[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.]

October 31, 2018

Consolidated Financial Results for the Nine Months Ended September 30, 2018 <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: Masamichi Terabatake, Representative Director and President, Chief Executive Officer
Contact: Kei Nakano, Senior Vice President, Communications
Telephone: +81-3-3582-3111
Scheduled date to file Quarterly Securities Report: November 1, 2018
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 December 31, 2018 (from January 1, 2018 to September 30, 2018)

(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	%
September 30, 2018	1,675,819	5.2	477,093	1.6	449,402	(1.0)	334,878	(0.4)
September 30, 2017	1,592,899	(1.6)	469,668	(5.0)	453,935	(6.3)	336,266	(4.8)

	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
September 30, 2018	332,686	(0.3)	153,784	(65.4)	185.73	185.64
September 30, 2017	333,698	(4.7)	444,955	-	186.32	186.21

(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
September 30, 2018	5,347,070	2,725,266	2,654,323	49.6	1,481.73
December 31, 2017	5,221,484	2,842,027	2,761,687	52.9	1,541.94

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, 2017	-	70.00	-	70.00	140.00
Year ending December 31, 2018	-	75.00	-		
Year ending December 31, 2018 (Forecast)				75.00	150.00

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2018 (January 1, 2018 to December 31, 2018)

(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, 2018	2,190,000	2.4	532,000	(5.2)	370,000	(5.7)	206.56

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

[Additional Information] Growth rate in adjusted operating profit at constant rates of exchange:
The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

(Percentages indicate year-on-year changes.)

	Adjusted operating profit at constant rates of exchange	
	Millions of yen	%
Nine months ended September 30, 2018 (Cumulative)	530,731	9.2
Year ending December 31, 2018 (Forecast)	624,000	6.6

Note: Revisions to the consolidated earnings forecasts most recently announced: Yes
The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group's target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group's performance. For details of these financial measures, please refer to "Proper use of earnings forecasts, and other special matters, (2)."

For detailed information on the consolidated financial results, please visit the Company's website (https://www.jti.co.jp/investors/index.html), where materials for investors' meeting have been released today, and refer to the quarterly securities report scheduled to be submitted on November 1, 2018.

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 "1. Matters regarding summary information, (1) Changes in accounting policies and changes in accounting estimates."

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

As of September 30, 2018	2,000,000,000	shares
As of December 31, 2017	2,000,000,000	shares

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

As of September 30, 2018	208,635,240	shares
As of December 31, 2017	208,956,589	shares

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

Nine months ended September 30, 2018	1,791,256,836	shares
Nine months ended September 30, 2017	1,790,983,795	shares

* Quarterly financial results reports are exempt from quarterly review conducted by certified public accountants or an audit corporation.

* Proper use of earnings forecasts, and other special matters

(1) The forward-looking statements, including earnings 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.

(2) The Group also discloses certain non-GAAP financial measures that are not required or defined under IFRS, which is the accounting standard the Company applies. These non-GAAP financial measures are used internally to manage each of the business operations to understand their underlying performance, in view of the Group's target for mid- to long-term sustainable growth, and the Group believes that these financial measures are useful information for users of the financial statements to assess the Group's performance.

   Adjusted operating profit

   Adjusted operating profit presented is operating profit (loss) less amortization cost of acquired intangibles arising from business acquisitions and adjustment items (income and costs). Adjustment items (income and costs) are impairment losses on goodwill, and restructuring income and costs, and other items. Furthermore, adjusted operating profit at constant rates of exchange is also presented as additional information. This is a financial measurement that excludes foreign exchange effects by translating and calculating adjusted operating profit for the current period in the International Tobacco Business using the foreign exchange rates of the same period of the previous year. The Group has set its group-wide target for annual average growth rate in adjusted operating profit at constant rates of exchange, at mid to high single-digit over the mid- to long-term, and will continue to pursue this goal.

(3) Regarding tobacco business, core revenue is disclosed as a breakdown of revenue. Specifically, the Domestic Tobacco Business includes revenue from the domestic duty-free market as well as from markets in China, Hong Kong and Macau that are under the control of the Company's China Division, in addition to revenue related to RRP, but it excludes revenue related to imported tobacco delivery charges, among others. In addition, the International Tobacco Business includes revenue related to waterpipe tobacco products and RRP, but excludes revenue related to the distribution business and contract manufacturing, among others.

Attached Materials

Index

1. Matters regarding summary information 2
(1) Changes in accounting policies and changes in accounting estimates 2
(2) Revisions to the consolidated earnings forecasts most recently announced 3

2. Condensed interim consolidated financial statements 5
(1) Condensed interim consolidated statement of financial position 5
(2) Condensed interim consolidated statement of income and consolidated statement of comprehensive income 7
(3) Condensed interim consolidated statement of changes in equity 9
(4) Condensed interim consolidated statement of cash flows 11
(5) Segment information 13
(6) Notes on premise of going concern 16

1. Matters regarding summary information

(1) 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, 2017 except the following items.
The Group computes income taxes for the interim period based on the estimated average annual effective tax rate.

(Changes in accounting policies)
The Group has adopted the following new accounting standards, amended standards and new interpretations from the first quarter ended March 31, 2018.

IFRS		Description of new standards and amendments
IFRS 9	Financial Instruments	Limited changes to classification and measurement of financial assets, and introduction of an expected credit loss impairment model
IFRS 15	Revenue from Contracts with Customers	Amendments to accounting treatment for recognizing revenue

The effect of adopting IFRS 9 on the condensed interim consolidated financial statements is immaterial.
In adopting IFRS 15, the Group used a transition method by which the cumulative effect of initially applying this Standard was recognized at the date of initial application.
In accordance with IFRS 15, revenue is recognized based on the following five-step approach.

Step 1: Identify the contract with a customer
Step 2: Identify the performance obligations in the contract
Step 3: Determine the transaction price
Step 4: Allocate the transaction price to the performance obligations in the contract
Step 5: Recognize revenue when the entity satisfies a performance obligation

The Group mainly engages in the sale of tobacco products, prescription drugs, and processed foods. Revenue is recognized upon delivery of the products because the customer obtains control of the products upon delivery, by which the Group evaluates that the performance obligation is satisfied. Revenue is measured at the consideration promised in a contract with a customer, less discounts, rebates and taxes, including consumption tax.
The tobacco excise taxes and other transactions in which the Group is involved as an agency are excluded from revenue. The amount after deducting the tobacco excise taxes and other transactions is presented as “Revenue” in the condensed interim consolidated statement of income.
As a result of identification of performance obligations under contracts with customers based on the above five-step approach, the sales promotion and other expenses paid by the Group to customers, which have been previously accounted for as selling, general and administrative expenses, are partially deducted from revenue from the first quarter ended March 31, 2018. In addition, shipping and warehousing expenses and other expenses necessary for satisfying performance obligations that have been previously accounted for as selling, general and administrative expenses are accounted for as cost of sales from the first quarter ended March 31, 2018.
As a result, compared to the application of the former accounting standard, “Revenue” and “Selling, general and administrative expenses” decreased by ¥6,874 million and ¥52,080 million respectively, and “Cost of sales” increased by ¥45,206 million on the condensed interim consolidated statement of income for the nine months ended September 30, 2018. The above effects include promotion expenses (¥5,611 million) accounted for as reductions of revenue, as well as shipping and warehousing expenses (¥21,192 million) accounted for as cost of sales.
These changes have no effect on operating profit and profit for the period.

(2) Revisions to the consolidated earnings forecasts most recently announced

The Group has revised the earnings forecasts in light of circumstances up until now. The forecast for adjusted operating profit at constant rates of exchange has also been upwardly revised from the most recently announced forecast and 6.6% growth year on year is expected.

(Billions of yen)

	Earnings forecasts	Changes from the consolidated earnings forecasts most recently announced	Year-on-year changes [%]
Revenue	2,190.0	(50.0)	2.4
Adjusted operating profit inclusive of exchange rate effects	575.0	(11.0)	(1.8)
Operating profit	532.0	(9.0)	(5.2)
Profit attributable to owners of the parent company	370.0	(7.0)	(5.7)

FORWARD-LOOKING STATEMENTS

This document contains forward-looking statements. These statements appear in a number of places in this document 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) increase in awareness of health concerns related to smoking;

(2) regulatory developments; including, without limitation, tax increases and restrictions on sales, marketing, packaging, labeling and use of tobacco products, privately imposed restrictions and governmental investigations;

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

(4) our ability to further diversify our business beyond the traditional tobacco industry;

(5) our ability to successfully expand internationally and make investments outside Japan;

(6) competition and changing consumer preferences;

(7) our ability to manage impacts derived from business diversification or business expansion;

(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.

2. Condensed interim consolidated financial statements

(1) Condensed interim consolidated statement of financial position

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
Assets		
Current assets		
Cash and cash equivalents	285,486	283,280
Trade and other receivables	431,199	492,914
Inventories	612,954	632,924
Other financial assets	14,016	29,589
Other current assets	361,715	366,796
Subtotal	1,705,370	1,805,505
Non-current assets held-for-sale	2,396	119
Total current assets	1,707,767	1,805,624
Non-current assets		
Property, plant and equipment	745,607	734,875
Goodwill	1,891,210	1,935,805
Intangible assets	479,175	483,429
Investment property	16,700	18,033
Retirement benefit assets	51,377	56,845
Investments accounted for using the equity method	81,253	70,053
Other financial assets	114,970	116,576
Deferred tax assets	133,425	125,831
Total non-current assets	3,513,717	3,541,446
Total assets	5,221,484	5,347,070

(Millions of yen)

	As of December 31, 2017	As of September 30, 2018
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	395,733	393,905
Bonds and borrowings	398,182	183,435
Income tax payables	46,452	48,918
Other financial liabilities	6,906	12,140
Provisions	13,028	10,495
Other current liabilities	618,322	732,078
Total current liabilities	1,478,623	1,380,971
Non-current liabilities		
Bonds and borrowings	346,955	693,153
Other financial liabilities	11,013	10,570
Retirement benefit liabilities	330,762	322,322
Provisions	4,005	3,829
Other non-current liabilities	120,779	117,357
Deferred tax liabilities	87,319	93,602
Total non-current liabilities	900,833	1,240,833
Total liabilities	2,379,456	2,621,804
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(443,636)	(442,954)
Other components of equity	(167,338)	(346,784)
Retained earnings	2,536,262	2,607,660
Equity attributable to owners of the parent company	2,761,687	2,654,323
Non-controlling interests	80,340	70,943
Total equity	2,842,027	2,725,266
Total liabilities and equity	5,221,484	5,347,070

(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 September 30, 2017	Nine months ended September 30, 2018
Revenue	1,592,899	1,675,819
Cost of sales	(619,334)	(685,128)
Gross profit	973,565	990,691
Other operating income	34,340	23,958
Share of profit in investments accounted for using the equity method	5,032	2,987
Selling, general and administrative expenses	(543,269)	(540,543)
Operating profit	469,668	477,093
Financial income	3,657	4,063
Financial costs	(19,390)	(31,755)
Profit before income taxes	453,935	449,402
Income taxes	(117,669)	(114,523)
Profit for the period	336,266	334,878
Attributable to:		
Owners of the parent company	333,698	332,686
Non-controlling interests	2,568	2,192
Profit for the period	336,266	334,878
Interim earnings per share		
Basic (Yen)	186.32	185.73
Diluted (Yen)	186.21	185.64

Reconciliation from “Operating profit” to “Adjusted operating profit”

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Operating profit	469,668	477,093
Amortization cost of acquired intangibles arising from business acquisitions	36,002	44,722
Adjustment items (income)	(27,095)	(17,043)
Adjustment items (costs)	7,476	6,218
Adjusted operating profit	486,051	510,991

Condensed interim consolidated statement of comprehensive income

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Profit for the period	336,266	334,878
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	3,153	(3,876)
Remeasurements of defined benefit plans	(895)	(2,790)
Total of items that will not be reclassified to profit or loss	2,258	(6,666)
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations	106,525	(174,178)
Net gain (loss) on derivatives designated as cash flow hedges	(94)	(250)
Total of items that may be reclassified subsequently to profit or loss	106,430	(174,428)
Other comprehensive income (loss), net of taxes	108,689	(181,094)
Comprehensive income (loss) for the period	444,955	153,784
Attributable to:		
Owners of the parent company	442,112	151,733
Non-controlling interests	2,843	2,052
Comprehensive income (loss) for the period	444,955	153,784

(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, 2017	100,000	736,400	(443,822)	1,794	(335,642)	440	29,854
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	106,296	(94)	3,106
Comprehensive income (loss) for the period	—	—	—	—	106,296	(94)	3,106
Acquisition of treasury shares	—	—	(0)	—	—	—	—
Disposal of treasury shares	—	10	68	(77)	—	—	—
Share-based payments	—	—	—	253	—	—	—
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	—	—	—	—	—	—	(410)
Other increase (decrease)	—	—	—	—	—	(462)	—
Total transactions with the owners	—	10	67	175	—	(462)	(410)
As of September 30, 2017	100,000	736,410	(443,754)	1,969	(229,346)	(116)	32,551
As of January 1, 2018	100,000	736,400	(443,636)	1,964	(207,884)	(88)	38,670
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	(173,975)	(250)	(3,939)
Comprehensive income (loss) for the period	—	—	—	—	(173,975)	(250)	(3,939)
Acquisition of treasury shares	—	—	(0)	—	—	—	—
Disposal of treasury shares	—		682	(601)	—	—	—
Share-based payments	—	—	—	207	—	—	—
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	—	—	—	—	—	—	(810)
Other increase (decrease)	—	—	—	—	—	(77)	—
Total transactions with the owners	—	—	682	(394)	—	(77)	(810)
As of September 30, 2018	100,000	736,400	(442,954)	1,570	(381,859)	(416)	33,921

(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, 2017	—	(303,554)	2,367,067	2,456,091	71,950	2,528,041
Profit for the period	—	—	333,698	333,698	2,568	336,266
Other comprehensive income (loss)	(895)	108,413	—	108,413	275	108,689
Comprehensive income (loss) for the period	(895)	108,413	333,698	442,112	2,843	444,955
Acquisition of treasury shares	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	(77)	—	0	—	0
Share-based payments	—	253	—	253	4	257
Dividends	—	—	(243,572)	(243,572)	(1,547)	(245,119)
Changes in the scope of consolidation	—	—	—	—	362	362
Changes in the ownership interest in a subsidiary without a loss of control	—	—	(0)	(0)	28	28
Transfer from other components of equity to retained earnings	895	485	(485)	—	—	—
Other increase (decrease)	—	(462)	—	(462)	—	(462)
Total transactions with the owners	895	199	(244,058)	(243,782)	(1,153)	(244,935)
As of September 30, 2017	—	(194,942)	2,456,707	2,654,421	73,640	2,728,061
As of January 1, 2018	—	(167,338)	2,536,262	2,761,687	80,340	2,842,027
Profit for the period	—	—	332,686	332,686	2,192	334,878
Other comprehensive income (loss)	(2,790)	(180,954)	—	(180,954)	(140)	(181,094)
Comprehensive income (loss) for the period	(2,790)	(180,954)	332,686	151,733	2,052	153,784
Acquisition of treasury shares	—	—	—	(0)	—	(0)
Disposal of treasury shares	—	(601)	(81)	0	—	0
Share-based payments	—	207	2	208	36	244
Dividends	—	—	(259,724)	(259,724)	(1,793)	(261,517)
Changes in the scope of consolidation	—	—	—	—	28	28
Changes in the ownership interest in a subsidiary without a loss of control	—	—	495	495	(9,719)	(9,224)
Transfer from other components of equity to retained earnings	2,790	1,979	(1,979)	—	—	—
Other increase (decrease)	—	(77)	—	(77)	—	(77)
Total transactions with the owners	2,790	1,508	(261,287)	(259,097)	(11,448)	(270,546)
As of September 30, 2018	—	(346,784)	2,607,660	2,654,323	70,943	2,725,266

(4) Condensed interim consolidated statement of cash flows

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Cash flows from operating activities		
Profit before income taxes	453,935	449,402
Depreciation and amortization	106,192	116,291
Impairment losses	1,550	870
Reversal of impairment losses on investments in associates	(8,848)	—
Interest and dividend income	(3,458)	(4,061)
Interest expense	8,285	10,803
Share of profit in investments accounted for using the equity method	(5,032)	(2,987)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(15,979)	(13,156)
(Increase) decrease in trade and other receivables	(18,246)	(64,446)
(Increase) decrease in inventories	(6,755)	(35,400)
Increase (decrease) in trade and other payables	(40,359)	10,644
Increase (decrease) in retirement benefit liabilities	(11,610)	(11,458)
(Increase) decrease in prepaid tobacco excise taxes	(30,327)	(14,251)
Increase (decrease) in tobacco excise tax payables	1,900	89,304
Increase (decrease) in consumption tax payables	4,174	1,229
Other	(3,136)	(2,400)
Subtotal	432,286	530,382
Interest and dividends received	8,871	9,687
Interest paid	(6,752)	(9,556)
Income taxes paid	(99,953)	(102,896)
Net cash flows from operating activities	334,452	427,618
Cash flows from investing activities		
Purchase of securities	(4,752)	(25,300)
Proceeds from sale and redemption of securities	3,740	3,912
Purchase of property, plant and equipment	(86,078)	(90,164)
Proceeds from sale of investment property	17,805	23,851
Purchase of intangible assets	(10,065)	(16,506)
Payments into time deposits	(223)	(64)
Proceeds from withdrawal of time deposits	214	56
Payments for business combinations	(82,372)	(131,919)
Purchase of investments in associates	(40)	—
Other	(9,483)	2,210
Net cash flows from investing activities	(171,256)	(233,925)

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Cash flows from financing activities		
Dividends paid to owners of the parent company	(243,426)	(259,375)
Dividends paid to non-controlling interests	(1,271)	(1,514)
Capital contribution from non-controlling interests	14	9
Increase (decrease) in short-term borrowings and commercial paper	(217)	(191,790)
Proceeds from long-term borrowings	850	1,632
Repayments of long-term borrowings	(385)	(2,479)
Proceeds from issuance of bonds	—	341,516
Redemption of bonds	—	(54,086)
Proceeds from sale and leaseback transactions	2,819	—
Repayments of finance lease obligations	(972)	(1,281)
Acquisition of treasury shares	(0)	(0)
Payments for acquisition of interests in subsidiaries from non-controlling interests	—	(9,420)
Other	0	0
Net cash flows from financing activities	(242,588)	(176,789)
Net increase (decrease) in cash and cash equivalents	(79,392)	16,904
Cash and cash equivalents at the beginning of the period	294,157	285,486
Effect of exchange rate changes on cash and cash equivalents	2,216	(19,110)
Cash and cash equivalents at the end of the period	216,980	283,280

(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 ambient processed foods, bakery products and seasonings.

b. Revenues and performances of reportable segments

Revenues and performances of reportable segments 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 nine months ended September 30, 2017

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Revenue								
External revenue (Note 3)	468,389	927,480	74,222	117,297	1,587,388	5,511	—	1,592,899
Intersegment revenue	6,549	23,558	—	17	30,124	6,032	(36,156)	—
Total revenue	474,938	951,038	74,222	117,314	1,617,512	11,543	(36,156)	1,592,899
Segment profit (loss)								
Adjusted operating profit (Note 1)	177,967	307,096	15,824	2,951	503,837	(17,886)	100	486,051

For the nine months ended September 30, 2018

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Revenue								
External revenue (Note 3)	472,390	999,409	81,754	117,163	1,670,716	5,103	—	1,675,819
Intersegment revenue	5,983	19,366	—	0	25,349	4,332	(29,681)	—
Total revenue	478,373	1,018,774	81,754	117,163	1,696,065	9,435	(29,681)	1,675,819
Segment profit (loss)								
Adjusted operating profit (Note 1)	172,800	336,864	19,281	2,064	531,008	(20,062)	44	510,991

Reconciliation from “Adjusted operating profit” to “Profit before income taxes”

For the nine months ended September 30, 2017

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	177,967	307,096	15,824	2,951	503,837	(17,886)	100	486,051
Amortization cost of acquired intangibles arising from business acquisitions	(12,184)	(23,819)	—	—	(36,002)	—	—	(36,002)
Adjustment items (income) (Note 4)	6	10,797	—	—	10,802	16,292	—	27,095
Adjustment items (costs) (Note 5)	(26)	(5,618)	—	(20)	(5,665)	(1,811)	—	(7,476)
Operating profit (loss)	165,763	288,455	15,824	2,930	472,972	(3,404)	100	469,668
Financial income								3,657
Financial costs								(19,390)
Profit before income taxes								453,935

For the nine months ended September 30, 2018

(Millions of yen)

	Reportable Segments					Other (Note 2)	Elimination	Consolidated
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total			
Adjusted operating profit (Note 1)	172,800	336,864	19,281	2,064	531,008	(20,062)	44	510,991
Amortization cost of acquired intangibles arising from business acquisitions	(12,184)	(32,538)	—	—	(44,722)	—	—	(44,722)
Adjustment items (income) (Note 4)	5	1,599	—	35	1,640	15,403	—	17,043
Adjustment items (costs) (Note 5)	(286)	(1,153)	—	(1,194)	(2,633)	(3,586)	—	(6,218)
Operating profit (loss)	160,335	304,772	19,281	906	485,293	(8,244)	44	477,093
Financial income								4,063
Financial costs								(31,755)
Profit before income taxes								449,402

(Note 1) For adjusted operating profit, amortization cost of acquired intangibles arising from business acquisitions, 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)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Domestic Tobacco	443,100	444,388
International Tobacco	882,871	953,159

(Note 4) The breakdown of "Adjustment items (income)" is as follows:

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Restructuring incomes	16,338	15,991
Reversal of impairment losses on investments in associates	8,848	—
Other	1,909	1,052
Adjustment items (income)	27,095	17,043

Restructuring incomes for the nine months ended September 30, 2017 and 2018 mainly relate to gains on sale of real estate.

(Note 5) The breakdown of "Adjustment items (costs)" is as follows:

(Millions of yen)

	Nine months ended September 30, 2017	Nine months ended September 30, 2018
Restructuring costs	7,476	5,166
Other	—	1,053
Adjustment items (costs)	7,476	6,218

Restructuring costs for the nine months ended September 30, 2017 mainly relate to rationalization of the production and distribution system in some markets in the "International Tobacco Business."

Restructuring costs for the nine months ended September 30, 2018 mainly relate to disposal of real estate and rationalization of the production and distribution system in some markets in the "International Tobacco Business." Other for the nine months ended September 30, 2018 relates to settlement of the litigation in September 2018.

(6) Notes on premise of going concern

No items to report