[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, 2019

Consolidated Financial Results for the Nine Months Ended September 30, 2019 <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
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Scheduled date to file Quarterly Securities Report: November 1, 2019
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, 2019 (from January 1, 2019 to September 30, 2019)

(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, 2019	1,633,748	(2.5)	440,597	(7.6)	411,564	(8.4)	328,771	(1.8)
September 30, 2018	1,675,819	5.2	477,093	1.6	449,402	(1.0)	334,878	(0.4)

	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, 2019	316,148	(5.0)	254,435	65.4	177.83	177.75
September 30, 2018	332,686	(0.3)	153,784	(65.4)	185.73	185.64

(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, 2019	5,267,857	2,632,461	2,552,179	48.4	1,438.82
December 31, 2018	5,461,400	2,700,445	2,630,594	48.2	1,468.44

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, 2018	-	75.00	-	75.00	150.00
Year ending December 31, 2019	-	77.00	-		
Year ending December 31, 2019 (Forecast)				77.00	154.00

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

3. Consolidated earnings forecasts for the fiscal year ending December 31, 2019 (January 1, 2019 to December 31, 2019)

(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, 2019	2,170,000	(2.1)	505,000	(10.6)	340,000	(11.8)	191.36

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, 2019 (Cumulative)	526,244	3.0
Year ending December 31, 2019 (Forecast)	605,000	1.6

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.jt.com/investors/), where materials for investors' meeting have been released today, and refer to the quarterly securities report scheduled to be submitted on November 1, 2019.

Notes

(1) Changes in significant subsidiaries during the current period (changes in specified subsidiaries resulting in change in scope of consolidation): Yes
Excluded: One company (TableMark Holdings Co., Ltd.)

(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, 2019	2,000,000,000	shares
As of December 31, 2018	2,000,000,000	shares

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

As of September 30, 2019	226,204,463	shares
As of December 31, 2018	208,576,641	shares

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

Nine months ended September 30, 2019	1,777,787,005	shares
Nine months ended September 30, 2018	1,791,256,836	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, 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.

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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 year ended December 31, 2018 except the following item.
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 January 1, 2019.

IFRS		Description of new standards and amendments
IFRS 16	Leases	Amendments to accounting treatment for lease arrangements

At inception of a contract, the Group assesses whether the contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. The Group elects not to recognize right-of-use assets and lease liabilities for short-term leases within 12 months and leases of low-value assets. If a contract is, or contains, a lease, except for short-term leases and leases of low-value assets, the Group recognizes right-of-use assets and lease liabilities on the condensed interim consolidated statement of financial position at the commencement date. The Group recognizes the lease payments associated with short-term leases and leases of low-value assets as an expense on a straight-line basis over the lease term.
Right-of-use asset is measured by using the cost model and is stated at cost less accumulated depreciation and accumulated impairment losses.
An acquisition cost of a right-of-use asset includes the amount of the initial measurement of the lease liability, any lease payments made at or before the commencement date, and any initial direct costs. The right-of-use asset is depreciated using the straight-line method over its estimated useful lives or lease terms, whichever is shorter. The lease liability is initially measured at the present value of the lease payment that are not paid at the commencement date. The lease payments are apportioned between the financial cost and the reduction in the lease liability based on the effective interest method. The financial costs are recognized in the condensed interim consolidated statement of income.

In adopting IFRS 16, the Group used a transition method by which the cumulative effect of initially adopting this standard was recognized at the date of initial application.
The weighted average lessee's incremental borrowing rate which applied to lease liabilities on the condensed interim consolidated statement of financial position at the date of initial application is 4.1%.
The difference between the total amount of future minimum lease payments under non-cancellable operating leases (discounted by the lessee's incremental borrowing rate above) which were disclosed adopting IAS 17 "Leases" (hereinafter referred to as "IAS 17") at the end of the consolidated fiscal year immediately before the initial application and the lease liabilities on the condensed interim consolidated statement of financial position at the date of initial application is mainly due to the estimation difference of the lease term of lands and buildings for the period which excesses non-cancellable period.

The Group has adopted this standard to contracts that were previously identified as leases adopting IAS 17 and IFRIC 4 "Determining whether an Arrangement Contains a Lease" (hereinafter referred to as "IFRIC 4") without reassessing whether a contract is, or contains, a lease at the date of initial application. The Group has not adopted this standard to contracts that were not previously identified as containing a lease adopting IAS 17 and IFRIC 4.

For leases previously classified as operating leases adopting IAS 17, the following practical expedients permitted as transition methods are adopted:

- A single discount rate is applied to a portfolio of leases with reasonably similar characteristics.
- Leases for which the lease term ends within 12 months of the date of initial application are accounted for in the same way as short-term leases.
- Initial direct costs are excluded from the measurement of right-of-use assets at the date of initial application.

As a result of adoption of IFRS 16, “Assets” and “Liabilities” increased by ¥39,033 million at the date of initial application. There is an immaterial impact on operating profit and profit for the period.
In order to reflect the change in accounting method in accordance with the adoption of IFRS 16, “Repayments of finance lease obligations” which was presented in “Cash flows from financing activities” of the consolidated statement of cash flows for the year ended December 31, 2018, has been presented as “Repayments of lease liabilities” from the first quarter ended March 31, 2019.

(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 revenue is unchanged from the most recently announced forecast.

(Billions of yen)

	Earnings forecasts	Changes from the consolidated earnings forecasts most recently announced	Year-on-year changes [%]
Revenue	2,170.0	-	(2.1)
Adjusted operating profit	518.0	(5.0)	(13.0)
Operating profit	505.0	(13.0)	(10.6)
Profit attributable to owners of the parent company	340.0	(20.0)	(11.8)
Adjusted operating profit at constant rates of exchange	605.0	(5.0)	1.6

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, 2018	**As of September 30, 2019**
Assets		
Current assets		
Cash and cash equivalents	282,063	181,675
Trade and other receivables	456,591	470,876
Inventories	649,238	642,346
Other financial assets	35,633	32,598
Other current assets	385,872	376,818
Subtotal	1,809,396	1,704,313
Non-current assets held-for-sale	10	17,790
Total current assets	1,809,406	1,722,102
Non-current assets		
Property, plant and equipment	758,841	790,962
Goodwill	2,008,416	1,943,130
Intangible assets	503,076	443,754
Investment property	17,558	16,596
Retirement benefit assets	57,140	55,818
Investments accounted for using the equity method	66,807	48,182
Other financial assets	115,046	126,171
Deferred tax assets	125,109	121,142
Total non-current assets	3,651,993	3,545,754
Total assets	5,461,400	5,267,857

(Millions of yen)

	As of December 31, 2018	**As of September 30, 2019**
Liabilities and equity		
Liabilities		
Current liabilities		
Trade and other payables	380,516	348,239
Bonds and borrowings	250,466	423,244
Income tax payables	72,449	41,137
Other financial liabilities	4,486	18,293
Provisions	6,078	11,258
Other current liabilities	716,190	550,399
Total current liabilities	1,430,185	1,392,569
Non-current liabilities		
Bonds and borrowings	727,314	638,383
Other financial liabilities	10,067	41,224
Retirement benefit liabilities	321,838	301,951
Provisions	3,780	18,205
Other non-current liabilities	179,274	162,559
Deferred tax liabilities	88,497	80,505
Total non-current liabilities	1,330,770	1,242,826
Total liabilities	2,760,955	2,635,395
Equity		
Share capital	100,000	100,000
Capital surplus	736,400	736,400
Treasury shares	(442,829)	(492,487)
Other components of equity	(423,357)	(497,582)
Retained earnings	2,660,381	2,705,848
Equity attributable to owners of the parent company	2,630,594	2,552,179
Non-controlling interests	69,851	80,283
Total equity	2,700,445	2,632,461
Total liabilities and equity	5,461,400	5,267,857

(2) Condensed Interim Consolidated Statement of Income and Consolidated Statement of Comprehensive Income

Condensed Interim Consolidated Statement of Income

Nine months ended September 30, 2018 and 2019

(Millions of yen)

	2018	**2019**
Revenue	1,675,819	1,633,748
Cost of sales	(685,128)	(689,768)
Gross profit	990,691	943,979
Other operating income	23,958	72,228
Share of profit in investments accounted for using the equity method	2,987	3,837
Selling, general and administrative expenses	(540,543)	(579,447)
Operating profit	477,093	440,597
Financial income	4,063	5,929
Financial costs	(31,755)	(34,962)
Profit before income taxes	449,402	411,564
Income taxes	(114,523)	(82,792)
Profit for the period	334,878	328,771
Attributable to		
Owners of the parent company	332,686	316,148
Non-controlling interests	2,192	12,623
Profit for the period	334,878	328,771
Interim earnings per share		
Basic (Yen)	185.73	177.83
Diluted (Yen)	185.64	177.75

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

(Millions of yen)

	2018	**2019**
Operating profit	477,093	440,597
Amortization cost of acquired intangibles arising from business acquisitions	44,722	51,137
Adjustment items (income)	(17,043)	(65,416)
Adjustment items (costs)	6,218	25,203
Adjusted operating profit	510,991	451,522

Condensed Interim Consolidated Statement of Comprehensive Income

Nine months ended September 30, 2018 and 2019

(Millions of yen)

	2018	**2019**
Profit for the period	334,878	328,771
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	(3,876)	(907)
Remeasurements of defined benefit plans	(2,790)	—
Total of items that will not be reclassified to profit or loss	(6,666)	(907)
Items that may be reclassified subsequently to profit or loss		
Exchange differences on translation of foreign operations	(174,178)	(73,195)
Net gain (loss) on derivatives designated as cash flow hedges	(250)	(235)
Total of items that may be reclassified subsequently to profit or loss	(174,428)	(73,429)
Other comprehensive income (loss), net of taxes	(181,094)	(74,336)
Comprehensive income (loss) for the period	153,784	254,435
Attributable to		
Owners of the parent company	151,733	242,439
Non-controlling interests	2,052	11,996
Comprehensive income (loss) for the period	153,784	254,435

(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, 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
As of January 1, 2019	100,000	736,400	(442,829)	1,547	(454,918)	443	29,570
Profit for the period	—	—	—	—	—	—	—
Other comprehensive income (loss)	—	—	—	—	(72,473)	(235)	(1,002)
Comprehensive income (loss) for the period	—	—	—	—	(72,473)	(235)	(1,002)
Acquisition of treasury shares	—	—	(50,000)	—	—	—	—
Disposal of treasury shares	—	—	343	(270)	—	—	—
Share-based payments	—	—	—	217	—	—	—
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	—	—	—	—	—	—	(347)
Other increase (decrease)	—	—	—	—	—	(115)	—
Total transactions with the owners	—	—	(49,657)	(53)	—	(115)	(347)
As of September 30, 2019	100,000	736,400	(492,487)	1,494	(527,391)	94	28,221

(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, 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
As of January 1, 2019	—	(423,357)	2,660,381	2,630,594	69,851	2,700,445
Profit for the period	—	—	316,148	316,148	12,623	328,771
Other comprehensive income (loss)	—	(73,709)	—	(73,709)	(627)	(74,336)
Comprehensive income (loss) for the period	—	(73,709)	316,148	242,439	11,996	254,435
Acquisition of treasury shares	—	—	—	(50,000)	—	(50,000)
Disposal of treasury shares	—	(270)	(73)	0	—	0
Share-based payments	—	217	(19)	198	47	245
Dividends	—	—	(270,936)	(270,936)	(1,569)	(272,505)
Changes in the scope of consolidation	—	—	—	—	—	—
Changes in the ownership interest in a subsidiary without a loss of control	—	—	(0)	(0)	(42)	(43)
Transfer from other components of equity to retained earnings	—	(347)	347	—	—	—
Other increase (decrease)	—	(115)	—	(115)	—	(115)
Total transactions with the owners	—	(516)	(270,681)	(320,854)	(1,565)	(322,419)
As of September 30, 2019	—	(497,582)	2,705,848	2,552,179	80,283	2,632,461

(4) Condensed Interim Consolidated Statement of Cash Flows

Nine months ended September 30, 2018 and 2019 (Millions of yen)

	2018	**2019**
Cash flows from operating activities		
Profit before income taxes	449,402	411,564
Depreciation and amortization	116,291	135,871
Impairment losses	870	3,251
Interest and dividend income	(4,061)	(5,708)
Interest expense	10,803	21,198
Share of profit in investments accounted for using the equity method	(2,987)	(3,837)
(Gains) losses on sale and disposal of property, plant and equipment, intangible assets and investment property	(13,156)	(183)
(Increase) decrease in trade and other receivables	(64,446)	(30,840)
(Increase) decrease in inventories	(35,400)	(7,242)
Increase (decrease) in trade and other payables	10,644	(20,225)
Increase (decrease) in retirement benefit liabilities	(11,458)	(12,102)
(Increase) decrease in prepaid tobacco excise taxes	(14,251)	3,877
Increase (decrease) in tobacco excise tax payables	89,304	(119,922)
Increase (decrease) in consumption tax payables	1,229	12,704
Other	(2,400)	3,992
Subtotal	530,382	392,397
Interest and dividends received	9,687	10,917
Interest paid	(9,556)	(19,594)
Income taxes paid	(102,896)	(125,950)
Net cash flows from operating activities	427,618	257,770
Cash flows from investing activities		
Purchase of securities	(25,300)	(33,117)
Proceeds from sale and redemption of securities	3,912	28,085
Purchase of property, plant and equipment	(90,164)	(78,454)
Proceeds from sale of investment property	23,851	3,985
Purchase of intangible assets	(16,506)	(13,194)
Payments into time deposits	(64)	(209)
Proceeds from withdrawal of time deposits	56	204
Payments for business combinations	(131,919)	―
Subsequent payments for past fiscal years' business combinations	(3,530)	(33,537)
Other	5,741	1,451
Net cash flows from investing activities	(233,925)	(124,786)

(Millions of yen)

	2018	**2019**
Cash flows from financing activities		
Dividends paid to owners of the parent company	(259,375)	(270,650)
Dividends paid to non-controlling interests	(1,514)	(1,333)
Capital contribution from non-controlling interests	9	81
Increase (decrease) in short-term borrowings and commercial paper	(191,790)	120,259
Proceeds from long-term borrowings	1,632	—
Repayments of long-term borrowings	(2,479)	(11,327)
Proceeds from issuance of bonds	341,516	—
Redemption of bonds	(54,086)	—
Repayments of lease liabilities	(1,281)	(10,436)
Acquisition of treasury shares	(0)	(50,000)
Payments for acquisition of interests in subsidiaries from non-controlling interests	(9,420)	(1)
Other	0	0
Net cash flows from financing activities	(176,789)	(223,407)
Net increase (decrease) in cash and cash equivalents	16,904	(90,423)
Cash and cash equivalents at the beginning of the period	285,486	282,063
Effect of exchange rate changes on cash and cash equivalents	(19,110)	(9,965)
Cash and cash equivalents at the end of the period	283,280	181,675

(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.

Nine months ended September 30, 2018 (Millions of yen)

	Reportable Segments							
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total	Other (Note 2)	Elimination	Consolidated
Revenue								
External revenue	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

Nine months ended September 30, 2019 (Millions of yen)

	Reportable Segments							
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total	Other (Note 2)	Elimination	Consolidated
Revenue								
External revenue	466,444	984,685	63,310	114,755	1,629,195	4,553	—	1,633,748
Intersegment revenue	5,484	21,600	—	1	27,085	5,306	(32,390)	—
Total revenue	471,928	1,006,285	63,310	114,756	1,656,280	9,858	(32,390)	1,633,748
Segment profit (loss)								
Adjusted operating profit (Note 1)	165,393	296,464	7,819	2,891	472,567	(21,002)	(44)	451,522

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

Nine months ended September 30, 2018

(Millions of yen)

	Reportable Segments							
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total	Other (Note 2)	Elimination	Consolidated
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 3)	5	1,599	—	35	1,640	15,403	—	17,043
Adjustment items (costs) (Note 4)	(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

Nine months ended September 30, 2019

(Millions of yen)

	Reportable Segments							
	Domestic Tobacco	International Tobacco	Pharma-ceuticals	Processed Food	Total	Other (Note 2)	Elimination	Consolidated
Adjusted operating profit (Note 1)	165,393	296,464	7,819	2,891	472,567	(21,002)	(44)	451,522
Amortization cost of acquired intangibles arising from business acquisitions	(12,184)	(38,954)	—	—	(51,137)	—	—	(51,137)
Adjustment items (income) (Note 3)	24	1,474	61,018	461	62,977	2,439	—	65,416
Adjustment items (costs) (Note 4)	—	(19,320)	(4,039)	(278)	(23,637)	(1,566)	—	(25,203)
Operating profit (loss)	153,234	239,664	64,798	3,074	460,769	(20,128)	(44)	440,597
Financial income								5,929
Financial costs								(34,962)
Profit before income taxes								411,564

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

Nine months ended September 30, 2018 and 2019 (Millions of yen)

	2018	**2019**
Gain on transfer of pharmaceutical licenses	—	60,518
Restructuring incomes	15,991	3,448
Other	1,052	1,450
Adjustment items (income)	17,043	65,416

Restructuring incomes for nine months ended September 30, 2018 and 2019 mainly relate to gains on sale of real estate.

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

Nine months ended September 30, 2018 and 2019 (Millions of yen)

	2018	**2019**
Restructuring costs	5,166	23,759
Other	1,053	1,444
Adjustment items (costs)	6,218	25,203

Restructuring costs for 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." Restructuring costs for nine months ended September 30, 2019 mainly relate to business operation transformation in the "International Tobacco Business" and business structure reform in the "Pharmaceutical Business." Other for nine months ended September 30, 2018 relates to settlement of the litigation in September 2018. Other for nine months ended September 30, 2019 mainly relates to disposal of real estate.

(6) Note on Premise of Going Concern

No items to report