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

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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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	
Year ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
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
Year ended	Yen	Yen	%	%	%
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
As of	Millions of yen	Millions of yen	%	Yen
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
Year ended	Millions of yen	Millions of yen	Millions of yen	Millions of yen
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 32 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.)

	Net sales		Operating income		Ordinary income		Net income	
Year ended	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)

	Net income per share	Diluted net income per share
Year ended	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

	Total assets	Net assets	Equity ratio	Net assets per share
As of	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 "1. Business results (1) Analysis of consolidated business results" on page 11, "Caution concerning forward-looking statements" on page 16 , and in the supplementary document "Overview of Consolidated Financial Results for FY 3/2010 and Full-term Forecasts for FY 3/2011" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

1. Business results

(1) Analysis of consolidated business results

(Business results for the current fiscal year)

a. General summary

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

The global economy towards the latter part of the fiscal year ended March 31, 2010 continued to be severe as the employment situation further deteriorated in Europe despite a recovery in Asia and signs of a modest comeback in the U.S. The Japanese economy, notwithstanding positive movements in exports and production, continued to see severe conditions in corporate earnings and the employment situation, among others.

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

Please note that the closing date of the consolidated subsidiaries classified in the international tobacco business segment is December 31, and their financial results used for the consolidated fiscal year ended March 31, 2010, are for the twelve months from January 1 to December 31, 2009.

Net sales

Net sales declined by ¥697.6 billion, or 10.2%, from the previous fiscal year to ¥6.1346 trillion. Major factors were a decline in the sales volume as a result of a fall in aggregate demand on the domestic tobacco business and a negative impact from currency exchange in the international tobacco business.

	Fiscal year ended March 2009	Fiscal year ended March 2010	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated	6,832.3	6,134.6	(697.6)	(10.2)
Domestic tobacco business	3,200.4	3,042.8	(157.6)	(4.9)
International tobacco business	3,118.3	2,633.6	(484.6)	(15.5)
Pharmaceutical business	56.7	44.0	(12.6)	(22.4)
Foods business	435.9	394.6	(41.3)	(9.5)
Other business	20.7	19.5	(1.2)	(6.1)

* Net sales figures represent sales to customers.

Operating income

Operating income fell by ¥67.3 billion, or 18.5%, from the previous fiscal year to ¥296.5 billion. This was due to effects on profit from the non-recurrence of lump-sum revenue from licensing in the pharmaceutical business recorded in the previous fiscal year, among other factors, although the decrease in operating income as a result of decrease in net sales was partially offset by lower amortization expenses following the completion of the amortization of some trademark rights in the domestic tobacco business.

	Fiscal year ended March 2009	Fiscal year ended March 2010	Change	
	Billions of yen	Billions of yen	Billions of yen	%
Consolidated	363.8	296.5	(67.3)	(18.5)
Domestic tobacco business	188.2	203.3	15.0	8.0
International tobacco business	174.7	109.1	(65.6)	(37.6)
Pharmaceutical business	1.0	(13.5)	(14.6)	-
Foods business	(11.4)	(13.6)	(2.2)	-
Other business	9.6	10.5	0.8	8.9
Elimination/corporate	1.5	0.7		

Ordinary income

Net non-operating income/expenses improved because of the decrease in interest expenses due to the lower interest rates, redemption of bonds and repayment of loans payable as well as the decrease in foreign exchange losses. However, ordinary income, affected by a decline in operating income, fell ¥52.2 billion, or 17.0%, from the previous fiscal year to ¥255.3 billion.

Net income

Gain on sales of noncurrent assets dropped, however, net extraordinary income/loss improved because of the absence of the cost accompanying the change in the business scheme in the Philippines, losses related to the demolition of company-owned residences for employees and introduction costs for vending machines with adult identification functions recorded in the previous fiscal year, as well as a gain from reversal of liability on fine levied under UK competition law. As a result, net income increased by ¥1.5 billion, or 12.2%, from the previous fiscal year to ¥138.4 billion.

b. Review of operations by business segment

Domestic tobacco business

The domestic tobacco business is positioned as the core source of profits for the JT Group. The domestic tobacco business faces an increasingly tough business environment as total tobacco demand in Japan continues to decline and competition with other tobacco manufacturers intensifies. In an effort to secure our competitive advantages over competitors, we are building a strong brand portfolio and working tirelessly to enhance our added-value and quality for the maximization of customer satisfaction as well as build a highly cost efficient business framework.

During the current fiscal year, we endeavored to enhance the value of our brands by introducing new products as well as by strengthening existing brands, mainly in the Mild Seven family and the Seven Stars family which are our core brands. These endeavors included the nationwide release of Mild Seven 100's Box, Mild Seven Light 100's Box, Seven Stars Black Charcoal Menthol Box, Pianissimo Icene Menthol One and Mild Seven Impact One Menthol Box, as well as the release in limited regions of Camel Menthol Mini. And Seven Stars Black Impact Box was released nationwide in April 2010, which will be followed by the nationwide release in June of Winston Lights 6 Box, Winston Extra 3 Box and Winston Ultra One 100's Box.

Moreover, JT strengthened and enhanced the Pianissimo family, the Mild Seven family and the Caster family brand value aiming for continuous growth by integrating the Icene and Lucia brands into the Pianissimo brand, changing the design for 15 core products of the Mild Seven family and renewing all 9 products of the Caster family (April 2010).

In addition, in May 2010, JT will release in limited regions Zerostyle Mint, an all-new style of smokeless tobacco which does not require a flame. JT is committed 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.

The sales volume of cigarettes for the domestic tobacco business during the current fiscal year decreased by 8.0 billion cigarettes, or 5.0%, from the previous fiscal year to 151.8 billion cigarettes (Note) due to a fall in aggregate demand. Our market share also declined to 64.9%, or by 0.2 point, and net sales per 1,000 cigarettes (tax excluded) was ¥4,056.

Consequently, net sales for our domestic tobacco business during the current fiscal year declined by ¥157.6 billion, or 4.9%, from the previous fiscal year to ¥3.0428 trillion due to a decrease in sales volume. Operating income increased by ¥15.0 billion, or 8.0%, to ¥203.3 billion, due to lower amortization expenses following the completion of the amortization of some trademark rights and lower depreciation expenses related to vending machines despite a decline in net sales.

(Note) In addition to the figure stated above, during the fiscal year ended March 31, 2010, the domestic tobacco business also sold 3.6 billion cigarettes 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.

International tobacco business

The international tobacco business is further continuing its role as the profit growth engine for the JT Group. The business will concentrate its resources on the GFB (Note 1) and increase margin rates by improving unit prices, etc. in our quest to actively explore opportunities for top-line growth.

The sales volume of the GFB during the current fiscal year decreased by 2.1 billion cigarettes, or 0.9%, from the previous fiscal year to 243.4 billion cigarettes. This was mainly due to effects from an unstable business environment in Iran and the replacement of a license agreement with outsourced manufacturing in the Philippines, despite the steady sales growth of Winston in Italy, France and Turkey and Camel in Italy and Ukraine. The volume of our international tobacco business's cigarette sales including GFB decreased by 11.0 billion cigarettes, or 2.5%, from the previous fiscal year to 434.9 billion cigarettes (Note 2).

Regarding results for the current fiscal year, net sales for our international tobacco business declined by ¥484.6 billion, or 15.5%, from the previous fiscal year to ¥2.6336 trillion as a result of the devaluation of the currencies of major markets against the U.S. dollar, which is used by the subsidiary which consolidates the accounts of the subsidiaries in the international tobacco business, compared to the previous fiscal year, compounded by the effects of a high yen when making conversions to that currency. Operating income fell by ¥65.6 billion, or 37.6%, to ¥109.1 billion as a result of an increase in manufacturing costs in the wake of an increase in the price of leaf tobacco in addition to the above currency exchange effects.

(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) From the current fiscal year, the sales volume of the international tobacco business's cigarette sales includes the sales volume of cigars, pipes and snus. For the fiscal year ended March 31, 2010, the sales volume of cigars, pipes and snus was 0.6 billion. Also, the sales volume of private label products, mainly for the German market and previously included in the sales volume of the international tobacco business's cigarette sales, was excluded from the current fiscal year. The sales volume of private label products was 3.9 billion for the fiscal year ended March 31, 2010.

* The foreign exchange rate in the fiscal year ended March 31, 2010 was ¥93.65 per U.S. dollar, compared with ¥103.48 per U.S. dollar in the previous fiscal year.

Pharmaceutical business

In the pharmaceutical business, we continue to build a globally successful, R&D-driven business with unique features and strive to secure a market presence with original new drugs by 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, as anti-Hepatitis C compound JTK-853 has advanced to the clinical trial stage.

Also, we will continue to explore strategic opportunities for outlicensing and inlicensing and strengthen alliances with business partners so that we can realize the value of the pharmaceutical business at an early date.

Regarding the business performance by our subsidiary Torii Pharmaceutical Co., Ltd. (“Torii”), despite the decline in sales of FUTHAN for injection use, a protease inhibitor, in March 2009, Torii began selling REMITCH CAPSULES, an oral antiprutitus drug for hemodialysis patients, and enjoyed growth in sales for Truvada Tablets, an anti-HIV drug, and Serotone, an agent used for the treatment of emesis, leading to an increase in sales.

Net sales for our pharmaceutical business declined by ¥12.6 billion, or 22.4%, from the previous fiscal year to ¥44.0 billion and an operating loss was ¥13.5 billion, compared with operating income of ¥1.0 billion in the previous fiscal year. This is mainly due to the non-recurrence of lump-sum revenue from licensing to Merck (U.S.) in November 2008 of JTT-305, a calcium sensing receptor (CaSR) antagonist and milestone revenue related to the progress made in the development of anti-dyslipidemia compound JTT-705, licensed to Roche in October 2004, which were recorded during the the previous fiscal year, despite the increase in sales from Torii.

Foods business

The foods business is focusing on three areas: beverages, processed foods and seasonings. We promote efforts to achieve the highest level of safety control and to further strengthen the business foundation for future growth.

In the beverage sector, we are further strengthening our flagship Roots brand and expanding our sales channels, mainly through our subsidiary, Japan Beverage Inc., a vending machine operator, steadily expanding our business through these measures and promoting efforts to bolster our earning capabilities.

Regarding the processed foods and seasonings sectors, we are working to bolster our earning capabilities and establish a strong business foundation by propping up each value chain function within the TableMark Group.

Net sales for our foods business declined by ¥41.3 billion, or 9.5%, from the previous fiscal year to ¥394.6 billion due to our withdrawal from chilled processed foods and the exclusion from the scope of consolidation of some subsidiaries. Concerning profits, despite effects from cost reductions, etc., the foods business had an operating loss of ¥13.6 billion, compared with an operating loss of ¥11.4 billion in the previous fiscal year, because of the impact of amortization of goodwill following the additional purchase of shares of the subsidiary Green Foods Co., Ltd. by another subsidiary TableMark Co., Ltd., in June 2009 as well as a temporary loss recorded by our fishery products business.

(Note) TableMark Co., Ltd. has changed its company name from Katokichi Co., Ltd. in January 2010.

Other business

Net sales for our other business declined by ¥1.2 billion, or 6.1%, from the previous fiscal year to ¥19.5 billion and operating income increased by ¥0.8 billion, or 8.9%, to ¥10.5 billion.

c. Review of operations by geographic segment

Japan

Net sales in Japan for the current fiscal year declined by ¥189.4 billion, or 5.2%, from the previous fiscal year to ¥3.4825 trillion due to a decrease in the sales volume in the domestic tobacco business, however, despite this, operating income fell only by ¥1.8 billion, or 1.0%, compared to the previous fiscal year to ¥184.5 billion due to factors such as a decrease in amortization expenses following the completion of the amortization of some trademark rights in the domestic tobacco business.

Western Europe

Net sales in Western Europe for the current fiscal year decreased by ¥360.2 billion, or 17.7%, from the previous fiscal year to ¥1.6777 trillion as a result of factors including the devaluation of the currencies of major markets such as the U.K. leading to negative foreign exchange effects in our international tobacco business. An operating loss of ¥40.2 billion, compared with an operating loss of ¥24.1 billion, was recorded due to amortization expenses of goodwill, among others.

Others

Net sales in other regions for the current fiscal year decreased by ¥147.8 billion, or 13.2%, from the previous fiscal year to ¥974.3 billion as a result of factors including the devaluation of the currencies of major markets such as Russia leading to negative foreign exchange effects in our international tobacco business. Operating income decreased by ¥49.1 billion, or 24.6%, from the previous fiscal year to ¥150.4 billion.

(Earnings forecasts for the fiscal year ending March 31, 2011)

Net sales and EBITDA (Note)

A decrease in both net sales and EBITDA is projected. Consolidated earnings forecasts per segment are as follows.

Domestic tobacco business

On March 24, 2010, the Diet resolved to implement the planned tobacco excise tax hike of ¥3.5 per cigarette (¥70 per 20-cigarette pack) starting from October 1. In addition to the decreasing birth rate, aging population and other structural factors, this unprecedentedly large and drastic tax increase will inevitably lead to a significant decrease in total tobacco demand.

Under such circumstances, JT applied today for the approval to amend retail prices of Japanese domestic tobacco products from October 1. Up to the present, JT had been maintaining the quality and price levels through cost reducing efforts as sales volume decreases due to structural factors and costs per pack increases due to reflection of sharp increases in raw material costs. However, this planned tobacco excise tax hike is unprecedented whereby we are projecting a sales volume decline that is unparalleled to any of the excise tax increases of the past. In order to continue providing the quality and services which will satisfy our consumers as we face substantial declines in sales volume, JT applied for an amendment of its retail prices which exceed the excise tax hike, given our cost reduction efforts alone will be insufficient to absorb the impact. This amendment of retail prices would offset not only the tobacco excise tax increase itself but also the consumption tax increase resulting from the tobacco excise tax increase as well as the increase in retailer margin. This amendment of retail prices would result in typical brands such as Mild Seven and Seven Star increasing by ¥110 to ¥410 and ¥140 to ¥440, respectively.

JT will provide a stable supply of products always striving to enhance product quality for customer satisfaction and improve services such as securing smoking areas.

As a result of the above, JT expects a decrease in sales volume in the next fiscal year as well as lower net sales excluding tobacco excise tax and EBITDA.

International tobacco business

JT expects an increase in both net sales excluding tobacco excise tax and EDITDA in the international tobacco business due to effects from unit price increases and foreign exchange advantages.

Pharmaceutical business

JT expects net sales in the pharmaceutical business to remain at the same level as the previous fiscal year. EBITDA is expected to fall as a hike in research and development cost, including that of Torii Pharmaceutical Co., Ltd., is projected.

Foods business

Despite a projected decline in net sales in the foods business, JT expects EBITDA to increase thanks to efforts to further strengthen our flagship Roots brand, which will mark its 10th anniversary, and to bolster profitability by concentrating our forces on high added-value staples (frozen noodles, rice products, frozen bread) and seasonings (yeast extract products, etc.) as well as unabated cost reduction efforts for all businesses.

Ordinary income

Although JT expects an increase in ordinary income, this is mainly because the foreign exchange effects generated in the current fiscal year are not factored into the forecasts for the next fiscal year.

Net income

Net income is expected to decrease due to causes such as lower gain on sales of noncurrent assets and the recording of extraordinary loss resulting from the payment of a civil settlement to the Canadian government.

(Note) JT uses EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) as the main key performance indicator for each segment. Regarding the calculation method of EBITDA for each segment, please refer to the supplementary document, "Overview of Consolidated Financial Results for FY 3/2010 and Full-term Forecasts for FY 3/2011," on page 31.

Consolidated earnings forecasts for the fiscal year ending March 31, 2011 are as follows (Note 1).

	Fiscal year ended March 2010 (result) Former accounting standard	Fiscal year ended March 2010 (result) New accounting standard (Note 2)	Fiscal year ending March 2011 (forecast) New accounting standard
	Billions of yen	Billions of yen	Billions of yen
Net sales (including tobacco excise tax)	6,134.6	6,134.6	5,980.0
Net sales (excluding tobacco excise tax)	2,514.1	2,514.1	2,462.0
Domestic tobacco business	1,016.7	1,016.7	932.0
International tobacco business	1,039.1	1,039.1	1,077.0
Pharmaceutical business	44.0	44.0	44.5
Foods business	394.6	394.6	390.0
Other business / Elimination/corporate	19.5	19.5	18.5
EBITDA	526.7	526.7	513.0
Domestic tobacco business	257.6	251.2	219.0
International tobacco business	249.8	277.6	300.0
Pharmaceutical business	(9.6)	(9.6)	(14.5)
Foods business	14.4	14.4	18.5
Other business / Elimination/corporate	14.3	(7.0)	(10.0)
Operating income	296.5	296.5	295.0
Ordinary income	255.3	255.3	276.0
Net income	138.4	138.4	133.0

(Note 1) The JT Group does not calculate six months cumulative operating results forecasts, therefore, they are omitted here.

(Note 2) The figures for FY 3/2010 (results) for each segment based on the new accounting standards are unaudited and for reference purposes only.

* Principal conditions forming basis of assumption

Domestic tobacco business

	Fiscal year ending March 2011 (forecast)	Fiscal year ended March 2010 (result)
Sales volume	127.5 billion cigarettes	151.8 billion cigarettes

International tobacco business

	Fiscal year ending March 2011 (forecast)	Fiscal year ended March 2010 (result)
Sales volume	433.0 billion cigarettes	434.9 billion cigarettes
Exchange rate (U.S. dollar)	¥90.00	¥93.65

(Note) Regarding exchange rates of major currencies against U.S. dollar assumed for the current forecast, 29.50 rubles, 0.65 pounds sterling and 0.68 euros were assumed vis-à-vis the U.S. dollar, respectively. The exchange rates against U.S. dollar for the current fiscal year were 31.77 rubles, 0.65 pounds sterling and 0.73 euros, respectively.

Changes in disclosures of segment information resulting from the application of new segment standards

The application of the Accounting Standard for Disclosures about Segments of an Enterprise and Related Information (ASBJ Statement No. 17) for fiscal years starting on or after April 1, 2010 requires that JT's segment information from the fiscal year ending March 2011 onward be disclosed as a series of segment information used by management in decision making and other operational processes based on the management approach. Because of this, consolidated earnings forecasts for the fiscal year ending March 31, 2011 take into account the application of new segment standards. Therefore, in order to increase comparability between fiscal years, results for the current fiscal year will also include figures based on the old segment standards as well as the new segment standards.

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

i) Reportable segments

Reportable segments based on the management approach were determined as the domestic tobacco business, the international tobacco business, the pharmaceutical business and the foods business.

ii) Indicating net sales (excluding tobacco excise tax)

It was decided that segment net sales are to be newly disclosed as net sales (excluding tobacco excise tax). Regarding tobacco excise tax, 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 tax) is used as the net sales per reportable segment as a basis of managerial decision making and other processes relating to the domestic and international tobacco businesses. Regarding the pharmaceutical and foods business segments, since they are not affected by tobacco excise tax, net sales is the same amount as net sales (including tobacco excise tax).

iii) Indicating EBITDA

It was decided that reportable segment income is to be disclosed as EBITDA. 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 income calculation method

A revision was effected of the calculation method of a portion of segment income. Foreign consolidated subsidiaries classified under the international tobacco business 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 income of the domestic tobacco business, while the segment income of the international tobacco business was calculated after deducting royalties. However, because the income of each segment is managed exclusive of effects from the payment of royalties, these effects are also excluded from the income of reportable segments.

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.

(Note) The above figures are based on judgments, evaluations, factual understandings, policy formulations and other factors made in accordance with information currently available to the management. They are also based upon certain assumptions required to formulate forward-looking statements as well as information already confirmed to be factual. Actual figures may differ from those forecasted, depending on uncertainties inherent in future forecasts, as well as possible changes in the Company’s operations, domestic and foreign economies, stock markets and other conditions. Please refer to the “Caution concerning forward-looking statements” before using the information provided in our forward-looking statements.

(2) Analysis of financial position

Cash and cash equivalents at the end of the current fiscal year stood at ¥154.3 billion, representing a ¥12.8 billion decrease from the end of the previous fiscal year. (Cash and cash equivalents at the end of the previous fiscal year was ¥167.2 billion.)

Cash flows from operating activities

Net cash provided by operating activities during the current fiscal year was ¥320.0 billion, compared with ¥275.2 billion provided in the previous fiscal year, due to the generation of a stable cash inflow from the tobacco business, among others, despite an increase in inventories resulting from higher leaf tobacco prices and purchase volume in the international tobacco business.

Cash flows from investing activities

Net cash used in investing activities during the current fiscal year was ¥84.0 billion, compared with ¥65.0 billion used in previous fiscal year, due to the purchase of property, plant and equipment.

Cash flows from financing activities

Net cash used in financing activities during the current fiscal year was ¥250.3 billion, compared with ¥217.4 billion used in the previous fiscal year. The main factors were cash used for the redemption of bonds, repayment of long-term loans payable and the payment of cash dividends, despite the proceeds from issuance of commercial papers and bonds.

Trends in company cash flow indicators are as shown below.

	Fiscal year ended March 2006	Fiscal year ended March 2007	Fiscal year ended March 2008	Fiscal year ended March 2009	Fiscal year ended March 2010
Equity ratio (%)	58.0	58.3	40.8	40.0	42.6
Market value equity ratio (%)	136.3	172.1	98.1	67.5	89.9
Interest-bearing debt to cash flow ratio (%)	144.1	50.3	957.9	361.9	273.2
Interest coverage ratio (times)	26.0	62.8	3.5	5.4	12.3

(Note)
Equity ratio: equity / total assets
Market value equity ratio: market capitalization / total assets
Interest-bearing debt to cash flow ratio: interest-bearing debt / operating cash flow
Interest coverage ratio: operating cash flow / paid interest

* All indicators are calculated using consolidated-based financial figures.
For the fiscal year ended March 2006, indicators are calculated after adjusting for the ex rights share price due to a stock split.

* Market capitalization is calculated by multiplying the number of issued shares as of the end of the fiscal year (including treasury stock) by the share price on the last day of the fiscal year.
* The figure used for operating cash flow is “net cash provided by operating activities” on the consolidated statements of cash flows.
* Interest-bearing debt includes all liabilities recorded on the consolidated balance sheets on which interest was paid. Following the application of the “Accounting Standard for Lease Transactions” (ASBJ Statement No. 13) as of the previous fiscal year, lease obligations relating to finance leases were included in interest-bearing debt from the fiscal year ended March 2009.

(3) Basic policy on profit distribution and dividends for fiscal years 2010 and 2011

The JT Group believes the growth of our corporate value in the medium to long term by realizing sustainable profit growth fueled by proactive business investment is the key to increasing shareholder benefits.

Regarding dividends, the JT Group aims to achieve a consolidated dividend payout ratio of 30% (after deducting the goodwill amortization effect) as our medium term objective. We will continue to strive towards further improving dividend levels by having as our basic policy with the aim to provide a competitive level of returns to shareholders in the capital market while considering the status of the medium to long term growth strategies and our consolidated financial results outlook.

Internal reserves will be replenished not only for present and future business investments and to acquire external resources but also for the purchase of own shares effected to increase managerial options, to pay down interest-bearing debts and other objectives.

Based on this policy, we plan to pay out a year-end dividend for the current fiscal year of ¥3,000 per share, which includes the ¥2,800 ordinary dividend and the 25th anniversary commemorative dividend of ¥200. Added to the ¥2,800 interim dividend, this would consequently result in an annual dividend per share of ¥5,800.

Please note that JT plans a net income after deducting the goodwill amortization effect of ¥235.8 billion resulting in a consolidated dividend payout ratio (after deducting the goodwill amortization effect) of 23.6%.

The JT Group plans to pay out an annual dividend per share of ¥5,600 (including a ¥2,800 interim dividend) in the next fiscal year.

(4) Business and other risks

The followings are significant changes relating to the content disclosed in the most recent Securities Report (submitted June 23, 2009).

i) In September 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 demanding for payment of the amount allegedly equivalent to health care costs incurred by the Government of Ontario, Canada for the treatment of smoking related diseases. The JT Group shall respond to this lawsuit on a timely and appropriate basis.

   As mentioned in the previous fiscal year’s Annual Securities Report, 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.

ii) In the Outline of the 2010 Tax Reform Proposals determined by the Cabinet of Japan on December 22, 2009, it is mentioned the necessity of increasing a future tax rate for the tobacco excise tax and the objective in the process to formulate a new framework for the tobacco business that would include the amendment or abolition of the existing Tobacco Business Act. This may affect the JT Group’s operating results.

iii) On April 13, 2010, JTI-Macdonald Corp. (“JTI-Mac”), JT’s Canadian consolidated subsidiary, entered into a comprehensive agreement with the Government of Canada and all provinces and territories (the “Canadian Governments ”) to establish a cooperation mechanism in combating cigarette smuggling and contraband. In addition, JTI-Mac pleaded to regulatory offense for its involvement in the illicit trade of cigarettes prior to JT's acquisition of non-US tobacco operations of RJR Nabisco Inc. ("RJR") and paid CAD150 million (approximately ¥13.8 billion). As a result, all of the contraband-related claims against JTI-Mac and others associated with it by the Canadian Governments have been withdrawn and the Notice of Assessment from the Quebec Ministry of Revenue has been withdrawn. CCAA application has also been terminated as of April 17, 2010.

At the same time, on April 13, 2010, the RJR Group entered into another agreement with the Canadian Governments and made the payment of CAD400 million (approximately ¥37.0 billion), resulting in total payments by the JT Group and RJR Group to the Canadian Governments of CAD550 million (approximately ¥50.9 billion). As a result of indemnification rights under the RJRI Purchase Agreement in 1999 and subsequent negotiations with the RJR Group, the JT Group and the RJR Group entered into an agreement whereby the JT Group would incur CAD150 million among the aforementioned CAD550 million total.

Please note that said civil settlement was factored into the consolidated earnings forecasts for the fiscal year ending March 31, 2011 as extraordinary loss.

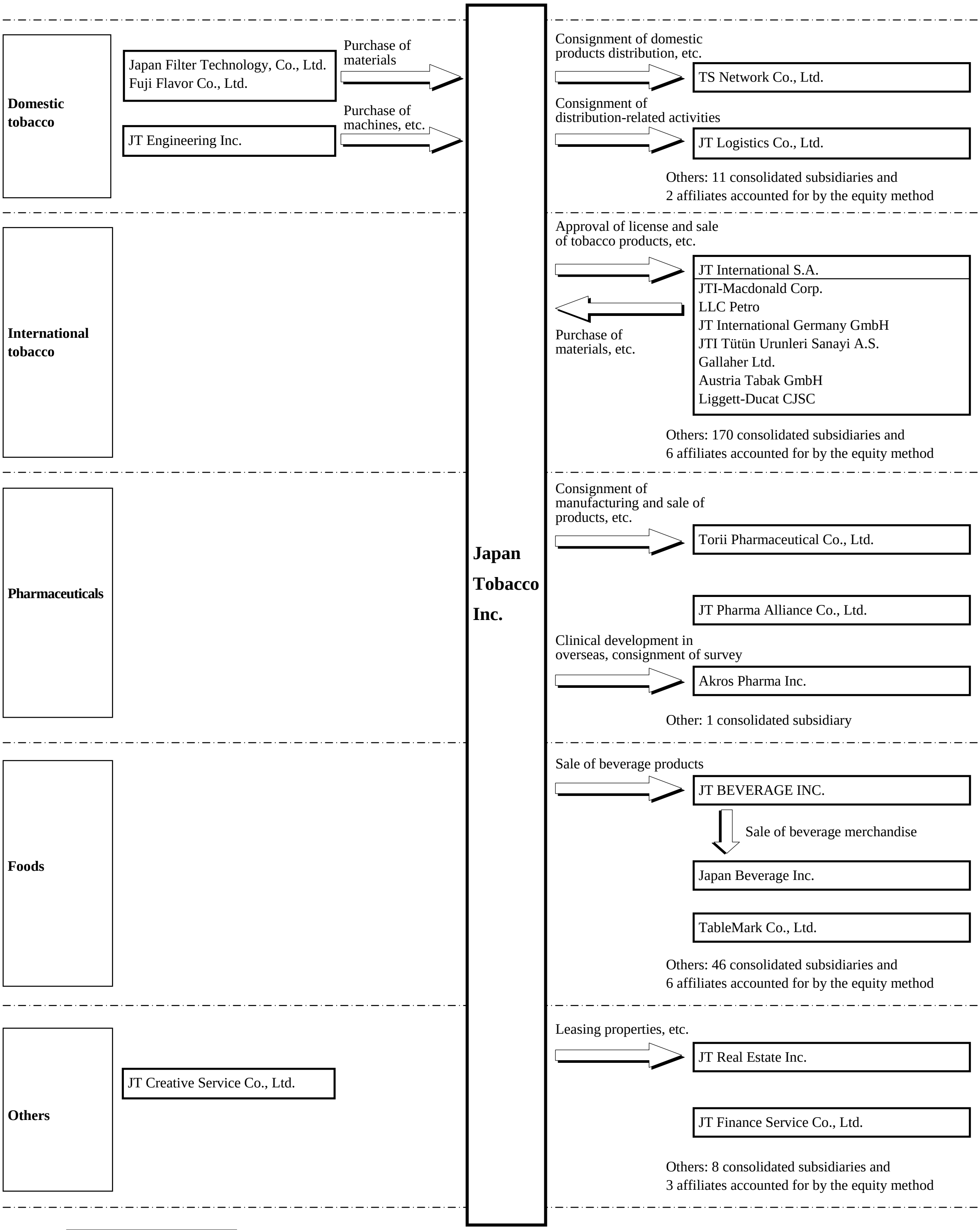
iv) In April 2008, the Office of Fair Trading (OFT), the UK competition authority, issued a Statement of Objections to Gallaher Group Ltd. (former Gallaher Group Plc) and Gallaher Ltd. (together, hereinafter, "Gallaher"), our subsidiaries in the United Kingdom, for violations to the U.K. Competition Law relating to the retail pricing of tobacco products in the UK market during the period prior to JT's acquisition of Gallaher and, in July of that year, Gallaher reached an agreement for an early resolution with the OFT wherein it agreed to pay a fine. Subsequently, JT has confirmed the fact that Gallaher received a decision in April 2010 from the OFT concluding that a fine of approximately £50 million was levied to Gallaher.

The amount of fine decided by the OFT is sufficiently covered in the amount that was booked, based on JT's assumptions about the fine, as liabilities in the purchase price allocation related to JT's acquisition of Gallaher Group Plc. The £114 million (¥16.7 billion) difference between the liabilities of £164 million already posted and the amount of the decision to be paid is recorded as extraordinary income in the consolidated results for the current fiscal year.

2. Status of the corporate group

The following is an illustration of the business network.

(As of March 31, 2010)



Note: Consolidated subsidiaries

3. Management policy

(1) Basic management policy

Details are omitted as there have been no material changes since the "Consolidated Financial Results for the Fiscal Year Ended March 31, 2009" (released April 30, 2009).

Said Financial Results may be accessed by the following URL.

<JT's website>
http://www.jti.co.jp/

<Tokyo Stock Exchange's website (listed company information search page)>
http://www.tse.or.jp/listing/compsearch/index.html

(2) Medium to long term management strategy and issues

The domestic tobacco business is positioned as the core source of profits for the JT Group. We expect total tobacco demand in Japan to continue to decline and competition with other tobacco manufacturers to intensify and, with an eye on environmental changes, we will strive to maintain and promote our brand equity primarily in our core brands and build a strong portfolio. Meanwhile, we will fortify our product exposure at key sales channels, enhance our sales and organizational strengths and secure our competitive advantages over competitors. In addition, the JT Group will implement efforts aimed at the enhancement of our added-value and quality for the maximization of customer satisfaction. We will also build a highly cost efficient business framework capable of adapting to highly uncertain business environments and continue to make greater efforts than ever in order to realize a society in which smokers and non-smokers can coexist harmoniously.

On March 24, 2010, the Diet resolved to implement the planned tobacco excise tax hike of ¥3.5 per cigarette (¥70 per 20-cigarette package) starting from October 1. In addition to the decreasing birth rate, aging population and other structural factors, this unprecedentedly large and drastic tax increase will inevitably lead to a significant decrease in total tobacco demand. Under such circumstances, in order to continue providing the quality and services which will satisfy our consumers, JT has applied for an amendment of its retail prices which exceed the excise tax hike, given our cost reduction efforts alone will be insufficient to absorb the impact. JT will provide a stable supply of products always striving to enhance product quality for customer satisfaction and improve services such as securing smoking areas.

The international tobacco business is continuing its role as the profit growth engine for the JT Group. Therefore, we aim to sustain quality top-line growth by maintaining our primary focus on GFB and realizing the sales volume growth and unit price improvements accompanying building and nurturing outstanding brands. Concurrently, we will expand our earnings base and make proactive business base fortification investments including in markets with growth potential.

The JT Group will also continue to take appropriate response to the WHO Framework Convention on Tobacco Control and the tobacco-related regulations of the EU and other countries.

In the pharmaceutical business, we will continue to build a globally successful, R&D-driven business with unique features and strive to secure a market presence with original new drugs by increasing and advancing compounds in a late phase of clinical trial and enhancing the research and development pipeline. To achieve this, while striving to strengthen the capability for clinical trial, including late-phase development and further improve the drug discovery research capability, we will continue to explore strategic opportunities for out-licensing and strengthen alliances with business partners so that we can realize the value of the pharmaceutical business at an early date.

Concerning the foods business, we will focus on three areas: beverages, processed foods and seasonings, promote efforts to achieve the highest level of safety control, and further strengthen the business foundation for significant future growth. In the beverages sector, we will further strengthen the flagship Roots brand and establish a solid profit base by pursuing efficiency. For processed foods and seasonings, in the TableMark Group we will pursue integrated synergies and labor to concentrate our forces on key areas and foster a higher sense of oneness all in an effort to buttress our business base.

In the area of environmental protection efforts and social contribution activities, the JT Group is actively engaged in reducing impacts on the environment, contributing to local communities, promoting afforestation and forest conservation projects, youth education and other activities from the aspect of bringing about a “harmony” between its corporate activities and the environment and a feeling of mutual coexistence with society as a “good corporate citizen” in all countries and regions where the Group operates.

(Note) In addition to the information provided above, reference information regarding settlement of accounts and earnings forecasts is provided in the separate document “Overview of Consolidated Financial Results for FY 3/2010 and Full-term Forecasts for 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.

4. 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 paper	-	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
Consumption taxes payable	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 a comprehensive agreement with the Government of Canada and all provinces and territories (the "Canadian Governments ") to establish a cooperation mechanism in combating cigarette smuggling and contraband. In addition, JTI-Mac pleaded to regulatory offense for its involvement in the illicit trade of cigarettes prior to JT's acquisition of non-US tobacco operations of RJR Nabisco Inc. ("RJR") and paid CAD150 million (approximately ¥13.8 billion). As a result, all of the contraband-related claims against JTI-Mac and others associated with it by the Canadian Governments have been withdrawn and the Notice of Assessment from the Quebec Ministry of Revenue has been withdrawn.
At the same time, on April 13, 2010, the RJR Group entered into another agreement with the Canadian Governments and made the payment of CAD400 million (approximately ¥37.0 billion), resulting in total payments by the JT Group and RJR Group to the Canadian Governments of CAD550 million (approximately ¥50.9 billion). As a result of indemnification rights under the RJRI Purchase Agreement in 1999 and subsequent negotiations with the RJR Group, the JT Group and the RJR Group entered into an agreement whereby the JT Group would incur CAD150 million among the aforementioned CAD550 million total.

(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.

5. Non-consolidated financial statements

(1) Non-consolidated balance sheets

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
Assets		
Current assets		
Cash and deposits	7,090	2,466
Accounts receivable-trade	49,446	53,662
Short-term investment securities	-	6,760
Merchandise and finished goods	21,266	35,446
Semi-finished goods	118,789	108,997
Work in process	3,706	3,719
Raw materials and supplies	37,506	39,965
Advance payments-trade	195	452
Prepaid expenses	4,940	4,796
Deferred tax assets	15,317	13,988
Short-term loans receivable from subsidiaries and affiliates	-	174,555
Other	21,918	15,945
Allowance for doubtful accounts	(175)	(425)
Total current assets	280,004	460,328
Noncurrent assets		
Property, plant and equipment		
Buildings	422,323	410,946
Accumulated depreciation	(293,778)	(288,704)
Buildings, net	128,545	122,242
Structures	22,395	21,171
Accumulated depreciation	(18,555)	(17,662)
Structures, net	3,839	3,509
Machinery and equipment	334,208	320,518
Accumulated depreciation	(268,085)	(254,677)
Machinery and equipment, net	66,122	65,840
Vehicles	2,527	2,915
Accumulated depreciation	(1,077)	(1,353)
Vehicles, net	1,449	1,561
Tools, furniture and fixtures	97,368	92,769
Accumulated depreciation	(66,613)	(71,479)
Tools, furniture and fixtures, net	30,754	21,290
Land	101,025	93,453
Construction in progress	6,833	8,278
Total property, plant and equipment	338,571	316,176
Intangible assets		
Goodwill	5,156	-
Patent right	451	338
Leasehold right	126	13
Right of trademark	4,904	2,182
Design right	17	75
Software	10,639	10,996
Other	165	152
Total intangible assets	21,461	13,759

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
Investments and other assets		
Investment securities	39,893	43,896
Stocks of subsidiaries and affiliates	2,096,524	2,093,949
Investments in capital of subsidiaries and affiliates	782	782
Long-term loans receivable	7,294	310
Long-term loans receivable from subsidiaries and affiliates	1,212	32,540
Long-term prepaid expenses	6,514	7,131
Deferred tax assets	51,166	39,704
Other	21,619	19,573
Allowance for doubtful accounts	(7,715)	(648)
Total investments and other assets	2,217,293	2,237,239
Total noncurrent assets	2,577,325	2,567,175
Total assets	2,857,330	3,027,503
Liabilities		
Current liabilities		
Accounts payable-trade	13,592	15,266
Short-term loans payable	-	30,543
Short-term loans payable from cash management system	184,123	-
Commercial paper	-	119,000
Current portion of bonds	150,000	50,000
Current portion of long-term loans payable	20,200	20,200
Lease obligations	14,041	6,116
Accounts payable-other	41,805	48,241
Accrued expenses	2,822	2,309
National tobacco excise taxes payable	45,357	45,439
National tobacco special excise taxes payable	10,470	10,490
Local tobacco excise taxes payable	55,847	55,982
Income taxes payable	29,623	30,697
Consumption taxes payable	8,148	13,904
Advances received	84	12
Deposits received	679	623
Deposits in cash management sustem	-	227,108
Unearned revenue	200	184
Provision for bonuses	12,990	11,534
Other	1,171	1,069
Total current liabilities	591,159	688,722
Noncurrent liabilities		
Bonds payable	149,994	199,996
Long-term loans payable	60,560	40,360
Lease obligations	8,404	5,244
Provision for retirement benefits	191,264	177,988
Lease and guarantee deposits received	8,567	7,695
Long-term accounts payable-other	1,937	5,735
Total noncurrent liabilities	420,726	437,020
Total liabilities	1,011,886	1,125,743

(Millions of yen)

	As of March 31, 2009	As of March 31, 2010
Net assets		
Shareholders’ equity		
Capital stock	100,000	100,000
Capital surplus		
Legal capital surplus	736,400	736,400
Other capital surplus	-	6
Total capital surpluses	736,400	736,406
Retained earnings		
Legal retained earnings	18,776	18,776
Other retained earnings		
Reserve for reduction entry	44,734	38,320
Special account for reduction entry	2,413	4,254
General reserve	916,300	955,300
Retained earnings brought forward	93,326	112,612
Total retained earnings	1,075,550	1,129,263
Treasury stock	(74,578)	(74,575)
Total shareholders’ equity	1,837,372	1,891,095
Valuation and translation adjustments		
Valuation difference on available-for-sale securities	7,627	10,099
Deferred gains or losses on hedges	79	-
Total valuation and translation adjustments	7,706	10,099
Subscription rights to shares	364	564
Total net assets	1,845,443	1,901,759
Total liabilities and net assets	2,857,330	3,027,503

(2) Non-consolidated statements of income

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Net sales	2,173,552	2,052,654
Cost of sales		
Beginning merchandise and finished goods	21,791	21,266
Cost of products manufactured	300,988	302,735
Cost of purchased goods	5,312	603
National tobacco excise taxes	561,359	532,760
National tobacco special excise taxes	129,591	122,990
Local tobacco excise taxes	690,943	655,745
Transfer to other account	2,796	556
Ending merchandise and finished goods	21,266	35,446
Cost of sales on real estate business	4,323	3,618
Total cost of sales	1,690,247	1,603,720
Gross profit	483,305	448,934
Selling, general and administrative expenses		
Advertising expenses	13,226	13,993
Promotion expenses	52,224	52,365
License fee	1,812	2,438
Transportation and warehousing expenses	20,164	19,807
Compensations, salaries and allowances	32,219	33,002
Retirement benefit expenses	5,432	6,593
Legal welfare expenses	5,764	5,805
Employees’ bonuses	7,633	7,650
Provision for bonuses	7,429	6,985
Business consignment expenses	25,834	22,276
Depreciation	63,251	31,793
Research and development expenses	41,895	41,655
Other	38,729	40,717
Total selling, general and administrative expenses	315,617	285,086
Operating income	167,687	163,847
Non-operating income		
Interest income	348	587
Dividends income	3,616	5,917
Rent income from subsidiaries and affiliates	989	765
Other	3,507	2,959
Total non-operating income	8,460	10,229

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
Non-operating expenses		
Interest expenses	3,418	2,724
Interest on bonds	4,700	3,791
Foreign exchange losses	2,337	-
Financial support for domestic leaf tobacco growers	768	522
Periodic mutual assistance association cost	2,024	1,724
Provision of allowance for doubtful accounts	49	-
Other	2,648	3,707
Total non-operating expenses	15,947	12,470
Ordinary income	160,200	161,606
Extraordinary income		
Gain on sales of land	45,576	30,415
Gain on sales of other noncurrent assets	3	0
Other	182	3,492
Total extraordinary income	45,762	33,907
Extraordinary loss		
Loss on sales of noncurrent assets	1,806	3,514
Loss on retirement of noncurrent assets	10,119	4,144
Impairment loss	12,534	1,859
Business restructuring costs	-	5,004
Loss on transfer of business	9,863	-
Introduction costs for vending machines with adult identification functions	13,468	-
Expense for disposal of PCB-containing wastes	-	4,055
Other	10,997	2,023
Total extraordinary losses	58,791	20,601
Income before income taxes	147,172	174,912
Income taxes-current	52,588	56,358
Income taxes-deferred	4,946	11,192
Total income taxes	57,535	67,551
Net income	89,637	107,361

(3) Non-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		
Legal capital surplus		
Balance at the end of previous period	736,400	736,400
Balance at the end of current period	736,400	736,400
Other capital surplus		
Balance at the end of previous period	-	-
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	-	6
Total 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		
Legal retained earnings		
Balance at the end of previous period	18,776	18,776
Balance at the end of current period	18,776	18,776
Other retained earnings		
Reserve for reduction entry		
Balance at the end of previous period	46,180	44,734
Changes of items during the period		
Provision of reserve for reduction entry	5,415	3,068
Reversal of reserve for reduction entry	(6,862)	(9,481)
Total changes of items during the period	(1,446)	(6,413)
Balance at the end of current period	44,734	38,320
Special account for reduction entry		
Balance at the end of previous period	3,833	2,413
Changes of items during the period		
Provision of reserve for special account for reduction entry	2,413	4,254
Reversal of reserve for special account for reduction entry	(3,833)	(2,413)
Total changes of items during the period	(1,419)	1,841
Balance at the end of current period	2,413	4,254

(Millions of yen)

	Fiscal year ended March 31, 2009	Fiscal year ended March 31, 2010
General reserve		
Balance at the end of previous period	836,300	916,300
Changes of items during the period		
Provision of general reserve	80,000	39,000
Total changes of items during the period	80,000	39,000
Balance at the end of current period	916,300	955,300
Retained earnings brought forward		
Balance at the end of previous period	130,639	93,326
Changes of items during the period		
Provision of reserve for reduction entry	(5,415)	(3,068)
Reversal of reserve for reduction entry	6,862	9,481
Provision of reserve for special account for reduction entry	(2,413)	(4,254)
Reversal of reserve for special account for reduction entry	3,833	2,413
Provision of general reserve	(80,000)	(39,000)
Dividends from surplus	(49,816)	(53,648)
Net income	89,637	107,361
Total changes of items during the period	(37,313)	19,285
Balance at the end of current period	93,326	112,612
Total retained earnings		
Balance at the end of previous period	1,035,729	1,075,550
Changes of items during the period		
Dividends from surplus	(49,816)	(53,648)
Net income	89,637	107,361
Total changes of items during the period	39,820	53,713
Balance at the end of current period	1,075,550	1,129,263
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	1,797,551	1,837,372
Changes of items during the period		
Dividends from surplus	(49,816)	(53,648)
Net income	89,637	107,361
Disposal of treasury stock	-	9
Total changes of items during the period	39,820	53,723
Balance at the end of current period	1,837,372	1,891,095

(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	18,578	7,627
Changes of items during the period		
Net changes of items other than shareholders' equity	(10,951)	2,472
Balance at the end of current period	7,627	10,099
Deferred gains or losses on hedges		
Balance at the end of previous period	411	79
Changes of items during the period		
Net changes of items other than shareholders' equity	(331)	(79)
Balance at the end of current period	79	-
Total valuation and translation adjustments		
Balance at the end of previous period	18,990	7,706
Changes of items during the period		
Net changes of items other than shareholders' equity	(11,283)	2,392
Balance at the end of current period	7,706	10,099
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
Total net assets		
Balance at the end of previous period	1,816,727	1,845,443
Changes of items during the period		
Dividends from surplus	(49,816)	(53,648)
Net income	89,637	107,361
Disposal of treasury stock	-	9
Net changes of items other than shareholders' equity	(11,104)	2,593
Total changes of items during the period	28,716	56,316
Balance at the end of current period	1,845,443	1,901,759

(4) Notes on premise of going concern

No items to report.