[This is an English translation prepared for reference purpose only. Should there be any inconsistency between the translation and the original Japanese text, the latter shall prevail.]

May 2, 2016

Consolidated Financial Results for the Three Months Ended March 31, 2016 <under IFRS>

Name of the Listed Company: **JAPAN TOBACCO INC.** (Stock Code: 2914)
Listed Stock Exchange: Tokyo Stock Exchange
URL: https://www.jti.co.jp/
Representative: Mitsuomi Koizumi, President, Chief Executive Officer and Representative Director
Contact: Kei Nakano, Senior Vice President, Communications
Telephone: +81-3-3582-3111
Scheduled date to file Quarterly Securities Report: May 6, 2016
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 three months of the fiscal year ending December 31, 2016 (from January 1, 2016 to March 31, 2016)

(1) Consolidated operating results (cumulative)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit before income taxes		Profit for the period	
Three months ended	Millions of yen	%	Millions of yen	%	Millions of yen	%	Millions of yen	%
March 31, 2016	534,088	3.4	203,692	41.3	200,339	37.2	146,403	39.4
March 31, 2015	516,651	-	144,137	-	146,067	-	105,036	-

	Profit attributable to owners of the parent company		Comprehensive income for the period		Basic earnings per share	Diluted earnings per share
Three months ended	Millions of yen	%	Millions of yen	%	Yen	Yen
March 31, 2016	145,445	39.6	33,538	-	81.22	81.17
March 31, 2015	104,195	-	(73,087)	-	57.59	57.56

The Company has changed its fiscal year end from March 31 to December 31 in the fiscal year 2014. The same change has been made to consolidated subsidiaries with fiscal year ends other than December 31. Consequently, year-on-year changes for three months ended March 31, 2015 are not presented.

The Group has classified "Beverage Business" as discontinued operations from the previous fiscal year. As a result, profit (loss) from discontinued operations is presented separately from those from continuing operations on the condensed interim consolidated financial statements for three months ended March 31, 2015. Consequently, only the continuing operations are indicated in the revenue, operating profit and profit before income taxes stated in the above table for three months ended March 31, 2015.

(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
March 31, 2016	4,699,527	2,441,338	2,370,942	50.5	1,323.95
December 31, 2015	4,558,235	2,521,524	2,451,596	53.8	1,369.06

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 December 31, 2015	-	54.00	-	64.00	118.00
Year ending December 31, 2016	-				
Year ending December 31, 2016 (Forecast)		64.00	-	64.00	128.00

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2016 (January 1, 2016 to December 31, 2016)

(Percentages indicate year-on-year changes.)

	Revenue		Operating profit		Profit attributable to owners of the parent company		Basic earnings per share
	Millions of yen	%	Millions of yen	%	Millions of yen	%	Yen
Year ending December 31, 2016	2,200,000	(2.3)	566,000	0.1	399,000	(17.8)	222.82

Note: Revisions to the consolidated earnings forecasts most recently announced: None

The Group has classified “Beverage Business” as discontinued operations from the previous fiscal year. As a result, the consolidated earnings forecasts for the fiscal year ending December 31, 2016, are earnings forecasts for continuing operations only.
The year-on-year change stated in the above table for profit attributable to owners of the parent company is based on a comparison of profit attributable to owners of the parent company in the fiscal year 2015 (¥485,691 million), which includes discontinued operations. The aforementioned profit does, however, include gains from the transfer of shares of subsidiaries conducting the vending machine operation business.
Profit attributable to owners of the parent company from continuing operations in the fiscal year 2015 is ¥398,454 million. When performing a comparison based on this amount, the year-on-year change for profit attributable to owners of the parent company for the fiscal year ending December 31, 2016 is 0.1%.

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

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

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

As of March 31, 2016	2,000,000,000	shares
As of December 31, 2015	2,000,000,000	shares

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

As of March 31, 2016	209,193,231	shares
As of December 31, 2015	209,285,431	shares

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

Three months ended March 31, 2016	1,790,800,411	shares
Three months ended March 31, 2015	1,809,191,436	shares

* 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

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 "FORWARD-LOOKING STATEMENTS" for the suppositions that form the assumptions for earnings forecasts and cautions concerning the use of earnings forecasts.

Please refer to JT's website (https://www.jti.co.jp/) for materials for investors' meeting.

Matters regarding summary information (Notes)

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation)

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 December 31, 2015, with the exception of the items described below.

The Group calculated income taxes for the three months ended March 31, 2016, based on the estimated average annual effective tax rate.

(Changes in accounting policies)

The accounting standards and interpretations applied by the Group effective from the first quarter ended March 31, 2016, are as follows.

IFRS		Description of new standards/amendments
IAS 19	Employee Benefits	Clarification of the method for determining the discount rate for post-employment benefit obligations

The application of the above standards and interpretations does not have a material impact on the condensed interim consolidated financial statements.

* In addition to the information provided above, reference information regarding settlement of accounts and earnings forecasts are separately provided in the supplementary document "Consolidated financial results for FY2016 First Quarter."

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;

(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; and

(10) catastrophes, including natural disasters.

1. Condensed interim consolidated financial statements

(1) Condensed interim consolidated statement of financial position

(Millions of yen)

	As of December 31, 2015	As of March 31, 2016
Assets		
Current assets		
Cash and cash equivalents	526,765	159,235
Trade and other receivables	406,387	400,363
Inventories	563,820	555,101
Other financial assets	17,849	20,283
Other current assets	280,493	360,297
Subtotal	1,795,313	1,495,280
Non-current assets held-for-sale	2,904	433
Total current assets	1,798,217	1,495,713
Non-current assets		
Property, plant and equipment	681,865	664,499
Goodwill	1,429,287	1,654,037
Intangible assets	332,478	477,546
Investment property	23,614	19,360
Retirement benefit assets	38,954	36,285
Investments accounted for using the equity method	59,523	59,686
Other financial assets	101,727	93,776
Deferred tax assets	92,570	198,624
Total non-current assets	2,760,017	3,203,813
Total assets	4,558,235	4,699,527

(Millions of yen)

	As of December 31, 2015	As of March 31, 2016
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	373,032	332,047
Bonds and borrowings	30,980	497,011
Income tax payables	106,391	58,399
Other financial liabilities	6,459	7,207
Provisions	19,297	18,995
Other current liabilities	729,761	601,853
Total current liabilities	1,265,920	1,515,510
Non-current liabilities		
Bonds and borrowings	215,938	211,902
Other financial liabilities	10,143	9,126
Retirement benefit liabilities	333,562	336,286
Provisions	9,210	6,674
Other non-current liabilities	113,958	100,644
Deferred tax liabilities	87,979	78,046
Total non-current liabilities	770,790	742,678
Total liabilities	2,036,710	2,258,189
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(444,333)	(444,138)
Other components of equity	(137,122)	(235,631)
Retained earnings	2,196,651	2,214,310
Equity attributable to owners of the parent company	2,451,596	2,370,942
Non-controlling interests	69,929	70,396
Total equity	2,521,524	2,441,338
Total liabilities and equity	4,558,235	4,699,527

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

Condensed interim consolidated statement of income

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Continuing operations		
Revenue	516,651	534,088
Cost of sales	(202,062)	(214,671)
Gross profit	314,589	319,416
Other operating income	1,240	57,098
Share of profit in investments accounted for using the equity method	905	860
Selling, general and administrative expenses	(172,598)	(173,683)
Operating profit	144,137	203,692
Financial income	4,312	2,183
Financial costs	(2,382)	(5,537)
Profit before income taxes	146,067	200,339
Income taxes	(40,320)	(53,936)
Profit for the period from continuing operations	105,747	146,403
Discontinued operations		
Profit (loss) for the period from discontinued operations	(711)	–
Profit for the period	105,036	146,403
Attributable to:		
Owners of the parent company	104,195	145,445
Non-controlling interests	841	958
Profit for the period	105,036	146,403
Interim earnings per share		
Basic (Yen)		
Continuing operations	58.09	81.22
Discontinued operations	(0.49)	–
Total basic earnings per share for the interim period	57.59	81.22
Diluted (Yen)		
Continuing operations	58.05	81.17
Discontinued operations	(0.49)	–
Total diluted earnings per share for the interim period	57.56	81.17

Reconciliation from "Operating profit" to "Adjusted operating profit"

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Continuing operations		
Operating profit	144,137	203,692
Amortization cost of acquired intangibles	7,457	12,212
Adjustment items (income)	(65)	(56,298)
Adjustment items (costs)	7,714	4,779
Adjusted operating profit	159,243	164,385

Condensed interim consolidated statement of comprehensive income

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Profit for the period	105,036	146,403
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	6,672	(3,129)
Remeasurements of defined benefit plans	(14,541)	(13,170)
Total of items that will not be reclassified to profit or loss	(7,869)	(16,299)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	(170,420)	(95,133)
Net gain (loss) on derivatives designated as cash flow hedges	166	(1,433)
Total of items that may be reclassified subsequently to profit or loss	(170,255)	(96,566)
Other comprehensive income (loss), net of taxes	(178,123)	(112,865)
Comprehensive income (loss) for the period	(73,087)	33,538
Attributable to:		
Owners of the parent company	(73,502)	33,136
Non-controlling interests	415	402
Comprehensive income (loss) for the period	(73,087)	33,538

(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 January 1, 2015	100,000	736,400	(344,447)	1,631	116,421	1,215	23,156
Profit for the period	–	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	(169,865)	166	6,564
Comprehensive income (loss) for the period	–	–	–	–	(169,865)	166	6,564
Acquisition of treasury shares	–	–	(100,000)	–	–	–	–
Disposal of treasury shares	–	5	11	(16)	–	–	–
Share-based payments	–	–	–	29	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in the scope of consolidation	–	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(11)
Other increase (decrease)	–	–	–	–	–	(462)	–
Total transactions with the owners	–	5	(99,988)	13	–	(462)	(11)
As of March 31, 2015	100,000	736,405	(444,435)	1,644	(53,443)	919	29,710
As of January 1, 2016	100,000	736,400	(444,333)	1,941	(172,473)	125	33,284
Profit for the period	–	–	–	–	–	–	–
Other comprehensive income (loss)	–	–	–	–	(94,663)	(1,433)	(3,041)
Comprehensive income (loss) for the period	–	–	–	–	(94,663)	(1,433)	(3,041)
Acquisition of treasury shares	–	–	–	–	–	–	–
Disposal of treasury shares	–	–	196	(170)	–	–	–
Share-based payments	–	–	–	44	–	–	–
Dividends	–	–	–	–	–	–	–
Changes in the scope of consolidation	–	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	–	–	–	–	–	–	(134)
Other increase (decrease)	–	–	–	–	–	889	–
Total transactions with the owners	–	–	196	(127)	–	889	(134)
As of March 31, 2016	100,000	736,400	(444,138)	1,815	(267,135)	(420)	30,109

(Millions of yen)

	Equity attributable to owners of the parent company					
	Other components of equity					
	Remeasurements of defined benefit plans	Total	Retained earnings	Total	Non-controlling interests	Total equity
As of January 1, 2015	–	142,425	1,902,460	2,536,838	85,665	2,622,503
Profit for the period	–	–	104,195	104,195	841	105,036
Other comprehensive income (loss)	(14,562)	(177,697)	–	(177,697)	(426)	(178,123)
Comprehensive income (loss) for the period	(14,562)	(177,697)	104,195	(73,502)	415	(73,087)
Acquisition of treasury shares	–	–	–	(100,000)	–	(100,000)
Disposal of treasury shares	–	(16)	–	0	–	0
Share-based payments	–	29	–	29	–	29
Dividends	–	–	(90,878)	(90,878)	(1,166)	(92,044)
Changes in the scope of consolidation	–	–	–	–	–	–
Changes in the ownership interest in a subsidiary without a loss of control	–	–	–	–	–	–
Transfer from other components of equity to retained earnings	14,562	14,551	(14,551)	–	–	–
Other increase (decrease)	–	(462)	–	(462)	(38)	(500)
Total transactions with the owners	14,562	14,102	(105,429)	(191,311)	(1,204)	(192,515)
As of March 31, 2015	–	(21,171)	1,901,226	2,272,025	84,876	2,356,900
As of January 1, 2016	–	(137,122)	2,196,651	2,451,596	69,929	2,521,524
Profit for the period	–	–	145,445	145,445	958	146,403
Other comprehensive income (loss)	(13,172)	(112,309)	–	(112,309)	(556)	(112,865)
Comprehensive income (loss) for the period	(13,172)	(112,309)	145,445	33,136	402	33,538
Acquisition of treasury shares	–	–	–	–	–	–
Disposal of treasury shares	–	(170)	(25)	0	–	0
Share-based payments	–	44	–	44	–	44
Dividends	–	–	(114,606)	(114,606)	(868)	(115,474)
Changes in the scope of consolidation	–	–	–	–	933	933
Changes in the ownership interest in a subsidiary without a loss of control	–	–	(117)	(117)	(0)	(117)
Transfer from other components of equity to retained earnings	13,172	13,038	(13,038)	–	–	–
Other increase (decrease)	–	889	–	889	–	889
Total transactions with the owners	13,172	13,800	(127,786)	(113,790)	65	(113,725)
As of March 31, 2016	–	(235,631)	2,214,310	2,370,942	70,396	2,441,338

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Cash flows from operating activities		
Profit before income taxes	146,067	200,339
Profit before income taxes from discontinued operations	(774)	–
Depreciation and amortization	35,080	36,406
Impairment losses	438	378
Interest and dividend income	(4,239)	(2,160)
Interest expense	921	1,969
Share of profit in investments accounted for using the equity method	(905)	(860)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	4,953	(27,129)
(Gains) losses on sale of investments in subsidiaries	–	(26,116)
(Increase) decrease in trade and other receivables	21,389	(4,999)
(Increase) decrease in inventories	4,290	(5,460)
Increase (decrease) in trade and other payables	(20,841)	(29,298)
Increase (decrease) in retirement benefit liabilities	(7,665)	(6,872)
(Increase) decrease in prepaid tobacco excise taxes	(56,829)	(83,689)
Increase (decrease) in tobacco excise tax payables	(118,226)	(100,793)
Increase (decrease) in consumption tax payables	(39,890)	(1,159)
Other	(57,280)	(18,565)
Subtotal	(93,511)	(68,009)
Interest and dividends received	4,377	1,421
Interest paid	(976)	(1,506)
Income taxes paid	(50,216)	(104,205)
Net cash flows from operating activities	(140,326)	(172,299)
Cash flows from investing activities		
Purchase of securities	(51)	(234)
Proceeds from sale and redemption of securities	86	644
Purchase of property, plant and equipment	(29,717)	(22,660)
Proceeds from sale of investment property	70	28,462
Purchase of intangible assets	(3,294)	(2,346)
Payments into time deposits	(193)	(195)
Proceeds from withdrawal of time deposits	162	187
Payments for business combinations	–	(586,796)
Proceeds from sale of investments in subsidiaries	–	26,989
Other	(1,974)	(2,901)
Net cash flows from investing activities	(34,910)	(558,852)

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Cash flows from financing activities		
Dividends paid to owners of the parent company	(90,167)	(113,573)
Dividends paid to non-controlling interests	(522)	(479)
Increase (decrease) in short-term borrowings and commercial paper	179,720	484,785
Repayments of long-term borrowings	(63)	(62)
Repayments of finance lease obligations	(1,199)	(138)
Acquisition of treasury shares	(100,000)	–
Other	0	0
Net cash flows from financing activities	(12,230)	370,532
Net increase (decrease) in cash and cash equivalents	(187,466)	(360,619)
Cash and cash equivalents at the beginning of the period	385,820	526,765
Effect of exchange rate changes on cash and cash equivalents	(3,172)	(6,910)
Cash and cash equivalents at the end of the period	195,182	159,235

(5) Segment information

a. Outline of reportable segments

The reportable segments of the Group are determined based on the operating segments that are components of the Group for 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 Group is mainly engaged in the manufacture and sale of tobacco products, prescription drugs and processed foods. With respect to tobacco products, operations are managed separately for domestic and overseas markets. The reportable segments of the Group are composed of four segments: "Domestic Tobacco Business," "International Tobacco Business," "Pharmaceutical 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 "Processed Food Business" consists of the manufacture and sale of frozen and room-temperature processed foods, bakery products and seasonings.

In addition, "Beverage Business" was classified as discontinued operations and excluded from reportable segments in the prior year.

b. Revenues and performances of reportable segments

Revenues and performances of reportable segments from continuing operations are as follows. The Board of Directors assesses the segment performance and determines resource allocation after reviewing revenues and adjusted operating profit. Since financial income, financial costs and income taxes are managed by the Group head office, these income and expenses are excluded from segment performance. Transactions within the segments are based mainly on prevailing market prices.

For the three months ended March 31, 2015

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Revenue								
External revenue (Note 3)	157,818	299,868	16,637	38,893	513,217	3,434	–	516,651
Intersegment revenue	5,628	10,200	–	7	15,836	2,594	(18,429)	–
Total revenue	163,446	310,069	16,637	38,900	529,052	6,028	(18,429)	516,651
Segment profit (loss)								
Adjusted operating profit (Note 1)	56,954	104,972	(837)	899	161,988	(2,554)	(191)	159,243

For the three months ended March 31, 2016

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Revenue								
External revenue (Note 3)	168,370	301,843	21,549	39,415	531,177	2,911	–	534,088
Intersegment revenue	5,699	8,803	–	5	14,507	2,297	(16,804)	–
Total revenue	174,068	310,647	21,549	39,420	545,684	5,208	(16,804)	534,088
Segment profit (loss)								
Adjusted operating profit (Note 1)	65,747	99,508	3,185	1,164	169,604	(5,017)	(202)	164,385

Reconciliation from "Adjusted operating profit" to "Profit before income taxes"

For the three months ended March 31, 2015

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	56,954	104,972	(837)	899	161,988	(2,554)	(191)	159,243
Amortization cost of acquired intangibles	–	(7,457)	–	–	(7,457)	–	–	(7,457)
Adjustment items (income) (Note 4)	40	–	–	25	65	–	–	65
Adjustment items (costs) (Note 4)	(1,239)	(486)	–	(2)	(1,727)	(5,987)	–	(7,714)
Operating profit (loss)	55,755	97,029	(837)	922	152,868	(8,541)	(191)	144,137
Financial income								4,312
Financial costs								(2,382)
Profit before income taxes								146,067

For the three months ended March 31, 2016

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	65,747	99,508	3,185	1,164	169,604	(5,017)	(202)	164,385
Amortization cost of acquired intangibles	(4,061)	(8,151)	–	–	(12,212)	–	–	(12,212)
Adjustment items (income) (Note 4)	1	–	–	–	1	56,297	–	56,298
Adjustment items (costs) (Note 4)	185	(738)	–	(1)	(554)	(4,225)	–	(4,779)
Operating profit (loss)	61,872	90,619	3,185	1,163	156,839	47,055	(202)	203,692
Financial income								2,183
Financial costs								(5,537)
Profit before income taxes								200,339

(Note 1) For adjusted operating profit, amortization cost of acquired intangibles, and adjustment items (income and costs) are excluded from operating profit (loss).

(Note 2) "Other" includes business activities relating to rent of real estate and corporate expenses relating to corporate communication and operation of the head office.

(Note 3) Core revenue as part of the "Domestic Tobacco Business" and the "International Tobacco Business" is as follows:

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Domestic Tobacco	149,578	160,593
International Tobacco	282,266	284,669

(Note 4) "Adjustment items (income)" include restructuring income of gains on sale of real estate. "Adjustment items (costs)" include restructuring costs of the closing down of a factory.
The breakdown of "Adjustment items (costs)" is as follows:

(Millions of yen)

	Three months ended March 31, 2015	Three months ended March 31, 2016
Restructuring costs	7,714	4,779
Adjustment items (costs)	7,714	4,779

Restructuring costs for the three months ended March 31, 2015 and 2016 mainly relate to disposal of real estate.

(6) Notes on premise of going concern

No items to report

(7) Subsequent events

The Company issued Straight Bonds in USD on April 13, 2016 as follows:

The Straight Bonds in USD with General Mortgage (Five Years)

1.	Total amount of issue:	$0.75 billion
2.	Interest rate:	2.00% per annum
3.	Issue price:	$100 per face value of $99.976
4.	Redemption price:	$100 per face value of $100
5.	Issue date:	April 13, 2016
6.	Maturity date:	April 13, 2021
7.	Redemption:	The Bonds will be redeemed in full upon maturity. The Company may, at any time after the date of payment, purchase the Bonds and have such purchased Bonds cancelled.
8.	Mortgage:	General mortgage under the Japan Tobacco Inc. Act
9.	Use of proceeds:	Refinance of the bridge loans for acquisition of the Natural American Spirit business outside the United States

The Straight Bonds in USD with General Mortgage (Ten Years)

1.	Total amount of issue:	$0.5 billion
2.	Interest rate:	2.80% per annum
3.	Issue price:	$100 per face value of $99.879
4.	Redemption price:	$100 per face value of $100
5.	Issue date:	April 13, 2016
6.	Maturity date:	April 13, 2026
7.	Redemption:	The Bonds will be redeemed in full upon maturity. The Company may, at any time after the date of payment, purchase the Bonds and have such purchased Bonds cancelled.
8.	Mortgage:	General mortgage under the Japan Tobacco Inc. Act
9.	Use of proceeds:	Refinance of the bridge loans for acquisition of the Natural American Spirit business outside the United States