[This is an English translation of summarized consolidated financial results 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. Please refer to the supplementary document "Consolidated Financial Results for FY2013 Third Quarter (April 1, 2013 through December 31, 2013)" and JT's website (http://www.jti.co.jp/) for other information.]

January 30, 2014

# Consolidated Financial Results for the Nine Months Ended December 31, 2013 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: http://www.jti.co.jp/
Representative: Mitsuomi Koizumi, President, Chief Executive Officer and Representative Director
Contact: Yuki Maeda, Senior Vice President and Chief Communications Officer
Telephone: +81-3-3582-3111
Scheduled date to file Quarterly Securities Report: January 31, 2014
Scheduled starting date of the dividend payments: –
Drawing up supplementary documents on quarterly financial results: Yes
Holding quarterly investors' meeting: Yes (for analysts and institutional investors)

(Yen amounts are rounded to the nearest million, unless otherwise noted.)

## 1. Consolidated financial results for the nine months of the fiscal year ending March 31, 2014 (from April 1, 2013 to December 31, 2013)

### (1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit for the period | |
|---|---|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % |
| December 31, 2013 | 1,779,878 | 10.7 | 514,427 | 25.0 | 504,478 | 28.7 | 365,062 | 35.9 |
| December 31, 2012 | 1,608,399 | 4.0 | 411,575 | 13.2 | 391,904 | 11.4 | 268,599 | 12.9 |

| | Profit attributable to owners of the parent company | | Comprehensive income for the period | | Basic earnings per share | Diluted earnings per share |
|---|---|---|---|---|---|---|
| Nine months ended | Millions of yen | % | Millions of yen | % | Yen | Yen |
| December 31, 2013 | 359,289 | 36.3 | 577,762 | 115.7 | 197.68 | 197.57 |
| December 31, 2012 | 263,695 | 13.7 | 267,862 | 118.7 | 138.47 | 138.41 |

Notes: 1. The comparative information was retrospectively adjusted to reflect changes in accounting policies. For details, please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates" on page 4.
2. The Company conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date. Consequently, basic earnings per share and diluted earnings per share are calculated on the assumption that this share split was conducted at the beginning of the previous fiscal year.

### (2) Consolidated financial position

| | Total assets | Total equity | Equity attributable to owners of the parent company | Ratio of equity attributable to owners of the parent company to total assets | Equity attributable to owners of the parent company per share |
|---|---|---|---|---|---|
| As of | Millions of yen | Millions of yen | Millions of yen | % | Yen |
| December 31, 2013 | 4,395,831 | 2,313,146 | 2,225,396 | 50.6 | 1,224.40 |
| March 31, 2013 | 3,852,567 | 1,892,431 | 1,806,543 | 46.9 | 993.98 |

Notes: 1. The comparative information was retrospectively adjusted to reflect changes in accounting policies. For details, please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates" on page 4.

2. The Company conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date. Consequently, equity attributable to owners of the parent company per share is calculated on the assumption that this share split was conducted at the beginning of the previous fiscal year.

## 2. Cash dividends

| | Annual dividends per share | | | | |
|---|---|---|---|---|---|
| | First quarter-end | Second quarter-end | Third quarter-end | Fiscal year-end | Total |
| | Yen | Yen | Yen | Yen | Yen |
| Year ended March 31, 2013 | - | 30.00 | - | 38.00 | 68.00 |
| Year ending March 31, 2014 | - | 46.00 | - | | |
| Year ending March 31, 2014 (Forecast) | | | | 46.00 | 92.00 |

Note: Revisions to the cash dividends forecasts most recently announced: None

## 3. Consolidated earnings forecasts for the fiscal year ending March 31, 2014 (from April 1, 2013 to March 31, 2014)

(Percentages indicate year-on-year changes.)

| | Revenue | | Operating profit | | Profit before income taxes | | Profit for the year | | Profit attributable to owners of the parent company | | Basic earnings per share |
|---|---|---|---|---|---|---|---|---|---|---|---|
| | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Millions of yen | % | Yen |
| Year ending March 31, 2014 | 2,390,000 | 12.7 | 638,000 | 19.9 | 624,000 | 22.5 | 430,000 | 22.4 | 423,000 | 23.1 | 232.74 |

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes

## Notes

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): None

(2) Changes in accounting policies and changes in accounting estimates
   a. Changes in accounting policies due to revisions in accounting standards under IFRS: Yes
   b. Changes in accounting policies due to other reasons: None
   c. Changes in accounting estimates: None

   Note: For details, please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates" on page 4.

(3) Number of shares issued (common stock)
   a. Total number of shares issued at the end of the period (including treasury shares)

| | | |
|---|---|---|
| As of December 31, 2013 | 2,000,000,000 | shares |
| As of March 31, 2013 | 2,000,000,000 | shares |

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

| | | |
|---|---|---|
| As of December 31, 2013 | 182,459,788 | shares |
| As of March 31, 2013 | 182,510,100 | shares |

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

| | | |
|---|---|---|
| Nine months ended December 31, 2013 | 1,817,494,994 | shares |
| Nine months ended December 31, 2012 | 1,904,294,800 | shares |

   Note: The Company conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date. Consequently, average number of shares during the period is calculated on the assumption that this share split was conducted at the beginning of the previous fiscal year.

* Indication regarding execution of quarterly review procedures

At the time of disclosure of this quarterly financial results report, the review procedures for quarterly financial statements in accordance with the Financial Instruments and Exchange Act have been completed.

* Proper use of earnings forecasts, and other special matters

(1) The forward-looking statements, including forecasts, contained in these materials are based on information currently available to the Company and on certain assumptions and suppositions deemed to be reasonable by the Company. Actual business and other results may differ substantially due to various factors. These forward-looking statements are not intended to be construed as our assurance for it to materialize in the future. Please refer to page 5 for the assumptions and suppositions, etc. that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.
(2) The Company conducted a share split at a ratio of 200 to one with July 1, 2012 as effective date.
(3) Please refer to JT's website (http://www.jti.co.jp/) for materials for investors' meeting.

## Matters regarding summary information (Notes)

### (1) Changes in significant subsidiaries during the current period

No items to report.

### (2) Changes in accounting policies and changes in accounting estimates

The significant accounting policies adopted for the condensed interim consolidated financial statements are the same as those for the consolidated financial statements for the fiscal year ended March 31, 2013, with the exception of the items described below.

The Group calculated income taxes for the nine months ended December 31, 2013, based on the estimated average annual effective tax rate.

(Changes in accounting policies)

The accounting standards applied by JT effective from the first quarter ended June 30, 2013 are as follows.

| IFRS | | Description of new standards/amendments |
|---|---|---|
| IFRS7 | Financial Instruments: Disclosures | Disclosure related to offsetting of financial assets and liabilities |
| IFRS10 | Consolidated Financial Statements | Amendment for definition of control, elements of control and basis of existence of control to be applied, regardless of the nature of the investee |
| IFRS11 | Joint Arrangements | Regarding arrangements of which two or more parties have joint control, provide the classification of a joint arrangement based on legal form, contractual arrangement on assets or liabilities and other facts and conditions, not based on only legal form of the arrangement<br>Provide accounting treatment for each classification |
| IFRS12 | Disclosure of Interests in Other Entities | Expansion of the scope of the disclosure of ownership of interests in other entities, including unconsolidated structured entities |
| IFRS13 | Fair Value Measurement | Guidance of fair value measurement to be applied by all standards and unification of the definition of fair value which was previously provided separately in each standard |
| IAS1 | Presentation of Financial Statements | Revision to the presentation of items in other comprehensive income |
| IAS19 | Employee Benefits | Revision to recognition and presentation of actuarial gains and losses, past service cost, interest cost and others, and revision to disclosure of retirement benefits |
| IAS28 | Investments in Associates and Joint Ventures | Amendments based on IFRS10, IFRS11 and IFRS12 |

The above standards do not have a material impact on the condensed interim consolidated financial statements.

For IAS19, comparative information was retrospectively adjusted in accordance with the transitional provisions.

* In addition to the information provided above, reference information regarding settlement of accounts and earnings forecasts is separately provided in the supplementary document “Consolidated Financial Results for FY2013 Third Quarter (April 1, 2013 through December 31, 2013).”

**FORWARD-LOOKING STATEMENTS**

This material contains forward-looking statements. These statements appear in a number of places in this presentation and include statements regarding the intent, belief, or current and future expectations of our management with respect to our business, financial condition and results of operations. In some cases, you can identify forward-looking statements by terms such as “may”, “will”, “should”, “would”, “expect”, “intend”, “project”, “plan”, “aim”, “seek”, “target”, “anticipate”, “believe”, “estimate”, “predict”, “potential” or the negative of these terms or other similar terminology. These statements are not guarantees of future performance and are subject to various risks and uncertainties. Actual results, performance or achievements, or those of the industries in which we operate, may differ materially from any future results, performance or achievements expressed or implied by these forward-looking statements. In addition, these forward-looking statements are necessarily dependent upon assumptions, estimates and data that may be incorrect or imprecise and involve known and unknown risks and uncertainties. Forward-looking statements regarding operating results are particularly subject to a variety of assumptions, some or all of which may not be realized.

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) decrease in demand for tobacco products in key markets;

(2) restrictions on promoting, marketing, packaging, labeling and usage of tobacco products in markets in which we operate; and

(3) increases in excise, consumption or other taxes on tobacco products in markets in which we operate;

(4) litigation around the world alleging adverse health and financial effects resulting from, or relating to, tobacco products.

(5) our ability to realize anticipated results of our acquisition or other similar investments;

(6) competition in markets in which we operate or into which we seek to expand;

(7) deterioration in economic conditions in areas that matter to us;

(8) economic, regulatory and political changes, such as nationalization, terrorism, wars and civil unrest, in countries in which we operate;

(9) fluctuations in foreign exchange rates and the costs of raw materials;

(10) catastrophes, including natural disasters.

## Condensed interim consolidated financial statements (IFRS)

### (1) Condensed interim consolidated statement of financial position

(Millions of yen)

| | As of March 31, 2013 Restated* | As of December 31, 2013 |
|---|---|---|
| Assets | | |
| Current assets | | |
| Cash and cash equivalents | 142,713 | 219,668 |
| Trade and other receivables | 387,837 | 427,161 |
| Inventories | 473,042 | 543,265 |
| Other financial assets | 29,103 | 22,559 |
| Other current assets | 177,858 | 210,340 |
| Subtotal | 1,210,552 | 1,422,992 |
| Non-current assets held-for-sale | 2,594 | 3,194 |
| Total current assets | 1,213,146 | 1,426,187 |
| Non-current assets | | |
| Property, plant and equipment | 672,316 | 738,050 |
| Goodwill | 1,316,476 | 1,463,570 |
| Intangible assets | 348,813 | 362,645 |
| Investment property | 58,995 | 47,316 |
| Retirement benefit assets | 14,825 | 17,519 |
| Investments accounted for using the equity method | 22,940 | 109,060 |
| Other financial assets | 71,781 | 93,854 |
| Deferred tax assets | 133,276 | 137,631 |
| Total non-current assets | 2,639,421 | 2,969,644 |
| Total assets | 3,852,567 | 4,395,831 |

(Millions of yen)

| | As of March 31, 2013 Restated* | As of December 31, 2013 |
|---|---|---|
| Liabilities and equity | | |
| Liabilities | | |
| Current liabilities | | |
| Trade and other payables | 312,741 | 321,009 |
| Bonds and borrowings | 44,301 | 206,544 |
| Income tax payables | 85,714 | 62,976 |
| Other financial liabilities | 8,550 | 9,245 |
| Provisions | 5,256 | 6,421 |
| Other current liabilities | 656,305 | 705,946 |
| Subtotal | 1,112,867 | 1,312,140 |
| Liabilities directly associated with non-current assets held-for-sale | 101 | 75 |
| Total current liabilities | 1,112,968 | 1,312,214 |
| Non-current liabilities | | |
| Bonds and borrowings | 270,399 | 168,256 |
| Other financial liabilities | 18,844 | 18,831 |
| Retirement benefit liabilities | 342,604 | 359,703 |
| Provisions | 4,786 | 5,110 |
| Other non-current liabilities | 113,226 | 116,089 |
| Deferred tax liabilities | 97,309 | 102,482 |
| Total non-current liabilities | 847,168 | 770,471 |
| Total liabilities | 1,960,137 | 2,082,685 |
| Equity | | |
| Share capital | 100,000 | 100,000 |
| Capital surplus | 736,411 | 736,400 |
| Treasury shares | (344,573) | (344,478) |
| Other components of equity | (155,420) | 58,222 |
| Retained earnings | 1,470,125 | 1,675,251 |
| Equity attributable to owners of the parent company | 1,806,543 | 2,225,396 |
| Non-controlling interests | 85,887 | 87,751 |
| Total equity | 1,892,431 | 2,313,146 |
| Total liabilities and equity | 3,852,567 | 4,395,831 |

*Please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates."

## (2) Condensed interim consolidated statement of income and consolidated statement of comprehensive income

### Condensed interim consolidated statement of income

(Millions of yen)

| | Nine months ended December 31, 2012 Restated* | Nine months ended December 31, 2013 |
|---|---|---|
| Revenue | 1,608,399 | 1,779,878 |
| Cost of sales | (684,104) | (720,855) |
| Gross profit | 924,295 | 1,059,023 |
| Other operating income | 18,241 | 49,392 |
| Share of profit in investments accounted for using the equity method | 2,649 | 890 |
| Selling, general and administrative expenses | (533,610) | (594,879) |
| Operating profit | 411,575 | 514,427 |
| Financial income | 3,370 | 4,776 |
| Financial costs | (23,042) | (14,725) |
| Profit before income taxes | 391,904 | 504,478 |
| Income taxes | (123,305) | (139,416) |
| Profit for the period | 268,599 | 365,062 |
| Attributable to: | | |
| Owners of the parent company | 263,695 | 359,289 |
| Non-controlling interests | 4,904 | 5,773 |
| Profit for the period | 268,599 | 365,062 |
| Earnings per share | | |
| Basic (Yen) | 138.47 | 197.68 |
| Diluted (Yen) | 138.41 | 197.57 |

### Reconciliation from "Operating profit" to "Adjusted EBITDA"

(Millions of yen)

| | Nine months ended December 31, 2012 Restated* | Nine months ended December 31, 2013 |
|---|---|---|
| Operating profit | 411,575 | 514,427 |
| Depreciation and amortization | 86,009 | 98,482 |
| Adjustment items (income) | (14,368) | (42,204) |
| Adjustment items (costs) | 11,252 | 3,389 |
| Adjusted EBITDA | 494,469 | 574,094 |

*Please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates."

## Condensed interim consolidated statement of comprehensive income

(Millions of yen)

| | Nine months ended December 31, 2012 Restated* | Nine months ended December 31, 2013 |
|---|---|---|
| Profit for the period | 268,599 | 365,062 |
| Other comprehensive income | | |
| Items that will not be reclassified to profit or loss: | | |
| Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income | 1,901 | 5,040 |
| Remeasurements of defined benefit retirement plans | (10,065) | (650) |
| Total items that will not be reclassified to profit or loss | (8,164) | 4,390 |
| Items that may be reclassified subsequently to profit or loss: | | |
| Exchange differences on translation of foreign operations | 7,325 | 207,433 |
| Net gain (loss) on derivatives designated as cash flow hedges | 102 | 877 |
| Total items that may be reclassified subsequently to profit or loss | 7,427 | 208,310 |
| Other comprehensive income (loss), net of taxes | (737) | 212,700 |
| Comprehensive income (loss) for the period | 267,862 | 577,762 |
| Attributable to: | | |
| Owners of the parent company | 262,804 | 572,346 |
| Non-controlling interests | 5,058 | 5,417 |
| Comprehensive income (loss) for the period | 267,862 | 577,762 |

*Please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates."

## (3) Condensed interim consolidated statement of changes in equity

(Millions of yen)

| | Equity attributable to owners of the parent company | | | | | | |
|---|---|---|---|---|---|---|---|
| | | | | Other components of equity | | | |
| | Share capital | Capital surplus | Treasury shares | Subscription rights to shares | Exchange differences on translation of foreign operations* | Net gain (loss) on derivatives designated as cash flow hedges | Net gain (loss) on revaluation of financial assets measured at fair value through other comprehensive income |
| As of April 1, 2012 | 100,000 | 736,410 | (94,574) | 1,028 | (387,228) | (309) | 10,146 |
| Profit for the period | – | – | – | – | – | – | – |
| Other comprehensive income (loss) | – | – | – | – | 7,170 | 102 | 1,902 |
| Comprehensive income (loss) for the period | – | – | – | – | 7,170 | 102 | 1,902 |
| Acquisition of treasury shares | – | – | – | – | – | – | – |
| Disposal of treasury shares | – | – | – | – | – | – | – |
| Share-based payments | – | – | – | 189 | – | – | – |
| Dividends | – | – | – | – | – | – | – |
| Changes in the ownership interest in a subsidiary without a loss of control | – | – | – | – | – | – | – |
| Transfer from other components of equity to retained earnings | – | – | – | – | – | – | (0) |
| Other increase (decrease) | – | – | – | – | – | – | – |
| Total transactions with the owners | – | – | – | 189 | – | – | (0) |
| As of December 31, 2012 | 100,000 | 736,410 | (94,574) | 1,217 | (380,058) | (206) | 12,047 |
| As of April 1, 2013 | 100,000 | 736,411 | (344,573) | 1,274 | (171,341) | (187) | 14,835 |
| Profit for the period | – | – | – | – | – | – | – |
| Other comprehensive income (loss) | – | – | – | – | 207,721 | 877 | 5,017 |
| Comprehensive income (loss) for the period | – | – | – | – | 207,721 | 877 | 5,017 |
| Acquisition of treasury shares | – | – | (0) | – | – | – | – |
| Disposal of treasury shares | – | (11) | 95 | (68) | – | – | – |
| Share-based payments | – | – | – | 187 | – | – | – |
| Dividends | – | – | – | – | – | – | – |
| Changes in the ownership interest in a subsidiary without a loss of control | – | – | – | – | – | – | – |
| Transfer from other components of equity to retained earnings | – | – | – | – | – | – | (91) |
| Other increase (decrease) | – | – | – | – | – | – | – |
| Total transactions with the owners | – | (11) | 95 | 118 | – | – | (91) |
| As of December 31, 2013 | 100,000 | 736,400 | (344,478) | 1,392 | 36,380 | 690 | 19,760 |

*For IAS19, the comparative information was retrospectively adjusted in accordance with the transitional provisions. For details, please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates."

(Millions of yen)

| | Equity attributable to owners of the parent company | | | | Non-controlling interests* | Total equity* |
|---|---|---|---|---|---|---|
| | Other components of equity | | Retained earnings* | Total* | | |
| | Remeasurements of defined benefit retirement plans* | Total* | | | | |
| As of April 1, 2012 | – | (376,363) | 1,268,944 | 1,634,418 | 80,576 | 1,714,994 |
| Profit for the period | – | – | 263,695 | 263,695 | 4,904 | 268,599 |
| Other comprehensive income (loss) | (10,065) | (891) | – | (891) | 154 | (737) |
| Comprehensive income (loss) for the period | (10,065) | (891) | 263,695 | 262,804 | 5,058 | 267,862 |
| Acquisition of treasury shares | – | – | – | – | – | – |
| Disposal of treasury shares | – | – | – | – | – | – |
| Share-based payments | – | 189 | – | 189 | – | 189 |
| Dividends | – | – | (114,258) | (114,258) | (3,747) | (118,004) |
| Changes in the ownership interest in a subsidiary without a loss of control | – | – | 23 | 23 | (528) | (505) |
| Transfer from other components of equity to retained earnings | 10,065 | 10,065 | (10,065) | – | – | – |
| Other increase (decrease) | – | – | – | – | 213 | 213 |
| Total transactions with the owners | 10,065 | 10,254 | (124,299) | (114,046) | (4,062) | (118,108) |
| As of December 31, 2012 | – | (367,000) | 1,408,339 | 1,783,176 | 81,572 | 1,864,748 |
| As of April 1, 2013 | – | (155,420) | 1,470,125 | 1,806,543 | 85,887 | 1,892,431 |
| Profit for the period | – | – | 359,289 | 359,289 | 5,773 | 365,062 |
| Other comprehensive income (loss) | (559) | 213,056 | – | 213,056 | (356) | 212,700 |
| Comprehensive income (loss) for the period | (559) | 213,056 | 359,289 | 572,346 | 5,417 | 577,762 |
| Acquisition of treasury shares | – | – | – | (0) | – | (0) |
| Disposal of treasury shares | – | (68) | (16) | 0 | – | 0 |
| Share-based payments | – | 187 | – | 187 | – | 187 |
| Dividends | – | – | (152,669) | (152,669) | (2,819) | (155,489) |
| Changes in the ownership interest in a subsidiary without a loss of control | – | – | (1,011) | (1,011) | (2,509) | (3,520) |
| Transfer from other components of equity to retained earnings | 559 | 467 | (467) | – | – | – |
| Other increase (decrease) | – | – | – | – | 1,775 | 1,775 |
| Total transactions with the owners | 559 | 586 | (154,163) | (153,493) | (3,553) | (157,047) |
| As of December 31, 2013 | – | 58,222 | 1,675,251 | 2,225,396 | 87,751 | 2,313,146 |

## (4) Condensed interim consolidated statement of cash flows

(Millions of yen)

| | Nine months ended December 31, 2012 Restated* | Nine months ended December 31, 2013 |
|---|---|---|
| Cash flows from operating activities | | |
| Profit before income taxes | 391,904 | 504,478 |
| Depreciation and amortization | 86,009 | 98,482 |
| Impairment losses | 2,540 | 602 |
| Interest and dividend income | (3,177) | (4,458) |
| Interest expense | 7,521 | 6,511 |
| Share of profit in investments accounted for using the equity method | (2,649) | (890) |
| (Gain) loss on sale and disposal of property, plant and equipment, intangible assets, and investment property | (11,775) | (38,327) |
| (Increase) decrease in trade and other receivables | (51,869) | (21,605) |
| (Increase) decrease in inventories | (6,265) | (33,722) |
| Increase (decrease) in trade and other payables | (57) | 78 |
| Increase (decrease) in retirement benefit liabilities | (244) | 94 |
| (Increase) decrease in prepaid tobacco excise taxes | (13,551) | (7,636) |
| Increase (decrease) in tobacco excise tax payable | 49,371 | 24,231 |
| Increase (decrease) in consumption tax payable | 867 | 7,544 |
| Other | (14,508) | (50,086) |
| Subtotal | 434,118 | 485,297 |
| Interest and dividends received | 4,549 | 6,579 |
| Interest paid | (8,546) | (7,370) |
| Income taxes paid | (85,407) | (168,277) |
| Net cash flows from operating activities | 344,714 | 316,229 |
| Cash flows from investing activities | | |
| Purchase of securities | (4,133) | (8,336) |
| Proceeds from sale and redemption of securities | 2,568 | 20,034 |
| Purchase of property, plant and equipment | (77,554) | (90,464) |
| Proceeds from sale of investment property | 14,909 | 53,000 |
| Purchase of intangible assets | (14,453) | (14,536) |
| Payments into time deposits | (26,466) | (579) |
| Proceeds from withdrawal of time deposits | 30,530 | 4,535 |
| Purchase of investments in subsidiaries | (45,376) | – |
| Purchase of investments in associates | (973) | (74,801) |
| Other | 3,252 | (14,063) |
| Net cash flows from investing activities | (117,696) | (125,209) |

(Millions of yen)

| | Nine months ended December 31, 2012 Restated* | Nine months ended December 31, 2013 |
|---|---|---|
| Cash flows from financing activities | | |
| Dividends paid to owners of the parent company | (114,172) | (152,441) |
| Dividends paid to non-controlling interests | (3,344) | (2,034) |
| Capital contribution from non-controlling interests | 215 | 59 |
| Increase (decrease) in short-term borrowings and commercial paper | (9,955) | 10,697 |
| Proceeds from long-term borrowings | 514 | 70 |
| Repayments of long-term borrowings | (80,586) | (20,468) |
| Proceeds from issuance of bonds | – | 49,395 |
| Redemption of bonds | (60,350) | – |
| Repayments of finance lease obligations | (3,598) | (3,759) |
| Acquisition of treasury shares | – | (0) |
| Payments for acquisition of interests in subsidiaries from non-controlling interests | (505) | (4,462) |
| Other | – | 0 |
| Net cash flows from financing activities | (271,781) | (122,944) |
| Net increase (decrease) in cash and cash equivalents | (44,762) | 68,076 |
| Cash and cash equivalents at the beginning of the period | 404,740 | 142,713 |
| Effect of exchange rate changes on cash and cash equivalents | (16,459) | 8,879 |
| Cash and cash equivalents at the end of the period | 343,519 | 219,668 |

*Please refer to "Matters regarding summary information (Notes), (2) Changes in accounting policies and changes in accounting estimates."

## (5) Segment information

### a. Outline of reportable segments

The reportable segments of the JT Group are determined based on the operating segments that are components of the JT Group about which separate financial information is available and are evaluated regularly by the Board of Directors in deciding how to allocate resources and in assessing performance.

The JT Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs, beverages and processed foods. With respect to tobacco products, operations are managed separately for domestic and overseas markets. The reportable segments of the JT Group are composed of five segments: “Domestic Tobacco Business,” “International Tobacco Business,” “Pharmaceutical Business,” “Beverage Business” and “Processed Food Business.” They are determined by types of products, characteristics, and markets.

The “Domestic Tobacco Business” manufactures and sells tobacco products in domestic areas (which include duty-free shops in Japan and markets in China, Hong Kong, and Macau where the Company’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 research and development, and the manufacture and sale of prescription drugs. The “Beverage Business” consists of the manufacture and sale of beverages. The “Processed Food Business” consists of the manufacture and sale of frozen and room temperature processed food, bakery products, and seasonings.

**b. Revenues and performances for reportable segments**

Revenues and performances for reportable segments are as follows. The Board of Directors assesses the segment performance and determines resource allocation after reviewing revenues and adjusted EBITDA. Since "Financial income," "Financial costs" and "Income taxes" are managed by the JT Group head office, these income and expenses are excluded from the segment performance. Transactions within the segments are based on mainly the prevailing market price.

**For the nine months ended December 31, 2012**

(Millions of yen)

| | Reportable Segments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic Tobacco | International Tobacco (Note 2) | Pharmaceutical | Beverage | Processed Food | Total | Other (Note 3) | Elimination | Consolidated |
| Revenue | | | | | | | | | |
| External revenue (Note 4) | 526,628 | 752,678 | 41,193 | 144,453 | 131,869 | 1,596,821 | 11,577 | – | 1,608,399 |
| Intersegment revenue | 20,844 | 23,379 | – | 90 | 524 | 44,837 | 6,932 | (51,770) | – |
| Total revenue | 547,473 | 776,057 | 41,193 | 144,543 | 132,393 | 1,641,659 | 18,510 | (51,770) | 1,608,399 |
| Segment profit (loss) | | | | | | | | | |
| Adjusted EBITDA (Note 1) | 226,860 | 265,989 | (8,556) | 10,503 | 5,212 | 500,008 | (5,089) | (450) | 494,469 |

**For the nine months ended December 31, 2013**

(Millions of yen)

| | Reportable Segments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic Tobacco | International Tobacco (Note 2) | Pharmaceutical | Beverage | Processed Food | Total | Other (Note 3) | Elimination | Consolidated |
| Revenue | | | | | | | | | |
| External revenue (Note 4) | 530,009 | 931,778 | 46,198 | 142,741 | 118,760 | 1,769,485 | 10,393 | – | 1,779,878 |
| Intersegment revenue | 16,725 | 28,136 | – | 80 | 574 | 45,515 | 7,475 | (52,990) | – |
| Total revenue | 546,734 | 959,914 | 46,198 | 142,820 | 119,334 | 1,815,000 | 17,869 | (52,990) | 1,779,878 |
| Segment profit (loss) | | | | | | | | | |
| Adjusted EBITDA (Note 1) | 224,393 | 350,742 | (5,924) | 6,550 | 5,597 | 581,358 | (7,018) | (246) | 574,094 |

Reconciliation from ”Adjusted EBITDA” to “Profit before income taxes”

For the nine months ended December 31, 2012

(Millions of yen)

| | Reportable Segments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic Tobacco | International Tobacco (Note 2) | Pharmaceutical | Beverage | Processed Food | Total | Other (Note 3) | Elimination | Consolidated |
| Adjusted EBITDA (Note 1) | 226,860 | 265,989 | (8,556) | 10,503 | 5,212 | 500,008 | (5,089) | (450) | 494,469 |
| Depreciation and amortization | (30,036) | (37,905) | (2,547) | (7,507) | (5,344) | (83,339) | (2,905) | 235 | (86,009) |
| Adjustment items (income) (Note 5) | 1,200 | 396 | – | – | – | 1,596 | 12,772 | – | 14,368 |
| Adjustment items (costs) (Note 5) | (101) | (2,670) | – | – | (6,415) | (9,186) | (2,066) | – | (11,252) |
| Operating profit (loss) | 197,922 | 225,809 | (11,103) | 2,996 | (6,546) | 409,079 | 2,712 | (215) | 411,575 |
| Financial income | | | | | | | | | 3,370 |
| Financial costs | | | | | | | | | (23,042) |
| Profit before income taxes | | | | | | | | | 391,904 |

For the nine months ended December 31, 2013

(Millions of yen)

| | Reportable Segments | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| | Domestic Tobacco | International Tobacco (Note 2) | Pharmaceutical | Beverage | Processed Food | Total | Other (Note 3) | Elimination | Consolidated |
| Adjusted EBITDA (Note 1) | 224,393 | 350,742 | (5,924) | 6,550 | 5,597 | 581,358 | (7,018) | (246) | 574,094 |
| Depreciation and amortization | (33,197) | (46,861) | (2,695) | (8,008) | (5,149) | (95,910) | (2,804) | 231 | (98,482) |
| Adjustment items (income) (Note 5) | 1,044 | – | – | – | 244 | 1,288 | 40,916 | – | 42,204 |
| Adjustment items (costs) (Note 5) | – | (1,625) | – | – | (592) | (2,217) | (1,171) | – | (3,389) |
| Operating profit (loss) | 192,240 | 302,255 | (8,619) | (1,458) | 100 | 484,518 | 29,923 | (14) | 514,427 |
| Financial income | | | | | | | | | 4,776 |
| Financial costs | | | | | | | | | (14,725) |
| Profit before income taxes | | | | | | | | | 504,478 |

Notes: 1. For adjusted EBITDA, "the depreciation and amortization and adjustment items (income and costs) are excluded from operating profit (loss).

2. The foreign subsidiaries group, which includes a core company of JT International S.A., that is part of the "International Tobacco Business" segment has December 31 as its fiscal year end date and the profit or loss for the period from January 1 to September 30 is included in the nine months ended December 31, 2012 and 2013, respectively.

3. "Other" includes business activities relating to rent of real estate and corporate expenses relating to corporate communication and operation of the head office.

4. Core revenue as part of the domestic tobacco business and the international tobacco business are as follows:

(Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
|---|---|---|
| Domestic Tobacco | 502,759 | 505,061 |
| International Tobacco | 702,859 | 878,883 |

5. Adjustment items (income) include restructuring income of gain on sale of real estates. Adjustment items (costs) include restructuring costs of the closing down of the factory and cooperation fee for terminating leaf tobacco farming.
The breakdown of adjustment items (costs) is as follows:

(Millions of yen)

| | Nine months ended December 31, 2012 | Nine months ended December 31, 2013 |
|---|---|---|
| Restructuring costs | 11,248 | 3,389 |
| Cooperation fee for terminating leaf tobacco farming | 4 | – |
| Adjustment items (costs) | 11,252 | 3,389 |

Restructuring costs for the nine months ended December 31, 2012 include costs of rationalization measures in the international tobacco business and the dissolution of the processed fishery products business in the processed food business.

## (6) Notes on premise of going concern

No items to report.