



April 28, 2010

Consolidated Financial Results for the Fiscal Year Ended March 31, 2010

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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 Telephone: +81-3-3582-3111
 Scheduled date of Annual General Meeting of Shareholders: June 24, 2010
 Scheduled date to file Securities Report: June 24, 2010
 Scheduled starting date of the dividend payments: June 25, 2010

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

1. Consolidated financial results for the fiscal year ended March 31, 2010 (from April 1, 2009 to March 31, 2010)

(1) Consolidated operating results

(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	%
Year ended								
March 31, 2010	6,134,695	(10.2)	296,504	(18.5)	255,377	(17.0)	138,448	12.2
March 31, 2009	6,832,307	6.6	363,806	(15.5)	307,586	(15.2)	123,400	(48.3)

	Net income per share	Diluted net income per share	Return on equity	Ordinary income on total assets	Operating income on net sales
	Yen	Yen	%	%	%
Year ended					
March 31, 2010	14,451.67	14,448.89	8.6	6.6	4.8
March 31, 2009	12,880.90	12,879.77	6.8	6.9	5.3

Reference: Equity in earnings of affiliates:

the fiscal year ended March 31, 2010: ¥2,401 million;

the fiscal year ended March 31, 2009: ¥2,369 million

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
March 31, 2010	3,872,595	1,723,278	42.6	172,139.61
March 31, 2009	3,879,803	1,624,288	40.0	162,087.74

Reference: Equity:

As of March 31, 2010: ¥1,649,114 million; As of March 31, 2009: ¥1,552,813 million

(3) Consolidated cash flows

	Net cash provided by (used in) operating activities	Net cash provided by (used in) investing activities	Net cash provided by (used in) financing activities	Cash and cash equivalents at end of period
	Millions of yen	Millions of yen	Millions of yen	Millions of yen
Year ended				
March 31, 2010	320,024	(84,057)	(250,398)	154,368
March 31, 2009	275,271	(65,008)	(217,470)	167,257

2. Cash dividends

	Cash dividends per share					Total amount of dividends (total)	Payout ratio (consolidated)	Dividends on net assets (consolidated)
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total			
	Yen	Yen	Yen	Yen	Yen	Millions of yen	%	%
Year ended March 31, 2009	-	2,600.00	-	2,800.00	5,400.00	51,732	41.9	2.9
Year ended March 31, 2010	-	2,800.00	-	3,000.00	5,800.00	55,564	40.1	3.5
Year ending March 31, 2011 (Forecast)	-	2,800.00	-	2,800.00	5,600.00		40.3	

Note: The year end dividend for the fiscal year ended March 31, 2010 is ¥3,000 per share, made up of ¥2,800 in respect of each ordinary dividend and ¥200 in respect of each commemorative dividend.

3. Consolidated earnings forecasts for the fiscal year ending March 31, 2011 (from April 1, 2010 to March 31, 2011)

(Percentages indicate year-on-year changes.)

	Net sales		Operating income		Ordinary income		Net income		Net income per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Six months ending September 30, 2010	-	-	-	-	-	-	-	-	-
Year ending March 31, 2011	5,980,000	(2.5)	295,000	(0.5)	276,000	8.1	133,000	(3.9)	13,882.95

Note: Consolidated earnings forecasts for the six months ended September 30, 2010 is not computed, thus there is no applicable figures.

4. Others

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

As of March 31, 2010	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 March 31, 2010	419,903 shares
As of March 31, 2009	419,920 shares

Note: Please refer to the section of "Per share information" on page 20 for the number of shares used as a basis of calculation for the consolidated net income per share.

(Reference) Summary of non-consolidated results

1. Non-consolidated financial results for the fiscal year ended March 31, 2010 (from April 1, 2009 to March 31, 2010)

(1) Non-consolidated operating results (Percentages indicate year-on-year changes.)

Year ended	Net sales		Operating income		Ordinary income		Net income	
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2010	2,052,654	(5.6)	163,847	(2.3)	161,606	0.9	107,361	19.8
March 31, 2009	2,173,552	(5.6)	167,687	(11.1)	160,200	(9.9)	89,637	(31.7)

Year ended	Net income per share	Diluted net income per share
	Yen	Yen
March 31, 2010	11,206.74	11,204.58
March 31, 2009	9,356.60	9,355.78

(2) Non-consolidated financial position

As of	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
March 31, 2010	3,027,503	1,901,759	62.8	198,452.58
March 31, 2009	2,857,330	1,845,443	64.6	192,595.36

Reference: Equity:

As of March 31, 2010: ¥1,901,194 million; As of March 31, 2009: ¥1,845,078 million

* 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 substantially due to various factors. Please refer to "Caution concerning forward-looking statements" on page 4 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 March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	164,957	155,444
Notes and accounts receivable-trade	290,068	296,884
Short-term investment securities	4,910	11,950
Merchandise and finished goods	122,970	151,062
Semi-finished goods	119,290	109,621
Work in process	6,561	5,522
Raw materials and supplies	215,334	288,893
Deferred tax assets	29,675	26,615
Other	145,076	153,470
Allowance for doubtful accounts	(3,162)	(3,622)
Total current assets	1,095,682	1,195,843
Noncurrent assets		
Property, plant and equipment		
Buildings and structures	621,469	611,509
Accumulated depreciation	(386,615)	(380,469)
Buildings and structures, net	234,853	231,039
Machinery, equipment and vehicles	642,148	668,608
Accumulated depreciation	(453,155)	(455,737)
Machinery, equipment and vehicles, net	188,993	212,870
Tools, furniture and fixtures	165,434	170,906
Accumulated depreciation	(103,012)	(115,863)
Tools, furniture and fixtures, net	62,422	55,042
Land	147,219	138,702
Construction in progress	35,253	41,905
Total property, plant and equipment	668,742	679,561
Intangible assets		
Goodwill	1,453,961	1,387,397
Right of trademark	347,372	350,900
Other	30,509	30,766
Total intangible assets	1,831,843	1,769,064
Investments and other assets		
Investment securities	90,230	83,760
Long-term loans receivable	9,190	-
Deferred tax assets	128,786	85,375
Other	97,022	93,685
Allowance for doubtful accounts	(41,695)	(34,695)
Total investments and other assets	283,534	228,127
Total noncurrent assets	2,784,121	2,676,752
Total assets	3,879,803	3,872,595

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
Liabilities		
Current liabilities		
Notes and accounts payable-trade	158,544	149,462
Short-term loans payable	113,231	109,263
Commercial papers	-	119,000
Current portion of bonds	190,363	50,395
Current portion of long-term loans payable	26,380	23,024
Lease obligations	5,512	4,936
Accounts payable-other	62,824	73,738
National tobacco excise taxes payable	172,986	212,066
National tobacco special excise taxes payable	10,470	10,490
Local tobacco excise taxes payable	85,541	85,238
Income taxes payable	51,777	54,057
Accrued consumption taxes	43,847	60,105
Deferred tax liabilities	2,915	2,357
Provision	39,172	39,610
Other	129,835	107,789
Total current liabilities	1,093,403	1,101,535
Noncurrent liabilities		
Bonds payable	349,794	409,014
Long-term loans payable	299,563	149,569
Lease obligations	11,234	9,126
Deferred tax liabilities	110,389	94,577
Provision for retirement benefits	259,145	251,902
Provision for directors' retirement benefits	623	763
Provision for loss on guarantees	695	-
Other	130,665	132,827
Total noncurrent liabilities	1,162,111	1,047,782
Total liabilities	2,255,514	2,149,317
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,400	736,406
Retained earnings	1,224,989	1,310,669
Treasury stock	(74,578)	(74,575)
Total shareholders' equity	1,986,810	2,072,501
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,437	12,043
Deferred gains or losses on hedges	92	-
Pension liability adjustment of foreign consolidated subsidiaries	(18,965)	(26,269)
Foreign currency translation adjustment	(423,561)	(409,160)
Total valuation and translation adjustments	(433,997)	(423,387)
Subscription rights to shares	364	564
Minority interests	71,109	73,599
Total net assets	1,624,288	1,723,278
Total liabilities and net assets	3,879,803	3,872,595

(2) Consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Net sales	6,832,307	6,134,695
Cost of sales	5,554,398	5,022,637
Gross profit	1,277,908	1,112,057
Selling, general and administrative expenses	914,102	815,552
Operating income	363,806	296,504
Non-operating income		
Interest income	10,104	4,473
Dividends income	2,172	2,509
Equity in earnings of affiliates	-	2,401
Other	18,059	6,224
Total non-operating income	30,335	15,608
Non-operating expenses		
Interest expenses	51,356	26,111
Foreign exchange losses	21,801	20,228
Financial support for domestic leaf tobacco growers	768	522
Periodic mutual assistance association cost	2,024	1,724
Other	10,604	8,150
Total non-operating expenses	86,555	56,736
Ordinary income	307,586	255,377
Extraordinary income		
Gain on sales of noncurrent assets	46,461	32,341
Gain from reversal of liability on fine levied under UK competition law	-	16,710
Other	1,915	9,464
Total extraordinary income	48,377	58,516
Extraordinary loss		
Loss on sales of noncurrent assets	2,169	4,237
Loss on retirement of noncurrent assets	11,505	6,334
Impairment loss	16,364	6,042
Business restructuring costs	24,363	9,900
Introduction costs for vending machines with adult identification functions	13,468	-
Expense for disposal of PCB-containing wastes	-	4,055
Other	25,947	7,268
Total extraordinary losses	93,819	37,838
Income before income taxes and minority interests	262,143	276,054
Income taxes-current	126,732	114,145
Income taxes-deferred	8,240	17,158
Total income taxes	134,972	131,303
Minority interests in income	3,771	6,302
Net income	123,400	138,448

(3) Consolidated statements of changes in net assets

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Shareholders' equity		
Capital stock		
Balance at the end of previous period	100,000	100,000
Balance at the end of current period	100,000	100,000
Capital surplus		
Balance at the end of previous period	736,400	736,400
Changes of items during the period		
Disposal of treasury stock	-	6
Total changes of items during the period	-	6
Balance at the end of current period	736,400	736,406
Retained earnings		
Balance at the end of previous period	1,344,490	1,224,989
Effect of changes in accounting policies applied to foreign subsidiaries	(193,658)	-
Changes of items during the period		
Dividends from surplus	(49,816)	(53,648)
Net income	123,400	138,448
Change of scope of consolidation	47	-
Change of scope of equity method	525	880
Total changes of items during the period	74,157	85,680
Balance at the end of current period	1,224,989	1,310,669
Treasury stock		
Balance at the end of previous period	(74,578)	(74,578)
Changes of items during the period		
Disposal of treasury stock	-	3
Total changes of items during the period	-	3
Balance at the end of current period	(74,578)	(74,575)
Total shareholders' equity		
Balance at the end of previous period	2,106,311	1,986,810
Effect of changes in accounting policies applied to foreign subsidiaries	(193,658)	-
Changes of items during the period		
Dividends from surplus	(49,816)	(53,648)
Net income	123,400	138,448
Change of scope of consolidation	47	-
Change of scope of equity method	525	880
Disposal of treasury stock	-	9
Total changes of items during the period	74,157	85,690
Balance at the end of current period	1,986,810	2,072,501

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Valuation and translation adjustments		
Valuation difference on available-for-sale securities		
Balance at the end of previous period	21,338	8,437
Changes of items during the period		
Net changes of items other than shareholders' equity	(12,901)	3,606
Balance at the end of current period	8,437	12,043
Deferred gains or losses on hedges		
Balance at the end of previous period	219	92
Changes of items during the period		
Net changes of items other than shareholders' equity	(127)	(92)
Balance at the end of current period	92	-
Pension liability adjustment of foreign consolidated subsidiaries		
Balance at the end of previous period	(10,711)	(18,965)
Changes of items during the period		
Net changes of items other than shareholders' equity	(8,254)	(7,304)
Balance at the end of current period	(18,965)	(26,269)
Foreign currency translation adjustment		
Balance at the end of previous period	(41,085)	(423,561)
Changes of items during the period		
Net changes of items other than shareholders' equity	(382,475)	14,400
Balance at the end of current period	(423,561)	(409,160)
Total valuation and translation adjustments		
Balance at the end of previous period	(30,238)	(433,997)
Changes of items during the period		
Net changes of items other than shareholders' equity	(403,758)	10,610
Balance at the end of current period	(433,997)	(423,387)
Subscription rights to shares		
Balance at the end of previous period	185	364
Changes of items during the period		
Net changes of items other than shareholders' equity	179	200
Balance at the end of current period	364	564
Minority interests		
Balance at the end of previous period	78,370	71,109
Changes of items during the period		
Net changes of items other than shareholders' equity	(7,260)	2,489
Balance at the end of current period	71,109	73,599

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Total net assets		
Balance at the end of previous period	2,154,629	1,624,288
Effect of changes in accounting policies applied to foreign subsidiaries	(193,658)	-
Changes of items during the period		
Dividends from surplus	(49,816)	(53,648)
Net income	123,400	138,448
Change of scope of consolidation	47	-
Change of scope of equity method	525	880
Disposal of treasury stock	-	9
Net changes of items other than shareholders' equity	(410,839)	13,299
Total changes of items during the period	(336,682)	98,990
Balance at the end of current period	1,624,288	1,723,278

Marginal notes for consolidated statements of changes in net assets

Note: "Pension liability adjustment of foreign consolidated subsidiaries" in valuation and translation adjustments was unfunded liabilities recorded by foreign consolidated subsidiaries that adopt U.S.GAAP.

(4) Consolidated statements of cash flows

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	262,143	276,054
Depreciation and amortization	176,899	132,770
Impairment loss	16,364	6,042
Loss (gain) on sales and retirement of noncurrent assets	(41,499)	(24,236)
Amortization of goodwill	105,470	97,394
Loss (gain) on valuation of investment securities	7,062	1,436
Increase (decrease) in provision for retirement benefits	(13,159)	(8,034)
Interest and dividends income	(12,276)	(6,982)
Interest expenses	51,356	26,111
Decrease (increase) in notes and accounts receivable-trade	(43,141)	5,702
Decrease (increase) in inventories	(47,632)	(79,456)
Increase (decrease) in notes and accounts payable-trade	2,698	(12,820)
Increase (decrease) in accounts payable-other	(7,939)	14,905
Increase (decrease) in tobacco excise taxes payable	28,981	30,842
Other, net	(55,237)	(497)
Subtotal	430,091	459,229
Interest and dividends income received	15,551	7,090
Interest expenses paid	(55,957)	(29,956)
Income taxes paid	(114,414)	(116,338)
Net cash provided by (used in) operating activities	275,271	320,024
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	(1,360)	(3,999)
Proceeds from sales and redemption of securities	1,861	2,470
Purchase of property, plant and equipment	(112,408)	(121,459)
Proceeds from sales of property, plant and equipment	55,255	44,057
Purchase of intangible assets	(6,948)	(6,639)
Purchase of investments in subsidiaries resulting in change in scope of consolidation	(3,060)	(9,975)
Proceeds from sales of investments in subsidiaries resulting in change in scope of consolidation	450	-
Other, net	1,202	11,487
Net cash provided by (used in) investing activities	(65,008)	(84,057)

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial papers	(125,182)	93,443
Proceeds from long-term loans payable	94,130	1,712
Repayment of long-term loans payable	(54,662)	(191,041)
Proceeds from issuance of bonds	-	100,304
Redemption of bonds	(70,810)	(191,928)
Cash dividends paid	(49,752)	(53,642)
Proceeds from stock issuance to minority shareholders	-	190
Cash dividends paid to minority shareholders	(3,539)	(3,680)
Repayments of finance lease obligations	(6,606)	(5,755)
Other, net	(1,046)	0
Net cash provided by (used in) financing activities	(217,470)	(250,398)
Effect of exchange rate change on cash and cash equivalents	(39,590)	1,542
Net increase (decrease) in cash and cash equivalents	(46,797)	(12,888)
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	167,257	154,368

(5) Notes on premise of going concern

No items to report.

(6) Significant preparation policy of consolidated financial statements

Matters related to the scope of consolidation

Number of consolidated subsidiaries: 258 companies

Major consolidated subsidiaries: TS Network Co., Ltd., Japan Filter Technology, Ltd., JT International S.A., Gallaher Ltd., Torii Pharmaceutical Co., Ltd., TableMark Co., Ltd., Japan Beverage Inc., JT Real Estate Inc., JT Financial Service Corporation.

In addition, a total of 15 companies, including JTI Kannenberg Comércio de Tabacos do Brasil Ltda., were included in the scope of consolidation from the current fiscal year.

A total of 31 companies, including Tokyo Tobacco Shoji Co., Ltd., were excluded from the scope of consolidation due to completion of their liquidation or other reasons.

Respective amounts in aggregate of total assets, net sales, net income and retained earnings of non-consolidated subsidiaries do not have a material impact on the consolidated financial statements. For this reason, these companies are excluded from the scope of consolidation.

(7) Notes to consolidated financial statements

(Segment information)

a. Business segment information

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
I. Net sales and operating income (loss)								
Net sales								
(1) Sales to customers	3,200,493	3,118,318	56,757	435,966	20,770	6,832,307	-	6,832,307
(2) Intersegment sales or transfers	48,389	40,631	-	132	12,043	101,197	(101,197)	-
Total	3,248,883	3,158,949	56,757	436,099	32,814	6,933,505	(101,197)	6,832,307
Operating expenses	3,060,625	2,984,177	55,737	447,550	23,119	6,571,210	(102,709)	6,468,501
Operating income (loss)	188,258	174,772	1,020	(11,450)	9,694	362,294	1,511	363,806
II. Assets, depreciation and amortization other than goodwill, impairment loss and capital expenditures								
Assets	788,672	2,700,098	111,518	332,669	87,433	4,020,393	(140,590)	3,879,803
Depreciation and amortization other than goodwill	82,933	68,960	3,870	18,293	3,455	177,512	(612)	176,899
Impairment loss	-	-	-	3,829	-	3,829	12,534	16,364
Capital expenditures	46,506	59,776	3,425	23,201	1,128	134,037	234	134,272

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

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

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

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

(Fiscal year ended March 31, 2008) ¥99,421 million

(Fiscal year ended March 31, 2009) ¥96,835 million

4. The following table shows amortization of goodwill amounts by business segment which are included in operating expenses for the fiscal year ended March 31, 2008 and fiscal year ended March 31, 2009.

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Fiscal year ended March 31, 2008	1,088	-	-	2,794	-	3,883
Fiscal year ended March 31, 2009	1,088	94,235	-	10,187	-	105,511

5. The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT's consolidated subsidiary. TS Network Co., Ltd. distributes domestic tobacco products and sells imported tobacco products by wholesale. Net sales of imported tobacco products via TS Network Co., Ltd. was ¥1,135,319 million.

6. With respect to the international tobacco 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, 2008 to December 31, 2008 have been included in the fiscal year ended March 31, 2009.

7. Changes in accounting policies

(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 current fiscal year decreased by ¥94,235 million as compared to the case where the previous method was adopted.

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

(Millions of yen)

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

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

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

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

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

(Fiscal year ended March 31, 2009) ¥96,835 million

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

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

(Millions of yen)

	Domestic tobacco	International tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Fiscal year ended March 31, 2009	1,088	94,235	-	10,187	-	105,511
Fiscal year ended March 31, 2010	1,088	84,651	-	11,687	-	97,427

5. The domestic tobacco segment includes the sales by TS Network Co., Ltd., JT's consolidated subsidiary. TS Network Co., Ltd. distributes domestic tobacco products and sells imported tobacco products by wholesale. Net sales of imported tobacco products via TS Network Co., Ltd. was ¥1,084,320 million.

6. With respect to the international tobacco segment, as the closing date of the accounting period of foreign consolidated subsidiaries including JT International S.A., the core company of this segment, is set on December 31, operating results from January 1, 2009 to December 31, 2009 have been included in the fiscal year ended March 31, 2010.

b. Geographical segment information

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

(Millions of yen)

	Japan	Western Europe	Others	Total	Elimination and corporate	Consolidated
I. Net sales and operating income (loss)						
Net sales						
(1) Sales to customers	3,672,003	2,038,028	1,122,275	6,832,307	-	6,832,307
(2) Intersegment sales or transfers	53,334	223,871	39,185	316,391	(316,391)	-
Total	3,725,338	2,261,900	1,161,461	7,148,699	(316,391)	6,832,307
Operating expenses	3,538,898	2,286,087	961,828	6,786,815	(318,314)	6,468,501
Operating income (loss)	186,439	(24,187)	199,632	361,883	1,922	363,806
II. Assets	1,083,961	2,378,679	351,079	3,813,720	66,082	3,879,803

- Notes: 1. Geographical segments are set with consideration of geographical proximity.
2. Countries or regions belonging to the segments other than Japan
a. Western Europe: Switzerland, United Kingdom, Germany
b. Others: Canada, Russia, Malaysia
3. The amount and details of unallocated assets included in "Elimination and corporate" on the "Assets" row is same as "Note 3." of "a. Business segment information."
4. Changes in accounting policies

(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 Western Europe segment for the current fiscal year decreased by ¥94,235 million as compared to the case where the previous method was adopted.

Furthermore, the following table shows amortization of goodwill amounts by geographical segment which are included in operating expenses for the fiscal year ended March 31, 2009.

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Fiscal year ended March 31, 2009	11,276	94,235	-	105,511

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

(Millions of yen)

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

- Notes: 1. Geographical segments are set with consideration of geographical proximity.
2. Countries or regions belonging to the segments other than Japan
- a. Western Europe: Switzerland, United Kingdom, Germany
- b. Others: Canada, Russia, Malaysia
3. The amount and details of unallocated assets included in "Elimination and corporate" on the "Assets" row is same as "Note 3." of "a. Business segment information."
4. The following table shows amortization of goodwill amounts by geographical segment which are included in operating expenses.

(Millions of yen)

	Japan	Western Europe	Others	Consolidated total
Fiscal year ended March 31, 2009	11,276	94,235	-	105,511
Fiscal year ended March 31, 2010	12,775	84,651	-	97,427

c. Overseas sales

Fiscal year ended March 31, 2009 (From April 1, 2008 to March 31, 2009)

		Western Europe	Others	Total
I. Overseas sales	(Millions of yen)	2,002,738	1,177,113	3,179,852
II. Consolidated sales	(Millions of yen)			6,832,307
III. Percentage of overseas sales	(%)	29.3	17.2	46.5

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

Fiscal year ended March 31, 2010 (From April 1, 2009 to March 31, 2010)

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

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

(Per share information)

Fiscal year ended March 31, 2009		Fiscal year ended March 31, 2010	
Net assets per share	¥162,087.74	Net assets per share	¥172,139.61
Net income per share	¥12,880.90	Net income per share	¥14,451.67
Diluted net income per share	¥12,879.77	Diluted net income per share	¥14,448.89

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

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Net income per share		
Net income (Millions of yen)	123,400	138,448
Amounts not attributable to common shareholders (Millions of yen)	-	-
Net income related to common stock (Millions of yen)	123,400	138,448
Average number of common stocks during the period (Thousands of shares)	9,580	9,580
Diluted net income per share		
Dilutive effects (Millions of yen)	-	-
Number of increased common stocks (Thousands of shares)	0	1
(Subscription rights to shares included (Thousands of shares))	(0)	(1)
Dilutive shares which are not included in the calculation of diluted net income per share as they have no dilutive effects	-	-

(Additional information)

On September 29, 2009, the Government of Ontario, Canada filed a lawsuit against 13 tobacco manufacturers including JT's Canadian consolidated subsidiary JTI-Macdonald Corp. ("JTI-Mac") and 1 industry organization. The detail is as follows.

(1) Parties to the lawsuit

Plaintiff Government of Ontario (Canada)

Defendants 14 parties of tobacco manufacturers and other including JTI-Mac

(2) Content of the complaint

To seek compensation against 13 tobacco manufacturers and 1 industry organization for damages for the cost of health care benefits, resulting from tobacco related disease or the risk of tobacco related disease, which have been paid or will be paid by the government of Ontario for insured persons.

(3) Amount of the claim

CAD50.0 billion (approximately ¥4,568.0 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 and the Government of New Brunswick claiming the recovery of health care costs, however, the amounts of claims have not been specified in these lawsuits.

(Important subsequent events)

On April 13, 2010, JTI-Macdonald Corp. ("JTI-Mac"), JT's Canadian consolidated subsidiary, entered into an open agreement with the Canadian government for the building of a collaboration system geared towards resolving the issue of smuggling and counterfeiting of tobacco products. In addition, JTI-Mac paid CAD150 million (approximately ¥13.8 billion) in a fine for its involvement in tobacco smuggling, etc. prior to JT's acquisition of RJR Nabisco Inc.'s ("RJR") international (non-US) tobacco operations, pleaded to violations of certain administrative regulations. As a result, the lawsuit against JTI-Mac by the Canadian government was dropped and the Notice of Assessment from the Quebec Ministry of Revenue was nullified.

Please note that also on April 13, 2010, the RJR Group entered into a separate open agreement with the Canadian government for the payment of a civil settlement of CAD400 million (approximately ¥37.0 billion), bringing JT Group and RJR Group's total monetary burden with respect to the Canadian government to CAD550 million (approximately ¥50.9 billion). The JT Group exercised its right to seek indemnification from the RJR Group for damages related to smuggling based on the acquisition agreement of 1999. Subsequent negotiations resulted in an agreement whereby the JT Group would incur only CAD150 million in a fine of the aforementioned CAD550 million total monetary burden.

(Omission of disclosure)

Notes relating to lease transactions, related party transactions, income taxes, financial instruments, securities, derivatives, retirement benefits, stock option, business combinations, and investment and rental property are omitted considering their minor significance on the Financial Results report.