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July 29, 2010

**Consolidated Financial Results
for the Three Months Ended June 30, 2010
<under Japanese GAAP>**

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
 Listed Stock Exchanges: Tokyo, Osaka, Nagoya, Sapporo and Fukuoka Stock Exchanges
 URL: <http://www.jti.co.jp/>
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 Chief Executive Officer and Representative Director
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 Scheduled date to file Quarterly Securities Report: August 13, 2010
 Scheduled starting date of the dividend payments: -
 Drawing up supplementary documents on quarterly financial results: Yes
 Holding quarterly investors' meeting: Yes

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

1. Consolidated financial results for the three months of the fiscal year ending March 31, 2011 (from April 1, 2010 to June 30, 2010)

(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	%
Three months ended								
June 30, 2010	1,467,099	0.3	79,122	(6.1)	71,586	(9.2)	22,840	(46.7)
June 30, 2009	1,463,121	(14.9)	84,273	(23.7)	78,814	8.6	42,869	153.5

	Net income per share	Diluted net income per share
	Yen	Yen
Three months ended		
June 30, 2010	2,384.18	2,383.65
June 30, 2009	4,474.90	4,474.44

(2) Consolidated financial position

	Total assets	Net assets	Equity ratio	Net assets per share
	Millions of yen	Millions of yen	%	Yen
As of				
June 30, 2010	3,861,632	1,724,224	42.7	172,076.95
March 31, 2010	3,872,595	1,723,278	42.6	172,139.61

Reference: Equity:

As of June 30, 2010: ¥1,648,513 million; As of March 31, 2010: ¥1,649,114 million

2. Cash dividends

	Annual dividends				
	First quarter	Second quarter	Third quarter	Fiscal year-end	Total
	Yen	Yen	Yen	Yen	Yen
Year ended March 31, 2010	-	2,800.00	-	3,000.00	5,800.00
Year ending March 31, 2011	-				
Year ending March 31, 2011 (Forecast)		2,800.00	-	2,800.00	5,600.00

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

* The year-end dividend for the fiscal year ended March 31, 2010 includes the ¥2,800 ordinary dividend and the 25th anniversary commemorative dividend of ¥200.

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: Revision of the forecasts in the current quarter: None

* Consolidated earnings forecasts for the six months ending September 30, 2010 are not computed, thus there are no applicable figures.

4. Others (For details, please refer to "Other information" on page 9 of the attached materials)

(1) Changes in significant subsidiaries during the current quarter: None

Note: Changes in specified subsidiaries resulting in change in scope of consolidation during the current quarter

(2) Application of simplified accounting and special accounting: Yes

Note: Application of simplified accounting and special accounting for preparing the quarterly consolidated financial statements

(3) Changes in accounting policies, procedures, and methods of presentation

- Changes due to revisions to accounting standards and other regulations: Yes
- Changes due to other reasons: None

Note: Changes in accounting policies, procedures, and methods of presentation for preparing the quarterly consolidated financial statements described in the section of "Summary of changes in accounting policies, procedures, and methods of presentation"

(4) Number of shares issued (common stock)

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

As of June 30, 2010	10,000,000 shares
As of March 31, 2010	10,000,000 shares

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

As of June 30, 2010	419,903 shares
As of March 31, 2010	419,903 shares

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

Three months ended June 30, 2010	9,580,097 shares
Three months ended June 30, 2009	9,580,080 shares

* Indication regarding execution of quarterly review procedures

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

* 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 10 and the supplementary document “Overview of Consolidated Financial Results for Q1 FY 3/2011” for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

Attached Materials

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1. Qualitative information regarding consolidated results for the three months ended June 30, 2010

(1) Qualitative information regarding consolidated operating results

Following the application of the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17), effective April 1, 2010, a series of JT’s segment information used by the management in decision making and other operational processes based on the management approach are disclosed.

Major changes resulting from the application of the new segment basis are as follows.

i) Reportable segments

Reportable segments based on the management approach were determined as the Japanese Domestic Tobacco Business, the International Tobacco Business, the Pharmaceutical Business and the Food Business.

ii) Indicating net sales excluding tobacco excise taxes

It was decided that segment net sales are to be newly disclosed as net sales excluding tobacco excise taxes, which excludes the amount equivalent to tobacco excise taxes. Regarding tobacco excise taxes, representing a substantial portion of the consolidated net sales of the JT Group, which is engaged in the tobacco business, because the object, reason and basis of taxation differ for each country where JT operates, net sales excluding tobacco excise taxes is used as the net sales per reportable segment as a basis of managerial decision making and other processes relating to the Japanese Domestic and International Tobacco Businesses.

iii) Indicating EBITDA

It was decided that segment profit is to be disclosed as EBITDA (operating income before depreciation and amortization (property, plant and equipment, intangible assets, and long-term prepaid expenses) and amortization of goodwill). This is because EBITDA is used as a key performance indicator for each segment and for the JT Group’s managerial decision making.

iv) Revision of segment profit calculation method

A revision was effected of the calculation method of a portion of segment profit. Foreign consolidated subsidiaries classified under the International Tobacco Business manufacture and sell tobacco products using the brand trademark rights for Camel, Winston and other brands owned by JT and pay a fee for the use of said rights (hereinafter, “royalties”). Previously, the segment disclosure of said royalties was effected by calculating royalties received in the segment profit of the Japanese Domestic Tobacco Business, while the segment profit of the International Tobacco Business was calculated after deducting royalties. However, because the profit of each segment is managed exclusive of effects from the payment of royalties, these effects are also excluded from the segment profits.

In addition, with the application of the management approach, a portion of the distributions of expenses common to all Group companies and capital expenditures to each reportable segment was revised.

v) Presentation of breakdown of adjusted net sales excluding tobacco excise taxes for the tobacco businesses

Net sales of the Japanese Domestic Tobacco Business consist of net sales of tobacco products of JT and net sales of tobacco products of other companies (imported tobacco products), including the wholesale. Similarly, net sales of the International Tobacco Business also include net sales relating to the distribution business and other activities that include the wholesale of tobacco products of other companies.

In order to provide the adequate information about the results of the Japanese Domestic Tobacco Business and International Tobacco Business, since we believe that net sales excluding the net sales of

the tobacco products of other companies, including the wholesale is useful, adjusted net sales excluding tobacco excise taxes are disclosed for this reporting purpose. Please refer to (Notes) on page 5 for the detail of the adjustments made to measure adjusted net sales excluding tobacco excise taxes.

a. General summary

Net sales

The decrease in net sales due to the lower sales volume in the Japanese Domestic Tobacco Business was offset by effects in the International Tobacco Business including unit price increases and advantageous movements in the local currencies of major markets compared to the same period of the previous fiscal year resulting in net sales of ¥1.4670 trillion (up 0.3%), at the same level as the same period of the previous fiscal year. Net sales excluding tobacco excise taxes, also at the same level as the same period of the previous fiscal year, amounted to ¥601.4 billion (down 0.6%).

	Three months ended June 2009	Three months ended June 2010	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated net sales	1,463.1	1,467.0	3.9	0.3
Japanese Domestic Tobacco Business	779.7	725.3	(54.3)	(7.0)
International Tobacco Business	568.3	628.8	60.4	10.6
Pharmaceutical Business	11.1	11.8	0.6	6.2
Food Business	98.8	96.2	(2.6)	(2.7)

* Net sales figures represent sales to customers.

* Consolidated net sales includes other net sales relating to rent of real estate in addition to the above. For details, please refer to “3. Quarterly consolidated financial statements, (4) Segment information, 3. Differences between total amounts for reportable segments and amounts in the consolidated statement of income and main details of these differences.”

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

	Three months ended June 2009	Three months ended June 2010	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated net sales	1,463.1	1,467.0	3.9	0.3
Amount equivalent to tobacco excise taxes	858.2	865.6	7.3	0.9
Net sales excluding tobacco excise taxes	604.8	601.4	(3.4)	(0.6)

* Net sales excluding tobacco excise taxes for the three months ended June 2009 is unaudited and for reference purposes only.

Information on net sales excluding tobacco excise taxes, etc. by the Japanese Domestic Tobacco Business and the International Tobacco Business is as follows.

Japanese Domestic Tobacco Business

	Three months ended June 2009	Three months ended June 2010	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Net sales including tobacco excise taxes	779.7	725.3	(54.3)	(7.0)
Net sales excluding tobacco excise taxes	259.9	242.3	(17.5)	(6.8)
Of which, adjusted net sales excluding tobacco excise taxes (Note)	158.3	146.1	(12.2)	(7.7)

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

International Tobacco Business

	Three months ended March 2009	Three months ended March 2010	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Net sales including tobacco excise taxes	568.3	628.8	60.4	10.6
Net sales excluding tobacco excise taxes	229.8	246.1	16.3	7.1
Of which, adjusted net sales excluding tobacco excise taxes (Note)	201.3	215.1	13.7	6.8

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

* Net sales excluding tobacco excise taxes and adjusted net sales excluding tobacco excise taxes for the three months ended June 2009 in the Japanese Domestic Tobacco Business and the International Tobacco Business are unaudited and for reference purposes only.

Operating income / EBITDA

Mainly caused by effects from decreased sales in the Japanese Domestic Tobacco Business, and partly affected by higher cost of sales in the wake of an increase in the price of leaf tobacco in the International Tobacco Business, operating income fell ¥5.1 billion, or 6.1%, from the same period of the previous fiscal year to ¥79.1 billion. EBITDA was ¥132.6 billion, a decrease of ¥9.8 billion, or 6.9%, from the same period of the previous fiscal year as a result of a ¥4.7 billion decrease in amortization expenses following the completion of the amortization of some trademark rights in the Japanese Domestic Tobacco Business.

	Three months ended June 2009 (Former accounting standard)	Three months ended June 2009 (New accounting standard)	Three months ended June 2010 (New accounting standard)	Change (New accounting standard)	
	Billions of yen	Billions of yen	Billions of yen	Billions of yen	%
Operating income	84.2	84.2	79.1	(5.1)	(6.1)
EBITDA	142.5	142.5	132.6	(9.8)	(6.9)
Japanese Domestic Tobacco Business	69.6	67.0	58.3	(8.6)	(12.9)
International Tobacco Business	67.9	74.0	72.8	(1.1)	(1.5)
Pharmaceutical Business	(2.3)	(2.3)	(2.0)	0.2	–
Food Business	3.8	3.8	4.0	0.1	5.1

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

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

* The figures for the three months ended June 2009 for each segment based on the new accounting standard for segment information are unaudited and for reference purposes only.

Ordinary income

The decrease in interest expenses due to the repayment of loans payable and redemption of bonds, etc. exceeded the decrease in interest income resulting in an improvement in financial income/loss, however, despite this, non-operating income/loss deteriorated by ¥2.0 billion due to the recording of foreign exchange losses, among others. With the ¥5.1 billion decrease in operating income, ordinary income fell ¥7.2 billion, or 9.2%, from the same period of the previous fiscal year to ¥71.5 billion.

Net income

In addition to a lower gain on sales of noncurrent assets, the recording of a loss from the payment for regulatory fine in Canada resulted in the deterioration of extraordinary income/loss by ¥22.4 billion. With the ¥7.2 billion decline in ordinary income, income before income taxes and minority interests fell ¥29.6 billion, from the same period of the previous fiscal year to ¥53.9 billion. Net income, affected by a ¥9.7 billion decline in the amount of income taxes recorded due to lower profit, among other factors, dropped ¥20.0 billion, or 46.7%, from the same period of the previous fiscal year to ¥22.8 billion.

b. Review of operations by business segment

Japanese Domestic Tobacco Business

The sales volume of cigarettes for the Japanese Domestic Tobacco Business during the three months ended June 30, 2010 decreased by 3.0 billion cigarettes, or 7.9%, from the same period of the previous fiscal year to 35.9 billion cigarettes ^(Note). Our market share declined to 64.5%, or by 0.6 point, and net sales per 1,000 cigarettes (tax excluded) was ¥4,054.

These were due to a decrease in demand from the effects of the planned tobacco excise tax hike and the retail price amendment to be implemented in October 2010 in addition to the decreasing birth rate, aging population and other structural factors. Effects also include temporary factors such as the increase in inventories at retail outlets following brand enhancement policies aimed at the Mild Seven family implemented at the end of the previous fiscal year. However, among brands of particular focus, the Seven Stars family and Pianissimo family is showing robust performance thanks to the introduction of new products in the previous fiscal year along with brand fostering efforts and active promotional activities. In the Mild Seven family, we launched the Mild Seven Aqua Squash Menthol 7 Box in July 2010 and continued other efforts to enhance the value of our brands.

In addition, JT released in limited regions Zerostyle Mint, an all-new style of smokeless tobacco which does not require a flame as part of its commitment to increasing customer satisfaction by meeting a diverse range of consumer needs, including the development of many new tobacco products not limited to cigarettes as well as improving product taste and flavor so that people can enjoy their favorite tobacco products more.

As a result, due to a decline in the sales volume, net sales excluding tobacco excise taxes decreased by ¥17.5 billion, or 6.8%, from the same period of the previous fiscal year to ¥242.3 billion, adjusted net sales excluding tobacco excise taxes decreased by ¥12.2 billion, or 7.7%, from the same period of the previous fiscal year to ¥146.1 billion, and EBITDA decreased by ¥8.6 billion, or 12.9%, from the same period of the previous fiscal year to ¥58.3 billion.

(Note) In addition to the figure stated above, during the three months ended June 30, 2010, 0.9 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

The same volume of the GFB ^(Note 1) in the three months ended March 31, 2010 decreased by 2.5 billion cigarettes, or 4.4%, from the same period of the previous fiscal year to 54.6 billion cigarettes. This was mainly due to a decrease in total tobacco demand in Russia and the effects from an unstable business environment in Iran, despite the steady sales growth of Winston in the Philippines and France and Camel in Turkey and Ukraine. The volume of our International Tobacco Business's cigarette sales including GFB decreased by 6.9 billion cigarettes, or 6.8%, from the same period of the previous fiscal year to 94.1 billion cigarettes ^(Note 2).

In the three months ended March 31, 2010, despite a decline in sales volume, because of advantageous movements of the local currencies of major markets compared to the same period of the previous fiscal year against the U.S. dollar, which is used by the subsidiary which consolidates the accounts of the subsidiaries in the International Tobacco Business, in addition to effects from higher unit sales, dollar-based net sales excluding tobacco excise taxes increased by \$263 million, or 10.7%, from the same period of the previous fiscal year to \$2,715 million while adjusted net sales excluding tobacco excise taxes increased by \$224 million, or 10.4%, from the same period of the previous fiscal year to \$2,372 million. On the other hand, EBITDA was \$804 million, a slight increase of \$15 million, or 1.8%, compared to the same period of the previous fiscal year. This was mainly due to an increase in cost of sales resulting from higher leaf tobacco price.

In addition to the above, due to the effects of a high yen when making conversions to that currency, net sales excluding tobacco excise taxes increased by ¥16.3 billion, or 7.1% from the same period of the previous fiscal year to ¥246.1 billion with an increase in adjusted net sales excluding tobacco excise taxes of ¥13.7 billion, or 6.8%, to ¥215.1 billion and a decrease in EBITDA of ¥1.1 billion, or 1.5%, to ¥72.8 billion.

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

(Note 2) In addition to the figure stated above, the sales volume of private label products, mainly for the German market, was 0.2 billion for the three months ended March 31, 2010.

* The foreign exchange rate in the three months ended March 31, 2010 was ¥90.69 per U.S. dollar, representing a ¥3.07 year-on-year yen appreciation, compared with ¥93.76 per U.S. dollar in the same period of the previous fiscal year.

Pharmaceutical Business

In the Pharmaceutical Business, we focused our efforts on increasing and advancing compounds in a late phase of clinical trial and enhancing the research and development pipeline. The number of compounds developed in-house that are under clinical development is now 10.

Net sales in the three months ended June 30, 2010 increased by ¥0.6 billion, or 6.2%, from the same period of the previous fiscal year to ¥11.8 billion with EBITDA at negative ¥2.0 billion (compared to negative ¥2.3 billion in the same period of the previous fiscal year) due to growth in sales from REMITCH CAPSULES, an oral antipruritus drug for hemodialysis patients, and Truvada Tablets, an anti-HIV drug at our subsidiary Torii Pharmaceutical Co., Ltd.

* Regarding items under clinical development, please refer to page 22 of “Overview of Consolidated Financial Results for Q1 FY 3/2011.”

Food Business

Net sales for our Food Business in the three months ended June 30, 2010 declined by ¥2.6 billion, or 2.7%, from the same period of the previous fiscal year to ¥96.2 billion due to a decrease in sales of commercial use products mainly for restaurants in our processed foods business, as well as effects from the exclusion from the scope of consolidation of some subsidiaries. EBITDA increased by ¥0.1 billion, or 5.1%, from the same period of the previous fiscal year to ¥4.0 billion thanks to earnings capability improvement by a concentration of our forces with respect to our flagship Roots brand, staples (frozen noodles, rice, frozen bread) and seasonings (yeast extract products, etc.).

(2) Qualitative information regarding consolidated financial position

Cash and cash equivalents at the end of the three months ended June 30, 2010 stood at ¥117.7 billion, representing a ¥36.5 billion decrease from the end of the previous fiscal year. (Cash and cash equivalents at the end of the same period of the previous fiscal year was ¥118.6 billion.)

Cash flows from operating activities

Net cash provided by operating activities during the three months ended June 30, 2010 was ¥27.4 billion, compared with ¥32.9 billion provided in the same period of the previous fiscal year. While we recorded ¥132.6 billion in EBITDA mostly in the tobacco business, this is due to the payment for regulatory fine in Canada, a temporary increase in working capital in response to hikes in tobacco excise taxes in overseas markets, the payment of income taxes and bonuses, etc.

Cash flows from investing activities

Net cash used in investing activities during the three months ended June 30, 2010 was ¥29.3 billion, compared with ¥13.0 billion used in the same period of the previous fiscal year. This was mainly due to the purchase of property, plant and equipment, despite proceeds from sales of securities.

Cash flows from financing activities

Net cash used in financing activities during the three months ended June 30, 2010 was ¥35.2 billion, compared with ¥74.7 billion used in the same period of the previous fiscal year. This was mainly due to redemption of commercial papers and payment of cash dividends, despite proceeds from long-term loans payable.

(3) Qualitative information regarding consolidated earnings forecasts

Regarding the full-year consolidated earnings forecasts, no changes have been made to the forecasts announced on April 28, 2010.

Consolidated earnings forecasts for the six months ending September 30, 2010 are not computed, thus there are no applicable figures.

2. Other information

(1) Summary of changes in significant subsidiaries

No items to report.

(2) Summary of application of simplified accounting and special accounting

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

Income taxes-deferred is included in “income taxes.”

(3) Summary of changes in accounting policies, procedures, and methods of presentation

Application of Accounting Standard for Asset Retirement Obligations

Effective April 1, 2010, JT applied the “Accounting Standard for Asset Retirement Obligations” (ASBJ Statement No. 18, March 31, 2008) and the “Guidance on Accounting Standard for Asset Retirement Obligations” (ASBJ Guidance No. 21, March 31, 2008).

The impact of this change on operating income, ordinary income and income before income taxes and minority interests is immaterial.

* In addition to the information provided above, reference information regarding settlement of accounts and earnings forecasts is separately provided in the supplementary document “Overview of consolidated Financial Results for Q1 FY 3/2011.”

(Caution concerning forward-looking statements)

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

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

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

3. Quarterly consolidated financial statements

(1) Consolidated balance sheets

(Millions of yen)

	As of June 30, 2010	As of March 31, 2010 (Summary)
Assets		
Current assets		
Cash and deposits	119,210	155,444
Notes and accounts receivable-trade	306,699	296,884
Short-term investment securities	15,486	11,950
Merchandise and finished goods	159,661	151,062
Semi-finished goods	93,336	109,621
Work in process	5,757	5,522
Raw materials and supplies	299,556	288,893
Other	231,413	180,086
Allowance for doubtful accounts	(3,151)	(3,622)
Total current assets	1,227,970	1,195,843
Noncurrent assets		
Property, plant and equipment	679,758	679,561
Intangible assets		
Goodwill	1,377,162	1,387,397
Right of trademark	336,938	350,900
Other	29,470	30,766
Total intangible assets	1,743,572	1,769,064
Investments and other assets		
Investment securities	73,113	83,760
Other	168,192	179,061
Allowance for doubtful accounts	(30,974)	(34,695)
Total investments and other assets	210,331	228,127
Total noncurrent assets	2,633,661	2,676,752
Total assets	3,861,632	3,872,595
Liabilities		
Current liabilities		
Notes and accounts payable-trade	145,561	149,462
Short-term loans payable	125,315	109,263
Commercial papers	68,000	119,000
Current portion of bonds	50,390	50,395
Current portion of long-term loans payable	22,600	23,024
National tobacco excise tax payable	245,615	212,066
National tobacco special excise tax payable	9,918	10,490
Local tobacco excise tax payable	81,813	85,238
Income taxes payable	33,535	54,057
Provision	21,682	39,610
Other	280,620	248,926
Total current liabilities	1,085,052	1,101,535

(Millions of yen)

	As of June 30, 2010	As of March 31, 2010 (Summary)
Noncurrent liabilities		
Bonds payable	397,756	409,014
Long-term loans payable	174,603	149,569
Provision for retirement benefits	248,483	251,902
Other provision	727	763
Other	230,784	236,532
Total noncurrent liabilities	1,052,355	1,047,782
Total liabilities	2,137,408	2,149,317
Net assets		
Shareholders' equity		
Capital stock	100,000	100,000
Capital surplus	736,406	736,406
Retained earnings	1,304,892	1,310,669
Treasury stock	(74,575)	(74,575)
Total shareholders' equity	2,066,724	2,072,501
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	8,180	12,043
Pension liability adjustment of foreign consolidated subsidiaries	(26,150)	(26,269)
Foreign currency translation adjustment	(400,240)	(409,160)
Total valuation and translation adjustments	(418,210)	(423,387)
Subscription rights to shares	621	564
Minority interests	75,088	73,599
Total net assets	1,724,224	1,723,278
Total liabilities and net assets	3,861,632	3,872,595

(2) Consolidated statements of income (cumulative)

(Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net sales	1,463,121	1,467,099
Cost of sales	1,185,876	1,197,370
Gross profit	277,244	269,728
Selling, general and administrative expenses	192,970	190,606
Operating income	84,273	79,122
Non-operating income		
Interest income	1,472	277
Dividends income	1,181	433
Foreign exchange gains	1,055	–
Other	1,759	1,668
Total non-operating income	5,469	2,379
Non-operating expenses		
Interest expenses	8,194	4,568
Foreign exchange losses	–	2,652
Financial support for domestic leaf tobacco growers	73	154
Other	2,659	2,539
Total non-operating expenses	10,928	9,915
Ordinary income	78,814	71,586
Extraordinary income		
Gain on sales of noncurrent assets	9,117	361
Gain on sales of investment securities	–	1,658
Other	1,125	400
Total extraordinary income	10,243	2,421
Extraordinary loss		
Loss on sales of noncurrent assets	1,601	27
Loss on retirement of noncurrent assets	1,187	732
Impairment loss	229	788
Loss on liquidation of business	1,335	–
Regulatory fine in Canada	–	13,267
Other	1,088	5,276
Total extraordinary losses	5,443	20,092
Income before income taxes and minority interests	83,614	53,915
Income taxes	39,292	29,554
Income before minority interests	–	24,360
Minority interests in income	1,452	1,520
Net income	42,869	22,840

(3) Consolidated statements of cash flows

(Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net cash provided by (used in) operating activities		
Income before income taxes and minority interests	83,614	53,915
Depreciation and amortization	33,256	30,071
Impairment loss	229	788
Loss (gain) on sales and retirement of noncurrent assets	(6,982)	134
Regulatory fine in Canada	–	13,267
Amortization of goodwill	24,975	23,418
Increase (decrease) in provision for retirement benefits	(3,075)	(1,253)
Interest and dividends income	(2,653)	(710)
Interest expenses	8,194	4,568
Decrease (increase) in notes and accounts receivable-trade	9,907	(11,763)
Decrease (increase) in inventories	(26,363)	(33,569)
Increase (decrease) in notes and accounts payable-trade	(7,392)	(6,624)
Increase (decrease) in accounts payable-other	(6,245)	(9,463)
Increase (decrease) in tobacco excise taxes payable	21,663	32,499
Other, net	(54,173)	(623)
Subtotal	74,954	94,654
Interest and dividends income received	2,936	1,257
Interest expenses paid	(7,966)	(3,530)
Payment for regulatory fine in Canada	–	(13,267)
Income taxes paid	(36,980)	(51,620)
Net cash provided by (used in) operating activities	32,943	27,493
Net cash provided by (used in) investing activities		
Purchase of short-term investment securities	–	(8,799)
Proceeds from sales and redemption of securities	903	3,926
Purchase of property, plant and equipment	(25,162)	(28,329)
Proceeds from sales of property, plant and equipment	12,539	745
Purchase of intangible assets	(765)	(1,921)
Purchase of investments in subsidiaries	(979)	–
Payments for sales of investments in subsidiaries resulting in change in scope of consolidation	–	(646)
Other, net	390	5,631
Net cash provided by (used in) investing activities	(13,074)	(29,393)

(Millions of yen)

	Three months ended June 30, 2009	Three months ended June 30, 2010
Net cash provided by (used in) financing activities		
Increase (decrease) in short-term bank loans and commercial papers	22,970	(34,615)
Proceeds from long-term loans payable	315	30,000
Repayment of long-term loans payable	(17,263)	(616)
Proceeds from issuance of bonds	99,804	–
Redemption of bonds	(150,000)	(50)
Cash dividends paid	(26,454)	(28,416)
Proceeds from stock issuance to minority shareholders	–	219
Cash dividends paid to minority shareholders	(2,446)	(303)
Repayments of finance lease obligations	(1,650)	(1,476)
Net cash provided by (used in) financing activities	(74,726)	(35,258)
Effect of exchange rate change on cash and cash equivalents	6,268	368
Net increase (decrease) in cash and cash equivalents	(48,589)	(36,789)
Cash and cash equivalents at beginning of period	167,257	154,368
Increase in cash and cash equivalents from newly consolidated subsidiary	–	194
Cash and cash equivalents at end of period	118,668	117,773

(4) Segment information

[Business segment information]

Three months ended June 30, 2009 (From April 1, 2009 to June 30, 2009)

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Total	Elimination and corporate	Consolidated total
Net sales								
(1) Sales to customers	779,769	568,334	11,142	98,889	4,985	1,463,121	-	1,463,121
(2) Intersegment sales or transfers	14,737	8,816	-	36	2,694	26,284	(26,284)	-
Total	794,506	577,151	11,142	98,925	7,680	1,489,405	(26,284)	1,463,121
Operating income (loss)	54,617	33,395	(3,269)	(3,695)	2,901	83,949	324	84,273

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:

- 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 that are under the control of JT's China Division.)
- International Tobacco: Tobacco products
- Pharmaceuticals: Prescription drugs
- Foods: Beverages and processed foods
- Others: Rent of real estate, leasing and others

3. The following tables show the amounts of "Depreciation and amortization" and 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
Three months ended June 30, 2009	14,711	13,207	928	4,163	362	33,372	(116)	33,256

Goodwill amortization

(Millions of yen)

	Domestic Tobacco	International Tobacco	Pharmaceuticals	Foods	Others	Consolidated total
Three months ended June 30, 2009	272	21,318	-	3,393	-	24,983

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.

(Three months ended June 30, 2009) ¥276,767 million

5. With respect to the International Tobacco segment, as the closing date of the accounting period of foreign consolidated subsidiaries is set on December 31, operating results from January 1, 2009 to March 31, 2009 have been included in the three months ended June 30, 2009.

Segment information

(Additional information)

Effective from the first quarter ended June 30, 2010, JT applied the “Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Statement No. 17, March 27, 2009) and the “Guidance on the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information” (ASBJ Guidance No. 20, March 21, 2008).

1. Overview of reportable segments

Reportable segments of the JT Group are determined as segments whose separate financial information is accessible from among the constituent units of the JT Group and that are subject to periodical examination, in order for management to determine the allocation of management resources.

The JT Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and foods and, with respect to tobacco products, operations are managed separately for domestic and overseas.

The reportable segments of the JT Group is composed of four segments, “Japanese Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business” and “Food Business.” They are determined based on types of products, characteristics and markets.

The “Japanese Domestic Tobacco Business” manufactures and sells tobacco products in domestic area (which includes duty-free shops in Japan and markets in China, Hong Kong and Macau where JT’s China Division operates). The “International Tobacco Business” manufactures and sells tobacco products overseas mainly through JT International S.A., which controls manufacturing and sales operations. The “Pharmaceutical Business” consists of the research and development, manufacture and sale of prescription drugs. The “Food Business” consists of the manufacture and sale of beverages, processed foods and seasonings.

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

Three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010)

(Millions of yen)

	Japanese Domestic Tobacco	International Tobacco (Note 3)	Pharmaceutical	Food	Total
Net sales					
(1) Sales (Note 1)	242,399	246,190	11,828	96,215	596,632
(2) Intersegment sales or transfers	7,228	11,879	-	36	19,144
Total	249,627	258,070	11,828	96,251	615,776
Segment profit (loss) (Note 2)	58,390	72,896	(2,092)	4,059	133,253

Notes: 1. Under the JT Group's business management practices, net sales are managed net of the amount equivalent to tobacco excise taxes included in net sales (net sales excluding tobacco excise taxes).

Details of net sales including tobacco excise taxes and net sales excluding tobacco excise taxes in sales of the Japanese Domestic Tobacco Business and International Tobacco Business are as follows.

(Millions of yen)

Three months ended June 30, 2010	Japanese Domestic Tobacco	International Tobacco
Net sales including tobacco excise taxes	725,373	628,822
Net sales excluding tobacco excise taxes	242,399	246,190
Of which, adjusted net sales excluding tobacco excise taxes (*)	146,140	215,135

(*) Net sales of the Japanese Domestic Tobacco Business consist of net sales of tobacco products of JT and net sales of tobacco products of other companies (imported tobacco products), including the wholesale. Similarly, net sales of the International Tobacco Business also include net sales relating to the distribution business and other activities that include the wholesale of tobacco products of other companies. In order to provide the adequate information about the results of the Japanese Domestic Tobacco Business and International Tobacco Business, since we believe that net sales excluding the net sales of the tobacco products of other companies, including the wholesale is useful, adjusted net sales excluding tobacco excise taxes are disclosed for this reporting purpose. The following adjustments are made to calculate adjusted net sales excluding tobacco excise taxes.

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

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

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 by reportable segment is as follows.

(Millions of yen)

Three months ended June 30, 2010	Japanese Domestic Tobacco	International Tobacco	Pharmaceutical	Food	Total
Depreciation and amortization	10,890	13,001	972	4,018	28,882
Amortization of goodwill	272	20,753	-	2,397	23,423

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 March 31, 2010 have been included in the first quarter ended June 30, 2010.

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

Three months ended June 30, 2010 (From April 1, 2010 to June 30, 2010)

(Millions of yen)

Net sales	Amount
Reportable segments total	615,776
Other net sales (Note 1)	7,432
Elimination of intersegment transactions	(21,716)
Amount equivalent to tobacco excise taxes	865,606
Net sales recorded in quarterly consolidated statement of income	1,467,099

(Millions of yen)

Profit	Amount
Reportable segments total	133,253
Other profits (Note 1)	3,319
Head office expenses (Note 2)	(4,621)
Elimination of intersegment transactions	(295)
Other adjustments	959
Subtotal (Note 3)	132,616
Depreciation and amortization	(30,071)
Amortization of goodwill	(23,423)
Operating income recorded in quarterly consolidated statement of income	79,122

- 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 head office corporate division operating expenses are included.
3. The subtotal is based on company-wide operating income before depreciation and amortization (including property, plant and equipment, intangible assets, and long-term prepaid expenses) and amortization of goodwill (EBITDA).

(5) Notes on premise of going concern

No items to report.

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

No items to report.