareholders' equity)

I. Nine months ended December 31, 2010

Cash dividends
Dividend payments

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

II. Nine months ended December 31, 2011

Cash dividends
Dividend payments

(Resolution)	Class of shares	Total amount of dividends (Millions of yen)	Cash dividend per share (Yen)	Record date	Effective date	Source of dividends
Annual General Meeting of Shareholders held on June 24, 2011	Common stock	38,085	4,000	March 31, 2011	June 27, 2011	Retained earnings
Meeting of the Board of Directors held on October 31, 2011	Common stock	38,085	4,000	September 30, 2011	December 1, 2011	Retained earnings

(Segment information, etc.)

Segment information

I. Nine months ended December 31, 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)	766,558	729,492	35,968	293,673	1,825,693
(2) Intersegment sales or transfers	23,182	34,192	–	96	57,471
Total	789,741	763,684	35,968	293,770	1,883,164
Segment profit (loss) (Note 2)	185,175	240,503	(6,401)	14,227	433,505

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 and 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 ¥464,166 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 and contract manufacturing, among others. In the International Tobacco Business, core net sales, which exclude such net sales, came to ¥671,783 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)

Nine months ended December 31, 2010	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	32,863	38,427	3,054	12,578	86,923
Amortization of goodwill	816	58,994	–	7,205	67,015

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

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

(Millions of yen)

Net sales	Amount
Reportable segments total	1,883,164
Other net sales (Note 1)	21,696
Elimination of intersegment transactions	(64,669)
Net sales recorded in quarterly consolidated statement of income	1,840,191

(Millions of yen)

Profit	Amount
Reportable segments total	433,505
Other profits (Note 1)	9,825
Head office expenses (Note 2)	(14,175)
Elimination of intersegment transactions	(607)
Other adjustments (Note 3)	(2,802)
Subtotal (Note 4)	425,744
Depreciation and amortization	(90,563)
Amortization of goodwill	(67,015)
Operating income recorded in quarterly consolidated statement of income	268,165

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 adjusted in accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18).

4. 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. Nine months ended December 31, 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)	877,370	736,373	39,352	281,960	1,935,057
(2) Intersegment sales or transfers	20,598	21,808	–	68	42,475
Total	897,968	758,182	39,352	282,029	1,977,532
Segment profit (loss) (Note 2)	212,302	254,082	(7,805)	16,515	475,094

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 and 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 ¥444,844 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 and contract manufacturing, among others. In the International Tobacco Business, core net sales, which exclude such net sales, came to ¥682,300 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)

Nine months ended December 31, 2011	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	30,599	42,712	2,808	13,741	89,861
Amortization of goodwill	817	55,090	–	7,041	62,949

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 September 30, 2011 have been included in the nine months ended December 31, 2011.

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

(Millions of yen)

Net sales	Amount
Reportable segments total	1,977,532
Other net sales (Note 1)	19,059
Elimination of intersegment transactions	(49,469)
Net sales recorded in quarterly consolidated statement of income	1,947,122

(Millions of yen)

Profit	Amount
Reportable segments total	475,094
Other profits (Note 1)	8,298
Head office expenses (Note 2)	(14,234)
Elimination of intersegment transactions	(1,009)
Other adjustments (Note 3)	(2,074)
Subtotal (Note 4)	466,074
Depreciation and amortization	(93,218)
Amortization of goodwill	(62,949)
Operating income recorded in quarterly consolidated statement of income	309,906

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 adjusted in accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18).

4. 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. Change to measurement method for profit (loss) by reportable segment

As discussed in "Changes in accounting policies, etc.," effective January 1, 2011, consolidated subsidiaries in the International Tobacco Business, which is substantially operated by JT International S.A., applied International Financial Reporting Standards (IFRS). JT manages the International Tobacco Business based on financial statements prepared in accordance with IFRS. Consequently, the measurement for profit for the International Tobacco Business segment in "Segment information" is based on IFRS.

The figures stated for the nine months ended December 31, 2010 have been restated based on the measurement method for business segment profit for the current fiscal year.

III. Third quarter ended December 31, 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)	189,477	238,834	12,840	96,815	537,968
(2) Intersegment sales or transfers	7,724	9,896	–	34	17,655
Total	197,202	248,731	12,840	96,849	555,623
Segment profit (loss) (Note 2)	35,030	84,116	(1,600)	4,581	122,127

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 and 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 ¥112,719 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 and contract manufacturing, among others. In the International Tobacco Business, core net sales, which exclude such net sales, came to ¥222,818 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)

Third quarter ended December 31, 2010	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	11,035	12,460	1,065	4,398	28,958
Amortization of goodwill	272	18,164	–	2,399	20,836

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 July 1, 2010 to September 30, 2010 have been included in the third quarter ended December 31, 2010.

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

(Millions of yen)

Net sales	Amount
Reportable segments total	555,623
Other net sales (Note 1)	7,019
Elimination of intersegment transactions	(19,945)
Net sales recorded in quarterly consolidated statement of income	542,697

(Millions of yen)

Profit	Amount
Reportable segments total	122,127
Other profits (Note 1)	3,182
Head office expenses (Note 2)	(5,040)
Elimination of intersegment transactions	(83)
Other adjustments (Note 3)	(1,616)
Subtotal (Note 4)	118,570
Depreciation and amortization	(30,208)
Amortization of goodwill	(20,836)
Operating income recorded in quarterly consolidated statement of income	67,525

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 adjusted in accordance with the “Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements” (ASBJ PITF No. 18).

4. 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).

IV. Third quarter ended December 31, 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)	296,673	259,762	14,977	94,389	665,803
(2) Intersegment sales or transfers	5,644	5,841	–	24	11,511
Total	302,318	265,604	14,977	94,414	677,314
Segment profit (loss) (Note 2)	76,653	93,187	(589)	5,533	174,784

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 and 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 ¥165,290 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 and contract manufacturing, among others. In the International Tobacco Business, core net sales, which exclude such net sales, came to ¥241,722 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)

Third quarter ended December 31, 2011	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	11,274	14,606	953	4,656	31,490
Amortization of goodwill	273	17,702	–	2,345	20,321

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 July 1, 2011 to September 30, 2011 have been included in the third quarter ended December 31, 2011.

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

(Millions of yen)

Net sales	Amount
Reportable segments total	677,314
Other net sales (Note 1)	6,142
Elimination of intersegment transactions	(13,838)
Net sales recorded in quarterly consolidated statement of income	669,619

(Millions of yen)

Profit	Amount
Reportable segments total	174,784
Other profits (Note 1)	2,884
Head office expenses (Note 2)	(5,617)
Elimination of intersegment transactions	(246)
Other adjustments (Note 3)	(1,903)
Subtotal (Note 4)	169,901
Depreciation and amortization	(32,700)
Amortization of goodwill	(20,321)
Operating income recorded in quarterly consolidated statement of income	116,879

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 adjusted in accordance with the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18).

4. 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. Change to measurement method for profit (loss) by reportable segment

As discussed in "Changes in accounting policies, etc.," 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 (IFRS). JT manages the International Tobacco Business based on financial statements prepared in accordance with IFRS. Consequently, the measurement for profit for the International Tobacco Business segment in "Segment information" is based on IFRS.

The figures stated for the third quarter ended December 31, 2010 have been restated based on the measurement method for business segment profit for the current fiscal year.

(Business combination)

Third quarter ended December 31, 2011

Business combination through acquisition

(1) Outline of business combination

a. Names of acquired companies (countries of domicile)

Haggar Cigarette & Tobacco Factory Ltd. (the Republic of the Sudan) and Haggar Cigarette & Tobacco Factory Ltd. (the Republic of South Sudan)

b. Business lines of acquired companies

Manufacture and sale of tobacco products

c. Primary reason for business combination

JT Group has acquired these companies in order to establish business bases for the JT Group's International Tobacco Business in the Republic of the Sudan and the Republic of South Sudan.

d. Date of business combination

October 31, 2011

e. Legal form of business combination

Acquisition of shares

f. Company names after combination (countries of domicile)

Haggar Cigarette & Tobacco Factory Ltd. (the Republic of the Sudan) and Haggar Cigarette & Tobacco Factory Ltd. (the Republic of South Sudan)

g. Ratio of voting rights acquired

Haggar Cigarette & Tobacco Factory Ltd. (the Republic of the Sudan) 100%

Haggar Cigarette & Tobacco Factory Ltd. (the Republic of South Sudan) 99%

h. Main grounds for determining the acquiring company

JT Group is an acquiring company because it owns the majority of voting rights and clearly controls the decision-making bodies.

(2) Period of acquired companies' results of operations included in quarterly consolidated statement of income for the nine months ended December 31, 2011

No items to report

(3) Acquisition cost of acquired companies and breakdown of costs

Consideration for the acquisition of $441 million (¥34.3 billion) (total for two companies)

(4) Amount of goodwill, reason for recognition, and method and period of amortization

a. Amount of goodwill

$377 million (¥29.3 billion)

b. Reason for recognition of goodwill

Goodwill is recognized because the acquisition cost exceeds the net amount of the assets acquired and liabilities assumed from the acquired companies.

c. Method and period of amortization

Amortization method: Straight-line method

Amortization period: 20 years

(Per share information)

Net income per share and its basis for computing and diluted net income per share and its basis for computing are as follows:

	Nine months ended December 31, 2010	Nine months ended December 31, 2011
(1) Net income per share (Yen)	12,524.50	16,848.66
(Basis for computing)		
Net income (Millions of yen)	119,986	160,424
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	119,986	160,424
Average number of shares of common stock outstanding during the period (Thousands of shares)	9,580	9,521
(2) Diluted net income per share (Yen)	12,521.18	16,842.44
(Basis for computing)		
Dilutive effects (Millions of yen)	–	–
Number of increased shares of common stock (Thousands of shares)	2	3
Dilutive shares that are not included in the calculation of diluted net income per share as they have no dilutive effects and in which there were significant changes after the end of the previous fiscal year	–	–

	Third quarter ended December 31, 2010	Third quarter ended December 31, 2011
(1) Net income per share (Yen)	4,035.96	6,779.30
(Basis for computing)		
Net income (Millions of yen)	38,664	64,548
Amounts not attributable to common shareholders (Millions of yen)	–	–
Net income related to common stock (Millions of yen)	38,664	64,548
Average number of shares of common stock outstanding during the period (Thousands of shares)	9,580	9,521
(2) Diluted net income per share (Yen)	4,034.81	6,776.65
(Basis for computing)		
Dilutive effects (Millions of yen)	–	–
Number of increased shares of common stock (Thousands of shares)	2	3
Dilutive shares that are not included in the calculation of diluted net income per share as they have no dilutive effects and in which there were significant changes after the end of the previous fiscal year	–	–

(Additional information)

Nine months ended December 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 billion (approximately ¥3,811 billion) * The statement of claim in this case contains allegations of joint and several liabilities amongst all the defendants but does not specify any individual amount or percentages, within the total amount of the claim, which is claimed from any individual defendant. JTI-Mac has valid grounds to defend the action which it will pursue by all appropriate means with the full support of JT. There are similar pending lawsuits against tobacco manufacturers and others including a JT Group company filed in Canada by the Government of British Columbia, 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.

2. Other

Dividends

The Board of Directors, at a meeting held on October 31, 2011, resolved the following interim dividends for the current fiscal year.

(a) Total amount of interim dividends ¥38,085 million

(b) Amount per share ¥4,000.00

(c) Effective date of requests for payment, and commencement date of payments December 1, 2011

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

INDEPENDENT ACCOUNTANT'S REVIEW REPORT

February 1, 2012

To the Board of Directors of
Japan Tobacco Inc.:

Deloitte Touche Tohmatsu LLC

Designated Unlimited Liability Partner,
Engagement Partner,
Certified Public Accountant: Yasuyuki Miyasaka (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 reviewed the quarterly consolidated financial statements included in the Accounting Section, namely, the quarterly consolidated balance sheet of Japan Tobacco Inc. and its consolidated subsidiaries as of December 31, 2011 and the related quarterly consolidated statements of income, and comprehensive income for the three-month and nine-month periods then ended, the quarterly consolidated statement of cash flows for the nine-month period then ended, and the related notes.

Management's Responsibility for the Quarterly Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of these quarterly consolidated financial statements in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan, and for such internal control as management determines is necessary to enable the preparation of quarterly consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Accountant's Responsibility

Our responsibility is to express a conclusion on these quarterly consolidated financial statements based on our review. We conducted our review in accordance with quarterly review standards generally accepted in Japan. A review consists principally of making inquiries, primarily of management and

persons responsible for financial and accounting matters, and applying analytical procedures and other quarterly review procedures. A review is substantially less in scope than an audit conducted in accordance with auditing standards generally accepted in Japan.
We believe that we have obtained the evidence to provide a basis for our conclusion.

Accountant’s Conclusion

Based on our review, nothing has come to our attention that causes us to believe that the quarterly consolidated financial statements referred to above do not present fairly, in all material respects, the consolidated financial position of Japan Tobacco Inc. and its consolidated subsidiaries as of December 31, 2011, and the consolidated results of their operations for the three-month and nine-month periods then ended and their cash flows for the nine-month period then ended in conformity with accounting principles for quarterly consolidated financial statements generally accepted in Japan.

Matter of Emphasis

1. As discussed in changes in accounting policies, etc., JT International S.A. and other foreign subsidiaries (JTI) had previously applied accounting principles generally accepted in the United States of America, however, effective January 1, 2011, JTI applied International Financial Reporting Standards (IFRS).
   This matter does not affect our conclusion.
2. As discussed in changes in accounting policies, etc., 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.
   This matter does not affect our conclusion.

Interest

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

Notes: 1. The document presented above is a digitized copy of the original version of the “INDEPENDENT ACCOUNTANT’S REVIEW REPORT.” The original report is kept separately by JT (the filing company of the Quarterly Securities Report).
2. The section of quarterly consolidated financial statements of this report does not contain their XBRL data.