

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



February 9, 2010

Consolidated Financial Results for the Nine Months Ended December 31, 2009

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
 Listed Stock Exchanges: Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock Exchanges
 URL: <http://www.jti.co.jp/>
 Representative: Hiroshi Kimura, President,
 Chief Executive Officer and Representative Director
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 Scheduled date to file Quarterly Securities Report: February 12, 2010
 Scheduled starting date of the dividend payments: -

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

1. Consolidated financial results for the nine months of the fiscal year ending March 31, 2010 (from April 1, 2009 to December 31, 2009)

(1) Consolidated operating results (cumulative) (Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
Nine months ended								
December 31, 2009	4,651,891	(13.0)	252,542	(23.4)	215,609	(19.9)	106,926	(18.7)
December 31, 2008	5,346,145	-	329,654	-	269,024	-	131,454	-

	Net income per share	Diluted net income per share
	Yen	Yen
Nine months ended		
December 31, 2009	11,161.33	11,159.28
December 31, 2008	13,721.65	13,720.79

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
December 31, 2009	3,917,855	1,668,296	40.7	166,437.71
March 31, 2009	3,879,803	1,624,288	40.0	162,087.74

Reference: Equity:

As of December 31, 2009: ¥1,594,489 million; As of March 31, 2009: ¥1,552,813 million

2. Cash dividends

	Cash dividends per share				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2009	-	2,600.00	-	2,800.00	5,400.00
Year ending March 31, 2010	-	2,800.00	-		
Year ending March 31, 2010 (Forecast)				2,800.00	5,600.00

Note: Revision of the forecasts in the current quarter: None

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2010 (from April 1, 2009 to March 31, 2010)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
Year ending March 31, 2010	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
	6,130,000	(10.3)	283,000	(22.2)	246,000	(20.0)	122,000	(1.1)	12,734.74

Note: Revision of the forecasts in the current quarter: Yes

4. Others

- (1) Changes in significant subsidiaries during the period (changes in specified subsidiaries resulting in change in scope of consolidation): None
- (2) Application of simplified accounting and special accounting for preparing the consolidated quarterly financial statements: Applicable
- (3) Changes in accounting policies, procedures, and methods of presentation for preparing the consolidated quarterly financial statements
 - a. Changes due to revisions to accounting standards and other regulations: None
 - b. Changes due to other reasons: None
- (4) Number of issued shares (common stock)
 - a. Total number of issued shares at the end of the period (including treasury shares)

As of December 31, 2009	10,000,000 shares
As of March 31, 2009	10,000,000 shares
 - b. Number of treasury shares at the end of the period

As of December 31, 2009	419,903 shares
As of March 31, 2009	419,920 shares
 - c. Average number of shares during the period (cumulative from the beginning of the fiscal year)

Nine months ended December 31, 2009	9,580,090 shares
Nine months ended December 31, 2008	9,580,080 shares

* Proper use of earnings forecasts, and other special matters

The forward-looking statements, including earnings forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions deemed to be reasonable. Actual business and other results may differ due to various factors. Please refer to “Caution concerning forward-looking statements” on page 3 and the supplementary document “Overview of Consolidated Financial Results for Q3 FY 3/2010 and Full-term Forecasts for FY 3/2010” for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

(Caution concerning forward-looking statements)

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

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

- (1) health concerns related to the use of tobacco products;
- (2) legal or regulatory developments and changes; including, without limitation on sales, marketing and use of tobacco products, governmental investigations and privately imposed smoking restrictions;
- (3) litigation in Japan and elsewhere;
- (4) our ability to further diversify our business beyond the tobacco industry;
- (5) our ability to successfully expand internationally and make investments outside Japan;
- (6) competition and changing consumer preferences;
- (7) the impact of any acquisitions or similar transactions;
- (8) local and global economic conditions; and
- (9) fluctuations in foreign exchange rates and the costs of raw materials.

Consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of December 31, 2009	As of March 31, 2009 (Summary)
Assets		
Current assets		
Cash and deposits	131,506	164,957
Notes and accounts receivable-trade	327,277	290,068
Short-term investment securities	20,998	4,910
Merchandise and finished goods	145,338	122,970
Semi-finished goods	109,649	119,290
Work in process	5,689	6,561
Raw materials and supplies	291,448	215,334
Other	221,253	174,751
Allowance for doubtful accounts	(3,324)	(3,162)
Total current assets	1,249,837	1,095,682
Noncurrent assets		
Property, plant and equipment	667,122	668,742
Intangible assets		
Goodwill	1,370,195	1,453,961
Right of trademark	348,756	347,372
Other	28,049	30,509
Total intangible assets	1,747,001	1,831,843
Investments and other assets		
Investment securities	89,350	90,230
Other	200,700	234,999
Allowance for doubtful accounts	(36,156)	(41,695)
Total investments and other assets	253,894	283,534
Total noncurrent assets	2,668,018	2,784,121
Total assets	3,917,855	3,879,803
Liabilities		
Current liabilities		
Notes and accounts payable-trade	164,187	158,544
Short-term loans payable	68,771	113,231
Commercial papers	94,000	-
Current portion of bonds	50,922	190,363
Current portion of long-term loans payable	25,285	26,380
National tobacco excise tax payable	253,260	172,986
National tobacco special excise tax payable	20,772	10,470
Local tobacco excise tax payable	171,161	85,541
Income taxes payable	49,172	51,777
Provision	27,812	39,172
Other	236,422	244,936
Total current liabilities	1,161,769	1,093,403

(Millions of yen)

	As of December 31, 2009	As of March 31, 2009 (Summary)
Noncurrent liabilities		
Bonds payable	407,699	349,794
Long-term loans payable	183,390	299,563
Provision for retirement benefits	251,975	259,145
Other provision	664	1,318
Other	244,059	252,289
Total noncurrent liabilities	1,087,789	1,162,111
Total liabilities	2,249,559	2,255,514
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,406	736,400
Retained earnings	1,278,267	1,224,989
Treasury stock	(74,575)	(74,578)
Total shareholders' equity	2,040,098	1,986,810
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	10,628	8,437
Deferred gains or losses on hedges	-	92
Pension liability adjustment of foreign consolidated subsidiaries	(18,012)	(18,965)
Foreign currency translation adjustment	(438,225)	(423,561)
Total valuation and translation adjustments	(445,609)	(433,997)
Subscription rights to shares	507	364
Minority interests	73,298	71,109
Total net assets	1,668,296	1,624,288
Total liabilities and net assets	3,917,855	3,879,803

(2) Consolidated statements of income (cumulative)

(Millions of yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net sales	5,346,145	4,651,891
Cost of sales	4,332,945	3,801,168
Gross profit	1,013,200	850,722
Selling, general and administrative expenses	683,545	598,179
Operating income	329,654	252,542
Non-operating income		
Interest income	5,379	3,377
Dividends income	1,993	1,720
Other	9,397	5,431
Total non-operating income	16,769	10,528
Non-operating expenses		
Interest expenses	37,940	20,991
Foreign exchange losses	31,877	19,123
Financial support for domestic leaf tobacco growers	764	538
Other	6,816	6,808
Total non-operating expenses	77,398	47,462
Ordinary income	269,024	215,609
Extraordinary income		
Gain on sales of noncurrent assets	40,158	21,762
Other	1,627	5,747
Total extraordinary income	41,785	27,510
Extraordinary loss		
Loss on sales of noncurrent assets	2,031	3,517
Loss on retirement of noncurrent assets	7,849	4,127
Impairment loss	11,705	2,426
Business restructuring costs	19,456	6,599
Other	29,349	9,821
Total extraordinary losses	70,392	26,491
Income before income taxes and minority interests	240,417	216,628
Income taxes	104,511	104,565
Minority interests in income	4,451	5,136
Net income	131,454	106,926

(3) Consolidated statements of cash flows

(Millions of yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	240,417	216,628
Depreciation and amortization	131,227	98,740
Impairment loss	11,705	2,426
Loss (gain) on sales and retirement of noncurrent assets	(36,597)	(15,720)
Amortization of goodwill	80,436	74,428
Increase (decrease) in provision for retirement benefits	(7,741)	(6,176)
Interest and dividends income	(7,372)	(5,097)
Interest expenses	37,940	20,991
Decrease (increase) in notes and accounts receivable-trade	(72,859)	(31,551)
Decrease (increase) in inventories	(70,022)	(93,673)
Increase (decrease) in notes and accounts payable-trade	15,275	3,237
Increase (decrease) in accounts payable-other	(7,686)	(1,239)
Increase (decrease) in tobacco excise taxes payable	214,605	169,918
Other, net	(24,215)	(21,934)
Subtotal	505,114	410,976
Interest and dividends income received	10,557	5,277
Interest expenses paid	(47,499)	(26,907)
Income taxes paid	(109,449)	(106,006)
Net cash provided by (used in) operating activities	358,722	283,340
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(1,391)	(2,997)
Proceeds from sales and redemption of securities	1,911	1,901
Purchase of property, plant and equipment	(74,680)	(81,487)
Proceeds from sales of property, plant and equipment	46,939	28,336
Purchase of intangible assets	(3,707)	(4,577)
Proceeds from sales and redemption of investment securities	2,873	1,431
Purchase of investments in subsidiaries	(7,645)	(1,164)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,060)	(324)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	460	-
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	(107)	-
Other, net	6,772	(6,515)
Net cash provided by (used in) investing activities	(31,636)	(65,397)

(Millions of yen)

	Nine months ended December 31, 2008	Nine months ended December 31, 2009
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial papers	(150,826)	48,697
Proceeds from long-term loans payable	24,532	1,655
Repayment of long-term loans payable	(17,925)	(151,846)
Proceeds from issuance of bonds	-	100,304
Redemption of bonds	(62,019)	(191,874)
Cash dividends paid	(49,717)	(53,601)
Proceeds from stock issuance to minority shareholders	-	189
Cash dividends paid to minority shareholders	(3,207)	(3,196)
Repayments of finance lease obligations	-	(4,498)
Other, net	(1,376)	0
Net cash provided by (used in) financing activities	(260,538)	(254,170)
Effect of exchange rate change on cash and cash equivalents	(23,511)	5,416
Net increase (decrease) in cash and cash equivalents	43,036	(30,812)
Cash and cash equivalents at beginning of period	215,008	167,257
Decrease in cash and cash equivalents resulting from exclusion of subsidiaries from consolidation	(953)	-
Cash and cash equivalents at end of period	257,091	136,445

(4) Notes on premise of going concern

No items to report.

(5) Segment information

[Business segment information]

Nine months ended December 31, 2008 (From April 1, 2008 to December 31, 2008)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	2,478,158	2,456,903	48,128	347,765	15,190	5,346,145	-	5,346,145
(2) Intersegment sales or transfers	34,989	30,748	-	105	9,837	75,681	(75,681)	-
Total	2,513,147	2,487,651	48,128	347,871	25,027	5,421,827	(75,681)	5,346,145
Operating income (loss)	152,254	170,527	5,806	(7,814)	7,321	328,095	1,559	329,654

Nine months ended December 31, 2009 (From April 1, 2009 to December 31, 2009)

(Millions of yen)

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

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

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

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

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

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

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Nine months ended December 31, 2008	60,155	54,837	2,767	5,931	7,997	131,688	(461)	131,227
Nine months ended December 31, 2009	40,312	41,076	2,906	12,307	1,975	98,578	161	98,740

Goodwill Amortization

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Nine months ended December 31, 2008	816	71,980	-	7,672	-	80,468
Nine months ended December 31, 2009	816	64,536	-	9,100	-	74,453

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

(Nine months ended December 31, 2008) ¥879,362 million

(Nine months ended December 31, 2009) ¥837,868 million

5. With respect to the international tobacco segment, as the closing date of the accounting period of international consolidated subsidiaries is set on December 31, operating results from January 1, 2008 to September 30, 2008 have been included in the nine months ended December 31, 2008 and those from January 1, 2009 to September 30, 2009 have been included in the nine months ended December 31, 2009.

6. Changes in accounting policies

(Nine months ended December 31, 2008)

Practical solution on unification of accounting policies applied to foreign subsidiaries for consolidated financial statements

Effective from April 1, 2008, JT applied the "Practical Solution on Unification of Accounting Policies Applied to Foreign Subsidiaries for Consolidated Financial Statements" (ASBJ PITF No. 18, May 17, 2006). As a result of this change, the operating income for the international tobacco segment for the nine months ended December 31, 2008 decreased by ¥71,980 million as compared to the case where the previous method was adopted.

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

No items to report.